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TABLE OF CONTENTS

EDITORIAL ADVISORY BOARD	I
DISCLAIMER	II
Principals' Leadership Styles And Job Performance Of Teachers In Public Secondary Schools In Imo State, Nigeria Chidinma Evan Obi Victoria C. Onyeike	01
Child Abandonment And Its Implications For Educational Development In Nigeria Josephine Azuka Onyido (PhD) Bokime Gabriel Akpan	13
Returnable packaging as a sustainability factor in the automotive chain: a case study. Getulio K. Akabane Fernando José Bussola Antonio César Galhardi Hamilton Pozo José Martino Neto	21
Applied Learning Through the Management of Online Educational Resources Pradeep Charath Christina DeKoekkoek Maris Stella (Star) Swift	32
Positive Findings Regarding a New Trend in University Architecture Evaluating Student Impressions of an Innovative Academic Building Son Nguyen Kristin Kennedy William H. Zywiak	39
Strategic Entrepreneurship and Performance of Small and Medium Scale Enterprises in Aba Metropolis Olubisi Grace Makinde Carolyn Ugochi Agu	49
The (in)completeness of local integrity systems A cross-sectional study on municipal integrity systems for civil servants in the Netherlands André van Montfort, PhD Becir Ogric, MSc Leo Huberts, PhD	70

Relationship Between Internal Audit Practices And Performance Of Water Service Providers In Kenya	91
Perminus Nyaga Ndimitu Dr. Cyrus Iraya Mwangi Dr. Sifunjo Kisaka Dr. Mirie Mwangi	
Learning and competences of management students in Brazil: the participation of organizations and university in process of supervised internship	105
Roberto Rodrigues de Souza Júnior Miguel Carlos Ramos Dumer Alexandre dos Santos Cerqueira Mark Miranda de Mendonça Filipe Bressanelli Azevedo	
Production Planning and Raw Materials Supply to Meet Fluctuative Demand for Livestock Feed Flour	116
Zainal Arief Ida Aju Brahmasari Anis Eliyana M. Fahrul Rozi	
Lending Growth As A Fiqh Implication Toward Product Development Of Islamic Bank In Indonesia	122
Indupurnahayu Riris Aishah Prasetyowati	
Establishing The Total Quality Of A Type Of Result Obtained By An Economic Company - Generalities	134
Nicolae Dobrițoiu	
Independence and Fraud Detection: Influence on The Professionalism of Forensic Auditor	141
Tries Ellia Sandari Tri Ratnawati Indrawati Yuhertiana	
Investment Decision, Capital Decision, Industry Performance, Economic Macros as Antecedent Variables of Financial Risk Management and Financial Distress Against Value of The Firm With GCG As a Variable Moderating For Manufacturing Companies Registered On The Indonesian stock exchange.	147
Ulfi Pristiana Tri Ratnawati Andre Dwijanto Witjaksono	
Strategic Planning, External Environment and Performance of County Governments in Kenya	164
Catherine N. David Dr. Washington Okeyo	

Financial Inclusion: A Veritable Tool For Inclusive Growth And Poverty Alleviation In Nigeria O. S. Uwakaeme, Ph.D	175
Planning For Instructional Resources For Science Based Subjects In Secondary Schools In Kenya: Addressing Financing Options Paul Amolloh Odundo Charles Richard Oyier	198
Technical and Operational Innovations approaches to firm performance of SMEs auto service sector Collins KanKam-Kwarteng John Gartchie Gatsi Stephen Acheampong Jacob Donkor	211
The vision of the Disney World: an experience marketing study at The Walt Disney Company Rachel Farias do Patrocinio Juliana Lopes de Almeida Souza Carolina Toledo Oliveira Santos Katheryne Soares Martins	222

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Principals' Leadership Styles And Job Performance Of Teachers In Public Secondary Schools In Imo State, Nigeria

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ABSTRACT

The study investigated the extent principals' leadership styles predict job performance of teachers in public secondary schools in Imo State. Four research questions were answered while four hypotheses were tested at 0.05 alpha level. The study adopted a correlational research design. The population for this study comprised all the four hundred and thirty (430) vice principals in the public secondary schools spread across the six (6) educational zones in Imo State. A sample of 239 vice principals were drawn with the use of multi-stage sampling approach. Two sets of instruments titled Principals' Leadership Styles Questionnaire (PLSQ), and Job Performance of Teachers (JPTQ) were used and duly validated. The Cronbach alpha was used to compute the reliability coefficients of the instruments as follows: Principals' Leadership Styles Questionnaire (PLSQ) - 0.720, and Job Performance of Teachers Questionnaire (JPTQ) - 0.720. Data were analyzed using multiple and simple regression, which were used to answer the research questions, while ANOVA associated with multiple regressions and t-test associated with simple regression respectively were used to test the null hypotheses. The result of the study revealed that principals' leadership styles jointly and significantly predicted job performance of teachers in secondary schools in Imo State. Transformational leadership style was the most potent predictor of job performance. It was recommended among others that school principals should endeavour to enroll in leadership training programmes from time to time in order to enhance their leadership quality and efficiency for improved job performance of teachers.

Keywords: Leadership, Styles, Transformational Leadership, Transactional Leadership, Laissez faire Leadership and Job Performance of Teachers

INTRODUCTION

The Principal has key tasks to perform in realizing the objectives of secondary education. Apart from creating a comfortable teaching and learning atmosphere in the school, he is to provide effective leadership and enhance job performance among the teachers. The term job performance is a multidimensional concept that has been used in organizations all over the world. It is used to describe tasks done by workers in their various organizations. Motiwidlo, Borman & Schmidt in Bullock (2013) defined job performance as the overall expected value from employees behaviours carried out over the course of a set period of time. Motowidlo et al in Bullock (2013) saw job performance as that entire worth of an employees' conduct which he performs over a certain period of time.

An employee is expected to perform some duties in his workplace, in which over a particular period may be assessed if he is really doing well or not. Campbell (1990) described job performance as something done by an employee or a person. This can be seen as a duty or

obligation carried out by an employee. Job performance therefore, is the act of accomplishing a task for which an individual or employee is paid for. From these definitions, something valuable is expected from employee's behavior in the workplace. Job performance is usually associated with behavior and outcomes. Generally, the behavior of workers can make or mar the organization's goal and objectives.

It is widely agreed that job performance consists of complicated series of interacting variables pertaining to aspects of the job, the employee and the environment (Milkovich & Wigdor, 1991). Job performance is usually associated with good and comfortable working conditions. Meeting the expectation and needs of the employee results in high job performance while depriving them of these expectations leads to low outcome in the workplace. One of the most important resources used in education is the teacher. The importance of a teacher as a facilitator of learning process to achieve learning outcomes cannot be overemphasized, especially due to his roles in the impartation of knowledge in a morally acceptable manner.

Job performance of teachers could also be seen as those duties in the school implemented by a teacher at any specified time which is geared towards accomplishing the daily school and classroom tasks as well as the set goals and objectives of education. Furthermore, job performance of teachers could be measured through annual report of their activities in terms of performance in teaching, lesson preparation, and presentation, mastery of subject matter, competence, teachers' commitment to job and extra-curricular activities. Other areas of assessment include effective leadership, supervision, monitoring of students' work, motivating students' interest, class control and disciplinary ability of the teachers (Adeyemi, 2011).

The job performance of teachers in the public secondary schools in Imo State, Nigeria has remained questionable in contemporary times as there is still public outcry. As a teacher, personal observation has shown that some teachers no matter the condition of service or the working conditions carry out their duties enthusiastically. These teachers exhibit high regard and value for their noble profession. They are always committed and willing to render academic services to students. They prepare their lesson notes and showcase their competency and mastery of their subject. They handle any extra-curricular activity assigned to them in the school wholeheartedly. They give assignments and supervise their classwork and even give more attention to students that are low achievers in the classroom. Their overall response to duties assigned to them by the principal or head of their subject department portrays high level of job performance.

Conversely, personal experience also has shown that there are some teachers who do not take their teaching profession seriously. In most situations these teachers do not attend their classes regularly and their lesson note is not up to date. When they manage to go to class, they go there late, tell the students stories and even punish them for any little misconduct. These groups of teachers are not committed to their duties and cannot deliver adequately both to the students and to the school management. The laissez faire attitudes of some of these teachers reflect on the poor performance of students both in their internal and external examinations as well as litanies of students' indiscipline in schools.

Leadership plays an important role in the school effectiveness and school improvement. Leadership is the ability to influence others so that they will willingly and enthusiastically accomplish the organizational goals. Leadership is defined as the ability to get things done with the support and cooperation of other people within the institution, organization or system (Adesina in Kiboss & Jemiryott, 2014). Ukeje & Okorie in Okorie (2009) opined that leadership

is the process of influencing, directing and coordinating the activities of other people in an organization. Put together, school leadership can be viewed as the Principal's ability to influence teachers, students and parents so that they can willingly and cooperatively contribute towards the achievement of the school objectives. The type of leadership that is at play in our educational institution varies due to the fact that an individual (leader) is not only responsible for the groups performances, but also actively seeks the collaboration and commitment of all the group members (stakeholders, parents, etc.) towards the achievement of the group objectives for a particular task.

Leadership styles of principals are those patterns of behavior used by them to influence the group members' (teachers, students and parents) performances. It varies from one institution to another as no two educational leaders (Principals) can administer their educational institutions in the same manner. Leadership style is the attitude in which a leader uses to provide direction, implements plans, and motivates people so as to achieve organizational objectives. It can be seen as a peculiar way of leading people.

In recent years, leadership styles have become an important topic of study in the field of management and many researchers consider leadership style as an important variable that influences how individuals perform in organizations. The preferred leadership styles identified by Bass are transformational, transactional and laissez-faire. These leadership styles have been found as an important predictor of organization performance. There are various leadership styles that exist, which are autocratic, democratic, charismatic, transactional and laissez-faire leadership styles.

In this study, the following leadership styles are considered: transformational, transactional and laissez-faire leadership styles. For teachers to perform efficiently and effectively, it is presumed that principals' leadership style could be essential. Transformational leaders create new things from old existing things by changing the primary, cultural, and political systems. They are proactive and also assist their followers to achieve unusually high performance results. Transformational leadership to some extent is people oriented. Research has not only authenticated the existence of transformational leadership but also consistently has linked the practice of these transformational leadership behaviours with employee performance and satisfaction (Bass & Riggio, 2006; Dumdum, Lowe & Avolio, 2002; Trottier, Van Wart & Wang, 2008; Sajjadi, 2014). With this in mind, the researcher would explore the relationship between secondary school principals' leadership style and job performance of teachers within the conceptual framework of the full range of leadership model advanced by Bass (Bass, 1985).

The transactional leaders make adjustments to the organizational mission, structure and human resources. They stimulate their followers by exchanging rewards for services rendered. Laissez-faire type of leadership is the absence of transactions with followers. It allows freedom to group decision without the participation of the leader. Therefore there is need to examine the relationship between these variables and job performance of teachers.

Adeyemi (2011), investigated the relationship that existed between principals' leadership styles (autocratic, democratic and laissez-faire) and teachers' job performance, and found out that democratic leadership style yielded a moderate teachers' job performance while autocratic leadership style yielded a better teacher' job performance. Arumugam, Cheah, Yahya, Yaakob and Rozlina (2015) carried out a study on the relationship between principals' transformational leadership style and secondary school teachers' commitment. The study showed a significant relationship between principals' transformational leadership and teachers' commitment. Camps and Rodriguez in Yahaya & Ebrahim, (2015) in their study,

transformational leadership behaviour and employees' individual performance, also found that transformational leadership behaviour increases workers' self-perceived employability, commitment, and performance.

The finding of Kiboss and Jemiryott (2014) showed that there was no relationship between overall teachers' job satisfaction and transactional leadership style. It implies that transactional leadership does not improve or lower teachers' job satisfaction. In the finding of Wahab et al (2016) there was a positive relationship, significant and small correlation between transactional leadership and organizational performance. This assertion was supported by Bass (1999). Limsila and Ogunlana (2008) found that transformational leadership style has a positive influence on work performance and organizational commitment of subordinates, whereas transactional and laissez faire leadership does not. Although studies have been done on the relationship between principals' leadership styles and teachers' job performance, little or no study to the knowledge of the researcher has been carried out on the independent and joint contribution of principals' leadership style to the prediction of job performance of secondary school teachers in Imo State, Nigeria.

It is against this background that the researcher is bothered about whether principals' leadership styles could predict job performance of teachers. Hence the problem of this study, put in a question form is, can principals' leadership styles jointly and separately predict job performance of teachers in public secondary schools in Imo State?

PURPOSE OF THE STUDY

The aim of this study is to investigate the extent principals' leadership style predict job performance of teachers in public secondary schools in Imo State, Nigeria.

Specifically, the study was designed to:

1. Find out the extent principals' leadership styles (transformational, transactional, and laissez-faire) jointly predict job performance of teachers in public secondary schools in Imo State.
2. Determine the extent transformational leadership predicts job performance of teachers in public secondary schools in Imo State.
3. Ascertain the extent transactional leadership predicts job performance of teachers in public secondary schools in Imo State.
4. Examine the extent laissez faire leadership predicts job performance of teachers in public secondary schools in Imo State.

RESEARCH QUESTIONS

The following research questions guided this study:

1. To what extent do principals' leadership styles (transformational, transactional, and laissez-faire) jointly predict job performance of teachers in public secondary schools in Imo State?
2. To what extent does transformational leadership predict job performance of teachers in public secondary schools in Imo State?
3. To what extent does transactional leadership predict job performance of teachers in public secondary schools in Imo State?
4. To what extent does laissez-faire leadership predict job performance of teachers in public secondary schools in Imo State?

HYPOTHESES

The following null hypotheses were tested at an alpha level of 0.05:

1. Principals' leadership styles (transformational, transactional, and laissez-faire) jointly, do not significantly predict job performance of teachers in public secondary schools in Imo State.
2. Transformational leadership does not significantly predict job performance of teachers in public secondary schools in Imo State.
3. Transactional leadership does not significantly predict job performance of teachers in public secondary schools in Imo State.
4. Laissez faire leadership does not significantly predict job performance of teachers in public secondary schools in Imo State.

METHODOLOGY

The study adopted a correlational research design. The population for this study comprised all the four hundred and thirty (430) vice principals in the public secondary schools spread across the six (6) educational zones in Imo State. A sample of two hundred and thirty nine (239) vice principals of public secondary schools in Imo State, Nigeria was used for this study. A multistage sampling approach involving cluster sampling, and simple random sampling techniques were used to draw the sample.

Two sets of instruments titled Principals' Leadership Styles Questionnaire (PLSQ), and Job Performance of Teachers (JPTQ) were used for data collection and were duly validated by experts in the department of educational management. A self-structured instrument titled "Principals' Leadership Styles Questionnaire" (PLSQ) consists of 40 items made up of 3 clusters (3 leadership dimensions by Bass). The first cluster has 25 items on principals' transformational leadership (1- 25), second cluster has 8 items on transactional leadership (26- 33) and the last cluster has 7 items on laissez faire leadership (34- 40) making a total of 40 items. PLSQ were structured after the modified Likert's 4-point rating scales of Strongly Agree (SA); Agree (A); Disagree (DA); and Strongly Disagree (SA).

The second instrument is "Job Performance of Teachers Questionnaire" (JPTQ). The instrument has a 4- points rating scale of Very Frequently (VF); Frequently (F); Often (O), and Never (N). It consists of 40 items.

Altogether there are 80 items and the instruments were one time administered to 30 vice principals that were not used for the study. Cronbach alpha was used to determine the internal consistency of the instrument. The instrument PLSQ and JPTQ yielded reliability coefficients of 0.720 and 0.720 respectively. The coefficients for the subscales of Transformational Leadership, Transactional Leadership and Laissez faire Leadership are 0.713, 0.703 and 0.869. The instruments were administered to the respondents in their various schools with the help of three research assistants. All the filled copies of the instruments were retrieved by the researcher on the same spot. Multiple and simple regressions were used to answer the research questions, while ANOVA associated with multiple regressions and t-test associated with simple regression respectively were used to test the null hypotheses.

FINDINGS

Research Question One

To what extent do principals' leadership styles (transformational, transactional, and laissez-faire) jointly predict job performance of teachers in public secondary schools in Imo State?

Table 1a: Multiple Regressions analysis showing the extent of joint prediction of principals' leadership styles (transformational, transactional, and laissez-faire) on job performance of teachers

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.313 ^a	.098	.087	19.84507

Table 1a revealed that the regression coefficient and regression squared values are 0.313 and 0.098. The coefficient of determination (R^2) is 9.8%. This implies that principals' leadership styles variables accounts for up to 9.8% of job performance of teachers in Imo State, Nigeria.

Hypothesis One

Principals' leadership styles (transformational, transactional, and laissez-faire) jointly do not significantly predict job performance of teachers in public secondary schools in Imo State.

Table 1b: ANOVA associated with multiple regressions on the joint prediction of principals' leadership styles on job performance of teachers

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	10083.651	3	3361.217	8.535	.000 ^a
	Residual	92549.286	235	393.827		
	Total	102632.937	238			

Table 1b revealed that sum and mean squares are 10083.651 and 3361.217. With degree of freedom of 3 and 235, the F value of 8.535 is statistically significant when subjected to an alpha level of 0.05 this showed that the null hypothesis was rejected. This is because the calculated probability value of 0.000 was less than the critical probability value of 0.05 which implies statistical significance. By implication, principals' leadership styles (transformational, transactional, and laissez-faire) jointly and significantly predict job performance of teachers in public secondary schools in Imo State.

Research Question Two:

To what extent does transformational leadership style predict job performance of teachers in public secondary schools in Imo State?

Table 2a: Simple Regression on the extent transformational leadership style predicts job performance of teachers

Model	R	R Square	Adjusted R Square
1	.310 ^a	.096	.092

Table 2a showed that transformational leadership style has regression coefficient (R) and regression square (R^2) coefficient of 0.096. The coefficient of determination showed the extent of prediction as 9.6%. This shows that transformational leadership style predicts job performance of teachers by 9.6%.

Hypothesis Two

Transformational leadership style does not significantly predict job performance of teachers in public secondary schools in Imo State.

Table 2b: t-test associated with simple regression showing the prediction of transformational principals' leadership styles on job performance of teachers

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	90.552	6.338		14.287	.000
	Transformational	.455	.091	.310	5.026	.000

a. Dependent Variable: job performance

Table 2b revealed that the t-test value associated with simple regression was 5.026 which is significant at 0.000 when subjected to an alpha level of 0.05. Therefore, the null hypothesis was rejected. By implication, transformational leadership style significantly predicts job performance of teachers in public secondary schools in Imo State.

Research Question Three

To what extent does transactional leadership style predict job performance of teachers in public secondary schools in Imo State?

Table 3a: Simple Regression on the extent transactional leadership style predicts job performance of teachers

Model	R	R Square	Adjusted R Square
1	.089 ^a	.008	.004

Table 3a showed that transactional leadership style has regression coefficient (R) of 0.089 and regression square (R^2) coefficient of 0.008. The coefficient of determination showed the extent of prediction as 0.8%. This shows that transactional leadership style predicts job performance of teachers by 0.8%.

Hypothesis Three

Transactional leadership style does not predict job performance of teachers in public secondary schools in Imo State

Table 3b: t-test associated with simple regression on the prediction of transactional leadership style on job performance of teachers

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	112.101	7.158		15.661	.000
	Transactional	.450	.328	.089	1.372	.171

a. Dependent Variable: job performance

Table 3b revealed t-test value associated with simple regression was 1.372 which is not significant at 0.171 when subjected to an alpha level of 0.05. Therefore, the null hypothesis was not rejected. By implication, transactional leadership style independently does not significantly predict job performance of teachers in public secondary schools in Imo State.

Research Question Four

To what extent does laissez faire leadership style predict job performance of teachers in public secondary schools in Imo State?

Table 4a: Simple Regression on the extent laissez faire leadership style predicts job performance of teachers

Model	R	R Square	Adjusted R Square
1	.064 ^a	.004	.000

Table 4a showed that laissez faire leadership style has regression coefficient (R) of 0.064 and regression square (R²) coefficient of 0.004. The coefficient of determination showed the extent of prediction as 0.4%. This shows that laissez faire leadership style predicts job performance of teachers by 0.4%.

Hypothesis Four

Laissez faire leadership style does not significantly predict job performance of teachers in public secondary schools in Imo State.

Table 4b: t-test associated with simple regression showing the prediction of laissez faire leadership style on job performance of teachers

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	121.462	1.374		88.381	.000
	Laissez faire	.011	.011	.064	.988	.324

a. Dependent Variable: job performance

Table 4b revealed t-test value associated with simple regression was 0.988 which is not significant at 0.324 when subjected to an alpha level of 0.05. Therefore, the null hypothesis was not rejected. By implication, laissez faire leadership style does not significantly predict job performance of teachers in public secondary schools in Imo State.

DISCUSSION OF FINDINGS

The results of this study are presented as shown below:

Joint Contribution of Principals' Leadership Styles and Job Performance

It was found that principals' leadership styles (transformational, transactional, and laissez-faire) jointly predicted 9.8% of job performance of teachers in secondary schools in Imo State. This depicts that about 90.2% of the variance in the job performance of teachers in the public secondary schools in Imo State could not be explained by this data, and is therefore due to other factors. The findings of the study baffled the expectations of the researcher. The researcher expected that the combination of leadership styles is supposed to bring about high level of job performance, but the reverse is the case for this study. The possible reason could be that the principals who are applying these styles are doing so to disengage some of their teachers. The result of this study is in agreement with the finding of Oku (2017) who found that effective management of leadership styles predicted teachers' job performance to a moderate extent. In the same manner, Marshall (2015) found that there is a high positive relationship between leadership styles and teachers job commitment. The comparison between leadership styles and the organizational performances have significant results where

the findings of Sun (2002) showed that there is a positive correlation between leadership styles and performance. This is because teachers who are committed may likely show high level of performance in their job areas. Principals' leadership styles (transformational, transactional, and laissez-faire) jointly and significantly predict job performance of teachers in public secondary schools in Imo State. The significant prediction that existed between principals leadership styles and teachers job performance is unquestionable. This is because the application of suitable administrative leadership styles boasts morales and commitment of workers to deliver on mandate. Oku (2017) reported a significant prediction of principals' leadership styles and teachers' job performance in secondary schools in Rivers State. His study totally supported the present study through the documentation of a significant prediction of leadership styles to teachers' job performance. Therefore, it will be erroneous to maintain that leadership styles did not lead to teachers' job performance because the essence of leadership is to move and inspire the subordinates to discharge their duties with optimal satisfaction and engagement.

Principals' Transformational Leadership Style and Job Performance of Teachers

It was found that transformational leadership style predicted job performance of teachers by 9.6%. Transformational leadership style is an acceptable and vision-filled leadership style that is bent on the achievement of organizational goals. This finding is in line with the finding of Opurum (2016) who buttressed that transformational leadership approach is found to be more rewarding and enduring leadership style which can improve workers disfranchisement. It is not a gain-saying that transformational leadership style proved more rewarding than other leadership styles because of its adventurous embodiment. It was reported that majority of the researches had associated transformational leadership style with employee's performance and job satisfaction and argued that transformational leadership can be best predictor of employee performance (Raja & Palanichamy, 2011).

The null hypothesis revealed that transformational leadership styles significantly predicted job performance of teachers in public secondary schools in Imo State. Because of the effectiveness of transformational leadership style, most secondary schools principals had adopted transformational leadership style compared to any type of other leadership style, their students and staffs perform better than those who are using these other types of leadership styles (Omar, 2016). Supporting the finding of this study was the study of Wahab et al (2016) who found that there is a positive relationship between transformational leadership style and organizational performance among the academic leaders in Malaysian public Universities. In furtherance of the support of the findings of this study was the work of Arumugam, Cheah, Yahya, Yaakob and Rozlina (2015) which showed a significant relationship between principals' transformational leadership and teachers' commitment.

Empirically, it was discovered that transformational leadership can positively envisage performance, behaviours and job attitudes of followers (Liao & Chuang, 2007; Walumbwa et al, 2004).

Principals' Transactional Leadership Style and Job Performance of Teachers

It was found that transactional leadership style predicts job performance of teachers by 0.8%. The view that transactional leadership style contributed a little to job performance of teachers is not beyond expectation. One possible reason while this leadership style may not yield the required report could be as a result of its devoid of passion and commitment on the side of the leaders. In consonance to the finding of this study was that of Yulk (2006) who reported that the process of exchange in transactional leadership is not likely to produce passion and commitment among the followers. On the contrary to the finding of this study was the result of

Oku (2017) who reported that transactional leadership style is the most effective and efficient for organizational goal achievement and workers satisfaction.

In contrast to the finding of this study that transactional leadership style did not significantly predict job performance, the study of Ogomakalam (2015) rather found that transactional leadership styles also predicted teachers' job effectiveness in secondary schools in Imo State. Bass et al in Yahaya & Ebrahim (2016) found that transactional leadership contributes to effective leadership and is essential to successful performance, when the leader clearly provides or states the expectations, he positively contribute to enhancing the performance of the group. Although applying transactional leadership results in performance that goes beyond expectation and leads organizations to triumph (Avolio & Bass, 2008; Erkutlu, 2008; Limsila & Ogulana, 2008 as cited in Ochugudu & Ayatse, 2013). The hypothesis testing revealed that transactional principals' leadership styles independently do not significantly predict job performance of teachers in public secondary schools in Imo State.

The hypothesis was in conformity with the finding of Kiboss and Jemiryott (2014) that showed that there was no relationship between transactional leadership style and overall teachers' job satisfaction. Moving away from the result of this study was Wahab et al (2016) who reported that there was a positive relationship, significant and small correlation between transactional leadership and organizational performance.

Principals' Laissez faire Leadership Style and Job Performance of Teachers

It was shown that laissez faire leadership style predicted job performance of teachers by 0.4%. Authorities have questioned the workability of laissez faire leadership style in the motivation of teachers to achieve the desired goal and objectives. Laissez faire leadership style did not reasonably predict job performance of teachers. The possible reason why this leadership style did not predict job performance of teachers could be stemming from the fact that these teachers are not matured enough to work with little or no supervision. In the light of the study, Kiboss and Jemiryott (2014) found that principals' leadership styles have a great impact on the working atmosphere in a school and consequently the teachers' job satisfaction. Laissez faire leadership style does not significantly predict job performance of teachers in public secondary schools in Imo State.

On the same vain Adeyemi (2011) submitted that laissez faire leadership style has no significant influence on teachers' job performance in schools. On the contrary to the finding of the study was the finding of Wahab et al (2016) which showed that there was a significant and high correlation between laissez-faire leadership and organizational performance among the academic leaders of Malaysian public Universities.

CONCLUSION

Based on the findings of the study, it was concluded that principals' leadership styles are joint and significant contributors to job performance of teachers in public secondary schools in Imo State. It was also concluded that transformational leadership style independently and significantly contributed to teachers' job performance while transactional and laissez faire leadership style did not independently and significantly contribute to teachers' job performance in secondary schools in Imo State.

RECOMMENDATIONS

Based on the findings of this study, the following recommendations were made:

1. It was recommended that the school principals should be pragmatic and dynamic on the application of leadership styles based on the level of morale of their teachers.
2. The school principals should endeavour to enroll in leadership training programmes from time to time in order to enhance their leadership quality and efficiency for improved job performance of teachers.
3. The principals should create values, cultures, safety practices and organizational structures that can make the work environment appealing for keen performance.

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Child Abandonment And Its Implications For Educational Development In Nigeria

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ABSTRACT

This is a position paper that examined child abandonment and its implications for educational development in Nigeria. Child abandonment is a common social phenomenon in Nigeria and the rate at which the act is been committed calls for serious action by all in order to minimize the impact of this ugly menace on our society. The paper therefore identified the causes and effects of child abandonment which ranges from family conflicts, barbaric cultural practices, poverty and homelessness, and intra/inters ethnic conflicts among others. The paper emphasis that when a child is abandoned, the child is faced with physical, behavioural, psychological consequences and the society faces the bulk of these consequences. It was recommended amongst others that government should ensure strict monitoring of the child rights acts in all the states, conflicts in the family should be settled amicably, youths and intending parents should be properly counselled on the roles of parenting. It was concluded that education is a vital tool which should be used as an instrument to minimize child abandonment in the society.

Key words: Child abandonment, Education, Child abuse

INTRODUCTION

The Nigerian child is faced with a lot of challenges which arises from the family, the school, peer groups, and the society at large. One of such challenges is the plague of child abandonment. Child abandonment is gradually eating deep into our society and the value as well as the place of our future leaders is gradually been darkened by this inhuman act.

It is in this light that this paper seeks to look at the meaning of child abandonment, cause and effects of child abandonment and the possible remedies to curtail the menace of child abandonment through the use of education.

Education is seen as a process of nurturing, guiding, training and bringing forth worthwhile character in an individual. Onyido (2009) defines education as a black box through which an individual passes and becomes different from what he used to be. This implies that education brings about positive changes in the life of an individual. It is said that one of the aims of education is to instil moral values in man, such that if we succeed in instilling these moral values in man, society will take care of its self. It is the foundation of any political and socio-economic advancement in any country. It is on record that countries such as China, Korea, Singapore to mention a few have overcome many developmental challenges such as inequality, under employment and poverty as a result of advancement in education. These challenges have far reaching impacts on the society and if overcome will prove beneficial to the society.

Child abandonment is a societal phenomenon and as such requires that society passes through the black box (education) in order to become different from what it is. The society does not exist in a mass but through social institutions of which the family is the first and the most important. Individuals are formed or made in the family, thus if individuals are properly educated, the issue of child abandonment can be minimized from the society.

DEFINITION OF TERMS

Education

Education is derived from the Latin word *Edu care* which means the act of nurturing, guiding, training and bringing forth worthwhile character of a child. Education as defined by Oxford Advanced Dictionary (1995) is the process of training and instructing, especially children and young people in schools and colleges which is designed to give knowledge and develop skills. Education is social institution that is derived from the value of the society in which it exists (Fafunwa, 1994; Ugwuja, 2010). Thus, how organised and developed an educational system is depends on the level of value placed on it by the society.

According to E.B Castle (1965) education is all that happens to us from the day we were born to the day we die. As such, education can be stated as a continuous process that takes man to his grave. It can alternatively be defined as the process of collation and utilization of knowledge, man acquires knowledge and utilizes the knowledge acquired (Alfred Whitehead, 1907; Asaju & Adagba, 2014). Therefore, knowledge acquired must be utilized and must reflect in the sum totality of man's behaviour and in his interactions with others in the society. It involves the collation of abstract thoughts and psycho-motor competencies for existence in an atomised social order (Ojobo, 2008). It is the art of acculturation that sees an individual aided to reach his/her maximum potentials (Okafor, 1981; Asaju & Adagba, 2014).

Education can be used to bring about positive changes and development needed in the society, through education man can think reason and act as a better person in the society he finds himself. According to Alufahal & Ezeani (2012) education liberates the population from ignorance and fuels development. Hence, the goal of education is to achieve total development of a child and the pattern of interaction between the parents and the child indicates the manner the child is socialised into behaviours that are acceptable by the society. It is a tool that seeks to integrate individuals effectively into the society in order to attain national consciousness and self-realisation (Umoru, 2015). As such, education is the totality of the advancement of the personality of the child.

This therefore calls to question the reasons behind child abandonment. Analyst have identified child abandonment as a common social phenomenon in Nigeria and the rate at which the act is been committed calls for serious action by all to eradicate this ugly menace from our society. A report from the United Nations International Education Fund (UNICEF) shows that no fewer than 10.5 million Nigerian children are out of schools out of this number more females were recorded than males (Human Rights Watch, 2016). Looking at this figure, one is tempted to ask how effective Nigeria has implemented and monitored international and national policies on child rights acts and education such as:

1. Children Parliament Act, 2003
2. Child Rights Act, 2003
3. Universal Basic Education Act, 2004
4. Child Rights Legislature in Nigeria Act, 2011.

Children are the future leaders of tomorrow and every society that hopes to survive and be relevant, must give prompt attention to its future leaders. It was in light of the place and significance of children in the society that the Nigeria government signed on to these policies for the protection and education of the Nigerian child. These policies spell out the rights of children and the responsibilities of parents as well as government towards the children. In order to strictly monitor the compliance and enforcement of these acts, children, parents, government and the society at large must be synthesized, awareness programmes must be carried out and all these can only be visible if the populace is educated. Therefore, education is very necessary in combating the menace of child abandonment in Nigeria.

Child Abandonment

The word abandonment literally means to leave, forsake, desert, left unattended to, uncared for. The Merriam Webster Dictionary (1828) defines the word abandonment as the act of giving up someone with the intent of never again claiming a right or interest in the person. It means to withdraw support or help from someone. Abandonment as a word originated from an Anglo French word "abandoner" which was derived from the phrase "a bundun" which means to hand over, thus to abandon means to let go of something, to lose interest in someone, to hold back one's love and affection towards a person.

Child abandonment is the act of abandoning a child; a child refers to someone who is not grown enough to take responsibilities of his life. A child is abandoned when a parent or parents fail to take responsibilities of the child. It is the practice of relinquishing interest and claims over one's offspring with or without the intent of never again resuming guardianship over the child. The phrase is also used to describe the physical abandonment of the child which includes acts such as neglect and emotional rejection. Child abandonment is an extension of child abuse and it is a phenomenon that is gradually eating deep into our society. (Portwood, 2006; Nuskiewicz, 2012) defined child abuse as the deliberate use of force, physically or psychologically to carry out acts that have the possibility of causing developmental disruptions as well as injury to the mental and physical state of a child. It is an act intentionally carried out with the view of inflicting harm on the child (WHO, 2002).

A case of child abandonment is alarming and is gradually building up as a social vice, which if urgent attention is not given, will become a national threat to the country. The rate at which this plague occurs in our society poses the great question that every concerned Nigerian will want to ask, where have we and why have we thrown our moral consciousness away? What moral justification do parents have to abandon a child? It is pathetic that a parent who is supposed to nurture a child will rather choose to abandon him or her with no feeling or pang of guilt. The manner in which the act is practiced in Nigeria exposes the rate of our moral decadence. Countless children are being abandoned daily and are flooding our streets at an alarming rate, these children have been forced by their parents to grow up and take responsibilities of themselves. And as such have become easy and ready prey to unscrupulous individuals in the society who lure them into acts such as prostitution, robbery, cultism, drug abuse, hooliganism and other anti social vices.

Causes of Child Abandonment

The rate at which children are abandoned in Nigeria is on the increase and in combating this menace, it is necessary to x-ray the reasons why child abandonment occur in our society. Children are not just abandoned, parents do not just abandon their children and there are reasons why this act takes place. Although these reasons are not justifiable enough for parents to abandon their child, the following are some of the causes of child abandonment in Nigeria.

Family Conflict

The family is the first place of socialisation a child experiences. The family serves as an important aspect for the development of a child. It is also in the family that the act of abandonment starts. Thus, the family is seen as the sole cause of child abandonment. Conflicts in the family if not well resolved by parents, leads to broken homes which results to children been abandoned either by the father, mother or by both (Lemin & Sarah, 2008). Scholars have opined that in situations where parents are abusive towards a child, it goes to affect the character of the child latter in life, who in turn will be abusive towards other children (Thrasher, 1927; Poonen, 2014). This is further promulgated by the contribution that the family is widely acknowledged as among the most powerful socializing agent in a young child's development (Maccoby et al, 1957; Onyido, 2016) therefore the child should be given adequate love, care, attention and support that will make him feel loved and wanted. On the other hand when the child is abandoned, the child grows up with the negative feeling of rejection and feels unwanted.

Negative Cultural Practices

In some society where they still practice some barbaric cultures such as the superstitious belief that children born with deformed body parts are symbols of curses from the gods and as such, should be abandoned. This had led to the abandoning of children with certain medical conditions such as lameness, blindness or handicapped. Also, in some ethnic groups where it is seen as a taboo to be a single mother, mothers with baby/babies are faced with the option of abandoning or neglecting the child/children in far away places just to avoid scorn and shame from the society. The issue of preferred sex also contributes greatly to abandonment. Most Nigerian culture prefers the male child to a female child and for these set of women; their marriages are only secured when they give birth to a male child. There has been reported cases where (during child birth), women trade out their female child (abandon) in replacement of a male child just to remain in and be accepted as complete wives in their matrimonial homes.

Poverty and Homelessness

Poverty is a situation where one is not able to or finds it difficult to provide for his basic needs. A person is said to be poor when he can't provide for his food, clothe, shelter, health care and education. Poverty is also one of the causes of child abandonment, parenting a child comes with a lot of responsibility because a child will need to be fed, clothed, sheltered, sent to school and provided with good health care facilities. The rate of poverty, which is as a result of unemployment in Nigeria, has placed more of our populace below poverty level. According to Sed Lock (1989) the physical abuse of child of which child abandonment is an aspect that is almost seven times more likely to be reported in homes where the annual income is very low. A parent who is not gainfully employed may turn abusive due to financial pressure at home and where it is not properly handled, may just choose to go away and abandon the family.

Intra/Inter Ethnic Crises

Conditions such as war and family displacement are other causes of child abandonment. Sometimes child abandonment is not intended by parents but in cases where there are conflicts such as war, a lot of people are displaced from their homes. When this happens, there is a scramble for individual safety and it is this situations that parents loses their children and these children become abandoned, the clash between farmers and herdsmen has worsen the situation.

Effects of Child Abandonment

Child abandonment is a societal problem which must be stopped. The consequences of child abandonment moves from the child to the society, therefore the end effects of the act is on the society. Below are some of the consequences of child abandonment in Nigeria.

Physical Consequences

This has to do with physical injuries inflicted on an abandoned child. Sometimes physical injuries are relatively minor while at other times it is major. When a child is abandoned, the child is exposed to unfavourable health conditions which sometimes results to physical injuries such as bruises, cuts, broken bones. At very severe cases, a child abandoned at infant age might be down with cases of polio because as at when he was abandoned, necessary immunization have not been administered. Also in some cases, the stress of chronic abuse causes a hyperousal response by certain areas of the brain which might result in hyper activity, sleep disturbances and anxiety as well as increased vulnerability to post traumatic stress disorder, learning and memory difficulties (Dallam, 2001; Perry, 2001). Studies indicate that there is correlation between varying forms of households abuses and poor health (Felitti, 2002). Furthermore, child abuse and neglect have shown to cause important regions of the brain to fail to form properly resulting in impaired physical, mental and emotional development (Watts-English, Fortson, Gibler, Hooper & De Bellis, 2006). As such, they have a higher probability of suffering from asthma, ulcer, high blood pressure and bronchitis to mention but a few (Springer, Sheridan, Kuo & Carnes, 2007).

Behavioural Consequences

An abandoned child feels rejected and unwanted and as such, because of the abusive experiences that he has passed through, there is the tendency that he will equally be abusive toward others. When these children are opportune to be in school, they display truancy as they are easily spotted among the disobedient groups of students who constantly break school rules and regulations. It is estimated that approximately one third of abusive and neglected children will eventually victimise their own children (Dube et al, 2001). Drugs and alcohol addicts are equally found among abandoned or neglected children, as there is an increased likelihood that neglected children will smoke, drink and take illicit drugs. This assumption is supported by the National Institute on drug abuse (2002) when it released a report that as many as two third of people in drug treatment are reported to have been abused as children. According to the U.S Department of Human Services (2008) an estimated 905,000 children have fallen victims to child neglect and abuse. These acts have seen victims exhibit high-risk behaviours. Johson, Rew & Sternglanz (2006) suggest that child abuse have a higher likelihood of engaging in sexual risk-taking that expose them to contracting sexually transmitted diseases. Thus, the ill of child abandonment tends to be in a vicious cycle, and therefore needs to be minimized from our society.

Psychological Consequences

This is also referred to as emotional abuse. According to Kinard (1979) emotional abuse refers to an injury to a child's psychological self. The immediate emotional effects of child abandonment are fear and inability to trust others which translates to life-long consequences of low self esteem, depression and relationship difficulties. As such, children who are abused and neglected by parents often do not form secured attachment to them (Morrison, Frank, Holland & Kates, 1999; Onyido, 2016). These early attachment difficulties can lead to latter difficulties in relationship with others-adults as well as with peers. According to a publication by the child welfare information gateway, child abuse leads to psychological problems such as depression, emotional difficulties and anxiety issues (Child Welfare Organisation, 2014). In

furtherance to this, another study established that psychological conditions such as reactive attachment disorder, attention disorder and dissociative disorder (Teicher, 2000).

Societal Consequences

For every child abandoned, the society is at the receiving end. The society is a complex hierarchy of classes and strata and for every injustice meted on the child there is a consequence on the society. Taking a closer look at this, a child who is abandoned suffers pain, mental torture and withdrawal. However, the child is not isolated in the society and as such the society bears the brunt of the psychological, economical and physical impacts of the abandonment. The society pays the grand price of children abandonment, the more children are abandoned, the more society records cases of juvenile and adult criminal activities, domestic violence, and low self-esteemed individuals who will eventually drop out of schools. With these, literacy level of the society reduces with high rate of unemployed youths which leads to high rate of poverty. With poverty, it is more likely that more children will be abandoned and then society goes through the vicious cycle all over again with increasing tendencies of all the consequences mentioned above. All around us, we see pictures and hear cases of children been abandoned, the social media is flooded with gruesome picture of abandoned babies in sewage tanks, refuse disposal sites and in uncompleted buildings; society must rise against these inhuman acts.

CONCLUSION

Conclusively, child abandonment has been established as the neglect of the child by his/her parent or parents, either intentionally or unintentionally. The causes of child abandonment in Nigeria include family conflicts, negative cultural practices, poverty and homelessness, and intra /inter ethnic conflicts. Irrespective of the reason behind the act, it is viewed as a criminal act because it is a conduct regarded by society to be destructive, endangering the safety and comfort of the child and for which the offender is punishable under the law.

The consequences of child abandonment are physical, behavioural, psychological and societal consequences. This paper has established that when a child is abandoned, the society suffers. Therefore, the society must ensure the eradication of this ugly menace through the use of education. Thus, society must rise up to the task of eradicating child abandonment, as everyone in the society (the child, parents, non-governmental agencies and the government) must act accordingly by contributing its quota to end this problem.

RECOMMENDATIONS

The causes and effects of child abandonment in Nigeria can be minimized if the following actions are fully adopted:

- Conflicts in families are inevitable and as such should be settled amicably without the involvement of the child/children.
- Culture is not static; certain cultural practices which are not in line with children's right acts should be abolished.
- Economic situation of the country should be improved, more job opportunities should be provided.
- Youths and intending parents should be properly counselled on the responsibilities of parenthood and should be made to face the law where they default.
- Attitudes of people towards single parenthood especially single mothers should not be judgemental. They should not be scorned at and stigmatised.
- Intra/inter-ethnic conflicts should be settled peacefully. Government must ensure safety of lives and properties of its citizens

- Finally, Government at all levels should ensure the full implementation of the Child rights act, 2003. Children parliament act, 2003. Universal basic education act 2004 and Child rights legislation act, 2011.

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Returnable packaging as a sustainability factor in the automotive chain: a case study.

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ABSTRACT

Packaging makes a valuable contribution to economic, environmental and social sustainability through product protection, waste prevention, enabling efficient business conduct and providing consumers with the benefits of the products it contains. The case study chosen for the work was carried out in a multinational automotive company with the objective of researching the financial and environmental factors in the substitution of one-way packages by the returnable ones during the distribution of parts for automotive dealers. There is no single solution to manage packaging waste. The best combination of options depends on local conditions, especially demographics and the degree of investment made in modern processing systems. Determining the best combination of options for managing packaging waste therefore requires detailed case-by-case analysis where life-cycle assessments can provide valuable decision support.

Key-words: Packaging, sustainability, waste, finances

INTRODUCTION

Packaging is one of the important issues in allocating resources in different industrial sectors, especially in manufacturing and logistics services. Without packaging, food deteriorates, fragile products are damaged and the dispensing process becomes harmful and the entire supply chain becomes extremely inefficient.

The pressure on packaging is not a new phenomenon, but has increased dramatically in the 21st century by the perceptions of media-driven consumers and legislation that demand increasingly "sustainable" packaging, making it a major challenge for businesses.

Packaging came to be perceived as an autonomous product, thus transcending its fundamental role, which is to protect, distribute and display goods.

While essential, packaging is rarely analyzed deeply, and the sociocultural pressure that the market imposes for packaging to be "sustainable" is confronted with a lack of common understanding of what it can mean.

As a result, companies end up having to deal with conflicting demands from consumers, regulators and other stakeholders. This requires time, a significant cost, and a source of friction between the companies and the communities in which they operate.

Wu et al. (2016) emphasize that packaging has a number of functions and its fundamental role is to deliver the product to the consumer in perfect condition. Good packaging uses only the right kind of material needed to accomplish this task, but excessive reductions in its cost make the economy false because as the packaging is reduced, the range of scenarios under which the frequency of product losses increases until the destination point is reached, where the loss of the product exceeds the savings in the packaging material.

Transport packaging (or tertiary packaging) is intended to ensure handling and transport without damage to a given operation, whether by road, rail, waterway or air.

With the entry of numerous automakers in the Brazilian market, and due to the high competitiveness of the automotive sector, obtaining a competitive advantage through the improvement of logistics processes has become a determining factor for the company's survival and success. Reducing costs and minimizing the environmental impact of packaging is a key element in business operations in today's world.

The case study chosen for the work was carried out in a multinational automotive company, where its headquarters are in the city of São Paulo and it has a relationship with dealers throughout the country. The research encompasses one of the actions of the company aiming at the sustainability aspect regarding the reduction of economic and environmental costs in the study of the substitution of disposable boxes by returnable ones in the supply of parts for the concessionaires.

In this way, the objective is to investigate the financial and environmental factors in the substitution of one-way packages for the returnable ones during the distribution of parts for automotive dealers.

LITERATURE REVIEW

Corporate sustainability

In 1987 at the World Commission on Environment and Development under the leadership of the former Norwegian Prime Minister Brundtland, he presented the definition of Sustainable Development as "a development capable of meeting the current needs of an intact environment, social justice and economic prosperity without limit the ability of future generations to meet their needs, where preservation of the natural environment is a prerequisite for a functioning economy and social justice." (FINKBEINER, 2010).

For Kuhlman and Farrington (2010) there has always been the counterpoint in the relationship between humanity and nature, where one view reinforces that nature must be conquered and the other emphasizes a relationship of adaptation and harmony. Although the first view has been prevalent in recent centuries, the second has become a constant questioning in behavior since the 1970s.

Philippi Jr et al. (2017) stand out from the current decade and increasingly on the environmental issue, on the one hand, it needs to meet the legal and environmental requirements of specific markets, and the other that strengthens a consumer market that prefers companies with ecological-environmental characteristics. In this context, a new reality

arises where elements previously less related to the survival of the company are important and are closely linked to their economic and financial health. With this, it becomes essential to incorporate the socio-environmental theme in the organizational decision-making processes.

In discussing sustainability in a business context, the concept of the Triple Bottom Line (TBL or 3BL), which represents the sustainability tripod that encompasses the social, environmental and economic requirements of productive activities, is essential for full understanding. An integrated form, reflecting a balance in terms of result between the three Ps: People, Profit and Planet (Elkington, 1997).

In fact, these three pillars are closely linked and cannot be developed in isolation. They came to be recognized as the standard approach to consider sustainability according to the British Standards Organization (2006).

- People - Social equity and cohesion: "Promoting a democratic, socially inclusive, cohesive, healthy, secure and fair society with respect for fundamental rights and cultural diversity that creates equal opportunities and combats discrimination in all its forms."
- Profit - economic prosperity: "Promote a thriving, innovative, knowledge-rich, competitive and eco-efficient economy that offers high standards of living and full, high-quality employment across the globe."
- Planet - Environmental protection: "Protect the earth's capacity to support life in all its diversity, respect the limits of the natural resources of the planet and ensure a high level of protection and improvement of the quality of the environment. environmental and promote sustainable consumption and production to break the link between economic growth and environmental degradation. "

When practical examples of the three pillars are provided, environmental aspects, including climate change, resource use and biodiversity tend to predominate, followed by social aspects of public health and work protection.

The economic imperative to maintain the standard of living keeps all three aspects in balance. The challenge is to work holistically with these three pillars, recognizing the tensions between them and respecting the importance of each. A brief definition encapsulating this is "sustainable development: a lasting and balanced response to economic activity, environmental responsibility and social progress" (BRITISH STANDARDS ORGANIZATION, 2006).

Companies have been adapting their business models and including products, services and processes based on the sustainability tripod, assuring to their stakeholders tangible, economic and financial and intangible returns, such as credibility, knowledge, image, intellectual capital, driving the New Economy (PEREIRA, 2012).

Seeing an alternative that can contribute to the sustainable vision in the company, a perennial issue in many of them is in relation to product packaging.

Packaging makes a valuable contribution to economic, environmental and social sustainability through product protection, waste prevention, enabling efficient business conduct and providing consumers with the benefits of the products it contains.

Faria and Costa (2005) highlight two types of packages: one-way packaging where it is normally used only once and then discarded and returnable, which can be used several times. Like other logistics processes, the decision regarding the best type of packaging for the process

should take into account the requirements of Integrated Logistics, where the main paradigm is to meet the level of service required by the customer at the lowest possible cost.

Leite (2003) makes a comparison between disposable and returnable packaging. Both returnable and disposable packages have direct shipping costs, return shipping, flow management, receipt, cleaning, occasional repairs, storage and invested capital. However, returnable packaging has other benefits such as environmental, greater protection of products and end of life, in many cases packaging can be returned to the manufacturer as recycled material and can be used in new packaging.

ROLE OF PACKAGING IN SUSTAINABILITY

The contribution of packaging to economic, environmental and social sustainability can be illustrated by the fact that, in developing countries, the lack of packaging or inadequate packaging in distribution causes 30 to 50 percent of all food to disintegrate before to reach the consumer (WORLD HEALTH ORGANIZATION, 1984, MADI, 1984). In Western Europe, where food is packaged efficiently, only 2% to 3% of the food produced does not reach the consumer (PRO-EUROPE, 2004).

The products generally represent more resources and have an inherent value greater than the packaging used to protect them (Kooijman, 1994, Erlöv et al., 2000, Busser et al., 2008). Thus, losses of products due to low performance packaging are likely to cause much greater adverse effects on the environment than the gains obtained through excessive packaging reduction (KOOIJMAN, 1994, ERLÖV et al, 2000, BUSSER et al, 2008 , INCPEN, 1995).

If, in developing countries, average losses in the food supply chain could be reduced by using improved packaging of 40% for the European average of 2.5%, the energy consumption associated with food losses would be reduced by more than 50%, also increasing the availability of food.

Improvements in the environmental performance of the packaging should not be generated to generate major negative environmental impacts elsewhere in the product life cycle and should only be continued if the impacts of the packaged product are maintained or reduced.

There are several initiatives to improve the system of packaged products and encourage improvements that contribute to product sustainability, including:

- The European Parliament and Council (1994), which defines legal requirements for the packaging of EU participants, actions for the reduction, recycling, reuse and / or recovery of the source.
- The Conseil National de l'Emballage (2008) in France, which is committed to offering products to consumers at a minimal environmental and economic cost.
- UK INCPEN (1995) in its INCPEN5 report "Reducing Packaging: Doing More with Less" describes actions such as reduction of sources, selection of materials and improved packaging compatibility with existing recycling and recovery schemes.

Such strategies and efforts are means to optimize the total system of packaged products and does not end in themselves.

REUSE, RECOVERY AND DISPOSAL

A central objective of the EU Waste Framework Directive is to prevent and reduce waste generation (CEN, 2003). Since packaging avoids wastage of products, it is contributing significantly to this goal.

The reuse of packaging (CEN, 2003,2004) under Article 5 of the Packaging Waste Directive means that it is returned to the factory and reloaded. It must support several rotations of this type within its life cycle before being recovered when it can no longer be used. There is no general preference for reusable or non-reusable packaging, the choice depends entirely on the local supply chain and the market.

We should also highlight that recycling can play a key role in the product life cycle, through the energetic economy, can provide its decrease in the manufacturing process, such as:

- Aluminum recycling saves up to 95% of the energy required for virgin materials (ENERGY INFORMATION ADMINISTRATION, 2006),
- Recycling of PET9 saves about 50% of energy (FEDERAL OFFICE OF THE ENVIRONMENT, 2007).

The organization Eco Emballages (2007) emphasizes that the application of recycling should be adopted, where it results in lower environmental impacts than other recovery alternatives and that meet other requirements such as safety.

Some types of recovered material are also a valuable source of energy (incineration with energy recovery). Therefore, recycling needs to be considered within a balanced approach to packaging recovery.

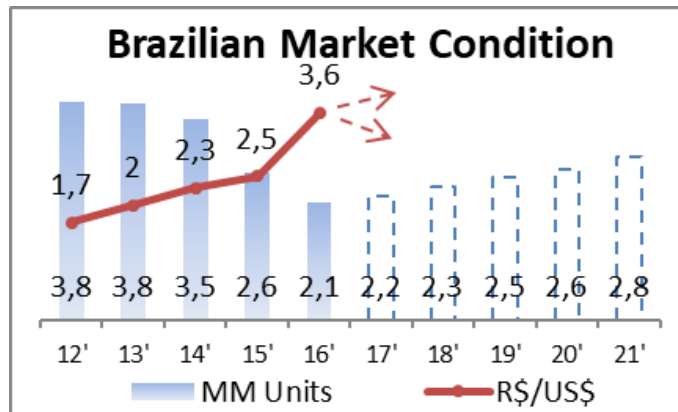
The ideal balance between recycling and energy recovery varies greatly with the waste composition.

Overview of the automotive industry in Brazil

The automotive sector is a major driver of the national and global economy and fosters innovation to a large extent due to the high competitiveness of the industry and its strong participation in general trade.

In Brazil, according to ANFAVEA (2017b), the automotive sector is present in all Brazilian regions with 67 industrial units and currently employs more than 121 thousand direct employees and approximately 1.3 million jobs throughout the production chain. For 2017, a national production of 2.2 million vehicles was estimated, with a growth prospect for the coming years, as shown in Chart 1.

Chart 1: Number of vehicles produced in Brazil and Dollar variation in relation to the Real.



Source: Site of ANFAVEA (2017a).

The automotive sector is considered one of the pillars of support for the economy and trade of parents. Its structure influences whole cities where it is installed, due to its potentiality and strength (VAZ ET AL., 2017).

Di Serio (2007) describes that the development of the automobile chain in Brazil began with the installation of the first Ford assembly unit in 1919, followed by GM in 1925. During this period the two companies imported dismantled kits and parts from other countries and mounted in their lines located in São Paulo to comply with local legislation. In the 1950s, with the public policies of economic and industrial development of the government of Vargas (1951-1954) and later Kubitschek (1956), culminated with the factory facilities of the GM, VW and Ford companies in the country with the traditional model of mass production.

According to Neto and Pires (2007), the automotive sector expands its structures worldwide, within this continuous process, Brazil currently finds itself as a participant in ERMs (Emerging Regional Markets) along with Argentina, Russia and Turkey. The Brazilian market is attractive because it has a fast growth of the vehicle market, production units in locations with lower costs, accelerated growth of motorization rates, characteristics common to the country classified in ERMs. In the automobile chain in Brazil, several organizational arrangements were also implemented, including the modular consortium and industrial condominium.

As in all segments, the search for improvements in processes, products, as well as creating competitive advantages should not be separated from sustainability concerns.

RESEARCH METHODOLOGY

It is a case study of a qualitative nature, which emphasizes the perspective of the individual being studied, so that it is possible to obtain information from these perspectives, to interpret the environment in which the problem is found (CAUCHICK). Therefore, the natural environment in which individuals are inserted becomes the research environment. The method to be employed is the single case study, which has as object of study a leading automotive multinational in its segment, which will be called ABC.

For Yin (2001), a case study is: "an empirical investigation of a contemporary phenomenon within its real-life context, and when the boundaries between phenomenon and context are not clearly defined." According to Eisenhardt (1989) the case study can be used to provide a

description; test a theory; or generate a new theory. For Bryman (1989), the primary concerns of this approach are: measurability; causality; generalization; replication.

For this study, the sources of internal evidence (YIN, 2001) were considered, such as interviews with those responsible for the logistics sector of the company ABC, complemented with the technique of direct observation in the parts and accessories distribution center of the referenced company.

The selected sample can be considered as a convenience, which is characterized as non-probabilistic, in which the researcher selects more accessible members of the population, aiming at collecting data and information in a more simplified way. Respondents were selected as: managers and managers of certain sectors of the company (AAKER; KUMAR; DAY, 1995).

The treatment of the data was statistical that seeks to describe the characteristics of a given situation, measuring numerically the objective raised about a research problem.

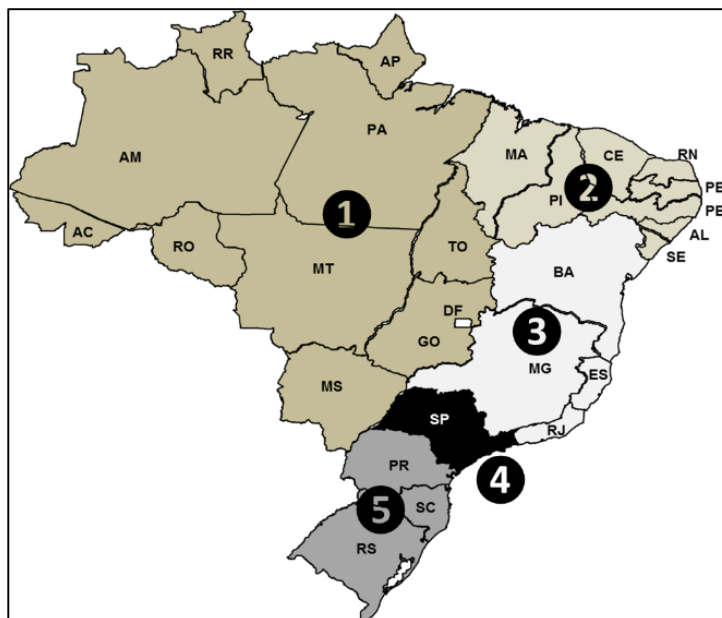
PRESENTATION AND ANALYSIS OF RESULTS

Outbound logistics

Distribution logistics or outbound logistics is associated with the movement of material from a point of production or storage to the customer, and also including the return of the goods in good or bad condition as part of this process (BERTAGLIA, 2009).

The distribution of spare parts in Brazil was segmented according to Figure 1 below into 5 major regions, according to the delivery points served by 5 carriers.

Figure 1 - Brazil Map divided by service regions



Source: Prepared by the authors

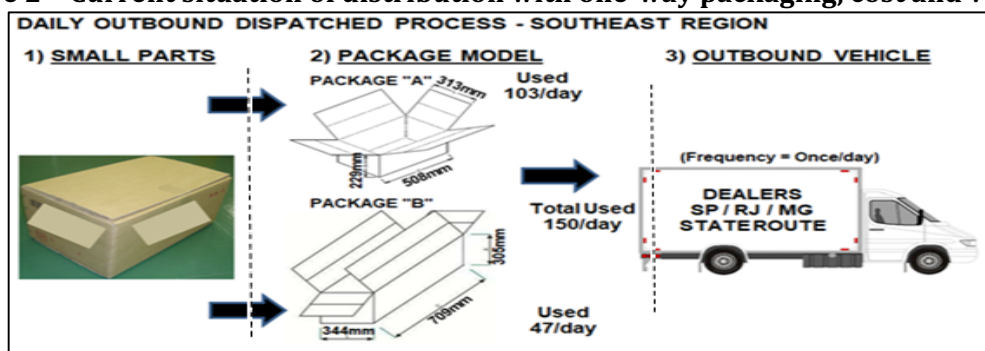
CURRENT SITUATION

The distribution of spare parts in Brazil was segmented into regions identified from 1 to 5 by the company, according to the delivery points attended by five carriers.

Due to the great extent of the Brazilian territory, the XPTO company delimits 60 objects delivery points studied in this research: Region 3 that includes Rio de Janeiro (7 dealers) and Minas Gerais (9 dealers); Region 4 that encompasses São Paulo (44 dealers).

For this study only the two one-way packaging models were considered, with the highest volume of consumption, the packages denominated in this study as "A" and "B". As figure 2 indicates: first the volume and flow for the packages based on the current situation, with all volumes of small parts being shipped daily in carton boxes.

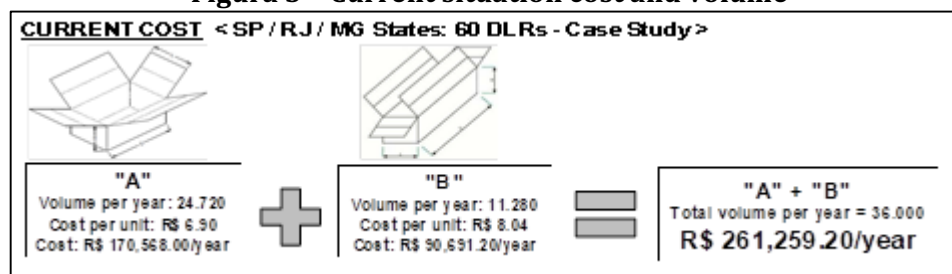
Figure 2 - Current situation of distribution with one-way packaging, cost and volume.



Source: the author, 2017.

Considering the 240 days of dispatch per year and the respective acquisition costs of each model, figure 3 shows a summary of the volumes and values involved in the operation with one-way carton boxes.

Figura 3 - Current situation cost and volume

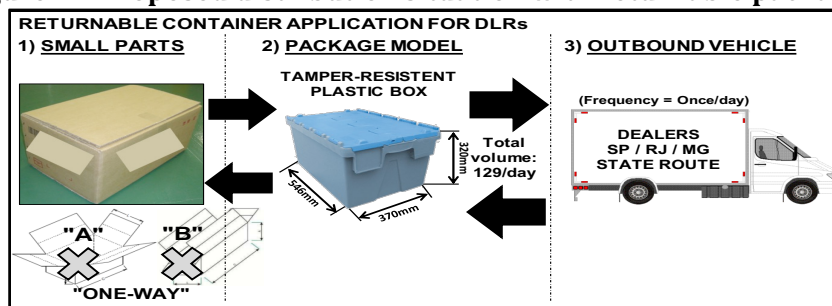


Source: the author, 2017.

Proposed situation

Figure 4 demonstrates the new flow, as well, as the new volume involved in the proposal to replace the two types of "A" and "B" carton boxes with only one returnable plastic box model called "C", being this box with a volume and sufficient occupation to replace the previous two models.

Figure 4 – Proposed distribution situation with returnable packaging.



Source: as per the author, 2017.

Considering the same 240 days of dispatch per year, the cost of acquiring the new model, the cost of reverse logistics and replacement cost of any damaged and / or lost boxes, the final cost comparing with the current situation, is demonstrated as per figure 5 below.

Figura 5 – Cost Comparison (“one-way” x returnable).

1) CURRENT SITUATION <"A" + "B" ONE-WAY> TOTAL COST/YEAR	2) PROPOSAL SITUATION <"C" RETURNABLE> TOTAL COST/YEAR	COST COMPARISON CURRENT x PROPOSAL
Total volume & cost / year: "A": 24.720 units & R\$ 170,568.00 "B": 11.280 units & R\$ 90,691.20 TOTAL cost / year : R\$ 261,259.20	Total volume / day: 871 (Round Trip + Inventory) (a) Box acquisition cost / year: R\$ 66,892.20 (b) Box replacement (5%): R\$ 3,388,00 (c) Logistics impact (reverse): R\$ 83,390.40 TOTAL cost / year: (a) + (b) + (c) R\$ 153,670.60	1) ONE-WAY: R\$ 261,259.20 2) RETURNABLE: R\$ 153,670.60 Cost reduction (2 - 1): - R\$107,588.60 ↓ 41.18%

Source: the author, 2017.

As per the comparative table in figure 5, a gain of R \$ 107,588. 60 per year is demonstrated, using the returnable plastic box instead of carton boxes, which also means a reduction of 41.18% compared to the current annual cost, already discounting the initial investment shown in column 2.

It is possible to calculate the financial gains for the next 5 years, as per the results presented in figure 5. Considering that the initial investment is discounted already in the first year, and the gain in this same period is in R \$ 107,588.60.

For the next 4 years, the initial investment amount will not be discounted, as: (b) box replacement cost: R \$ 3,388.00, and (c) logistics impact (reverse) R \$ 83,390.40. Therefore, there will be: the total value of one-way cartons (a) 261,259.20 - (b) box replacement cost R \$ 3,388.00 - (c) logistics impact (reverse) R \$ 83,390.40 = R\$ 174,480.80 gain for the second , third, fourth and fifth following years.

Table 1 – Annual consumption reduction of cardboard in kilograms (kg).

Box type	Volume/year	Unit weight	Total weight
"A"	24,720	1	24,720
"B"	11,280	1	11,280
TOTAL:			36,000

Source: the author, 2017.

CONCLUSIONS / FINAL CONSIDERATIONS

Due to the high competitiveness of the Brazilian automotive sector, the process of continuous improvement in the reverse logistics chain has become a crucial factor for the success of the companies.

The sustainability factor has been considered as a fundamental element in operations, where its adequate application can add values in the companies' results.

In this way, it can be observed, based on the results presented in this study, the existence of a gain in the first year of R\$ 107,588.69, equivalent to 41.18% of cost reduction and also, an environmental economy of consumption of 36 tons of cardboard per year with the replacement of the one-way packaging by the returnable ones, resulting in significant financial and environmental gains.

It is possible to confirm the contribution of the returnable packaging strategy as an important procedure in the viability of the sustainable action in the business logistic processes.

On the other hand, the results obtained in this research also showed the financial feasibility of replacing one-way packages with returnable items without compromising the quality of the parts distribution processes for automotive dealers, and it is possible to significantly reduce the consumption of in this process.

In addition, the study was limited to only two types of packages, called "A" and "B" and in a specific logistic flow of spare parts distribution in Regions 3 and 4. However, it is necessary to extend the present research for all five regions, integrating the supply chain at the national level, in order to identify new opportunities for improvements and gains in the substitution of one-way packages for returnable ones.

There is no single solution to manage packaging waste. The best combination of options depends on local conditions, especially demographics and the degree of investment made in modern processing systems. Determining the best combination of options for managing packaging waste therefore requires detailed case-by-case analysis where life-cycle assessments can provide valuable decision support.

It was noted in this way that the expansion of the strategy to other logistics sectors and other operations could lead to other economies and thus add new values to the company's processes in its global scope.

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Applied Learning Through the Management of Online Educational Resources

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ABSTRACT

The purpose of the website, The Digital Workplace, was originally to educate individuals on how the increasing digitalization of the workplace affects business owners and employees, especially regarding the law. Since then the website has evolved to encompass many topics where technology and the law intersect, including cloud storage, privacy, free speech, and security. The site explains the law using cases as examples, with summaries, links to court documents, and videos. The site also explains technology with explanations on types of data storage, how to secure data, and data definitions. The website initially drew a lot of traffic from local students using it as a guide for their classes. When we received the Google AdWords Grant and began advertising the website usage increased. The Google AdWords Grant has given the website a global reach. Countries such as India, the Philippines, South Africa, and the United Kingdom are frequent visitors. One thing all these countries have in common is that they are all affected by the technological revolution and it impacts all their workplaces. The issue of how to manage a growing amount of data is universal along with the questions of privacy and security that come with any data management. In today's world, cases involving technology are at the forefront of human rights; it is important to provide accessible information to people on the law in a format that they can understand.

Keywords: AdWords, Analytics, Online Learning, Collaboration, Law in Technology

PURPOSE

The purpose of the website, The Digital Workplace, was originally to educate individuals on how the increasing digitalization of the workplace affects business owners and employees, especially regarding the law. Since then the website has evolved to encompass many topics where technology and the law intersect, including cloud storage, privacy, free speech, and security. The site explains the law using cases as examples, with summaries, links to court documents, and videos. The site also explains technology with explanations on types of data storage, how to secure data, and data definitions.

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these countries have in common is that they are all affected by the technological revolution and it impacts all their workplaces.

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BACKGROUND

The managers of the website are a group called Teaching through Technology. At its core, Teaching through Technology (t3) is a multi-faceted, community organization comprised of university students, alumni and faculty, who all share a passion for providing access to free resources to better the lives of others. The group was founded by a university professor in 2008 as an open source nonprofit organization providing free and accessible learning to the global community. Since then the group has expanded to include faculty, current students, and alumni at a public Midwestern institution in the United States. The team's products take the shape of multiple websites, a few apps, and podcasts that range from details about the law, the workplace, midwifery, solar-powered technology and the LGBTQ community. This paper will focus on the Digital Workplace site on the law and technology.

EVOLUTION OF PURPOSE

Through the creation of the website, the site directors realized that the purpose of the site was not limited to educating other people. Everyone involved learned through the operation of the website. The directors of the site learned the content of the cases as they summarized them and posted videos and other information to the site. They also learned how to utilize the Google AdWords Grant and how to interpret the analytics to make changes for the website. These changes came in both the form of tailoring content to meet the demand for topics and in updating ad campaigns to better target the site's audience. These three aspects form an interdependent triangle of analytics, content, and ads that reinforce each other. The integrity of the site relies on the optimal performance of all three of these areas in connection with one another.

Over the years, the site has seen a multitude of changes as the directors have learned how to make a more user friendly and effective experience. In addition, there have been challenges and changes in keeping up with the evolving rules of Google Grants. Learning how to adapt to these changes and how to broaden the appeal of the site has led to learning outside of the anticipated subject of study.

ORGANIZATION

The website itself is organized around four main topics, with plans to add a fifth section on artificial intelligence (AI). The first topic is cases revolving around search and seizure and privacy rights. This includes explaining what employers can and cannot legally monitor about their employees. Case examples include, among other issues, whether or not employers can legally read employee emails on their server, warrants to search cell phones, and tech companies being ordered to build software allowing the government to circumvent passcode protections.

The second topic is related to the first because it explains electronic information and its storage. This is relevant because of privacy concerns and data security. The site focuses on explaining what cloud storage is through an informational video. There is also a link to a sample cloud contract [1] outlining the most important considerations for cloud storage.

The third topic is e-discovery. E-Discovery is used by the parties to a lawsuit, an administrative hearing or an arbitration. In federal and state courts there are rules that specifically require the parties to disclose electronic information [2] that is relevant to the lawsuit. This electronic information (data) may be stored on a computer hard drive, a flash drive, an e-mail server, a cloud, etc. The site walks users through each step in the e-discovery process.

The last topic on the site, as of the moment, is free speech concerns. This focuses on cases such as *Elonis vs. United States* [3], where it was ruled that violent posts on Facebook do not constitute as a threat unless there is intent. The site also examines the line between freedom of speech on social media and cyber harassment.

Typically, each case is given a video explaining the case, an abstract summarizing what the case was about and what the results were, the original court documents for people to read for themselves, and some links for further learning and more information. Cases that are in progress are consistently updated with new information on the outcome of the case.

WHY E-LEARNING?

The internet is one of the fastest growing forms of media. With over half the world's population using the internet [4] as of January 2018, which is a significantly higher level than previously projected [5]. Due to the versatile nature of the exchange of information through the internet, as a medium, it serves as an ideal method of sharing knowledge-based content.

According to Gros and García-Peñalvo (2016), e-Learning describes learning delivered fully online where technology mediates the learning process, teaching is delivered entirely via Internet, and students and instructors are not required to be available at the same time and place [6]. The practice of e-learning matches with various pedagogical models and the evolution of e-learning has led to modernizing pedagogy.

The pedagogies of e-learning may be categorized into four categories, namely; associative, cognitive/constructivist, situative and connectivist [7]. Associative learning is the traditional form of educating, with a strong focus on the individual, mostly based on learning through association and reinforcement. Cognitive/Constructivist learning has a more dynamic and broad view of knowledge, and is mostly a task oriented form of learning. Situative learning is "learner centered" and learning is viewed as a social practice refined through social interaction. Connectivist Learning is the distribution of a knowledge across the web in multiple environments, the engagement with a networked environment serving as the educator.

This project utilizes three of the four of these pedagogy methods. The foundation of our website is built upon connectivist learning. Visitors to the site are given a variety of links to gather further information on topics they are interested in learning about and the original source documentation for cases. The researching done by the directors of the site to collect links and news about cases is another use of connectivist learning. The case summaries and videos take the more traditional associative learning approach, a form of chalk talk. The directors experience constructivist learning through the constant adaptation to new information given by analytics and changes in Google AdWords grant guidelines. Figure 1 shows a visual representation of the aforementioned pedagogy methods.

Figure 1: Graphical Representation of the Used Pedagogy Methods

IMPACT

Individual Impact - Website Directors

The creation, operation and maintenance of the website allowed for the directors to learn the subject matter, new practices of research and the technological aspects of the website. The content learned revolved around the facts and proceedings of the cases and the legal implications of each case. Determining how to obtain court documents and how to summarize cases appropriately were new practices that had to be adopted. The requirements of developing the structure of the website and formatting the data and media in an organized manner were integral to the technological learning. Editing the data to optimize learning was also imperative.

Organizational Impact - All members of T3

The larger Teach through Technology group learned from one another what practices work best for management of websites and the new content posted on the websites. Students from all different disciplines learned how to collaborate with one another and with alumni and faculty. The strengths of each area of learning come together to build a stronger product and give outside input on details the site managers may have overlooked. Each member brings to the table their own perspective and learning from one another.

University-level Impact

The resources provided on the legal aspects of technology in the workplace are used to instruct university students as a textbook. The summaries and videos on the website allow the students to learn the legal implications of real cases in a visual and auditory manner. The online form of the resources enables them to be accessed from any computer or suitable mobile-device. The availability of the content provides students with the option to control the time and pace of learning. Feedback on the experience of using the website is actively sought during the course which is considered for future improvements.

Impact on the Greater Community

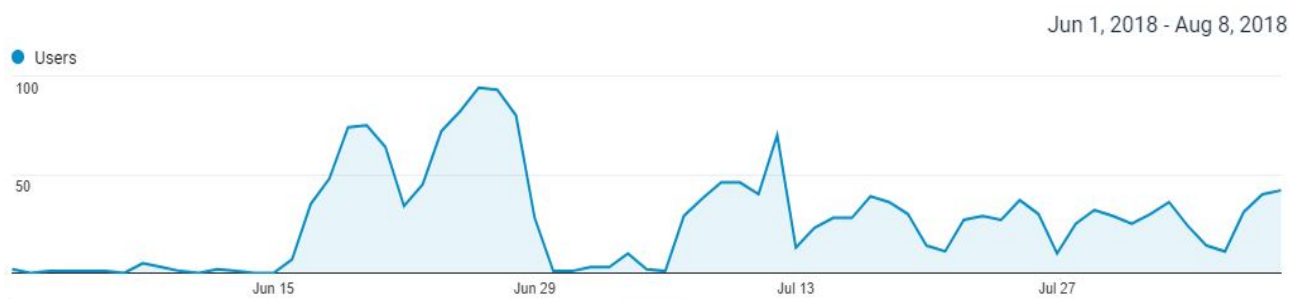
The website provides relevant and detailed legal information for the increasingly digitized workplace. It also provides video instruction of cases dealing with employee and employer responsibilities when technology is involved. As a teaching tool, the website allows for this information to be curated and delivered directly to any interested visitor. The latest administrative rules and regulations regarding technology are also included in the website for quick and easy access for the user.

ROLE OF GOOGLE ADWORDS AND ANALYTICS

Through the Google Grant, T3 receives \$10,000 every month in advertisements that appear with the results from the Google search engine. The advertisements appear when specific phrases are searched that match the specified keywords and match-type. The advertisements provide links to redirect users to the Digital Workplace website and at this time, the grant money is deducted. The amount that is deducted is decided based on a cost-per-click bidding process with a maximum of \$2 [8]. The specifications of the ads and the keywords are assigned and controlled using Google AdWords.

The performance and reach of the ads established through Google AdWords are monitored using Google Analytics. Google Analytics also provides data on the interaction users have with the website. This data serves as an invaluable resource to determine the necessary course of action to be taken to optimize the website for better user experience. Figure 2 indicates the necessity the website has in the Google AdWords Grant.

Figure 2: Graphical Representation of the Used Pedagogy Methods



Prior to June 15th 2018, the Google AdWords account was deactivated for a period of time. It is clear from the data that the traffic to the website was significantly lower when the AdWords account was done compared to when the advertisements were being displayed. Subsequent to June 29th 2018, certain actions were taken with the geographic targeting of the ads which proved to be detrimental to traffic. Reversing those actions allowed for the process of restoring the previous level of traffic to begin.

Key terms pertaining to Google AdWords [9]:

- Google AdWords: The Google provided program, used for managing Ad Campaigns and creating Ads.
- Google Ad Campaign: A division within a Google AdWords account. Each campaign can be allocated a specific dollar amount and can be targeted towards a specific geographic region.
- Google AdGroup: A group of similar ads all connected to the same list of keywords, an AdGroup is made within an Ad Campaign.
- Impressions: The number of Google searches that the ad created has appeared in.
- Clicks: The number of clicks the Google Ad has received.
- Cost Per Click: The cost associated by a click on a Google Ad.
- Click Through Rate: Ratio of how many people click on your advertisement divided by the number of views the ad had (impressions).

Some other important terms to know in order to understand Google Analytics are as follows:

- Bounce Rate: Percentage amount given to single page visits or visits in which the person left your site from the entrance (landing) page. (Google AdWords)
- Average Visit Duration: The average amount of time spent on webpage.

- **Keywords:** The search term used when people use a Google search engine.
- **In Page Analytics:** Breakdown of the webpage, displaying what areas are getting the most clicks.

Overtime these analytics have shaped the way the directors organize and choose content for the website. For example, site directors noticed that ads related to the topic of Free Speech on Social media had a high click through rate, leading directors to post more content on cases related to free speech versus what constitutes as a threat.

The directors have also faced challenges with adapting to changing guidelines for what is required for Google AdWords grants. Rules on whether keywords must be single words or phrases, how ads must be targeted and quality score thresholds for ads are constantly changing and the ads must change with them. A new rule was set requiring a minimum click through rate of 5 percent [10], giving the team the need for ads that are more effective. While in the past, quantity of ads through an increased budget was the focus, now the team is learning how to create better ads on a lower budget.

CONCLUSION

Content

The managers of the website have worked together to decide the content that should be included in the website, the level of detail of said content and the form in which it was to appear. Monitoring the changes and latest news surrounding technological cases was seen as the driving factor for updating the content. It was observed that although the workplace was the area of focus, many non-workplace cases were found to be relevant to the purpose of the website. This was due to the personal use of technology in the workplace as well as the impact cases regarding private use of technology had overall.

Ads, Bounce rate (Google Analytics)

The performance of the ads and keeping up with the changes to the technical requirements of the grant constituted the major challenges regarding the online marketing of the website. Bounce rate was the major performance measure of the website itself along with average duration per visit whereas the performance of the ads was measured based on its CTR, total number of clicks and quality score. The significant drop in bounce rate was an indicator that the website had been performing well. In addition to the effectiveness of the ads, the privacy of the data subjects has become one of the primary elements of data processing.

Global Reach

The website was visited by users from various locations around the world as shown by the analytics. This supported the notion that the e-learning format adopted would provide quick and easy access. It also implied that the selected content was of interest to people all around the world.

Learning by Creating Knowledge and the Website

The creation of the website, research into the content and formatting the relevant information for the optimal learning experience allowed the directors of the website to learn from the process. Deeper understandings of the technical aspects as well as the latest developments in the real-life applications of technology were obtained which are necessary skills for professional careers in the future. The directors observed that the importance of the legal understandings of the digital workplace would need to be extended to the digital world. The advancements in the technological capabilities has brought changes to the perception of data.

Therefore, there is now a need for clear definitions of the various data entities, such as personal information on social media and genetic codes, and their legal standings.

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Positive Findings Regarding a New Trend in University Architecture Evaluating Student Impressions of an Innovative Academic Building

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ABSTRACT

Bryant University recently opened a spectacularly visually appealing, new building, the Academic Innovation Center (AIC). It was designed to promote innovative problem solving classroom experiences for business and liberal arts students alike with a spacious and wide open feeling. Bryant is among a group of other universities who are turning to radically different building design. Kamal (et.al.) in a lengthy white paper captures the essence of why universities are turning towards such novel architecture [1]. Students and faculty alike are enjoying the pleasure of working in such an aesthetically pleasing place. The intentions of this paper were to capture the emotions and perceptions of students regarding their impressions of the new building as it just opened, and capture perceptions on whether the new design really did effect a feeling of engagement and collaboration. Upon the opening semester, we surveyed the students that fall with a pre and post survey (September and December) regarding perceptions of engagement, collaboration, and enjoyment. We hoped that the administered survey would illustrate that the new space did indeed foster a feeling of academic success and bolster a new excitement for learning with the students. Varied statistical techniques were used to capture diverse results.

Keywords: University Architecture, Innovative Academic Buildings, Student Perceptions of Academic Architecture

INTRODUCTION

Bryant University recently opened a spectacularly visually appealing, new building, the Academic Innovation Center (AIC). It was designed to promote innovative problem solving classroom experiences for business and liberal arts students alike with a spacious and wide open feeling. Winner of numerous design awards the architectural firm hired for this project was EYP, Inc. They created a building that fosters intellectual collaboration amongst students and faculty alike. Under the direction of lead architect Kip Elliss, the building and classrooms were designed to create a welcoming space for students to congregate, study, and learn and a space that would promote ingenuity and a collaborative environment [1].

Experimenting with new classroom design initially came to the forefront in the 1970s with the concept of Open Classrooms, which did not have a positive impact on the classroom experience as educators had hoped. Michael Horn published a 2 part interview with Larry Kearns, an innovative architect who has spent years exploring the history and future of school designs. Kearns maintained in the 2015 interview that the Open Classroom model was not successful because the 'universal' space that was created for all types of learning within a school was as a space that was not created to fit any one particular activity in any specifically productive way. Also technological advances in learning were not incorporated into the classrooms. The advances we have today were of course not available then. Kearns believes that purposely designed spaces for different modes of learning can be captured into one large space that will greatly enhance the classroom design of the future. Today these new spaces can and will incorporate new and always advancing technology as well [4].

Bryant is among a group of other universities who are turning to radically different building design.

Kamal (et.al.) in a lengthy white paper captures the essence of why universities are turning towards such novel architecture. From a wide range of small liberal arts schools to large private universities, many schools see these new open and spacious buildings as 1) attracting STEM and Non-STEM students alike and 2) offering flexible classrooms for innovative teaching and technology and 3) offering 'soft spaces' for students to study and collaborate [1].

Attracting students interested in science, technology, engineering, and mathematics (STEM) is now viewed by many institutions of higher learning to be key in promoting a vibrant and successful academic community. Kamal explains that while many universities are struggling with increasing the number of students in a STEM program, a small but growing number of institutions have boosted their STEM initiatives in several ways. One ingredient to their success has included designing radically new buildings. In fact EYP has been tracking the impact of these new building designs on university campuses for about 10 years now. They maintain that the new designs can be new buildings or renovated existing ones, but all the designs that are transforming teaching methods have incorporated 5 design elements: soft spaces for informal learning, flexible laboratories, classrooms that can be re-configured with ease, glass walls putting STEM classes on display, and innovative research labs [1].

Bryant's new AIC building is bright and welcoming, and it is modeled with the 5 design elements in mind. The building has classrooms of different sizes and arrangements; all rooms can be configured to fit different teaching modes:

- 5 Flat Classrooms (called pods) - these rooms have easily moveable small tables and chairs of different styles and can be configured in several ways to facilitate teaching styles, and they have several different display screens depending on the room
- 5 Tiered Classrooms – these are amphitheater style also equipped with state of the art technology, and there are chalkboards and digital whiteboards
- 1 Innovative Forum – the main forum is very open and bright with 2 separate projectors, and it is best used in the evening hours due to the amount of natural lighting
- 23 Breakout Rooms – these rooms vary in layouts and capacities, all have display screens and varying types of comfortable furniture, but quite small [2].

The AIC was awarded the national College/University Grand Prize for outstanding design and architecture in College Planning and Management (CP&M) 17th Annual Education Design Showcase [3].

Students and faculty alike are enjoying the pleasure of working in such an aesthetically pleasing place. It is exciting to have such a transformative space on campus. The intentions of this paper are to capture the emotions and perceptions of students regarding their impressions of the new building as it just opened, and capture perceptions on whether the new design really did effect a feeling of engagement and collaboration. Upon the opening, we surveyed the students in that fall semester with a pre and post survey (September and December) regarding perceptions of engagement, collaboration, and enjoyment. While it is always gratifying to be in fresh, new, and clean environment, we hoped that the administered survey would illustrate that the new space did indeed foster a feeling of academic success and bolster a new excitement for learning with the students.

THE SURVEY AND GENERAL COMMENTS

The twice given survey had six questions that followed a Likert scale, two questions asked for open comments, and one question identified the most important features of the building. The last question inquired whether the student would prefer future courses in the AIC or not, given a particular class. The survey data was analyzed with various statistical techniques such as graphs, t-tests, and data mining decision trees to try to capture some overall viewpoints and impressions. The most interesting findings are highlighted in the Results section below.

Generally the two choices for classrooms are an amphitheater room or a pod room. The pods have several monitors around the room, moveable and comfortable furniture, a mixture of white and blackboards, and glass walls which can be used as a writing board. Rather than desks, these rooms have easily moveable (smaller) tables and chairs, which particularly facilitate group work. The sound systems and all the technology in all spaces are state of the art. Students were asked for general comments about what they liked or disliked, and they noted that certain classes performed better in one type of setting than another. For example, smaller groups felt lost in a larger amphitheater room. Also students commented that working in groups was difficult in an amphitheater setting. A few comments were made to the effect that the building needs color! Students missed the sensation that color can add; the building has all white walls and floors with a large amount of glass.

SOME STATISTICAL RESULTS

A pre-survey and post-survey were administered to capture student impressions regarding the new building in the first semester of opening. We had 462 students responding for the September survey and 317 on the December one, 711 total responses. However, all the boxplots and all of the decision tree analysis was done with missing data removed.

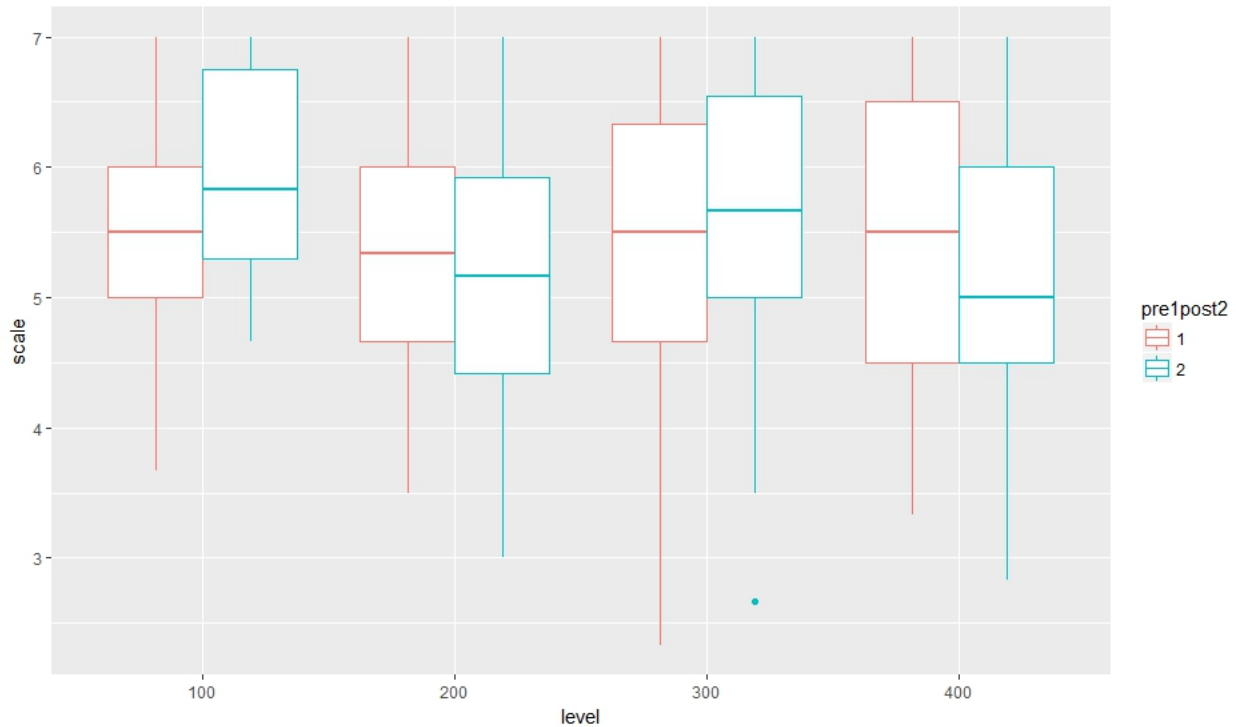
Finding 1:

Since all was anonymous, a pre/post-survey pairwise comparison was not possible. However, we took all six questions that followed the Likert scale from 1 (low rating) to 7 (high rating), averaged the responses for the pre and post-survey, and compared all 6 pre/post surveys. The smallest p-value of all 6 comparisons was $p = .15$ [$t(df = 709) = 1.43$]. Thus, after having a semester in the new building, the overall impressions of the students did not change very much. Impressions from the beginning of entering a new classroom space remained more or less the same with their impressions at the end of the semester.

Finding 2:

We then created a boxplot, Graph 1, of the overall feelings from September and again in December, divided by level of course, and all responses were at least 5 or greater, so the responses indicated that the students liked the AIC building. It appears from Graph 1 that the 200 and 300 level courses did not change their opinion very much regarding how they liked

the AIC overall from September to December. Notice though that the 100 level courses liked the AIC building more by the end of the semester, where the 400 level courses liked it less at the end of the semester. It seems that the freshmen classes were impressed, and the seniors preferred the more traditional classroom. Interesting that the seniors' impressions seem to decrease by the end of the semester, so we took a closer look.



Graph 1: Pre and Post survey regarding overall impression by class level. Variable 'pre1post2' indicates the time the survey being taken where values 1 means the survey taken at the beginning of the fall and values 2 means it is taken at the end of fall.

To see if there was a difference regarding the freshmen and senior courses as the Graph 1 suggests, we ran an ANOVA test. The results listed below in Figure 1 show that there actually is no significant difference between the two levels of classes (100 and 400) and the pre/post survey, as the graphs might suggest.

ANOVA: scale versus level, pre1post2

Factor Information

Factor	Type	Levels	Values
level	Fixed	2	100, 400
pre1post2	Fixed	2	1, 2

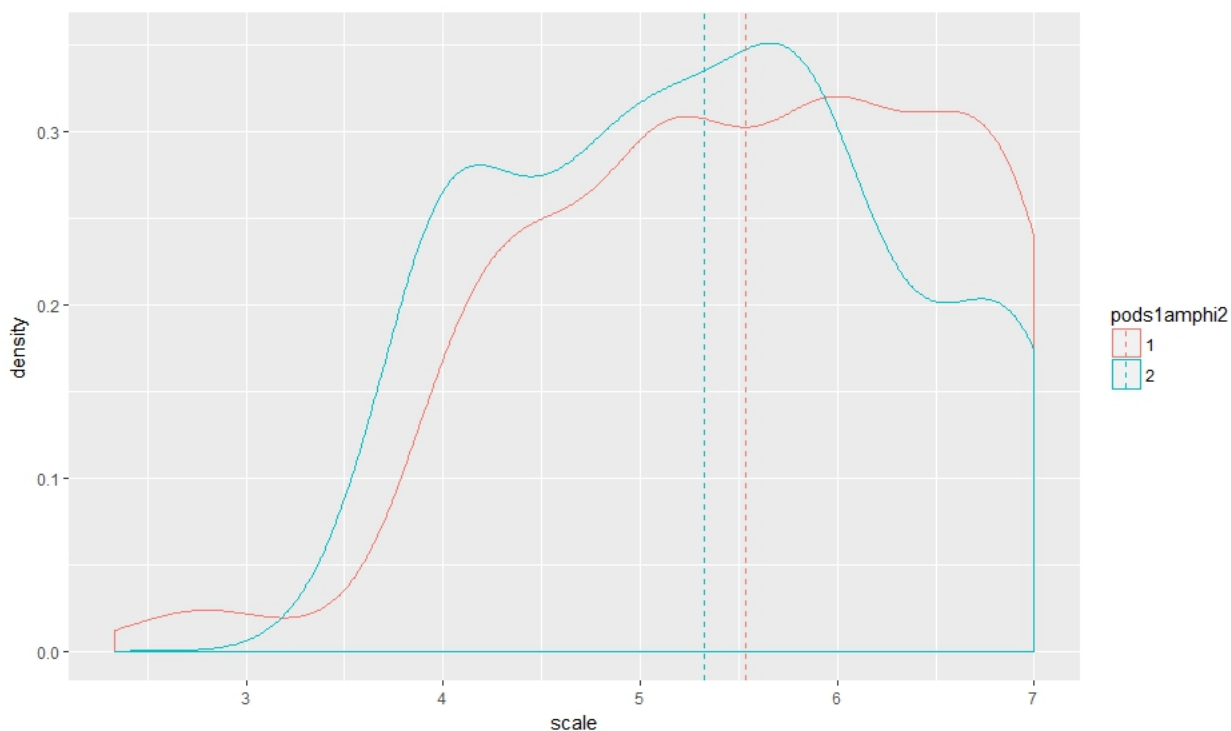
Analysis of Variance

Source	DF	Adj SS	Adj MS	F-Value	P-Value
level	1	1.878	1.8776	1.88	0.172
pre1post2	1	0.299	0.2986	0.30	0.585
level*pre1post2	1	1.439	1.4395	1.44	0.231
Error	170	169.506	0.9971		
Total	173	171.874			

Figure 1: ANOVA (2x2) Comparing Level of Course and Pre/Post Test Overall Impressions.

Finding 3:

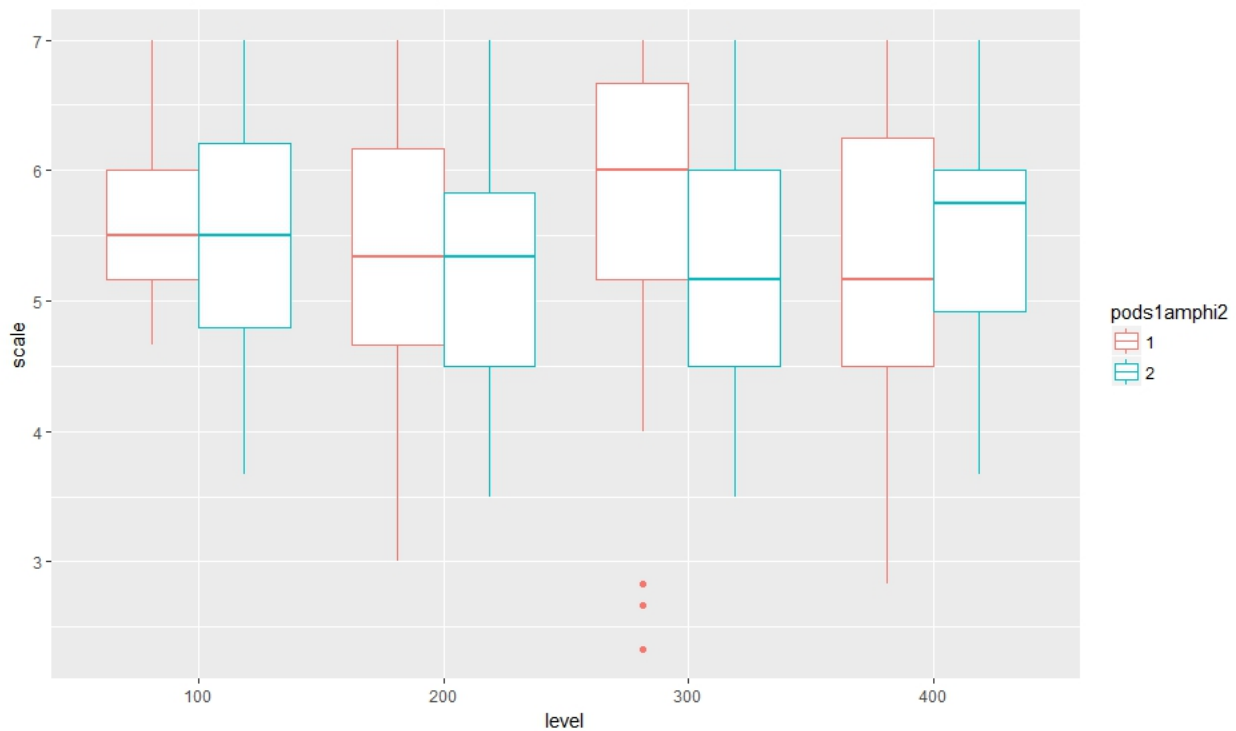
Regarding the question of whether the students prefer one type of room over the other, we looked at a descriptive histogram by grouping of pod or amphitheater. Graph 2 shows that **overall** students rated the flat room higher than the amphitheater.



Graph 2: Overall rating by students of the pod room compared to the amphitheater illustrated by density histogram. Variable '*pods1amphi2*' takes value 1 if the class is in a pod setting and value 2 if the class is in an amphitheater setting.

The vertical lines indicate the means of the two groups. We can see that there is a difference in the two means, so a t-test comparison was performed to check significance. The p-value was 0.049, just under a rating of 0.05, so the difference between the two is not highly significant. This result is shown in Table 1 below.

We then looked at how each course level ranked the two types of rooms. On Graph 3 we see 300 level courses ranking amphitheater much lower than the pod (Means 5.29 and 5.77), and the 400 level classes ranking the amphitheater setting actually a bit higher (Means 5.54 and 5.35). This may be a direct result of the type of class that juniors and seniors had in those classes. The amphitheater rooms would lend themselves to lecture style, while the pods would be better for group, collaborative classes. Freshmen and sophomore classes ranked both classrooms the same.



Graph 3: Overall Impressions of the two types of classroom, divided by level of course. Since it appears that different classes were not consistently naming the amphitheater or the pod as their first choice, we thought perhaps there was some interaction occurring between the level of course and the type of room. When we ran a Two Way ANOVA with the factors level of course and type of room, we did see that the interaction was significant with a p-value of 0.039.

ANOVA: scale versus level, pods1amphi2. There are 4 levels (100, 200, 300, 400)

Source	DF	Adj SS	Adj MS	F-Value	P-Value
level	3	3.278	1.0927	1.11	0.345
pods1amphi2	1	1.834	1.8340	1.86	0.173
level*pods1amphi2	3	8.321	2.7737	2.81	0.039
Error	553	544.923	0.9854		

When we ran ANOVA again with just the levels 300 and 400, in which we saw some difference, we see that the interaction becomes highly significant with p = .006:

ANOVA: scale versus level, pods1amphi2. There are 2 levels (300 and 400)

Factor	Type	Levels	Values
level	Fixed	2	300, 400
pods1amphi2	Fixed	2	1, 2

Source	DF	Adj SS	Adj MS	F-Value	P-Value
level	1	0.495	0.4946	0.47	0.493
pods1amphi2	1	1.489	1.4894	1.42	0.235
level*pods1amphi2	1	7.955	7.9547	7.56	0.006
Error	364	382.887	1.0519		

We then looked at some t-test comparisons regarding the question of whether the students prefer one type of room over the other. They revealed the pods, compared to the amphitheater rooms, were considered more engaging, facilitated communication with other students better, and had higher ratings across the average of the six Likert scale items (scale), as illustrated in

Table 1. Furthermore the Cronbach alpha for this scale was excellent being equal to 0.92. The rule of thumb is that this scale should be above 0.7.

	t	(df)	p	flat mean (SD)	amphitheater mean (SD)
engaging	2.108	(600)	.035	5.80 (1.10)	5.60 (1.13)
communication	4.815	(600)	< .001	5.59 (1.30)	5.08 (1.29)
Scale	1.975	(600)	.049	5.48 (1.01)	5.32 (0.97)

Table 1: T-tests Comparing Pods to Amphitheater Rooms - Variable 'scale' is the average of the all the rankings for interesting, engaging, enjoyable, ability to learn, ability to communicate with students/instructor with 7 being the highest ranking.

Although the amphitheater classroom is new and roomy, designed with very comfortable seating, the students still selected the pods for improved engagement and communication. One possible answer might be that Bryant University generally supports smaller class sizes. Small classes may feel that the amphitheater was too large. Also the pods lend themselves to group work, which is very popular pedagogy in university classrooms. In the pod, re-arrangement of the furniture is easy, and the rooms can be divided quickly into sections with plenty of writing space on the walls in each area.

Finding 4:

Continuing from Finding 3, we looked at the difference from 100 – 400 level classes on three questions regarding whether classes in the AIC were more a) interesting, b) engaging, and c) enjoyable specifically at the end of the semester on the post-survey. Surprisingly, only the question of 'more interesting' showed results with significance, with a p-value of 0.03. The next smallest p-value regarding 'engaging' and 'enjoyable' was p-value = 0.15. Table 2 shows the means for the 4 levels on the question of 'more interesting', and we see that all means are above 5.

n	Level	Mean/scale	St. Dev.
43	100	5.26	1
172	200	5.4	1.1
236	300	5.66	1.07
151	400	5.44	1.19

Table 2. Post-Survey Means: Are classes in the AIC more interesting?

Tukey comparison of means test showed that the difference between the 200 and 300 level means approached significance, but the p-value was only p-value = 0.087. The difference between those two levels was approaching significance, but certainly not highly significant. Only the Omnibus test showed significance. One may think that the comparison of 100 level to 300 level would show significance, but it does not, most likely due to the smaller sample size of the 100 level course. We also note that the mean responses on the question of 'more interesting' from all 4 levels are quite close.

Finding 5:

In the general comment section, several students maintained that they felt they could deliver presentations in a more professional way in the AIC rather than in traditional classroom settings. In one of the questions they were asked to rank the features of the new building from 1 (most important) to 4 (least important) in regard to one's ability to learn in the AIC, and the four choices were physical layout of the room, general ambience, technology, or collection of

different classes. Every level of class ranked the 'physical layout of the rooms' most important to their learning with a mean of 1.84. The next two closest rankings were 'technology' with a mean of 2.22 and 'general ambience' with a mean of 2.4. It appears that the majority of students in each level feels that the physical change of the room had some effect on their learning. This feature was ranked highest by every individual class level with 56% of the freshmen down to a low of 41% of the seniors saying physical layout of the room was most important.

Another interesting overall result was that only 8% of the freshmen classes (100 level courses) ranked technology as first compared to physical layout, general ambience, or collection of different classes as to being most important to their learning, although overall technology was ranked second with a mean of 2.22 as most important to a student's learning. Freshmen may feel that technology is now simply a part of every classroom, whether it be in a new building or not. Freshmen have been immersed in technology their entire educational lives and perhaps now are expecting new and innovative technology as a given.

Finding 6:

To get a different perspective on some of the survey questions, we ran some decision tree analysis using SAS Enterprise Miner on the full data set, and we see slightly different results. The first query that was posed was whether students overall like having classes in the AIC. At the top of the tree, 71.8% of the students said that they liked taking classes in the AIC. In the pre-survey, the data showed that 73.8% of the students preferred to register for classes in the AIC building and on the post-survey this dropped slightly to 68%, giving the overall average of 71.8%.

At the bottom of the tree, following the branch of the post-survey responses and the 100 level classes, 100% of the responses said that they liked having classes in the AIC (n = 32). Thus 100% of the freshmen at the end of the semester said that they prefer the AIC. On the pre-survey branch of the tree, 80.5% of the students who took the level of 100 – 300 level classes in the pods, liked classes in the AIC. On that same branch, if a student was in an amphitheater room, 70.6% of those students liked the AIC. With different algorithms we capture slightly different results from other Findings, but it is good to examine different statistical methods. A different algorithm can highlight different results. Now we are seeing some results that state the amphitheater classrooms are well liked.

Decision trees identified that 63.5% of the students felt overall it was easier to communicate with the instructor in the AIC, and that percentage increased to 71% if the class was a 200 level class in an amphitheater room. Another interesting result, as the boxplots showed that overall the 200 level courses ranked the pod and the amphitheater rooms equally the same. Also if the class was a 100 or 300 level course and the class was in a pod, the percentage increased to 77%. Thus the percentage is still the highest in the pod classroom, regarding whether students felt the communication with the instructor was improved. The pod classrooms are still identified as the better of the two types.

Decision trees were also used to examine the question of whether classes are more interesting in the AIC. Overall, 80% of the respondents noted that classes were more interesting in the AIC, and that percentage increased to 87.5% for the Honor students. 92% of the freshmen courses identified the course as more interesting, if it was taught in a pod. This concurs with previous results (Finding 3 and 4).

Also, regarding the physical layout of the room, using decision trees 43% of all responses said that they would select the physical layout of the classrooms as the most important feature as a reason for learning. However, 53% of the freshmen identified the physical layout as important, if the class was in a pod, which supports the 56% in Finding 5 as mentioned above.

CONCLUDING REMARKS

The statistical analysis of this paper was intended to capture the feelings and impressions of students who were taking classes in a new, innovative building for the first time. Bryant and other universities have made the decision to invest in radically different classroom building design. Bryant's new building has only been open for one academic year, but student impressions are important. Different statistical techniques were used to evaluate the findings in hopes of uncovering some nuances. Having class or working in a new, clean building is always pleasant, but we hoped to discover some interesting points of engagement in the classroom experience.

Overall the students responded that they did like the AIC, as particularly noted in the decision tree analysis. 80% of all the classes felt the classes were more interesting, and that statistics grew to be 87.5% if the branch identified Honor students. Furthermore, 92% of the freshmen felt the classes were more interesting, if the class was held in a pod classroom. In fact several varied results illustrated that the pod was the favored classroom style. Freshmen particularly enjoyed the experience of the new building, which would be a new experience for most of them, just coming out of high school.

Other trees illustrated that 43% of the students felt the physical layout of the classrooms improved learning, and that percentage grew to 53% if the branch was freshmen who had classes in a pod. Results with several different statistical techniques and questions highlighted that the pod style was clearly the favorite classroom type.

Bryant has built its reputation on smaller classroom environments. Perhaps because of smaller classes, the students usually identified the pods to be more to their liking than an amphitheater room. The amphitheater rooms are really designed for larger classes with a lecture style approach. Under Finding 3, the students overall gave the pods a higher ranking, but they also identified those classrooms to be more engaging and facilitate better communication with other students, and the comparisons were statistically significant. Furthermore, because the pods are easily changeable and adaptable to different set up designs, those rooms are particularly comfortable for group work.

FUTURE RESEARCH

This is a first look at impressions regarding an innovative learning environment. Similar studies conducted in a longitudinal manner could help identify true comparisons of this new building to traditional classrooms. It would be interesting to have information on what type of class and teaching style was used in the classes to see if that made a difference on any outcomes of impressions.

In fact, a similar pre/post survey was given to faculty members who taught in the AIC during this same period, but the sample size was very small. Capturing the faculty impressions in future surveys would be particularly helpful, especially if we could identify the teaching style of each professor and each particular class.

The ANOVAs that were done were all Between Subject design. It would be interesting to construct a Within Subject design to examine any differences. It would also be good to identify

professors who taught two sections of the same class, where one class was in the AIC and the other was in some of the older, traditional classrooms in other buildings.

Finally, since many classes at Bryant are pedagogically set up with team-based learning, and since pods seem to be the classroom that most students prefer, a hypothesis to be tested in the future might be to see whether the interactive design of the pods, facilitates introverts' engagement in team-based learning to a greater extent than the traditional classroom. It has been previously noted by Persky et. al (2015) that introverts have lower preference for team-based learning than other students [5]. Might the new pod style classroom have an effect on engagement and communication to a student, who has a personality on the quiet side?

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Strategic Entrepreneurship and Performance of Small and Medium Scale Enterprises in Aba Metropolis

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ABSTRACT

Strategic entrepreneurship has become dominant in the contemporary world and it is considered an effective tool for economic. Small and medium scale enterprises (SMEs) in Aba metropolis are faced with issues like inadequate information about strategic entrepreneurship, low entrepreneurial innovation which had resulted into low productivity and inefficiency in profit maximization. Little attention have been given into how strategic entrepreneurship contributes to performance of SMEs in Aba metropolis, Abia State. This study examined the effect of strategic entrepreneurship on performance of selected SMEs in Aba metropolis. The study adopted the survey research design. The population of the study consisted of 231 owner/managers of the selected SMEs in the manufacturing, the finance, health and the food and beverages sectors in Aba metropolis. The total enumeration method of sampling was used and data were gathered through the use of a questionnaire. The instrument was validated and the KMO values were greater that 0.5 while the reliability test was 0.875. Data were analyzed using simple linear regression analysis. The results revealed that strategic entrepreneurship variables have effects on the performance variables. The study concluded that strategic entrepreneurship plays an important role in enhancing the performance of SMEs in Aba metropolis. It was therefore recommended that SMEs should pay critical attention to the adoption of strategic entrepreneurship due to its positive effect on performance.

Keywords: Entrepreneurial education, Entrepreneurial knowledge, Entrepreneurial leadership, Entrepreneurial orientation, SME Performance, Strategic entrepreneurship

INTRODUCTION

Strategic entrepreneurship has been touted as one of the fundamental instrument for superior performance by simultaneously seeking opportunities and advantages through organizational activities. (Dapend, Jin & Songting, 2016; Ireland, Hitt & Sirmon, 2003). The challenge of globalization has led to intense competition in the business world thereby gearing organisations into finding ways by which they can achieve and sustain their performance in the global market. (Agarwal & Ashwani, 2008). Rigidity, risk aversion, and exhaustion heightened by mechanistic organizations obstruct the development of entrepreneurial activities. Consequently, entrepreneurial organizations which are change-oriented and which favour risk taking and continuous innovation are gaining greater popularity (Kantur, 2016).

Strategic entrepreneurship is potentially a business function which has become a key element of the strategy of every SME in their efforts to establish and maintain their competitive edge in the market (Foss & Lyngsie, 2011). By employing strategic entrepreneurship methods, SMEs can gain meaningful direction and the ability to illustrate its success to key stakeholders (Kuratko & Audretsch, 2017). A strategic plan also needs to be inculcated because without a

strategic plan, SMEs may lose its direction, unknowingly drift away from its values, and lack the ability in adequate delivery of its services or products to its clients (Majama & Magang, 2017). Thus, strategic entrepreneurship is established with how firms' strategic intent can facilitate continuous leveraging of entrepreneurial opportunities for advantage seeking purposes in order to create wealth (Foss & Lyngsie, 2011).

According to Audretsch, Lehmann, Belitski and Cajazza (2018), large companies are more successful than SMEs because the large companies plan strategically, thus, the need for SMEs to also plan strategically to have competitive advantage. With strategic entrepreneurship, firms are able to highlight their development and growth options, look deeply into their opportunities and strategically plan to fully exploit the opportunities presented. Strategic entrepreneurship exceeds hierarchical levels, applies to both small and large firms, established firms as well as new ventures (Agarwal, Audretsch & Sarkar, 2010). Thus, strategic entrepreneurship is linked with how firms' strategic intent can facilitate continuous leveraging of entrepreneurial opportunities for advantage seeking purposes in order to create wealth (Foss & Lyngsie, 2011). Zafar & Mustafa (2017) opines that commitment from every stakeholders will enable strategic entrepreneurship will ensure the success in the revamping the SMEs as engines of growth in the economy and a viable tool for the development of indigenous technology, rapid industrialization, generation of employment and the pivot for sustainable economic development.

The Federal and State Government places great emphasis on the development of small and medium scale enterprises (SMEs) with the view to improving the economy through the provision of special support and protection of SMEs (Eniola, 2014). This is because the SMEs ensures capacity building through production of goods, improves exports and earn foreign exchange for the country thereby improving the foreign reserve (Oni & Daniya, 2012).

Given the importance of small and medium scale enterprises to economic and social development, their lack of longevity, is however a cause for concern because the survival of business is critical to the sustainability of economies (Mohammed & Obeleagu-Nzelibe, 2014). It has been estimated that, internationally, only 30% of SMEs survive to the second generation, while fewer than 14% make it beyond the third generation (Majama & Magang, 2017).

According to Mohammed and Obeleagu-Nzelibe (2014), the increase in the failure rate of SMEs in Aba metropolis is of great concern. One of the major challenges of the growth of SMEs in Aba metropolis is that most of them do not engage in strategic entrepreneurship because they find it difficult to combine opportunity and advantage seeking behaviours together at the same time (Schindehutte & Morris, 2009). SME owners/managers in Abia State have been accused of being strategically myopic and lacking the long-term vision as regards where their company is headed. The concern is that by neglecting strategic entrepreneurship, SMEs may not achieve their full performance and growth potentials, and their survival could be at risk. Most SMEs operating in Aba metropolis lack entrepreneurial education and this has led to lack of entrepreneurial efficiency in the areas of low capital outlays, the use of labour intensive technology, low level of skills and organization, limited access to organized markets and formal credit, unregulated and competitive markets, limited access to services, lack of adequate reinvestment, and unrealized earnings and profit (Burger, O'Neil & Mahadea, 2005; Dauda, 2007). Also, the importance of entrepreneurial leadership has not been fully studied in Aba metropolis and this has led to a high employee turnover intention of the SMEs due to lack of strategy by the leaders (Saasongu, 2015). About 80 percent of businesses in Aba metropolis

lack entrepreneurship skills and this is greatly affecting their growth not only on the local market but also in the region. This shows that they are not taking advantage of their potential.

Furthermore, the study of entrepreneurial knowledge has not been fully inculcated in SME employees in Aba metropolis as this can be done through oral during formal or informal meetings (Mohammed & Obeleagu-Nzelibe, 2014). This has led to lack of entrepreneurial skills of the employees in the areas of resiliency, ability to focus, investing for the long-term, self-reflection and self-reliance (Mohammed & Obeleagu-Nzelibe, 2014). It has also been indicated that SME employees in Aba metropolis lack entrepreneurial orientation which has led to low entrepreneurial innovation of market products, technology and lack of exposure to new business opportunities and also lack of competitive advantage in the business environment (Eleodinmuo, 2015). Schindehutte and Morris (2009) stated that strategic entrepreneurship is more than intersection of strategic management and entrepreneurship and should be treated as a contested idea and not as a settled issue.

SMEs in Aba metropolis have not invested adequate resources on the utilization of modern technologies, and this has led to the decline in the designing and development of new products (Eleodinmuo & Onwumere, 2015). This situation has affected the present and future growth of the enterprise leading them to go into extinction. SMEs in Aba metropolis lack healthy competition in the sector and this has led to decline in their sales volume and inability to achieve their marketing and corporate goals. This has also led to a difficulty in their survival and as a result, the performance and efficiency of small and medium scale businesses as a tool for growth and development in Nigeria is not being realized. Various studies have been conducted on the effect on entrepreneurship development but not much has been done on strategic entrepreneurship and SME performance as it relates to Nigeria and specifically Aba metropolis (Bengesi & Roux, 2014; Luke, 2009; Mohutsiwa, 2012; Akhamiokhor & Adanikin, 2017; Obiwuru, Okwu, Akpa & Nwankwere, 2011). Therefore, there was a need to investigate the effect of strategic entrepreneurship on the performance of small and medium scale enterprises in the Aba metropolis, Abia State.

LITERATURE REVIEW

Strategic Entrepreneurship

Strategic Entrepreneurship refers to the connection between entrepreneurship and strategic management literature (Kuratko & Audretsch, 2017). It can also be described as the integration of entrepreneurial (opportunity-seeking actions) with strategic (advantage-seeking actions) perspectives to design and implement entrepreneurial strategies that create wealth (Hitt, Duane, Camp & Sexton, 2001). Strategic entrepreneurship has emerged through a combination of strategic management literature and entrepreneurship literature (Simmons, 2010). It incorporates aspects from both fields to combine entrepreneurial actions with strategic perspective (Ireland, Hitt & Sirmon, 2003; Simmons, 2010).

According to Duane, Ireland, Hitt & Sirmon (2003), strategic entrepreneurship is the action of simultaneously engaging in the search for opportunities and competitive advantage for devising and implementing entrepreneurial strategies that create wealth. Further constructs of strategic entrepreneurship are the application of creativity and the development of innovation. First movers in innovation impact significantly on competitors' market power and enjoy, potentially transient, monopoly advantages and abnormal profits because of the slower actions of competitors (Qosja, 2014). According to Hitt *et al.* (2001), innovations resulting from new combinations of production factors are critical to a firm's wealth-creating efforts. Innovation is linked to successful performance of organisations in both the industrial and service sectors as well as to the greater economy as a whole (Salisu & Abu Bakar, 2018). Effective innovations

create new value for customers, thereby, enhancing the performance of the organization which makes creativity an essential element for increased performance (Padachi, 2012 & Mohutsiwa, 2012). Eleodinmuo and Onwumere (2015) argued that creativity is increasingly important for small and medium scale enterprises as it opens doors for multiple opportunities. Creativity as a continuous process rather than the outcome of a single act is the basis of innovation and is encouraged when the resources supporting it are managed strategically.

Hitt, Ireland, Camp and Sexton (2001), sought to define, legitimize and clarify the domain of strategic entrepreneurship. They argued that in order for firms to achieve sustained competitive advantage, they need to strategically leverage entrepreneurial wealth creation.

Entrepreneurial Education

Entrepreneurial education emphasizes on teaching the workers or employees with the passion and desired skills needed to create an entrepreneurial firm and guide the firm successfully through its initial stage to maturity stage. It seeks to provide SMEs “with the knowledge, skills and motivation to encourage entrepreneurial success in a variety of settings” (Izedonmi & Okafor, 2010; Maria, 2010). This would enhance necessary identification and avoidance of many pitfalls awaiting the less well trained and vigilant entrepreneurs. The training in entrepreneurial education may initially be perceived as a cost in terms of time and money but it would eventually be appreciated (Yusuf, 2017). Entrepreneurship education is designed to communicate and inculcate competencies, skills, knowledge, and values needed to recognize business opportunity, organize and start new business venture (Njenga & Theuri, 2016). The expected goal of entrepreneurial education is to inculcate the SMEs trainees with the ability to; identify and solve problems using critical and creative thinking, effectively work with others as proactive team members to cultivate the ability to resolve conflict. Also, the goal of entrepreneurial education to SMEs trainees or employees involves the ability to collect, analyze, organize and critically evaluate information, communicate and negotiate effectively (Qosja, 2014).

Entrepreneurial Leadership

Entrepreneurial leadership is conceived as the ability to influence others to manage resources strategically in order to identify and display opportunity and advantage seeking behaviour (Covin & Slevin, 2002). Entrepreneurial leadership has also been defined as the process of creating an entrepreneurial vision and inspiring a team to enact the vision in high velocity and in uncertain environments (Kuratko & Audretsch, 2017, Chen, 2007; Gupta, MacMillan & Surie, 2004; Surie & Ashley, 2008). This definition has three main components such as: *proactiveness*: being active to influence and lead the future rather than waiting to be influenced by it; exploiting opportunities and accepting the responsibility of failure (Kuratko, 2017); being able to anticipate future problems, needs for change, and improvement (Okudan & Rzasa, 2006); and responding to environmental opportunities (Surie & Ashley, 2008). *Innovativeness*, the ability and tendency to think creatively, develop novel and useful ideas in opportunity recognition, resources utilization and problem solving (Claudino, Santos, Cabral, & Pessoa, 2017); the distinctive attribute that differentiates entrepreneurs from those that want to be self-employed. *Risk taking*, the willingness to absorb uncertainty and take the burden of responsibility for the future (Chen, 2007). Risk taking is one of the characteristics of an entrepreneurial leader during the early stages of the venture but the risk taken should in a prudential manner (Agbim, Oriarewo & Owutuamor, 2013). To be effective, entrepreneurs should seek opportunity to internalize and practice all the skills that are associated with the entrepreneurial leadership components (Okudan & Rzasa, 2006). Also, Avolio and Yammarino

(2013) pointed out that the activities of the SMEs' leaders relate to leadership which is the all-important driving force of any organization.

Entrepreneurial leadership capability helps entrepreneurs to cope with the challenges associated with new venture creation, growth and success, and to deal with competitive business environment (Cogliser & Brigham, 2004). Entrepreneurs, thus, need to develop entrepreneurial leadership capabilities so as to gain competitive advantage and achieve sustained entrepreneurial success in their ventures (Madanchian & Taherdoost, 2017).

Entrepreneurial Knowledge

Entrepreneurial knowledge explains "the ability to recognize or create an opportunity and take action aimed at realizing an innovative knowledge practice or product" (Didenko & Pliego, 2014). Entrepreneurial knowledge is the way an individual appreciates skills concepts and mentality which is expected of an entrepreneur (Tshikovhi & Shamdare, 2015). Entrepreneurship knowledge focuses on opportunities which is aimed at improving the "production" and "personal transformation" rather than the economic entrepreneurship which is aimed at monetary profit. Matzler, (2008) argued that entrepreneurial knowledge is the most suitable form of entrepreneurship. Massad and Tucker (2009) articulated that entrepreneurial knowledge can be acquired and developed through consistent exposure to entrepreneurship activities. Small and medium scale enterprises need entrepreneurial knowledge to be creative. Small and medium scale enterprises need entrepreneurial knowledge on the skills such as interpersonal skills and critical and creative skills needed to grow the businesses (Audretsch, Lehmann, Belitski & Caiazza, 2018). It was further posited that entrepreneurial knowledge is need by SMEs in order to know how to raise capital, discover a model that is sustainable, to improve the services rendered and to understand the needs of the customers.

Entrepreneurial Orientation

Entrepreneurial orientation has been defined as all the decision-making activities that lead to a new market entry and the support of business activities (Kropp, Lindsay & Shoham, 2006). Entrepreneurial orientation also refers to the strategy making practices that businesses implement to identify and launch new ventures (Farja, Gimmon & Greenberg, 2016). Entrepreneurial orientation has its roots in strategy-making process literature. The construct, as it is commonly defined today, is first described as an entrepreneurial organization, a multidimensional concept, that engages in product market innovation, undertakes somewhat risky ventures and is first to come up with 'proactive' innovations, beating competitors to the punch (Covin & Wales, 2012). Application of entrepreneurial orientation would enable small business enterprises to have access to capital and hence, its performance could be improved (Sidek, Mohamad & Nasir, 2016). Rezaei & Ortt (2018) pointed out that top managers with high rate of entrepreneurial orientation who are willing to take risk, show high degree of competitive advantage and imbibe innovative activities have positive relationship to performance of the firm. According to Sidek, Mohamad & Nasir (2016), the firms that have entrepreneurial orientation are more focused towards achieving their objectives and make more effort toward seeking opportunities from supply of capital. Firms that create effective strategic orientation can make more return on investment and profits and attract more external finances (Cheng, Ioannou, & Serafeim, 2014).

Performance

According to Bassegy & Tapeng (2012), performance is the result of an effort resulting from actions which an organization has undertaken which covers various activities such as human resources, finance, production and marketing. Business performance also consists of all effort

by an organization to attain its set goals consisting but not limited to survival, employee, customer and satisfaction, sales growth and profitability (Mark & Nwaiwu, 2015). It was further opined that business performance entails the views about the values provided and received by customers.

The predictable approach to firm's performance has been to consider the financial approach. Another approach to organisational performance is to use measurement against purpose and perceptual measures of company performance. Park and Luo (2001) asserted that similar approach to assessing the level of satisfaction can arise from specific factors and actions. Subsequently, performance measurement has come from the areas of organisational theory and strategic management; hence, organisational performance can be measured using financial measures, non-financial measures or a combination of both.

Entrepreneurial Efficiency

Efficiency is defined as "the capacity of an organization, institution, or business to produce desired results with a minimum expenditure of energy, time, money, personnel, material" (Mesh, 2012 in Nyaga, 2015). Cummins (2003) as used by Abanis, Byamukama, Burani, Ibrahim and Novembrieta (2013) defined entrepreneurial efficiency in terms of 'profitability and growth'. Profitability ratios are critical ways of identifying and measuring the financial situation of a business organization. When the profitability of an organization is declining compared to other firms in the same industry, then the firm is considered to be financially weak (Abanis, Arthur, Byamukama, Burani, Ibrahim, & Novembrieta, 2013). Efficient firms grow and survive even in the midst of economic downturns. Firms operating below the minimum efficient scale which are unable to overcome the diseconomies of scale are forced out of the industry. Efficient firms grow faster than their counterparts as they tend to overcome their initial scale disadvantage by investing gradually in the enterprise or firm (Abanis *et al*, 2013).

Employee Turnover Intention

Maylew (2013), defines employee turnover "as the number of employees who leave an organization and are replaced by new ones" Ross (2014 sees the concept as a method of replacing an employee with a new employee which can be measured at a percentage rate. Turnover can be classified as an important part of performance indicator which will affect every other aspect of an organization and it can occur due to various reasons which may be expected or not expected (Nowak, Holmes & Murrow, 2010; Kurnat-Thoma, Ganger, Peterson & Channell, 2017). Employee turnover is referred to as the "rate at which an employer gains and losses employee" which can harm the organisation's efficiency in that highly skilled workers often leave the organization (Armstrong, 2006) and for service oriented firms, it can lead to dissatisfaction on the part of customers because a customer feels uncomfortable seeing new persons at every contact (Brian, 2009). The organization is usually at the receiving end because the cost of losing an experienced employee is greater than paying a higher wage (Kumar, Ramendran & Yacob, 2012).

The employee turnover intention has been described as the decision making process of voluntary turnover (Kim, Kim & Rhee, 2017). The willingness to leave is known as employee turnover intention (Hongvichit, 2015). Employee turnover will lead organization to face operational disruption due to the difficulty in replacing the skilled and ability employees and also, the demoralization of organizational membership will be increased. In order to reduce employee turnover rate, the leadership of the enterprise should play a crucial role in increasing the enterprises and employees' performance through incentives and motivation which will

yield high productivity and the attainment of the enterprise's vision. (Gul, Ahmad, Rehman, Shabir, & Razzaq, 2012).

Entrepreneurial Skills

Entrepreneurial skills can be defined as knowledge demonstrated by actions or the ability to perform in a certain way and are acquired through training and education (Bosire & Nzaramba, 2013). It can also be defined as the capabilities an entrepreneur possesses in order to run a business (Hisrich & Peter, 2002). Entrepreneurial skills enable an entrepreneur to identify customer needs, technical and market opportunities, generate ideas, develop products /services to meet the needs, and acquire information about the potential opportunity domain and knowledge (Omara & Kyongo, 2017). Specific entrepreneurial and business skills are essential for the success of SMEs. According to Afolabi and Macheke (2012), the absence or low levels of key skills like motivation, ability to gather resources, financial management, human resource management, marketing and technical skills, may lead to zero performance, while weakness in a particular element would decrease effectiveness in the overall performance of the venture. This thus, means that the increase in the capacity of any of these skills can lead to an increase in the entrepreneurial performance of the entrepreneur (Afolabi & Macheke, 2012).

Entrepreneurial Innovation

Entrepreneurial innovation can be defined as "the willingness to support creativity and experimentation in the introduction of new products or services" which involves research & development in the development of processes (Lumpkin & Dess, 2001). Innovation is paramount to the survival and growth of any business (Martin & Namusonge, 2014). It has changed the way companies conduct their businesses and the ways of satisfying the needs of customers. Small and Medium Enterprises (SMEs) constitute 99.7% of the enterprises worldwide (Agarwal & Ashwani, 2008). Since Small and Medium Enterprises (SMEs) contribute substantially to the economic and industrial development in most countries, it becomes crucial to study innovation in SMEs (Ebitu, Basil & Ufot, 2016).

According to Lumpkin and Dess (2001), product-market innovativeness places emphasis on the design of the product, the market research, advertisement and promotion while technological innovation deals with the process and technological development. The innovative propensity of an organization influences the extent to which profit outcomes persist over time, thus, more innovation is equal to greater profit (Eleodinmuo & Onwumere, 2015). Innovation is dependent on a variety of factors, such as innovative behaviour, work environment, learning orientation and organizational learning procedure (Zahra, Ireland & Hitt, 2000; Kleysen & Street, 2001). Despite the roles of innovation in ensuring productivity gains, SMEs faces various challenges especially in developing economies like Nigeria which include limited human and financial capabilities, poor infrastructural development, unfavourable policies on the part of government which inhibits innovative activities (Abdu & Jibir, 2017)

THEORETICAL REVIEW

Resource Based View of the Firm

Resource Based View (RBV) was propounded by Wernerfelt in 1984. Wernerfelt (1984) in his analysis of RBV explained the strategic options of a firm for choosing resources. The theory explains the origin or competitive advantage of a firm and supports that the intangible resources are the main concern that ensures performance of a firm (Barney, Ketchen & Wright, 2011; Galbreath & Galvin, 2006; Liu, Timothy & Gao, 2010). Studies have revealed the

relationships between organisational resources, capabilities, performance through RBV (Barney 2007; Meutia & Ismail, 2012; Ogunyomi & Bruning, 2015; Ibrahim & Shariff, 2016).

The RBV has been criticised for the reason that there are no managerial implications and it is also viewed as limited in its application in that the sustained competitive advantage is not achievable Kraaijenbrink, Spender & Groen (2010). Tywoniak (2007) stated that the usefulness of RBV appears to be greater in terms of generating understanding and providing a structure for strategizing. Barney (2001) also stated that resource based logic can help managers to completely understand the kind of resources that help generate sustained strategic advantages, help them use this understanding to evaluate the full range of resources their firm may possess, and then exploit those resources that have the potential to generate sustained strategic advantage.

Resource based view acknowledged that the human resources in form of skills, competencies and capabilities are the key components of entrepreneurship education. The theory is relevant to the study as it involves acquisition of entrepreneurial skills through entrepreneurial education and entrepreneurial knowledge, adoption and use of technology by the small and medium scale enterprises in order to enhance their overall performance. Thus, in this study, the postulates of RBV were used to inform the independent variables.

Research Model and Hypotheses Development

This study explores the effect of strategic entrepreneurship on the performance of small and medium scale enterprises. Strategic entrepreneurship comprise Entrepreneurial education, Entrepreneurial leadership, Entrepreneurial knowledge, and Entrepreneurial orientation. On the other hand, performance entails entrepreneurial efficiency, employee turnover intention, entrepreneurial skills, and entrepreneurial innovation.

Entrepreneurial Education on Entrepreneurial Efficiency

Yusuf (2017) established that entrepreneurial education has effect efficiency of SMEs in Nigeria since entrepreneurial education leads to improved skills and competencies which positively boosted performance of SMEs, which in turn has a multiplier effect on the economic recovery and growth of Nigeria. This confirmed the study of Mitchelmore and Rowley (2010) that acquiring entrepreneurial competencies positively impacted on the business performance of SMEs. Furthermore, Mohammed and Nzelibe (2014) also established that entrepreneurship education had significant effect on the business success of SMEs in Nigeria. Similarly, Bosire and Nzaramba (2015) reported that entrepreneurship education do lead to better business practices and increased revenues and profits in SMEs. They concluded that lack of entrepreneurship education is an important factor that limit the growth of SMEs.

The study of Yusuf (2017) also revealed that acquisition of entrepreneurship education, implementation of technological devices and platforms, as well as, globalisation enhances efficiency and profitability of SMEs in Nigeria. The study of Barchue and Aikaeli (2013) revealed that entrepreneurial education and access to credit do positively influence the efficiency of SMEs in Monrovia. Other studies have also and have effect on efficiency (Qosja; 2014, Njenga & Theuri, 2016). The study of Njoroge and Gathungu (2013) revealed that the entrepreneurs were able to market their products within the district but not around the country due to inadequacy of entrepreneurial education.

H₀₁: Entrepreneurial education does not have significant influence on entrepreneurial efficiency of selected SMEs in Aba metropolis.

Entrepreneurial Leadership on Employee Turnover Intention

Several researchers have done empirical reviews on the influence of entrepreneurial leadership on employee turnover. Siew (2017) revealed in his findings that there is a relationship between transformational and transactional leadership style and turnover intention within SMEs in Malaysia. This study also demonstrated that the transformational leadership style has contributed the most to turnover intention within SMEs in Malaysia by reducing the employees' turnover intention when compared with transactional leadership style. According to El Badawy and Bassiouny (2014), they stated that there is a positive impact of the transformational leadership and its ultimate impact on employee's intention to quit an organization. Their result indicates highly statistically significant positive correlation between transformational leadership and employee intention to quit. Griffith (2003), Wells and Peachey (2010), Cheng, Bartram, Karimi, and Leggat (2016) proved that the transformational leadership style helps to reduce employee turnover intention and it has been provided by the results of several studies and in various employment areas. In Griffith (2003), he stated that earlier research has associated employee job satisfaction, commitment, motivation and effort to transformational leaders.

Cheng, Bartram, Karimi and Leggat (2016) found out that in healthcare industry, transformational leadership style is capable of constructing healthier working environments and also helps in retaining nurses. Waldman, Carter and Hom (2015) conducted a study on the connection between leadership and follower turnover by investigating the effects of group-level transformational leadership on the withdrawal process. Through their finding, they discovered that transformational leadership predicts turnover through quit intentions and their test of cross-level moderation reveals that transformational leadership can weaken the effect of quit intentions on turnover. Therefore, their result had shown that employees are less likely to carry out quit intentions when they have transformational leaders. This outcome also supported the findings of the study of Siew (2017). It was found out that affective commitment would decline workers' quitting intention and serves to promote a degree of trust and willingness to follow their leaders' philosophy, ideology, vision and guidance in the organization (Gyensare, Anku-Tsede, Sanda, & Okpoti 2016). Hence, affective commitment fully mediates the relationship between transformational leadership and employee turnover intention, (Gyensare, Anku-Tsede, Sanda & Okpoti 2016). In the study of Gyensare, Kumedzro, Sanda and Boso (2017), the results showed that transformational leadership positively influenced engagement but negatively relates to employee turnover intention.

The study of Majeed, Jamshed and Mustamil (2018) revealed that there exists a negative relationship between ethical leadership and employee turnover intention and prosocial rule breaking. Furthermore, pro-social rule breaking has a positive relationship with employee turnover intention. The results of regression analysis showed that prosocial rule breaking acts as a partial mediator between ethical leadership and employee turnover intentions. Hence, the following is the second hypothesis that was developed to be tested:

H₀₂: Entrepreneurial leadership has no significant effect on employee turnover intention of selected SMEs in Aba metropolis.

Entrepreneurial Knowledge on Entrepreneurial Skills

Nystrom (2012) discovered that the probability of having an adequate entrepreneurial skills depends on the level of entrepreneurial knowledge acquired. Findings indicated that entrepreneurs with higher entrepreneurial knowledge of human resources management will have high entrepreneurial skills towards human resources commitment practices and involvement practices than entrepreneurs with little or no entrepreneurial knowledge of human resources management (Tim, 2011).

In the study of Gast, Werner and Kraus (2016), it was discovered that employees in lower management positions in small and medium scale enterprises benefit strongly from entrepreneurial knowledge spillover effects as the necessary skills, knowledge and expertise are inculcated in them because of the enabling environment and they are able to build up networks conducive to entrepreneurship activities in their enterprise. The study of Omare and Kyongo (2017) tested and confirmed the hypothesis that entrepreneurial skills have a significant effect on competitive advantage. This means that entrepreneurs who wish to succeed must embrace and inculcate entrepreneurial skills among their employees through entrepreneurial knowledge (Omare & Kyongo, 2017).

The study of Jafarnejad, Abbaszadeh, Ebrahimi and Abtahi (2013) revealed that lack of sufficient knowledge in management skills, constitute barriers and challenges of corporate entrepreneurship development in Iranian SMEs which leads to inadequate skills and knowledge required to launch and sustain a business and also had little knowledge of the business environment. Afolabi and Macheke (2012) revealed that SMEs in the plastic industry need training in order to gain entrepreneurial knowledge in acquiring the necessary skills so as to succeed in the enterprise as most of the respondents indicated that they have not yet undergone training, while Njenga and Theuri (2016) revealed that most entrepreneurs displayed limited entrepreneurial knowledge in areas such as access to financial information, operation of a business, business planning and monitoring profitability. Consequently, the third hypothesis that was developed to be tested is:

H₀₃: Entrepreneurial knowledge does not have significant effect on entrepreneurial skills of selected SMEs in Aba metropolis.

Entrepreneurial Orientation on Entrepreneurial Innovation

Bleeker (2011) revealed that when entrepreneurial orientation is considered as a one-dimensional construct, it influences both the innovation process as a whole and all its individual steps. However, while entrepreneurial orientation is considered as a multidimensional construct, the only dimension that influences the innovation process and its steps is proactiveness which makes innovation a one-dimensional construct. Prior findings from the field of organizational behaviour revealed that there is a significant linkage between entrepreneurial orientation and the levels of innovations (Schueffel, 2014). Pérez-Luño, Wiklund and Cabrera (2011) also revealed in their findings that proactivity and risk taking were positively linked to the number of innovations generated by a firm. Other scholars like Avlonitis and Salavou (2007) also presented an entire string of arguments and empirical evidence that yields support to the idea that entrepreneurial orientation has a significant positive effect on the innovation levels of a company. Based on the findings of Schueffel (2014), it was stated that the more pronounced the entrepreneurial orientation of a firm is, the higher the level of its innovation performance.

The findings of Etriya, Scholten, Wubben, Kemp and Omta (2013) revealed that entrepreneurial orientation positively affects innovation inputs, innovation adoption and innovation generation, and innovation adoption has a positive effect on performance. Madhoushi and Sadati (2011) also revealed in their study findings that entrepreneurial orientation both directly and indirectly through the knowledge management affected innovation performance while Cheng, Tang, Jin, Xie and Li (2014) found that entrepreneurial orientation is positively related to product innovation performance.

H₀₄: Entrepreneurial orientation does not influence entrepreneurial innovation of selected SMEs in Aba metropolis.

Regression Models

$$y_1 = \beta_0 + \beta_1 X_1 + \mu_i \dots \dots \dots \text{Equation 1}$$

$$y_2 = \beta_0 + \beta_2 X_2 + \mu_i \dots \dots \dots \text{Equation 2}$$

$$y_3 = \beta_0 + \beta_3 X_3 + \mu_i \dots \dots \dots \text{Equation 3}$$

$$y_4 = \beta_0 + \beta_4 X_4 + \mu_i \dots \dots \dots \text{Equation 4}$$

Where:

β_0 = Constant term

$\beta_1 - \beta_4$ = Parameters to be estimated

μ_i = error term

$$EFF = \beta_0 + \beta_1 EE + \mu_i \dots \dots \dots (1)$$

$$ETI = \beta_0 + \beta_2 EL + \mu_i \dots \dots \dots (2)$$

$$ES = \beta_0 + \beta_3 EK + \mu_i \dots \dots \dots (3)$$

$$EI = \beta_0 + \beta_4 EO + \mu_i \dots \dots \dots (4)$$

METHODOLOGY

Research Design

This research adopted the survey research design. This research design can be used to describe an existing condition by the means of primary data collection. The survey research design was chosen because it focuses on vital facts, beliefs, opinions, attitudes, motives and behaviours of the respondents. The use of this research design is premised on the works of Adisa, Adeoye and Okunbanjo (2016).

Population, Sample and Sampling Technique

The total population for the study is 231 which was gotten from Aba Chamber of Commerce, Industries, Mines and Agriculture (ACCIMA, 2017). The total population of 231 selected SMEs in Aba metropolis was used for this research work because the population size is not large. These selected SMEs in Aba metropolis covered the manufacturing sector, the finance sector, health sector and food and beverages industry. The 231 selected SMEs in Aba metropolis was the sample of this study. Total enumeration sampling technique was used for this study because only the owner/ manager of the selected SMEs were the respondents.

Research Instrument

The required data for this study was generated from primary data. The primary data was generated from respondents of the SMEs which were the owners/ management of the selected SMEs. The questionnaire was adapted from previous studies. Likert scale measurement was used in this research work and it required the respondents to grade their options on a scale of 1-6 to obtain their opinions and it consists of Strongly Agree (6 Points), Agreed (5 points), Partially agree (4 points), Partially disagree (3 points), Disagree (2 points), Strongly disagree (1 point).

The instrument was validated through the exploratory factor analysis using principal component extraction method. The results of factor analysis shows that the KMO value for all the variables are more than 0.5 recommended threshold as recommended by Kaiser (1974). Internal consistency was tested using the Cronbach's alpha statistic. The result of the reliability test indicates that all the variables attained the recommended threshold of 0.7 (Nunnally, 1978; Pallant, 2010) denoting high reliability of the research instrument. Also, the overall reliability coefficient for the instrument was 0.875 which is considered reliable.

DATA ANALYSIS AND RESULTS

Data analysis for this study was carried out with the use of simple linear regression analysis in SPSS to test the effect of the independent variable, strategic entrepreneurship sub-variables on the sub-variables of performance.

RESULTS AND DISCUSSION

Table 1: Regression Analysis of Entrepreneurial education on entrepreneurial efficiency of selected SMEs in Aba metropolis

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	13.016	1.383		9.411	.000
	Entrepreneurial Education	.304	.070	.276	4.340	.001
R = 0.276 R ² = 0.076 P-value = 0.001						

a. Dependent Variable: Entrepreneurial Efficiency

Source: Field Survey, 2018

The results of the regression analysis in table 1 revealed that entrepreneurial education has significant influence on entrepreneurial efficiency of selected SMEs in Aba metropolis ($\beta = 0.304$, $t = 4.340$, $p < 0.05$). The t-value shows that the coefficient of the model parameter is statistically significant. The R square of 0.076 indicates that 7.6% of the variation in entrepreneurial efficiency of selected SMEs in Aba metropolis is explained by entrepreneurial education. The coefficient of entrepreneurial education is 0.304 which implied that a change of unit in entrepreneurial education influences a positive change of 0.304 units in the entrepreneurial efficiency of small and medium enterprises in Aba metropolis. The result is consistent with Yusuf (2017) who established similar findings that acquisition of entrepreneurship education, adoption and use of technology devices and platforms, as well as, globalisation enhances efficiency and profitability of SMEs in Nigeria. The study reported that for manufacturing SMEs to operate competitively, profitably and significantly contribute to the economic recovery and growth of Nigeria, they need to continuously acquire entrepreneurial education. Additionally, Barchue and Aikaeli (2013) also established that entrepreneurial education and access to credit do positively influence the efficiency of SMEs in Monrovia.

Table 2: Regression Analysis of Entrepreneurial Leadership on Employee Turnover Intention of selected SMEs in Aba metropolis

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
	(Constant)	10.678	1.706		6.260	.000
	Entrepreneurial Leadership	.320	.090	.230	3.553	.001
R = 0.230 R ² = 0.053 P-value = 0.001						

a. Dependent Variable: Entrepreneurial Turnover Intention

Source: Field Survey, 2018

The second hypothesis was formulated to determine whether Entrepreneurial leadership has significant effect on employee turnover intention of selected SMEs in Aba metropolis. The results of the regression analysis showed that entrepreneurial leadership has significant effect on employee turnover intention of selected SMEs in Aba metropolis ($\beta = 0.320$, $t = 3.553$, $p < 0.05$). The t-value affirms that the coefficient of the model parameter is statistically significant ($p = 0.001$). The regression result shows R square of 0.053 which indicates that 5.3% of the variation in employee turnover intention of selected SMEs in Aba metropolis is explained by entrepreneurial leadership. The regression coefficient of entrepreneurial leadership is 0.320 which implied that a unit increase in entrepreneurial leadership (that is proactive entrepreneurial behaviour) would bring about an increase of 0.320 in employee turnover intention of small and medium enterprises in Aba metropolis. The results showed a significant effect of entrepreneurial leadership on employee turnover intention of small and medium enterprises in Aba metropolis. The result is consistent with El Badawy and Bassiouny (2014) that there is a positive impact of the transformational leadership and its ultimate impact on employee's intention to quit an organization. Their result indicates highly statistically significant positive correlation between transformational leadership and employee intention to quit. This finding also supports Griffith (2003), Wells and Peachey (2010), Cheng, Bartram Karimi, and Leggat (2016) arguments that the transformational leadership style helps to reduce employee turnover intention and it has been provided by the results of several studies and in various employment areas.

Table 3: Regression Analysis of Entrepreneurial knowledge on entrepreneurial skills of selected SMEs in Aba metropolis

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	12.513	1.040		12.037	.000
Entrepreneurial Knowledge	.321	.054	.363	5.893	.001
R = 0.363 R ² = 0.132 P-value = 0.001					

a. Dependent Variable: Entrepreneurial Skills

Source; Field Survey, 2018

The third hypothesis was formulated to determine whether Entrepreneurial knowledge have significant effect on entrepreneurial skills of selected SMEs in Aba metropolis. The regression results show that entrepreneurial knowledge has significant effect on entrepreneurial skills of selected SMEs in Aba metropolis ($\beta = 0.321$, $t = 5.893$, $p < 0.05$). The t-value shows that the coefficient of the model parameter is statistically significant ($p = 0.001$). The R square of 0.132 indicates that 13.2% of the variation in entrepreneurial skills of selected SMEs in Aba metropolis is explained by entrepreneurial knowledge. The analysis showed that a unit increase in the entrepreneurial knowledge, that is, increasing ability to recognize or create an opportunity and take action by a unit would result in increased entrepreneurial skills by 0.321. The results showed a significant effect of entrepreneurial knowledge on entrepreneurial skills of small and medium enterprises in Aba metropolis. This finding corroborates past results of studies on the relationship between entrepreneurial knowledge and entrepreneurial skills. Nystrom (2012) found out that the probability of having an adequate entrepreneurial skill depends on the level of entrepreneurial knowledge acquired. Findings indicated that entrepreneurs with higher entrepreneurial knowledge of human resources management will have high entrepreneurial skills towards human resources commitment practices and

involvement practices than entrepreneurs with little or no entrepreneurial knowledge of human resources management. In a similar study, Gast, Werner and Kraus (2016) found out that employees in lower management positions in small and medium scale enterprises benefit strongly from entrepreneurial knowledge spillover effects as the necessary skills, knowledge and expertise are inculcated in them because of the enabling environment and they are able to build up networks conducive to entrepreneurship activities in their enterprise.

Table 4: Regression Analysis of entrepreneurial orientation on entrepreneurial innovation of selected SMEs in Aba metropolis

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	14.439	1.014		14.244	.000
Entrepreneurial Orientation	.271	.052	.324	5.180	.001
R = 0.324 R ² = 0.105 P-value = 0.001					

a. Dependent Variable: Entrepreneurial Innovation

Source: Field Survey, 2018

The result in table 4 showed that entrepreneurial orientation has significant influence on entrepreneurial innovation of selected SMEs in Aba metropolis ($\beta = 0.271$, $t = 5.180$, $p < 0.05$). The t-value of 5.180 shows that the coefficient of the model parameter is statistically significant ($p = 0.001$). The result shows R square value of 0.105 shows that 10.5% of the variation in entrepreneurial innovation of selected SMEs in Aba metropolis can be explained by entrepreneurial orientation and at 95% confidence level. The regression equation showed that a unit increase in the entrepreneurial orientation, that is, increasing SMEs entrepreneurial behaviour by a unit would result in increased entrepreneurial innovation by 0.271. From the study at 95% confidence level, entrepreneurial orientation produced statistically significant values that were greater than 0.05 of p-value which is the standard. The p-value for entrepreneurial orientation was found to be 0.001 from the coefficient table and this is less than 0.05 hence the model can be accepted to produce significant result. The result showed a significant influence of entrepreneurial orientation on entrepreneurial innovation of small and medium enterprises in Aba metropolis.

CONCLUSION AND RECOMMENDATIONS

The effect of strategic entrepreneurship on the performance of small and medium scale enterprises in the Aba metropolis, Abia State was assessed, and the major issues that emerged from the findings showed that: Entrepreneurial education have significant influence on entrepreneurial efficiency of selected SMEs in Aba metropolis ($R^2 = 0.076$, $p < 0.05$). Entrepreneurial leadership has significant effect on employee turnover intention of selected SMEs in Aba metropolis ($R^2 = 0.053$, $p < 0.05$). Entrepreneurial knowledge have significant effect on entrepreneurial skills of selected SMEs in Aba metropolis ($R^2 = 0.132$, $p < 0.05$). Entrepreneurial orientation does not influence entrepreneurial innovation of selected SMEs in Aba metropolis ($R^2 = 0.105$, $p < 0.05$). It is concluded that strategic entrepreneurship plays an important role in enhancing the performance of small and medium scale enterprises in Aba metropolis (entrepreneurial efficiency, employee turnover intention, entrepreneurial skills and entrepreneurial innovation).

The finding that entrepreneurial education has a significant effect on entrepreneurial efficiency of SMEs will benefit the owner/manager of SMEs in being proactive towards a continuous effective entrepreneurial education of their employees on a regular basis to ensure efficiency of operations. The findings that entrepreneurial orientation has a significant effect on entrepreneurial innovation of SMEs will also benefit the owner/ manager of SMEs in orienting their employees on new ways of production, packaging and delivery in order to form the best innovation strategies and policies that will boost the enterprise's performance and in meeting their customers' needs. Also, the finding that entrepreneurial leadership has a significant influence on employee turnover intention of SMEs will benefit the owner/ manager by helping them adopt the best type of leadership in running their business in which transformational leadership is suitable as it is likely to reduce the rate of employee turnover intention of SMEs. The finding that entrepreneurial knowledge has a significant effect on entrepreneurial skills of SMEs will also benefit the owner/ manager in organizing monthly programmes and seminars that will enhance the entrepreneurial skills of the SMEs towards increased productivity. The finding that entrepreneurial orientation has a significant effect on entrepreneurial innovation of SMEs will benefit the government towards formulating favourable policies that will encourage entrepreneurial innovation of new products and new technology of SMEs.

Based on the findings and conclusion presented, it is recommended that in order for SMEs in Aba metropolis to operate competitively, profitably and significantly contribute to the economic recovery and growth of Nigeria, the owner/ management need to continuously acquire entrepreneurial education for themselves and their employees. Also, leaders or managers of SMEs in Aba metropolis need to engage more in transformational leadership style as this is likely to reduce the rate of employee turnover intention. In addition, the owner/management needs to increase the level of entrepreneurial knowledge they have in order to acquire more skills to operate efficiently in order to gain competitive advantage. Furthermore, owner/ management of SMEs in Aba metropolis should be able to orient their employees both the existing staff and the newly recruits on new ways of production and ways of product innovation through periodic market research.

Future research should be carried out to ascertain the relationship among the four different strategic entrepreneurship variables. This will provide in-depth clarification with regard to how each variable of strategic entrepreneurship relates to one another as well as how that relationship enhances performance. Also, collection of data state-wide will ensure good spread and robustness of data analysis. Other factors not studied in this research contributed 89.5% of variance in entrepreneurial innovation. Therefore, further research should be conducted to establish the influence of other factors not analyzed in this study on entrepreneurial innovation of small and medium enterprises in Aba metropolis.

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The (in)completeness of local integrity systems A cross-sectional study on municipal integrity systems for civil servants in the Netherlands

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ABSTRACT

Private organizations and government bodies develop integrity systems that consist of various elements such as integrity officers, regulations, codes of conduct and supervision arrangements. For both the private and public sector there is little scientific knowledge about the extent to which local integrity systems are complete and factors that explain this (in)completeness. The present study focuses on local integrity systems for civil servants in the Netherlands. Using a theory-based evaluation framework it is concluded that Dutch municipal integrity systems differ substantially in terms of completeness. Contrary to our theoretical expectations, neither the number of inhabitants of a municipality nor the political composition of the municipal administration offers an explanation for this. The circumstance of whether or not a municipality is located in the most urbanized part of the Netherlands is, however, a relevant factor. The research findings open up challenging questions for future research on public and private integrity systems.

Keywords: integrity, local integrity systems, codes of conduct, municipalities, political composition local administration, urbanization

INTRODUCTION

For both government bodies and private organizations, integrity has become a core value in recent decades (Boatright, 2011; Six, Van der Veen & Kruithof, 2012; De Graaf & Macaulay, 2014). The subject of 'integrity' has also received increasing attention in scientific disciplines such as organization sciences, business administration and public administration (Huberts, 2014; Luu, 2015). This happens under the headings of business ethics (IBE, 2007) and public integrity (Huberts & Six, 2012).

Integrity in the private and public sector

It is understandable that private organizations pay more and more attention to the issue of integrity. Employees, works councils, supervisory boards and, above all, clients expect high integrity from private organizations. For example, customers are less willing to buy products from companies known as non-integral. Non-integrity behavior damages the image of a firm and has a direct negative impact on sales. The increased attention to integrity within private organizations is therefore understandable (Boatright, 2011; Muller, 2012).

In addition to private organizations, government agencies are also increasingly involved in the topic of integrity (Van den Heuvel, Huberts, Van der Wal, & Steenbergen, 2010). A government body that lacks integrity loses its legitimacy and trust among citizens (Musschenga, 2012; De Graaf, 2012; Den Boer, 2012). Without legitimacy and trust, a democracy cannot function optimally (Procee, 2000; Dreher & Schneider, 2010; Huberts, Van den Heuvel, & Van der Wal, 2012). Government organizations thus have a great responsibility in the area of integrity (Muller, 2012).

Because of the increased importance of integrity in the private and public sector, private and government organizations increasingly develop integrity system (Boatright, 2008; Huberts, Anechiarico, & Six, 2008; Six & Lawton, 2010; Six, Van der Veen, & Kruithof, 2012; Slingerland, Six, & Huberts, 2012). An integrity system safeguards and promotes integrity within an organization (Six & Lawton, 2010; Huberts & Six, 2012; Slingerland, Six, & Huberts, 2012). It consists of various elements such as integrity officers, regulations, codes of conduct and supervision arrangements. All these elements aim to contribute to the integrity performance of an organization (Huberts & Six, 2012; Slingerland, Six, & Huberts, 2012).

Although the subject of integrity is just as important for private organizations as for public organizations, this paper focuses on the integrity systems of the latter organizations, namely on those of municipalities. However, our findings on the quality of municipal integrity systems are also relevant for the private sector. As government bodies can learn from the business organizations in some respects (Osborne & Gaebler, 1992), the private sector can also benefit from public sector practices and insights on certain points.

Local integrity systems

For the public sector, a distinction can be made between national and local integrity systems (Van den Heuvel, Huberts, Van der Wal & Steenbergen, 2010). Local integrity systems are integrity systems of provincial government agencies, regional government agencies, water boards or municipal government agencies. Usually these are integrity systems of municipal government agencies. In this paper, the terms 'local integrity system' and 'municipal integrity system' are used as synonyms.

It is especially important for municipalities to pay attention to integrity (Six & Huberts, 2008). Citizens form opinions about the government based on their experiences at the local level (BZK, 2003; Huberts & Six, 2012). Municipalities are responsible for decision making and service provision in areas that are known for their vulnerability to integrity violations (Six & Huberts, 2008). Furthermore, contact with society is the most intensive, direct and sometimes intertwining at the local level (Van den Heuvel & Huberts, 2003). This makes it important for municipalities to have an effective integrity system (Van den Heuvel & Huberts, 2003; Six & Lawton, 2010; Slingerland, Six, & Huberts, 2012).

A local integrity system is considered *effective* when integrity risks are properly curtailed. This happens when the system ensures that integrity is handled and integrity risks are avoided (Six & Lawton, 2010). For an effective integrity system, an important requirement is the *completeness* of the system. All elements must be present that can promote the integrity performance of the municipal organization (Slingerland, Six, & Huberts, 2012; Habib-Ranzijn, 2015; Van den Heuvel, Huberts & Van Montfort, 2017).

A distinction can be made between local integrity systems for municipal *public administrators* such as city council members, aldermen and the mayor on the one hand and local integrity systems for *civil servants* on the other. This paper focusses on the second type of integrity

systems. It pays attention to local integrity systems for civil servant, regardless of whether these officials work in departments 'in the town hall' or in outside departments such as the Construction and Housing Department. Semipublic municipal organizations as public schools and public transport companies are, however, left out of consideration.

In addition, a distinction can also be made between internal and external elements of a local integrity system. (Muller, 2012; Slingerland, Six, & Huberts, 2012). The external elements relate to, amongst others, external audit institutions, the police and judiciary, and the media. The internal elements pertain to, amongst others, internal regulations, integrity training programs, and ethical leadership (Slingerland, Six, & Huberts, 2012). This paper pays attention exclusively to the internal elements of local integrity systems (for public servants).

Central government has left individual municipalities a lot of freedom for developing their own local integrity systems. As a result, municipalities might differ from each other in terms of the completeness of these systems (Muller, 2012). So far, little research has been done on this specific topic.

Central research question

In the past decades, the scientific attention for (local) integrity systems has increased (Six & Lawton, 2010; Berndsen & Van Montfort, 2012; De Graaf, 2012; Huberts, 2012, 2015; Slingerland, Six, & Huberts, 2012; Quesada, Jimenez-Sanchez, & Villoria, 2013; De Graaf & Macaulay, 2014; Macaulay, Newman, & Hickey, 2014). A limitation of many existing studies, however, is that they are mainly descriptive or prescriptive in nature. They describe what the ideal integrity system looks like or should look like. It is rarely indicated from which elements the examined system actually exists. Another limitation of many existing studies is that they do not offer explanatory models which have been tested empirically and provide insight into how an integrity system actually functions (Six & Lawton, 2010; Slingerland, Six, & Huberts, 2012).

As a result, it is still largely unclear to what extent municipalities have complete integrity systems for civil servants. It is also unknown whether possible relevant situational factors such as the number of inhabitants of a municipality (Van den Heuvel, Huberts, Van der Wal & Steenbergen, 2010) and the political composition of the municipal council (Leek & Van Montfort, 2004), form an explanation for the (in)completeness of municipal integrity systems for civil servants.

These two gaps in the current scientific knowledge about municipal integrity systems prompted us to conduct a research project reported in this paper. The research project focused on the situation in the Netherlands in 2017. It was carried out from the following central question: *To what extent do Dutch municipalities have a complete integrity system for civil servants and to what extent does this relate to the size of the municipality and the political composition of the municipal administration?*

THEORETICAL FRAMEWORK

An important concept in our central question is integrity. Despite the fact that this concept 'is often used in literature and practice, it is not always clear what it exactly means (Six & Lawton, 2010; Addink, 2012; Tongeren, 2012; Van den Heuvel, 2012; Huberts, 2012, 2015).

Integrity

In this research, integrity is defined as "acting in accordance with the prevailing moral values and norms and the associated (game) rules" (Van den Heuvel & Huberts, 2003, p. 19; Van den

Heuvel & Huberts, 2010, p. 26; Huberts, 2005, p. 9). This definition leaves room for the existence of different interpretations of integrity, depending on time and place (Van den Heuvel & Huberts, 2003; Reynaers, 2012). Based on this definition, public administrators and civil servants show integrity if they fulfill their duties and functions in accordance with what is morally justified, measured against the moral norms, values and corresponding rules which are relevant at that time and in that context (Van den Heuvel, Huberts, Van der Wal & Steenbergen, 2010; Addink, 2012).

The opposite of integrity are integrity violations (Slingerland, Six, & Huberts, 2012). Because integrity violations can vary widely, a range of instruments and institutions are needed to address this diversity. This emphasizes the importance of thinking in terms of a 'system' (Slingerland, Six, & Huberts, 2012).

System approach

In recent years, the scientific literature has focused not only on integrity policy, but on the entire integrity system of an organization (Warburton & Baker, 2005; Huberts, Anechiarico, & Six, 2008; Six & Lawton, 2010; Huberts & Six, 2012; Six, & Huberts, 2012; Six, Van der Veen, & Kruithof, 2012; Slingerland, Six, & Huberts, 2012; Quesada, Jimenez-Sanchez, & Villoria, 2013; De Graaf & Macaulay, 2014; Macaulay, Newman, & Hickey, 2014). An integrity system is more extensive than just an integrity policy (Six & Lawton, 2010). Slingerland, Six and Huberts (2012, p. 220) define an integrity system as "the whole of components, such as institutions, policy instruments, actions in practice and integrity guards, whose aim is to contribute to the integrity performance of an organization in the heart of society".

A system approach looks at the larger picture by taking into account all elements and conditions that are expected to be important to the integrity of the organization (Six & Lawton, 2010). Such an approach focuses on the connection between various components within and outside the organization, how they are interconnected and how they are jointly responsible for the integrity performance of an organization (Kolthoff, 2012). Ideally, the integrity system at the *internal level* is organized in such a way that *external institutions* such as external audit agencies, ombudsman, the police and judiciary, and the media, do not have to take corrective actions (Slingerland, Six, & Huberts, 2012).

Effectiveness of an integrity system

The effectiveness of an integrity system is seen as the extent to which the systems manages to limit *integrity risks* (Six & Lawton, 2010; Slingerland, Six, & Huberts, 2012). Integrity risks concern actions, functions and work processes that are vulnerable from the point of view of integrity. It is highly probable that the most important integrity risks that need to be addressed in a local integrity system correspond with the main types of integrity violations (Six & Lawton, 2010; Van Tankeren, 2012).

The scientific literature does not clearly state what exactly creates an effective local integrity system (Six & Lawton, 2010; Slingerland, Six, & Huberts, 2012). Which combination or configuration of elements leads to the highest integrity performance? What are the underlying mechanisms that determine whether a certain combination is effective? These are questions that are currently unanswered.

Completeness of an integrity system

However, there are indications in the scientific literature that a complete integrity system is a necessary condition for a high system effectiveness. Many of all important internal or external elements of a integrity system must be present in order to have an effective system. The

completeness of an integrity system is considered an necessary condition for its effectiveness. (Slingerland, Six, & Huberts, 2012; Habib-Ranzijn, 2015; Van den Heuvel, Huberts, & Van Montfort, 2017).

The scientific literature does not contain a complete overview of the key internal and external elements that make up a complete integrity system. The vast majority of previous studies in the field of organisation integrity mainly or exclusively focus on individual elements of an integrity system (Vidaver-Cohen, 1995; Kaptein & Wempe, 1998; Bass & Steidlmeier, 1999; BZK, 2003; Treviño, Brown & Hartman, 2003; Van den Heuvel & Huberts, 2003; Brown, Treviño, & Harrison, 2005; Huberts & Nelen, 2005; BIOS, 2015a, 2015b, 2018; Ter Horst, 2008; Van den Heuvel, Huberts, Van der Wal, & Steenbergen, 2010; Van Tankeren, 2010, 2012; Heetman, Van Wayenburg, Guijt, & De Wit, 2011; De Graaf, 2012; Heres, 2012, 2015; Hoekstra, 2012; Huberts, Van den Heuvel, & Van der Wal, 2012; Maesschalck, 2012; Muller, 2012; Musschenga, 2012; Nelen, 2012; Van den Heuvel, 2012; Van der Wal, 2012; Van der Veer, 2012; Hoekstra, Makina, & Talsma, 2013; Van Montfort, Huberts, & Dees 2014; Huberts, Six, Van Tankeren, Van Montfort & Paanakker, 2014; Huberts, 2015; Zweegers, 2015; Tahalele, 2015; De Droog & Hoekstra, 2016; Faro, 2017; Talsma, Hoekstra, & Zweegers, 2017). Although most previous studies do not pay attention to integrity systems as a whole, they are useful because they make clear what separate elements of a local integrity system are important for guaranteeing and promoting integrity (Hoekstra, 2012). These studies can be used for making an overview of the important elements that should be present in a complete integrity system (Van den Heuvel, Huberts, & Van Montfort, 2017).

Evaluation framework

Based on the literature on separate elements of a local integrity system, we constructed an overview of key internal elements from which a complete local integrity system should exist. This overview of forty internal elements divided into thirteen categories is presented in Table 1. The overview constitutes an evaluation framework through which the completeness (and therefore indirectly the effectiveness) of a concrete local integrity system can be assessed.

Table 1: Evaluation framework for assessing completeness local integrity system

<i>Category 1: Attention to integrity</i>	
1a.	Municipal administrators pay a lot of attention to integrity within the civil service.
1b.	Managers pay a lot of attention to integrity within the civil service.
1c.	The subject of integrity is regularly discussed during work meetings within the civil service.
1d.	There is sufficient time and money to safeguard integrity within the civil service.
<i>Category 2: Regulations</i>	
2a.	There is a local regulation for the acceptance of gifts. This regulation is known to civil servants.
2c.	There is a local regulation for having ancillary positions This regulation is known to civil servants.
2e.	There is a local regulation for declaring expenses. This regulation is known to civil servants.
2g.	There is a whistleblowing regulation. This regulation is known to civil servants.
<i>Category 3: Codes of conduct</i>	
3a.	There are one or more formally established codes of conduct within the civil service.
3b.	Civil servants have been substantially involved in the realization of the code(s) of conduct.
3c.	The code or codes of conduct are known to civil servants.
3d.	The code or codes of conduct can easily be consulted by civil servants on the intranet.
<i>Category 4: Oath or official promise</i>	
4.	Civil servants usually take an oath or official promise after having been appointed.
<i>Category 5: Personnel policy</i>	
5a.	In application procedures, the availability of the required diplomas is usually checked.
5b.	In employment conditions interviews, the topic of integrity is usually addressed.
5c.	In periodical performance interviews, integrity is usually applied as an assessment criterion.
<i>Category 6: Integrity training programs</i>	
6a.	Civil servants regularly participate in an integrity training program.
6b.	Afterwards, one or more follow-up meetings usually take place.
<i>Category 7: Ethical leadership</i>	
7a.	Managers set a good example in terms of integrity.
7b.	Managers propagate the importance of showing integrity in the performance of tasks.
7c.	It is possible to discuss moral dilemmas present in the performance of tasks.
7d.	Managers call civil servants who behave inappropriately to account.
<i>Category 8: Risk analyses or vulnerability studies</i>	
8.	Within the civil service, risk analyses or vulnerability studies regularly take place.
<i>Category 9: Local integrity department or functionary</i>	
9a.	A local department or functionary coordinates and implements integrity policy.
9b.	This local department or functionary participates in an inter-municipal network in which knowledge and experiences in the field of integrity are shared.
<i>Category 10: Local contact point for reporting suspected integrity violations</i>	
10a.	There is a local functionary or department where civil servants can report suspicions of integrity violations by colleagues.
10b.	This local functionary or department is known to civil servants.
10c.	It is clear to civil servants what functionary or administrator decides whether the report about a possible integrity violation is a reason to start an internal investigation into this issue.

10d. It is clear to civil servants what functionary or administrator decides whether the results of the internal investigation will be communicated with the police.

Category 11: confidential counsellor

11a. Within the civil service, there are one or more confidential counsellors in the field of integrity and/or sexual harassment.

11b. The existence of one or more confidential counsellors is known to officials.

Category 12: registration and reporting

12a. Within the civil service, reports of suspicions of integrity violations are centrally registered.

12b. Within the civil service, actual integrity violations are centrally registered.

12c. There are annual management reports on the implementation of the integrity policy.

Category 13: integrity investigations

13a. There are internal investigations into high-profile suspicions of integrity violations on a regular base.

13b. When a punishment is imposed or another measure is taken in response to an internal or external investigation, the background of the measure is clearly communicated to civil servants.

With the aid of the abovementioned evaluation framework, it can be assessed to what extent a local integrity system has all the important internal elements from which a complete system should exist. It is to be expected that some local integrity systems will prove to be more complete than others. If that will turn out to be the case, then the question may arise to what extent these differences in the completeness of a local integrity system can be explained by factors such as the size of the municipality and the political composition of the municipal council.

Municipality size as possible explanatory factor

We assume that the factor 'municipality size' has a positive influence on the completeness of the entire integrity system (Longenecker, Moore, Petty, Palich, & McKinney, 2006; Hoekstra, 2012; Downe, Cowell, & Morgan, 2016; Koolma, Hulst, & Van Montfort, 2017). The size of a municipality can be expressed in the number of its inhabitants. International research shows that large municipalities are probably better equipped to tackle integrity issues than small municipalities (Downe, Cowell, & Morgan, 2016). The integrity systems of large municipalities may therefore be more complete. This assumption leads to the following hypothesis:

H₁ = As a municipality has more inhabitants, the municipality has a more complete integrity system.

Political composition of municipal administration as possible explanatory factor

Moreover, we assume that the extent to which non-national political parties are represented in the municipal administration has a negative influence on the completeness of the municipal integrity system (Van de Graaf & Hoppe, 1992; Berman & West, 1995; BZK, 2003; Hiironen, 2004; Leek & Van Montfort, 2004; Van den Heuvel, Huberts, Van der Wal, & Steenbergen, 2010; Huberts & Six, 2012; Slingerland, Six, & Huberts, 2012; Kremer, 2013; Luu, 2015; Brandsma & Kieskamp, 2018; Broersma & Lacon, 2018; De Bruin, 2018; Koster, 2018; Van Loon & Van de Wiel, 2018; Van Ruiten, 2018). This possible explanatory factor refers to the extent to which non-national political parties are represented in the municipal council (i.e. the percentage of council members from non-national political parties). It also refers to the extent to which non-national political parties are represented in the college of mayor and aldermen (i.e. the percentage of aldermen from non-national political parties).

Dutch central government has obliged municipal administrations to develop local integrity systems. Central government has also made some specific system elements such as offering integrity training programs and taking an oath or promise, mandatory for municipal administrations. Nevertheless, municipal administrations are provided with a lot of discretionary space for developing their own local integrity systems (Van den Heuvel, Huberts, Van der Wal, & Steenbergen, 2010).

We expect the 'administrative will' of a municipal administration to be a decisive factor in the extent to which the municipal administration complies with central government's obligation to develop a local integrity system and to include some specific elements in this system (Van de Graaf & Hoppe, 1992; Leek & Van Montfort, 2004). This 'administrative will' of a municipal administration is in turn probably dependent on the political composition of the municipal administration (Van de Graaf & Hoppe, 1992; Leek & Van Montfort, 2004).

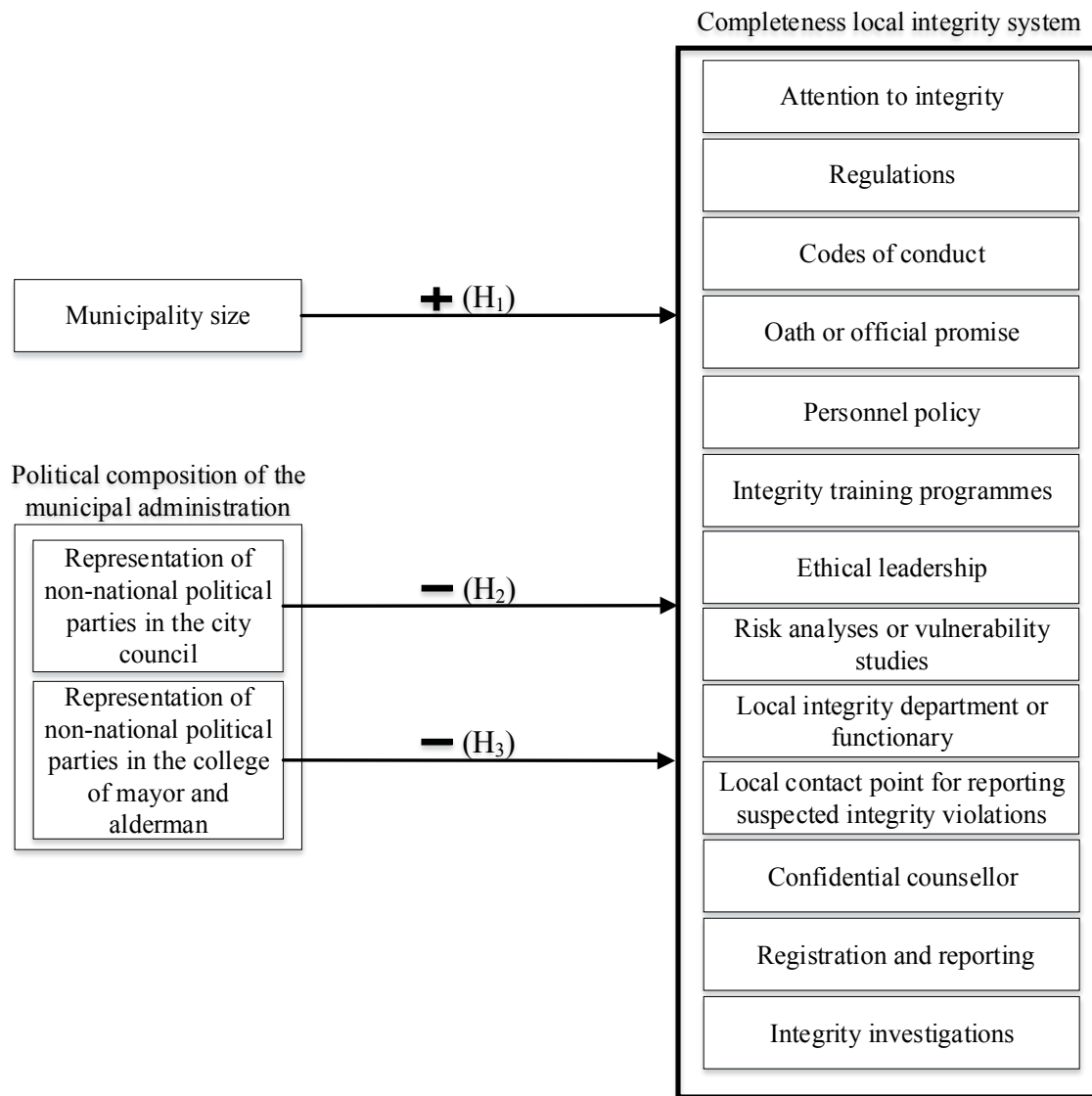
It can be assumed that municipal administrations in which non-national political parties are highly represented have a comparatively smaller 'administrative will' to develop a local integrity system and include some specific elements in this system. Non-national political parties focus more on what is going on among the local population. They are more practical and primarily interested in local problems (Broersma & Lacon, 2018; De Bruin, 2018; Koster, 2018; Van Loon & Van de Wiel, 2018). Municipal administrations in which non-national political parties are highly represented will therefore probably develop less complete local integrity systems than municipal administrations in which national parties have the upper hand. These theoretical assumptions result in the following hypotheses:

H2 = As the city council has more members of non-national political parties, the municipality has a less complete integrity system

H3 = As the college of mayor and alderman has more members of non-national political parties, the municipality has a less complete integrity system.

The above theoretical insights and hypotheses are presented in the form of a conceptual model in figure 1.

Figure 1: Conceptual model



DATA COLLECTION AND ANALYSES

The research includes an evaluating part and a hypothesis-testing part. First, it was evaluated to what extent the local integrity systems of Dutch municipalities consist of the elements that according to the literature should be present in a complete system. Subsequently, three hypotheses were tested on the extent to which the completeness of a local integrity system is related to the size of the municipality and to the political composition of the municipal administration. For both the evaluating part and the hypothesis-testing part of the research, use is made of a cross-sectional research design (De Vaus, 2001). In 117 local integrity systems, quantitative data on the current state of affairs have been collected.

Digital survey among all Dutch municipalities

The research data were obtained by means of a digital survey. The questionnaire for the survey consisted mainly of closed questions. The items in the questionnaire can be roughly divided into two groups. One group of items related to the system elements from the evaluation framework (presented above in Table 1). The other group of items pertained to the variables from the hypotheses. The way in which the local integrity system elements and the explanatory and control variables have been operationalized into the items of the questionnaire is described by Ogric (2018).

The digital survey took place in the spring of 2018 and covered the situation in 2017. The survey was conducted by the first author of this article and three fellow students from the Master's program in Public Administration at VU University Amsterdam in the context of their final graduation projects. The researchers were supervised by the second and third author of this article.

All 380 Dutch municipalities were approached by the researchers with the request to participate in the digital survey. Ultimately, 117 (31%) were involved in the survey.

Respondents, sample and representativeness

In most municipalities, the questionnaire of the survey was filled in by a policy officer (32.5%), a staff member (23.1%) or an legal advisor (11.1%).

Table 2: Occupations of respondents

Policy officer	32,5% (38)
Staff member	23,1% (27)
Legal advisor	11,1% (13)
Manager at the level of municipal secretary or department head	7,7% (9)
(Legal) controller	5,1% (6)
Manager at the level of team leader	4,3% (5)
Other	16,2% (19)
Total	100% (117)

Eventually, 117 respondents filled in the questionnaire of the survey on behalf of their municipalities. Table 3 shows the distribution of the municipalities by number of inhabitants. With regard to the number of inhabitants, the sample of 117 municipalities is representative of the total population of Dutch municipalities.

Table 3: Municipalities by number of inhabitants

Less than 20,000 inhabitants	21,4% (25)
20,000 to 50,000 inhabitants	47,9% (56)
50,000 to 100,000 inhabitants	20,5%(24)
100,000 to 250,000 inhabitants	8,5% (10)
More than 250,000 inhabitants	1,7% (2)
Total	100% (117)

Table 4 shows the distribution of the investigated municipalities to the political composition of the municipal administration. The table relates to the presence of council members from non-national political parties and the presence of aldermen from non-national political parties in local government. With regard to both aspects, the sample is not representative of the total population of Dutch municipalities. Municipalities where less than 20 percent of the council members / aldermen belong to non-national political parties are overrepresented in the sample.

Table 4: Municipalities by percentage of council members from non-national parties and percentage of alderman from non-national parties

	Council members	Aldermen
Less than 20 percent belong to non-national political parties	47,9% (56)	51,3% (60)
20 to 40 percent belong to non-national political parties	28,2% (33)	27,4% (32)
40 to 60 percent belong to non-national political parties	17,9% (21)	12,0% (14)
60 to 80 percent belong to non-national political parties	4,3% (5)	7,7% (9)
More than 80 percent belong to non-national political parties	1,7% (2)	1,7% (2)
Total	100% (117)	100% (117)

Data analysis

The survey data were analyzed using SPSS. In order to determine the degree of completeness of the local integrity systems investigated, descriptive univariate analyzes were performed, which resulted in tables with frequency distributions. To test the hypotheses, bivariate analyzes were first performed, resulting in cross-tabulations with Phi-values and corresponding p-values. Subsequently, multivariate analyzes were performed in the form of linear or logistic regression analyzes. In all statistical analyzes, a confidence interval of 95% ($p < 0.05$) was used.

RESULTS

What do the survey data tell us about the (in)completeness of local integrity systems? And to what extent do the factors from our hypotheses provide an explanation for this (in)completeness?

Presence of integrity system elements

Of the 40 elements from which a complete local integrity system should exist (See above in Table 1), 23 are found to a large extent in the sample of 117 integrity systems. The other 17 elements are found to a lesser extent in our sample. Table 5 shows what 5 elements were found in the largest number of investigated integrity systems ('top 5 popular elements') and what 5 elements were observed in the smallest number of examined integrity systems ('top 5 neglected elements'). The table starts with the most popular element and ends with the most neglected element.

Table 5: Percentage of local integrity systems in which a popular or neglected element is present

Element	Percentage systems
<i>Top 5 popular elements</i>	
There is a local regulation for the acceptance of gifts	100%
There is a local regulation for declaring expenses	100%
This regulation is known to civil servants	99,2%
There is a local regulation for having ancillary positions	98,3%
There are one or more formally established codes of conduct	98,3%
<i>Top 5 'neglected' elements</i>	
Within the civil service, risk analyses or vulnerability studies regularly take place.	29,8
Civil servants regularly participate in an integrity training program.	30,2
Afterwards, one or more follow-up meetings usually take place	35,3
There are internal investigations into high-profile suspicions of integrity violations on a regular base.	47,3
There are annual management reports on the implementation of the integrity policy.	44,8

(Missing cases = 4, 1, 0, 2, 0, 13, 21, 11, 7, 12)

So far, attention has been paid to the presence of individual system elements. We now switch to the integrity systems as a whole and assess the (in)completeness of these systems. To what extent do local integrity systems have the elements that they should contain according to our evaluation framework?

Completeness of entire integrity systems

In a large number of investigated integrity systems, no survey information is available about one or more system elements. The lack of information about a particular system element can have four causes: (a) the requested information was unknown to the respondent; (b) the respondent failed to answer the relevant survey question; (c) the answer to the survey question is not taken into consideration by the researchers, because that answer was inconsistent with an answer to another survey question; or (d) the question did not have to be answered by the respondent, because this question - given the answer to a previous survey question - did not apply to the integrity system on which the respondent was questioned. In case of one of the first three causes, there is a 'missing case'.

Because many examined integrity systems lack survey information about at least one system element, many municipal integrity systems would be dropped out of the analyzes if we would calculate a cumulative score for the total of all system elements. That is why we have created a new variable that calculates per integrity system the average score (i.e. arithmetic mean) for the total of all system elements. In doing so, we have disregarded the investigated integrity systems in which only less than 80 percent of the system elements are present. In other words, we only calculated an average score for the total of the system elements if there was survey information available about a sufficient number of system elements.

The average score calculated per integrity system is a good measure of the completeness of an integrity system. This average score ranges from 0 (indicating that all system elements from our evaluation framework are missing in the integrity system under review) to 1 (indicating that all system elements from our evaluation framework are present in the system under investigation). We distinguish four categories of local integrity systems according to the extent of their completeness:

- *very incomplete* integrity systems, in which less than 50 percent (average score < 0.50) of the system elements from our evaluation framework are observed in the examined integrity system;
- *incomplete* integrity systems, characterized by the fact that 50 to 70 percent (0.50 < average score < 0.70) of the system elements from our evaluation framework are found in the investigated integrity system;
- *complete* integrity systems, in which 70 to 90 percent (0.70 < average score < 0.90) of the system elements from our evaluation framework are observed in the integrity system under review;
- *a very complete* integrity system, characterized by the fact that more than 90% (average score > 0.90) of the system elements from our evaluation framework are found in the integrity system under investigation.

Table 6 shows that 45.3% of Dutch municipalities have a very incomplete or an incomplete integrity system. A small majority (54.7%) of municipalities have a complete or a very complete integrity system.

Table 6: Local integrity systems classified according to their completeness

Very incomplete	2,8% (3)
Incomplete	42,5% (45)
Complete	50,9% (54)
Very complete	3,8% (4)
Total	100% (106)

(Missing cases = 11)

The fact that municipal integrity systems substantially differ from each other in terms of their completeness raises the question of whether these differences can be explained on the basis of the factors from our three hypotheses. Do the size of a municipality (hypothesis 1) and the political composition of the municipal administration (hypotheses 2 and 3) provide an explanation for the completeness of a local integrity system?

Testing of hypotheses

Contrary to what is expected in our hypotheses, the size of a municipality (expressed in the number of inhabitants) and the political composition of the municipal administration (expressed in the percentage of council members from non-national political parties and the percentage of aldermen from non-national political parties) are not associated with the completeness of the local integrity system. This is apparent both from the results of the bivariate analyzes and from the results of the multivariate analyzes.

The results in table 7 show no significant association between the size of a municipality and the completeness of its integrity system ($\Phi = 0.034$, $p = 0.3635$). The results of the multiple logistic regression analysis also show that the size of a municipality is not significantly associated with the completeness of the local integrity system ($B = 0.009$, $p = 0.4995$).

Table 7: Municipality size in relation to completeness of local integrity system

	Few inhabitants	Many inhabitants
Incomplete system	50,7% (36)	47,1% (16)
Complete system	49,3% (35)	52,9% (18)
Total	100% (71)	100% (34)

(Missing cases = 12; $\Phi = 0.034$, $p = 0.3635$)

According to Table 8, the percentage of municipal councilors of non-national political parties is not associated with the completeness of the municipal integrity system ($\Phi = 0.028$, $p = 0.386$). This picture is confirmed by the results of logistic regression analysis ($B = 0.006$, $p = 0.348$).

Table 8: Political composition of municipal council in relation to completeness of local integrity system

	Few council members of non-national parties	Many council members of non-national parties
Incomplete system	51% (26)	48,1% (26)
Complete system	49% (25)	51,9% (28)
Total	100% (51)	100% (54)

(Missing cases = 12; $\Phi = 0.028$, $p = 0.386$)

Table 9 shows that the percentage of aldermen of non-national political parties does not correlate with the completeness of the municipal integrity system ($\Phi = 0.066$, $p = 0.249$). The results of the logistic regression analysis also show that the political composition of the college of mayor and aldermen is not significantly associated with the completeness of the local integrity system ($B = 0.003$, $p = 0.415$).

Table 9: Political composition of college of mayor and alderman in relation to completeness of local integrity system

	Few council members of non-national parties	Many council members of non-national parties
Incomplete system	53,1% (26)	46,4% (26)
Complete system	46,9% (23)	53,6% (30)
Total	100% (49)	100% (56)

(Missing cases = 12; $\Phi = 0.066$, $p = 0.249$)

All in all, it can be concluded that our hypotheses are not confirmed by the research results. Is there perhaps another factor that explains the completeness of a local integrity system?

The relevance of a municipality's geographical location

The control variable 'geographical location' used in the statistical analyzes appears to be an important factor. With respect to this variable, a distinction is made between municipalities that are located within The Randstad and municipalities that are located outside. The Randstad is the most urbanized part of the Netherlands. This urban area is surrounded by the cities of Alkmaar, Amsterdam, Rotterdam and Utrecht. Of the 117 municipalities that participated in the digital survey, 28 are located within The Randstad and 88 are located outside (while the geographical location of one municipality is unknown).

The geographical location of a municipality is associated with the completeness of the local integrity system. Municipalities within The Randstad generally have a more complete integrity system than municipalities outside The Randstad. This can be seen in Table 10 ($\Phi = -0.178$, $p = 0.035$) and also appears from the results of the multivariate analysis ($B = -0.928$, $p = 0.0305$).

Table 10: Geographical locations of municipality in relation to completeness of local integrity system

	Located within The Randstad		Located outside The Randstad	
Incomplete system	34,6%	(9)	55,1%	(43)
Complete system	65,4%	(17)	44,9%	(35)
Total	100%	(26)	100%	(78)

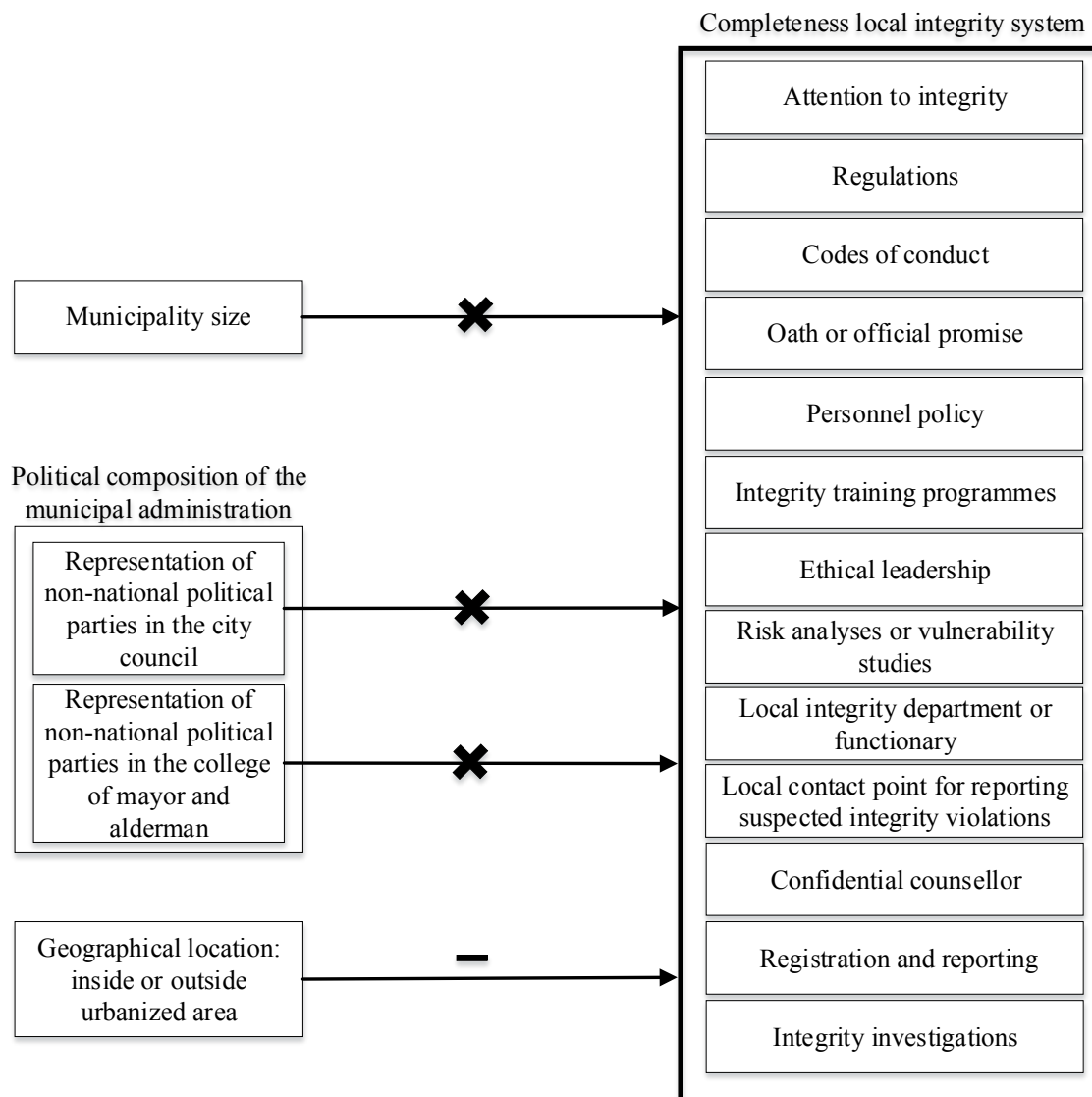
(Missing cases = 13; Phi = -0.178, p = 0.035)

CONCLUSION AND DISCUSSION

The research data presented above make it possible to answer the central research question on the extent to which Dutch municipalities have a complete integrity system for civil servants and the extent to which this is associated with the size of the municipality and the political composition of the municipal administration.

First, it can be concluded that the completeness of the local integrity system varies considerably between Dutch municipalities. In some municipalities, for example, the integrity system consists of almost all elements that should be present according to our evaluation framework, such as a code of conduct, an oath or official promise and integrity training. Other municipalities have, however, a much less complete integrity system. The general picture is as follows: 3.8% of the municipalities have a very complete integrity system, whereas 50.9%, 42.5% of 2.8 % of the municipalities have a complete, incomplete system and very incomplete integrity system respectively.

A second conclusion is that the explanatory factors incorporated in our hypotheses, do not offer an explanation for the substantial differences between local integrity systems. Contrary to our theoretical expectations, neither the number of inhabitants of a municipality nor the political composition of the local administration is associated with the (in)completeness of the local integrity system. The circumstance of whether or not a municipality is located in the most urbanized part of the Netherlands proves, however, to be a relevant factor. These research findings give rise to an modification of the conceptual model presented at the end of the section on the theoretical framework. Figure 2 shows the modified conceptual model.

Figure 2: Modified conceptual model

A possible explanation for the relevance of a municipality's geographical location may be that municipalities that are situated in highly urbanized areas have to cope with a more dynamic and complex social environment than municipalities in a rural area. In such a complex and dynamic environment there may be a greater need for regulations, procedures and structural controls with regard to the performance of public tasks (Dielemans & Musterd, 1991; Güler, 2018). This may explain the more complete local integrity system in highly urbanized areas.

Possibilities for improvement

Our research findings can serve as a benchmark for municipalities. A municipality can apply the comprehensive evaluation framework developed by us to its own local integrity system in order to determine the system's (in)completeness. This (in)completeness can then be compared with the completeness of local integrity systems in general, of which an up-to-date picture has been outlined in this article

Furthermore, municipalities could start to pay attention to the following 'top 5 neglected elements': risk analyses or vulnerability studies on a regular base, regular participation of civil servants in integrity training programs, follow-up meetings after training programs on the regular base, internal investigations into high-profile cases on a regular base, and annual reports on the implementation of integrity policy. Many municipalities do not currently have

one or more of these elements. Getting started with the elements can be considered as picking low-hanging fruit.

These possibilities for improving the completeness and thereby the effectiveness of local integrity systems do not only exist in government agencies, but also apply to private organizations. There is little reason to assume that the requirements and actual situation regarding local integrity systems in the public sector differ significantly from the requirements and actual situation in the private sector. Just like public organizations, private organizations can use our research findings for a benchmark and immediately start adding the 'top 5 neglected elements' to their integrity systems.

Future research

Based on the literature, we constructed an overview of key *internal* elements from which a complete local integrity system should exist. We left out the external elements of an integrity system. Future research should preferably also take *external* elements of an integrity system into account. The completeness of the integrity system at the external level is also a necessary condition for an effective system (Slingerland, Six, & Huberts, 2012). Elements at the external level include, for instance, external audit agencies, local ombudsmen, the police and judiciary, and the media (Slingerland, Six, & Huberts, 2012; Six & Lawton, 2010). These external institutions can take corrective actions if the examined integrity system is of an insufficient quality at the internal level (Slingerland, Six, & Huberts, 2012).

Finally, a literature study could be done to examine where our evaluation framework should be slightly modified in order to become suitable for the private sector. This somewhat modified evaluation framework could subsequently be used in a cross-sectional survey among private enterprises. This way, it could be checked whether the situation in the business sector is indeed a bit more favorable than in the public sector, as suggested in a recent study (Talsma, Hoekstra & Zweegers, 2017).

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Relationship Between Internal Audit Practices And Performance Of Water Service Providers In Kenya

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ABSTRACT

The purpose of this study was to establish the relationship between internal audit and organisational performance of Kenyan WSPs. To fulfil the study objective, hypothesis was derived and tested on a population of 93 Water service providers. This cross sectional descriptive study was guided by a positivist study paradigm. The Data Envelopment Analysis approach was used to codify the dependent variable and regression analysis was then applied to test the hypothesis. The null hypothesis was rejected as the regression analysis found that 10.1% of variations in firm performance are explained by variation in internal audit while 89.9% of variations are explained by other variables. This infers that internal audit influences performance of Water service providers in Kenya. The study made contribution to policy formulation and development to benefit the understanding on how internal audit in the Kenyan context influence organizational performance resulting to formulation of reforms in various public institutions to strengthen internal audit.

Keywords: Internal Audit Practices, Firm Performance, Water Service Providers

INTRODUCTION

The relationship between internal audit and firm performance has gradually created interest in Water service provider's management study (Al Matari, Swidi & Fadzil, 2014). Internal audit is an essential part of management and a tool for enhancing performance of organisations. Complex organisational structures demand competent and professional internal audit to ensure that scarce resources are utilized efficiently and effectively to enhance organisational performance (Chan, 2004). From the literature reviewed, there is sufficient empirical and theoretical evidence that internal audit influences organisational performance (Cohen & Sayag, 2010; Eko & Hariyanto, 2011; Theofaris et al., 2011). However, internal audit alone may not adequately explain variation in performance of companies. This shows that some other elements mediate to catalyse, decelerate or moderate the association between internal audit and firm performance.

Water service providers (WSPs) are legal public bodies licensed by Water Regulatory Boards (WRB) to offer water and sanitation services within their mandated areas. This is provided for in section 46 of Water Act of 2002 of the laws of Kenya. Water service providers therefore are vehicles useful to the government in order to achieve its goals to provide piped water to every home by the year 2030. Internal audit is an independent and objective appraisal, assurance and consulting function intended to improve and develop an organisations performance (IIA, 1999; Reid & Ashelby, 2002). It assists an organisation accomplish its goals by introducing an orderly, efficient method to assess and enhance the efficacy of risk assessment and control process. Internal audit practice is an independent and objective appraisal activity established within an entity to examine and evaluate its operations as a service to the organization (Subramaniam, 2006). Its aim is to assure management that the internal controls are adequate and operating satisfactorily (Reid & Ashelby, 2002).

Duffy, Fitzsimmons and Jain (2006) define organisational performance as the organisations capability to achieve its goals by means of resources effectively and efficiently. Performance of organizations is measured by outcomes achieved and determinants of that performance by assessing the efficiency with which that performance is achieved (Bethan et al, 2004). It is the extent to which a company achieves a set of pre- determined targets that are unique to its mission. Explaining and often predicting firm performance is a primary study objective of most management study. Organizational efficiency is a recurrent theme in most branches of management (Venkatramann and Ramanujam, 1981). Explaining and often predicting organizational performance is a primary research objective of most management research (March and Sutton, 1997). It has however become a contentious subject among organizational researchers (Barney, 1997) and continues to attract considerable contest in terms of measurement and definition (Keats & Hitt, 1985). The problems of measurement of performance arise from its multifaceted and multidimensional nature (Ongeti, 2014).

LITERATURE PREVIEW

Theoretical Review

Several theories explain the association between internal audit and efficiency of firm. This study is underpinned on the following theories: agency theory (Adams, 1974), monitoring theory (Wallace, 1980), and policeman theory (Adams, 1974). Jensen and Meckling (1976) developed the agency theory framework that explains the association between the principal and the agent; where one part (principal) delegate tasks to another (agent). Watts and Zimmerman (1986) posit that the audit serves the interests of both shareholders as well as the management. While the shareholders own the firm, the management (agent) exercises the control of that firm. If shareholders and management each seek to maximize their utility, the agent may possibly prioritize own interests to the detriment of those of the principal. The monitoring theory explains that employees are rational, risk-averse and are selfish actors who are motivated by self-interest (Beaver, 1989). Monitoring theory posits that when the agent accepts to work on behalf of the principal, the agent is well aware that he will be monitored to ensure optimum efficiency. Wallace (1987) and Beaver (1989) explained that the monitoring theory aims to reduce problems of moral hazard and information asymmetry between the principal and the agent. The policeman theory asserts that internal auditing is responsible for searching, detecting and preventing fraud. It focuses on a designed internal audit to safeguard the assets of companies and assist in verification of accounting information for decision making purpose (Van Peursen, 2005). However, the policeman theory cannot clarify the change of auditing to confirmation of the true and fair financial statements which is currently the main focus of internal audit as it gives reassurance to management on those statements. Nevertheless, the policeman theory contributes to the study due to its advocacy of

safeguarding the public company's assets and ensuring accountability on the part of managers of public institutions (Morgan, 1979).

Empirical Review

According to Subramaniam and Cooper (2013), test on the influence of internal audit on financial reporting in Malaysian companies using a regression analysis approach. The study findings pointed to a positive relationship between internal audit quality and irregular accruals inferring that some internal audit qualities have an important part in the financial reporting process. Though the study is a contribution to regulatory reforms with Board of directors moderating the observed relationship, the study considered the quality of financial reports and not the levels of firm financial performance as influenced by internal audit quality.

The study by Aldamen, Duncan, Kelly, McNamara, Nagel (2012) on investigating whether Board Audit committee (AC) characteristics controls the performance of firms during adverse economic downturn event such as Global Financial crisis, that used the logit regression tests to analyze the data on audit committees and the Board of directors. The findings were that smaller audit committees with more experience and financial expertise enhance firm performance. Longer serving chairs of audit committees were however found to negatively influence financial performance of firms but have positive impact where the chair of the board and other members of the Board are independent and have many years of managerial experience. Corporate governance improves audit committee character that positively affect performance especially during adverse economic shocks like the global financial crisis revealed that performance is negatively related with the number of audit committee members.

Cohen and Sayag (2010) studied the efficacy of internal audit using descriptive analysis design by researching on the following variables: industry of the firm; expertise of internal auditors; worth of audit work; independence; training and top management support. Top administration support was seen to be the major determinant of internal audit effectiveness for enhancing performance of hotels in Israel.

A cross sectional survey on 108 Israel firms that employ internal audit to determine the perceptions on internal audit function, effectiveness and determinants of internal audit effectiveness in an organisation was done by Dominic and Nonna (2011). Data on the effectiveness of internal audit were derived from the managers as respondents and data on what determines effectiveness of internal audit from the internal auditors. The results were that effectiveness of internal audit is determined to a large extent by firm organisational structure, the status and relationship of internal audit works, staffing level of internal audit department and the competencies of staff in that department. An investigation on internal audit position in the firm's organisation chart and how it enhances the audit independence and its effects on audit role in promotion of corporate structures was carried out by Sarens and Beelde (2006). The survey of Chief Audit executives in European companies used multivariate regression analysis. The findings were that, the internal audit has a wide scope, free access to information, adequate resources to monitor various company decisions and adequately advice managers, provide oversight and ensure own independence and objectivity to promote corporate governance and firm efficiency.

Van Peursen's (2005) study on how internal audit deals with the conflict of interest between the double roles of consulting and assurance service provision to management. The survey of internal Auditors in Israel hotels found out that there is tension in maintaining the two roles leading to a mix up of roles which hinders internal audit effectiveness. There are both conceptual and contextual gaps. No consideration was given to internal controls, firm

characteristics of WSPs in Kenya and further no relationship between internal audit and firm performance was evaluated.

In the light of the foregoing, this research tested the null hypothesis below:

H₀₁: The influence of internal audit on performance of water service providers in Kenya is not significant.

RESEARCH METHODOLOGY

Research Design

A cross-sectional survey was used in this study. The design was appropriate since it included data collection at a point in time which relates to two or more variables in an effort to determine associations between the variables. A survey was suited for the study because WSPs in Kenya are few but spread to all parts of the country.

Population of the Study

The population of the study was 93 water service providers in Kenya which were regulated by WASREB as at 2015. Population census was best for the research as the WSPs are few and although spread in the entire country, Kenya, data collection costs were minimal as the respondents were within reach at WASPA monthly meetings and the secondary data was readily accessible from WASREB impact assessment reports. This context was chosen because there was a prevalent manifestation of the variables in this study as alluded to by the literature reviewed (WASREB, 2014).

Data Collection Instrument

The study used both primary and secondary data. Primary data was obtained by self-administered, pre arranged questionnaire made up of closed ended questions prepared in line with the goals, theories upon which the study was anchored, empirical studies and corresponding hypotheses of the study. Study assistants were recruited and trained. The data collection instruments were delivered to the Chief Executive Officer who was considered as best placed to have the required information. According to Newbert (2008), one respondent who is knowledgeable on matters regarding a study is well placed to be a key informant. Secondary data on performance of WSPs was collected for the period 2011 to 2015 from WASREB impact assessment reports. An average of that data for the five years showing the performance of each WSP was computed and analyzed. The primary data collected on internal audit, institutional characteristics and internal controls was regressed on performance of the WSP to establish the linkages.

Data Analysis

Data collected was cleaned and edited to ensure it was complete. It was then coded and entered into the statistical package for social sciences (SPSS) software version 21 and analysed through descriptive and inferential statistics. Linear regression models were used to evaluate the association between variables as hypothesized in the study at 5% level of significance.

Empirical Model

The objective was to establish the association between internal audit and performance of water service providers in Kenya. The dependent- independent variables relationship is modelled as:

$$P = a + \beta_1 X_1 + \varepsilon$$

Where:

P= Performance

β_1 is beta coefficient

a = intercept

ε = Error term

X_1 = internal audit (composite)

RESULTS AND DISCUSSION

Response Rate

A total of 93 questionnaires were circulated to the 93 WSPs that were the target population for the study. A total of 73 questionnaires were correctly filled and returned. This represented a response rate of 78%. According to Borg (2007) a response rate of 50 percent in a survey is adequate. The response rate of 78% was considered adequate as it was above the benchmark of 50 percent. This implied that the findings of this study were representative of the overall population.

Descriptive Analysis for Internal Audit

The researcher sought to carry out three types of analysis on internal audit. The pertinent results are presented below.

Table 1: Descriptive Statistics on Oversighting Internal Audit

	N	Mean	Std. Deviation	Coefficient of Variation
1. The policies and practices developed by the internal audit for risk management are approved by the audit board	73	3.758	1.313	35%
2. The audit board approves audit program before its forwarded to the board for implementation	73	3.773	1.310	35%
3. The audit boards review performance of internal auditors	73	3.652	1.295	35%
4. The auditboard meets with internal auditors and management on a regular basis to discuss issues of concern that may arise	73	3.485	1.438	41%
5. The audit board establishes procedures for accepting confidential information like whistle blowing	73	2.742	1.481	54%
6. Audit committee reports to the board of Directors regularly	73	4.283	1.133	26%

Source: Author (2018)

The results in table 1, indicates that internal audit is over sighted by other board organs to a large extent. Regular reports to the board by internal audit (Mean = 4.283, SD = 1.133), Audit committee approval of audit report before it is forwarded to the board (Mean = 3.773, SD = 1.310) and Audit board reviews performance of internal auditors (Mean = 3.652, SD = 1.259). On procedures established by the board, the variation was high above the average (C.V=54%) while there was a less variability on audit committee reporting to the board regularly at 26%.

Provision of Resources to Internal Audit Function

The researcher computed descriptive statistics on the aspect of provision of resources to the internal audit function. Table 2 below shows the results of this analysis.

Table 2: Descriptive Statistics on Provision of Resources

	N	Mean	Std. Deviation	Coefficient of Variation
1. The audit board approves the budget of internal audit department	73	3.576	1.313	37%
2. The audit board determines compensation and benefits of chief internal auditor	73	2.813	1.271	45%
3. The audit board ensures the internal audit function has audit resources	73	3.554	1.118	31%

Source: Author (2018)

As indicated by the likert scale item responses in Table 2, the respondents indicate that to a moderate extent, the audit board determines compensation and benefits of the chief internal auditor (Mean = 2.813, SD = 1.271). Two likert item responses show that to a large extent, audit board approves budget of internal audit department (Mean = 3.576, SD = 1.313) and the audit board ensures that the internal audit function has resources (Mean = 3.554, SD = 1.118). On determining compensation and benefits of chief internal auditor by audit board the variation stood at 45% while audit board ensuring the internal audit function has audit resources was at 31%.

Competency of Chief Internal Auditor

The study envisaged to establish the competency of chief internal auditor and got the results presented in Table 3

Table 3: Descriptive Statistics on Competency of Chief Internal Auditor

	N	Mean	Std. Deviation	Coefficient of Variation
1. The audit board is responsible for making sure competent chief internal auditor is hired	73	3.631	1.257	37%
2. The audit board monitors training needs of audit staff	73	3.159	1.221	39%
3. The audit board assesses the performance of the chief internal auditor regularly	73	3.516	1.297	37%

Source: Author (2018)

As presented in table 3 above, the respondents indicate that to a moderate extent, the audit board monitors training needs of audit staff (Mean = 3.159, SD = 1.221) and to a large extent, the audit board ensures competence in hiring the chief internal auditor (Mean = 3.631, SD = 1.257) and audit board assess performance of chief internal auditor regularly (Mean = 3.516, SD = 1.297). On Competency of Chief Internal Auditor the range on variability was between 37% and 39%, hence the audit board monitoring training needs of audit staff had the highest variability.

Individual Sub- Variable Descriptive Statistics

The study collected primary data on specific internal audit attributes and internal control mechanisms among the identified water service providers. These internal audit attributes included; assurance services, compliance policies, consulting management, independence and objectivity. The internal control mechanisms included; segregation of duties, IT controls, human resources controls and operating procedures. The descriptive statistics of the responses to the specific questions based on a survey of 93 WSPS with N being 73 WSPs are indicated in tables 4 to 6 below.

Assurance Services

The researcher carried a study on assurance services and obtained the results below.

Table 4: Descriptive Statistics on Assurance Services

	N	Mean	Std. Deviation	Coefficient of Variation
1. Internal audit is keen to provide comprehensive information on operations of the company	73	3.569	1.104	31%
2. Audit reports are accepted by management without further queries	73	3.258	.991	30%
3. Audit report contain status of previous reports	73	3.413	1.303	38%
4. The internal auditor review performance of internal control and gives recommendations	73	3.694	1.125	30%
5. Internal audit analyses and evaluates internal control mechanisms used to detect and deter fraud, evaluate the company's management of risk of fraud, requiring to be included in fraud investigations	73	3.794	1.180	31%
6. Internal auditor discusses reasonableness of audit reports with management	73	3.594	1.205	34%

Source: Author (2018)

Four likert item responses by the respondents (CEO) on assurance services all rated to a large extent. As presented in Table 5 above, Assisting management with analysis of internal controls for fraud detection (Mean = 3.794, SD = 1.180), review of performance of internal audit operations (Mean = 3.694, SD = 1.125), discussion of internal audit reports with management (Mean = 3.594, SD = 1.205) and provision of comprehensive information on organisational procedures (Mean = 3.569, SD = 1.104) are internal audit practices existent to a large extent in the companies. Two of the likert responses indicate that provision of previous status reports (Mean = 3.413, SD = 1.303) and management acceptance of reports without further queries (Mean = 3.258, SD = 0.991) are experienced by the respondents to a moderate extent. On assurance services the item on whether audit reports contain status of previous reports had the highest variability at 38%.

Compliance to Policies

Descriptive analysis on compliance policies was conducted and yielded the following results.

Table 5: Descriptive Statistics on Compliance Policies

	N	Mean	Std. Deviation	Coefficients of Variation
1 The chief internal auditor is keen on safeguarding adherence to policies and procedures	73	3.641	1.213	33%
2 Audit plan is regularly reviewed to ensure compliance with IIA standards of reporting	73	3.286	1.224	37%
3 The chief internal auditor continuously review the operating procedures and gives recommendations	73	3.500	1.234	35%
4 The internal audit assesss the performance of policy implementation in the company	73	3.460	1.105	32%

Source: Author (2018)

As presented in Table 6, two likert item responses indicated that the chief internal auditor safeguards adherence to policies and procedures (Mean = 3.641, SD = 1.213) and continuously

reviews operating procedures and gives recommendations (Mean = 3.500, SD = 1.234) to a large extent

Two likert item responses indicate that to a moderate extent, the internal audit assesses performance of policy implementation in the company (Mean = 3.460, SD = 1.105) and audit plan is regularly reviewed to ensure compliance with international reporting standards (Mean = 3.286, SD = 1.224). On compliance policies the item that, audit plan is regularly reviewed to ensure compliance with IIA standards of reporting, had the highest variability.

Consulting Management

The researcher conducted a study on the impact of consulting management on matters pertaining internal audit.

Table 6: Descriptive Statistics on Consulting Management

	N	Mean	Std. Deviation	Coefficients of Variation
1 The chief internal auditor is constantly consulted on best practices of financial management	73	3.031	1.168	39%
2 The chief internal auditor is proactive in initiating measures that curb frauds, and reduce potential waste in resources	73	3.344	1.185	35%
3 The chief internal auditor provides insights that focus on areas of enhanced performance	73	3.672	1.222	33%
4 The management implement proactively internal auditors recommendations	73	3.594	1.065	30%
5 The management constantly consults internal auditors on risk management strategies	73	3.172	1.203	38%

Source: Author (2018)

Table 6 indicates that to a large extent, internal audit provides insights that focus on areas of performance (Mean = 3.672, SD= 1.222) and management proactively implements internal auditors recommendations (Mean = 3.594, SD= 1.065). From three likert item responses in the table above, internal audit to a moderate extent proactively initiates measures to curb frauds and reduce potential waste in resources (Mean = 3.344, SD = 1.185), are constantly consulted by management on risk management strategies (Mean = 3.172, SD = 1.203) and are constantly consulted on best practices of financial management (Mean = 3.031, SD = 1.168). The item on whether the chief internal auditor constantly consults on best practices of financial management had the highest variability at 39% while on whether management implement proactive internal audit recommendations had the smallest variability of 30%.

Independence

The study aimed at establishing the independence of internal auditor.

Table 7: Descriptive Statistics on Independence

	N	Mean	Std. Deviation	Coefficients of Variation
1 The head of internal audit reports functionally to the audit board and administratively to the chief executive officer	73	4.333	1.188	27%
2 The boards through the audit board approves the internal audit budget	73	3.742	1.267	34%
3 The boards through the audit board approves the budget plan and reviews audit plan	73	3.594	1.306	36%
4 The internal auditor determines the scope of auditing, and communicating results independently	73	3.862	1.171	30%
5 Audit board reviews the annual progress of the audit activities in relation to the audit plan	73	3.466	1.341	39%
6 internal audit function has been funded in away that promotes objectivity and consistency in quality of its delivery	73	3.463	1.206	35%

Source: Author (2018)

Table 7 presents four likert responses where respondents indicate to a large extent that the head of internal audit reports functionally to audit board committee and administratively to the CEO (Mean = 4.333, SD = 1.188), the internal auditor is free from interference in scoping work and communicating results (Mean = 3.862, SD = 1.171), the board through the audit board approves the internal audit budget (Mean = 3.742, SD = 1.267) and the boards through the audit board approves resource plan and reviews audit plans (Mean = 3.594, SD = 1.306). The respondents indicate that to a moderate extent, audit board reviews annual progress of audit activities in relation to audit plan (Mean = 3.466, SD = 1.341) and internal audit function has been funded in a way that promotes objectivity and consistency (Mean = 3.463, SD = 1.206). On Independence, on whether audit board reviews the annual progress of the audit activities in relation to the audit plan had the highest variability of 39% while on assessing whether the head of internal audit reports functionally to the audit board committee and administratively to the CEO had smallest variability of 30%.

Objectivity

The researcher sought to find out whether there is objectivity in practice by the internal auditor.

Table 8: Descriptive Statistics on Objectivity

	N	Mean	Std. Deviation	Coefficients of Variation
1. The remuneration and terms of service for chief internal auditor are approved by the audit board	73	3.215	1.484	46%
2. The internal auditor is prohibited from auditing works which he has executed	73	3.322	1.559	47%
3. The chief internal auditor has direct access to all firm information without restrictions	73	4.062	1.309	32%
4. The chief internal auditor cannot review the operations conducted by a relative	73	3.422	1.434	42%

Source: Author (2018)

As presented in Table 8, the interviewees indicated that to a large extent, the internal auditor has direct access to all firm information without restrictions (Mean = 4.062, SD = 1.309). The respondents indicate that to a moderate extent, chief internal auditor can not review the

procedures conducted by a relative (Mean = 3.422, SD = 1.434), internal auditor is prohibited from auditing works he has executed (Mean = 3.322, SD = 1.559) and remuneration and terms of service for chief internal auditor are approved by the audit committee (Mean = 3.215, SD = 1.484). A high variability 47% was noted on whether the internal auditor is prohibited from auditing works which he has executed a low variability of 32% was noted on whether the chief internal auditor has direct access to all firm information without restrictions.

Performance of Water Service Providers

The researcher examined the performance of WSPs in Kenya using DEA model with output/input relationship. Data envelop analysis which a non-parametric technique is assigned a performance score ranging from 0 to 1 to the decision making units.

Table 13: Performance of the WSPs in Kenya

Range/Statistic	Frequency	Value
0.0 to 0.3	4	5.5%
0.31 to 0.6	12	16.4%
0.61 to 0.9	41	56.2%
0.91 and above	16	21.9%
Total number of WSPs	73	100%
Arithmetic Mean		0.7259
Standard Deviation		0.2069
Maximum		1.0000
Minimum		0.1493

Source: Author (2018)

Table 13 shows the outputs used as: Water coverage, Revenue collection performance; Staff performance; Metering ratio; Non Revenue Water; Revenue turnover; and Number of hours of Water supply while the Inputs used were Personnel costs, Operating and Maintenance costs.

The observation is shown in Table 13 above. Fifty six percent (56%) of the WSPs had performance of between .61 and 0.9 which is above average. Sixteen percent of the WSPs have between .31 and .60 performance which is moderate. The highest performance was 1.0 and the lowest was 0.15. The DEA performance is captured in Appendix V.

HYPOTHESES TESTING AND DISCUSSION OF FINDINGS

Influence of Internal Audit on Organisational Performance

The first specific goal of the study was to determine the effect of internal audit on performance of Water Service Providers in Kenya. The study postulated that the relationship between performance and internal audit attributes namely; assurance services, compliance policies, consulting management, independence and objectivity were not significant. Organisational performance was measured through the performance ratio of each water service provider. Simple regression analysis was used to assess if there is linear relationship between the internal audit (independent variables: assurance services, compliance policies, consulting, independence and objectivity) and whether they predicted performance ratio (dependent variables) of the water service providers of Kenya.

Hypothesis: The influence of internal audit on performance of water service providers in Kenya is not significant.

The prediction equation was given as: $P = a + \beta_1 X_1 + \varepsilon$

Where: P= Performance

β_1 is beta coefficient

a= intercept

ε = Error term

X_1 = internal audit (composite)

The result of the regression model are given in Tables 5.1, 5.2 and 5.3.

Goodness of Fit

Determination of the influence of internal audit on performance of Water Service Providers was conducted and obtained results in Table 15

Table 15: Model Goodness of Fit of Internal Audit Practices and Performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.336 ^a	.113	.101	.17739

Source: Author (2018)

The regression results in Table 15 shows an adjusted $R^2 = 0.101$, $F(1,72) = 9.047$, $p < 0.05$. The outcome of the regression analysis in Table 15 shows that 10.1% of variations in organisational performance is explained by variations in internal audit amongst the WSPs while 89.9% is accounted for by other factors outside the study. The relationship is statistically significant ($p < 0.05$) and thus we reject the null hypothesis and accept the alternative hypothesis. This shows that internal audit influences performance of water service providers in Kenya.

ANOVA

Table 16 tested the goodness of fit of the model by interpreting the p-value as well as the beta coefficients.

Table 16: Model Overall Significance of Internal Audit Practices and Organisational Performance

	Sum of Squares	df	Mean Square	F	p-value.
Regression	.285	1	.285	9.047	.004 ^b
Residual	2.234	71	.031		
Total	2.519	72			

Source: Author (2018)

As presented in table 17, the regression model one shows a statistically significant positive relationship between internal audit and organisational performance ($\beta = 0.336$, $t = 3.008$, $p < 0.05$) implying that for every unit increase in internal audit, there is an expected increase in performance that proxy organisational performance by 0.336 units.

Table 17: Model Regression Coefficients of Internal Audit Practices and Organisational Performance

		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
	(Constant)	.385	.076		5.070	.000
	Internal audit practices	.336	.021	.336	3.008	.004

Source: Author (2018)

Based on the results of the regression analysis which shows a statistically significant positive association between internal audit and organisational performance, the study concluded that there is a significant relationship between internal audit and performance of water service providers in Kenya resulting to the rejection of hypothesis one (H_1). This finding is consistent with earlier findings by Donaldson and David (1991), Serems and Bebedde (2006), Cohen and Sayag (2010) which confirmed that existence of internal audit in organisations influence their performance.

CONCLUSIONS AND RECOMMENDATIONS

This study set out to examine the relationships between internal audit and performance of water service providers in Kenya. The study was anchored on Monitoring, Agency and Policeman theories. Primary and secondary data were collected from the Water service providers in Kenya. Out of 93 questionnaires issued to the respondents, 73 (78%) respondents filled and the data collected used for the analysis. Simple regression analysis results led to rejection of the hypothesis and concluded that internal audit significantly influence firm performance. Therefore, for improved performance of the WSPs, the firm managers and directors should ensure existence of sound internal audit practices including; assurance services, compliance policies, consulting management, independence and objectivity. There should also be an audit committee that oversee internal audit, provides resources and ensures competency of the chief internal auditor.

SUGGESTIONS FOR FURTHER STUDY

This study collected and analysed secondary data covering five years only with respect to performance. Primary data was collected using a five point Likert type scale. There is need to extend this study over a longer period of time to allow for random effects influence of internal audit on firm performance. Future studies may use both open ended and closed ended questionnaire or use any other methods to collect primary data rather than relying on five point likert type scale.

Further studies should model other forms of relationships between the study variables including curvilinear relationships and dual causality relationships as well as introducing other characteristic variables to the study model. Third, a focus on a different organisational setting is also recommended to bring out the differential effect of internal audit on firm performance.

It is necessary and core to enquire into the existence of internal audit practices across time and across industrial settings other than public companies and how this affects the overall firm performance. Fourth, the study focused on public WSPs under the assumption that private WSPs perform better and have sound internal audit practices and internal controls. It may be necessary to carry out a study comparing the performance of Public sector and Private sector WSPs.

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Learning and competences of management students in Brazil: the participation of organizations and university in process of supervised internship

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ABSTRACT

The main objective of this study is to describe and analyze the contribution of universities and businesses in the learning and development of professional skills of supervised students in the Administration of the Federal University of Espírito Santo (Brazil). The main approaches that anchor the present study focus on the individual actions that generates learning and consequently the development of competencies. Thus, the concepts of competency learning through social, experiential and education-based approaches to build competencies and resources mobilization. The present qualitative research approach used the interpretative paradigm. We applied the technique of in-depth interview for the data collection, and for the discussion of the results, we used the qualitative data analysis. As a result, we found the need for a new look at the supervised internship discipline both by the organizations and the University. Additionally, we found the need to create an environment that allows greater interaction between the actors directly involved, providing new tools to follow the discipline with greater control by coordinators and internship process norms. All these results can make possible the integration of content and practice in an effective way.

Keywords: Organization Learning; Competences; Supervised Internship.

INTRODUCTION

In recent years, the supervised internship discipline has been the subject of debates, mainly about its objectives and forms of development. In Brazil, its conception was given by Federal Law No. 6,494, sanctioned on 07/12/1977 (Brazil, 1977) and its regulation was given by Federal Decree No. 87.497 of 08/18/1982 (Brazil, 1982). On September 25, 2008, the Federal

Government enacted Law no. 11,788 (Brazil, 2008), known as the New Internship Law, which now becomes the new framework that regulates all aspects of the internship discipline in the country's undergraduate courses.

Federal Law No. 11,788 (Brazil, 2008), in its article 1, defines an internship as "a supervised school education act, developed in the work environment, aimed at preparing for the productive work of students who are attending regular education in institutions of higher education [...]".

According to the guidelines established in Law 11.788 (Brasil, 2008), decree 3388-R (Espírito Santo, 2013), two categories of the internship: compulsory, which is that previously defined in the course's pedagogical program and which has a the timetable to be fulfilled and the non-compulsory, which is the one that the student performs as an optional complement to what is learned in the classroom and the intern must fulfill an established workload. At this internship, there is a pecuniary counterpart called the scholarship grant, aimed at financially subsidizing the student with expenses during his period of study.

That being said, the extracurricular supervised placement enters the picture as a proper and important space for both students and organizations. For organizations, it can be used as a retention channel for new talent that can add new insights and ideas to the organization. For individuals, it can be a source of learning of professional competences from the possibility of joining the theory studied in educational institutions with the practice carried out in the organizational context (Roesch, 1995).

In addition, the compulsory subject of supervised internship is connected with the extracurricular actions that the student develops in the organizations, with that, this discipline is given by a tutor, whose function is to allow these trainee students to interpret and reflect on the contents of the classroom and its connection with the practices developed in the organizational environment of the extracurricular internship, since such practices are fundamental requirements for qualification and professional training of the student.

In this context, the accomplishment of this study has as justification to contribute with this discussion in the scope of the Brazilian Universities. Since law regulates the practice of the supervised internship, thus, discussing, reflecting and seeking proposals that enable the practice of internships in administration at a high level of competence learning by students' parts, is relevant to the current context. The purpose of this study is to describe and analyze the participation of organizations and the University in the process of learning and developing professional skills of supervised students of the UFES Administration course.

THEORETICAL REFERENCE

It is not today that the antagonisms involving the topic of organizational learning have been discussed in the academic and organizational environments themselves. When they conducted a survey on this topic, Easteby-Smith, Crossan, and Nicolini (2000) found that the existence of the perception of a dormancy in the following debates: organizational learning vs. learning organizations, single-loop vs. double- learning x unlearning, learning for cognitive x behavioral change and the classic discussion between individual and organizational learning.

On the other hand, these same authors argue that it is not possible to state that these discussions were extinguished since they have provided and provide until today a theoretical background that enables the fomentation of new discussions and, above all, the creation of

fertile ground for the emergence of new concepts. Brandi and Elkjaer (2011), when revisiting the literature, also confirm that, currently, the focus of studies on organizational learning involves the themes: process, content, concept and the relationship between individual and organization.

Therefore, the present study is delimited in the approach of learning from the action of the individuals for the development of competences. Freitas and Brandão (2006) affirm that the learning is a process that allows the individual to acquire competencies. Fleury and Fleury (2001) reinforce that the notion of competences is associated with several verbs, among them "learning to learn". In this line, several authors use the learning approach articulated with the process of competency development, such as Ruas (2001), Antonello (2003), Dutra (2004), Bitencourt (2004).

From this perspective, the development of competences can be facilitated and understood from several learning perspectives. In social learning, the emphasis is on the acquisition of knowledge through experience and research, as well as the development of identities and socialization through the adaptive capacity of individuals. Thus, through the occurrence of tensions and ruptures, it is possible to understand how the processes of this learning occur (Brandi and Elkjaer, 2011).

In the perspective of Kolb's (1984) classic study of experiential learning, it can be defined as a process by which knowledge is generated through the transformation of experience and that knowledge is indeed a process of transformation that must be constantly created and recreated. Kolb (1984: 38) states that "learning transforms experience in both its objective and subjective forms. Finally, to understand learning, we must understand the nature of knowledge, and vice versa."

Also, on the approaches that focus on learning in action for skills development, the informal learning perspective also contributes to this process. Informal learning can occur in educational institutions, but they do not. It is the type of learning that occurs when individuals perform activities in or outside organizational settings. When it is not intentional, learning is called incidental, that is, it occurs as a kind of side effect of activity (Marsick; Watkins, 1990).

The perspective of informal learning is quite broad because it refers to the idea of learning that occurs both in the individual and in the social field. According to Cheetham and Chivers (2001), the informal learning developed by workers during professional practice makes it possible to acquire skills and improve practices through experience. Thus, often the learning experiences that occur in the organizational environment occur in an unplanned way and are originated from simple needs, such as doubts about the way the activities are executed or about the work itself (Coelho Júnior and Mourão, 2011). As a result, these same authors affirm that the fact that they are not planned, this process has no cost to the organization, unlike the development and education processes that must be planned and there are budgets of their own.

Given this, once the individual mobilizes all these resources, i.e., the processes of social, experiential, informal and incidental learning, there is, therefore, the learning of skills, since the fact of just learning also does not condition to the full development of individual knowledge (LeBoterf, 2006). Perrenoud (1999, p.23) defines that "building a competence means learning to identify and find relevant knowledge". Zarifian (2011) concluded that the practical understanding emphasizes learning that is fundamental to competence.

Therefore, the development of the supervised internship is only possible with the research activity and with the effective participation between teacher and student, where the teacher has a fundamental role, since it is he who must cultivate in the student the capacity of analysis and problematization of the actions and the practices, confronting them with theoretical references, with experience from other perspectives and from other social actors. In this sense, the learning and the development of competencies are emphasized to legitimize the results of the practices of an internship, which has the educational objective of the student's professional training (Lima and Pimenta, 2005).

According to Aktouf (1996), teachers should integrate, among other aspects, adherence to a participatory, clear and collaborative teaching environment to ensure that students are understanding the depth of the subject and also integrate the experienced practice as the foundation of training. In the University / Company context, the internship also lacks this integration and, in this sense, has another role, which is to establish the importance of the internship beyond the economic-social idea. This integration is the bridge to the understanding and improvement of the concepts acquired in the training course, providing the student with an understanding of the value of work and the social idea of profitability, which is the factor that drives economic activities (Gluck, 1979).

METHODOLOGY

In this qualitative study, regarding the objective, it can be classified as descriptive. In this type of research, one or more phenomena are observed, described, analyzed and interpreted (Gil, 2002). This type of research is appropriate to the phenomenon studied, because it was desired to study the relationship between learning and the development of competences under the point of the managers of the trainees in their work environment (organizations) and of the professors of Federal University of Espírito Santo (Brazil), who are the research subjects of this study. For Cervo and Bervian (2004), the descriptive research observes, registers, analyzes and correlates facts or phenomena with the purpose of providing more information on the subject.

Therefore, the approach adopted for research is qualitative. According to Richardson (1999), this approach serves to describe a phenomenon deeply. In it, the researcher does not intend to enumerate or measure, from variables, the events studied. It starts with broad questions that are being defined as the study progresses. Researchers who adopt this approach argue that a phenomenon can be better understood in the context in which it occurs and of which it is a part. In this context, qualitative research also carries the characteristic of creativity, which conditions the researcher to become involved in the studied environment and this space becomes propitious for constructing interpretations based on empirical findings (Denzin and Lincoln, 1998)

Data collection

Richardson (1999) states that through the technique of unstructured or "in-depth" interviewing, as is also known, it is possible to obtain a very rich material for analysis, which allows understanding the phenomena using unstructured interviews involving the research subjects. Thus, the interviews were conducted based on two scripts with two actors involved in the internship process. Thus, seven interviews with representatives of Federal University of Espírito Santo were carried out (Table 1). In the organizations' perspective, six public and private organizations of different segments and structures were selected (Table 2). With this, the IU and IO acronym were used to represent the interviewees of the University and the organizations respectively.

Identification	Education / Degree	Teaching period
IU1	Doctorate in Production Engineering	7 years
IU 2	Doctorate in Economics	4 years
IU 3	Doctorate in Production Engineering	12 years
IU 4	Doctorate in Energy Planning	1 year
IU 5	Doctorate in Administration	15 years
IU 6	Doctorate in Production Engineering	4 years
IU 7	Doctorate in Administration	1 year

Table 1: Subjects Profile on the University: Source: Prepared by the authors (2018)

Identification	Function/job	Sector
IO1	Project Coordinator	Public
IO 2	Investment Advisor	Private
IO 3	Special Advisor	Public
IO 4	HR Analyst	Private
IO 5	Project Coordinator	Private
IO 6	Psychologist	Public

Table 2: Subjects Profile on Organizations: Source: Prepared by the authors (2018)

RESULTS DISCUSSION

After the floating and deep readings of the transcripts, the data were codified and categorized, being these processes carried out in the light of that proposed by Gibbs (2009). Thus, following the same author's perspective, coding represents a way of indexing a set of ideas and thematic categorization, it brings the notion of separation by themes into a more analytical and detailed level.

After this, in table 3 a schematization is presented, where, at first, the codification and categorization were carried out in the view of the university representatives. After this process, the codes and categories are used to subsidize the interpretation of the qualitative data when linking the findings of the research with the theoretical reference.

Internship	Knowledge application Merge theory with practice
Contributions	Intermediation between organization / student / university
Skills	Managerial competence Relationship and leadership skills
Improvements	Approximate and effective follow-up by teachers New tools and methods for monitoring Major Integration Company / University

Table 3: Codification and Categorization for UFES Interviewees: Source: Prepared by the authors (2018)

University participation

The internship code refers to the role that the supervised internship represents for the teachers and counselors of the students. Thus, the IU3 states that "[...] the internship helps a student to make the comparison theory and practice with more assertiveness because there he glimpses what is his profession with what he corroborates or not, and also with what is the reality of this for him [...]".

In this context, both the application of knowledge and the ability to unite theory and practice are related to the life cycle of Kolb (1984), which proposes that experiential learning is based on four modes of interaction between the individual and the environment, these modes being characterized by concrete experience, reflexive observation, abstract conceptualization and active experience (figure 1).

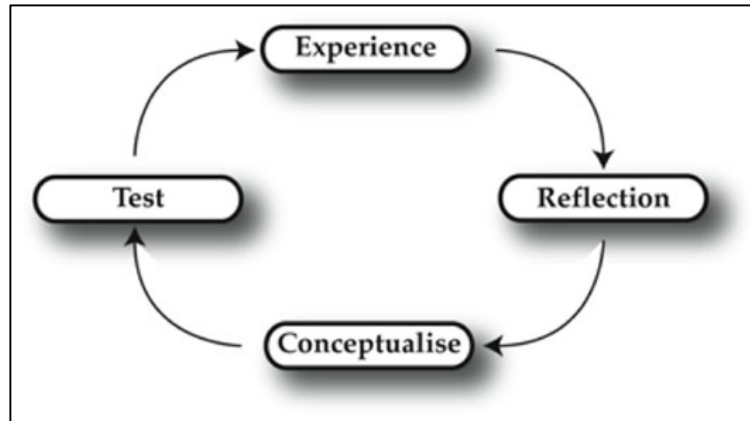


Figure 1: Kolb cycle: Source: (1984)

Still with Kolb (1984) the individual, from his lived experiences, reflects, establishes models of action and experiences in similar situations, thus generating a learning cycle. Also, the supervised internship environment is therefore framed as the locus where the professional character of the student is generated, constructed, perfected and also where the development of activities experienced in practice generates learning, capacity for reflection, criticism (Buriolla, 2001) and consequently the development of skills.

Regarding the code, the university's contributions to learning students' skills through the internship process, the IU7 states: "I think that the University has a role of intermediation, of serving as this bridge between the student and the market and also of doing this suitability most advantageously for the student through the teacher [...] ". From this perspective, Perrenoud (1999) raised some criticisms of content education focused on the transmission of information. For this author, discussions about changes in the world of work, which gave rise to the idea of a new worker, gave birth to the notion of competence in the area of education, with this, the role of the teacher is fundamental to provoke in students the consciousness that the learning process should make them "heads made", that is, different from the traditional conception of accumulation of knowledge that advocates a "full head" perspective.

As for the code of competences, the teachers believe that in addition to the relationship skills, technical and analytical dimension that is also mentioned by the interviewees of the organizations, the student develops more comprehensive competencies, such as leadership and managerial competence. Therefore, the IU5 affirms the following competencies that are developed by these students in internship processes:

"[...] reflective act that is to reflect on practice/theory, analytical ability let's say so; this relationship issue also, the competence of the "know to be" because when you get into the organizational world you will have to deal with people, and I think that is the most important ability and technical issues also that he will get a practice, the "know-how" that is very important to him "

Lopes (2006) argues that managerial competence can not only be learned in the classroom, because the dynamics of the business environment enables good administrative practice and

improves the specific learning of a given organization, its products, processes and structures , its markets, its technologies, finally, enables the individual the ability to dominate the subsystems of the organization and have the capacity to analyze the exact moment for decision making and its effects. These arguments justify the learning of competences by trainees in an organizational environment.

In this last question, the teachers were asked which improvements could be implemented in the internship process, the answers pointed to the execution of actions for the close and effective monitoring of teachers, new tools and methods for follow-up and greater integration between company and University. In this sense the IU6 states:

"It would be necessary to follow-up, a follow-up so to say, more present and more forceful, both by the guiding teacher and both by the coordinator. A portfolio of companies that are receptive to UFES students should be created because it has a differentiated profile and prospects for the market, which should be the competence of the University. Avoid this repetition of reports that we see every six months where one student does and passes to the other and hence we do not have absolute control over what is produced he does not even go to the company and ends up doing plagiarism of reports from the friend [...]"

In this context, it is possible to relate to what Cheetham and Chivers (1996) defend, that is, the effective execution of activities, also includes the need to master discrete skills (values and ethical competence), however, the focus still remains on articulation of all these essential elements (skills and knowledge) to achieve the results. Thus, the improvements in the internship process are due to the need for students to be committed to the objectives, the University's need to invest in tools to monitor students' activities with organizations.

The participation of organizations

In the second internship, codification and categorization were carried out following the same distribution scheme, observing now in the view of the representatives of the organizations, as shown in table 4.

Profile	Behavioral Aspects Technical concepts
Development	Meetings, Lectures, and Conversation Wheels Qualifying Programs Learning and Development with a
Competence	Social Competence Analytical Skills Technical-professional skills
Getting the job	Performance Get into learning and making new skills Achieve consistent results

**Table 4: Codification and categorization in the vision of representatives of organizations:
Source: Prepared by the authors (2018)**

As for the code profile of trainee that the organizations use for selection, it was observed that the organizations seek trainees adapted to their objectives, in this sense IO1 states that the profile used for selection is: "preferably with more than one competency: focus on results quality of delivery, Interpersonal skills, adaptability, and flexibility. In addition to specific technical competencies for each job [...] ". There are also cases in which the selected profile is

not defined based on interview processes or subjective analysis of the candidate regarding behavioral, psychological and performance issues, are the cases evidenced by IO3, which states: "We use only the socioeconomic profile, because the objective of the program is exactly to end the appointment of trainees to the organs [...]".

As for the actions of organizations to train and develop trainees, i.e., development code, respondents mostly related training and development only with the practice of internship activities. Therefore, there is a lack of initiatives in this regard on the part of the organizations, except the organization of IO1 that said: "We have a program focused on trainees called 'Transform', where trainees, according to the time they have here, receive a route of training to be fulfilled, this route is called 'Route to transform' [...]".

About the skills that students can acquire in an internship process, the respondents were predominantly responsible for technical-professional and relationship skills. The IO1 also mentions: "Competence of Analysis and solution of problems, it is clear that the trainees are here to learn, but they can give opinions ...". It can be seen that both the role of the administration trainee as well as the profile that the organizations seek have common characteristics about the competency learning issues, that is, the student starts from classroom theory to practice within organizations, and through a process of learning and experience, he will acquire skills.

In this sense, it is possible to identify traces of McClelland's (1973) studies in which he considers intelligence as a propelling factor for the achievement of competence and the studies of Kolb (1984) in which he affirms that experiential learning is a process by which knowledge is generated through of the transformation of experience and that knowledge is indeed a process of transformation that must be constantly created and recreated. Addressing what it takes for a trainee to achieve effectiveness, performance issues and consistent presentation of results in this regard, IO3 states that "the professional effectiveness of a trainee follows these criteria."

The interest in learning and developing new skills was also pointed out as one of the trait characteristics of trainees. In this sense, it is interesting to draw a parallel with Flores and Flores (2009, *apud* Sendin, 2002) in which they affirm that one of the objectives of the administration course is to awaken entrepreneurship in the student, and at this point the internship can enable the student to play this entrepreneurial spirit, since the student can: rehearse, research, without the commitment of results. That is, in addition to the opportunity that the student trainee has to become effective as an employee of the company he can develop his entrepreneurial capacity and consequently find out if his vocation is to be a real businessman.

CONCLUSIONS

In analyzing the role of the trainee legislation in trainee training through this study, it was possible to verify in organizations that there is no formal enforcement requirement from the government, in some cases, in fact, follow the legislation and make it possible to student an appropriate internship environment and even enhance the internship process with internal rules. On the slope of the university also occurs the same, that is, the collection for the performance of the role of the internship must start with the own teachers who accompany these students.

Regarding the performance of the role of the traineeship in the study, it was possible to verify several points of view, and it also points to the need to obtain new answers through new studies. One example would be the need for better monitoring of supervised training reports on the part of the teachers, so that the students can actually do an immersion in the organizational world and not only have the supervised internship as a compulsory subject; the need for new methods for the development of the discipline; the teachers present to the students from the first disciplines through activities, forms and situations in which this student can already experience and analyze the connection theory and practice.

In terms of organizations, to wake up about the real possibility of hiring good professionals who already work in these companies and for this to have the university as a support agent providing these professionals; the creation of a database for companies to consult the profiles of the students that are available to practice based mainly on academic performance so that it can also organize and centralize the offer and dissemination of traineeships and as regards the contribution of organizations for learning is that these organizations can provide a transformational internship environment in which students can effectively experiment, create, learn, and principally apply the theories learned in the classroom.

In conclusion, it is possible to observe through this study that both the supervised internship of the Federal University of Espírito Santo in administration course as well as the participation of the companies in this process have points to be improved, but it should be noted that the internship is already playing its role with positive results on both sides when you want to have that result. Because the participation and dedication of all actors in the process are fundamental to the fact that the expected result should happen, a new look is required for supervised internship and internship in the organizational environment and for this to happen the actors in this process must also play its role always following principles, concepts and especially legislation.

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Production Planning and Raw Materials Supply to Meet Fluctuative Demand for Livestock Feed Flour

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ABSTRACT

Production is creating goods and services, CV Bulu Nusantara is a company that processes poultry feathers, fish bones, beef bones, shells into dough flour for livestock feed. Sometimes these companies encounter overproduction and sometimes production shortages. The researcher intends to run production planning and raw material need planning that can meet fluctuative demand and minimize production costs with JIP and MRP approaches. From the research carried out, obtained forecasting demand result for period June 2017 - May 2018 for feather flour, fish flour, bone meal and crab flour for 191,040 kg, 144,876 kg, 135,189 kg and 158,028 kg. From production master schedule made based on forecasting and production capacity result, a plan is obtained for June 2017 - May 2018 of Rp. 1,858,057,638. Material requirements planning (MRP) can be seen when, how many orders, how many times the order for raw materials is within 1 year, so that the raw material inventory is optimal in accordance with the master production schedule, in addition to MRP also obtained for the total cost of raw materials for planning period June 2017 - May 2018 amounting to Rp. 16,710,197,190. From the cost of labor and raw materials, total production planning is Rp. 18,568,254,838, if the total cost of production planning is compared to the total production costs of the company in 2016-2017 amounting to Rp. 18,690,250,000 then the difference in annual production costs of Rp. 121,995,170. This means that by implementing JIP and MRP systems the company will save production costs by Rp. 121,995,170.

Keywords: production planning, raw material inventory, JIP, MPS, MRP.

INTRODUCTION

Production is creating goods and services (Render, Heizel, 2001) operations management is an activity that makes goods and services through changes and inputs into outputs. CV Bulu Nusantara is a company that processes poultry feathers, fish bones, beef bones, shells into dough flour for animal feed. The Company began operations in 2004, located in Gresik, East Java. This company distributes products sold to livestock feed companies such as Pokphand, Japfa, etc. The need for livestock feed flour will never stop, giving rise to fluctuating demand. The company currently has not made demand forecasting based on previous sales data yet. Therefore the company cannot meet all consumer demands, as a result the company will lose

sales at certain times, which should be a profit. One valuable company asset is raw material. Raw materials is a worth for the company. Without raw materials planning, it is can be uncontrollable, if it is too excessive it will cause storage costs to soaring, but if it cannot be sufficient, the company cannot produce so that it affects production smooth. Recognizing the problems faced, companies must be able to deal with fluctuations in demand by making production planning and raw material requirements planning.

LITERATUR REVIEW

Operation Management

Operations management is a series of activities that make goods and services through changes from input to output (Render, Heizel, 2001).

Forecasting

It is the science of predicting future events. Forecasting requires taking historical data and projecting it to the future with some form of mathematical model (Render, Heizel, pp. 46, 2001).

MRP (Material Requirement Planning)

Is a dependent inventory model (David W. Pentica, 1979), the use of this model is an effective inventory model, and the conditions must be known:

- (a) the main production schedule (what will be made and when is done)
- (b) specifications or bill of material
- (c) availability of supplies
- (d) orders that must be fulfilled
- (e) lead time (how long does it take to get various components)

RESEARCH METHOD

To facilitate data processing, a research design is needed that can describe a systematic data processing process, as in the following figure.

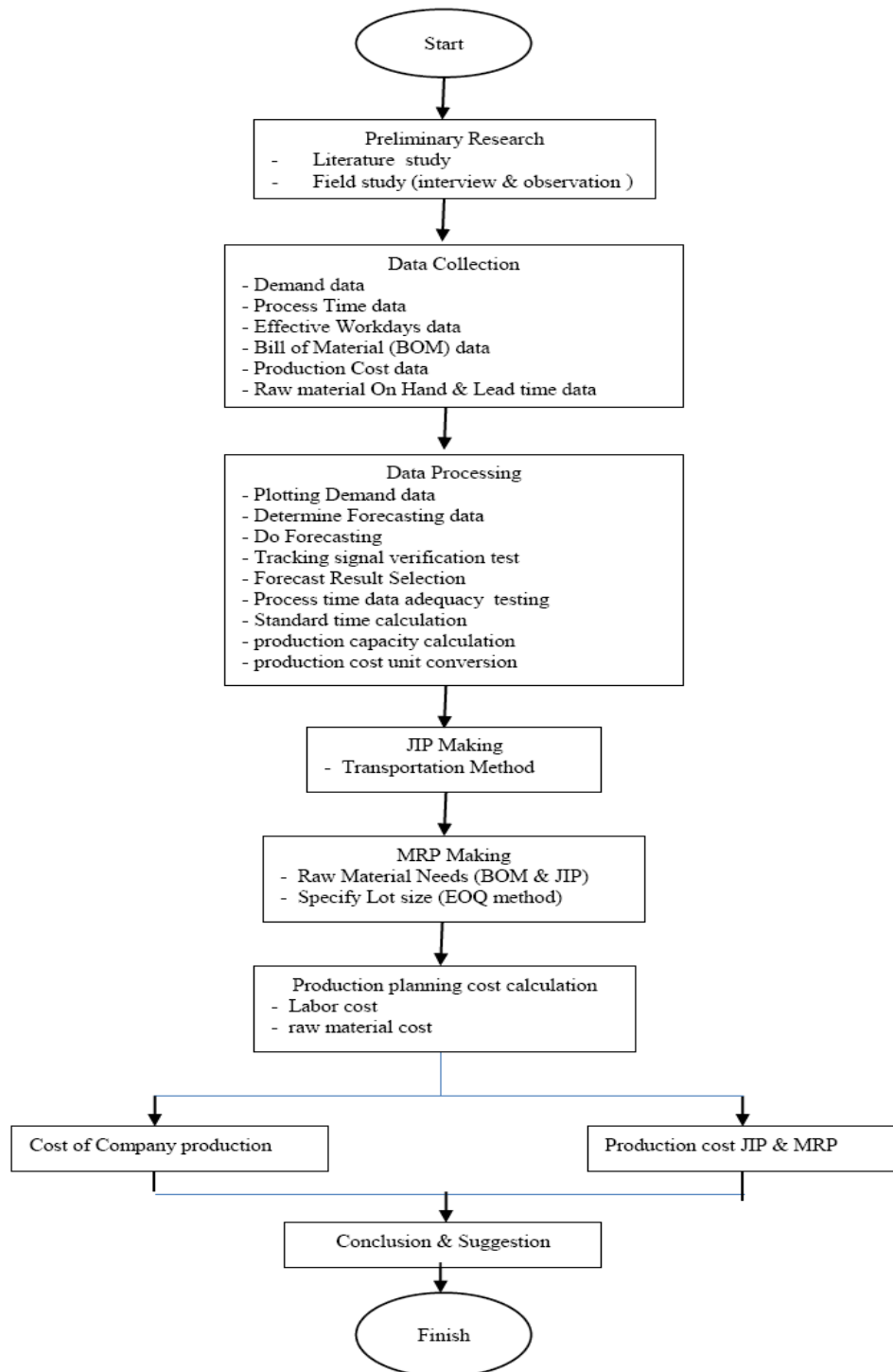


Figure 1. Research Flowchart

RESULTS AND DISCUSSION

To get an analysis and conclusion from this study, then supporting data is needed so that the result can be accounted for both theoretically and applicative in the field. The available data is data sourced from the company, but the presentation is different according to the presentation that I have set in the research method that I do. The supporting data, among others.

Demand Data

Demand data for the past period is production data carried out by the company in accordance with demand to determine the extent of demand level during the last period, thus illustration of production will be obtained based on historical demand obtained by the company not too far with the time research was conducted, so that there was a possibility of data irrelevancy due to incompatibility with real conditions.

Forecasting Demand for Livestock Feed Flour

From the flour feed demand for livestock feed June 2016-May 2017 forecasting is done with the moving average and exponential smoothing methods, this is because the demand data is fluctuating and does not show a linear trend. From demand forecasting that has been carried out for June 2017 to May 2018, the forecasting method was selected for each product, feather flour using the moving average (MA = 3) method, fish flour using exponential smoothing method ($\alpha = 0.33$), bone flour uses exponential smoothing method ($\alpha = 0.33$), and crab flour uses exponential smoothing method ($\alpha = 0.33$). Here are the results:

Table 1. The Forecasting of Livestock Feed Flour

Period	The Result of Forecast (kg)			
	Feather flour	Fish flour	Bone flour	Crab flour
June 2017	191040	144876	135189	158028
July 2017	191040	144876	135189	158028
August 2017	191040	144876	135189	158028
September 2017	191040	144876	135189	158028
October 2017	191040	144876	135189	158028
November 2017	191040	144876	135189	158028
December 2017	191040	144876	135189	158028
January 2018	191040	144876	135189	158028
February 2018	191040	144876	135189	158028
March 2018	191040	144876	135189	158028
April 2018	191040	144876	135189	158028
May 2018	191040	144876	135189	158028

Making Production Master Schedule

Inputs from the Production Master Schedule are the forecasting result, labor costs and production capacity, production capacity is obtained from effective working days data and data processing time. Before making the Production Master Schedule, it must first make equal the units between forecasting, costs, and production capacity, which in this study used units (kg). From the Production Master Schedule made based on the forecasting result and production capacity, the following results are obtained:

**Tabel 2. Production Master Schedule of CV. Bulu Nusantara
June 2017- May 2018**

Period	Production Planning (kg)			
	Feather flour	Fish flour	Bone flour	Crab flour
June 2017	191040	144876	135189	158028
July 2017	191040	144876	135189	160834
August 2017	191040	147792	137658	162890
September 2017	191040	141960	132720	150360
October 2017	191040	144876	135189	162890
November 2017	191040	153707	143188	162890
December 2017	191040	136045	127190	148304
January 2018	191040	153707	143188	162890
February 2018	191040	136045	127190	153166
March 2018	191040	150708	140127	162890
April 2018	191040	141960	132720	153166
May 2018	191040	141960	132720	158028

Master Production Schedule above shows that for forecasting requests, production planning is carried out as Table 7 above, so that demand based on forecasting results can be fulfilled with minimum labor costs.

Material Requirement Planning (MRP)

Before making MRP, you must first determine the raw material requirements and lot size, for material requirements obtained from the Bill of Material and Production Master Schedule. The method employed determine the lot size in this study is EOQ, this is because this method is compatible for planning within the time horizon 1 year. From the MRP, you can see when, how many orders, how many orders for raw materials on a plan order release, and also how many raw materials in the inventory for each month are projected on hand so that the raw material inventory is optimal according to the Production Master Schedule , here are the results:

Table 3 Plan for Order Release & Projected On Hand of Raw Materials

Raw material	Plan Order Release												Total
	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	11ar-18	apr-18	May-18	
Poultry feather	310 297		310 297	310297		1 310.297	310 197		310 297	310 297			2. 172 079
Fish bone	330 948		330 948		330.948			330 948		330 948			1. 654 740
Cow bone	319 692			319 692		319 692		319 692		A 692			1. 598 460
Shells	399 114			399114		399114			399114		399114		1.995570
Packing sack	122 879										122.879		245 758
Raw material	Projected On Hand												Total
	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	1pr-18	May-18	
Poultry feather	99.408	209.113	8521	118.226	227.931	1 27.339	137 044	246.749	46.157	15a 861	265.567	64.975	1.606.892
Fish bone	97 880	276 708	121 526	303 416	151296	320.856	178.005	16.613	204. 714	46 471	228 361	79 303	2.025.145
Cow bone	108 052	285 796	14125)	1899	179 643	29 296	215 438	65.091	251.233	104 100	284 436	145 080	1811319
Shells	134 071	364 309	193 274	35 396	163 475	92.440	335 835	164.800	3 976	23'055	71231	304 416	2.195. 278
Packing sack	2 874	113 627	101344	89.375	77 249	64 617	52 998	40)76	28 747	16 307	4 338	115148	707.110

From Table above, in the plan order release section shows that the company must place an order for raw materials in the stated months and the order size stated in the plan order release section in Table 8. The projected on hand section shows the quantity of raw material expected in inventory at the end of the period, and available for

Total Labor Cost	= Rp.	1.858.057.638
Total Cost of Raw Materials		
Poultry Feathers	= Rp.	2.998.391.900
Fishbone	= Rp.	5.678.156.500
Cow bone	= Rp.	3.073.359.900
Shells	= Rp.	4.829.338.800
Packing Sacks	= Rp.	130.950.100
Total Production Plan Costs	= Rp.	18.568.254.838

If the production plan costs results are compared to the company's production costs (labor costs + raw material costs) the year of use in the next period.

Production Cost Calculation

After obtaining total labor costs and total costs for each raw material, the total production costs can be calculated for the first year (June 2017 - May 2018). Following are the results of the calculation of production costs for the first year: 2016-2017 which amounted to Rp. 18,690,250,000, the difference will be obtained as follows:

Table 4. Difference in Production Costs 1 Year of Company Version and Planning Production

Production Costs 1 Year		Difference
Company	Production plan	
Rp 18.690.250.000	Rp 18.568.254.838	Rp 121.995.170

CONCLUSION

Based on the calculation of production planning costs obtained from JIP and MRP, the difference between the cost of Rp 121,995,170 and the company's production costs in 2016-2017 was obtained. This cost difference shows that if the company plans production using JIP and MRP, a savings of Rp 121,995,170 will be obtained in 1 year.

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Lending Growth As A Fiqh Implication Toward Product Development Of Islamic Bank In Indonesia

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ABSTRACT

This study aim to examine the financing growth of Islamic bank in Indonesia with the provisions system and proof that there is a countercyclicality and capital smoothing behavior of bank manager, these findings contrast with the results of previous studies on procyclical behavior in loan loss provisions. The objects of this study are Islamic Banks and Islamic Business Unit in Indonesia period of 2000 - 2016. This study specifically estimates a different calculation in every component of discretionary and non-discretionary in Islamic bank financing with the variable control such as, non performance loan/financing, total loan, deposit growth, equity ratio, and total asset. The equation will be tested by using the regression system estimation and the validity tested by Kolmogorov-Smirnov test and Durbin Watson. The result of this study quantitatively proved that there is a pattern of countercyclicality behavior in Islamic bank consistent with compliant Syariah and significantly has positive correlation described by the relation of loan loss provision with the coefficient of GDP growth rate. From this result in accordance with the fiqh platform, for all forms of *muamalah* is "*al ashlu fil mu'amalah illa al-ibahah yadullu daliil 'alaa tahriimiha*" (the origin of everything is allowed unless there is proof that forbid it), which means that by using the theory of fiqh rules the product development of Islamic bank can be done and expanded. The evidence for financing growth is that Islamic bank financing does not depend on the amount of deposit rates, and the coefficient of deposit and financing growth is insignificant and excluded, while the growth of financing and bank capital, GDP, and NPL have a negative and significant correlation. The coefficient of total assets and the growth of financing has a positive and significant correlation that means that Islamic bank managers to be income smoothing behavior.

Keywords: countercyclicality, loan loss provision, financing growth, Fiqh Platform, Islamic Lending.

INTRODUCTION

Islamic Bank in its effort to improve the financing growth should be aware of the risk payment failure in financing that can be input and basis for making the bank's profitability calculation, capital adequacy, solvency, and the calculation of the allowance incentive financing loss reserves (Dermine and Carvalho, 2006). According to Yaziz (2011), to improve financing growth from sharia perspective for financing risk and loan loss provisions in Islamic bank, there are two perceptions: *first* is the perception of sharia financing risk as a basis for assessing the quality of financing, and the *second* is the perception of allowance incentive for loan loss provisions used by Islamic bank in achieving a certain goals.

The fact that Islamic bank in expanding its financing shows the behavior of procyclicality. It occurs because the bank managers increase the provisions during the deteriorated time and reduce the provisions during the decent time. So, the implications of procyclicality is provoking

a financing crisis and then exacerbate the economic recession (Adzis et al., 2015). At the cycle of deteriorates time, the increasing of loan loss provisions will affect the bank's revenue, weaken the bank's capital and reduce the loan eligibility of the debtor. According Soedarmono et al., (2016) loan loss provisions of Islamic bank generally procyclicality. The loan loss provisions decline when economic growth strengthened, and this procyclicality behavior can sharpen the decline of economic growth through the reduction of financing.

This study examines the growth of Islamic bank financing in Indonesia with the provisions system that used in order to obtain the result as a proof that there is a procyclicality behavior and income smoothing behavior of bank manager. This result will be diagnosed in a qualitative analysis based on *fiqh* platform in order to generate some implications for regulators, society, and further research. To improve the financing growth, Islamic bank can do such product development, innovation, and diversification based on the principles of sharia, without having constrained by risk, capital adequacy, reserve requirements, and the bank's solvency. So, it is expected that operational activities of Islamic bank in Indonesia not only for the benefit of capitalist.

LITERATURE REVIEW

Theory of Sharia Financing

The theory that relating to the classification of sharia financing explained that *musharaka*, *mudharaba*, *murabaha*, *salam*, *istishna*, *ijara*, and *qardh* is the classification of the main agreement contract that provided for Islamic bank customers. This classification distinguished by: non-debt sharia financing model, namely *musyaraka* and *mudharaba*; debt sharia financing model, namely *murabaha*, *salam*, *istihsna* and *Ijara* (Kahf, 2005). Other forms of financing classification by Uthmani (2002) define it based on: 1) Pure sharia financing model, namely *musharaka*, *mudaraba*, *salam*, and *istishna*; 2) Artificial/Reformed sharia financing model, namely: *murabaha* and *Ijara*. This study added the financing that is actually the real loan, according to sharia principles, namely loans *al-qardh al-hasan*.

Before stipulate the determinants of the sharia financing growth, there are two principal opinions that Islamic banks adhere to sharia rules on each contract, even though the artificial/reformed financing model of less Sharia than the pure financing model (El-Gamal, 2000). On the contrary opinion said that *ijara* and *murabaha* financing model is not ideal for Islamic bank and it is only used as a device to escape from interest rates (Uthmani, 2002). *mudharaba* and *musyaraka* are based on the principle of profit and loss sharing, and this is the model that is the most needed in Islamic banks. When using both of these instruments, it does not create a debt for the whole community, the profits divided equally between capital and labor.

Another argument proposed by the researcher who un-feel necessary to connect with Islamic finance industry. Ordody de Ordod (2001) shows that the economic balance and full employment guaranteed by unlimited individuals based on facts that are recommended before interest rates are set. Ordod (2001) argue that the rigidity of interest rate toward fluctuation led to disequilibrium and inflation. Shiller (2003) proposed the notion that the borrower's problem in conventional interest rate stipulated in his debt is directing on the issue of personal bankruptcy.

Based on the opinions above, it necessary to determine the variables for calculating the financing growth in Islamic bank:

1. LLP non-discretionary as a predictor based on research of risk determination in Islamic bank (Agmad, 2003; Hassan 1992.1993; Hassan et al.,1994; Shireve and Dahl, 1997;

Angbazo et al.,1998), in this component, variables that describes bank's LLP are included, such as non performing loan, total loan, and the growth of gross domestic product as variables control of loan risk in the NLLP component.

2. The third-party fund or deposit is the total liabilities from the balance sheet report. Total liabilities are managed based on the principle of profit and loss sharing for investment accounts, saving accounts and *wakala* deposits using special reserve for his profit and loss sharing (Taktak et al. 2010) that is profit equalization reserve (PER) and investment risk reserve (IRR), which are the two mechanisms that actively reduce the volatility of the rate of return in deposits investment including the consequence in his return equalization (Sundarajan , 2005; Khan Ahmed, 2001; Archer et al., 2010). This is executed by Islamic banks to avoid the abandonment of massive withdrawals risk that are a common occurrence that causes a potentially bank run.
3. Equity is the number of outstanding shares multiplied by the stock price at the beginning of each year. For Islamic bank, total equity is the sum of the first tier capital (Tier-1 capital) and second tier capital (Tier-2 Capital), where the second tier capital needed to capture the motives of capital management that is expected to affect loan loss provisions negatively. (Ashraf, et al., 2000).
4. *Total assets* classified based on sharia contract such as asset based on sale-purchase contract, asset based on leasing, and equity investment. Islamic bank do the logarithm of total asset to capture bank investment from each types of bank.

Theory of Income Smoothing

Zoubi and Al-Khazali (2007) in his research in the Gulf countries, noting that there is a positive correlation between the LLP and Income. This positive correlation means that managers of Islamic banks also use the LLP to manage earning, now and in the future. Previous research has hypothesized that bank managers have an incentive to apply income smoothing (Misman and Ahmad, 2011). Ashraf et al. (2015) revealed that the bank's earning management in application of LLP is influenced by the nature of the bank, because the results showed the issue about management and bank's governance that were listed.

Theory of Procyclicality Behaviour

Al-Khayat (2013) who did research in 15 countries of the Gulf Cooperation Council (GCC) such as Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (UAE), demonstrated by using the determinant of LLP on Islamic banks, namely : Tier-1 capital, NPL and Size, revealed that in fact, the Islamic Bank has a prudent behavior patterns and not procyclis, and Islamic bank does not perform the income-smooth, except when Islamic banks experiencing the negative earning, and this action is also carried out as a countercyclical tool. Research of Boulila et al. (2010) tested the hypothesis the income smoothing of Islamic banks show typical characteristics environment: First, Islamic banks governed by Islamic principles (Sharia) using a risk-sharing mechanism among investors. Second, the regulations related to sharia accounting that does not restricted the use of dynamic provisioning, so the Islamic banks have a tendency to establish the allowance to absorb losses in the future.

The Fiqh Platform

According to Malikiyah, *murabaha* or financing in Islamic bank is mutually beneficial, it means the seller must notify the buyer about the product price he bought and determine the additional profit. In Al-Qur'an Chapter *An-Nisaa* verse 29 stated:

"O you who have believed, do not consume one another's wealth unjustly but only (in lawful) business by mutual consent. And do not kill your selves (or one another). Indeed Allah is to you ever Merciful." (An-Nisaa, 29)

From Abi Sa'id Al Khudri, in Hadith Rasulullah SAW said: *"Indeed, selling has to do with mutual fond and mutual willingly"*. (HR. Ibnu Majah) (Al Zuhaily, p.703). The majority of *fiqh* scholars agree that the supporting *fiqh* rule used for financing contract in Islamic bank is *"al ashlu fil mu'amalah al ibahah illa yadullu dalil 'alaa tahriimiha"* which means the origin of everything is permitted unless there is a proof that forbid it (*haram*) (Qal'ah Jiy, p.11). This rule is in accordance with DSN fatwa No.90/DSN-MUI/XII/2013. Another rule that support the financing theory are *"adhdhararu yuzaal"* which means the danger of heavy load, the loss shall be omitted (Al Suyuthi, p.16). *"Al ashlu fil 'uquud wa syuruth al ibahah"* which means basically all forms of contract and terms are permitted to be executed. *"Adhdhararu yudfa"* which means any harm shall be avoided wherever it possible (Al Zarqa, p.207). *"Al haajatu tanzilu manzilata dharurati 'aammatan kaanat aw khaasah"* which means the urgent needs can be in emergency position, both generally and specifically (MUI, p.79-92).

The rule of benevolent loans *al qardhul hasan* in sharia is *"kullu qardhin jarra nafan fahuwa riba"* which means any debts that bring benefits to the indebted is *riba* (Ramadhan, p.300). From that rule and legal source, the theory of *musyaraka*, *mudharaba*, *istishna*, *salam*, *ijarah*, *murabaha* and *qardh* in Islamic bank must be in accordance with the *fiqh* theory, which is in every economic activity has to do with mutual fond (*'an taradhin minkum*), equitable (*'al 'adaalah*), and no adverse (*laa dharar walaa dhirar*). Related to the practice of *murabaha* in Islamic bank, financing product for purchase of investment goods, both domestically and abroad through (L/C) and ask for a down payment from customer and get discount from suppliers. Legally, it can be executed referring to the grand theory of *fiqh* rule *"al ashlu fil mu'amalah al ibahah illa yadullu daliil 'ala tahriimiha"*. Likewise in the operational to increase profitability and expand its business, Islamic bank can develop their products through the sale and purchase contract that is permitted by Islam. It can be implemented in another sector for productive activity, so the role of Islamic bank as intermediary institution has done well and not just focus on financing.

Profit in Islamic bank is in accordance with the characteristics of Islamic finance or *murabaha* called agreed profit (Rushd, p.293). Another theory states that benefit ratio determined by agreement, not by the portion of deposit capital (Al-Kasani; Ash Syarbini & Al Bahuti). The legal basis in the *fiqh* rule that used for profit and risk in accordance with Islamic principles, mentioned in the Hadith *"wa laa maa lam ribhu yudhman"* which means there should be no profit without risking loss (Ahmad 6831, Nasa'i 4647). *"Al ghurmu bil ghunmi"* which means loss and profit are borne and shared (Ramadan, p.461). From Urwah Al Bariqi RA, state that Rasulullah SAW gave him one dinar to buy a goat. With that one dinar, he bought two sheep's and resells one goat worth in one dinar. Then he came to the Prophet while bring one goat and one dinar. By looking at this, the Prophet prays for his blessing (Hadith of Bukhari). A Muslim scholar, Al-Ghazali in his book *Al-Ihya Ulumuddin* does not dismiss the fact that profit is the main motive of trade. But he gives a lot of emphasis on business ethic, which is this ethic derives from Islamic values (Al Amin & Amalia, 2010). From previous explanation, can be conclude that profit in Islam is permitted as long as no harm or injustice and not hurt each other according to Islamic principles.

One of the rules in *Muamalah* concept in Islam is about *riba*. *Riba* means an excess or addition. Islam strictly prohibits *riba*, Al-Qur'an as a legal basis clearly stated in the Chapter of Al-Baqarah verse 275: *"wa ahallahul ba'i wa harrama riba"* (But Allah has permitted trade and has forbidden *riba*). Also in Chapter of An-Nisaa verse 161 stated:

"And (for) their taking of riba while they had been forbidden from it, and their consuming of the people's wealth unjustly. And we have prepared for the disbelievers among them a painful punishment." (An-Nisaa, 161)

The fiqh rule that used for *riba*: “*laa tadzlimuuna walaatadzlamun*” means that do not persecute nor persecuted (Haroen, 2000). Referring to Islamic legal basis and Islamic fiqh theory about the prohibition of *riba*, clearly that *riba* will never bring *mashlahat* or goodness. Not only for Muslims but for the whole human race, and even led to the danger or harm greater economic sustainability and life.

METHODOLOGY

The objects of this study are Islamic Banks and Islamic Business Unit in Indonesia period of 2000 – 2016. The data used as an instrument measurement of financial statement obtained from Islamic Bank Statistics Report from 2000 – 2016 from Bank Indonesia and the Financial Services Authority. The appendix contains of tables of statistical data processing results.

This study uses the approach of Bouvatier and Lepetit (2008) to observe the impact of non-discretionary and discretionary components in loan loss provisions to the financing growth of Islamic bank. We also specifically estimate ranging from setting a different definition from the calculation of each component of discretionary and non-discretionary on the financing of Islamic bank. The equation we made follows the approach of Bouvatier and Lepetit (2012) as follows:

$$TL_t = \beta_0 + \beta_1 NDISC_t + \beta_2 DEP_t + \beta_3 CAR_{t-1} + \beta_4 TA_{t-1} + u_t \dots \dots \dots (1)$$

The F_t is the sharia financing growth. $NDISC_t$ in this research is non-discretionary component that is expected to affect financing growth negatively if allegedly the procyclicality behavior consistent with the system of backward-looking loan loss provisioning. The increased of costs from sharia financing is shown with the loan loss provisions, thus encouraging banks to reducing incentives to increase the financing. We also set the variable control such as: deposits growth DEP_t , equity ratio CAR_{t-1} , and to measure the size of Islamic banks by using the logarithm of Total Assets TA_{t-1} . As well as the influence of time on the level of gross domestic gross product (GDP) also we add to control the changes in macroeconomic conditions.

This paper focus on the measurement calculation of several non-discretionary component to test the robustness of the results, so the equation that used to represent hypotheses for the behavior patterns of procyclicality and income smoothing behavior in Islamic banks refer to the study of Bouvatier and Lepetit (2012) as follows:

$$NDISC_t = \alpha_1 LLP_{t-1} + \alpha_2 NPL_t + \alpha_3 \Delta NPL_t + \alpha_4 TL_t + \alpha_5 GDP_t + \alpha_6 TA_t \dots \dots \dots (2)$$

In the system of backward-looking provisioning show the primary correlation of $NDISC_t$ in line with NPL_t that is the ratio of non-performing financing toward total asset in the end of year t , and the first deviation (*delta*) from NPL_t ($\Delta NPL_t = NPL_t - NPL_{t-1}$) as a explanatory variable.

These two variables are good indicators to identify losses in the financing portfolio of Islamic bank. This variable will show a positive correlation with the loan loss provisions. We add the failure risk for the entire financing portfolio, measured by the ratio of total net financing toward total assets TL_t , these variables showed a positive correlation. We consider the rate of gross domestic product growth GDP_t which has a negative correlation with loan-loss provisions. Because of the feasibility of customer’s financing Islamic banks depend on economic conditions. Then we also consider the current ratio of bank earnings and loan loss

reserve toward total asset TA_t to examine whether Islamic banks use loan loss provisions for the smoothing income.

For methodology estimation used OLS to test the equation, this estimation known as regression estimation. The combination of the two equations, are: the original equation and the transformation equation. The transformation equation can be the first difference for the original equation. The equation instrument applied only to lag of dependent variable (LLP_{t-1}). For another variable considered as exogenous.

Validity estimation tested using Kolmogorov- Smirnov test and Durbin Watson that examine the autocorrelation and fixed effect. We also guarantee that in this test there is no multicollinearity problem and correlation matrix.

RESULT

Quantitative Result

Result of normality test of Nondiscretion LLP and Discretion LLP which shows managerial goals in income smoothing, capital management, and signaling as follows:

Table 1. NLLP Variable Normality Test Output.

		One-Sample Kolmogorov-Smirnov Test										
		PROVISIONS	NPF	AKTIVHAFU S	MUCHARABA H	MUSYARAWA H	MURABAHAH	LABAH	ISTISNA	QAFDH	LARUKYA	TKSDP
N		15	15	8	15	15	10	15	10	5	15	
Normal Parameters ^a	Mean	383.2000	1,837.1333	2,288.1250	5,715.8000	12,021.2000	34,123.0867	3,916.2000	339.7333	4,808.4000	86.4000	5,1433
	Std. Deviation	954.38648	2,528.09800	1,389.09424	4,872.88895	15,594.14806	39,946.33465	4,273.64463	...	4,965.75381	...	1,11197
Most Extreme Differences	Absolute	.154	.231	.213	.169	.221	.244	.244	.197	.226	.309	.159
	Positive	.154	.214	.213	.169	.221	.244	.244	.197	.226	.262	.113
	Negative	-.145	-.231	-.106	-.137	-.221	-.202	-.200	-.139	-.173	-.309	-.159
Kolmogorov-Smirnov Z		.597	.896	.602	.656	.856	.945	.771	.764	.714	.690	.616
Asymp. Sig. (2-tailed)		.883	.388	.682	.783	.456	.333	.592	.603	.688	.727	.842

a. Test distribution is Normal.

Table 1 shows All NLLP variables used show values greater than 0.05 means that all variables are normally distributed and there is no difference.

Table 2. DLLP Variable Test Output

		One-Sample Kolmogorov-Smirnov Test				
		MODALSETOR	LABABERSIH	LABADITAHAN	BELUSHLABA	TOTALASSET
N		15	15	15	15	15
Normal Parameters ^a	Mean	3,153.0000	857.3333	718.4667	96.4667	78,844.7333
	Std. Deviation	3,398.95370	998.05346	1,244.09398	609.92984	91,687.24885
Most Extreme Differences	Absolute	.305	.225	.294	.320	.226
	Positive	.305	.225	.294	.184	.226
	Negative	-.220	-.202	-.254	-.320	-.200
Kolmogorov-Smirnov Z		1.183	.870	1.141	1.240	.874
Asymp. Sig. (2-tailed)		.122	.436	.148	.092	.429

a. Test distribution is Normal.

In quantitative method, the result proved (table 2) that the DLLP variable indicating the bank manager has an attitude of income smoothing, capital management, and signaling is valid and significant to the privisons (LLP).

The result of the regression equation obtained for the correlation and the influence of loan loss provision with non-discretionary component that affect to the financing growth rate also show the *countercyclicality* and capital management behavior of bank manager. This result is in accordance with Shariah compliance, as follows:

Tabel 3. Output R Square LLP

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.994 ^a	.988	.978	52.23226	2.765

a. Predictors: (Constant), TA, GDP, NPF, CAR, EAT, TL

b. Dependent Variable: PROVISIONS

Table 3 shows the LLP variable being eligible and not autocorrelated with Durbin Watson test of $1 < 2.765 < 3$. Meaning that TA, GDP, NPF, EAT, and TL contribute to LLP.

Table 4. Output Significance of LLP Variables

ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1736232.727	6	289372.121	106.067	.000 ^a
	Residual	21825.673	8	2728.209		
	Total	1758058.400	14			

a. Predictors: (Constant), TA, GDP, NPF, CAR, EAT, TL

b. Dependent Variable: PROVISIONS

Table 4. shows the significance of all LLP variables of $0.000 < 0.05$

Table 5. Output of LLP Beta Value

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-121.490	77.175		-1.574	.154
	NPF	.060	.039	.429	1.548	.160
	GDP	41.187	16.388	.129	2.513	.036
	CAR	-.040	.029	-.384	-1.395	.201
	EAT	.244	.117	.688	2.078	.071
	TL	-.007	.005	-2.721	-1.535	.163
	TA	.011	.007	2.974	1.566	.156

a. Dependent Variable: PROVISIONS

Table 5 shows the relationship and influence of LLP variable with the following equation:

$$LLP = - 121,5 + 0,43NPF + 0,13 GDP - 0,39 CAR + 0,69EAT - 2,72 TL + 2,97TA \dots\dots\dots(3)$$

This equation shows that loan loss provisions have a common form in the different set of data. NPF ratio and GDP growth rates significantly affect the LLP in all estimation. NPF and GDP have a positive and significant effect, where each 1% increase in NPF will increase provisions by 0.43%, as well as in GDP with a positive and significant effect, this result contradicts the review of Bouvatier and lepetit (2012). the results of this study show behaviour the forwards-looking provisions system encourage countercyclicality patterns on LLP in Islamic banks in Indonesia this study. The results for discretionary behavior of Islamic bank managers as capital management behavior showed the consistent result with the hypothesis that Islamic banks in Indonesia used LLP for its income smoothing, and the TA coefficient has a positive correlation and significant in all estimations. But TL has a negative correlation with the behavior of Islamic Banks. Dynamic provisioning is theoretically designed for reserve leveling throughout the cycle (acting as a buffer), so that on certain conditions the impact is similar to that of buffer (De Lis and Herrero, 2013). This behavior is in accordance with the shariah compliance that applies to all Islamic Banks.

The resulted of regression equation for financing growth of Islamic banks (Table 2) with dropping the variable of NDISC as follows:

Tabel 6. Output R Square Loan

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	1.000 ^a	.999	.999	3,839.86982	2.837

a. Predictors: (Constant), TA, GDP, NPF, CAR, PROVISIONS

b. Dependent Variable: TL

Table 6 shows the growth of loans variable is eligible and autocorrelated with Durbin Watson test of $1 < 2.837 < 3$. Meaning that TA, GDP, NPF, CAR, and Provisions (LLP) contribute to the total Loans.

Table 7. Output of Significance of Growth of Loans Variables

ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.392E11	5	4.784E10	3.245E3	.000 ^a
	Residual	1.327E8	9	1.474E7		
	Total	2.394E11	14			

a. Predictors: (Constant), TA, GDP, NPF, CAR, PROVISIONS

b. Dependent Variable: TL

Table 7. shows that all growth of loan variables are significant at $0.000 < 0.05$

Table 8. Output of Deposit Variables Excluded

Excluded Variables^b

Model	Beta In	t	Sig.	Partial Correlation	Collinearity Statistics
					Tolerance
1	DEP	. ^a	.	.	.000

a. Predictors in the Model: (Constant), TA, GDP, NPF, CAR, PROVISIONS

b. Dependent Variable: TL

Table 8 shows the variable Deposits (third party funds) excluded as not significant. This means that profit-based profit-sharing variables can not be included as a variable of the growth of financing. Sources of financing funds in Islamic banks can not rely on third-party funding sources (deposits). Because the contracts and calculations for the results are not equal to the calculation of margin financing at Islamic Bank which has various contracts and types of engagement. These results support the study of Khan and Ahmed, (2001) that the differences in the nature of the composition of assets and liabilities of sharia banks with the principle of profit and loss sharing

Table 9. Output Beta Growth of Loan Value

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3769.490	5994.761		.629	.545
	PROVISIONS	-13.753	20.438	-.037	-.673	.518
	NPF	-1.799	1.142	-.035	-1.575	.150
	GDP	-673.966	1495.574	-.006	-.451	.663
	CAR	-5.336	1.529	-.139	-3.489	.007
	TA	1.718	.116	1.205	14.825	.000

a. Dependent Variable: TL

Table 9. shows the relationship and influence of growth of loan variable with equation as follows:

$$TL = - 0,037LLP - 0,035 NPF - 0,006GDP - 0,14 CAR + 1,205 TA + u \dots \dots \dots (4)$$

The coefficient associated with the provisions growth rate represented by LLP showed a significant negative relationship for any 1% increase in 1% financing growth of reserves will decrease by 0.04%. For the NPF coefficient shows a negative and significant relationship where every 1% increase in financing growth will reduce problem financing by 0.04%. In the GDP coefficient shows a negative and significant correlation for each 1% growth increase in growth occurs when economic growth decreases by 0.006%. The coefficient of CAR is for equity ratio shows negative and significant correlation where every increase of financing growth decrease capital ratio equal to 0,14% this describes behavior of capital smoothing from bank manager. but the Total Asset coefficient representing size shows a positive and significant correlation which means that every 1% increase in financing growth increases the total assets of Islamic banks by 1.21%

The positive impact on non-discretionary LLP to financing growth indicates that the system is forward-looking provisions affect the countercyclicality in the Islamic bank financing. It should be when the Islamic bank is in high economic cycles, the LLP is high, so encourage Islamic banks to decrease the financing. In the contrary, when the bank suffered declining in economic cycle, the LLP become low, caused the Islamic banks reduces the incentive in the new financing deals. The sensitivity of financing growth of bank toward non-discretionary LLP bank depends on its banking system.

Table 9 (enclosed) shows the use of NDISC in financing growth reveals that the positive impact on non-discretionary LLP on financing growth is dependent on the effect of GDP growth rate toward LLP. The effect non-discretionary LLP toward financing growth by inserting variable of capital smoothing behavior found that the coefficient results were negative and significant. This results reveal that capital smoothing behavior mitigates the impact of non-discretionary LLP toward financing growth. These results highlight that the capital smoothing behavior is the right solution to mitigate the cyclicity pattern on a non-discretionary LLP and even reduce the impact on financing growth. The right solution comes from Islamic banking regulator to implement dynamic provisioning system in accordance with Islamic banks.

Furthermore, the results of empirical research with quantitative methods will be diagnosed in qualitative method to do prognosis and generates the implications for regulator and society in general according to the fiqh platform.

Qualitative Result

The growth of Islamic banks in this study is very small and tends to be slow due to the classification model of the primary contract agreement contract provided for Islamic bank customers such as *murabaha*, *mudharaba*, *musharaka*, *ijara*, *salam* and *isthisna*. The fiqh platform which is used for all forms of *muamalah* is "*al ashlu fil mu'amalah illa al-ibahah yadullu daliil 'alaa tahriimiha*" (the origin of everything is allowed unless there is proof that forbid it), which means that by using the theory of fiqh rules the product development of Islamic bank can be done and expanded.

In practice, Islamic bank only offer *murabaha* product, but in Islam itself sale-purchase or *ba'i* have a various form that allowed, usable, and can be offered to the public in accordance with

their needs and abilities. Types of *ba'i* or sale-purchase contract that can be developed in product of Islamic bank are *ba'i naqdan*, *ba'i taqsith*, *ba'i muajjal*, *ba'i bi tsaman 'ajil*, *ba'i wafa*, even *ba'i tawarruq* to provide the choices to the public in accordance with the conditions and problems.

Products from *mudharaba* contract can develop according to its type such as *mudhraba muthlaqa* and *mudharaba muqayyada*. Likewise the development of *musyaraka* with a variety of partnership contract model such as, *musharaka (wujuh, inan, abdan, mufawadhah)*, *muzara'ah*, *musaqa* and *mukhabara*.

Deposit or saving fund called *wadi'ah*, the development of product contract can be *wadi'ah yad dhamanah* and *wadi'ah amanah*. *Ijara* contract also can be developed in accordance with the needs and capabilities. The development of *ijara* contract or lease contract in Islam like pure *ijara* that is *ba'i wal ijara*, *ijara muntahiya bitamlik* or called IMBT, *ju'ala* and *parallel ijara*. Islamic banks in Indonesia should be braver and confident in developing sharia products as well as to educate the public about the products of Islamic banks which will be applied and developed, so that Islamic banks can be grew well. With product development of Islamic banks, the public may believe that the interest or *riba* is not a way out of their problems. The implication of these products development is the advancement of Islamic bank in Indonesia and increase the economic welfare of the Indonesian people.

SUMMARY AND RECOMMENDATION

1. Quantitatively, the application of backward-looking provision system in financing loss provisions has positive correlation and significant showed a pattern of procyclicality in Islamic banks.
2. The relations of earning current variable with LLP showed the income smoothing behavior of Islamic bank manager who encourages the implementation of backward-looking provision system.
3. The pattern of cyclicity in non-discretionary component of LLP with income smoothing behavior can not be mitigated, it can even reduce the financing growth of Islamic bank.
4. Qualitatively, the fiqh platform which is used for all forms of *muamalah* is "*al ashlu fil mu'amalah illa al-ibahah yadullu daliil 'alaa tahriimiha*" (the origin of everything is allowed unless there is proof that forbid it), which means that by using the theory of fiqh rules the product development of Islamic bank can be done and expanded.
5. There are a lot of forms of the agreement contract that can be developed such as ***murabaha*** (*ba'i naqdan*, *ba'i taqsith*, *ba'i muajjal*, *ba'i bi tsaman 'ajil*, *ba'i wafa*, even *ba'i tawarruq*), ***mudharaba*** (*mudhraba muthlaqa* and *mudharaba muqayyada*), ***musharaka*** (*wujuh, inan, abdan, mufawadhah*), *muzara'ah*, *musaqa* and *mukhabara*, ***ijara*** (*ba'i wal ijara*, *ijara muntahiya bitamlik*, *parallel ijara*) and ***wadi'ah*** (*wadi'ah yad dhamanah* and *wadi'ah amanah*) as long as in accordance with the condition and capability of the customers.

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APPENDIX

Tabel 10. Correlation of LLP & Cyclicity

		Correlations						
		PROVISIONS	NPF	GDP	CAR	EAT	TL	TA
Pearson Correlation	PROVISIONS	1.000	.870	.580	.929	.946	.977	.976
	NPF	.870	1.000	.317	.911	.725	.915	.922
	GDP	.580	.317	1.000	.466	.519	.464	.471
	CAR	.929	.911	.466	1.000	.862	.964	.972
	EAT	.946	.725	.519	.862	1.000	.936	.927
	TL	.977	.915	.464	.964	.936	1.000	.999
	TA	.976	.922	.471	.972	.927	.999	1.000
Sig. (1-tailed)	PROVISIONS	.000	.000	.012	.000	.000	.000	.000
	NPF	.000	.000	.125	.000	.001	.000	.000
	GDP	.012	.125	.000	.040	.024	.041	.038
	CAR	.000	.000	.040	.000	.000	.000	.000
	EAT	.000	.001	.024	.000	.000	.000	.000
	TL	.000	.000	.041	.000	.000	.000	.000
	TA	.000	.000	.038	.000	.000	.000	.000
N	PROVISIONS	15	15	15	15	15	15	15
	NPF	15	15	15	15	15	15	15
	GDP	15	15	15	15	15	15	15
	CAR	15	15	15	15	15	15	15
	EAT	15	15	15	15	15	15	15
	TL	15	15	15	15	15	15	15
	TA	15	15	15	15	15	15	15

Tabel 11. Correlation Variables Growth of Loan

		Correlations						
		TL	PROVISIONS	NPF	GDP	DEP	CAR	TA
Pearson Correlation	TL	1.000	.977	.915	.464	.999	.964	.999
	PROVISIONS	.977	1.000	.870	.580	.976	.929	.976
	NPF	.915	.870	1.000	.317	.922	.911	.922
	GDP	.464	.580	.317	1.000	.471	.466	.471
	DEP	.999	.976	.922	.471	1.000	.972	1.000
	CAR	.964	.929	.911	.466	.972	1.000	.972
	TA	.999	.976	.922	.471	1.000	.972	1.000
Sig. (1-tailed)	TL	.000	.000	.000	.041	.000	.000	.000
	PROVISIONS	.000	.000	.000	.012	.000	.000	.000
	NPF	.000	.000	.000	.125	.000	.000	.000
	GDP	.041	.012	.125	.000	.038	.040	.038
	DEP	.000	.000	.000	.038	.000	.000	.000
	CAR	.000	.000	.000	.040	.000	.000	.000
	TA	.000	.000	.000	.038	.000	.000	.000
N	TL	15	15	15	15	15	15	15
	PROVISIONS	15	15	15	15	15	15	15
	NPF	15	15	15	15	15	15	15
	GDP	15	15	15	15	15	15	15
	DEP	15	15	15	15	15	15	15
	CAR	15	15	15	15	15	15	15
	TA	15	15	15	15	15	15	15

Establishing The Total Quality Of A Type Of Result Obtained By An Economic Company - Generalities

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ABSTRACT

The results of the activities carried out in an economic company are concretized in one or more types of products or services of a certain quality. The quality of products and services of an organization is determined by the ability to satisfy customers and the intended and unintentional impact on relevant stakeholders, or The quality of products and services not only includes their intended functions and performance but also the value and benefit perceived by the client (SR EN ISO 9000: 2015) According to these definitions, taken from the quality standard SR EN ISO 9000: 2015, it results that a product is of high quality when the following is achieved:

- satisfaction of a large number of consumer expectations;
- encourage consumers to meet new expectations;
- the cost of meeting these expectations should be as small as possible;
- the period in which a product meets the expectations must be as high as possible;
- the cost of using the product by consumers must be as small as possible.

Due to the fact that at the level of national economy there is a great variety of types of products and services it is necessary to group them according to various classification criteria. Also, each type of result obtained by a company is described by a variable number of quality characteristics, this leads to grouping these qualitative characteristics according to various classification criteria. In general, determining the quality of a type of result obtained by a firm requires knowledge of the group's name and the position it occupies in the resulting group according to an established classification criterion. Developing a mathematical model for determining the total quality for a type of result requires the knowledge of following information:

- name of result type;
- classification criteria after which the type of result is grouped;
- the name of the result type classification group and its position in the group;
- criteria for classifying qualitative characteristics;
- name of classification group and the position of the qualitative characteristic in the group.

OVERVIEW

At the multitude of meanings in connection with the concept of products quality it adds the fact that, as the products demand diversification increases and with the industrial production develops, the notion of products quality has evolved and diversified through the following terms:

- "potential quality", meaning the quality of the product after design, before assimilation into the manufacturing process;
- "partial quality", representing the ratio between the quality obtained and the required quality;
- "achieved quality" is the quality resulting from the check at the end of production line;
- "assured quality" is the quality resulting from a unitary program comprising all quality control activities (prevention, measurement and corrective action);
- "total quality", this concept integrates the degree of utility, economy, aesthetics and ergonomics of products viewed from a functional and social point of view, etc.

In order for a product to be demanded by consumers, it will have to satisfy a number of needs. The higher the number of needs and the cost of satisfaction is lower, the better quality the product.

A need may be fulfilled by one or more qualitative features.

Specialty literature highlights a large number of definitions of the quality concept, of which we present the most representative ones:

1. "Product quality" is the expression of the degree of social utility of the product, the extent to which, through its technical, functional, psychosensory characteristics and of economic parameters, it satisfies the needs for which it was created and respects the restrictions imposed by the general interests of society, regarding the social and economic efficiency, the protection of the natural and social environment.
2. The quality of products and services of an organization is determined by the ability to satisfy customers and the intended and unintentional impact on relevant stakeholders,

or

The quality of products and services not only includes their intended functions and performance but also the value and benefit perceived by the client (SR EN ISO 9000: 2015)

Starting from this definition, it is observed that the overall quality of a result is determined in several stages, namely:

- the stage I consists of establishing the partial quality of a product, made by a company, in the sales phase;
- the stage II consists in determining the partial quality of the result depending on how the product meets the needs for which it was purchased;
- the stage III consists in establishing the partial quality of the result, given by the availability;
- the stage IV, consists in determining the partial quality of the product, given by the costs of using the product by the beneficiary.
- the stage V consists in establishing the partial quality of the product, given by its removal and destruction.
- the stage VI, consists in establishing the partial quality depending on the product's environmental impact on the environment in which it operated.

For each of these types of quality, a coefficient of importance is assigned and the sum of these coefficients of importance is equal to 1.

Determining the total quality of a result is done with the relation:

$$C^T = \sum_{i=1}^5 C_i * g_i$$

where:

- C_i represents the value of the partial quality established in the "i" stage and is expressed in points, and the total number of points that a partial quality may take is: 100, 1000, or 10000;
- g_i is the degree of importance of the established quality in stage "i".

Observation. By assigning a large number of points to the maximum value of the quality of a product obtained in a firm, at a certain stage of its existence it can better highlight its total quality.

Some of the determined partial qualities may present dynamics at different times, and this may influence total quality.

In order to determine the total quality of a product it is necessary to achieve a classification of the products according to the degree of complexity.

At national level and in the European Union there are classifications of these results, namely:

- CAEN 2018 - Classification of activities in the national economy
- CPSA 2007 - Classification of products and services associated with activities
- CPSA is the acronym for the Classification of Products and Services adjacent to Activities and the CPSA code is a numeric symbol specific to a particular product or service. CPSA is the romanian version of the corresponding European classification CPA 2002 (EU standard) and CPC rev.3.1 (UN standard).

THE QUALITY CHARACTERISTICS OF A PRODUCT

The quality of a product is a cumulus of qualitative characteristics, where each qualitative characteristic has a measured or attributive value, a value within a specified range, and each qualitative characteristic fulfills individually or in association with other characteristics within the product, a function, a necessity or a well-defined utility.

Quality characteristics are those properties of the entities through which the degree of satisfaction of customer requirements is assessed at a given moment.

Also, the ISO 9000: 2015 standard defines the term of quality characteristic, as "the characteristic (property) inherent of an object (object, entity, article, anything perceptible or imaginable) concerning a requirement (need or expectation which is declared, generally implied or mandatory) ".

Note 1. "Inherent" means which exists in something, especially as a permanent feature;

Note 2. A feature attributed to an object (eg the price of an object) is not a feature related to the quality of the object.

Due to the large number of qualitative characteristics that a product has, it is necessary to classify them, and the literature indicates the following classification criteria for qualitative characteristics, presented in table no. 1:

The criterion	The characteristic
Nature and the effect it shows in the process of use	Technical characteristics
	Psycho-sensory characteristics
	Availability characteristics
	Economic and technical-economic characteristics
	Social-general characteristics
The criterion of the importance of the quality characteristics in assuring the utility and functioning of the products	Basic characteristics
	Secondary characteristics
The economic destination and the the character of using products in the consumption process	Characteristics of the means of work
	Characteristics of work objects
	Features for objects of individual consumption
Possibility to quantify the quality characteristics	Directly measurable features
	Indirectly measurable features
	Features objectively comparable with the standard sample
	Features subjectively comparable with the standard sample
The mode of expression	Quantifiable features
	Attributive characteristics

STAGES FOR DETERMINING THE TOTAL QUALITY

As stated in paragraph 1, the total quality is determined in stages. The order of the stages presents a logic in the establishment of the total quality, which leads to the continuous improvement of the information regarding the total quality of the product.

1. At the first stage is determined the partial quality of the product at the stage of sale.

The qualitative characteristics underlying the determination of the quality of the product at the stage of sale are those given by the criterion "according to the nature and effect that it presents in the process of use". Determining the partial quality at the stage of product purchase is done in several phases.

- in phase I, the indicators of the qualitative characteristics provided in the criterion "by the nature and the effect that they present in the process of use" are identified.
- in phase II we identify the value ranges in which the values of each indicator vary.
- in phase III it is checked by sampling, on the basis of previously developed control plans, whether the values of the indicators of the followed qualitative characteristics take values in the predetermined ranges.
- in phase IV, after processing the data obtained in the third phase, through different statistical methods, it can be determined whether or not the products are of the required quality.

2. At the stage II, is determined the partial quality on how the product meets the needs for which it was purchased. The purchased product is used for different purposes by the beneficiary, during the period of use it is checked whether the product satisfies the needs for which it was purchased and, for each necessity, in part, are determined the cost values with their satisfaction. Knowing the values of these indicators, are determined the values of the indices. As a basis of comparison in the determination of the values of the indices can be: the

values of the technical and economic indicators provided in the technical documentation, values obtained by similar products made by other companies, values obtained by other beneficiaries etc.).

The values of the indices allow a comparison of the obtained results with those provided in the technical-economic documentation and, depending on them, the partial quality can be established at this stage.

Also, at this stage, the costs of operating the product under different working conditions are monitored during different time periods, thus allowing for the determination of unit costs for the realization of a unit of product or service.

3. At the stage III, a partial quality is determined which refers to the availability of the product during its useful life.

According to STAS 8174 / 3-1977, availability is "the ability of a system to perform its specific function at a given moment or in a period of time, considering the combined aspects of reliability, maintainability and maintenance."

The partial quality determined at this stage is based on the statistical indicators of the availability characteristics (reliability, maintenance and availability).

Indicators of availability characteristics may influence the quality of the product.

4. Stage IV. The partial quality determined at this stage is based on the values of the synthetic or complex (integral) indicators obtained in the process of using the product, under certain working conditions and a certain period of time.

In the first phase we determine the average values of the indicators of the economic characteristics achieved in the activity of the product functioning, and among the most significant indicators we mention: productivity; specific consumption of raw materials, materials, fuels, energy; specific consumption with workmanship etc.

Depending on the values of the determined indicators, the values of the indices of these economic characteristics are calculated. When calculating these indices, the following values are used as the values to be compared: planned values; values achieved in previous periods; values achieved of similar products in the same time periods; values achieved by other beneficiaries; the values provided in the technical and economic documentation of the product.

By comparing these indices with the ones planned, the partial quality of the product can be determined for the time period considered.

Observation. The partial quality determined at this stage shows a dynamic for the environmental conditions in which the product is working and different time periods.

5. At Stage V it is determined the partial quality of the product due to its decommissioning and destruction.

Indicators determined at this stage of product life refer to all the costs of performing the necessary activities at this stage of the product, among which:

- the cost of preparing the removal of the product;
- losses due to non-fulfillment of the planned period of operation (amortization costs);
- loss of production due to non-performance of the period of operation;
- the moral wear and tear of the product; high moral wear and tear leads to large production losses compared to similar products but with a low degree of moral wear and tear.

6. Stage VI consists in determining the quality according to the influence of the product on the environment in which it operates.

This partial quality refers to the influences that the product has had on the environment, concretized by a system of indicators, namely:

- the degree of environmental pollution surrounding the atmosphere;
- influence of some types of radiation, of chemical, physical-mechanical factors resulting from the operation of the product on the environment, on the workforce and on the population in the area;
- the influence of the chemical factors that can occur during the operating period on the environment, on the labor force and on the population in the area;
- the influence of the physical and mechanical factors that can occur during the product's lifetime on the environment, on the workforce and on the population in the area.

There are situations when the influence on the environment, the operation, the use of a product, is quite aggressive or positive, during the period of operation or in the near future or further away.

CONCLUSIONS AND PROPOSALS

To determine the total quality of a product of high complexity, the following groups of information must be known:

- the multiplicity of all sets of environmental conditions in which the product will work;
- dynamics of the alternation of sets of environmental conditions;
- periods of time the product works for each set of environmental conditions.

The research to be carried out will focus on the development of models that will form the basis of establishing partial qualities, taking into account the above mentioned information groups.

The total quality of a complex product is a function of partial qualities.

From the practical point of view, the knowledge of the total quality of a complex product is valuable for the redesign, research or design of similar products.

For the beneficiary it is important to know the partial qualities provided in the technical-economic documentation that will be checked in practice.

The proposed model for determining the total quality of a product can be used for all types of products, regardless of their complexity.

For consumer products, the total quality is determined by certain partial qualities, since these types of products, in their existence, do not go through all the stages of the existence of a complex product.

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Independence and Fraud Detection: Influence on The Professionalism of Forensic Auditor

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ABSTRACT

This study aims to analyze the influence of this study aimed to analyze the influence of audit risk, and investigative audit techniques, on independence, fraud detection and forensic auditor professionalism in Indonesia. This study uses a survey method conducted for all forensic auditors in Indonesia with 200 forensic auditors who have handled fraud cases. The number of samples used was 116 respondents. Data analysis and hypothesis in this study use Structural Equation Modeling (SEM) with PLS 20.0 software. The results of this study indicate that twelve hypotheses were accepted. The significance of this hypothesis shows directly through audit risk, investigative audit techniques on independence, fraud detection and forensic auditor professionalism, so that the forensic auditor's professionalism in detecting fraud will increase.

Keywords: Audit risk, investigative auditing techniques, independence, fraud, detection of fraud, forensic auditors, professionalism

INTRODUCTION

Based on data from the Indonesia Corruption Watch (ICW) investigation division, there were 482 cases in 2016 and an increase of 576 corruption cases in 2017. The amount of state losses also increased by a figure of Rp 6.5 trillion and a bribe of Rp 211 billion. Meanwhile, according to the Corruption Control Commission (KPK) in Indonesia, in 2016 Transparency International Indonesia announced the achievement of the 2016 Corruption Perception Index - CPI in Indonesia up one rank (from 36 to 37), in 2017 the KPK succeeded in returning state losses of Rp. 276.6 billion. This is the result obtained from corruption cases. "More than Rp 188 billion has been put into the state treasury in the form of PNPB from handling cases.

There are still a small number of professional forensic auditors who have fraud certificates in Indonesia due to a lack of training for forensic auditors in Indonesia. While fraud cases involving many cases of corruption require fraud auditors who have special expertise in this field, according to the Forensic Auditor's Professional Certification Institute (LSP_AF) it is said that along with the increasing number and variety of financial transactions and activities related to financial / non-financial state, Auditors who have forensic expertise in the prevention and handling of fraud / corruption.

The biggest cause of corruption cases in some private companies and Government departments is collusion that occurs in private companies and individuals, researchers believe that there are less cases found by forensic auditors, intentional or unintentional in some cases of fraud by forensic auditors in an effort implement fraud detection in the private sector and government departments.

So that it requires professionalism for the forensic auditor in solving every case of fraud. Tuannakotta, (2012: 349) explains that a large number of auditors who are experienced in auditing the company's financial statements are hesitant in auditing fraud and investigative audits. Medium according to Piter Simanjuntak (2008). That audit time and risk budget pressures will always affect audit behavior which is a decrease in audit quality.

LITERATURE REVIEW

The Audit Risk

Audit risk is the vulnerability of account balances or transactions to material misstatement, audit risk positively influences the auditor's responsibility in detecting fraud (Jaffar et al., 2008) this research was supported by Krambia-Kapardis, (2002) and Matsumura and Tucker, (1997) which concluded that audit risk positively affects the auditor's responsibility in detecting fraud in financial statements.

Investigative Auditing Techniques

The purpose of an investigative audit is to identify investigations and uncover fraud or crime, approaches, procedures and techniques used in investigative audits that are relatively different from the approaches, procedures and techniques used in financial audits, performance audits or other audits. special purpose (Wahono, 2011). According to (Tuanakotta: 2010) the definition of investigation is an attempt to prove that an investigative audit is a fraud investigation and examination that is used interchangeably.

Independence

Auditor independence is independence which is the attitude expected from the auditor to not have personal problems in carrying out his duties, which is contrary to the principles of integrity and objectivity and to achieve great quality of performance, an independent attitude is required from the auditor (Andenna Pentaza Swastyami, 2016). If the auditor loses its independence, the audit report produced is not consistent with the fact that it cannot be used as a basis for decision making. A study conducted by Wahyuningtyas (2007) states that independence has a positive effect on the auditor's responsibility in detecting errors and irregularities in financial statements. The results of his study are also supported by research conducted by Widiyastutiand and Pamudji (2009), which states that independence has a positive effect on the auditor's responsibility in detecting fraudulent financial statements, independence must also be owned and maintained by the auditor, this attitude demands the auditor to be fair in every task, he is not justified to benefit anyone. Independence consists of two components, namely: 1. Independence of mental attitude independence of an attitude is also demanded by the auditor so that he is free from interests and pressure from any party, so fraud can be detected properly, and after fraud has been detected, the auditor does not participate in securing the practice fraud.

Fraud detection

Fraud detection is very important for auditors because fraud is important to detect. This is the motivation of this research, especially in detecting fraud, auditors must be supported by attitudes of competence, independence, and professionalism (Wahyuningtyas, 2007). Suraida

(2012) states that experienced auditors will show a higher level of selective attention to relevant information. Arens, et al. (2008) states that auditors must have technical qualifications and experience in the industry they audit, because this will make auditors more likely to find fraud from the clients they audit.

Factors Drivers of Fraud Occurrence by William C Boyton in (Arens 2008: 432) Three fraudulent conditions arising from reported fraudulent financial and misuse of assets are outlined in SAS 99 (AU 316). Triangle Fraud, there are three things that encourage the occurrence of a fraud, namely pressure, opportunity, and rationalization, as follows: the pressure

Professionalism of Forensic Auditor

According to Theodorrus Tuanakotta (2012), the professionalism of forensic auditors can be defined as the expertise of forensic auditors in conducting audits in accordance with certain expertise and forensic auditor professionalism is very important.

According to Sastiana and Sumarlin, (2016) Professionalism is an element of motivation that contributes to someone to have high performance tasks.

Professional people have greater responsibility because it is assumed that a professional has the ingenuity, knowledge, and experience to understand the impact of the activities carried out (Widyastuti and Pamudji, 2009). According to Arens (2009) professionalism as the responsibility of individuals to behave better than merely obeying the existing laws and regulations of society. A professional is a person who (1) believes that his work is important (dedication to the profession), (2) Provides services for the public (Social Obligations), (3) Requires autonomy as a condition for their services (demands for autonomy), (4) Supports separate rules that differ from other professional rules (Trust in Self-Regulations) and (5) Affiliation with other members of their profession (professional community affiliates).

Hypothesis

1. Audit risk has a significant effect on the independence.
2. Audit risk has a significantly effect on the detection of fraud.
3. Audit risk has a significant effect on the professionalism of forensic auditors.
4. Investigative audit techniques has a significantly effect on the independence.
5. Investigative audit techniques has a significantly effect on the detection of fraud.
6. Investigative audit techniques has a significantly effect on the professionalism of forensic auditors.
7. Independence has a significantly effect on the detection of fraud.
8. Independence has a significantly effect on the professionalism of forensic auditors.
9. Fraud detection has a significantly effect on the professionalism of forensic Auditors

Conceptual Framework

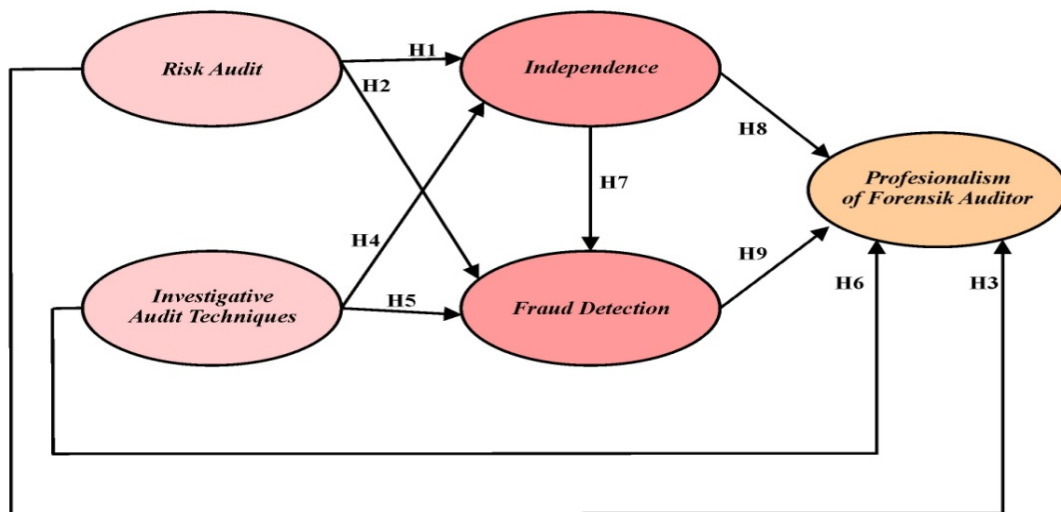


Figure 1. Conceptual Framework of Research

METHODOLOGY

The object of this research is all forensic auditors. The number of samples of 116 auditors selected by purposive sampling. The sample selection method used is forensic auditors in Indonesia who have handled several fraud cases and are experienced in examining fraud cases for more than two years. To test the proposed hypothesis, the analysis technique used is SEM (Structural Equation Modeling), with PLS statistical software (Ghozali Imam, 2014). While the conceptual framework of research can be seen in Figure 1

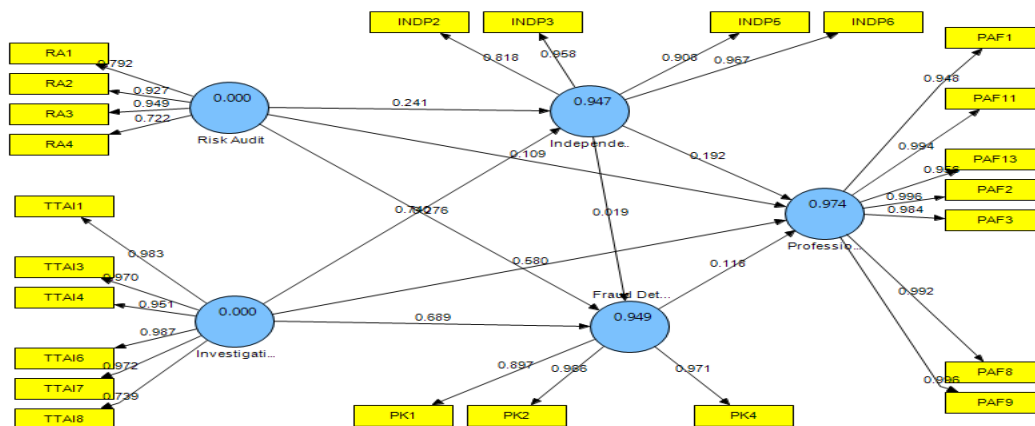


Figure 2. The Output Of Bootstrapping

Table 2. The Path Coefficient Table 2. The Path Coefficients(Mean, STDEV, T-Values)

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	Standard Error (STERR)	T Statistics (O/STERR)
(X1) Risk Audit -> (Y) Professionalism of Forensic Auditor	0.108859	0.109963	0.012768	0.012768	8.525881
(X1) Risk Audit -> (Z1) Independence	0.241498	0.242595	0.011872	0.011872	20.341037
(X1) Risk Audit -> (Z2) Fraud Detection	0.275875	0.273732	0.016128	0.016128	17.105044
(X2) Investigative Audit Techniques -> (Y) Professionalism of Forensic Auditor	0.579660	0.579333	0.012493	0.012493	46.397844
(X2) Investigative Audit Techniques -> (Z1) Independence	0.739714	0.738743	0.011676	0.011676	63.354857
(X2) Investigative Audit techniques -> (Z2) Fraud Detection	0.688807	0.689833	0.017452	0.017452	39.468635
(Z1) Independence -> (Y) Professionalism of Forensic Auditor	0.191970	0.191650	0.013611	0.013611	14.103774
(Z1) Independence -> (Z2) Fraud Detection	0.018832	0.019983	0.014771	0.014771	1.274901
(Z2) Fraud Detection -> (Y) Professionalism of Forensic Auditor	0.117506	0.117101	0.012164	0.012164	9.660330

Source: data processed

Hypothesis Testing

Table 1 shows that all time budget pressure variables, audit risk, investigative audit techniques have a significant effect on the independence, fraud detection and professionalism of forensic auditors in Indonesia with a significance above 5% with a t-statistic value greater than the t-table value of 1.96. The original value of the positive estimate shows that all variables have a positive effect, except the independences variable to the fraud detection variable which has a negative effect, this is because high independences will make the auditor unable to detect the gap well. Based on the results of testing using 2.0 PLS gives an answer that the twelve hypotheses were accepted.

SUMMARY

The results of this study can be concluded: (1) audit risk affect and significant to independence; (2) audit risk affect and significant to fraud detection; (3) Audit risk affect and significantly to professionalism of forensic auditors ; (4) Investigative audit techniques affect and significant to independence ;(5) Investigative audit techniques affect and significant to detecting fraud; (6) Investigative audit techniques affect and significant the professionalism of forensic auditors; (7) Independence affect and significantly influence fraud detection; (8) Independence affect and significant the professionalism of forensic auditors; (9) Detection of fraud detection affect and significant to professionalism of forensic auditors.

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Investment Decision, Capital Decision, Industry Performance, Economic Macros as Antecedent Variables of Financial Risk Management and Financial Distress Against Value of The Firm With GCG As a Variable Moderating For Manufacturing Companies Registered On The Indonesian stock exchange.

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ABSTRACT

The purpose of this study is to analyze and prove the effect of Investment Decision, Capital Decision, Industry Performance, Macro Economic As Antecedent Variables of Financial Risk Management And Financial Distress To Value Of The Firm With GCG As Moderating Variables. The population of this study is manufacturing companies listed on the BEI from 2014 to 2016 . Using the method of purposive sampling it was found 40 manufacturing companies as research samples. The result of this research shows that Investment Decision, Capital Decision , Industry Performance , Macro Economic, Financial Distress and GCG have significant influence to the company value of the firm , but Financial Risk Management has no significant influence to company value of the firm . GCG moderates significantly the influence of Financial Distress and Financial Risk Management on Value of the firm.

Keyword: Investment Decision, Capital Decision, Industry Performance, Macro Economic, Financial Risk Management, Financial Distress, Value Of The Firm, GCG

INTRODUCTION

Manufacturing industry sector is one of the important sector in national economic development . It supports the national economy since this sector contributes significantly to the economic growth of Indonesia (Darmawan , 2016). Indonesia is currently in transition to an agrarian-based economy to a semi-industrial economy in an effort to boost national economic growth . The pattern of subsistence economies relying on the primary sector is slowly shifting into an economy sustained by the manufacturing sector . Manufacturing industry sector is a fairly stable sector and become one of the support of the country's economy amid the uncertainty of the world economy with a positive growth rate . In addition , the manufacturing industry is a labor-intensive industry that absorbs a lot of labors . Based on data onto the Central Bureau of Statistics (BPS) (Feb , 2017) in Indonesia the number of

opened or unemployed workers reached 7.01 million people . This shows that there are still many workers that have no job to meet a decent life . Increased growth of manufacturing industry will be able to absorb labor in Indonesia so that will reduce the number of unemployment . The development of manufacturing industry in Indonesia suffered after the economic crisis in 1998 , where the growth of the manufacturing sector (21%) was under Gross Domestic Product (23.7%) (Basri , 2015) . Data onto the Central Bureau of Statistics (BPS) of 2015 shows that the average growth of the manufacturing industry have decreased significantly , in the period of 2011-2014 the average growth was 5.3 while in 2015 , It dropped to 3.9 (CPM , 2015)

The phenomenon of the decline in company growth , indicates that manufacturing companies is facing troubles and need to be attended , especially to the go public manufacturing companies . The decreasing growth indicates the declining of the company value that leads in lowering public investment confidence . Therefore , it is necessary to do an analysis to determine the factors affecting the value of the company / value of the firm . Based on the described background and to achieve the ultimate goal , the researcher assessed the significance of the influencing variables that is expected to affect the value of the company , consisting of Investment Decision , Capital Decision , Industry Performance , Macro Economic as endogenous variables , and Financial Risk Management , Financial Distress and Good Corporate Governance as moderating variables in manufacturing companies listed on the Indonesia Stock Exchange .

Financial Management

According to Van Horne and Warchowiz , Jr. (2014 : 20) it is said that financial management deals with the acquisition of assets , financing , and asset management based on some general purposes . Company management will deal with financial decisions such as introducing new products , the timing of investing in new assets , the timing of replacing the existing assets , the timing of borrowing money from banks , the timing of issuing shares or bonds , the timing of extending credit to customers , and how much cash should be maintained (Keown , Martin , Petty & Scott Jr. 2005 : 4) . From the point of manager's view , the financial management decision is a decision related to (a) the decision on the allocation of funds , both from inside and outside the company on various forms of investment , (b) decision making of spending or financing investment , c) dividend policy.

Financial Decision

Financial decisions are a decision that must be made by the company management to develop the business with the aim at maximizing the value of the company . According to Damodaran (2014) , there are three factors that are considered to maximize the value of the company namely investment decisions , funding decisions and dividend decisions . Internal financial decisions that have to be taken by the company according to Van Horne , Wachowicz (2014 : 2) consists of 3 indicators namely investment decisions , funding decisions and dividend decisions . These three decisions will be reflected on the financial ratios associated with decision making in terms of investment and related to the company's ability to generate profits resulting from its investment , the ability of companies to utilize fixed assets , capital used , inventory and accounts receivable . Funding decision reflects the debt construction used by the company to fund its assets and indicates the company's ability to repay short-term debt secured by its current assets and cash position . The dividend decision is a decision that must be taken by the company to increase the prosperity of the shareholders.

Investment Decision

The decision on investing is a decision that must be done carefully, because it involves the policy of the use of funds and returns received by the company or an investment decision on the asset in the expecting of obtaining a return greater than the minimum value that should be accepted. Determining the investment decisions are a very important decision, because it is closely related to the trust given by the community. As Warchowicz explains (2014 : 250) the current asset of manufacturing company typically accounts for more than half of the total assets. The larger the asset the faster the rate of returns / ROI but companies with smaller assets will disrupt means that the company will be getting difficulties in maintaining smooth operation.

Financing Decision

The company's funding decisions are inseparable from the investment policies set by the company. The funding decision is defined as a decision on the composition of funding chosen by the company (Hasnawati, 2005). According to Brigham, Houston, (2014 : 155) the determination of capital structure will involve the exchange of risk and return, the use of debt in larger quantities will increase the risk bore by the shareholders, but more debt in general will increase the estimated return on equity. The funding decision is a management decision on determining the optimal capital structure. So it won't disrupt the company's operations.

Devidend Decision

The dividend decision is a decision that must be taken by the company to increase the prosperity of the shareholders. The value of a company formed by the indicator of stock market, is heavily influenced by investment opportunities. The signaling theory of the dividend is built based on the asymmetric information framework explains that as an insider in the firm, a manager in choosing dividend policy can be used as a means of information in relation to the prospect of the company William (1985), Miller and Rock (1985) in Kusuma (2004).

Industry Performance

Performance is the result of work that is influenced by the structure and behaviour of the industry which the results can be identified by the amount of market control or the amount of profit of a company in an industry. Industrial Performance is a measure of a company that can describe the value of a company. The United Nations Industrial Development Organization (UNIDO) developed a Competitiveness Industrial Performance (CIP) indicator which was then applied to measure the competitiveness of manufacturing industry sectors in 93 countries over the 1980-2000 period (Bapenas). The size of the CIP indicator in Industrial Development Report 2004 consists of 4 (four) main variables, namely (a) value added per capital manufacturing industry, (b) per capital manufacturing industry exports, (c) industrialization intensity as measured by the contribution of the manufacturing industry on GDP and the contribution of medium and high technology manufacturing industries to manufacturing sectors, (d) quality of exports measured by the contribution of manufactured exports to total exports and the contribution of medium and high technology manufacturing in the export value to the manufacturing industry.

Macro Economics

Economic growth can be defined as a development in an economy that causes goods and services produced in a society to increase (Sukirno, 2011 : 9). There are many indicators that can measure macro variables theoretically including political economic indicators. A fairly common indicator used to predict stock fluctuations is a variable directly controlled through monetary policy of / on a transmission mechanism through the financial market (Bank

Indonesia , 2004) . These variables include Gross Domestic Product (GDP) , Interest rate , inflation rate , and foreign exchange rate (Tandelilin , 1997) .

Financial Risk Management / FRM .

Risk management is a structured / methodological approach from / to managing uncertainties related to the threat (Mamduh , 2014) . The main objective of risk management is to minimize the potential losses arising from unexpected changes in the price of currency , credit , commodities , and equity . Anthony S and Marcia (2014 : 173) state that the main goal of the company is to benefit the owner . But these conditions are costly and there will be risks faced by the company . Annual Report of the go public company in the Financial Statement Note / CALK illustrated that the risks faced by manufacturing companies are risks associated with the condition of the company ie financial risk company or Financial Risk Management / FRM .

Financial Distress

Financial distress is a condition in which the company faces the problem of financial difficulties . Financial distress occurs when a company can not fulfill its obligations , especially in the case of debt payments (Ross , et al / , 1999) . Companies in financial distress can be caused by various factors . These factors are (Ogden et al , 2003 : 587) : internal factors are factors that have a direct impact on the condition of financial distress and external factors are factors beyond the control of the company .

Good Corporate Governance (GCG) .

Good Corporate Governance (GCG) is a pillar of the market economy system , as it relates to public confidence to the company . Externally the company will be more trusted by investors . According to the Forum for Corporate Governance in Indonesia / FCGI (2001) , GCG is a set of rules governing relationships between shareholders , managers of companies , creditors , governments , employees and other internal and external stakeholders related to their rights and obligations or in other words a system that controls the company . The goal is to create added value of all stakeholders . Corporate governance mechanism aims to create added value of all stakeholders , so that there is no conflict between the agent and principal that impact on decreasing agency cost (Bodroastuti , 2009) . Good corporate governance mechanisms can be proxie with five variables according to a research (Black , et al , 2001) , namely shareholder rights (shareholder rights) , board of directors , outside directors , audit committees and internal audit , and disclosure to investors .

Value of the Firm

Every company has a primary goal is to maximize the value of the company . The optimization of company values as it is the company's goal can be achieved through the implementation of the financial management function , whereby one financial decision will affect the other financial decisions and affect the value of the company (Fama and French , 1998) , and the value of the company will be reflected from the stock market price (Fama , 1978) . Salvatore in Purnama (2013) says that the main purpose of the company according to the theory value of the firm are to maximize the wealth or value of the company (value of the firm) . Van Horne and Warchowicz , Jr. (2014) state that the creation of corporate value is the maximization of after-tax returns (Earning After Taxes) . Maximizing the value of the company is very important to a company , because by maximizing the value of the company also means to maximize shareholder wealth that is the main goal of the company .

RESEARCH METHODS

Population and Sample

The population of this study are all manufacturing companies listed on the Indonesia Stock Exchange . Based on IDX data onto 2016 the number of manufacturing companies listed on the Indonesia Stock Exchange accounted for 136 companies . Determination of sample used in this research is purposive sampling method , which is one technique of non-random sampling (non random sampling) . Based on the determination of the criteria there are 40 companies selected to be analyzed .

Definition of Concept

1. Investment Decisions (X1) is a management decision on determining the right investment with the expectation of a return in accordance with the invested amount (Horne , Warchowicz , 2014)
2. Capital Decisions (X2) is a management decision on determining the optimal capital structure . So it will not disrupt the company's operations (Brigham , Houston , 2011)
3. Indutry Performance / Performance Industry (X3) is a measure of a company that can describe the value of a company (Fama , 1978)
4. Macro Economic / Macro Economy (X4) is a measure of the growth of a company determined by the rate of inflation , exchange rate and interest rate. (Damodaran, 2014)
5. Financial Risk Management / FRM (X5) is the amount of risk faced by the company by using the company's risk information contained in the company's financial statements (CALK Annual Report Go Public Manufacturing company .
6. Financial Distress (FD) (X6) is a condition where the company faces the problem of financial difficulties . Financial distress occurs when a company can not fulfill its obligations , especially in the case of debt payments (Ross , et al / , 1999).
7. Good Corporate Governance (GCG) (X7) is a relationship of two aspects of governance structure that is the composition of directors and leadership structure of the directors (Daily and Dalton , 1994).
8. Value of the Firm / Value Company (Y) is depicted with the welfare of its owners that have a wealth of shares , the higher the value that will be reflected on / off the market price of its shares will provide prosperity for the owner (Fama , 1978)

DATA ANALYSIS TECHNIQUE

This research used two types of data analysis that is descriptive analysis and statistical analysis . Descriptive analysis was used to describe the results of research , while statistical analysis was used to prove the research hypothesis . Statistical analysis tool used is SEM-PLS with SmartPLS program .

RESULTS AND DISCUSSION

Evaluation Measurement (Outer) Model

Validity test

An indicator is valid if it has a loading factor of more than 0.70 with a construct to be measured , however for the initial stage of development of a scale measuring , the loading values of 0.5 to 0.60 are considered sufficient (Chin , 1998 in Ghozali , 2015:74) . Smart PLS output for loading factor gives result as shown in Figure 1 of :

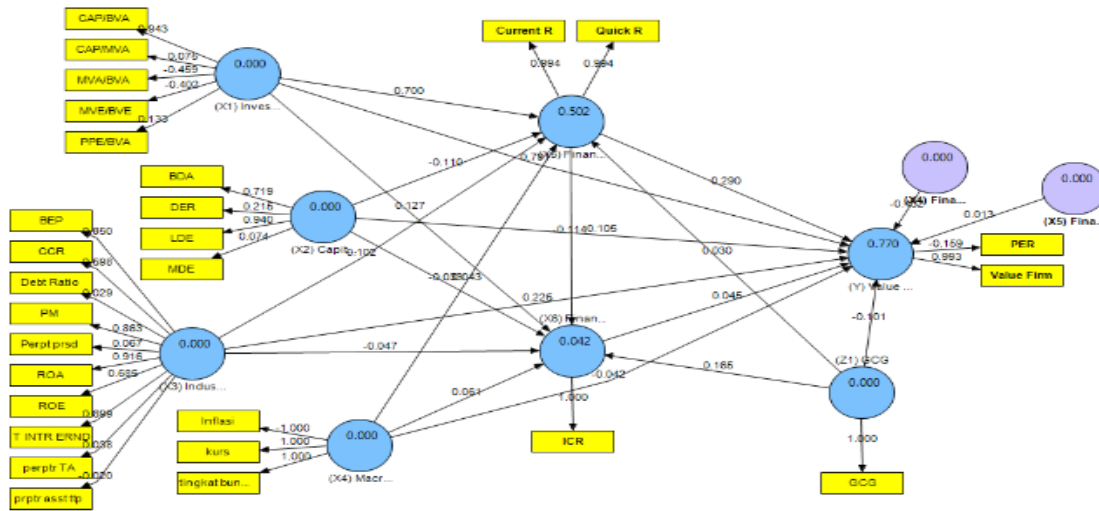


Figure 1. Smart PLS output for loading factor

The picture shows there are twelve indicators of research variables that have a loading factor smaller than 0.50 . They are the ratio of PPE / BVA , CAP / MVA , MVA / BVA , MVE / BE as the indicator of the variable of Decision Investment , DER and MDE as the indicator variable of Capital Decision , Debt Ratio , Inventory Turnover , Total Asset Turnover , Fixed Asset Turnover as the indicator of Industry Performance variable , Inflation as the indicator of Macro Economic variable and PER as the Value of the Firm indicator . Indicators having a loading factor less than 0.70 or invalid are excluded from the model or not included in the next analysis phase . The analysis results after excluding twelve invalid indicators are shown in Figure 2 of :

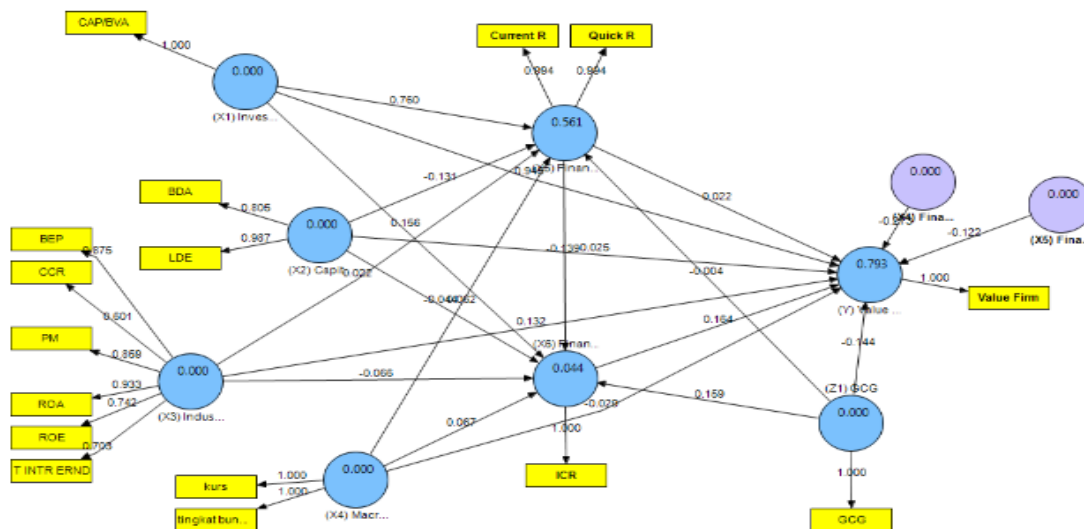


Figure 2. Smart PLS output

Reliability Test Reliability tests is done by checking the Composite Reliability value of the indicator block that measures the construct . Composite Reliability results are satisfactory if it has the value of 0.7 . Table 5.28 below is the value of Composite Reliability on output .

Table 1 : Composite Reliability value

	Composite Reliability
(X1) Investment Decision	1.000000
(X2) Capital Decision	0.894577
(X3) Industry Performance	0.909051
(X4) Financial Risk Management * (Z1) GCG	0.989514
(X4) Macro Economic	0.999956
(X5) Financial Distress * (Z1) GCG	1.000000
(X5) Financial Risk Management	0.994018
(X6) Financial Distress	1.000000
(Y) Value of the Firm	1.000000
(Z1) GCG	1.000000

Resource composite Reliability Value Analysis with Smart PLS 2.0-2018

The table above shows that the value of composite reliability for all variables is above 0.7 indicating that all variables in the estimated model meets the criteria of discriminant validity .

Structural Model Testing (Inner Model) .

The test of the structural model (inner model) is performed after the estimated model meets the Outer Model criteria The result of testing for structural model (Inner model) is as listed in Table 5.30 . The table shows that :

1. R-Square 0.793066 for Value of the Firm constructs means that Value of the Firm is able to explain the variance between Decision Investment , Capital Decision , Industry Performance , Macro Economic , Financial Risk Management , Financial Distress and GCG of 79.07 percent
2. R-Square 0.561332 for the construction of Financial Risk Management means that the Financial Risk Management is able to explain the variance between Decision Investment , Capital Decision , Industry Performance , Macro Economic , and GCG by 56.13 percent .
3. R-Square 0.044478 for Financial Distress constructs means that Financial Distress is able to explain the variance between Decision Investment , Capital Decision , Industry Performance , Macro Economic , Financial Risk Management and GCG of 4.45 percent .

Table 2. : R-Square

	R Square
(X1) Investment Decision	
(X2) Capital Decision	
(X3) Industry Performance	
(X4) Financial Risk Management * (Z1) GCG	
(X4) Macro Economic	
(X5) Financial Distress * (Z1) GCG	
(X5) Financial Risk Management	0.561332
(X6) Financial Distress	0.044478
(Y) Value of the Firm	0.793066
(Z1) GCG	

Resources R -Square with Smart PLS 2.0-2018

Proof the hypothesis in this research is done reviewing the significance influence between variables on coefficient parameter and significance value (t statistic) . In SmartPLS 2.0 it is done by looking at Algorithm Bootstrapping report . Algorithm Bootstrapping report obtained in this study is shown in Figure 3 and Table 3below :

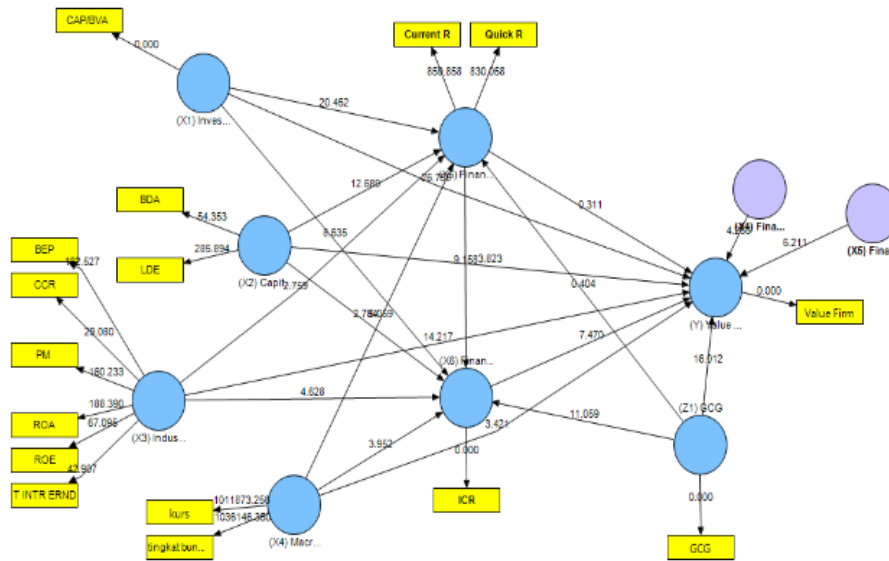


Figure 3: Bootstrapping

Table 3: Path Coefficients (Mean, STDEV, T-Value)

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	Standard Error (STERR)	T Statistics (O/STERR)
(X1) Investment Decision -> (X5) Financial Risk Management	0.760340	0.756210	0.037177	0.037177	20.451815
(X1) Investment Decision -> (X6) Financial Distress	0.156374	0.155499	0.018109	0.018109	8.634927
(X1) Investment Decision -> (Y) Value of the Firm	0.945049	0.938863	0.035319	0.035319	26.757624
(X2) Capital Decision -> (X5) Financial Risk Management	-0.131497	-0.132633	0.010363	0.010363	12.688517
(X2) Capital Decision -> (X6) Financial Distress	-0.044114	-0.045062	0.015847	0.015847	2.783785
(X2) Capital Decision -> (Y) Value of the Firm	0.025112	0.025367	0.006568	0.006568	3.823139
(X3) Industry Performance -> (X5) Financial Risk Management	0.022195	0.023658	0.008045	0.008045	2.758785
(X3) Industry Performance -> (X6) Financial Distress	-0.065640	-0.063628	0.014183	0.014183	4.628152
(X3) Industry Performance -> (Y) Value of the Firm	0.131519	0.133577	0.009251	0.009251	14.217352
(X4) Financial Risk Management * (Z1) GCG -> (Y) Value of the Firm	-0.272610	-0.292841	0.064054	0.064054	4.255963
(X4) Macro Economic -> (X5) Financial Risk Management	0.061954	0.061659	0.012247	0.012247	5.058853
(X4) Macro Economic -> (X6) Financial Distress	0.066628	0.064495	0.016860	0.016860	3.951814
(X4) Macro Economic -> (Y) Value of the Firm	-0.029478	-0.030213	0.008616	0.008616	3.421312
(X5) Financial Distress * (Z1) GCG -> (Y) Value of the Firm	-0.121728	-0.121459	0.019599	0.019599	6.210832
(X5) Financial Risk Management -> (X6) Financial Distress	-0.138958	-0.139835	0.015174	0.015174	9.157940
(X5) Financial Risk Management -> (Y) Value of the Firm	0.022191	0.047212	0.071311	0.071311	0.311182
(X6) Financial Distress -> (Y) Value of the Firm	0.163587	0.164187	0.021900	0.021900	7.469651
(Z1) GCG -> (X5) Financial Risk Management	-0.003940	-0.005014	0.009761	0.009761	0.403605
(Z1) GCG -> (X6) Financial Distress	0.158834	0.157500	0.014362	0.014362	11.059066
(Z1) GCG -> (Y) Value of the Firm	-0.144209	-0.143565	0.009006	0.009006	16.011973

Resouces Path Coefficients with Smart PLS 2,0-2018

Effect of Investment Decision on Financial Risk Management .

The result of analysis shows that Investment Decision has significant effect of Financial Risk Management as evidenced by T-statistic value of 20.451815 > 1.96 . The original sample estimate of 0.760340 indicates that the direction of the relationship between Investment Decision to Financial Risk Management had a positive influence on. The effect of investment decision on financial risk management of manufacturing company of research sample had a positive on, that is , the bigger the investment is done by company , the greater the financial risk faced by the company , the smaller the investment made by the research sample manufacturing company , the smaller the financial risks faced by the company . The results of this study do not support the theory saying that the investment_decision has a negative effect on financial risk management . This happens because according to the theory , when the

investment decision decreases then financial risk management increase . The obtained reality shows that during the period of financial risk management research faced by manufacturing companies , research sample decreased , because the CR trend decreased by 0.2 percent while QR increased by 2.9 percent , so that the average increased . The results of this study can not be compared with the results of previous research , because the previous research did not examine the effect of financial risk management on financial risk management .

The Effect of Investment Decision on Financial Distress

The result of analysis shows that Investment Decision has significant effect of / on Financial Distress as evidenced by T-statistic value of $8.634927 > 1.96$. The original sample estimate of 0.156374 shows that the direction of the relationship between Investment Decision to Financial Distress had a positive influence on. The effect of influence of investment decision on financial distress of manufacturing company , as the research sample , is nondirectional , meaning that the better investment decided by manufacturing company of research sample hence the big of incapability to pay obligation (financial distress) company . The results of this study do not support the theory that the investment decision has a negative effect on financial distress . This happens because according to the theory of investment decision , that is not good will cause financial incompetence (financial distress) company will increasingly. The facts obtained show that during the period of financial distress research faced by manufacturing companies research samples decreased , because the trend of ICR on average increased by 0.7 percent . (The results of the study can not be compared with the results of previous research , because previous research did not examine the effect of investment decision on financial distress .

The Effect of Investment on Value of the Firm

The result of analysis shows that the Decision Investment has significant effect of / on Value of the Firm which is proved by T-statistic value of $26.757624 > 1.96$. The original sample estimate of 0.945049 indicates that the direction of the relationship between Investment Decision to Value of the Firm had a positive influence on. The influence of investment decision on Value of the Firm manufacturing company research sample is unidirectional , meaning the better the investment decided by the company manufacturing research sample then the higher the Value of the Firm . The results of this study support the theory that the investment decision has a positive effect on the firm's value . This happens because according to theory , investment decision is getting better then the Value of the Firm is also increasing. The facts obtained show that during the study period the firm's value faced by the manufacturing company of the research sample has increased by 10.79 percent . The results support research conducted by Fenandar , and Raharja (2012) which shows that investment decisions have a positive and significant impact on corporate value .

Influence of Capital Decision to Financial Risk Management .

The result of analysis shows that Capital Decision has significant effect of Financial Risk Management as evidenced by T-statistic value of T-statistic equal to $20.451815 > 1.96$. The original sample estimate of - 0.131497 shows that the relationship between Capital Decision to Financial Risk Management is opposite . The direction of influence of capital decision on financial risk management of manufacturing company of research sample is opposite direction , meaning lower funding determined by manufacturing company of research sample hence higher financial risk management . The results of this study support the theory that capital management has a negative effect on financial risk management . This happens because according to theory , if the capital decision are getting better then financial risk management also decreased . The reality obtained shows that during the period of financial risk management research faced by manufacturing companies research samples decreased ,

because the CR trend decreased by 0.2 percent while QR has increased 2.9 percent , so that the average increase . compared with the results of previous research , because previous research did not examine the influence of capital decisions on financial risk management

Influence of Capital Decision to Financial Distress .

The result of analysis shows that Capital Decision has significant effect of / on Financial Distress as proved by T-statistic value of $2.783785 > 1.96$. The original sample estimate of -0.044114 indicates that the direction of the relationship between Capital Decision to Financial Distress is opposite . The direction of the influence of the capital decision to the financial distress of the manufacturing enterprise of the research sample is in the opposite direction , that is , the lower the financing structure decided by the research sample manufacturing company the greater the inability to pay the financial distress and vice versa if the higher funding structure decided by companies manufacturing research samples hence the inability to pay obligations (financial distress) company getting smaller . The results of this study support the theory that capital management has a negative effect on financial distress . This happens because according to theory, if the better capital decision will cause financial incompetence (financial distress) company will decrease . The facts obtained show that during the period of financial distress research faced by manufacturing companies research samples decreased , because the trend of ICR on average increased by 0.7 percent . The results of the study can not be compared with the results of previous research , because previous research did not examine the influence of capital decisions on financial distress .

Influence of Capital Decision to Value of the Firm .

The result of analysis shows that Capital Decision has significant effect of Value of the Firm which is proved by T-statistic value of $3.823139 > 1.96$. The value of the original sample estimate of 0.025112 indicates that the direction of the relationship between Capital Decision to Value of the Firm had a positive influence on. The direction of influence of capital decision to firm firm value of manufacturing research sample is unidirectional , meaning better financing structure determined by manufacturing company of research sample hence higher Value of the Firm . The results of this study support the theory that capital management has a positive effect on firm value . This happens because according to theory , the better capital decisions the better Value of the Firm also . The facts obtained show that during the study period the firm's value faced by the manufacturing company of the research sample has increased by 10.79 percent . The results support the research conducted by Nirmala (2010) , Hermuningsih (2013) , Obaid (2016) which states that the funding structure has significant effect on the firm's value , but does not support the research conducted by Fenandar , and Raharja (2012) no effect on the Value of the Firm .

Influence of Industry Perfomance to Financial Risk Management .

The result of analysis shows that Industry Perfomance has significant effect of Financial Risk Managment as evidenced by T-statistic value of $2.758785 > 1.96$. The original sample estimate of 0.022195 shows that the direction of the relationship between Industry Perfomance to Financial Risk Managment is the same direction . The direction of the influence of the performance industry towards the financial risk management of manufacturing companies research sample had a positive influence on , meaning that the better performance industry produced by manufacturing companies research samples , the higher the financial risk management . The results of this study do not support the theory that performance industry has a negative effect on financial risk management . This happens because theoretically , the lower the performance industry the financial risk management is lower . The reality obtained

shows that during the period of financial risk management research faced by manufacturing companies research sample decreased, because the CR trend decreased by 0.2 percent while QR increased by 2.9 percent, so that the average increase. The results of the study can not be compared with the results of previous research, because previous research did not examine the influence of the performance industry against financial risk management.

Influence of Industry Performance to Financial Distress .

The result of analysis shows that Industry Performance has significant effect of Financial Distress which is proved by T-statistic value of $4.628152 > 1.96$. The original sample estimate of -0.065640 indicates that the direction of the relationship between Industry Performance to Financial Distress is opposite. The direction of the influence of the industry performance on the financial distress of the manufacturing company's research sample is in the opposite direction, meaning that the higher the performance industry obtained by the research sample manufacturing company, the less financial liability. The results of this study support the theory that performance industry has a negative effect on financial distress. This happens because according to theory, the higher the performance industry will cause financial distress the company will decrease. The facts obtained show that during the period of financial distress research faced by manufacturing companies research samples decreased, because the trend of ICR on average increased by 0.7 percent. The results of the study can not be compared with the results of previous research, because previous research did not examine the influence of the performance industry against financial distress.

Influence of Industry Performance to Value of the Firm .

The result of analysis shows that Industry Performance has significant effect of Value of the Firm which is proved by T-statistic value of $14.217352 > 1.96$. The original sample estimate of 0.131519 indicates that the direction of the relationship between Industry Performance against Value of the Firm is unidirectional. The direction of the influence of the company's performance toward the firm's value of the research is unidirectional, meaning that the better the industry performance produced by the research sample manufacturing company the higher the firm's value. The results of this study support the theory that the performance industry has a positive effect on the firm's value. This happens because according to theory, if the performance industry the better the Value of the Firm also the better. The facts obtained show that during the study period the firm's value faced by the manufacturing company of the research sample has increased by 10.79 percent. The results of the study can not be compared with the results of previous research, because previous research did not examine the influence of the performance industry against the Value of the Firm.

Effect of Macro Economic on Financial Risk Management .

The result of analysis shows that Macro Economic has significant effect of Financial Risk Management which is proved by T-statistic value of $5.058853 > 1.96$. The original sample estimate of 0.061954 shows that the direction of the relationship between Macro Economic to Financial Risk Management is the same direction. The direction of influence of macro economic to financial risk management of manufacturing companies research samples is unidirectional, meaning the lower macro economic policy then the lower the financial risk management. The results of this study do not support the theory that macro economic has a negative effect on financial risk management. This happens because according to theory, if macro economic policy is lower then financial risk management is also lower. The reality obtained shows that during the period of financial risk management research faced by manufacturing companies research sample decreased, because the CR trend decreased by 0.2 percent while QR increased by 2.9 percent, so that the average increase.

Effect of Macro Economic on Financial Distress .

The result of analysis shows that Macro Economic has significant effect of Financial Distress which is proved by T-statistic value of $3.951814 > 1.96$. The original sample estimate of 0.066628 indicates that the direction of the relationship between Macro Economic to Financial Distress is unidirectional . The direction of the influence of macro economic to financial distress manufacturing companies research sample is unidirectional , meaning that the better macro economic hence the higher the condition of the inability to pay obligations (financial distress) company . The results of this study support the theory that macro economic positively affects / affected the financial distress . This happens because according to theory , if the macro economic the better will cause financial incompetence (financial distress) company will be higher . The facts obtained show that during the period of financial distress research faced by manufacturing companies research sample has increased , because the trend of ICR on average increased by 0.7 percent . The results can not be compared with the results of previous research , because previous research did not examine the effect of macro economic to financial distress .

Effect of Macro Economic on Value of the Firm .

The result of analysis shows that Macro Economic has significant influence of Value of the Firm Managment which is proved by T-statistic value of $3.421312 > 1.96$. The original value of sample estimated is - 0.029478 which show that the direction of the relationship between Macro Economic to Value of the Firm is opposite . The direction of influence of macro economic to firm firm's value of manufacturing research sample is opposite direction , meaning better macro economic condition then lower Value of the Firm . The results of this study do not support the theory that macro economic positively affects the Value of the Firm . This happens because according to theory , if the macro economic are declining then the Value of the Firm is also getting better . The facts obtained show that during the study period the firm's value faced by the manufacturing company of the research sample has increased by 10.79 percent . The results of this study support research conducted by Frimpong , JM (2009) which concludes that macroeconomic (exchange rate , consumer price index , money supply , and interest rate) have a negative impact on stock prices and stock returns in Ghana stock exchange . However , the results of this study do not support research conducted by Sandhi (2014) indicating that macro economy has positive and significant effect of / on Value of the Firm , Levy (2006) found that index positively correlated to stock return in Palestinian stock exchange , Imron (1990) a causal relationship was found between macroeconomic indicators and stock prices , Tirapat and Nittayagasetwat (1999) which concluded that macroeconomic conditions were a critical indicator that caused the company to experience a corporate financial crisis in Thailand.

Influence of Financial Risk Management to Financial Distress .

The results of the analysis show that the Financial Risk Managment has no significant effect on Value of the Firm proved by the T-statistic value of $0.311182 < 1.96$. The original sample estimate value of 0.022191 indicates that the direction of the relationship between Financial Risk Managment to Value of the Firm is unidirectional . The direction of the influence of financial risk management on the financial distress of the manufacturing company in the research sample is opposite direction , meaning that the higher the financial risk management produced by the research sample manufacturing company , the lower the company's financial distress . The results of this study do not support the theory that financial risk management has a positive effect on financial distress . This happens because according to theory , if financial risk management is low then financial risk management is also low . The facts

obtained show that during the period of financial distress research faced by manufacturing companies research samples decreased, because the trend of ICR increased by 0.7 percent, The results can not be compared with the results of previous research, because previous research did not examine the influence of financial risk management to financial distress.

Influence of Financial Risk Management to Value of the Firm .

The results of the analysis show that the Financial Risk Management has significant effect on Financial Distress as evidenced by the T-statistic value of $9.157940 > 1.96$. The original sample estimate of -0.138958 shows that the direction of the relationship between Financial Risk Management to Financial Distress is opposite. The direction of the influence of financial risk management to firm's value of manufacturing research sample is unidirectional, meaning that the higher the financial risk management the higher the firm's value. The insignificant effect of financial risk management on the firm's value is due to the decrease in financial risk management of the company during the period of research, due to the fact that CR trend has decreased by 0.2 percent although QR has increased by 2.9 percent.

Effect of Financial Distress on Value of the Firm .

The results of the analysis show that the Financial Distress significantly influences the Value of the Firm as evidenced by the value of T-statistics of $7.469651 > 1.96$. The original sample estimate of 0.163587 indicates that the direction of the relationship between Financial Distress to Value of the Firm is unidirectional. The direction of the influence of financial distress to firm's value of manufacturing is unidirectional, meaning that the higher the financial distress condition of the firm the higher the firm's value. The results of this study do not support the theory that states that financial distress negatively affected the Value of the Firm. This happens because according to theory, if the higher the financial distress condition the higher the firm's value is also the better. The facts obtained show that during the study period the firm's value faced by the manufacturing company of the research sample has increased by 10.79 percent. The results can not be compared with the results of previous research, because previous research did not examine the effects of financial distress on the firm's value.

The Influence of Good Corporate Governance to Financial Risk Management .

The results of the analysis show that Good Corporate Governance has no significant effect on the Financial Risk Management as evidenced by the T-statistic value of $0.403605 < 1.96$. The original sample estimate of -0.003940 shows that the direction of the relationship between Good Corporate Governance to Financial Risk Management is opposite. The direction of the influence of good corporate governance of the financial risk management of manufacturing companies in the research sample is unidirectional, meaning the lower the involvement in management (good corporate governance), the lower the financial risk management. The lack of significance of GCG to FRM is due to the fact that during the research period there is a decrease in quality of corporate governance which is indicated in spite of an increase in managerial awareness, but the increase in share ownership is only owned by the managerial manager. Should increase the ownership of shares conducted by external parties company

The Influence of Good Corporate Governance to Financial Distress .

The result of the analysis shows that Good Corporate Governance has significant effect of Financial Distress as proved by T-statistic value of $11.059066 > 1.96$. The original sample estimate of 0.158834 indicates that the direction of the relationship between Good Corporate Governance to Financial Distress is had a positive influence on. The direction of the influence of good corporate governance of the financial distress of the research sample manufacturing company is had a positive influence on, the lower the management of good corporate governance, the lower the inability to pay the company's financial distress. The results of this

study do not support the theory that good corporate governance has a negative effect on financial distress . This happens because according to theory , if good corporate governance is higher will cause the lower the financial disability (financial distress) company . The reality obtained shows that during the period of financial distress research faced by manufacturing companies research samples decreased , because the ICR trend on average increased . The results of this study support the research conducted by Emrinaldi (2007) which concluded with the increase in managerial ownership will be able to push down the potential for financial distress . Wardhani (2006) does not support the results of research state the greater the number of directors the higher the possibility of companies experiencing pressure conditions finance . The Daily & Dalton study (1994) concludes that there is indeed a significant relationship between the composition of the directors and the leadership structure of the directors with the possibility of the company going bankrupt . The Iramani (2007) studied concluded that the partial ownership structure can not be used as a predictor in the financial distress model .

The Influence of Good Corporate Governance to Value of the Firm .

The result of analysis shows that Good Corporate Governance has significant effect of Value of the Firm which is proved by T-statistic value of $16.011973 > 1.96$. The original sample estimates value of -0.144209 which show that the direction of the relationship between Good Corporate Governance to Value of the Firm is opposite direction . The direction of the influence of good corporate governance of the firm's firm's value of manufacturing research is in opposite direction , meaning that the higher the managerial (good corporate governance) the lower the firm's value . The results of this study support the theory that the good corporate governance negatively affects the Value of the Firm . This happens because according to theory , if good corporate governance is lower then the Value of the Firm is also increasing . The facts obtained show that during the study period the firm's value faced by the manufacturing company of the research sample has increased by 10.79 percent . The results of this study support research conducted by Ruan , Tian and Ma (2011) which concludes that there is a negative relationship between managerial ownership and firm value , but does not support research by Short and Keasey (1999) in Emrinaldi , (2007) the linear relationship between managerial ownership and firm value and Rustendi and Jimmi's research (2008) shows that partially managerial ownership has no effect on firm value . Black , Jang , and Kim (2001) also show that there is a positive correlation between GCG and firm value .

Good Corporate Governance moderated the influence of Financial Risk Management to Value of the Firm .

The result of analysis shows that Good Corporate Governance as a moderator of relationship between Financial Risk Management with Value of the Firm is a significant influence as evidenced by the T-statistics of $4.255963 > 1.96$. The original sample estimate of -0.272610 indicates that Good Corporate Governance as a moderator of the relationship between Financial Risk Management and Value of the Firm is the same direction . The results of this study indicate that good corporate governance is able to weaken the influence of financial risk management to Value of the Firm . The results of the study can not be compared with the results of previous research , because previous research did not examine the moderation of influence of financial risk management to Value of the Firm .

The Influence of Good Corporate Governance as a moderator of the relationship between Financial Distress and Value of the Firm .

The result of the analysis shows that Good Corporate Governance as a moderator of the relationship between Financial Distress and Value of the Firm is a significant influence as evidenced by the value of T-statistics of $6.210832 > 1.96$. The original sample estimate of -0.121728 indicates that Good Corporate Governance as a moderator of the relationship between Financial Distress with Value of the Firm is the same direction . The results of this study indicate that good corporate governance is able to weaken the influence of financial distress on the firm's value . The results can not be compared with the results of previous research , because previous research did not examine about the moderation of the influence of financial distress on the firm's value .

CONCLUSION

1. Investment decisions have a significant effect on the financial risk management of manufacturing companies .
2. Investment decisions have a significant effect on the financial distress of manufacturing companies .
3. Investment decision has a significant effect on the value of the research company's manufacturing sample .
4. Capital decisions have a significant effect on the financial risk management of manufacturing companies .
5. Capital decisions have a significant effect on the financial distress of manufacturing companies research samples .
6. Capital decisions have a significant effect on the value of the firm of manufacturing research sample .
7. Industry performance has a significant effect on the financial risk management of manufacturing companies research samples .
8. Industry performance has a significant effect on financial distress manufacturing company sample research Industry performance has a significant effect on the value of the firm of manufacturing research sample .
9. Macro economic significant effect on the financial risk management of manufacturing companies research samples .
10. Macro economic has a significant effect on the financial distress of manufacturing companies research samples .
11. Macro economic significant effect on the value of the firm firm manufacturing research samples / sampled .
12. Financial risk management has a significant effect on the financial distress of manufacturing company of research sample .
13. Financial risk management has no significant effect on the value of the firm of manufacturing research sample .
14. Financial distress has a significant effect on the value of the firm of manufacturing research sample .
15. Good corporate governance has no significant effect on financial risk management of manufacturing company of research sample .
16. Good corporate governance has a significant effect on the financial distress of manufacturing company of research sample .
17. Good corporate governance has a significant effect on the value of the firm of manufacturing research sample .
18. Good corporate governance moderates the influence of financial risk management on firm firm's value of manufacturing research samples / sampled .

19. Good corporate governance moderates the influence of financial distress on the firm's firm's value of manufacturing research samples .

LIMITATIONS

In this research , the researcher feels still not able to fully answer the problems related to the research variables used are investment decision , capital decision , industry performance , macro economic , financial risk management , good corporate governance , financial distress and Value of the Firm . However , with this limitation , the researcher hopes that this research can be used as reference material for the next researcher and contribute to the next study . The limitation of the research is the incomplete data onto the financial report on manufacturing companies listed on the BEI which is the population of this study , so that the members of the population are not included in the process of determining the research sample .

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Strategic Planning, External Environment and Performance of County Governments in Kenya

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ABSTRACT

The purpose of the study was to determine the effect of effect of strategic planning on organizational performance of Nairobi County. Descriptive research design was adopted in this study which targeted a total of 246 employees of Nairobi County government of whom 23 were top level managers, 61 middle level managers and 162 low level managers. Data was collected using structured questionnaire administered through drop and pick from a sample of 80 employees who were selected using stratified and sequential random sampling methods. Correlation and linear regression analysis were used to analyze the data. Regression results revealed that there was a positive and significant relationship between strategic planning and performance of the county government. Regression results further revealed that external environment has a positive and significant effect on performance of county government. In addition, external environment moderate the relationship between strategic planning and performance of county government. The study recommends that strategic formulation should be a top priority activity at every county government. County government should also employ top-bottom communication during the strategic plan implementation process. In addition, the county government should ensure they have enough competent staff to implement strategic initiatives. Adequate financial resources should also be allocated towards strategy control in their county. Performance indicators and targets should also be clearly defined and communicated within the county. In addition, employees of the county should comply with the county by laws. The county government should therefore do proper environmental scanning so as to improve their performance. The county government should also comply with the parliamentary Acts formulated from the Kenya's 2010 constitution.

Key words: strategic planning, organizational performance

INTRODUCTION

Decentralization has been seen as an important tool in revenue performance and therefore instrumental in providing services closer to people in large and densely populated economies such as China, the US and some European countries through federal arrangements (Clegg & Greg, 2010). According to Rosenbaum (2013) the worldwide governance trend is towards decentralization. In the United States of America, for example, the governance structure is highly decentralized. The US has 50 state governments and approximately 85,000 local governments. Both national and devolved governments are independent with taxing authority and, in many cases, a quite high degree of autonomy within the geographic sphere in which they function. In Africa, there are about 15,000 local governments; Asia has about 26,000 local governments, while Latin America has about 17,000 local governments (Rosenbaum, 2013).

In Africa, many countries have carried out reforms aimed at decentralizing the political, administrative, and fiscal structures of the public sector. The need to transform the structure of governance is informed by the view that decentralization increases the overall efficiency and responsiveness of the public sector in providing services, an outcome that enhances economic development and contributes to a reduction in regional disparities decentralization has advanced considerably in the last two decades (Amusa & Mabugu, 2016). Moreover, many central governments in Africa have initiated or deepened processes to transfer authority, power, responsibilities, and resources to sub-national levels. The African countries that have decentralized include Kenya, Botswana, Burkina Faso, Ethiopia, Ghana, Mali, Mozambique, Nigeria, South Africa, Tanzania, and Uganda (Dickovick & Riedl, 2010).

In Kenya, a new constitution was promulgated in the year 2010 which split the country into forty seven (47) counties one of which is Nairobi City County. The county was formed on the same boundaries of what was initially recognized as Nairobi Province and got its first governor in 2013.

Strategic planning

Strategic planning is branded as the arrangement of thoughts and deeds that result to formulations of implementations of plans that are intended to achieve an entity objective (Pearce & Robinson, 2003). The essential objective of strategic planning is to manage a firm in setting out its vital aim, needs and center itself towards achieving the same (Kotter, 1996). Strategic planning is made up of putting into place vital procedures to control a circumstance in order to attain better and idealistic result for an entity. Strategic planning pin points direction for some unit like, financial focuses, human resource, marketing and businesses. Strategic planning is usually effective when there is a unison agreement in the mission, and when the task relies on, expertise and technology is put into consideration

Organizations undertake strategic planning for various reasons (Pathfinder International, 2014). Strategic planning not only help build trust within an organization, build on the team but it also helps the organization to move in a unison direction, anticipate for change and deal with it According to Aosa (2011) those firms that put strategic planning on their map are able to generate a lot of income as compared to those that don't, in addition strategic planning also help in making informed decisions on things as compared to firms that don't.

Organizations that practice strategic planning also have a higher sales return, significant productivity and efficiency as compared to organization without strategic planning. Strategic plans also challenge the status quo and allow management to put a lot of emphasis on the objectives concerning the future direction of the organization (Pathfinder International, 2014). There are even instances when a clearly thought out strategic plan can be used as marketing tool and can encourage donor support for the organization.

According to Pearce and Robinson (2008) effective Strategic planning practices involve formulation of vision and mission statement, performance of environmental analysis, objective setting and finally strategy selection occasionally lot of firms tend to wait after they have undergone one or more cycle of strategic planning before coming up with the vision of the entity. Established organization and communities, on the other hand develop visions of what they want to be the start of the process to develop a unison agreement on values and purpose that guide on emerging issues and strategy identification (Thompson, 2014).

Vision describes the firm's aspirations of what it really wants to be. Pitts (2003) notes that vision statements are designed to capture the imagination of the public and as well galvanize

the efforts of employees at all levels such that its emotional appeal challenges them to commit their full energies and minds to believe it is the best. Most organizations may want to wait until they go through one or more cycles of strategic planning before developing a detailed vision. New organizations, and communities, however, often establish a vision of what/where they want to be at the beginning of the process to establish consensus on purpose and values to guide issue and strategy identification. The vision portrays a company's future business scope; where we are going or want to be (Thompson *et al.*, 2004).

Objective setting is one of the most prominent and basic tools used by both individuals and organizations to assist in setting their direction and in accomplishing it. Objective setting always go in hand with goal setting. Goals are the broad, long-term accomplishments that an organization wants to attain, achieve or where it wants to be. They provide the overall context for what the vision tries to achieve (Nickels *et al.*, 2000). They are powerful tools that break the vision statement into specific tasks and actions to attain desired results across the organization. They function as the yardstick for tracking an organization's performance or progress (Thompson *et al.*, 2004). Successful companies and other organizations (public sector and nonprofit entities) often set both long- and short-term goals, not only for sales, products, and service development but also for improving quality, reducing errors, becoming more customer-focused, and building better internal and public relations. Therefore for the success of the Organization, Drucker (1999) emphasizes that strategic plans must be designed to support objectives.

Strategy selection is the way by which a firm chooses the best course of doing things in order to obtain desirable results. This ways are crucial as they determine the end result to which the firm will get. Strategic plans ought to be made aware to all subordinates so as to align their action in the direction of achieving the company's objectives (Pearce, Robinson & Subramanian, 2000). Strategy formulation pushes an organization to be conversant with the immediate environment and be prepared for the any changes that can come with it. Strategy formulation forces an organization to carefully look at the changing environment and to be prepared for the possible changes that may occur. A strategic plan also enables an organization to evaluate its resources, allocate budgets, and determine the most effective plan for maximizing ROI (return on investment).

County governments

In the year 2010, Kenya promulgated a new constitutional dispensation that advocated for a devolved system of governance. The main purpose of this important action was to address failures linked to quality of governance such as corruption, economic stagnation, poverty, development inequalities and episodic instability. This has currently led to the establishment of 47 County governments in the country that are charged with the responsibility of providing various services to the local people. Key among the responsibilities of the County governments is the implementation of the devolution strategy. Nairobi City County is one of the 47 County governments that were established through the promulgation of the new constitution in the year 2010. The County came into existence in March 2013 on the same boundaries of what was formerly known as Nairobi province. Nairobi County has an approximate population of 3.5 million people but the population continues to increase at a rate of 3% each year.

Statement of the Problem

Since the beginning of devolved system of governance in Kenya, county governments have experienced a number of performance challenges (Hornsby, 2013). Most citizens in Nairobi County have expressed their dissatisfaction with the services offered by Nairobi County

government for example heavy traffic in the city, poor roads, water rationing, garbage collection among many others. In the recent Tifa opinion polls county ranking, Nairobi was ranked second last performing county (Tifa Polls Report, 2017). Don (2014) suggests that lack of good strategic planning is one of the major causes of poor performance in Nairobi County. Lack of good strategic planning leads to lack of vision, slow budget approvals, lack of clear individual role, lack of alignment with the organization strategic plan, lack of employee involvement, poor staffing level, and ineffective communication during strategy implementation and lack of coordination of activities during strategy implementation in Nairobi County. This has made Nairobi county government lag behind on service delivery. Strategic planning is a very important activity in organizations. Research however shows that strategic planning can be used as a tool to improve organizational performance. Organizations that undertake good strategic planning have better performance as compared to organizations with poor or no strategic planning practices. This study sought to determine the relationship between strategic planning and organizational performance in Nairobi County government and the role of external environment in this relationship.

LITERATURE REVIEW

Theoretical Literature review

This study was anchored on resource based view theory which was proposed by (Wernerfelt, 1984). Wernerfelt (1984) borrowed ideas from Penrose (1959) who pioneered the thinking behind resource based view. The theory argues that for a firm to be recognized as more competitive than other firms, it ought to have a relatively higher position in the market. Other firms should also not already be using its strategy in the market place (Penrose, 1959). The resource-based view argues that strategic management is very vital and brings the firm's ability to have an upper hand. Outperforming performance is connected to capabilities and resources which are costly to obtain (Barney, 1991). Arguing from a point of view that strategic assets are evenly distributed across all firms, Barney (1991) went ahead to reveal existence of association between a firm's upper hand and its strategic resources. Four elements that enable a firm resources impact significantly to it having an upper hand include value, rareness, inimitability, and non-substitutability.

The resource-based view however has been critiqued. According to Priem and Butler (2001), the RBV lacks managerial explanation on how thing should be handled similarly its validity is questionable. In spite of showing that managers can develop and acquire resources that can help an organization have an upper hand it fails to show they can do so (Connor, 2002). Priem and Butler (2001) and Collins (1994), also argues that the RBV is regressive in nature. In case a firm has capabilities that it can use for better result but does not use those capabilities another firm can use those capabilities and overtake the firm thus having an upper hand. Collins (1994) calls this second-order capabilities). As per Kraaijenbrink *et al.* (2010), However Resource Based view applicability is limited to small firms and only applies to large firm that can sustain themselves in upper hand, this limitation makes sustainability of lower firms to be deemed unachievable, making them fall short of RBV (Kraaijenbrink *et al.*, 2010).

The Resource Based View of organizations combines strategy and management of a firm making it key in ensuring the firm's has a competitive advantage. The use of Resource base view in management involves identifying capabilities and assets that can give the firm an upper hand during competition. In this paper the theory is helpful as it helps the management beware of their environment both macro and micro, and come up with effective strategic planning procedures to positively shape the performance of the organization. Through the analysis of the critics of the theory, the paper is able to recommend the best theories or combine a couple of relevant theories that can help in the solving of the research problem.

Empirical literature review

Julian (2013) conducted a study on non-governmental organizations (NGOs): the relationship between strategic planning and organization's performance. The data being qualitative in nature content analysis was used. The study found out that there was a positive contribution of strategic planning directly to organizational performance. The study concludes that strategy planning and organization performance in Action Aid Kenya to ensure strategy alignment has to involve drawing from a global context, prioritize. The result finalized that approaches and final results in weighing down strategic planning effectiveness and firm performance are totally different, this confirms the argument that picking the most convenient approach to measuring relationship between strategic planning and organization performance ought to be done with uttermost carefulness.

Debrah's (2012) results on the effect of strategic planning on performance and operations of the agricultural development bank showed that, for the various features of a managed bank there was a relative improvement in the bank. The study however showed that for the bottom up infrastructure put into place there was lack of familiarity with the employees in the bank. This was due to employees lacking keenness about the programs or lack putting consideration toward the programs. The research recommended that so as to achieve the best result for the ADB then emphasis ought to be put so as to familiarize the employees with the infrastructures put into place.

Sophia (2015) conducted a study on effects of strategic planning on organizational growth: A Case Study of Kenya Medical Research Institute, and used qualitative research design in which the questionnaires were filled by the selected, heads of department, middle level managers and general staff members of Kenya Medical Research Foundation (KEMRI). The findings show that for there to be growth in the organization strategic planning has to be implemented well. Strategic planning was deemed to be of importance in the organization and was upheld as appropriate this shows that KEMRI used strategic planning for evaluating and identifying objectives of the organization that were long term and also in distribution of assets and monitoring and evaluation of progress to ensure growth.

Gaps in Literature Review

Several gaps were identified from literature which included; methodological, conceptual and contextual gap. For example, Julian (2013) conducted a study and the nature of information gathered was subjective and was hence examined utilizing content examination system. The current research uses (quantitative) descriptive technique to analyze data, thus this presented a methodological gap. Julian (2013) focused on Action Aid Kenya.

Hypotheses of the study

The study was guided by the following hypotheses:

H₀₁: Strategic planning has no significant effect on Performance of Nairobi county government

H₀₂: External environment has no moderating effect on the relationship between strategic planning and organizational performance

Conceptual Framework

This study is conceptualized with three variables, an independent, a moderating and a dependent variable. The conceptualization depicts strategic planning as the independent, external environment as the moderating variable which modifies the relationship between strategic planning and performance of Nairobi County Government. These relationships are summarized in Figure 2.1.

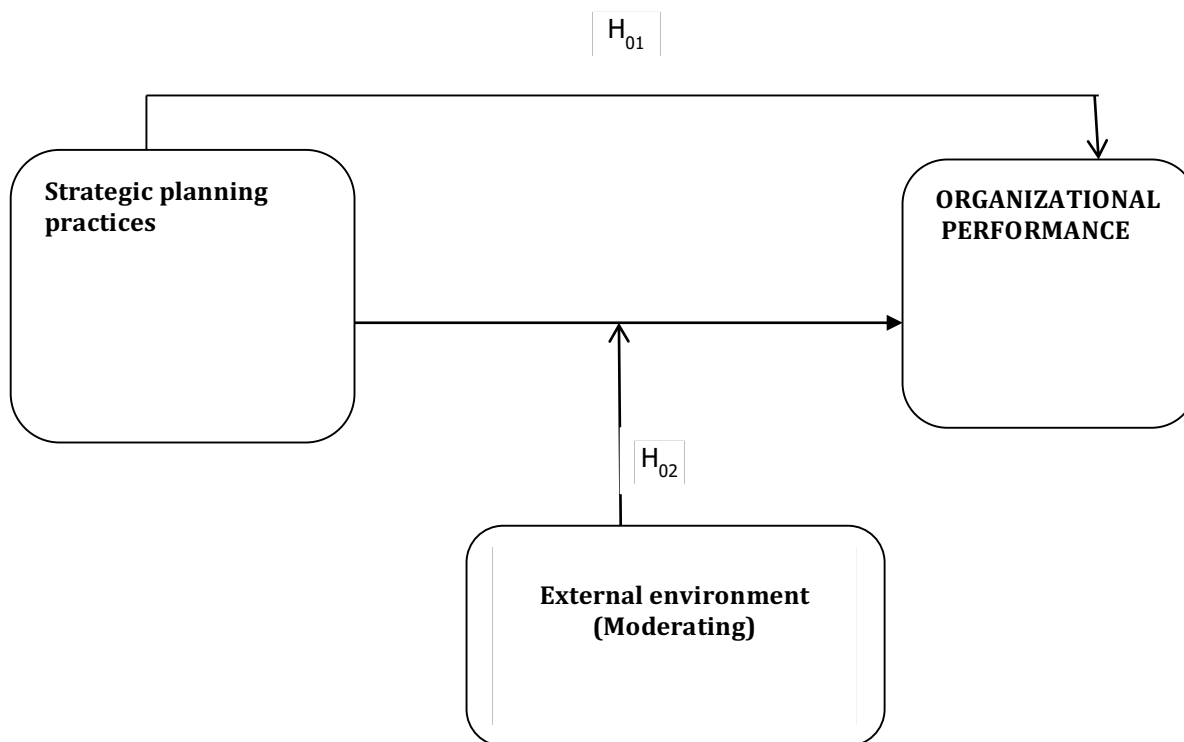


Figure 2.1: Conceptual Diagram

RESEARCH METHODOLOGY

Descriptive research design was adopted in this study Olusola et al (2013). Population comprised of 23 top level managers, 61 middle level managers and 162 low level managers in Nairobi county government. Since the population was less than 10,000, the Fisher et al, (2003) formula was utilized. The sample size was therefore 80 managers selected through stratified random sampling. The strata will be top level managers, middle level managers and low level managers. The study used primary and secondary data collected through structured questionnaires and content analysis respectively. Quantitative data was coded, classified, and entered into SPSS. Descriptive statistics, correlation coefficient and linear regression techniques within SPSS were used analyze the data while Microsoft excel was used to draw tables and charts.

RESULTS AND DISCUSSION

Demographic and preliminary analysis

Analysis by gender show that majority (71%) of the respondents male while the rest (29%) female. The results of the study are thus more skewed towards male gender. Age-wise, majority (63%) were aged between 41 – 50 years, 22% over 50 years, 9% were between 31 – 40 years while only 6% were between 18 – 30 years. This implies that most employees working for the county government of Nairobi were mature aged above 41 years. Further analysis by level of education indicates that 59% of the respondents had a bachelor degree, 27% had ordinary diploma, and 10% had a master degree while 4% had a certificate. This implies that most employees studied were educated and thus had the capacity to improve performance of the county. The study adopted descriptive survey design targeting a population of 246 from whom a sample of 80 was drawn using Cochran's (1977) formula. Data was collected with questionnaire using drop and pick method. A total of 80 questionnaire were filled and 68 returned giving a response rate of 85%. Descriptive statistics, correlation analysis, and regression analysis techniques were used to analyse data. The analysis was done using statistical package for social sciences (SPSS) version 24.

Descriptive statistics

Descriptive statistics show that strategic planning had a mean of 3.56 and a standard deviation of 1.21 implying that the most respondents' opinions were within a maximum of three showing that diversity in views. External environment had a mean of 3.76 and a standard deviation of 1.28 also indicating diversity in respondents' opinions. Performance on the other hand had a mean of 3.87 and a standard deviation of 1.07 which indicates lesser variation in opinions of respondents. Correlation analysis of the variables all returned significant associations. Strategic planning and performance had $r=0.595$ and $p\leq 0.05$, external environment and organizational performance had $r=0.569$ and $p\leq 0.05$, and strategic planning and external environment had $r=0.538$ and $p\leq 0.05$.

Hypothesis testing

All the hypotheses of this study were tested using linear regression analysis techniques. The tests were done in SPSS version 24 at 95% confidence interval. The linear regression model used during hypothesis testing was of the form:

$$Y = \alpha + \beta X_1 + \beta X_2 + \dots + \beta X_n + e$$

Where:

Y= Organizational performance

X_i = independent variables

e = error term

Table 4.1 shows results for the tests of hypothesis one which stated that "there is no significant relationship between strategic planning and performance of Nairobi County government".

Table 4.1: Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.595a	0.354	0.344	0.62183

Predictors: (Constant), strategic planning

This model summary table presents an R^2 value of 0.354 which means that strategic planning can explain up to 35.4% of the total variability in the organizational performance. The remaining 65.6% of the variation may be explained by other factors including chance.

Further tests of Analysis of Variance (ANOVA) were performed on the model and the results obtained are presented in Table 4.2.

Table 4.2: Analysis of Variance

	Sum of Squares	df	Mean Square	F	Sig.
Regression	13.968	1	13.968	36.123	.000b
Residual	25.521	66	0.387		
Total	39.489	67			

ANOVA results in Table 4.2 indicate that the model is statistically significant ($p\leq 0.05$) and strong ($F=36.123$). This indicates that strategic planning is significantly related to organizational.

Results of tests of regression coefficients are presented in Table 4.3.

Table 4.3: Regression coefficients

	β	Std. Error	t	Sig.
(Constant)	1.012	0.481	2.105	0.039
strategic planning	0.814	0.135	6.01	0.000

From the results in Table 4.7, regression coefficient (β) of strategic planning is 0.814 which implies that the relationship between strategic planning and organizational performance is very strong and significant ($p=0.000$). Therefore, the null hypothesis which stated that there is no significant effect of strategic planning on performance of Nairobi County government is rejected. The study therefore concludes that there is a significant effect of strategic planning on performance of Nairobi County government. These findings agree with those of Julian (2013) who established that strategic planning has a significant effect on organizational performance.

Further tests were done for hypothesis two which stated that “external environment has no moderating effect on the relationship between strategic planning and organizational performance of Nairobi County government” and the results presented in Table 4.4.

Table 4.4: Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.595a	0.354	0.344	0.62183
2	.664b	0.441	0.424	0.58279
3	.665c	0.442	0.416	0.58653

The R^2 of 0.354 was obtained in this model. This showed that model 1 could explain 35.4 per cent of variance in the dependent variable (performance) with an incremental variance.

The findings from table 4.14 also showed that when staff training was added as a moderator, the R^2 rose to 44.1%

Finally, to investigate how the external environment moderates the relationship between strategic planning and performance, the interaction terms of the independent variable and the moderator (strategic planning) were entered in the regression model to obtain model 3. The R^2 improved to 44.2%

Table 4.5: ANOVA

	Sum of Squares	Df	Mean Square	F	Sig.
Regression	13.968	1	13.968	36.123	.000 ^b
Residual	25.521	66	0.387		
Total	39.489	67			
Regression	17.412	2	8.706	25.632	.000 ^c
Residual	22.077	65	0.34		
Total	39.489	67			
Regression	17.471	3	5.824	16.928	.000 ^d
Residual	22.017	64	0.344		
Total	39.489	67			

All the independent variables (strategic planning) were jointly found to have a positive and significant relationship with performance ($p<0.05$).

The findings from table 4.10 also showed that independent variables and the moderating variable were significantly and jointly related to organizational performance ($p < 0.05$).

Finally, external environment was found to have a moderating effect on the relationship between strategic planning and performance ($p < 0.05$).

Table 4.6: Regression of Coefficients

	B	Std. Error	t	Sig.
(Constant)	1.012	0.481	2.105	0.039
strategic planning	0.814	0.135	6.01	0.000
(Constant)	0.435	0.486	0.896	0.374
strategic planning	0.556	0.15	3.696	0.000
External environment	0.393	0.123	3.184	0.002
(Constant)	-0.538	2.392	-0.225	0.823
strategic planning	0.109	0.048	2.265	0.025
external environment	0.138	0.043	3.191	0.002
Planning*environment	0.259	0.046	5.643	0.000

From the results above external environment was found to have a moderating effect on the relationship between strategic planning and performance ($p = 0.000$). Therefore the null hypothesis that external environment has no moderating effect on the on the relationship between organizational performance of Nairobi city county government was rejected

$$Y = -0.538 + 0.109 X_1 + 0.138 M + 0.259 X_1 * M + \varepsilon$$

Where Y is organizational performance

X1 is strategic planning

M is external environment

ε is the error term

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Summary of major findings

The first objective of the study was to establish the effect of strategic planning on organizational performance of Nairobi city county government. The findings indicate that Nairobi County's strategic behavior and choices were in line with environmental developments and this is incorporated in strategy formulation. In addition, members of staff are briefed and taken through the strategic management plan before implementation. Furthermore, managers of the county are motivated to support implementation of strategies in the county government. From correlation results, strategic planning have a positive association with performance of county government. In addition, regression results revealed that there was a positive and significant relationship between strategic planning and performance of the county Government. Hypothesis results also revealed that strategic planning has a significant effect on organizational performance of Nairobi city county government. These findings agreed with that of Julian (2013) who found that strategic planning have a significant effect on organizational performance. These findings further agrees with that of Sophia (2015) who conducted a study on effects of strategic planning on organizational performance and found that strategic planning have a positive and significant effect on organizational performance.

The second objective was to determine the moderating effect of external environment on the relationship between strategic planning and organizational performance of Nairobi city county government. Regression results revealed that external environment has a positive and significant effect on performance of county Government. In addition, external environment moderate the relationship between strategic planning and performance of county government. These findings agreed with that of Jane (2014) who found that external organizational environment have a positive and significant effect on performance of community-based HIV and AIDS organizations in Nairobi County, Kenya. These findings further agrees with that of Adeola (2016) who found that external business environment (economic, political, legal, socio-cultural environment, demographic, natural, technological, global and financial environment) have a significant influence on MSMEs Performance in Nigeria.

CONCLUSION

The study concludes that strategic planning have a positive and significant effect on organizational performance of the county Government. In addition Nairobi county government have the financial capacity to implement all the strategic planning strategies. The study also concludes that Nairobi county strategic behavior and choices were in line with environmental developments and this is incorporated in strategy formulation. In addition, managers of the county are motivated to support implementation of strategies in the county government. In addition, government policies have been enhanced in Nairobi county operations. Social – cultural and economic factors also determine the level of performance of the county and also affect economic development of the county.

The study will benefit Nairobi County government through understanding various challenges experienced in strategic planning by Nairobi County government; the study will point out weak operations once and manage their resources and capabilities towards that goal. The study will benefit the county government establishments to learn and understand various challenges which face most of the country(s) strategic planning; this will create an opportunity to unearth the critical service areas which are the core activity of any county government and its operations.

From a theory point of view, the study will come up with a framework of strategic planning and its effect on performance of the county. Such a framework will be available for future theory building and empirical testing. In particular, the applicability of various theories discussed in literature will be tested in this study.

RECOMMENDATION

The study recommends that strategic formulation should be a top priority activity at every county government. County government should also employ top-bottom communication during the strategic plan implementation process. In addition, the county government should ensure they have enough competent staff to implement strategic initiatives. Adequate financial resources should also be allocated towards strategy control in their county. Performance indicators and targets should also be clearly defined and communicated within the county.

In addition, employees of the county should comply with the county by laws. The county government should therefore do proper environmental scanning so as to improve their performance. The county governments should also comply with the Acts formulated from the new constitution.

SUGGESTED AREAS FOR FUTURE RESEARCH

Further study should focus on the research gaps identified in this study. The current study focused on effect of strategic planning on performance of Nairobi county government. Thus area for further studies could consider other county governments in Kenya for the purpose of making a comparison of the findings with those of the current study.

Since the R squared was not 100% it seems there are other strategic planning practices that were not addressed by the study. Other studies should therefore focus on other strategic planning practices that may affect performance of Nairobi county government.

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Financial Inclusion: A Veritable Tool For Inclusive Growth And Poverty Alleviation In Nigeria

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ABSTRACT

In recent times, inclusive growth has become a national policy objective worldwide. In the context of Nigeria's growth planning, it is a relatively new terminology which got the attention of policy makers in October 2012. Inclusive growth has the literal meaning of the two words that refers to both the pace and the pattern of the economic growth. It basically means, broad based, shared, and pro-poor growth. In Nigeria, the formal financial system provides services to about 35% of the economically active population while the remaining 65% are excluded from access to financial services. These 65% are often served by the informal financial sector some of which are not regulated. The non-regulation of the activities of the informal sector has serious implications for the Central Bank of Nigeria's ability to exercise its mandate of promoting monetary stability and sound financial system. Economic growth and development in any economy is propelled by the quality of goods and services provided within that economy as well as their competitiveness with other economies. One of the major factors that have constrained the pace of economic growth and development is lack of access to sustainable financial services by a greater proportion of the populace. Inclusive growth will follow at a faster pace when every segment of the populace engages in the productive process through access to sustainable financial services. Access to financial services could assist to alleviate poverty and promote both growth and standard of living when the economic active-poor and the disadvantaged are enabled to save, borrow and reinvest for the growth of the real sector of the economy. In this, paper an effort has been made to understand the inclusive growth phenomenon, its need and sustainable financial inclusion as a veritable tool to attain it, relative to Nigerian experience.

Key Word: Financial Inclusion, Inclusive Growth, National policy and Poverty-alleviation.

INTRODUCTION

A formal and stable financial system is prerequisite to economic growth and development. The operations of such system are crucial to peoples' savings, credit, payment and risk management needs. A robust economic growth cannot be achieved without putting in place well focused programmes to reduce poverty through empowering the people especially the active-poor and the disadvantaged within the economy. This could be achieved by increasing their access to sustainable financial services especially credit to enhance production capacity. The latent capacity of the economically active-poor for entrepreneurship would be significantly enhanced through provision of financial inclusion activities to enable them engage in economic activities and be more self-reliant, increase employment opportunities, enhance household income and create wealth.

Financial Inclusion is simply the delivery of financial services at affordable costs to sections of disadvantaged and low-income segments of society, in contrast to financial exclusion where those services are not available or affordable. In other words, it is the provision of a broad range of high quality financial products, such as savings, credit, insurance, payments and

pensions, which are relevant, appropriate and affordable for the entire adult population, and especially the low income segment.

A Report on Financial Inclusion by the World Bank which was last updated on 5th April, 2017 revealed that an estimated two billion working-age adults (more than half of the world's total adult population) do not have an account at a formal financial institution. Financial Inclusion efforts seek to ensure that all households and businesses, regardless of income level, have access to and can effectively use the appropriate financial services they need to improve their standard of living. Inclusion in the formal financial system helps people carry out day-to-day transactions, including sending and receiving money, safeguard savings (which can help households manage cash flow spikes), smooth consumption and build working capital, finance small businesses or microenterprises, help owners invest in assets and grow their businesses, plan and pay for recurring expenses, such as school fees, mitigate shocks and manage expenses related to unexpected events such as medical emergencies, a death in the family, theft, or natural disasters, and improve overall welfare. The benefits of Financial Inclusion are not only significant for individuals but for economies as well. Financial Inclusion is linked to a country's economic and social development, and plays a role in alleviating extreme poverty. According to a World Bank report on Financial Inclusion, there cent increase in Financial Inclusion is due to "immense supportive and competitive environments, policies that encourage innovation and national Financial Inclusion strategies". These initiatives were driven by mobile technology, digital payments and law reforms that encourage correspondent banking and relaxed customer identification. The Securities in Moveable Assets Act 2017 is one of such laws recently enacted to promote access to financial services in Nigeria. The provisions of the Act compel banks to accept movable assets as collateral when granting loans to Micro, Small and Medium Enterprises ("MSMEs") as well as other Nigerians. In addition, with the prevalence of mobile phones, mobile money is playing a crucial role in extending financial services to the underserved.

In the definition of financial inclusion, the Centre for financial inclusion defines a full financial inclusion as " A state in which all people who can use financial services have access to a suite of quality financial services, provided at an affordable prices, in a convenient manner, and with dignity for clients" (Gardeva and Rynne ,(2011).[18]. This entails building a stable financial system that would serve as many people as possible. (Afi, 2010) [03]

Inclusive growth confers many benefits which include raising the general standard of living of the populace as measured by per capita national income; making income distribution easier to achieve; and enhancing the time frame of accomplishing the basic needs of man to a substantial majority of the populace while economic stagnation can bring destabilizing consequences on the citizenry. Economic growth and development of any country is propelled by the quality and quantity of goods and services provided within the economy as well as the competitiveness with other countries. When every segment of the populace engages in the productive process, growth and development will be enhanced at a faster pace. Empowerment for economic engagement is created through the instrument of financial services. Financial services required by the populace vary, depending on the economic stratum or level of development to which one belongs. Access to sustainable financial services by the economically active –poor and the disadvantaged group of the society could assist to alleviate poverty and promote development by enabling them to save, borrow and reinvest to the growth of the economy.

Consequently financial inclusion, by providing access to financial services for the excluded group would increase production capacity for goods and services, support reduction of food

related inflation, gives rise to the use of low cost financial services, efficient financial services and ultimately reduction in poverty. Financial inclusion will also create a diversification of the portfolio of financial institutions by bringing in the excluded group and this step will strengthen portfolio risk management stance. Financial literacy which is an important component of financial inclusion will also enhance better financial services delivery by educating the targeted excluded group thereby creating a well-informed financial services providers and users. The combined effect of these financial inclusion activities will enhance institutional viability, safety and soundness of the financial system. It will also lead to increasing economic activities and employment opportunity for rural household, raise the standard of living of the excluded with possible positive multiplier effect on the economy. Consequently, financial inclusion, when promoted in a broader context of economic financial inclusion can be a tool for economic growth and poverty alleviation.

Conversely, there is a heightened interest in financial inclusion by developing economies world over because a greater proportion of the populace consists of the excluded and disadvantaged group and Nigeria is not left out. Many studies have established that financial development tends to increase economic growth and reduce inequality of income and poverty. (Goldsmith,(1969)[20] as well as World Bank (2008 and 2014). [34 and 35]. This is because improvement in the financial sector is expected to aid savings and capital formation, ease external financial constraint that accompanies external borrowing and finally higher growth is obtained. (Greenwood and Javanovic (1990).[21]

Nigeria is described as the giant of Africa with vast mineral resources, favourable climate and vegetation. Despite these very good potentials, she has not been counted among the largest and fastest growing economies of the world. Her performance in terms of economic growth has been very volatile and sluggish. What has been the most challenging fact about her growth is that her growth has not only been uneven, but also discrete. It has been uneven in the sense that there has been no uniformity in her growth performance and it has been discrete and disconnected with regard to growth and distribution of growth benefits to certain sectors of the economy. It is glaring clear that a vast majority of the population remained outside of basic health and education facilities even during when she recorded high growth phase. In recent decades, economic and social inequalities have increased alongside high growth rates which have increased regional inequalities.

Nigeria, with a population of approximately 2 million, has a formal financial system that provides services to about 35% of the economically active population while the remaining 65% are excluded from access to financial services. These 65% are often served by the informal financial sector through Non-governmental Organizations, microfinance institutions, money lenders, credit unions, friends and relatives at a very exorbitant cost. The non-regulation of the activities of some of the informal sector has serious implication for the Central Bank of Nigeria's (CBN) ability to exercise one of its mandate of promoting monetary stability and sound financial system. (CBN, 2005) [11]

In the past, in order to enhance the flow of financial services to Nigeria's rural areas, Government has initiated a series of publicly-financed micro/rural credit programmes and policies targeted at the poor. Notably among them were the Rural Banking Programme, sectorial allocation of credits, concessionary interest rate, and the Agricultural Credit Guarantee Scheme. Other institutional arrangements were the establishment of the Nigerian Agricultural and Cooperative Bank limited, (NACB), People's Bank of Nigeria, (PBN), the Community Banks, the National Directorate for Employment (NDE), and the Family Economic Advancement Programme, (FEAP) etc. In the year 2000, the Government merged the NACB

with PBN and FEAP to form the Nigerian Agricultural Co-operative and Rural Development Bank Ltd (NACRDB) while Micro Finance Banks took over the services of both Community and Peoples Bank of Nigeria in 2005. (CBN, 2005) [11]. All these were geared towards poverty alleviation and expansion of financial services delivery to the rural areas and most specifically to the economically active poor and the disadvantaged group but the effects were short-lived due to unsustainable nature of the programmes.

Furthermore, in the recent times, the Nigerian financial sector has witnessed a significant financial development as both the government and the operators in the sector have instituted policies and strategies for its expansion. Although most of these policies and strategies have been targeted at financial inclusion, the impact of this development is yet to be reflected in the growth and development of her real economy. For instance, majority of Nigerian Small and Medium Enterprises (SME) (over 80%) still describe poor access to financial services, as their most difficult problem. (NSB.SMEDAN,(2012).[28] It has also been documented that financial development indicators such as credit to the private sector have no significant impact on the general economic and structural growth of Nigeria's economy. (Shittu, 2012) [30] as well as (Afangideh, 2010). [02] It is therefore not surprising that Nigeria ranks low in the financial inclusion indicators even among her peers. The World Bank Global index data shows that about 30% of Nigerian adults have accounts with the formal financial institutions. (World Bank, 2008) [34]. This value is below that of Kenya and South Africa which have values of 42% and 54% respectively. (Demircuc-Kunt and Klapper (2012) [16]

Definitely, when financial development is not being inclusive, especially when it tilts heavily towards the wealthy, (as in the case of Nigeria) it may dampen economic growth. This perhaps may explain why financial development of developing economies has not effectively been translated to growth. It has also been shown that in countries with low level of financial inclusion, households, Small and Medium Enterprises (SME) and other disadvantaged group resort to the informal financial sector for financing at all cost and this can be counterproductive. (Collins et al, 2009) [14]. In the light of the above discussions, many countries have come to recognize the potentials of financial inclusive system which is now increasingly becoming a political issues to financial markets, regulators, and operators. (AFI, 2010) [03].

Consequently, as a part of Nigeria's efforts to address the problem of low level of financial inclusion, she has put together a National financial inclusion strategy which is designed to increase the number of Nigerians which are included in the formal financial system to 70% by year 2020. (CBN, 2012) [12]. One of the important aspects of this strategy is the issue of monitoring, evaluation, creating awareness and understanding the financial inclusion phenomenon and the importance of it in economic growth and poverty alleviation. This is to ensure that the strategy will be sustained and will make a desired impact on the populace especially on the economically active poor and the disadvantaged groups. (CBN, 2012) [12].

For a large and developing economy like Nigeria, it is pertinent to ensure that measures of the extent of financial inclusion encompass different parameters that properly reflect the complexity and diversity of the country, taking into consideration the economically- active poor and the disadvantaged group within Nigerian context. For instance, although measures and data provided by international organisations have the advantages of providing standardised cross-country comparisons, they may not reflect the peculiarity of the local economy and the level of her financial system development. There is therefore need to depend on the policy goals and settings of the financial development of the country involved

and also keep the excluded abreast of the new ideas based on the evolving needs of the financial inclusion strategy adopted by the country in question (Chakrabarty, 2012). [13]. In the light of the above and in line with the Nigerian government strategy on financial inclusion, the broad objective of this paper is to establish a link on how inclusion initiatives can help the economically active poor and the disadvantaged embrace the formal financial system thereby reducing poverty in the economy. In addition, financial inclusion comparisons are made with some selected countries as well as efforts to explain differences in the extent of financial inclusions among the countries. The specific objectives of this paper include: To study and understand the meaning and need for inclusive growth; to understand the role and importance of financial inclusion in inclusive growth; to know the extent of financial exclusion/inclusion in Nigeria; and to make recommendations on how sustainable financial inclusion could be a veritable tool to attain the inclusive growth and poverty alleviation in Nigeria

THE CONCEPT OF FINANCIAL INCLUSION AND GROWTH

Financial inclusion refers to delivery of financial services at an affordable cost in a fair and transparent terms and conditions to vast groups of disadvantaged, weaker and low income groups including household enterprise, small medium enterprise and traders. It not only enhances overall financial intensity of agriculture but also help in increasing rural non-farm activities which lead to development of rural economy and improve economic condition of people. Financial inclusion activities include micro credit, branchless banking, saving products, pension for old age, microfinance, self help group, entrepreneurial credit etc.

However, the concept of financial inclusion has often been defined in the context of the institutional settings and goals of the economic policy of the country involved; hence does not enhance standardization and cross-country comparisons. Consequently the concept of financial inclusion has been described in various contexts depending on perceived peculiarities of the economy in question. Wikipedia Encyclopaedia defines it as the delivery of financial services at affordable cost to low-income and disadvantaged segments of the society. The Centre for Financial Inclusion offers a broader vision of it. It defines "Full-financial inclusion" as a state in which all people who can use financial services have access to a complement of quality financial services, provided at affordable prices, in a convenient manner and with dignity of the clients". This definition recognises diversity in the institutional providers, services offered and users of financial services. The Reserve Bank of India defines it as the delivery of financial services at affordable cost to vast section of the disadvantaged and low-income groups. (RBI, 2013) [08] It identified the services to include credit, savings, insurance, payments and remittances. The Nigerian National Financial Inclusion Strategy defines it u-as a state where adult Nigerians have access to a broad range of financial services that meet their needs at affordable costs. The United Nations Development Programme (UNDP) views on inclusive financial system as one that services all clients, which means reaching out to the poor and to low-income people and providing them with affordable financial services tailored to their needs. It further views an inclusive financial system as one that recognizes the market potentials/income generating opportunities in lending to the poor but excluded population. Economic growth is a key policy objective of any government and economic policy through financial inclusion is a major instrument for attainment of such objective. Economic growth could be referred to as a sustained and positive change in the level of aggregate goods and services produced by a country over certain and given period of time. When economic growth is measured over the population of a given country, it can be stated in terms of per capita income, according to the aggregate goods and services produced in a given year which is divided by the population of the country within that given period. The higher the per capita income of the populace, the less is the poverty indicators within the economy. It can be stated in nominal or in real terms. Based on this, when the increase in the aggregate level of goods

and services is deflated by the rate of inflation, real economic growth is achieved, but when it is measured without deflating, it is referred to as nominal economic growth.

Economic growth raises the general standard of living of the population as measured by per capita national income; makes many kinds of income distribution easier to achieve; enhances the time frame of accomplishing the basic necessities of man, like shelter, food, clothing etc, by a substantial majority of the populace and rapid growth rates are often associated with efficient economic and political systems or even prestige, Lipsey, (1982) [24]. However, the concept of economic growth has not been quite easy to understand and likewise its measurements in real terms. This is because in most literature of economics, some authors have differentiated economic growth from the term economic development in different ways. Authors like Todaro (1980)[31] and Baran (1968) [09] argue that the mere increase in the aggregate level of goods and services produced in a country, tells nothing about the quality of life of a citizenry given the threats of global pollution, abysmal lop-sided distribution of aggregate income, environmental degradation, prevalence of chronic and deadly diseases and absence of freedom and justice. These authors believe that attention should be focused not merely on increase in aggregate output and income but also on the total quality and standard of living of the citizenry especially the economically-active poor and the disadvantaged group. Nevertheless, it is evident that there is yet no satisfactory measure of “quality of life” that can be applied to quantitative measure of aggregate output and income, that would be acceptable to all and sundry that could stand the test of time. The apparent consensus suggests that economic growth refers to an increase in the aggregate level of output within a given time period in a country while economic development is seen as an increase in the aggregate level of output and incomes with due consideration given to the quality of life that hopefully takes into consideration the distribution of income, health care, environmental degradation, global pollution, freedom and justice, etc. Generally, economic development is a process by which an economy experiences three main phenomena namely: growth in output, structural changes and institutional changes. If the three phenomena take place, it will lead to a rise in standard of living of the populace. Hence that explains why growth could be enjoyed by many economies but not all experience development. (Uwakaeme, (2015) [33]

Inclusive growth embraces both the economic growth and development. In recent decades, economic and social inequalities have increased alongside high growth rates which have increased regional inequalities. Rapid and sustained poverty reduction requires inclusive growth that allows people to contribute to and benefit from economic growth, but for this growth to be sustainable in the long run, it should be *broad-based* across sectors, and *inclusive* of the large part of the country’s labour force. As a result, Inclusive growth has become a national policy objective worldwide. In some developing economies, it is a relatively new terminology which got the attention of policy makers in recent times. Inclusive growth has the literal meaning of the two words which refers to both the pace and the pattern of the economic growth and it basically means, broad based, shared, and pro-poor growth. In most developing countries, financial inclusion has been adjudged as a veritable tool to achieve inclusive growth (World Bank, 2008) [34].

Financial Inclusion: Inclusive Growth and Poverty Alleviation:

It is a proven fact that financial inclusion and financial literacy is an effective way for “Poverty Alleviation”. The objective of financial inclusion is to meet the expectation of the unbanked and excluded, yet silent mass of the population are untouched, mostly in developing economies. Poverty and exclusion continue to dominate socioeconomic and political discourse in Nigeria over the last several decades. Despite being the giant of Africa, Nigeria is still a home to one-

third of the worlds poor. Financial inclusion has the potential to enhance the socioeconomic condition of the lowest active poor. Inclusive financing is to deliver financial services at affordable cost to low income segment of society in contrast to financial exclusion. They bridge up the gap between the weaker sections of society and the sources of livelihood and the means of income which can be generated for them if they get loans and advances. Once the weaker section of society gets some money in loan form, they can start up their own business or they can support their education through which they can sustain their livelihood. Thus financial inclusion turns out to be benefit for the low income households. To serve the requirements of the large section of society, there is an urgent need for the larger market for the financial system which opens up the avenues for the new players in the financial sector and can lead to growth of banking sector also.

The importance of financial inclusion is that it reduces the gap between the different sections of the society. It enhances reduction in the poverty levels and unemployment and increases awareness about the financial products of the financial institutions involved. Financial inclusion helps in reduction of regional or social disparity as well as increasing the investment for infrastructure within the economy. Thus financial inclusion acts as an imperative tool for inclusive growth and poverty alleviation.

RELATED REVIEWED STUDIES

Different studies have, at different times, investigated the effect of financial inclusion on inclusive growth and development in different economies. For instance, Cyn-Young and Ragelio (2015) [15] examined the relationship between financial inclusions, poverty and income inequality in Asia. The study which focused on developing Asian economies sought to determine country-specific factors and macroeconomic variables that affect the level of financial inclusion for selected 37 developing Asian countries. They find that demographic factors and per capita income significantly affect financial inclusion. The study also shows that financial inclusion reduces income inequality and poverty. The study suggests that strong financial regulatory oversight, rule of law and enforcement of financial contract would improve financial inclusion efforts. Migap et al. (2013) [26] examined financial inclusion as a strategy for inclusive growth in Nigeria. The study compared Nigerian financial inclusion index with other emerging economies in the upper middle income strata. They find that Nigerian financial inclusion indicator is still shallow compared to emerging economies both within and outside Africa. The study suggests that active participation of media and educational institutions should be encouraged to promote financial literacy in Nigeria.

Nkwede (2015) [27] examined financial inclusion and economic growth in Africa, using Nigeria as a case study. Data for the study covered the period 1981 to 2013. The study shows a negative relationship between financial inclusion and growth of Nigerian economy. He attributes the finding to high level of financial exclusion of adults from financial services.

Onaolapo and Odetayo (2015), [29] studied financial inclusion in Nigeria from the perspective of microfinance banks using a survey design method. They find that access to financial services through microfinance institutions by less privileged people promotes employment generation, reduction in poverty and overall economic growth. Joseph and Varghese (2014) [22] studied the role of financial inclusion in the development of Indian economy. The study investigated the activities of five private sector banks and five state banks from June to November, 2013. Onsite and offsite ATM usage, number of bank branches, credit cards and debit cards per customers were used as proxies for financial inclusion variables focusing on rural and semi-urban areas in India. They find that quite a number of people are still excluded from financial services even after the introduction of inclusive banking initiatives in the country.

Aduda and Kulanda (2012) [01] examined financial inclusion and financial sector stability with reference to Kenyan economy. The study which is exploratory in nature reveals that financial inclusion is a prerequisite for economic growth and development in Kenya because various financial inclusion programmes have impact on Kenya financial stability. The study suggests that government should intensify its financial inclusion strategies so that more people would have access to financial services especially people in the informal sector.

Similarly, Allen et al (2013) [05] revealed that commercial banks can enhance access to financial services to underprivileged households in Kenya by deepening its impact on the rural and vulnerable groups.

Brune et al (2011) [10] also find that increased financial access through mobilization of rural savings improves the livelihood of Malawian rural population because poor households have access to savings for agricultural inputs. World Bank (2008) [34] analysis shows that financial inclusion is also influenced by specific credit needs of various segment of people arising from a number activities such as housing, microenterprises and agriculture etc., due to difficulties in accessing formal sources of credit by the poor individuals together with small savings and internal resources to invest in housing, health, education, and other opportunities

Umma Dutse (2013) [32] analysed the role of Financial Literacy and Consumer Protection in fostering financial inclusion in Nigeria and stressed that literacy is a precondition to creating awareness of investment and growth in the economy. The study also pointed out the importance of a stable financial system which must include the public confidence and consumer protection as an ideal system. This implies that consumers of financial services should not be subjected to unfair or deceptive practices, should have access to information that could enable them make informed decisions and should have access to recourse mechanisms to resolve disputes.

Ajakaiye (2013) [04] in his contribution titled “Financial Inclusion in Nigeria: Measurement and Lessons” analysed the need to ensure sustainable measurement of the extent of financial inclusion, encompassing different parameters that properly reflect the complexity and diversity of the country. Thus, measurement and data provided by international organisations may have the advantage of providing standardised cross-border comparison but it should not be used for measuring the local stakeholders’ financial inclusion activities but rather the measurement should reflect the specific institutional settings and goals of the financial development of the country that is involved. Eluhaiwe (2013) [17] focused on the role of financial inclusion initiatives on national economic development and the need and importance of financial inclusion that includes the poor and disadvantaged in the economy by allowing them access to sustainable financial services, thus enabling them to participate actively in productive activities which will enhance growth and development.

AN OVERVIEW OF FINANCIAL INCLUSION STRATEGIES

The need to bluntly reduce poverty alleviation through financial inclusion has accentuated the involvement of some global bodies. The Alliance for Financial Inclusion (AFI), a network of policy makers from developing and emerging countries, has been leading the struggle to promote inclusive finance over the years. Founded in 2008, AFI recognizes, adopts and promotes the propagation of effective financial policies in developing economies in an attempt to reach the 2.5 billion impoverished people across the globe. (CBN, 2012) [12]. AFI (2010) [03] also promotes peer learning among members to create room for interaction and exchange of knowledge on financial inclusion matters. Its activities have focused on consumer

protection, mobile financial services, agent banking financial integrity, micro-savings data management, amongst others.

In addition, the G20 countries, in December, 2010 launched their Global Partnership for financial inclusion in Seoul, South Korea. The partnership creates a platform for G20 countries and relevant stakeholders to foster financial inclusion. Their activities are being implemented through comprehensive action plan focused on financial sector reforms and development agenda. The Centre for Financial Inclusion has been helping to bring about conditions that would achieve worldwide financial inclusion through collaboration. The World Bank in particular is collaborating with Bill and Melinda Gates foundation and has constructed a Global Financial Inclusion Index (Findex); a data base that provides indicators for measuring the use of financial services across borders of economies and over time. Equally, various countries have been making commitment in their respective jurisdictions to promote financial inclusion. In 2012, about 95 AFI member institutions from across the Globe adopted the Maya Declaration on financial inclusion. Seventeen (17) of them pledged and made commitments at the AFI Global Plc Forum held in Riviera Maya, Mexico to pursue specific goals and targets on financial inclusion. It was at the event that Nigeria pledged to reduce her adult financial exclusion in the country from 46.3 in 2010 to 20% in 2020 (Eluhaiwe (2013) [17]

The achievement of financial inclusion goals requires the participation of an array of institutions which service large scale, medium, small and micro enterprises. In many countries, commercial and investment banks provide financial services for industries and large scale enterprises. The medium and small scale enterprise category are served mostly by specialised institutions such as SME Banks, Agricultural Banks, and various guarantee and specialized financing arrangements. Those in the micro group have over years been served by informal financial institutions such as non-governmental organizations, financial cooperatives, credit unions and specially licensed microfinance banks. In order to arrive at appropriate financial inclusion strategies, policy makers have been converging at **various for a to brainstorm** best policy alternatives and propositions. This has, accordingly, resulted in the formulation of policies, guidelines as well as programme. The success of the initiatives varies from one country to another, depending on the environmental, social, political and cultural conditions within the economy. Diversity of financial products plays a critical role in financial inclusion initiatives. This is based on the fact that economic groups need diverse financial services. For instance, savings are needed for the rainy days, and reduction of vulnerability to adverse effect income vagaries. Savers also engage in investments that outweigh their balances, creating the needs for loans or credit. In many countries, institutions place a lien on savings as condition for extending loans or credit. In order to manage these uncertainties and mitigate the risk of external shocks, micro insurance products have also become part of financial services offered to poor clients. Small premium payments by individual clients are used to defray the loans of those who might default owing to natural occurrence such loss of crops and livestock due to diseases, ill health, fire and other natural hazards. Other services that are gaining prominence and acceptability include inventory collateralization, micro leasing, payment/remittance services and transfers. As financial inclusion programmes continue to attract increasing attention of stakeholders and policy makers, promoters are becoming concerned about critical factors that will ensure effectiveness and efficiency in services delivery. One of those factors is financial identity. Financial identity is being highlighted as a key risk management strategy in financial inclusion programmes. Given the low literacy levels of economically active-poor group in developing economies, and absolute lack of methods for registering subjects, financial identity presents a serious hurdle to financial inclusion. While large transaction wealthy clients might be able to provide their means of identifications such as identity cards from organisations or national identity cards, driving licensees and international passports, this

does not apply to the poor and disadvantaged group. The need to simplify the financial identity procedure for poor group is pertinent to pave way for them to enter the financial market place. While striving to ensure access to financial services, the need to ensure that beneficiaries were protected from negative consequences of unethical practices of the services providers also comes to front burner. Areas of focus in this respect include ensuring that there is avoidance of over-indebtedness, fair interest charges, ethical conduct of staff of financial institutions, appropriate loan collection practices and procedures, secrecy of client data/information and fair methods of seeking redress in event of dispute. Many countries such as South Africa and the Philippines have embarked on aggressive financial education and literacy programmes, while others such Ghana are institutionalizing financial literacy programmes in their structural educational system. Financial system regulators, on their own part have been striving to maintain financial soundness and stability, encouraging the provision of sustainable and affordable financial services to the economically active poor and disadvantaged, and protecting the financial institutions' customers. In order to fully capture the activities and initiatives of financial system and the intervening for the general good of the economy, many countries have been exploring various regulatory approaches. For instance, Cambodia employs a three tier approach to microfinance institutional practice. The first tier corresponds to the regulated institutions which were licensed and supervised by the country's central bank. The second, though not licenced, are registered by the Central bank and subjected to a light and simple regulatory ecosystem, while the third tier are those that carry out financial intermediation on a very low scale (the informal sector) and they are not registered nor regulated.

Nigerian National Financial Inclusion Strategy

The Nigerian National Financial Inclusion Strategy defines financial inclusion as “the process of improving access to a range of formal financial services and promoting the responsible usage of appropriate and affordable financial services to those sections of the society where the need exist.” Access refers to the ease with which consumer can obtain financial services while usage refers to both uptake of appropriate products and services as well as how acquired services are used after initial acquisition. In Nigeria, the Central Bank of Nigeria (CBN), in collaboration with other stakeholders, launched the financial inclusion strategy in October 2012. The overall goal of the strategy is to increase the financial adult inclusion rate from 20% in 2010 to 46.3% in 2020. The achievement of this goal is expected to support the empowerment of many economically active poor and disadvantaged Nigerians, facilitate their involvement in economic activities and enable them contribute to national economic growth and development. The EFinA report of 2012 access to financial services survey report puts the current financial exclusion rate at 39.7%. (EfinA, 2013). This is a clear indication that Nigeria's implementation efforts are beginning to yield results. The Nigerian strategy defines clear objectives and sets specific targets across five primary products and services (payments, credits, savings, pensions and insurance) through a broad range of coordinated interventions with high priority on the following areas below

- I. Transformation of the KYC {know your customers} makes regulation into a simplified risk-based tiered framework that allows individuals easy for those who do not meet formal identification requirements to enter the banking system. Giant strides have been made in this regard with the new KYC regulation already released to the banking industry.
- ii. Development and implementation of a regulatory framework for agent banking to enable financial institutions deliver services through agents such as post offices, in locations that might otherwise be unprofitable to have mortar and bricks branches.

- iii. Development and implementation of National Financial Literacy Framework to guide the delivery of programmes that will increase the awareness of financial products and services with the ultimate goal of increasing sustainable users.
- iv. Implementation of comprehensive Consumer Protection Framework to safeguard the interest of consumers of financial products and services and sustain confidence in the financial system. A renewed policy and regulatory focus has therefore been placed on Financial Consumer Protection to support prudential measures and ensure increased consumer confidence and trust in a well-functioning financial system.
- v. Consistent pursuance of adoption of mobile payment system and other cash-lite policy efforts to reduce the cost of service provision and increase the ease of financial service transactions.
- vi. Implementation of credit enhancement schemes/programmes to empower micro, small and medium enterprises (SMMEs).

According to the 2012 Access to financial services in Nigeria Survey carried out by EFinA, 39 million adults (46.3% of the adult population) were financially excluded (EfinA 2013). The 2012 Survey of the organisation showed that the exclusion rate had declined across geo-political zones of the country as shown below:

Geo-political Zone	2010 Adult Exclusion	2012 Adult Exclusion	Percentage Improvement
North –East	68.3	59.5	12.9
North –West	68.1	63.8	6.3
North –Central	44.2	32.4	26.7
South –East	31.9	25.6	19.8
South –West	33.1	24.8	25.1
South –South	36.4	30.1	17.3

Source: EFinA 2012 Survey Report

Notionally, the exclusion rate declined from 46.3% to 39.7% but there was still a problem. This huge percentage of excluded adult Nigerians, necessitated the launching of the strategy by the Central Bank of Nigeria (CBN), in collaboration with other stakeholders on 23rd October, 2012. The broad target of the strategy is to reduce adult financial exclusion rate to 20% in 2020. Out of the 80% to be included, 70% would be in the formal sector while 10% would be in the informal sector.

In terms of specific financial services, the following targets were set in the Strategy:

Service Type	Level in 2010	2020 Target
Payment Services	21.6%	70%
Savings Services	24.0%	60%
Credit Services	2%	40%
Insurance Services	1%	40%
Pension	5%	40%

Source; EFinA 2012 Survey Report

Furthermore, channels for outreach and provision of the services to increase in terms of units per 100,000 are as follows:

Channel	2010	2020
Branch of DMB	6.8	7.8
Microfinance banks Branches	2.9	5.0
ATMs	11.8	59.6
Point of Sale (POS) Mobile Agents	13.3	850.0
Mobile Agents	0	62.0

Source: EFinA 2012 Survey Report

Major instruments to support the achievement of the stated targets were identified as follows:

- i. Agent Banking – Agent banking is the delivery of banking services outside traditional bank branches, through additional touch-points such as existing retail stores and petrol stations or via technology such as Point of Sale (POS) devices or mobile phone.
- ii. Mobile banking/Mobile Phone - Access to financial services through mobile phones that are either directly linked to a bank account or use of mobile wallets as intermediary virtual money accounts
- iii. Linkage Models - Enhancement of financial and business cooperation between conventional financial institutions and (deposit money banks and development finance institutions/government and microfinance banks/institutions for wholesale funding and on-lending transactions.
- iv. Client Empowerment - Increase in the bankability of the population through coordinated national financial literacy initiatives that are complemented with consumer protection.

In addition to the above appropriate guidelines and frameworks on Tier KYC requirement, agent banking regulation, national financial literacy framework, consumer protection, mobile payment guidelines and other cash-less effort are to be put in place.

FRAMEWORK AND IMPLEMENTATION WITHIN THE NIGERIAN CONTEXT

Nigeria prides itself as the most populated country and the economic giant of the African continent with over 205 million people but however about 64% (of the adult population) is currently unbanked. The financial sector boasts of 22 commercial banks, over 400 microfinance banks and over 23 Mobile Money Operators, and over the years, they have been trying to tap into the market potential of the large unbanked population in the economy. The current unbanked population controls majority of daily retail transactions and even the banked population are encouraging them through cash transactions because the economy has not moved away from the traditional cash based operations. The result is the increasing number of informal financial operators whose activities are not regulated, but who control high volumes of liquidity which could have been used to create economic opportunities if it were in the hands of the formal financial institutions. The informal financial operators include the money lenders, informal loan cooperatives, thrift schemes such as Esusu in West Africa and Stokvels in South Africa where members are only entitled to the extent of their contribution. There are no checks and balances or any structured regulation in place to effectively manage or invest the available funds. Financial Inclusion is becoming a priority for policy makers, regulators and development agencies globally. The World Bank Group considers Financial Inclusion a key enabler to reducing extreme poverty and boosting shared prosperity, and has put forward an ambitious global goal to reach Universal Financial Access (UFA) by 2020. Since 2010, more than 55 countries have made commitments to Financial Inclusion, and more than 30 have either launched or are developing a national strategy. A recent World Bank research on Financial Inclusion indicates that when countries institute National Financial Inclusion Strategy, they increase the pace and impact of reforms.

Nigeria, through its Central Bank (CBN), has developed its National Financial Inclusion Strategy (NFIS) to provide the blue print which will guide and support stakeholder activities in advancing Financial Inclusion in the country. Some of the features of the strategy are stated below:

- Firstly, the target set for the strategy nationally is to reduce the percentage of adult Nigerians that do not have access to financial services from 46.3% in 2010 to 20% in 2020. In addition, the strategy projected that 70% of adult Nigerian should have access

to payment services in 2020, 60% to savings and 40% each to credit, insurance and pensions.

- Secondly, in order to achieve the above targets, the channels through which people can access the services such as branches of banks, microfinance banks, number of ATMs, mobile agents, Point of Sale (POS) agents of deposit money banks are also expected to increase to specified numbers per 100,000 adults in 2020. Accordingly, stakeholders are being encouraged and coordinated to ensure that the channel targets are met, while the Nigerian public is being sensitized to demand for, access and use the services available at these channels.
- Thirdly, regulators are being encouraged to develop relevant guidelines that will ensure that the number of access points increase. In this regard, the Central Bank of Nigeria has issued guidelines on the agent banking and mobile money operations, both of which will make financial services available at point so that the conventional branches that are often far and difficult to reach by consumers of these services. The Bank has also issued the tiered know your customer (KYC) requirements with simple documentation requirements, and by so doing, enables low income and rural dwellers to open and operate bank accounts. The financial literacy programme of the Central Bank of Nigeria in collaboration with the Federal and State Ministries of Education was established to implement financial literacy curricula in schools, as well as the collaboration between CBN and financial services providers to implement financial literacy campaigns. This will enlighten both providers and the public on possible financial services and how best they can be provided and accessed. Furthermore, the consumer protection programme will ensure that there is fair treatment of all customers.

CURRENT IMPLEMENTATION STATUS

The Nigeria's Financial Inclusion Strategy (NFIS) which was launched in 2012 sets out certain initiatives aimed at improving Financial Inclusion in the country. Various stakeholders engaged in the finance sector are implementing these initiatives. Financial Service providers have engaged in Financial Inclusion campaigns to capture the untapped working populations. The Bank of Industry (BOI) in 2015 launched the Bank of Industry Fashion Fund. Under the scheme, women entrepreneurs in the fashion industry can apply for up to N1,000,000 (One Million Naira) without collateral to invest in their fashion businesses. Access to such a scheme would likely require one to own a bank account with a commercial bank. Other financial institutions in Nigeria have also launched some initiative or strategy aimed at improving Financial Inclusion in the economy.

Regulators of the Finance Industry (CBN, PENCOR, NIC, NCC, NDIC, SEC etc.) are not left out as they have a key role to play in this regard. Since the launch of the NFIS in 2012 the CBN has embarked upon and implemented the following initiatives aimed at improving Financial Inclusion in Nigeria:

- Guidelines on Mobile Money Services(Guidelines) in Nigeria.–Issued in 2015
- Regulatory Framework for licensing Super-Agents in Nigeria–Issued in 2014
- Consumer Protection Framework – Issued in2016
- Bank Verification Number(BVN) Project Exercise – Introduced in 2014
- Three Tiered Know Your Customer(KYC) Requirements – Introduced in 2013
- Cashless Policy
- A financial literacy framework

Other regulatory bodies such as the National Pension Commission (PENCOR) and National Insurance Commission (NIC) have embarked on financial literacy awareness campaigns enlightening consumers on the benefits of the services offered within their industry, as well as

law reforms that would promote Financial Inclusion within the Nigerian economy. In this regard, the subsequent review of the Pension Reform Act (PRA) 2004 and the enactment of the PRA2014 introduced the Contributory Pension Scheme (CPS) which made it mandatory for employers and employees in both the public and private sectors to contribute towards employee retirement benefits. The new pension scheme introduced an autonomous tripartite system involving The Regulator, The Administrator and The Custodian to minimise the possibility of misappropriation of pension funds in order to ensure that a large number of the population have adequate access to investible funds and lower rate credit facilities. Furthermore, the National Insurance Commission has also introduced the Micro Insurance and Takaful Insurance Guidelines which are to aid the achievement of Financial Inclusion in all sectors of the economy. The Minister for State for Finance, Dr. Yerima Lawan Ngama in a keynote address at a two-day Micro Insurance and Takaful Insurance Stakeholders Engagement Workshop and the official launching of the Takaful Insurance Guidelines in Lagos said the step taken by the Commission will further increase insurance penetration level and also contribute to the nation's GDP.

ECONOMIC BENEFITS AND IMPACT

The effort put in by the Nigerian government and the CBN to increase Financial Inclusion through the years has resulted in not just an increase in the number of people utilizing financial services but also in the growth and sophistication of the financial system. Furthermore, development economists have since established that Financial Inclusion leads to overall economic growth and development. In other words, them or financial inclusive markets are linked with better economic development, the more the increase in growth of the economy. The impact of Financial Inclusion can be accessed through various spectra of financial products offered to consumers including the following:

- Credit – Access to credit helps to encourage investments in assets that enable business owners to start or expand small enterprises. For instance, in 2016, “Enhancing Financial Innovation and Access”(EFInA) awarded a \$2 million grant to First City Monument Bank (FCMB) to extend banking services to the financially excluded population in Nigeria. EFInA, a financial sector development organization that promotes Financial Inclusion in Nigeria, said the grant would enable FCMB, via its Group Lending and Agency Banking project, provide financial services and access to credit facilities to prospective customers in 12 states ;namely, Bauchi, Kaduna, Sokoto, Niger, Kwara, Lagos, Oyo, Ogun, Akwalbom, Rivers, Cross River, and Abia
- Savings–Studies on the impact of savings show that savings help households manage cash flow spikes and smooth consumption, as well as build working capital. Compared to informal means of savings, saving at formal financial institution can be safe as deposits are insured up to a limit by the Nigeria Deposit Insurance Corporation (NDIC) and more valuable because of interest earnings. At macroeconomic level, saving can lead to higher productivity and economic growth if they are invested within the country.

In view of the above, the National Financial Inclusion Strategy defined several initiatives to drive the achievement of the target for savings, including the implementation of the tiered

KYC requirements, the implementation of a national savings mobilization programme and policies to support linkages to informal savings groups. The prospects of achieving the savings target will depend to a large extent on the implementation of a national savings mobilization programme, the three-tiered KYC requirements, concerted implementation of the Digital Financial Inclusion Project, and the development of a formal framework on linkages between

informal and formal financial institutions. Also, the mobile money accounts and agent banking initiatives need to be enforced by regulators and services providers.

- Insurance - Vulnerability to risk and the lack of instruments to cope with external shocks make it difficult for poor people to escape poverty. Micro insurance can be an important instrument for mitigating risk. Micro insurance is insurance that is usually accessed by low income earners in the society. Another aim of the product is to ensure everybody is included under the scheme and to increase the contribution of insurance to the country's Gross Domestic Product. An example is the recent introduction of the "Micro Insurance and Takaful Insurance Guidelines" by the National Insurance Commission which was laid down to aid the achievement of Financial Inclusion in all sectors of the economy.
- Electronic Payment and Mobile Money - An efficient payment system reduces incidental transaction costs. Rather than travel long distances, people have the ease of doing business on their mobile phones and other computer devices which is more cost effective. Key initiatives to drive usage of electronic payment channels among Nigerian adults, as mentioned in the National Financial Inclusion Strategy, include the implementation of the tiered KYC requirements, the roll-out of the Cashless Nigeria Project in all States of the Federation, and programmes to increase public awareness about mobile payments. The three-tiered KnowYour Customer (KYC) requirements were introduced in 2013 to simplify account opening requirements. The requirements state that accounts of all three tiers can be opened with basic personal information and without any minimum amount. The primary aim of these initiatives is to increase the number of adult Nigerians that have access to financial services via the use of electronic payments in order to reduce inefficiencies, leakages and illicit financial flows in the financial system.

In addition, more inclusive financial markets are directly linked with economic growth and employment. Policy makers increasingly recognize that a financial market that reaches all citizens allows for more effective execution of other social policies and development priorities.

OTHER COUNTRIES EXPERIENCES ON FINANCIAL INCLUSION

India

India is one of the largest and fastest growing economies of the world, but what has been the most disturbing fact about its growth is that its growth has been sluggish and disconnected. There has been no uniformity in its growth performance and moreover growth and distribution of growth benefits to certain sectors of economy are very glaring. Further, a vast majority of the population remained outside of basic health and education facilities during her high growth phase. In recent decades, economic and social inequalities have increased alongside high growth rates which have increased regional inequalities. Over 25% of Indians continue to live in poverty. Rapid and sustained poverty reduction requires inclusive growth that allows people to contribute to and benefit from economic growth, As a result, Inclusive growth has become a national policy objective of the Union Government in India. In context of Indian growth planning it is a relatively new terminology which got the attention of policy makers in the Eleventh Five Year Plan of India. The extent of financial exclusion in India is found to be higher as compared with many Developed and some of the major emerging economies. The wide extent of financial Exclusion in India is visible in the form of high population per bank branch and low Proportion of the population having access to basic financial services like savings accounts, Credit facilities, and credit and debit cards. (Garg& Parul, D. (2014).[18] The following table summarises India's performance in the area of financial inclusion as compared with other developing as well as developed countries.

Financial Inclusion: Current Status – India:

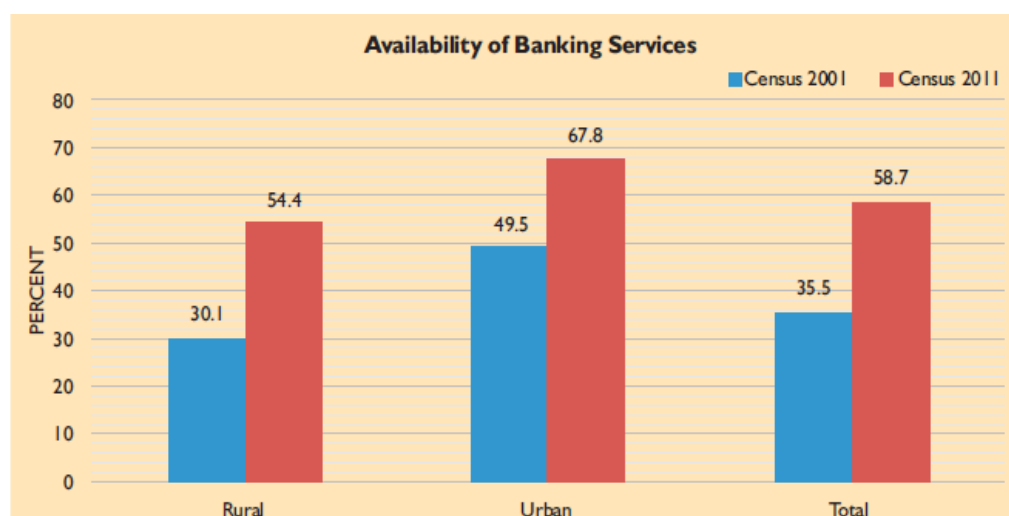
Country	Geographic Penetration		Demographic Penetration	
	No. of bank branches per 1000 sq km	No. of ATMs per 1000 sq km	No. of branches per 100,000 people	No. of ATMs per 100,000 people
Korea	65.02	436.88	13.40	40.03
U.K	45.16	104.46	18.35	42.45
India	22.57	-	6.30	-
Indonesia	10.00	5.73	8.44	4.84
USA	9.81	38.43	30.86	120.94
Mexico	4.09	8.91	7.63	16.63
Brazil	3.05	3.72	14.59	17.82
China	1.83	5.25	1.33	3.80
Russia	0.19	0.53	2.24	6.28

Source: India Review of Initiatives and Achievements. *IOSR Journal of Business and Management*, 61

Despite various measures for financial inclusion, poverty and exclusion continue to dominate socio-economic and political discourse in India even after six decades of post economic independence era.

Though economy has shown impressive growth during post liberalization era of 1991, impact is yet to percolate to all sections of the society and therefore India is still home of 1/3 of world's poor. Census, 2011 estimates that only 58.7% of the households have access to banking Services.

The present banking network of the country (as on 31.03.2014) comprises of a bank branch network of 1,15,082 and an ATM network of 1,60,055. Of these, 43,962 branches (38.2%) and 23,334 1 ATMs (14.58%) are in rural areas.



Source: India Review of Initiatives and Achievements. *IOSR Journal of Business and Management*, 61

The summary of the progress of financial inclusion of all Banks in India including Regional Rural Banks (RRBs), during the five years period are as shown below. The statistics show that there is substantial progress towards opening of accounts, providing basic banking services during the recent years as indicated above. However, it is essential that all the sections be financially included in order to have financial stability and sustainability of the economic and social order. Only 35% of Indian adults had access to a formal bank account and 8% borrowed from a formal financial institution in last 12 months. The minute number suggests an urgent need to further push the financial inclusion agenda to ensure that people at the bottom of the Pyramid join the mainstream of the formal financial system.

Particulars	year ended 2010	year ended 2011	year ended 2012	year ended 2013	year ended 2014
banking outlets in villages					
a) Branches	33,378	34811	37471	40837	46126
b) Villages covered by BC's	34174	80802	141136	221341	3,37,678
c) Other Modes	142	595	3146	6276	-
total	67674	116208	181753	268454	383804
Urban location through BC's	447	3771	5891	27143	60730
Basic saving bank deposit a/c - branches					
a) No.in. Millions	60.19	73.13	81.2	100.8	126
b) Amt.in .billions	44.33	57.89	109.87	164.69	273.3
Basic saving bank deposit a/c - BC's					
a) No.in.Millions	13.27	31.63	57.3	81.27	116.9
b) Amount in billions	10.69	18.23	10.54	18.22	39
OD Facility availed in BSBDA's Account					
a) No.in.millions	0.18	0.61	2.71	3.92	5.9
b) Amt.in .billions	0.1	0.26	1.08	1.55	16
KCC's(No.in.Millions)	24.31	27.11	30.24	33.79	39.9

Source: India Review of Initiatives and Achievements. *IOSR Journal of Business and Management*, 61

Progress of Financial Inclusion Initiatives in India

Due to RBI's concerted efforts since 2005, the number of branches of scheduled Commercial Banks increased manifold from 68,681 in March 2006 to 1,02,343 in March 2013. In rural areas, the number of branches increased from 30,572 during March 2006 to 37,953 in March 2013. As compared with rural areas, number of branches in semi-urban areas increased more rapidly.

Total number of banking outlets in villages increased from 67,694 in March 2010 to 2,68,454 in March 2013 (increased around 4 times during the period of three years) of total branches, banking outlets through BCs increased from 34,174 to 2,21,341 during the same period (increased around 6.5 times). The number of Basic Savings Bank Deposit Accounts opened increased from 73.45 million in March 2010 to 182.06 million in March 2013. RBI advised banks to provide small overdrafts in BSBDA accounts. Accordingly up to March 2013, 3.95 million BSBDA accounts availed OD facility of Rs. 1.55 billion (These figures respectively, were 0.18 million and 0.10 billion in March 2010). Banks have been advised to issue KYCs to small farmers for meeting their credit requirements. Up to March 2013, the total number of KYCs issued to farmers remained at 33.79 million with a total outstanding credit of Rs.2622.98 billion. Banks have been advised to introduce General Credit Card facility up to Rs. 25,000/- at their rural and semi-urban branches. Up to March 2013, banks had provided credit aggregating

to Rs.76.34 billion in 3.63 million GCC accounts. (Garg, et al (2015) [18] and World Bank (2008)[34].

Mexico

The Federal Government of Mexico established Development National Plan for 2007 - 2012 as policy agenda for increasing the level for financial inclusion, strengthen consumer protection and to enhance financial literacy in the country. The Secretariat of Finance and Public Credit works closely with supervisory agencies, the Central Bank of Mexico, the National Savings Bank and legislators, among others to keep financial inclusion as a priority on the policy agenda. In 2008, the Mexican Congress approved a reform for their banking law in order to enable the use of non-financial entities to serve the as banking agents and allow the establishment of Specialised Banks. (Niche Banks) in order to increase access to the financial services. The National Banking and Securities Commission of Mexico issued operational rule for the use of non-financial entities as banking agents to provide financial services to the underserved regions. To expand their services to the unbanked rural areas, savings and credit institutions received assistance to become formal regulated institutions and accept deposits. They are supported by National Savings and Financial Services Bank. The later provides back-office and banking services to these institutions in close cooperation with the Federal Secretariat of Finance and Public Credit, National Banking and Securities Commission and the Secretariat of Agriculture, Livestock, and Rural Development. (World Bank, 2014) [35]. (Grag.2014).

Pakistan

In Pakistan, there a board based political commitment to financial inclusion with the State Bank of Pakistan at the forefront. A wide range of policy makers are supporting the commercialisation of microfinance industry, fascinating competition, innovation and diversification of product service delivery channels in the country The first Microfinance Bank Limited has partnered with Pakistan Post to use their infrastructure for expanded outreach on financial services. There are also financing facilities and funds for institutional strengthening for microfinance and guidelines for Microfinance Banks and Microfinance institutions. Microfinance share information with their customers through private credit information Bureau with necessary privacy safeguards.

The State Bank of Pakistan has received guidelines for regulation of financial services through agents and mobile phones. The Ministry of Finance has recommended consistent tax treatment for mobile banking operations to support national outreach to rural and remote areas. The Pakistan Telecommunication Authority has also regularized registration and annual license fees on satellite communication system and other technologies that support outreach to remotely located clients.. (World Bank, 2008) [34].

Kenya

The financial inclusion goal in Kenya's Vision 2030 Strategy empowered the Central Bank of Kenya to play an active role in expanding access through regulating and supervising commercial banks. In 2009 – 2010, the Bank identified two areas which have a dramatic impact on reducing the costs of delivering financial services through the banking system These include the introduction of agents for use by the banks to deliver their services and the revision of current regulations and guidelines related to branch outlets.

Presently, Kenya is recognized as a pioneer in mobile phone financial services through the “M-Pesa” mobile payment system which had 17 million subscribers as at December, 2011. It is the most developed mobile payment system in the world that allows subscribers to deposit,

withdraw and transfer money easily with a mobile device. (Allen et al (2013).[05] and Aduda et al (2012) [01].

The Philippines

Four million unbanked Filipinos are seen to benefit from the nascent credit scoring industry, a development that is seen to serve the person that is classified at the bottom of the economy an easy access to credit once the service is available to the public. Marlo R. Cruz, president and chief executive officer of CIBI Information, Inc. (CIBI) as one of the accredited credit bureaus in the Philippines, highlighted that this is expected to unlock much economic potential in sectors of the economy that are crucial for inclusive growth.^[9]

As per Cruz, "Many people still do not realize that the value of having a credit opportunity is synonymous to generating financial power. Creditworthiness is the same as to owning a key card that can be used in navigating to the society of better possibilities." ^[10]

The Bangko Sentral ng Pilipinas (BSP) reports on Financial Inclusion Initiatives and Financial Inclusion in the Philippines summarizes the country's accomplishments and significant milestones in financial inclusion. These reports show that 4 out of 10 Filipinos saved money in 2015 (up from 2 out of 10 in 2009). Among Filipino adults, 24.5% never saved and only 31.3% (up from 26.6%) have an account at a formal financial institution. The lack of enough money was cited as the main reason for not having a bank account.^[11]

While there has been significant progress, there is still much to be done.

As an emerging country with a sizeable number of people living in poverty, access to financial services is an important challenge. Based on a March 18, 2016 report from the Philippine Statistics Authority, the country's 2015 poverty incidence (the proportion of people below the poverty line versus the total population) is at 26.3% while the subsistence incidence (the proportion of Filipinos in extreme or subsistence poverty) is at 12.1%. This means that there are around 26 million Filipinos who are still living below the poverty line. The Central Bank of the Philippines has also been involved in dialogue with the Rural Bankers Association of the Philippines to allow the launch of an innovative application using mobile money. (Global Data base (2015) [19] and World Bank (2008). [34].

THE CHALLENGES OF FINANCIAL INCLUSION STRATEGY IN NIGERIA

As earlier stated, over half of the world's adult population does not have access to formal financial institutions. Improving the global average level of Financial Inclusion has therefore become a global challenge as this poses a threat to global economic growth and development.

In Nigeria's context, it is quite clear that to cover Nigeria with a very large population of about 205 million with a sustainable financial services especially banking services is extremely a difficult task.. Both demand side factors (customers) and supply side factors (banks and other financial institutions) are responsible for financial inclusion. Banks and other financial institutions are largely expected to reduce the supply side constraint which includes non-availability of branches in rural area; high rules and regulations and high bank charges. There are also limited number and types of financial service providers compared with the population of Nigeria.

The demand side challenges include but not limited to: low literacy levels, lack of awareness of about financial products and services, irregular income of the economically active poor and

disadvantaged, lack of trust and confidence in formal banking institutions etc. The following are some of the key challenges that hinder Financial Inclusion in Nigeria:

- **Low Literacy Levels** – Given the fact that more than half of the adult population in Nigeria is uneducated, it stands to reason that this group of Nigerians also lack knowledge of the benefits derivable from accessing financial services. Furthermore, staff of financial service providers also seems to display a lack of adequate understanding of the financial services they offer and are unable to educate the unbanked effectively. We recommend that Government should embark on awareness initiatives in local languages to cater to the gap in the adult population. Financial service providers on their part have to provide on-going training to their staff.
- **Poverty and Unemployment** – Increasing poverty and unemployment are another major impediment to Financial Inclusion in the country. As these increase, more of the adult working population is less inclined to utilise financial products and services. The Government on its part has to create an enabling environment for businesses to thrive which will in effect lead to more job creation within the Nigerian economy.
- **Inadequate/Inefficient Financial Service Infrastructure** – Also of greater concern is the largely inefficient e-channel service of most of the deposit money banks. The various e-channels and applications such as ATM, POS and mobile banking platforms that are supposed to facilitate electronic transactions have remained deficient in most cases. ATM card requests stay untreated for weeks and months, while most subscribers to Internet and mobile banking platforms complain of poor services. This challenge manifests itself generally in form of inadequate financial infrastructure especially in the rural areas where the bulk of the financially excluded are found and therefore limits options for accessing financial services. Financial service providers must invest in infrastructure and ensure that regular maintenance and upgrade is conducted whilst improving customer relations.

The above are some of the demand-side challenges to Financial Inclusion in Nigeria. The supply-side challenges include long distance to financial access points, the prohibitive cost of financial services and inappropriate financial products, etc.

Regulatory barriers include the cumbersome “Know Your Customer” (KYC) requirements, lack of adequate laws and regulatory framework that would promote access to financial services. Other challenges include lack of trust in financial services providers and high rates of corruption in the country.

RECOMMENDATIONS FOR IMPROVING FINANCIAL INCLUSION IN NIGERIA

Some of these measures are recommended for achievement of greater financial inclusion in Nigeria as stated below:

- i. The government should consider tying up with Private banks to deliver financial solutions to the un-banked, using its extensive postal network and corporate agencies.
- ii. The rural poor have irregular/volatile income streams and expenditure needs, and therefore, prefer to borrow frequently, and repay in small instalments. There is need for the Government to encourage the poor by reflecting this in the regulatory framework of microfinance banks and ensures its implementation and stability of the microfinance institutions.
- iii. There is a need for composite financial services and also creating its awareness to the masses. While small rural borrowers seek savings and lending services, they also seek insurance (life, health, crop insurance, etc). Some big bank branches in rural areas would do well to explore opportunities to offer composite financial services.

- iv. Setting of Biometric ATMs in rural areas for catering to illiterate customers and at the same time educating them on how to use them by reliable and competent bank workers attached to those rural branches to minimize exposures to fraudsters.
- v. There is a need of building an interactive internet based system by which the banks could be able to understand the queries of people living in rural areas.
- vi. A lack of legal documentation is another major obstacle that poor households employed in the informal sector face when trying to open any kind of bank account, be it savings, credit, or current account. Simplification of procedures could also go a long way in encouraging the poor to bank with the formal sector, by reducing clients' transaction costs.
- vii. Public sector banks like specialised institutions currently do not have the flexibility to recruit staff locally, but staffing policies could be revisited. It is worth noting in this context that the high recovery rates of microfinance are associated with staffing policies that allow recruiting staff from the local area who understand clients' needs, and a focus on doorstep banking.
- viii. Removing usage fee on ATMs for use of other Bank ATM. This a double chare on the part of customers. The regulatory authority should see that banks do not impose such charges and should penalized for such activity.
- ix. The Government should provide free public capacity building on the importance financial literacy and customer protection framework for the rural area dwellers which will eradicate financial literacy and also encourage the poor to save, borrow and reinvest for their benefit and growth and development of the economy
- x. Banks should providing Basic Banking Accounts with overdraft facility of up to a stated reasonable amount to encourage the poor. .
- xi. To ensure that persons belonging to low income group do not face difficulty in opening bank account due to procedural hassles, Banks should not insist on minimum amount to open savings account to enable excluded open a savings account. No-specific account savings balance requires no negligible balance. This leads to lower costs both for the bank and individual.
- xiii. banks should provide all the material related to opening accounts, disclosures etc in the regional language.

CONCLUSION

In light of the above, there is no doubt that inclusive growth depends mainly on equitable distribution of growth benefits and opportunities to all that need the benefits. Financial Inclusion is one of the most critical parts which need to be equitably distributed in the country in order to attain comprehensive growth and development within the Nigerian economy. Financial Inclusion is integral to any nation's economic development, especially for developing countries like Nigeria. Greater Financial Inclusion is achieved when very economic activity, geographical region and segments of the society have access to financial information, financial assistance, financial services and financing with ease and at minimal costs. This helps promote balanced growth through the process of facilitating savings and investment and thus causing efficient resource allocation from surplus sectors of the society to deficit sectors of the society. By this process, financial transactions are made easy, income level and growth increases with equity, and poverty is eliminated, while the economy becomes insulated from external shock.

Furthermore, this paper compared Nigerian financial inclusion strategy with other emerging economies in the upper middle income strata. There is an implicit believe that Nigerian financial inclusion indicator is still shallow when compared with emerging economies both within and outside Africa. There is need for the government and other stakeholders to understand fully that to achieve sustainable higher growth, there should be inclusive financial

services extended to all, irrespective of all groups of people, especially to the economically active poor and the disadvantaged. Achieving greater Financial Inclusion is a responsibility of all relevant stakeholders and involves collective effort. However, the onus is on the government to make the first step towards Financial Inclusion by establishing a sustainable and necessary institutional framework, an effective regulatory framework and an environment necessary for success and full implementation of any Financial Inclusion strategy. As mentioned earlier, the Federal Government, through the Central Bank of Nigeria, has gone about this by inaugurating the National Financial Inclusion Strategy in 2012 and several other initiatives aimed at improving Financial Inclusion. The government must be commended for its progress thus far but must continue and intensify her effort to engage stakeholders and create the necessary environment for financial stability. Stakeholders such as commercial banks, insurance firms, agents and other financial service providers must adhere to requirements and regulations set by the CBN. They must also endeavour to engage potential financial service consumers, as they are the main tool for widening the coverage of financial services in the country.

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Planning For Instructional Resources For Science Based Subjects In Secondary Schools In Kenya: Addressing Financing Options

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ABSTRACT

Instructional resources are educational inputs necessary for raising quality of education across the school system. Planning for instructional resources include setting aside money through budgetary allocation for procurement of resources. An assurance for availability and adequacy of instructional resources require defined sources of funds and standardized procedures with appropriate financial base for prudent utilization. Interaction between policy and practice in budgeting process assures efficient utilization of finance for science instructional resources in schools. The study focussed on identification of gaps within national educational policy framework on budgeting process which influence planning for science instructional resources. Specifically, determining extent to which policy framework supports budgetary allocation, financial resources, standardized procedures and financial accountability in science instructional management. The study adopted frontloading approach, a methodological process that translates (inter)national human rights standards and obligations into the budget proposals required for effective implementation in public policy. The study reviewed legal instruments, publications, reports and documentation on instructional management. Findings indicated that, domesticating ICESCR in Constitution of Kenya (2010) scanty policy guidelines on issues of quality instruction; limited specific provision for budgetary allocation for science instructional resources, as much as FDSE provide no budgetary guidelines on bridging deficits, adherence to legal provision guiding procurement procedures and accountability. The study recommends streamlining of policies to entrench framework support for implementation and monitoring and evaluation of resource allocation for quality of instruction and management.

KEY WORDS: Budgeting Process, Utilization of Instructional Resources, Policy Framework, Human Rights

INTRODUCTION

Science is an instrument for development that plays dominant role in spearheading technological advancement, promoting national wealth and accelerating industrialization. According to Mascitti-Miller (2012) science education is a pillar in technological development and stimulates economic growth. Provision for quality science and mathematics instruction is valuable in spurring national development. Amunga, Amadalo and Musera (2011) asserted that sciences and mathematics equip learners with manipulative skills necessary for technological development and economic growth. Achieving national economic growth therefore require appropriate utilization of science instructional methods and resources provided through budgetary process at secondary school level. Supporting this position Gichohi (2015) noted that quality science instructions can only be achieved when resources are made available through adequate budgetary allocation. In Kenya, the national educational policy framework guides provision of quality instructional management through a number of legislations and

policy papers. These legislations and policy papers provisions are derived from international legal instruments that regard education as human right (Kumbi 2015). As an integral part of economic, social and cultural rights (ESCRs), education is perceived as legitimate in terms of both individual and collective good, resulting into growth both in national and global arena (Kung, Huang & Cheng (2015).

National Educational Policy Framework (2005) and Quality Science Instructions

Science education is a pillar in development in any nation. Quality science instruction is not only a prerequisite in fulfilment of education as human right but basic requirement in technological and economic advancement in any country (Mbugua & Rarieya, 2014). Provision of quality instructions and especially for science education is more valuable as far as national development is concerned. Realization of quality instruction is dependent on educational policy framework particularly on national budgetary allocation for improved learning achievement in science based subjects (Nolan, 2013). Kenya national educational policy framework(2005) should influence science instruction through budgetary allocation to secondary schools. Agreeing with the position, Mascitti-Miller (2012) underscored that policy driven budgeting process in promoting quality science instructions is essential for achieving industrialized status. National Education policy framework would therefore influence adequacy, availability and utilization of instructional resources through a budgeting process in secondary schools. In Kenya, the government through FSE policy provides finances for the purchase of instructional resources in public secondary schools based on enrolment. However, funding to ensure adequate instructional resources for science subject could only be achieved from the basis of legal instruments within educational policy framework informing budgeting process in secondary schools. This study looked at the gaps in national educational policy framework on school budget management strategy and influence of budgetary allocation for science instructional resources in secondary schools in Kenya.

School Budget Management Policy and Quality Science Instructions

Quality science instructions in secondary schools require an institutional budget management policy to influence budgetary allocation teaching and learning resources for chemistry, biology and physics. Supporting this position Wagithunu, Muthee and Thinguri (2014) noted that school budgeting policy provides a system for budgetary allocations, budget control and accountability measures to ensure appropriate utilization of science instructional resources. Further, Gichohi (2015) noted that school budget management policy enables educational institutions to organize and manage funds for effective science instructions. In practice school budget management policy should provide a leadership framework for ensuring availability and adequacy of instructional resources which would enable learners understand science concepts. Echoing these sentiments, Kung et al (2015) asserted that school budget management policy should be designed with regard to enrollment, infrastructure and staffing purposely for realization of institutional science instructional goal. To achieve science instructional goals in secondary schools through adequate budgetary allocations gaps in national educational policy framework needs to be identified and addressed. This study sought to identify Kenya educational policy framework with focus on how it influence science instructional management through budgetary allocation at secondary schools level.

Statement of the Problem

Educational policy framework from national level should influence science instructional management in secondary schools in any country. Quality science instruction is dependent on adequate budgetary allocation for teaching and learning resources for biology, chemistry and physics in secondary schools. Budgetary allocations and utilization of science instructional resources at secondary schools are determined by tenets of national educational policy

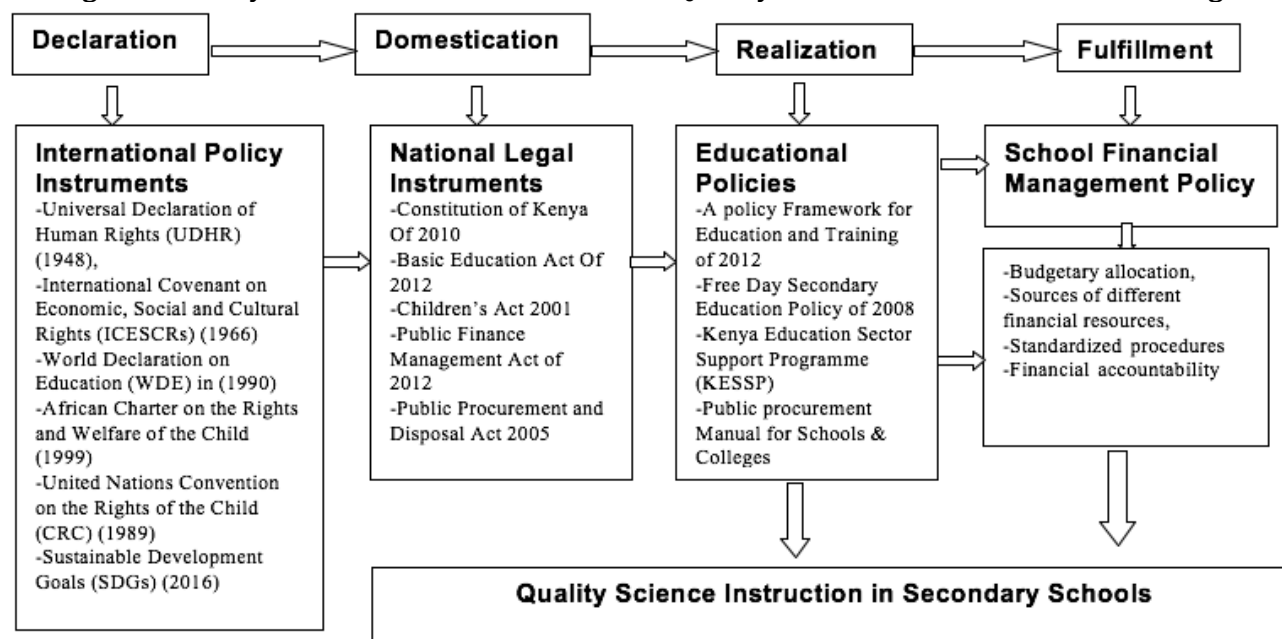
framework which are hinged on international instruments on education as a human right. This made it necessary to trace gaps on Kenya national educational policy framework with focus on how it would influence budgetary allocation and utilization of science instructional resources in secondary schools. From national platform to secondary schools financial policy framework provisions for quality science instructions through budgeting process need to ensure adequacy, availability and utilization of instructional resources. In this study focus on identifying gaps on Kenya national educational policy framework influencing budgetary allocation and utilization of science instructional resources in secondary schools.

THEORETICAL FRAMEWORK

This study adopted a methodological process used to offer budget recommendations on the basis of (inter)national human rights standards known as frontloading. Nolan (2013) defined frontloading as a methodological process that translates (inter)national human rights standards and obligations into the budget proposals required for effective implementation in public policy and budget cycles. Allocation of funds for tuition as part of FSE policy has implications for the fulfillment of quality education as human rights depending on how sufficient the level of financing would be to raise level of adequate instructional resource for learning at school. As noted by Chetambve and Sakwa (2013) allocation for tuition through FSE policy is inadequate in ensuring availability for instructional resource. This position is supported by UNESCO (2015) assertion that often governments adopted laws and policies that are not implemented due to insufficient funding. Frontloading allows application all rights-based budgeting analysis frameworks on macro-level quantities to micro-level qualities focusing on circumstances of particular right, in case realization of quality instructions from funds allocated to tuition through FSE policy. To adequately allocate resources for instructional management, level of resources a government allocates to tuition in secondary schools determines quality of Education.

CONCEPTUAL FRAMEWORK

Figure 1: Policy Framework for Realization of Quality Instruction as an Educational Right



METHODOLOGY

This study merged theory with practice by relying on related literature review of statutes, policy papers, treaties and reports on education as a human rights issue. A desk review was conducted to establish the most recent developments and trends in the education sector policy, which involved a comprehensive study of legal instruments, publications, reports and documentation on instructional management. The study was contemporary and assessed ongoing reforms in the education sector in Kenya with a view to informing theory and practice on budgeting process for planning and utilization of science instructional resources in secondary schools

FINDINGS AND DISCUSSION

National educational policy framework (2005) is combination of legal instruments developed for the purpose of domestication, realization and fulfilment of education as human right. In realization and fulfilling right to education, national educational policy framework needs to appreciate role science subjects in technological advancement, national wealth creation and spearheading industrialization. This study was focussed on identification of gaps in policy framework on issues of quality science instruction; budgetary allocation for science instructional resources, procurement procedures for science instructional resources and accountability in science instructional management in secondary schools.

International Covenant on Economic, Social and Cultural Rights (ICESCRs) of 1966

The Universal Declaration of Human Rights (UDHR) of 1948 in Article 2, International Covenant on Economic, Social and Cultural Rights (ICESCRs) of 1966 in Article 13 stated that everyone has the right to education (Nolan 2013). Education as a human right was reaffirmed at the World Declaration on Education for all (WDE) Jomtien, Thailand in 1990 (Wadesango,. 2012). As a way of fulfillment of UDHR (1948), ICESCRs (1966) and WDE (1990), in 2000 an international conference on education held in Dakar, Senegal came up with the initiative called Education for All (EFA), to encourage countries to work towards making education accessible to all by 2015 (Hussein, 2015) with no emphasis on quality instructions. UDHR (1948) highlights the right to education; including those relating to specific groups such as children,

racial minorities, and women, but ICESCR provides the most comprehensive provisions. For instance Article 13(1) of ICESCR state in part that education shall be directed to the full development of persons to strengthen the respect for human rights; Article 13(2b) emphasizes that secondary education shall be made generally available and accessible to all by appropriate means and in particular progressively made free. In addition to article 13 which is the main provision, while other articles targeting education include Article 6(2) which obligates states party to create and implement training programs to fully realize the right to work and Article 10(1) that calls for protection and assistance of families in their responsibility in educating children. Reaffirmation of right to education as noted by Wadesango (2012), was made through WDE in Jomtien in 1990 by stressing tapping each individual's talents and potential while developing learners' personalities, to improve lives and transform societies. The Jomtien 1990 conference was concerned with quantity without stressing quality through making instructional resource not only available but also adequate in schools (Hussein, 2015). Highlighting the need for quality instruction through budgetary provision for teaching and learning resources for science based subject would lead into technological advancement, national wealth creation and spearheading industrialization.

Free Day Secondary Education Policy (2007)

In 1972 Kenya signed ICESCR as a declaration of education as a human right which would require better focus on sciences as means towards industrialization and wealth creation. In 2003, Kenya launched FPE, while FDSE was initiated in 2007 as results for political campaigns after elections. This meant launching before policy papers were developed to address issues of quality instruction in sciences and were purely intended for realization of World Declaration on Education of 1990 (Chaudhury et al 2006). Later, a budgeting framework for guiding planning for educational goals was provided for in FDSE policy. According to FDSE policy, the government meets fees of Kshs. 10,265 per student in secondary school broken down as shown in Table 2

Table 1: Breakdown of Allocation of FSE in Vote Heads per Student

S/No.	Vote Head	Amount (Ksh)
1	Tuition	3,600
2	Repairs, Maintenance and Improvement	400
3	Local Travel and Transport	400
4	Administrative Costs	500
5	Electricity, Water and Conservancy	500
6	Activity	600
7	Personal Emolument	3,965
8	Medical	300
Total		10,265

Source: MOEST, Nairobi (2016)

Table 1 indicates that tuition is allocated Kshs: 3600, which is expected to finance instructional resources. While the provision of FDSE was commendable, there is no empirical evidence on how science instructional management was to be developed. At secondary school level, adequacy and availability of science instructional resources is determined by a financial management framework guiding the budgeting process. Therefore secondary schools are expected to have financial management framework to guide budgeting process by looking at how effectively science instructional resources could be availed for better learning outcomes. Learners' achievement in science subjects should be a product of effective utilization of instructional resources provided for in FDSE policy as budgetary provision for tuition (Oyier,

Odundo, Ngauriaya & Mwangi, 2017). However, there is no policy directive on compelling secondary schools to allocate a given portion on science instructional resources. This is in tandem with findings from study on effective management of schools in Ghana by Draah (2011) who noted government's failure to put in place a policy framework on minimum standards in relation to provision of science instructional resources. Wagithunu, Muthee and Thinguri (2014), looked at extent to which FDSE policy has contributed to availability of instructional resources in secondary schools and suggested the need of a clear guideline on spending KES: 3600 meant for tuition per learner. The contribution of FDSE on availability of science instructional requires school level financial management to guide budgetary allocation for effective learning outcome. A school budgeting policy would therefore guide planning, monitoring and controlling the utilization of instructional resources towards desirable learning achievements in science subjects.

Sessional Paper No. 1 of 2005 on Education, Training and Research

Sessional Paper No. 1 of 2005 on education, training and research was developed and adopted to bring reforms through a Sector Wide Approach to Planning (SWAP) for the purpose of improving quality of instructions in science secondary schools. The sessional paper emphasized access, equity, quality, relevance and the strengthening of governance with no provision on how to make instructional resources adequate and available, (Kaguri, Njati & Thiaine, 2014). For effective learning in sciences Gichohi (2015) as well as Nolan (2013) suggested that schools need a framework for budgeting to oversee, direct, conduct, regulate and control instructional management. Such a framework as noted by Kipkoech and Chesire (2011) should be intended to provide leadership with basis for ensuring adequate allocation utilization of instructional resources to help students understand the concepts in science subjects. Further, through Sessional Paper No. 1 (2005), Kenya Government had anticipated that in the long run, secondary education would be integrated as part of basic education. This has already been achieved through Basic Education Act of 2015; however there is no provision guiding budgetary allocation and utilization of science instructional resources in secondary schools. As suggested by Oyier and Odundo (2017) money needs to be set aside through budgeting process for science instructional resources and requires policy guidance. As much as Sessional Paper No. 1 of 2005 was intended to reform education through instructional management planning for quality instruction demands that money be set aside teaching and learning resources in secondary schools.

Constitution of Kenya (2010) and Quality Science Instruction

Domestication of ICESCR came in Constitution of Kenya (2010), by recognizing education as human right Article 43. Secondly, articles 43.1f, 53.1b and 55a makes education a right of every citizen and like FPE and FDSE which came into force earlier, issues of quality science instructions was not addressed. Further, in Schedule 4 it is stipulated that among the roles of national government are education policy and standards. Instructional management in secondary schools falls within these functions and is expected to be addressed through parliamentary legislations and ministerial policy papers. Given that Vision 2030 underscores the importance of science subjects in ensuring relevant human and social capital for sustainable development, Constitution of Kenya (2010) provides a basis for adequate budgetary allocation for instructional resources through legislation. This is further highlighted in article 11(2) (b) and (c) which recognises the role of science in the development of the nation on top of guaranteeing every child to free and compulsory basic education. However, to achieve transformational knowledge based economy as suggested in Vision 2030 adequate budgetary allocation and utilization of science instructional resources requires a legislative policy framework (Oyier et al, 2017)

On financial management to ensure adequate budgetary allocation for science instructional resources is realized and managed for effective learning, article 10(2) of the Constitution sets out the national values and principles of governance. These include inter alia inclusiveness, good governance, integrity, transparency and accountability. Together with provisions of chapter 13, the constitution lays a basis for secondary schools boards of managements (BOMs) with values and principles key in managing schools resources for effective science instructional management. Such values according to Odundo and Oyier (2017), define school financial management leadership which directly influence budgetary allocations for science instructional resources. Further in Articles 20, 35, 42, 43 and 53 have an emphasis on education as a human right and Nolan (2013) asserted that countries to be guided by the principle that it is own responsibility to have resources to implement educational programmes. The constitution may not be explicit on resources for science instructional management in secondary, but accompanying legislation need to provide direction on sources of funds.

Values and principles in Article 232 of the constitution according to Odundo and Oyier (2017), define how secondary school financial management leadership would efficiently and effectively manage available resources. Prudent financial leadership in secondary schools provides the most economical way to ensures quality science instructions through adequate budgetary allocation and utilization. Specifically, Article 232 (1a), talks of high standards of professional ethics which would require secondary schools leadership to work with science teachers in determination and management of budgetary allocations for science instructional resources. Operationalizing Article 232 (1a) through parliamentary legislation would improve utilization of instructional resources through sourcing or procurement in most accountable way possible. This is further emphasized in Articles 201(a), (d), and (e); 226 and 227 on public finance relating to transparency, accountability, and appropriate governance of public monies. As noted by Joubert and Bray (2007) in an article on public schools administration it is prudent to be accountable for effective instructional management. Specific guideline on science teachers' involvement in budgetary allocations and management of resources for effective learning in sciences could be traced from Article 237 on the Teachers Service Commission Act 2012.

Effective science instructional management requires secondary school principals to solicit support for respective subject teachers in school budgeting process to ensure adequate budgetary allocation for teaching and learning resources. This requires further legislations to operationalize Chapter 13 of the constitution to address involvement of science teachers in budgeting for instruction resources. As noted by Anderson (2008) budgeting for instructional resources is part of school financial management provides the most visible ways through which science teachers can participate in decision making in secondary schools, hence the need for policy guideline. This will ensure adequate budgetary allocation for science instructional resources to make resources available for effective utilization as a determinant of good learning outcome and overall performance of the school

Kenya Vision 2030

The Kenya Vision 2030 is the national long-term development policy aiming at transformation into a new industrialized and middle-income country by 2030. The Vision recognises the role of science, technology and innovation (ST&I) in a modern economy, which can only be realized through effective learning at all levels of education. Science instruction is expected to be the principle catalyst towards realization of Vision 2030. Quality science instructional management results into an educated and skilled population that would create, share and use knowledge towards industrialization in Kenya. As much as Vision 2030 recognizes that in the process of the emergence of the knowledge economy is associated with an increase in science-

related and technology-based activities, it does not specifically underscore instructional management. To adequately improve on the national pool of scientific skills and talent adequate budgetary planning, allocation, monitoring and control for science instructional resources is essential. So long as policy framework on education address budgetary implications for science instructional management Vision 2030 envisaged curriculum that would lead to national pool of scientific knowledge, skills and competencies to meet the human capital needs of the country. The goal is to develop a repertoire of skills and competencies necessary to achieve the objectives and goals embodied in the Constitution, 2010 and Kenya Vision 2030. Under the policy and the subsequent legislative framework, the Government should provide free and compulsory basic education that is qualitative and relevant to Kenya's development goals through quality instructional management. Particularly, this would be vital in clarifying on budgetary allocation for science instructional resources to enhance utilization with focus on national development agenda through quality education across the school system.

Sessional Paper No14 of 2012

Article 11(2) (b) and (c) of the Constitution of Kenya (2010) recognises the role of science in the development of the nation on top of guaranteeing every child free and compulsory basic education. This is guided by the principle of universal access to education for every child under 18, as enshrined in Article 53 of the Constitution. Every child is entitled to free and quality education, regardless of social condition, gender, regional background, and disabilities. This is operationalized in Sessional Paper No14 of 2012 as a policy framework for education and training. Sessional Paper No14 of 2012 contains educational reforms anchored in Bill of Rights of the Constitution of Kenya (2010) which has no specific provision for quality instructions in science subjects. Learners' achievement in science subjects are products of effective utilization of instructional resources provided for in FDSE policy as budgetary provision for tuition. Therefore realization of Sessional Paper No14 of 2012 aspirations could partly be achieved through school level financial management policy which would ensure adequate budgetary allocation for science instructional resources. This would further enhance utilization of science instructional resources for knowledge acquisition and skills necessary for national development and economic take off toward middle level income country.

Basic Education Act of 2015

The constitution may not be explicit on resources for science instructional management in secondary, but accompanying legislation need to provide direction on sources of funds. As a requirements of the constitution, Basic Education Act of 2015 repealed Education Act 211 of 1968 (revised 1980) to modernise Kenyan educational management. In Article 86 (2), the Act highlights the need for adequate funding of secondary education without elaborating on budgetary allocation for science instructional resources. This failed to address quality science instruction which is lacking in Science and Technology Act of 2009. Secondly, as much as emphasis is on training shifts from knowledge-reproduction to knowledge-production it does not provide a clear policy guideline towards quality science instructions. Thirdly, it highlights on reforming management of education and make it functionally relevant to the provisions of the constitution without emphasis budgeting process towards realization of better learning outcome. However, it has emphasis on efficiency in delivery of education through creation of structures to ensure public participation in the management. This is key science instructional management and according to Odundo and Oyier (2017) recognition the role of science teachers in budgeting process go a long way in effective utilization of teaching and learning resources. Further, it echoes Mbugua and Rarieya (2014) assertion that participation of science teachers in budgeting process would be vital in overseeing, directing, conducting, regulating and controlling in science instructional management. Further, a policy on science teacher

involvement in budgeting for instructional resources would enhance knowledge acquisition and gaining of skill for national economic development.

Children Act of 2011

Education in the Children Act of 2011 means the giving of intellectual, moral, spiritual instruction or other training to a child. Children Acts of 2011 operationalized Articles 53 of the Constitution provisions on children's right to free, compulsory and quality basic education, . This provision however, has no direct influence on science education and budgetary allocation for relevant instructional resources. Right to education as provided for in Article 7 which emphasizes responsibility government and parents in funding education, but without clarity for budgeting for instructional resources. This is in agreement with Chetambve and Sakwa (2013) assertion that as much as instructional management in public secondary schools is mainly financed by the government there is need for a policy guidance on budgetary allocations for science teaching and learning resources. According Kaguri, Njati and Thiaine (2014), the government through FDSE policy meets fees of Kshs. 10,265 per student in secondary school out of which Kshs: 3600 is for tuition and should cater for science instructional resources. Schools can also finance budgetary allocations for instructional resources from fees paid by parents, funds from income generating projects, contributions or donations by private sources and special grants from government (Kumbi, 2015). In ensuring adequate budgetary allocation for science instructional resources, schools will be fulfilling provisions of Article 7(2) Children Act 2011 and Article 28 of the United Nations Convention on the Rights of the Child. However, there is a need to emphasize through a policy or legislative process the need for adequate budgetary allocations for science instructional resources to enhance utilization for children individual development.

Teachers Service Commission (TSC) Act 2012

Article 237 of the constitution accords special status to the Teachers Service Commission (TSC), whose main role is teacher management. The TSC Act of 2012 converted the TSC, previously a semi- autonomous agency into a constitutional commission. TSC as a constitutional office provide a basis for secondary school principals and science teachers in instructional management. This puts secondary school leadership to play a key role in the delivery of quality science instruction through adequate budgetary allocation for teaching and learning resources. In practice secondary principals have the responsibility of ensuring that there is adequate budgetary allocation to support effective learning in science subjects through appropriate utilization of instructional resources. To ensure this takes place secondary schools need strategic plans plus financial management policy to guide budgeting and utilization of science instructional resources (Oyier & Odundo, 2017). Although the importance of the instructional leadership is a responsibility of the principal, budgeting for science teaching and learning resources should be a collaborative effort. In reality, good instructional leadership skills are seldom practiced as noted by Mbugua and Rarieya (2014) secondary school principals need to be guided on a collaborative approach in budgeting for science teaching and learning resources to ensure appropriate utilization. Achieving this requires secondary schools leaderships to develop a financial management policy to guide budgetary allocation for science instructional resources (Oyier et al 2017). This is gap that needs to be addressed in order to ensure that allocation for instructional resources is adequate for quality science instructions to take place in secondary schools.

Public Finance Management Act 2012;

Articles 201(a), (d), and (e), 226, and 227 of the constitution have provisions on Public Finance relating to transparency, accountability, and appropriate governance of public monies. Public

Finance Management Act 2012 (PEMA) operationalizes the requirements of article 201 of Constitution of Kenya (2010) and Education Act 2012 in ensuring that budgetary allocations for science instructional resources are prudently managed. It is intended to directly influence budgeting process in secondary schools and ensuring that instructional resources for science are adequately made available for quality instructions. In practice secondary schools need a financial management policy hinged on PEMA 2012 to guide budgeting for science instructional resources in a transparent and accountable manner (Oyier & Odundo, 2017). Adoption of provisions of PEMA 2012 into secondary school financial management systems should enhance overseeing, directing, conducting, regulating and controlling in science instructional management. This will be in tandem with Mbugua and Rarieya (2014) assertion that involvement of science teachers in budgeting process for sourcing of instructional resources would go along in ensuring effecting learning in biology, chemistry and physics in Kenyan secondary schools. As PEMA 2012 operationalizes provisions in Articles 201(a, d & e), 226, and 227 of the Constitution it provides secondary schools management with basis for effective science instructional management through budgeting process. This is possible because Article 207 of PFMA provides for participatory governance through structural mechanisms, processes and procedures. It would be necessary therefore to have school specific financial management policy incorporating tenets of PEMA 2012 to enhance accountability in budgetary allocation and utilization of science instructional resources.

Science, Technology and Innovation (ST&I) Policy of 2012

The mandate of the education sector is to respond to the Constitution (2010) and Kenya Vision 2030 in making Kenya economic inclusive, relevant and competitive internationally. Science education in particular is an instrument for development. As noted by Oyier and Odundo (2017) science education brings global relevance and competitiveness through technological advancement and accelerating industrialization. Further, Amunga, Amadalo and Musera (2011) in an article on implications of Vision 2030 on learning achievements underscored the role of science instruction in enhancing national development through innovative technology. This could be achieved through proper implementation of Science, Technology and Innovation (ST&I) policy 2012 as a path towards industrialization. ST&I policy aims at creating endogenous capacities appropriate to national needs, priorities and resources which are necessary towards realization of Kenya Vision 2030. Transforming the country into a newly industrialized and middle-income nation requires a comprehensive policy framework to promote science education through quality instructions. However, as much as ST&I policy focuses on creating a science, technology and innovation culture it lacks emphasis on the need for adequate budgetary allocation for instructional resources to make this a reality.

Public Procurement and Disposal Act 2015

Procurement of instructional resources in secondary schools in Kenya starts with setting tendering committees as required by Public Procurement and Asset Disposal Act 2015 (PPADA). The main provision of PPADA is decentralization which grants teachers and subordinate staff the power to control procurement process through tendering committees in secondary schools. Expanding membership of tender committees to include BOM and PTA members remains critical for checks and balances with such committees. Based on this, it is critical that procurement regulations be reviewed to allow the inclusion of BOM, PTA, opinion leaders, teachers and ministry representatives in school tender committees. This is likely to provide a strong mechanism for checks and balances needed by the committees to ensure budgetary allocations for every vote head are effectively utilized. Wagithunu et al (2014) acknowledged existence of guidelines on the vote heads and allocation of funds that schools in Kenya use in managing schools finances based on student numbers. As noted by Chetambve and Sakwa (2013) in Kenya through FSE policy the government meets fees of Kshs. 10,265 per

student in secondary school of which Kshs: 3600 is tuition covering purchase of instructional resources like textbooks according to enrolment. At secondary school level, existence of a budgeting policy beyond the guidelines from MOEST would effectively guide utilization of budgetary allocation for instructional resources for science subjects from Kshs: 3600 allocated for tuition.

CONCLUSIONS AND POLICY RECOMMENDATIONS

Kenya government recognizes the key role played by science in wealth creation, building human capital and innovations required for the transition to knowledge driven economy. As proposed by Vision 2030 quality instructions in science subjects would raise productivity and efficiency levels across economic, social and political pillars in national development. Laying down appropriate implementation framework for key policies and legislations should focus on identification, acquisition, transfer, diffusion and application of relevant scientific knowledge in all sectors of the economy. To achieve this there is a need for specific provision in making sure secondary schools have adequate instructional resources for learning sciences. Such provision would lead into realization and fulfillment of education as a human right as envisioned in the article 43 of the Constitution of Kenya (2010). The right to education is a multiplier or empowerment right as well as an essential means to promote other rights. At national level focus should be on Article 13 of ICESCR which state in part that education shall be directed to the full development of human personality to strengthen the respect for human rights. Secondary school education should not only be made available and accessible through appropriate policy framework, but the emphasis should be on quality science instructions through adequate budgetary allocations. As noted in Article 13(2b) of ICESCR this can be achieved progressively to make Kenya move towards knowledge economy.

Despite having domesticated ICESCR in Constitution of Kenya (2010) there are no policy papers on issues of quality science instruction. This evident in Sessional Paper No14 of 2012 as a policy framework for education and training containing reforms anchored in Bill of Rights of the Constitution of Kenya (2010) has no specific provision for quality instructions in science subjects through availability and adequacy of instructional resources. Article 11(2) (b) and (c) of the Constitution of Kenya (2010) recognises the role of science and indigenous technologies in economic development and the promotion of intellectual property rights of the people of Kenya, but this is not achievable without adequate budgetary allocation and appropriate utilization of instructional resources. Lack of emphasis on quality instruction in science subject is evident in Basic Education Act of 2013; MOEST's policy on Science, Technology and Innovation; and Science and Technology Act of 2009. For school to adequately provide for science instructions a strategic plans plus financial management policy are needed to guide budgeting and utilization of instructional resources. Articles 201(a), (d), and (e), 226, and 227 of the constitution have provisions on public finance relating to transparency, accountability, and appropriate governance of public monies. This would require structured involvement of stakeholders budgeting process for sourcing of instructional resources in secondary schools as way of implementing provisions of Public Finance Management Act of 2012.

The study recommends that policy gaps in laws that make it difficult to operationalise provision of the constitution on education as human right and public finance management to ensure that there is availability and adequate instructional resources needs to be in place. Secondly, it is important to have policy on strengthen the capacities of principals at Kenya Education Management Institute (KEMI) on formulation of school financial management strategy. This will make secondary school principals appointed on the basis of teaching experience, academic and professional qualifications to have financial management capacities.

Thirdly, schools should find means bringing all possible input from staff, parents, students and the community together to ensure adequate provision and utilization of instructional resources in science. On further research, the study recommends work of the effects on school financial policy on availability and adequacy of instructional resources.

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(TSC) Act 2012 Teachers Service Commission

Technical and Operational Innovations approaches to firm performance of SMEs auto service sector

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INTRODUCTION

Previous studies on Small and Micro Enterprises (SMEs) services performance suggest a number of predictors. Management researchers have over the years investigated and compiled the critical factors that contribute to the outcome of the firm performance SMEs service sector with innovation capabilities as the predictors (see; Sarooghi et al., 2015; Atuahene-Gima, 2005). However, much research has not been conducted into the automobile services industry in Ghana (Kankam-Kwarteng & Amoateng, 2016). The dimensionalities in measuring the performance of SMEs service firms have included both internal capabilities and external capabilities components of business operations (Singh et al., 2008). Significant, to the internal capabilities of the firm, include building continuous capabilities in innovations. Kankam-Kwarteng et al. (2018) found that firm performance measurement in the SMEs auto service in Ghana can be attributed to service innovations. Walker (2004) suggests that types of innovation are critical in influencing each other and they should be instituted in conjunction to realise their full potential. On technical innovation, Staropoli (1998) found that it can be improved by accommodating institutional rearrangement and coordinating frameworks. Various types of innovations that have been posited by Walker (2004) are closely related and that the more research is required to provide further clarify their contribution towards building a comprehensive framework for measuring the effects of innovations on the performance of enterprises. The significant link between the performance of firms and innovations has been demonstrated in previous empirical research (see; Koc & Ceylan, 2007; Li & Atuahene-Gima, 2001). The theoretical literature relating to The Relationship between the innovations types have been limited (Gunday et al., 2011). All the types of innovation activities are expected to lead to superior firm performance compared to enterprises that are not innovation oriented. In measuring firm performance outcomes of SMEs service sector, different concepts have been used (Rosenbusch et al., 2011).

In most cases, the predictors have been based on internal capabilities such as innovation. In this study of the SMEs auto service industry, innovations of the firms have been conceptualised

into technical and operational innovations and how they influence firm performance. This dimension is based on the nature of operations of the SMEs auto service industry.

LITERATURE REVIEW

Available literature on firm innovativeness maintains that innovation is one of the core elements for the success of firms and their survival (Jimenez & Sanz-Valle, 2011; Cho & Pucik, 2005; Bell, 2005; Damanpour, 1996; Fiol, 1996; Wolfe, 1994) and sustainable competitiveness (Standing & Kiniti, 2011; Bartel & Garud, 2009; Johannessen, 2008; Mumford & Licuanan, 2004). Even with the dimensionalities of the concepts of innovations in extant literature, management researchers continue to struggle for a consensus standard of the exact meaning of the concept (Amara & Landry, 2005). Therrien et al. (2011) posited that innovation involves innovativeness capabilities transform complex processes that relate to changes in process and production functions in which enterprises seek to formulate and implement their unique competencies in technology, considered as a set of resources an enterprise possesses and the manner in these.

Innovation at the firms' level refers to an enterprise' receptivity and propensity to adopt new ideas that lead to the development and launch of a new service (Rubera and Kirca, 2012). According to Brouwer (2000) innovations can be categorised into two primary forms, a process and product innovations. Innovation researchers have suggested business model innovations, managerial innovations, organisational innovations and marketing innovations (see; Subramaniam & Youndt, 2005; McGrath, 2001; Huiban & Bouhsina, 1998). Firm innovativeness is also characterised by incremental and radical, based on its degree (Koberg et al., 2003). Some management researchers also categorised innovations covering product and processes types from non-technological innovation capturing organisational and marketing innovations.

The current research is based on the categorisation of two types of innovations conceptualisation from the existing models of innovations found in the extant literature (see; Damanpour et al., 2009; Popadiuk, & Choo, 2006) as technical innovation and operational innovation. Technical innovation introduces a new service or significantly transformed services based on its characteristics and intended uses (Rice, 2013; Tether, 2005). They included significant transformations in technical components and materials, specifications, user-friendliness, incorporated software and other functional attributes (Sanz-Valle et al., 2011). The operational innovation of firms has to do with introducing customer specific requirements that are considered marketing oriented. Thus, operational innovation of the firm is the formulation of an innovative marketing strategy consisting of significant transformation in service package, service design, placement of service, service pricing and service promotion (Klingenberg et al., 2013). Operational innovation aims at an effective way of addressing the needs of customers, opening a new market, positioning the firms' service on the market with the intention of improving customer base (Oke & Kach, 2012).

Firm performance and Innovation

The Resource-Based Theory (RBT) of the firm suggests that enterprises have a bundle of capabilities and resources. These capabilities and resources provide a more sustainable competitive advantage and contribute to higher returns (Peteraf & Barney, 2003). Resources consist of enterprises' intangible and tangible human resources, and capabilities refer to the ability of an enterprise to make full use of these resources (Harrison et al., 2010). Management researchers (see; Molloy et al., 2011; Ray et al., 2005) have conceptualized an enterprise resources as the resources that involves the capabilities, assets, firm attributes, organizational

processes, knowledge and information structured by the firm that enables the business to formulate and implement a strategy that increase its effectiveness and efficiency. Innovation capabilities based on technical and operational orientations are resources that enhance organisational competitiveness (Zhou et al., 2005). The practical application of innovative capabilities is widely recognised in contemporary management practices as a tool for providing a sustained competitive advantage resulting in enhanced the performance of the enterprise (Koc & Ceylan, 2007).

Firm performance has been considered in the literature as a multidimensional concept (Poon et al., 2006; Murphy et al., 1996; Venkatraman & Ramanujam, 1986) involving components that can be categorised into finance, production and marketing (Sohn et al., 2007). The determinants of firm performance have been extensive in the literature (Donkor et al., 2018). Fundamental to performance studies have been on innovation capabilities (Camisón & Villar-López, 2014). The implementation of innovation strategies as a predictor of firm performance has been studied extensively. However, the existing research on innovation is yet to provide consistency evidence on the effects of the new dimension as proposed in this study (technical innovation and operational innovation) on the performance of SMEs (Koc & Ceylan, 2007; Li and Atuahene-Gima, 2001). There is empirical support for the broad innovation influence on firm performance (Prajogo, 2006). Notably, some researchers have found either no direct effect of innovation on performance (Wang et al., 2011) or a negative effect (Kotabe et al., 2002). Barker III and Mueller (2002) explained that R&D investment and implementation could have either a negative or positive impact on profitability in various situations. Such a conflicting outcome is an indication that the innovation and firm performance relationship is more complicated than assumed (Baer & Frese, 2003). Based on the dimensionalities in the innovation firm performance and the proposed conceptualisation of the innovation into technical and operational, this study hypothesised that;

H1: *Technical innovation will have a significant positive influence on firm performance SMEs auto service industry*

H2: *Operational Innovation will have a significant positive impact on firm performance SMEs auto service industry*

H3: *Operational innovation will mediate the Technical innovation and firm performance SMEs auto service industry*

METHODOLOGY

Population and sampling issues

The study focused on the SMEs auto service firms in Ghana. Data were obtained from a sample of 180 auto service sector SMEs in Kumasi through the administering of questionnaires. The participants were selected based on the principle of willingness to participate. It became necessary to the non-probability sample techniques (Convenience) because of the difficulty in controlling the entire population of the SMEs auto service operator to perform a probability or random procedures. The questionnaires were filled by SMEs owners and operations of the service centres of the businesses. The questionnaire included firm-specific characteristics which included firm age, Firm size and ownership types. The items for technical innovation, operational innovation and firm performance were developed based on measurement scales.

Measures

In this paper, innovations are categorised as technical service innovation and operational service innovation. The items developed for the two variables were extracted from existing types of innovations including process, product, organisational and marketing innovations. For the activities of the SMEs auto service industry, the items were refined to suit the technical demands of service automobiles and the activities aimed at increasing customer management

(operational innovation). The initial items were technical innovation (11-items) and operational innovation (9-items). After reliability and validity test of the measuring scale, four items each were retained for both technical innovation and operational innovation. All the scales for both technical innovation and operational innovation were measured on a Likert scale '5' strongly agree to '1' strongly disagree.

Firm performance has been measured from different perspectives. Two most prominent perspectives included subjective measures and objective measures (Wall et al., 2004; Dawes, 1999; Dess & Robinson, 1984). Firm performance measures chosen for this study are subjective. This is because there is the difficulty in collected objective data based on financial statements from the SMEs auto service industry. Venkatraman (1989) explains that in the absence of any objective data that is publicly available subjective data becomes a perfect replacement. Four 4-items were retained for firm performance after screening 11 items across areas of financial and operational performance. All the scales for firm performance were measured on a Likert scale '5' strongly agree to 1 strongly disagree.

ANALYSIS OF RESULTS

Firm profile

Table 1 reports the sampled firm characteristics. It is noted that the most of the sampled firms (55.5%) are sole proprietorships. It should be emphasised that the study endeavoured to capture firms of all types including joint ventures (12%), partnerships (22.5%) and others including sole proprietorships (10%). The majority of these institutions were identified to be micro and small-scale enterprises (70%) as compared to medium scale institutions (20%). Concerning the number of years of existence, the report indicates that whiles majority of the firms are within 10 years (76%). It is also demonstrated that the number of firms declines as the number of years extends; suggesting somewhat remotely the inability of most SMEs to operate for extended periods.

Table I: Firm Profile

		Frequency	Per cent
Business Type	Sole proprietorship	100	56
	Partnership	41	23
	Joint venture	22	12
	Others	18	10
	Total	180	100
Firm age	Up to 2 years	31	17
	From 2-5	65	36
	From 5-9	41	23
	From 9-13	27	15
	From 13 and above	16	9
	Total	180	100
Firm Size	5-9 employees	126	70
	10+ employees	54	30
	Total	180	100

Source: Authors (2018)

Reliability and validity

After data collection, a series of analyses were performed to test the reliability and validity of the constructs. The researchers followed a two-step method to test the construct reliability. First, the researchers conducted exploratory factor (EFA) analyses using both orthogonal and

oblique rotations to ensure high loadings on hypothesised factors and low loadings on cross-loadings in the data sets. All the items loaded onto the expected factors without significant cross-loadings. Then the reliability of each construct was tested using Cronbach's alpha. Cronbach's values shown in Table 3 are within the acceptable values for all constructs dataset indicating that all constructs are reliable for this research.

Table II: Construct reliability and Validity

Constructs	Factor Loading	Alpha (α)
Technical Innovation (KMO=0.806, Variance explained=42.396%, Alpha=0.829)		
1. Using skills and systems to respond quickly to auto services	0.741	0.799
2. Acquire relevant technology in response to advances in auto servicing	0.652	0.811
3. The industry is in constant needs of technical skills and supports systems	0.553	0.822
4. There are significant transformations in technical components and materials used for auto servicing	0.662	0.811
Operational Innovation (KMO=0.729, Variance explained=54.420%, Alpha=0.710)		
1. We have been consistent in meeting the needs of customers	0.755	0.613
2. The extent of varieties of services offered to customers is incomparable	0.645	0.708
3. The nature of service support to customers are constantly improving	0.794	0.616
4. Customers are constantly consulted in providing service delivery	0.748	0.656
Firm Performance (F. P)(KMO=.710, Variance explained=59.044%, Alpha=0.765)		
1. SMEs auto services growth	0.714	0.747
2. High profitability in the auto servicing business	0.698	0.752
3. Increased market share in servicing automobiles	0.844	0.648
4. Competitive advantage gained in auto services	0.808	0.682

Source: Authors' Survey, 2018

Factor loadings and Cronbach's alpha of Technical innovation, Operational innovation and firm performance have been produced individually and are shown in Table II. Technical innovation contained four-4 items showing Cronbach's alpha of 0.829. Total variance explained is 42.396%, and Kaiser-Meyer-Olkin (KMO) stands to be 0.806. Operational innovation containing four-4 items explained 54.42% of total variance and alpha stood to be at 0.710. Finally, firm performance contained four-4 items and explained 59.044% variance. KMO remained at 0.710 and alpha stood to be at 0.765.

Correlation Analysis and Descriptive Statistics

Kamasak (2011) asserts that a low to moderate correlation among the explanatory variables is needed to ensure that they contribute distinctly and uniquely to the overall model. As indicated in Table III, the correlation between the independent variables is less than 0.9 indicating there isn't the likelihood of multicollinearity occurring in the model. Again, Table III indicates that there's a positive and significant association between technical innovation and firm performance ($r = .487$, $P < 5\%$). The conclusion is that an improvement in SMEs technical skills and efforts corresponds to an enhancement in firm performance in the SMEs auto service sector. Similarly, a significant and positive relationship was found between technical innovation and operational innovation ($r = .546$, $P < 5\%$). This indicates that SMEs with higher capabilities in innovations perform better than rivals. Meanwhile a significant and positive

relationship was found between operational innovation and firm performance ($r= 0.349$, $P < 5\%$). The implication is that an improvement in SMEs which applies stronger operational innovations is also more inclined to enjoy the higher firm performance.

Table III. Correlation Analysis and Descriptive Statistics

Variables	Mean	S.D.	Technical Innovation	Operational Innovation	Firm Performance
Technical Innovation	4.12	0.55	1.00		
Operational Innovation	3.66	0.61	0.546	1.00	
Firm Performance	3.99	0.77	0.478	0.349	1.00

Source: Authors' Survey, 2018

Regarding the level and scope of activities, a descriptive summary of the variables indicates that averagely, the level of technical innovation of the sampled firms is high (Mean = 4.12; SD = 0.55). This means that the average SME is very likely to build a strong form of technical skills in providing services. It was however observed the level of operational innovations (Mean = 3.66; SD = 0.61) is moderate. An averagely moderately high level of performance was also identified among the sampled SMEs in the auto service sector (Mean = 3.99; SD = 0.77).

Regression Analysis

A structural equation modelling was developed to estimate the relationship between technical innovation, operational innovation and firm performance. Specifically, the researchers try to ascertain whether operational innovation performed any mediating role in the relationship between technical innovation and firm performance. The results of the mediating analysis are presented in Table 5. The model fitness of the structural model shows that partial mediation yielded superior performance over the alternative of full mediation. For the partial mediation the model fitness test results obtained are χ^2 (d.f) = 13.841 (6), RMSEA = 0.07, CFI = 0.98, SRMR = 0.02; whereas the fitness statistics obtained for the full mediation model are: χ^2 (d.f) = 47.760 (5), RMSEA = 0.11, CFI = 0.94, SRMR = 0.04. The chi-square difference test shows that there is a significant difference between the two models ($\Delta\chi^2= 33.92$ Δ d.f = 1, $p < 0.05$)¹. The information parsimony statistics also confirmed that the partial mediation model was superior. The estimates of the partial mediation are, therefore, interpreted.

In examining the standard estimates of the partial mediation model, therefore, it is observed that the direct paths from technical innovation ($\beta= 0.347$; $p < 0.05$) to operational innovation was positive and significant. Moreover, the results showed that there is also a positive and significant relationship between operation innovation and firm performance ($\beta= 0.243$; $p < 0.05$). The implication is that building a strong operational innovation in the area of operation is also vital for accruing superior performance among operators in SMEs auto service industry. This, therefore, emphasises the need for small and medium scale enterprises to commit themselves to the implementation of competitive strategies to remain innovation oriented in the market. The results also demonstrate a significant and positive relationship between technical innovation and firm performance ($\beta= 0.444$; $p < 0.05$). This is indicative of the fact that the deployment of innovation capabilities is also vital for organisations to perform better. Concerning the mediating role of operational innovation, the results revealed that operational innovation mediated the relationship between technical innovation and firm performance ($\beta=0.097$; $p < 0.10$).

Table IV: Standardized Estimates and Model Fit

Variables	Full Mediation	Partial Mediation
	Beta (S.E)	Beta (S.E)
Firm Performance ←		
Technical Innovation	--	0.444 (.077)***
Operational Innovation	.279 (.096)***	0.243 (.103)**
Operational Innovation ←		
Technical Innovation	.347 (.117)**	0.347 (.117)**
Indirect Effect		
Technical Innovation	.097 (.047)**	.097 (.046)*
Fit Indices		
χ^2	47.760	13.841
<i>d.f</i>	5	6
<i>RMSEA</i>	0.112	0.07
<i>CFI</i>	0.94	0.98
<i>SRMR</i>	0.04	0.02
<i>AIC</i>	6880.16	4506.34
<i>BIC</i>	6928.86	4548.42

Source: Authors' Survey, 2018

DISCUSSION OF RESULTS

Service innovation capabilities in firms are suggested by many management researchers to contribute to SMEs firm performance. More recently, some studies empirically discussed the effects of service innovation on various aspects of firm performance. However, few research studies link technical service innovation, operational service innovation and SMEs performance from a holistic perspective. More significantly, a study that specifically addresses SMEs auto services industry. By proposing a model discussing the effects of technical innovation and operational innovation which in turn lead to both financial and operational performance of SMEs auto services sector, the findings contribute to filling the gap in the literature. The empirical results of this research confirm the stated hypothesis: technical innovation on firm performance, operational innovation on firm performance and the mediating effects of operational innovation on technical innovation and firm performance relationship. This finding is consistent with the work of Li and Atuahene-Gima (2001) who also established that innovations have a direct, positive impact on organisational performance. This finding is consistent with the innovation capability based theories which suggest that the acquisition of innovation capabilities can be a source of improving the performance of businesses (see; Gronum et al., 2012). Through effects analysis, this research provides a possible framework for innovation capabilities (technical and operational) practices lead to superior firm performance. The mediator role of operational innovations is also confirmed. Thus, operational innovation contributes directly to and indirectly to firm performance. Compared with the available literature, the research has not only been conceptualised the linkages between innovation and firm performance, but also a more specific detail of technical innovation and operational innovation. Significantly, the model proposed in this study might be applied as an alternative model for theoretically evaluating innovation and SMEs performance in future studies.

Interestingly the findings of this work demonstrate that whiles technical innovation can impact on firm performance directly, it also has an indirect effect on performance through its capacity of engaging firms to improve their operational capabilities. The implication is that SMEs can

potential develops capabilities in innovations while focusing on both technical and operational innovations.

PRACTICAL IMPLICATIONS

This study has practical implications. The relationships between technical service innovations and operational innovations and firm performance may provide a framework as to how organisations should achieve superior performance by implementing technical service innovation and operational service innovations. Scales designed in this study offer a checklist for SMEs service providers to assess themselves in a certain environment.

SMEs service operators should think over the important antecedents that lead to the technical service innovation and operational innovation in improving their performance levels.

Furthermore, strategies and activities for technical innovation and operational innovation should be formulated for various firm performances. Future researchers, therefore, need to give broader considerations to the strategies and implementation of programs supporting these activities to improve firm performance.

LIMITATIONS AND FUTURE STUDIES

This study has limitations. First, potential lack of generalisation may result from the application of willingness to participate used to select SMEs auto service providers. Second, the use of cross-sectional data did not allow longitudinal research processes of the conceptual framework measured in this research. Third, though the study results empirically confirmed the hypothesis model, it was rather simple and incorporated a few constructs. It is important to note that there is an opportunity to expand the model to incorporate other consequent and antecedent constructs such as firm-specific attributes to form a more comprehensive model linking technical service innovation and operational service innovation. As a suggestion for further improvement, we need to note the importance of the sustainability of firm performance generated in technical service innovation and operational service innovation capabilities. Longitudinal samples gathered based on multiple points of time can help support this research objective.

Nevertheless, this survey has produced empirically based evidence to substantiate the hypothesised associations that both technical service innovation and operational service innovation will contribute to firm performance directly or through the improvement of the mediated effort of operational innovation. Technical service innovation has more significant effects on firm performance than the effort of operational innovation. The findings are encouraged to bring more insight into how firms SMEs auto service industry should enhance their performance with well-conceived technical service innovation and operational innovation strategies and practices.

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The vision of the Disney World: an experience marketing study at The Walt Disney Company

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ABSTRACT

The article aims to understand through interviews with Disney park goers and prospects the strategies that the multinational company The Walt Disney Company uses to become a brand that enchants, using the so-called experience marketing. The project also looks at how The Walt Disney Company's strategies can influence not only customers but also prospects to trust and desire the brand. The survey pointed out that more than 90% of visitors had their expectations surpassed, even though they had a high level of expectation of knowing the parks.

Keywords: Disney; Marketing Services; Experience Marketing; Strategy; Positioning.

INTRODUCTION

The increasing competitiveness between companies brings out the need for them to stand out and differentiate themselves with consumers, since there are more options of consumption of the same product and service. According to Serasa Experian, in January 2017, 194,199 new companies were created in Brazil alone.

Experience marketing is a form of action for companies that want to present themselves in the market with a differential, working with what is relevant to their target customer / audience during their buying journey. Companies that engage in experience marketing can, in general, get good results from consumers. A great example of success in the area of experience marketing is The Walt Disney Company.

In a global annual report reviewing attractions by Themed Entertainment Association (TEA) and AECOM, one of the parks of The Walt Disney Company, Magic Kingdom appears as the world leader in visitations in the year 2016 with approximately 20,4 million visitors. The second, third and fourth place in the ranking is occupied by Epcot, Animal Kingdom and Hollywood Studios, which are also part of The Walt Disney Company. In its first half of 2016 release The Walt Disney Company reported a \$ 35 million increase over the same period last year, which totaled a profit of \$ 2.1 billion. Resort and resort revenue came to \$ 3 billion, reflecting public satisfaction with the brand's experience.

In recent years, many companies in Brazil have been engaged in marketing research and have sought seminars, workshops and lectures, since the practice of several well-applied marketing tools generate great returns to brands. Considering the importance of these investments in marketing, we carried out this work with the intention of exploring this scenario, pointing out the principles and strategies of a company that has already served as an example to boost several others and of several segments, whether small, medium or large. Through interviews

with shoppers and prospects, the importance of the marketing principles and strategies used by The Walt Disney Company, a world reference in management, people management, business management and tourism, will be highlighted.

To have a strong brand in the market, marketing strategies need to be well aligned with the purpose of the company and what the company wants people to think about it. The entire strategy and management of marketing processes can lead to a business failure or success. Therefore, studying and understanding the strategies used by a company like The Walt Disney Company, with 93 years of market and reference in providing pleasant experiences to the customers, is of great importance.

The project will address and exemplify themes seen during the course of Advertising and Propaganda, and thus, will contribute to the training of group members. Disciplines such as Marketing Principles, Brand Management, Advertising and Propaganda Processes and Techniques, and Consumer Behavior will be addressed during the project. Thus, the authors of this project, as consumers of the brand, share a keen interest in understanding the strategies that have promoted the success of the Disney brand worldwide.

The project provides greater knowledge about marketing, business, consumer behavior, which is of great importance for the growth of any professional in the field. In this context, it is questioned: How does the Experience Marketing adopted by The Walt Disney Company influence customers and prospects? To build an argument, the research aims to analyze how the experience marketing adopted by The Walt Disney Company influences customers and prospects. The process of building the Disney brand is also analyzed as well as identifying the strategies used by Disney in building its marketing experience and also identifying how Disney's experience marketing influences customers and prospects.

Branding: sets of techniques for building a brand

Branding refers to the set of techniques and practices in the construction of a brand, which optimized become a competitive differential and encompasses everything that is associated with the brand. According to Keller and Machado (2007), the consumer can have a link with a brand and incorporate a deep meaning in it, offering their loyalty and trust that the brand will provide them with usefulness. Martins (2006) states that branded attitudes, when taken with knowledge and competence, can take the marks far beyond the economic nature, making them part of the culture and making them capable of directly influencing people's lives. Therefore, consider building a branding that is in accordance with the values of the brand and what the brand delivers, can delight the customer and make him give preference to everything that is related to his brand, always valuing the experience lived. Delivering positive consumer experiences ties the brand to the consumer's lifestyle, making buying attitudes a broader social context, says Hiller (2012, p.14). Aaker (2015) reports that understanding brands as assets, which have equity and strategy, has initiated drastic changes in perceptions about marketing and brand management. The companies that adopted and knew how to use this vision saw brand building move from the tactical and reactive to a crucial factor of business strategy. Aaker (2015) also points out the importance of building a brand personality because it establishes a connection with the consumer because it is defined as a set of human characteristics associated with the brand.

Positioning a brand is much more than targeting the selling product. When one thought of a brand, one used to think that having the same was the way a company had to get a job done, ie a reminder in the consumer's mind in a period of time where the main agent of the sale was the product. According to Costa (2013), the contingent, random character of individual contact

with advertising in traditional media has changed: the passive recipient individual becomes an actor in a free cyberspace open to all possibilities, both for information and communication and for consumption.

The brand is much more of a property to have dominion or let the consumer be attentive to your product / service, but is everything that helps the customer to formulate an opinion about the company. The brand is the experience it causes on the customer, as he feels impacted on the conduct and actions of the same. Tangible things such as the presentation of a logo and a creative campaign today serve as a support for something greater, and what really make impact are the intangible elements, such as the fundamental words of the personality of the brand, the essence of the brand, which feelings the brand awakens. This creation most of the time gives a unique character to the same, with the personality it becomes differentiated.

Brand is much more than a communication campaign, it is as if it were a human being, having essence, values and personality. The process of creating a brand passes through 5 elementary processes, and these steps are important for a brand to be well structured. The first step is what it represents: being aware of the market and the context where the brand operates and its mission. The second is Storytelling. Where the customer will have an emotional connection with the brand. The third is the design: It makes the culture of all this experience, the company's operations, with business cards and web sites. The fourth component is its price, which is an expectation with the customer and establishes the brand value. The final component is the relationship: From Storytelling, the customer can feel empathy with the brand and make it close to it, making him want to be close to the brand. The relationship makes the customer feel special and part of something bigger.

Brand positioning is defined as the future form in which the target audience will recognize your brand. According to Serralvo and Furrier (2003, p. 2), "the value of a brand comes from its ability to gain exclusive, prominent and positive meaning in the minds of customers," that is, positioning requires that the choice of some aspect of the product / service delivered by the company is differentiated and more relevant than that of competitors.

A brand does not impose the positioning to its clients, it must plan and conquer the same, to the extent that the value that the public expects is delivered. It is necessary that the company has consistency and coherence in what it promises to deliver and in what it actually delivers, in order to position its brand, even before starting the positioning process, it will be necessary to know the brand and what is the objective and in which sector / sectors she wants to differentiate herself. The positioning allows the brand to have a greater proximity to its target audience, because the thoughts and possible actions that must be taken will be identification points with the same. As an example, the positioning through benefits, where the brand brings its values added to the service / product and something more.

Choosing precisely on what level your brand wants to be is crucial, because having the best position means that the customer will remember the brand, for the unique service that the company provides. Over time these actions by positioning your brand, the continuity in segmenting and differentiating your products can bring the reach of leadership in the chosen category.

Marketing 3.0: a new concept of experience

Marketing 3.0 is known for the way it treats relationships between consumers, businesses and brands. Consumers have stopped being treated as a specific number of people and have come

to be seen as individual beings, with their particularities and who mainly seek satisfaction in the purchase of products / services. Concern about making human need and feeling a sales strategy has grown over the last decade. An important competitive strategy is the deployment of Marketing 3.0. The meaning of this concept "has to do with emotional marketing, with marketing of the human spirit" (GOMES and KURY, 2013, p.5).

Customers have lost confidence in companies working with traditional marketing known as 1.0 marketing the focus was on the product. In Marketing 2.0 the focus was on the customer, with that there was no delivery of value. The consumer / individual feels the need to build relationships and not just to consume. Brands seek to establish a connection with consumers and this connection can be established through the integrity, image and identity of the same. These should be aware of concepts such as positioning, differentiation and the brand itself thus forming the authenticity of the essence of the company in the market. According to KOTLER (2010) "To establish a connection with humans, brands need to develop an authentic DNA, the nucleus of their true differentiation."

Marketing 3.0 seeks to provide sociocultural transformations, and for these transformations to occur the company must be aware of the need to develop a change of mission for it, and the way to do so is in the adoption of philanthropic actions and in the true support of good causes, clients value companies that also have cultural and social awareness. Marketing 3.0 also seeks to raise awareness about the humanization of processes, concern about how human feelings, social projects and their role in uniting and connecting people / individuals.

Service Marketing

Service marketing is a set of procedures to create, maintain and transfer value to customers. The marketing of services arose because of the high competitiveness in the market, because when it was sold something the same had its focus only in the products, that is, all the efforts of the marketing were directed to what was sold and not how it was sold. One of the characteristics of service marketing is its intangibility, it means that the service is something not palpable, it is a promise of something in which the buyer will only see the result after its completion. According to Cobra and Zwarg (1987) "A product is an object, something palpable, the service is the result of an effort, a performance. When the service is sold there is, as a rule, nothing to be shown that is tangible. Services are consumed, but they can not be possessed. "

Another feature of Service Marketing is inseparability, that is, production and consumption occur at the same time and you can not separate them. It is something heterogeneous, it is not something uniformly produced. The result of a service may not be the same every time it is rendered, even if it is done by the same person / company.

Marketing Services as well as Product Marketing has the "Marketing Mix", better known as the 4 p's. People is the first P of the mix of services, covers those involved in providing the same, ie from the customer, some intermediary such as secretaries or others that may be in the middle, even the service provider itself. The second is the Profile / Square, this category includes the physical location where that service is provided. Then comes the p of Processes; encompasses the methodologies, the steps that will be taken for the consumer to have the service. And lastly in the Procedure, it involves the form of the relationship between the customer and this service provider, as will this procedure, as an example the decision of the service provider in deciding whether it will be the customer who will get that service or the same who goes to the client.

Service marketing has some peculiarities compared to marketing traditional products. Some of these challenges are linked precisely to the transmission of consumer confidence. Because the

service is not tangible, this is a great challenge for service marketing, because it requires companies and providers to pay special attention. According to Cobra and Zwarg (1987) "The purpose of the service should always be the customer [...] it is not enough to sell a service, it is necessary to watch the client or the user so that he can have satisfaction with the sale or use of the service. service".

One of the ways to win the customer of a service is the experience you provide to him, having the greatest chance of becoming a loyal customer and possibly becoming a promoter or advocate.

Product and Service Strategies

One of the strategies that should be the focus of any company that wants to survive competitive markets. It is the differentiation of products and services. According to Grimm and Malschinger (2010), using this strategy, it is possible to create a unique identity to stand out in the market, through specific characteristics that will make the consumer differentiate his product with the one of the competition.

Cobra (2009, p.6) characterizes that "value is defined as the difference between what the customer expects and what he receives." By differentiating their product or service in the market, companies can assign values and benefits that make the difference to the consumer, in order to make them recognize value as a differential that impacts their purchase decision. It is to show the customer that when using your product or service, you will be acquiring something that no other offers, be it a tangible or intangible differential. Tigre, Audi and Brastemp are some examples of differentiation, as they attribute values to their products and are perceived differently from their competitors. The differentiation process is a challenge for all companies that want to operate in competitive markets. It is necessary to focus, and especially, the knowledge of strengths and weaknesses of your competitors, and thus define how to differentiate them, whether in price, design, ease of use, quality and durability of the product, after service sales, or any other characteristic that makes it better perceived by the consumer. But it is important not only to look at the physical aspects of the product but also to work on intangible values that can become differential and to connect the customer to your brand in a more special and lasting way.

The differentiation of products and services consists in finding out what the company can do that other companies are not doing. It is working to make your value proposition the heart of the brand and be perceived by your consumers and seen as a differential that makes you have a preference for your product or service.

Marketing of experience: affective memory

Experiential marketing or sensory marketing as it is also known, works with the client's emotional memory. Frederico Grosso says that customer experience involves "personalized content appropriate to the context in which the customer is inserted, presence in different points of contact and the interaction between them and the engagement with and between consumers" (GROSSO, 2016, p. 20).

In experience marketing the product / service that the brand offers must be a place where there is an immersion, a process so that the customer can experience the experience in a deep way and thus influence it to have a history with the brand. This positive experience can be passed on to other people. Experience is directly related to how your customer perceives your service as it has contact with your product / service and the brand, and how the customer

perceives the values and the identity of the business. This is what Experience Marketing is all about, involving consumers in an unforgettable positive action for the consumer using one or all of the basic human senses such as smell, hearing, taste, touch and vision (LUÍS, 2014).

In the era of experiences / senses it is not enough to have a product / service of excellence, it is necessary to go beyond. The customer's perception of the difference between one brand and another is in adding detail, in the values that the brand wants to convey, working with the five senses of the consumer. The company needs to mark in people's hearts and minds. In order to have the basis of a differentiated company in the eyes of the customer, it is important to invest in professionals / employees and in their training, so that what the brand wishes to pass to the consumer is employed in a unified and linear way.

With the Cast Members policy adopted by Disney, the idea of transforming the common experience into the extraordinary experience the customer will have in the parks is the strongest pillar of the brand's marketing strategy and what helps it become an example of business conduct.

THE WALT DISNEY COMPANY

The Walt Disney Company is one of the most appreciated and successful companies worldwide and is a benchmark in management, marketing, business management, people management and tourism (EISNER, 2011). The name 'Disney' refers to magic, enchantment and imagination, and this is due to the strong organizational culture, based on the philosophy of the brothers Walter and Roy, who managed to fix the concept of "Disney magic" in people's minds. This concept persists to this day, being cultivated daily and is in everything that refers to the company.

According to Zenith Optmedia, The Walt Disney Company is the second largest media company in the world. The first place is Alphabet (Holding that commands Google)¹.

In addition to the theme parks and resorts, The Walt Disney Company operates in four major business areas: Cable TV Channels, Entertainment Studios, Consumer Products and Internet, and Direct Marketing. Brands like ESPN, Pixar, Marvel, ABC and Lucasfilm are also part of the organization. According to UNILUS Teaching and Research Magazine (2016, p.88), Disney considers the opinion of customers extremely important, because through the vision of each guest (as Disney calls its customers and visitors), it can generate improvements in planning and employee training. Therefore, the group has one of the biggest and best indicators of customer satisfaction in the world, with several listening posts spread across the parks, telemarketing service, interviews to verify the degree of satisfaction of the visitors and also through the guests themselves, who deal with services on a daily basis.

It all started with a man who dared to dream and make his dreams come true: Walt Disney. Walter Elias Disney was born on December 5, 1901, in Chicago, United States. At only 7 years old, Walt already revealed his talent for drawing. At the age of 16, Walt joined the Red Cross and went to France, where he was an ambulance driver, shortly after World War I. At 18, Walt returned to Kansas and began his career as a cartoonist for advertisements and soon went on to produce animations for commercials that passed in the movies.

¹ Disponível em: <http://www.zenithoptimedia.cz/en/zenith/news/detail/102-Digital%20gi>. Acesso em 01 de Julho de 2017

In 1923, decided to follow the career of animator, Walt Disney went to Hollywood, where he set up a small animation studio with his brother Roy. There were produced films where they used a technique that combined cartoon and real actors, and these were passed to the distributor M. J. Winkler.

In 1928, Walt Disney and an animator of his studio, Ub Iwerks, created the character who became Disney's greatest icon, Mickey Mouse. That same year, the character debuted in theaters with the short film 'Steamboat Willie', the first cartoon with soundtrack. The voice of the character was that of Walt Disney himself from 1928 until 1946. Mickey was so successful that in 1932 Walt Disney received a special Oscar for the creation of the character and in 1978 Mickey Mouse was the first cartoon character to receive a star on the sidewalk of Fame, in Hollywood, celebrating its 50th anniversary.²

Always innovating and bringing new, increasingly advanced technologies to make their stories come true, in 1932 Walt stunned the world with "Flowers and Trees," the first technicolor cartoon and the first to win the Oscar for "Best Short- Animation Footage ". In 1939, Walt proved that the animation was strong enough to be driven for something other than a short, and then created the first full-length animated feature film, 'Snow White and the Seven Dwarfs', which was a box office hit, and earned him the second Oscar award, given by Shirley Temple. The statuette was accompanied by 7 mini figurines, making reference to the film. In addition, 'Snow White and the Seven Dwarfs' is the first of many Disney Classics. Throughout his life, Walt Disney had 59 Oscar nominations, won 22 awards and received 4 honorary Oscars. That makes him the greatest record holder in Oscar history. The Walt Disney World is the largest and most famous theme park complex and the destination of millions of tourists from around the world who travel just to experience the Disney parks.

Disney's first theme park began to be planned in the 1950s. Walt Disney wanted to create a unique place where children and adults could experience unique experiences. So he had the idea to create something great, Disneyland. Walt bought 54 acres in California and on July 21, 1954 began, at an accelerated pace, the construction of the world's first theme park. Walt participated in all the planning of the park along with the most creative talents and went on to call them 'Image Keepers'³.

Disney decided that all the attractions of the park should be distributed from a central point, and with the recent success of 'Snow White and the Seven Dwarfs', this attraction should be a castle. The park's toys would be inspired by the Disney movies. On July 17, 1955, the park was inaugurated and the event was broadcast live on American TV's ABC network. For the inauguration, 11 thousand tickets were distributed to journalists and guests, but there were falsification of tickets and appeared more than 30 thousand people, which made it a real disaster. The whole structure of the park was not enough for such a large number of people. A few weeks later, after several adjustments, the park was open to the public and was a success. However, Walt Disney was not satisfied because he wanted a more complete immersion of the guest in his park.

In 1964, Walt began planning to build a much larger park than Walt Disney World in Orlando, Florida. Everything was thought for a more complete immersion of the visitors. However, Walt

² Disponível em: <https://disneyparks.disney.go.com/blog/2014/11/happy-birthday-mickey-mouse-2/>

³ Disponível em: <https://www.youtube.com/watch?v=u5eHX80e9wA>

failed to live up to his project. A victim of a disease, Walt Disney died in 1966. After several years of planning and construction, Walt Disney World was opened to the public on October 1, 1971. The first park was the Magic Kingdom, which brings together the charm of the tales fairy tale, backstage tour, classic attractions and the most famous Disney characters. The second park to be opened inside the Walt Disney World complex was Epcot in 1982, which is twice the size of the Magic Kingdom and is divided into Future World and World Showcase. The third park, inaugurated on April 22, 1998, Earth Day, is the Animal Kingdom, which is practically an amusement park on a safari. All the attractions of the park are geared towards nature and animals.

On May 27, 2017 was inaugurated at the Animal Kingdom, a brand new area for visitors of all ages, Pandora - The World of AVATAR, inspired by the Disney movie Avatar. The fourth park to be opened was Hollywood Studios on May 1, 1989, and is the smallest of the four park complexes. It is dedicated to entertainment, with live shows, high-speed rides, unique park attractions and backstage rides. In addition to these four theme parks, the Walt Disney World complex also has two water parks. One of them is Disney's Typhoon Lagoon, inaugurated in 1989, that simulates a paradisiac place that was taken by a storm. The park has a wave pool, water slides, lazy river, playground, surf lessons and even snorkelling in pools with fish, sharks and stingrays. The Typhoon Lagoon undergoes yearly renovations and when it is not in operation, another water park remains open, Blizzard Beach, which opened on April 1, 1995, with numerous attractions for the whole family including Summit Plummet, considered one of the the highest and fastest water slides in the country.

In addition to all these parks, the complex has 27 hotels that are divided into Economic, Moderate, Luxury and Luxury Villas.

All of these parks and hotels are in only $\frac{1}{3}$ of the entire area purchased by Disney in Florida. . In addition to the Disney complex in Florida and the first park in California, Disney has 5 more parks around the world. The first of them, Disneyland Tokyo, was inaugurated in 1983 in Tokyo, Japan; in 1992, Disneyland Paris was inaugurated in France; in 2005 the Hong Kong Disneyland Resort opened in China, and the most recent was the Shanghai Disneyland in China, which opened in 2016.

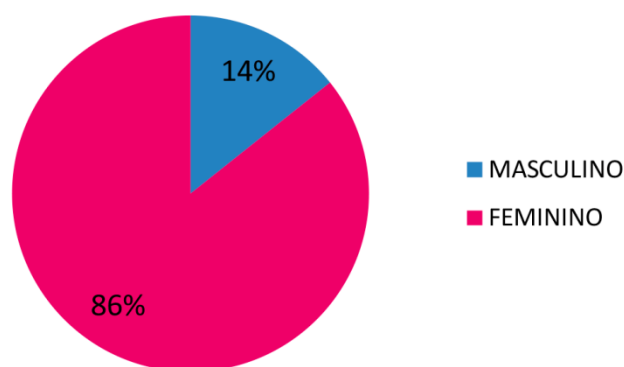
METHODOLOGICAL PROCEDURES

The methodology can be understood, according to Minayo (2009 p14,15), "as the path of thought and practice in the approach to reality ... It includes the theoretical conceptions of the approach, articulating with theory, with empirical reality and with thoughts about reality. " In order to meet the objectives of the work, we used bibliographic research as part of the methodological process. As part of the methodological process, we also use exploratory research, because it is adequate to increase familiarity and knowledge about the subject.

This work has reached a sample of 142 valid answers. The research was divided into two parts: one to understand the experience of those who have visited a Disney park and another who did not visit, to understand the expectations of the respondents.

In the survey, there was a predominance of female participants, corresponding to 86% of the respondents, while the male respondents accounted for 14% (Figure 1).

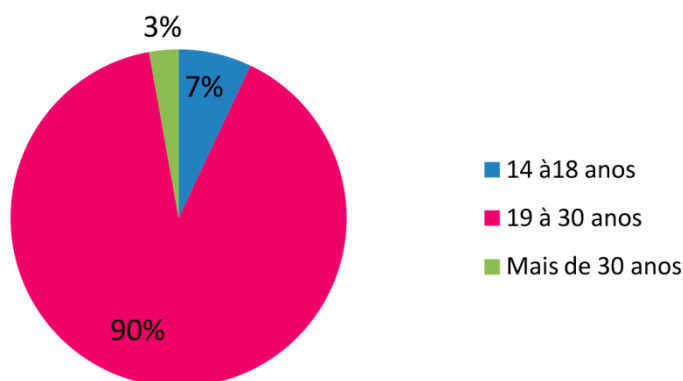
Figure 1 - Sex of respondents



Source: own elaboration

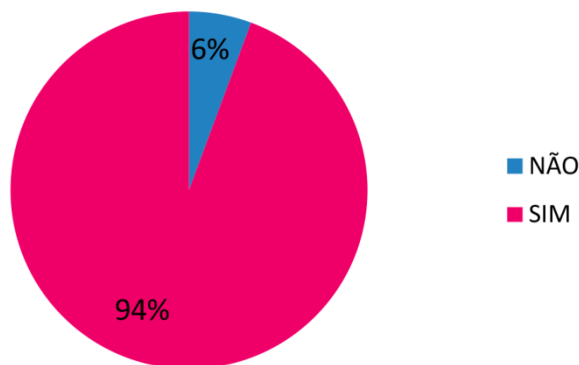
The age group of the majority of the respondents was between 19 and 30 years old (Figure 2), corresponding to 90% of respondents, followed by 7% of respondents younger than 18 and 3% above 30 years old. According to an IBOPE survey, people aged 19 to 29 are part of the Y generation. According to Huntley (2006), the Y generation is a very consumerist generation. In addition, they consume and are loyal to brands that accompanied them in childhood, such as Disney and MC Donald's.

Figure 2: Age range of respondents



Source: own elaboration

In the questionnaire intended for those who have visited a Disney park, questions were asked regarding the experience lived by the interviewee. According to the question "Did Disney exceed your expectations?" 94% of respondents answered "Yes" and 6% answered "No" (Figure 3). Through this result, it is possible to realize that Disney, even charging a high value to visit the parks (approximately 99.50 USD \ day) and be a long awaited destination for visitors, can exceed expectations and surprise consumers.

Figure 3: Did Disney exceed expectations?

Source: own elaboration

It was observed that the service offered by Disney parks is a great differential. The vast majority of participants praise the work done by the cast members (as Disney staff are called) and some cite the term "Disney magic" in relation to attendance. In the answers, it is also possible to identify a certain degree of dissatisfaction with the waiting time of the queues, which vary according to the time of year. Disney is aware of this problem, which is a consequence of being one of the most visited parks in the world. To remedy this factor, it has been realized that Disney has strategies that, in general, are very effective.

One strategy most commented upon by interviewees is that visitors are faced with interactive games, thematic decorations, characters and entertainment throughout the queues, making the visitor distracted and queuing becomes part of the experience. Another solution to the queues is the Single Rider, a separate queue for anyone who is alone or does not mind going to some attraction with someone unknown. For example, an attraction that has a cart for 4 people and goes a family with 3 people, this 4th place is filled by a single rider. Another very used service is the Fast Pass +, which is like a reservation in the queue. The visitor can book a time that wants to go in a particular attraction and, when arriving at the scheduled time, enters a differentiated queue and much smaller than the main queue. The service is free, however, there is a limited amount per attraction. Another highly-commented solution among the answers is the estimated waiting time in the queue at the entrance of the attraction, which allows the visitor to be able to plan and enjoy the parks better.

Overall, even if they talk a lot about waiting in the queues, most respondents said that because they are waiting differently, they do not care about how long they stay in them. This shows once again how much Disney strives to provide the best possible experience for every visitor.

"The cast members' service makes all the difference, I believe they are essential for the "magic" of Disney to happen and that everyone who visits the parks can come out with unforgettable memories. As for the queue times, I think Disney was able to mitigate the disadvantages well. It is to say that, since there is no way to extinguish the queues, Disney has created an intelligent system of forecasting time and dissemination of this information to the public, as well as implementing various activities to be done during the queue (interactive queues) "Fabiane, 21.

Of the 106 participants, 40 responded that they did not live or witness a differentiated experience while the rest shared moments in Disney parks. It was identified that in most of the answers, there was the presence of the cast members, who work daily with attention and courtesy to provide different moments to the visitors. From this, you can realize how much

Disney invests in training its employees, who in turn have the authority and autonomy to use various devices to delight visitors. In Tom Connellan's book *Behind the Scenes*, we note the use of the term "Great attention to detail," a practice we can see in the participants' experiences through the answers, where cast members, when faced with situations like an ice cream that crashed or a balloon that burst, promptly offer a new and at no cost to the visitor. Through the answers, we also realize that Disney parks are the destination of several celebrations, ranging from birthdays to wedding requests. We can see that Disney strives to make these moments unique and special to the visitor by offering them various privileges and courtesies. "On my way to Walt Disney World to celebrate my 15th birthday we took the bottom" I'm Celebrating "and a cast member wrote" Happy Birthday, Ana "; at lunch time the attendant at the entrance to the restaurant was Brazilian and when she saw my bottom asked how many years she was doing and when she said she was 15 she asked to wait a moment, the restaurant was out of breath, and spoke with the manager and along with him prepared a birthday table that had a cupcake, mini mickeys and balloons "Ana Carolina, 22. The attention to detail makes all the difference in the visitor's experience, making them feel special during the visit.

The question "Would you like to visit Disney parks? If so, why?" Was designed to understand what drives people's desire to go to Disney and the 36 respondents, 4 responded that "no" would like to go, while the rest replied "Yes" and justified. In the responses, recurring terms were identified as "dream". Most participants say going to Disney is a childhood dream. With this we can see the great power of the brand, which feeds this desire through the ages and accompanies its audience, since most respondents are in adulthood. Another reason is the desire to live the experience, because it is a place "magical", "wonderful", "fun" and "happy", showing that there is great expectation to know Disney.

It was observed that even the respondents who said they would not want to go to the parks would imagine it would be a good experience. In the responses of the interviewees, it is evident the great expectation to know the parks of Disney. Through well-crafted branding, Disney is able to get people who have never been to their parks to imagine the visit, with features that are allotted to it.

When you see the level of expectation that people go, can you compare the result of the question "Disney exceeded your expectations?" Of the survey for those who already were, resulting in 94.3% of the respondents with their expectations exceeded. With this, it is possible to confirm the great commitment and success of Disney in overcoming the high expectations of the visitors.

In both questionnaires, interviewees were asked to describe Disney in 3 words and as a result more than 100 different adjectives were obtained, the similarity between the two questionnaires was observed since two words appear in the same ones, as the most cited ones, being that the most remembered is the word "Magic", which together was quoted 85 times. Soon after the word "Fun", quoted 39 times.

In the questionnaire of anyone who has visited Disney, the words "Dream" - quoted 31 times - and the word "Quality" - cited 23 times - also appear. Already in the questionnaire of who did not visit Disney, the words "Creativity" - quoted 9 times - and "Childhood" - quoted 8 times - appear.

It was possible to observe that the words Magic and Fun, which stand out in the two questionnaires, are the result of the values and the image that the brand passed along the

experience of the respondents next to it. Already the words that appear separately in each questionnaire, Dream and Quality for visitors and Creativity and Childhood for non-visitors, is due to the fact that the former has already lived the experience and have an account of what Disney was / is truly (with the impression and opinion of it) and second to have an opinion of what the same imagines that the company offers.

FINAL CONSIDERATIONS

The development of this work allowed an analysis of how the combination of well-built branding and effective marketing experience can influence clients and prospects. To do this, we discuss the importance of marketing strategies for building and strengthening a brand. In analyzing exploratory research with customers and prospects we note that Disney strategies always have customer experience as the main focus. The fantastic attention to detail, makes your visitors have a personalized service. We can see, analyzing the research, that more than 90% of visitors had their expectations surpassed, even though they had a high level of expectation in knowing the parks.

Another factor that influences customers and prospects is the strong Disney culture, which is able to follow from children, who consume Disney products, to adulthood. This public continues to follow the brand with fidelity, since 90% of respondents were people aged between 19 and 30 years.

With a branding that is well aligned with brand values, even those who have not yet had the opportunity to go to one of the parks, can make an allusion to what Disney offers, bringing much expectation to live the experience.

Finally, it is expected that the present work will contribute as a research source to students and professionals in the field of communication, who are interested in using experience marketing as a marketing strategy, guiding them to follow examples such as The Walt Disney Company. It is also believed that it can serve as the basis for new entrepreneurs, pointing the focus on the client as a key point.

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