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Corporate Governance and Firm Performance Before and After Financial Crisis 2006-2013: An Analysis of Financial Sector in Malaysia

Wan Fauziah Wan Yusoff
Faculty of Technology Management and Business
Universiti Tun Huseein Onn Malaysia

Mohamad Ismail Mohammed
Faculty of Technology Management and Business
Universiti Tun Huseein Onn Malaysia

Suleiman Mohammed Lame
Faculty of Technology Management and Business
Universiti Tun Huseein Onn Malaysia

Abstract

Corporate governance is one of the important determinants to improve the accountability of the company and enhance business prosperity. Hence good corporate governance has been major of concerned by investors to build up trust towards the company. In contrary, poor corporate governance frameworks in a firm faced the problem of lack of investor's confidence and failed to perform well in the achievements. This research aims to investigate the relationship between corporate governance and firm performance before and after the financial crisis for year 2006-2013 of the financial sector in Malaysia. The independent variables used in this study were independent directors, board size and CEO duality. While two dependent variables were chosen; earnings per share (EPS) and return on assets (ROA). Data was collected from the company's annual reports for the year 2006 and year 2013. This study revealed that the independent directors and CEO duality have not influence firm performance before and after financial crisis (2006-2013). However, board size found to have negative relationship with financial performance for both years. It can be concluded that there is no relationship between corporate governance before and after financial crisis. Corporate governance plays an important role regardless especially during the economic downturn.

JEL CODES: F34, G21 and G24

INTRODUCTION

Over the last two decades corporate governance has developed as an important mechanism to overseeing and control the firms. The need for good governance is evidenced by the various reforms and standards. Typically, in the economic and strategic management literature, corporate governance is considered as the institutions to mitigate the effects of agency problem exists in the organizations (Wan Fauziah Wan Yusoff & Idris Adamu Alhaji, 2012).The recent global financial crisis has reinforced the importance of good corporate governance practices and structures. According to Prema-Chandra (2010), financial crisis related to the downturn of economic which caused large crumble of commodity trade. In fact, Malaysia's shares prices sharply decreased by 20% after the global financial crisis of the year 2007 until year 2009 (Prema-Chandra, 2010). The crisis shows a panic situation where the financial institutions or assets drop with out of expectation (Liliana, 2010),.Hence, corporate governance reformation after the financial crisis is a vital action to gain trust from shareholders and perform better achievement in the future.

In Malaysia, after the financial crisis in 2006/2007, Malaysian firms seek to enhance their corporate governance to gain back investors' confidents (Lai, 2004). This simply because good corporate governance will access to better performance and improve the confidence from investors (Claessen, 2002). From the view of Micah (2000), corporate governance can play in promoting robust and efficient financial systems which target to assist central banks and financial sector regulatory agencies to develop policies to promote effective corporate governance in financial sectors. Hence, until today the government has taken various initiatives and actions to ensure corporate governance in Malaysia in a well structured. This study analyse the relationship between corporate governance and firm performance before and after of the financial crisis focusing on financial sectors in Malaysia. The financial sector is chosen due to the stability of economic in any country rely highly upon the stability of financial sector of the country as well as the effectiveness of corporate governance of the sector.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Corporate governance can be defined as structures and processes for the position and control of companies (The World Bank, 2005). Shleifer and Vishny (1997), defined corporate governance as a way in which suppliers of finance corporations assure themselves of getting a return on their investment. According to Diane and John (2003) corporate governance is a set of mechanisms of both institutional and market-based to make decisions which maximize the value of the company to the owners. Good corporate governance target to enhance the business prosperity and accountability of the firms and attain the firm's objectives.

Despite the important roles of corporate governance, the relationship between corporate governance and firm performance is more "varied and complex" than can be covered by any single governance theory. Hence, various studies discovered a number of corporate governance components have influence firm performance such as number or percentage of independent directors, board leadership structure, board size, audit committee, board attributes and board meeting. For the purpose of this study only three corporate governance components that found to be the most important determinant of financial performance are reviewed; independent directors on the board; board leadership structure; and board size

Independent Directors

Independent directors(IDs) is defined as directors who monitor and delegate firm activities in reducing opportunistic managerial behaviors by monitoring and overseeing firm activities (Fama & Jensen 1983, Brickley 1994). They are not full-time employees but capable of exercising independent judgement in board decision making (Mallin, 2004), and do not hold the shares or are not employed in the company (Jacqui, 2010). Because of their nature they are expected to bring independence into the board and add to the diversity of skills and expertise of directors to contribute and perform the tasks, independence, objectivity and expertise earned from their own fields (Abdullah, 2004).

Despite the advantages of having more independent directors on the board, prior studies documented mixed results. In Korea, Choi et al., (2007) found a positive effect on firm performance as a result of having more IDs on the company board. A similar situation was found in Ghana when Abor and Adjasi (2007) revealed that the presence of IDs on boards enhanced corporate competitiveness and provided new strategic outlooks for the firms. In contrast, Zong-Jun and Xiao-Lan (2006) revealed that a larger proportion of IDs is negatively associated with the probability of distress among firms in China. Likewise, Abdullah (2006) concluded from research into financially distressed and non-distressed companies listed on the Bursa Malaysia that non-executive IDs do not associated with a financially distressed status. Likewise, Ducvo and Thuy Phan (2013) discovered no link between independent director and firm performance.

It was argued that the negative impact of IDs on firm performance was because they are not able to ratify decisions made by powerful board members as they lack company information (Conger & Lawler (2009). As a consequence they have some difficulties in understanding of their companies (Siladi, 2006). In fact, most developing countries, including Malaysia, the IDS were not selected based on their expertise and experience but more often for political reasons to legitimate business activities and for contacts and contracts (Haniffa & Hudaib, 2006). Due to lack of expertise, lack of required skills and knowledge of company affairs, such directors would not be able to perform their roles effectively (Rahman & Mohamed Ali, 2006). Based on the above review independent can have both negative and positive relationship with firm performance. Therefore, it is hypothesized that:

H1: There is a relationship between independent directors (IDs) and firm performance of financial sector in Malaysia before and after financial crisis 2006-2013.

Board Size

Board size is an important characteristic because it must fit well with the responsibilities and needs of the organizations. Board size refers to the number of directors sitting on the board (Levrau & Van den Berghe, 2007). Board size has been found to vary between one country and another. For example, boards in Europe, in three countries (the UK, Switzerland and Netherlands) tend to have a small board size (fewer than ten board members), while other countries (e.g. Belgium, France, Spain, Italy and Germany) had a larger board size, i.e. between thirteen and nineteen members (Heidrick & Struggles, 2007). However, Conger and Lawler (2009) argued that there is no magical or ideal size for a board and the right size for a board should be driven by how effectively the board can operate as a team.

The relationship between board size and performance may differ not just by firm specific characteristics but also by national institutional characteristics and countries. Therefore, the impact of board size on board and firm performance has been a matter of continuing debate. A number of empirical papers (Zahra, 1991; Dalton et al., 1999; Andres and Vallelado, 2008; Dey & Chauhan, 2009; Fallatah & Dickins, 2012) have examined the determinants of board size. All the above studies find that board size is positively related to firm size. For example, Andres and Vallelado (2008) revealed larger boards are more efficient in monitoring and advising functions and create more value for a firm. Hence, board size is expected to be greater when the need for information and hence board advice is high. Such needs are expected to increase with firm scale and complexity.

In contrast, many researchers provide empirical evidence of a negative relationship between board size and firm performance. Beiner et al., (2004) analysed the relationship between board size and the independent corporate governance mechanism of Swiss firms, and revealed a negative board size effect. Van Ees at al., (2008) performed a similar study on listed firms in the Netherlands and found that, even though the system of control mechanisms is different in the Netherlands. In addition, Dey and Chauhan (2009) revealed that, as board size increases, group dynamics, communication gaps and coordination cost increase.

These mixed results show that the relationship between board size and firm performance is inconclusive. One possible explanation for the conflicting findings is the endogenity of some factors in the firm performance model. For example, board size itself may be influenced by other governance factors such as board structure and board leadership (Colley et al. 2005). For these reasons, it can be concluded that there is no consensus about whether larger or smaller boards are better with respect to their impact on firm performance, irrespective of the type of performance indicators used. One of the argument the internal and external factors such as complexity of the organizational structure, industries, legal, economic and political environment play crucial determinant on the board size. The above discussion clearly lays down a platform to propose that board size may have positive or negative association with firm value, which gives support to develop first hypothesis.

H2: There is a relationship between board size and firm performance of financial sector in Malaysia before and after financial crisis 2006-2013.

CEO Duality

Agency theory argues for a clear separation of the responsibilities of the CEO and the chairman of the board and seems to prefer to have separate leadership structure (Fama & Jensen, 1983; Jensen, 1993). If the CEO and the chairman of the board is the same person, there would be no other individual to monitor his or her actions and CEO will be very powerful and may maximize his or her own interests at the expense of the shareholders. The combined leadership structure promotes CEO entrenchment by reducing board monitoring effectiveness (Finkelstein & D'Aveni, 1994). Thus, a separate leadership structure is recommended in order to monitor the CEO objectively and effectively.

Evidence on the relationship between CEO duality and firm performance are also mixed. Some studies provide evidence of a positive relationship between duality of roles and firm performance. Joshua (2007) found significant and positive associations between capital structure and CEO duality among Ghanaian films. Likewise, Tin Yan and Shu Kam (2008) found that the duality role is more effective because one individual can exercise full control over the firm and the person can provide a centralised focus on achieving organisational goals. In the US, Harjoto and Hoje (2008) found a positive relationship between CEO duality and firm values and performance.

On the contrary, Schmid and Zimmermann (2005), from their study of 152 Swiss firms, revealed no evidence of a systematic and significant difference in firm value between firms with a combination or firms with a separation function of chairman/CEO. In Egypt, Elsayed (2007) found that CEO duality had no impact on corporate performance. In Malaysia, many studies show that duality roles have no impact on the performance of Malaysian firms (Rahman & Haniffa, 2005; Abdullah, 2006). Another study found that firms that had duality roles were not performing as well as their counterparts with separate board leadership (Rahman & Haniffa, 2005). In addition, firms dominated by a single person led to financial reports being issued much later than those with separation of roles (Abdullah, 2004). This could be because centralisation of power resulting from the chairman-CEO duality could be detrimental to board effectiveness since the same person would manage and dominate board decisions. Overall, this review finds that the impact of dual roles on board and firm performance is different from one country to another. Both types of leadership structure are associated with similar effects on the firms and leading to the following hypotheses

H3: There a relationship between board leadership structure and firm performance of financial sector in Malaysia before and after financial crisis 2006-2013.

RESEARCH DESIGN AND METHODOLOGY

The main objective of this study is to investigation the relationship between three corporate governance components and firm performance of financial sector in Malaysia before and after financial crisis 2006-2013. Thus, this study utilized purely quantitative methods. To do so, this study utilized Bursa Malaysia databases to generate information from the annual reports of Malaysian PLCs, involving 60 companies under financial sector in Malaysia. Two years of data (2006 and 2013) were used to analyse the relationship of the dependent and dependent variables of the study. The selection of sample used in this study is similar to other corporate governance studies (i.e., Abdullah, 2004; Levrau & Van den Berghe, 2007; Van Ees et al., 2008).

As mentioned in earlier sections in this study three independent variables representing corporate governance components. They are number of independent director on the board; board leadership structure; and board size. For dependent variables (firm performance) this study followed the predominant approach and used two financial measures of firm performance, Return on Equity (ROE) and Earnings per share (EPS). Table 1 summarizes the variables and their measurements used in this study.

Table 1: Definition of Variables

Variables	Measurement Scale
Board size	Total number of directors on board
Proportion of Independent directors	Ration of independent directors to total number of directors on board
CEO duality	Indicator variables with the value of “0” if the role of chairman and CEO combines and “1” otherwise.
Earnings Per Share (EPS)	$\frac{\text{Net Income – Dividends on Preferred Stock}}{\text{Average Outstanding Shares}}$
Return of Equity (ROE)	$\frac{\text{Profit after tax}}{\text{Shareholders' fund}}$

The research model of the study is shown in Figure 1.

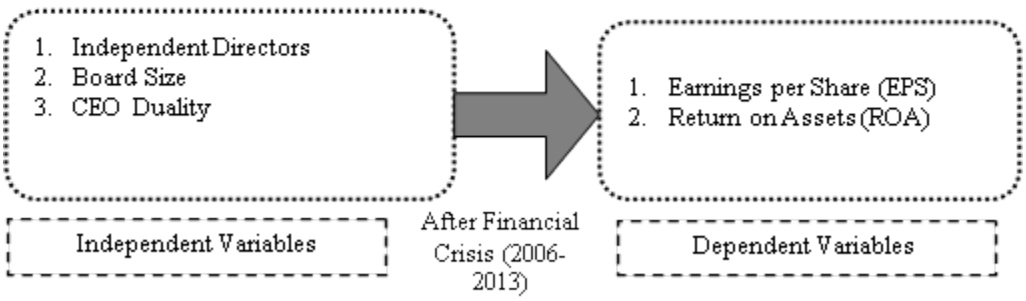

Figure 1 Research Model

RESULTS AND DISCUSSIONS

Hypothesis 1: There is a relationship between independent directors (IDs) and firm performance of financial sector in Malaysia before and after financial crisis 2006-2013

Table 2 shows the relationship between independent directors and financial performance (ROA and ROE) of the study. Based on Table 2 the correlation coefficient value of each variable was below than 0.3 which indicated as weak relationship. Besides, the significant value (p-value) was higher than 0.05 which indicated there is no relationship among independent directors and financial performance for financial sectors in Malaysia for both years (2006 and 2013).

Table 2: Correlation among Independent Directors and Financial Performance in Year 2006 and Year 2013

			Return On Asset (ROA) in Year 2006	Return On Asset (ROA) in Year 2013	Earnings Per Share (EPS) in Year 2006	Earnings Per Share (EPS) in Year 2013
Spearman's rho	Independent Directors in Year 2006	Correlation Coefficient	-.059	-.203	.026	-.065
		Sig. (2-tailed)	.653	.120	.846	.623
		N	60	60	60	60
	Independent Directors in Year 2013	Correlation Coefficient	-.072	.027	.133	.015
		Sig. (2-tailed)	.583	.839	.309	.909
		N	60	60	60	60

The result shows that independent directors do not influence firm performance of financial sector in Malaysia. The findings similar to many previous studies such as Abdullah (2006); Zong-Jun and Xiao-Lan (2006); Ducvo and Thuy Phan (2013) and many more. Large portion of independent directors would not affect the firm performance due to a number of reasons such as they were unfamiliar with the working environment in the firm (Raheja, 2005; Siladi, 2006), and unable to ratify decisions made by powerful board members as they lack company information (Conger & Lawler (2009). One possible explanation to this as stated by Haniffa and Hudaib (2006) most of them were appointed not based on their expertise, rather for political reason.

Hypothesis 2: There is a relationship between board size and firm performance before of financial sector in Malaysia and after financial crisis 2006-2013

Table 3 shows the relationship between board size and firm performance for both return on asset (ROA) and earning per share (EPS) in year 2006 and year 2013. Negative value of correlation coefficient indicated a negative relationship and p-value lower than or equal to 0.05 indicated that there is relationship for both variables. The result showed that there is a negative relationship among board size and return on asset (ROA) in year 2013 where consists of p-value lower than 0.05. The result indicated that if the board size increased (decreased) then the return on asset (ROA) of company will be decreased (increased). It means that there is a relationship among board size and firm performance in year 2006 and in year 2013.

Table 3: Correlation among Board Size and Financial Performance in Year 2006 and Year 2013

			Return On Asset (ROA) in Year 2006	Return On Asset (ROA) in Year 2013	Earnings Per Share (EPS) in Year 2006	Earnings Per Share (EPS) in Year 2013
Spearman's rho	Board Size in Year 2006	Correlation Coefficient	.007	-.294*	-.029	-.165
		Sig. (2-tailed)	.957	.023	.828	.207
		N	60	60	60	60
	Board Size in Year 2013	Correlation Coefficient	-.086	-.256*	-.019	-.273*
		Sig. (2-tailed)	.516	.048	.887	.035
		N	60	60	60	60

Correlation is significant at the 0.05 level (2-tailed).

The findings differ from previous studies to prove there is a relationship among board size and firm performance (Zahra, 1991, Andreas & Valleledo, 2008: Fallatah & Dickins, 2012). According to Colley at al., (2005) board size is influence by various factors such as organizational structure, industries, legal, economic and political requirements. Companies may need more board members when they are a need for more information due to expanding of their businesses. However, today many companies do not increase their board size as according to their performance (see Microsoft, Google, Walmart – maintain their board size for the past 10 years). Hence, the impact of board size and firm performance has been a matter of continuing debates until today.

Hypothesis 3: There is a relationship between CEO duality and financial performance of financial sector in Malaysia before and after financial crisis 2006-2013

Table 4 shows the correlation coefficient value of each variable was below than 0.3 which indicated as weak relationship. Besides, the significant value (p-value) found higher than 0.05 which indicated that there is no relationship among CEO duality and financial performance in year 2006 and in year 2013.

Table 4: Correlation among CEO Duality and Financial Performance in Year 2006 and Year 2013

			Return On Asset (ROA) in Year 2006	Return On Asset (ROA) in Year 2013	Earnings Per Share (EPS) in Year 2006	Earnings Per Share (EPS) in Year 2013
Spearman's rho	CEO Duality in Year 2006	Correlation Coefficient	.123	.039	.024	-.201
		Sig. (2-tailed)	.348	.770	.855	.123
		N	60	60	60	60
	CEO Duality in Year 2013	Correlation Coefficient	.099	.012	-.022	-.227
		Sig. (2-tailed)	.453	.930	.866	.081
		N	60	60	60	60

This study discovered that CEO duality do not influence firm performance of the financial sector in Malaysia before and after financial crisis 2006-2013. The findings similar to many previous studies (Schmid & Zimmermann, 2005; Elsayed, 2007; Abdullah, 2006), which also discovered CEO duality has no significant impact on firm performance. This can be explain because the Central Bank of Malaysia rule and regulation prohibit all companies under the category of financial sector to appoint the same person as chairman and CEO. The rule and regulation generally to strengthen the corporate governance of the financial sector in Malaysia, particularly to gain investors' confidents

CONCLUSION

This paper reports and discusses the relationship between corporate governance and firm performance before and after financial crisis for 2006 and 2013 for financial sector in Malaysia. Three hypotheses were developed and tested (Independent directors, board size, and leadership structure) in relation to two performance indicators (ROE and EPS). This study revealed independent directors and CEO duality have not influence firm performance before and after financial crisis (2006-2012). However, board size found to have negative relationship with financial performance for both years, which is similar to the previous of in the literature. Many companies' had been failed due to the board's incapability to address the overall company performance in an effective and reliable manner. The main goal for this lies in the structure of the board, particularly in relation to the structure of the decision making process which needs to be transformed to enable companies to focus on sustaining high performance in the face of a rapidly changing environment. One of the factors for the high performance of companies that operate in this highly unstable environment is their diversity and adopting good corporate. The limitations of this study are only relying on two years data and involved only financial sector in Malaysia.

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Relationship between Dividend Policy and Share Price

NTUI Ponsian
Accountancy and Finance Lecturer
St. Augustine University of Tanzania

Kawiche Prosper
Accountancy and Finance Lecturer
St. Augustine University of Tanzania

Thadeo Yuda
Accountancy and Finance Lecturer
St. Augustine University of Tanzania

Godfrey Samwel
Bachelor of Business Administration
St. Augustine University of Tanzania

Abstract

The study aims to examine the relationship between dividend policy and share price in Dar Es Salaam Stock Exchange (DSE). The investigation is based on the listed companies for the period of five years from 17 companies on DSE where the data is extracted from the company's annual reports in order to determine the relationship between dividend policy and share price. This is measured by dividend policy operationalized by four variables including D. yield, dividend payout ratio, and E.vol and P/E ratio. The study is quantitative in nature where the SPSS is applied as tool of analysis by using descriptive, regression and correlation method for measure relationship. The results show that the best dividend policy is P/E ratio as indicated by the lowest P value and relationship between dividend policy and share price is that P/E ratio have positive relationship while other variables namely dividend yield, dividend payout ratio, earnings per share and price earnings ratio are negatively related.

Keywords: Dividend policy, Share price, Dar Es Salaam Stock Exchange, Tanzania

INTRODUCTION

The purpose of this study is to investigate the relationship between dividend policy and share price. In economical circumstance many financial experts and investors are concerned about dividend policy of the companies. Dividend policy is the most debated topic among the researchers. It is discussed by different people in different areas which cause misunderstanding between themselves about dividend policy and share price relationship to maximize the shareholders wealth. Many theories and models are provided for investigating relationship of this study.

There are more than five theories which are relevance theory, irrelevance theory, signaling theory, tax-effect hypothesis, clientele effect of dividend and agency theory which are discussed to show the significance of this study. From these theories it was found that, there is a group of researchers who agree on the relationship and other researchers who disagree on the relationship between dividend policy and share price.

In 1961 miller and Modigliani came up with dividend irrelevancy theory to show that there is no relation between dividend policy and share price. They regard only effect on ordinary income and capital gain but not in the total gain of the shareholder and give some assumptions such as no tax is charged, no transaction cost and no cost of contract. But in 1962 (Gordon and Linter) disagreed on the theory and the assumptions provided by Miller and Modigliani in 1961 when came up with the dividend *relevancy* theory which agrees the relationship between dividend policy and share price to raise the shareholder wealth. The Gordon and Linter said that the investors prefer more dividend payment rather than capital gain.

The other researchers such as Baker and Powell in 1990 agree with relationship, also watts, R in 1973 come up with positive answer that the relationship exists. All those researchers use the listed companies in their geographic location to prove relation by using the different measurements of dividend policy to investigate the relationship by using linear regression and correlation models.

Though in real terms it is shown that there is no relationship between dividend policy and share price theoretically but practically the relation exists and in the company with higher dividend payout ratio the investors invest for the purpose of profit maximization.

The problem of existing relationship between dividend policy and share price is not only found to be a challenge in Tanzania but also throughout the world. This problem existed for long time and continues to exist in economic circumstances. The problem of dividend policy and share price has brought so many contradictions to different researchers from different countries. However the studies from different parts of the world focused on dividend policy in relationship with share price volatility instead of share price. From these studies it is also shown that there is no single measure of dividend policy. Therefore the aim of this study is to find out the relationship between dividend policy and share price focusing on dividend relevancy theory. This will therefore give us the best dividend policy measure which is not clearly shown in all studies.

LITERATURE REVIEW

Dividend policy and share price is the area of study where various scholars have written and come up with contradicting results. This chapter exposes the results and conclusions from various studies in different countries in the world to establish knowledge gap. The chapter is arranged to review, relation between dividend yield and share price, relations between dividend payout and share price, relations between earnings per share and price earnings ratio on share price.

Relation between Dividend Yield and Share Price

According to Suleiman (2011) share price volatility has significant positive relationship with dividend yield. This was concluded by extracted data from Karachi Stock Exchange regarding five important sectors for the period of 2005 to 2009 where multiple regressions model for analysis was used.

According to Nazir at all (2010) dividend yield has significant effect on stock price. The study explains the determinants of stock price volatility in Karachi stock exchange by using a sample of 73 firms taken from the KSE 100 index companies of different sectors. The data is collected from the balance sheet published by state bank of Pakistan and annual reports of the companies. Price volatility is taken as dependent variable, dividend yield and payout ratios are taken as independent variables. They used descriptive and correlation matrix to find the results. Okafor and Mgbame (2011) conducted a study to analyse dividend policy and share price volatility in Nigeria by taking sample of 4 banks and 2 firms each from food and beverage, petroleum and brewing sectors. Stock and financial related data of these firms are collected over 8 years period. Major source of data collection is annual fact book of Nigerian stock exchange, dependent variable is price volatility and independent variables are dividend yield, payout ratio, assets growth and earnings volatility. The relationship between ordinary stock price volatility and dividend policy has been analyzed by using regression. The result of their study show that general effect of dividend yield on price volatility observed at higher significant level.

Dividend yield and share price are positively related, Habib et al, (2012). Habib et al. conducted study about dividend policy and share price volatility evidence from Pakistan. To draw and establish relationship between dividend policy and shareholder volatility with focus on Pakistani stock exchange, dividend yield, payout ratio, size, debt, earning and growth are independent variables and share price volatility is a dependent variable. Cross sectional regression was used to analyze relationship of share price with dividend yield and payout ratio.

Zulkifli et al. (2012) in their study showed the impact of dividend policy in share price volatility in construction and material companies of Malaysia. A sample of 106 construction and material companies and 77 construction and material companies for the period of six years was selected. Share price volatility as the dependent variable and dividend yield dividend payout ratio, leverage, growth, size and earnings volatility as the independent variables were used. Least square regression models are used to interpret the results of this study. The results show that the dividend yields have positive effect on the share price.

According to Asghar at al. (2011) share price volatility has strong positive correlation with dividend yield. This is shown on the study about the effect of dividend policy on share price by collecting data for five important sectors i.e., chemical, cement, sugar, engineering, synthetic & fiber for the period of four years. Data were from the published resources of state bank of Pakistan and Karachi stock exchange and regression model based on Baskin (1989) documentation was used to conclude the results.

It is expected that share price volatility is being affected negatively by dividend yield, but the top review explained that there is positive impact of dividend yield on share price volatility based on; the duration effect, the rate of return effect, the arbitrage effect and the information effect. These results derive us to hypotheses that:

H1: There is a positive significant association between share price and dividend yield

Relationship between Dividend Payout and Share Price

According to Nazir et al. (2010) share price significantly influences dividend policy as measured by dividend payout ratio and dividend yield. The study used 73 firms listed on Karachi Stock Exchange (KSE-100) indexed.

Barker and Powell surveyed 603 chief financial officers of US firm listed on New York stock exchange and observed that 90% of the total respondents believed that dividend payout policy positively affects a firm’s value and therefore shareholders wealth.

Dividend payout is by far the single important factor affecting stock prices, Sen and Ray (2003). So the study explored one of the crucial factor i.e. dividend payout ratios having impact on Indian stock price. The authors have explained an interesting phenomenon regarding the key determinants of stock price in India based upon the stocks comprising the BSE index over a period 1988-2000.

Gordon (1959) supports the bird in the hand theory. The researcher generates dividends and earnings data of four industries namely chemicals, foods, steels, and machine tools for year 1951 and year 1954. He then employed a linear regression methodology to examine the relationship between share prices and dividends/ retained earnings. The results show that dividends have a greater impact on share price than retained earnings do, and the required rate of return has a positive correlation with the fraction of retained earnings. In other words, dividends are preferred to capital gains because of their certainty. Similar results are found by Fisher (1961), who conducted the empirical research based on the British data generated for the period between year 1949 and year 1957.

In their study, Mokaya and James (2013) explain how dividend policy effect share price in banking industry of Kenya. This study covered the sample of 100 respondents represented a population of 47000 general public shareholders and questionnaires were used to collect the data. Market share value is the dependent variable and dividend policy is the independent variable. Descriptive and inferential statistics were used to determine and explain variable's relationships. The study concluded that National Bank of Kenya had a dividend policy and this dividend policy is the major factor driving NBK share value. It has been seen that an increase in dividend payout may result an increase in share price.

The five researchers such as Nazir, Mokaya. And James, Sen. and Ray (2003), Barker and Powell and others explained about impact of dividend payout on share price volatility based on the rate of return they come up with positive relationship. They argue that divided pay out can be used as an alternative for predicted growth and investment opportunities so that firms with higher dividend payout have higher share price. They also explained that high dividend payout can be interpreted as stability of a firm and reduce the fluctuation in share price of that firm. These results of researchers show that the conclusion of the hypothesis is:

H2: There is a positive significant relation between share price and payout ratio.

Relation between Earnings per Share, Price Earnings Ratio and Share Price

Empirical findings show that dividend per share and price earnings ratio influence positively by share price, Nirmala and Sanju (2011). The study focuses on three sectors viz., auto, health care & public sector undertakings over the period 2000-2009. They employed panel co - integration test and fully modified least squares to examine the effect of dividend, profitability, price earnings ratio and leverage on share prices.

Sharma (2011) shows the results that earning per share, dividend per share and book value per share has significant impact on the share price of different industry groups in India when examined companies in the period of 1993- 2008 in different industries group.

Disclosures of forecasts of earnings per share were accompanied by significant price adjustments, from which the inference may be drawn that either the data presented in a management forecast, the act of voluntary disclosure, or both convey information to investors.

Subsequent price behavior was relatively low for the positive forecast group and continued to decline for negative forecast group Patell (1976). The researcher test considers weekly data of 258 firms listed with NYSE for the period of 1963 to 1967. Researcher took 336 observations for testing.

According to Beaver (1968) the findings indicate that reported earnings per share are associated with underlying events that are perceived by investors to affect the share price and the study was based upon a sample of annual earnings announcements released by 143 firms listed in NYSE during the years 1961 through 1965. These arguments make us to hypothesize:

H3: There is a positive significant relation between earnings per share, price earnings ratio and share price

Knowledge Gap

Different researchers in the world have done research in trying to find out relationship between share price volatility and dividend policy. There is a little research on share price and dividend policy. The results are different from the companies or institution they choose to conduct the research, methodology used by researcher and the economic level of their countries. Differences may be due to the level of economy that to say the research conducted to the higher developed capital market rather than less developed capital market with only 18 companies listed. The other researcher does not make consideration on less developed countries when they conduct study and also make generalization to conclude the study and fail to provide answer in all levels of economy. Also all studies used multiple measure of dividend policy and there is no single study showing the best measure of dividend policy. The study is conducted in Tanzania companies because the level of economy in terms of market is poor in order to show what it is not done by other researchers. Therefore this study finds out the relationship between dividend policy and share price and also finds out the best dividend policy measure.

METHODOLOGY

Quantitative approach is used from data collection to the analysis. Quantified data were collected to meet the appropriate conclusions at the end of study. The researcher collected total earnings, total dividend, share price, net earnings income, preference dividend and number of shares from annual reports and websites of the listed companies and analyze the data by using descriptive analysis, linear regression analysis and for the strong relationship we used correlation analysis in the SPSS.

Data Collection

The study used the data from 13 listed companies' annual reports, websites, organization records and companies' reports. The collected data were operationalized to be in ratio form as used in the analysis. The extracted data from the records were treated as primary information as they were not prepared for that purpose. These were: dividend, dividend per share, market share price, earnings, number of shares, and book value of shares. These then were computed to be in form of ratios where they were not readily available. Where ratios were there already, the same were collected.

Population and Sample Size

The target population was 18 listed companies on DSE and their audited financial statements in order to get the all data for analysis and to come up with the complete conclusion to make decision. The sample taken from the listed companies is 13 companies out of 18 companies on Dar es Salaam stock exchange for the period of 5 years from 2007 to 2011. The sample of 13 companies is due to the fact that only 13 companies had five years information needed for the study. Some companies are young in the market and others lack information for the purpose of study.

Model Specification

Panel data was used to analyze the relationship between dividend policy and share price. Descriptive statistics and multiple regression analysis were used to analyze the results. Regression model was used to show the relationship between dividend policy and share price as follows:

Regression analysis model

$$\boldsymbol{P.vol = \beta 0 + \beta 1\,(D.yield) + \beta 2\,(DPR) + \beta 3\,(P/E) + \beta 4\,(E.vol) + \alpha}$$

Where:

Dividend yield (D.yield) is calculated by summing all the annual cash dividends paid to common stock holders and then dividing this sum by the average market value of the stock in the year.

Dividend payout ratio (DPR) is the ratio of total dividends to total earnings.

Price earnings ratio (P/E) means price to earnings ratio. That is, current share price divided by the current earnings per share.

Earnings per share (E. vol) means earnings per share and is calculated by taking the net income less preference dividends divided by number of shares

P. vol is the share price and β0……………… β4 = coefficients

Analysis

Regression analysis is used to estimate the causes of relationships between dividend payout ratios, dividend yield, price earnings ratio, earnings per share on share price. The research used correlation models, specifically Pearson correlation to measure the degree of association between dividend policy and share price. The study uses quantitative analysis because the method of analysis such as regression and correlation are used to measure the validity degree between dividend policy and share price. The researcher is able to identify many important variables associated with dividend policy and to formulate model regarding to those variables. Descriptive statistics were also used to know mean, variance, and standard deviation, minimum and maximum variables.

FINDINGS

The purpose of this chapter is to present analysis and interpret the findings. The presentations, interpretation of the findings are focused on the research objectives that are used in the study. Findings are arranged in the order to answer all objectives or relationships intended in the study.

Descriptive Statistics

Descriptive analysis shows the average and standard deviation of the different variables of interest in the study. It also presents the minimum and maximum values of the variables which help in getting a picture about the maximum and minimum values a variable can achieve.

Table 1 present's descriptive statistics for 13 Tanzania financial and non financial firms for a period of five years from 2007 to 2011 making a total of 65 firms' observations.

Table 1

Variable Name	Minimum	Maximum	Mean	Std. Deviation
P. vol	150	13160	2454.26	3031.008
DPR	-0.96	1.44	0.4049	0.30974
P/ E ratio	3.29	582.47	46.1034	133.85086
D. yield	0.01	0.19	0.0691	0.04749
E.vol	-84.00	765.03	1.390600	171.98232

The results show that the P. vol has larger expected value of Tshs 2454.26 compared to those independent variables such as D yield had lowest mean value of 0.0691, dividend payout ratio lower mean value of 0.4049, price earnings ratio of 46.1034 and E. vol is 1.390600. The expectation is away from provided relation among the variables because the independent variables are lower than dependent variables. P. vol also has highest standard deviation of 3031.008 while the D. yield has lowest standard deviation amongst others variable with value of 0.04749 this implies that the low standard deviation data points tend to be very close to the expected value with low risk and a high standard deviation indicates that the data points are spread out over a large range of values with very high risk. Moreover the P. VOL has wider range of 13010(maximum- minimum) as dependent variable while the D. yield has lower range amongst variable with value of 0.18 among other independent variables.

Regression Analysis

The regression statistics of the variables which are used in this research are represented in Table2. It indicates Standardized coefficient, t- statistic, Standard error and Significance of both dependent and independent variables.

Table 2

Variable	Un-standardized coefficient	Standard error	Standardized coefficient B	t- statistic	Sign.
(constant)	1505.423	414.904		3.628	0.001
DPR	589.627	678.614	0.060	0.869	0.388
P/E ratio	20.130*	1.523	0.889*	13.218	0.000
D. yield	-8460.396***	4689.210	-0.133***	-1.804	0.076
E.vol	2.635**	1.254	150**	2.102	0.041

(***) (**) (*) significant at 10%, 5% and 1% respectively

R= 0.768; Adj. R-square 0.753 Std.error estimate 1507.222

The Share price is taken as dependent variable and used in a regression of four independent variables namely dividend payout ratio, dividend yield, price earnings ratio and earnings per share. The relationship between share price and dividend yield is negative and significant. This means that the companies with negative D.yield there is loss earning on what invested by investors and also the higher the share price the lower the D.yield. The results support the findings by Hussainey et al. (2011) who claim that firms with higher dividend yield have lower share prices. The table also shows that the dividend payout ratio has positive coefficient but not significant related with share price. The other independent variable E.vol has positive significant impact on share price. This means that the higher the share price the higher the E.vol and also company which generates more profit are able to pay back the shareholder on what they invested . The last independent variable is P/E ratio and has positive significant relationship with share price and has a maximum t-value on share price to be greatly influenced by price earnings ratio.

Correlation Statistics

Table 3 represents correlation among the variables to check the relationship they have between them. The correlation analysis is observed on the 65 observations of financial information from the 13 companies from the year 2007 through 2011.

Table 3

	P. Vol	payout ratio	P/E ratio	D. yield	E. vol
P. Vol	1				
DPR	-0.269**	1			
P/E	0.864*	-0.354*	1		
DY	-0.222***	0.334*	-0.203	1	
E. vol	-0.085	0.198	-0.207	0.473*	1

(*), (**), (***) significant at 1%, 5% and 10% level

The table shows that the dividend payout ratio and share price have negative significant correlation of 0.269 at 5% level. Also dividend yield and share price show the same result as payout. The Correlation coefficient of D.yield is negative and significant with 0.222 at 10% level. The correlation results between earning per share and share price give the same answer with the negative correlation coefficient of 0.085 but not significant. But only one variable shows the positive significant correlation with share price which is price earnings ratio of 0.864 at level of 1%. The result shows that the higher the D.yield, Payout and E.vol the lower the share price. It may be the companies are small and growing up but only one variable is positive related to the share price. The implication is that the higher the P/E ratio the higher the share price meaning that the companies are able to pay back to the investors.

The Best Dividend Policy Measure

From Table 2, P/E is concluded to be the best dividend policy measure because it has the lowest P value followed by earning per share and lastly the dividend yield. Dividend payout ratio is not a good dividend policy measure because it has the highest P value as compared to other measures in this study.

If the P/E is taken to be the best dividend policy measure the relationship between share price and dividend policy is positive and highly significant at 1% hence the dividend irrelevant theory in business has no room. The findings clearly show that dividend policy has significant influence or relevance to the share price.

DISCUSSION

Dividend policy of companies seems to influence change of share price practically but theoretically it raises different views and result among researchers. The findings of this research help to add value to the discussion as it links the findings with literature in order to provide understandable interpretation and conclusion.

The results for three variables measuring dividend policy are consistent with the literature by showing positive relationship with share price and there is only one variable showing the negative relation with share price. The independent variable P/E ratio, Payout and E. vol show positive relationship with share price and this is consistent with body of literature. D. yield brings contradicting results toward the share price meaning that the higher the D. yields the lower the share price. Though D. yield contradicts the literature, the result is in line with Hussainey et 2011, Uddin and Chowdhury 2005, Nazir et al 2010 and Allen and Rachim who show that price volatility is negatively related to D. yield. The last independent variable (P/E ratio) shows the positive significant relationship with share price. The higher the P/E ratio the higher the share price, the result is in line with the Nirmala and Sanju (2011), Sharma (2011), Patell, J. M. (1976), Beaver, (1968) who indicate that higher P/E ratios in companies are associated with higher share prices. It is this study which shows that P/E ratio is the most highly significant indicating that it may be the best dividend policy measure.

CONCLUSION

The study shows that dividend payout ratio has positive relationship with share price though not significant. This implies that the higher DPR may result to higher share price though at a small increment. Similarly price earnings ratio and E.vol has a positive and highly significant relationship with share price indicating that the higher the price earnings ratio and dividend per share the higher the share price. This may also mean that companies with higher P/E ratio and E.vol have higher share prices. In contrary D.yield shows a negative relationship with share price indicating that companies with higher D.yield has lower share price.

The results show that share price is highly influenced by the dividend policy. P/E is concluded to be the best dividend policy measure because it has the lowest P value followed by earning per share and lastly the dividend yield. Dividend payout ratio is not a good dividend policy measure because it has the highest P value as compared to other measures in this study.

Generally in the today's complex world of business the dividend irrelevance theory seems to be of no importance due to the fact that its assumptions are not realistic as personal or corporate income taxes exist, there are stock flotation or transaction costs, financial leverage does affect the cost of capital, managers and investors have access to the different information concerning firm's future prospects, firm's cost of equity is affected in any way by distribution of income between dividend and retained earnings and dividend policy has impact on firm's capital budgeting.

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Gender Role Portrayal in Nigeria Newspapers Advertisment

Owolabi Ademola Benjamin PhD
Department Of Psychology
Ekiti State University, Ado Ekiti

Dairo Opeyemi Elizabeth
Department Of Psychology
Ekiti State University, Ado Ekiti

Abstract
This study was designed to examine gender role portrayal in Nigeria newspaper advertisement. The secondary source of data collection was used; three national newspapers with a wide coverage were selected. The advertisements were content analyzed. The result reveals a significant shift in gender role portrayal in Nigeria newspaper advertisement.sex stereotype in advertisement has reduced even though males were still portrayed in executive roles in Nigeria newspaper advertisement than females. Theoretical and practical implications of results were discussed.

INTRODUCTION
In the twenty first century western world, the idea that women and men naturally possess distinct characteristics is often treated sceptically, but this was an almost universally held view in eighteenth century. Gender Schema Theory proposes that people especially children learns about gender roles from their surrounding culture. Ideas about gender difference were derived from classical thought, christain ideology, and contemporary science and medicine. Men and women were thought to inhibit bodies with different qualities and virtues. Gender roles, when followed, send signal of membership in a given gender (Bornstein, 2010). Men, as the stronger sex, were thought to be intelligent, courageous and determined. Women on the other hand, were more governed by their emotions, and their virtues were expected to be chastity, modesty, compassion and piety. Men were thought to be more aggressive; women more passive. These differences were echoed in the faults to which each sex was thought to be prone. Men were prone to violence, obstinacy, and selfishness, while women's sin was viewed as the result of their emotions, notably lust, excessive passion, sheepishness and laziness (Green, 2010). On the basis of this societal expectations gender roles were defined. All societies have carefully defined gender-role, although there are precise differences among societies. Gender (or sex) stereotypes are widely held beliefs about psychological differences between males and females, which often reflect gender roles (Babalola and Adebayo, 2003). Sex typing is our acquisition of sex or gender identity and learning the appropriate behaviour. Sex typing began early in Western culture, with parents often dressing their newborn baby boy or girl in blue or pink.

The Wikipedia free encyclopedia defines gender role as the social and behavioural norms that are considered to be socially appropriate for individuals of a specific sex in the context of a specific culture, which differ widely between cultures and over time. It is not necessarily based on biological sex, either real or perceived, and it is distinct from sexual orientation. It is one's internal, personal sense of being a man or woman (or a boy or girl).The presence of gender role has created a stereotype. This stereotype means that men and women need to follow their specific gender roles in order to be socially accepted. Gender roles have forced society to form a stereotype of what the "perfect woman" and "perfect man" should be. People base this "perfect woman or man" on what newspaper advertisements and other media portrays them to be. The qualities for the "perfect woman" include, feminity, beauty, respectful, in shape, nurturing, motherly, house wife, dependent, caretaker, and loving. For men, the "perfect man" is considered to be masculine, strong, a provider, in shape, and independent. If men and women do not follow these certain characteristics, they are often shunned and may not be socially accepted (Owolabi, 2009).

Advertising is a form of communication used to encourage or persuade an audience (viewers, readers or listeners) to continue or take some new action. Ehigie and Babalola (1995) defined advertising as an aspect of marketing, which is described in psychological terms as any form of visual, oral or audio-visual communication about goods and services in which the sender attempts to motivate the receiver into purchase action as a favourable response or feedback. Most commonly, the desired result is to drive consumer behaviour with respect to a commercial offering. The purpose of advertising may also be to reassure employees or stakeholders that a company is viable or successful. Advertising messages are usually paid for by sponsors and viewed via various traditional media; including mass media such as newspaper, magazines, televison commercials, radio advertisement e.t.c. For the purpose of this study, the concentration of advertisement would be on newspaper.

A newspaper is a scheduled publication containing news of current events, informative articles, diverse features, editorials, and advertising. It usually is printed on relatively inexpensive, low-grade paper such as newsprint. General-interest newspapers typically publish stories on local and national political events and personalities, crime, business, entertainment, society and sports. Most traditional papers also feature an editorial page containing editorials written by an editor and columns that express the personal opinions of writers. The newspaper is typically funded by paid subscriptions and advertising. A wide variety of material has been published in newspapers, including editorial opinions, criticism, persuasion and op-eds; obituaries; entertainment features such as crosswords, sudoku and horoscopes; weather news and forecasts; advice, food and other columns; reviews of radio, movies, television, plays and restaurants; classified ads; display ads, radio and television listings, inserts from local merchants, editorial cartoons, gag cartoons and comic strips.

Zimmerman and Dahlberg (2008) state that since the rebirth of the women’s movement in the 1960’s, critics have consistently raged against the way advertising treats women. Scantily clad, suggestively portrayed women sell every different type of product in magazines and television. The voyeuristic portrayals of women as things not only to be looked at but also to be desired have always been used by some magazine in order to maximize sales. Examples include playboy, penthouse, and hustler. Recently due to technological advancements, advertising is all over the place in newspaper, hints and heart magazines, billboards pavement, side of buses, radio, and television and on the internet. Constantly, polarized gender messages in newspaper advertisement have fundamentally anti-social effects. Women and girls are more likely to be shown: in home, performing domestic chores such as lundary or cooking; as sex object who exist primarily to serve men; as victims who can't protect themselves and are the natural recipients of beatings, harrasement, sexual assault and murder. Men and boys are also stereotyped by newspapers advertisement. Masculinity is often associated with machismo, independence, competition, emotional detachment, aggression and violence.

Advertisements often contain elements of gender in them. They come in the form of sexual images and it is usually the women who are sexually objectified. Women have traditionally been assumed to be dependent on men and thus requiring their protection. This furthers the common assumption that women are subservient to men, which then leads women to be viewed as sex objects (Zhou and Chen, 1997). Whipple and Courtney (2005) mentioned that one common stereotype model-product pairing is that of men and automobiles. For decades, cars have been presented as an object of male competition and outside the arena of women. Therefore, this lends support to the assumption that (we are interested to look at the representation of gender in newspaper advertisement) car advertisements are often targeted at men.

Water and Ellis (2006), in their paper, studies the impacts of advertising. The stereotyping of various groups, in this case - women, is one consequence that we should be wary of. Often, the media projects unattainable or unrealistic portrayals of women where being young and attractive are an ideal that should be pursued (Waters and Ellis 2006). In car advertisement, some evidence of this can be seen through the sexual innuendos that accompany the advertorials. The models are often shapely women who boast an almost unattainable figure. This then creates disillusionment when men see these models as womanly ideals and thus project these onto the women that he comes in contact with. As a result, this in turn leads women to turn the male gaze upon themselves where they also join in the chase for that ideal body. These stereotypes are definitely influential in their ability to shape the way both genders negotiate their identity. They also mention that stereotypes shown on television through these advertisements affect the perceptions of children who are exposed to them and these stereotypes will then remain with them ever as they grow older (Waters and Ellis, 2006).

Furthermore, because of these unrealistic portrayals, Ciochetto and Lynne (2008) also mentions how as a result advertising forges a very limited schema when it comes to women and their social interactions, mainly encouraging people to think of women in terms of their relationships with men, family, or sexuality. Studies have shown that images of women that dominate in magazine advertisements is of weak, childish, dependent, domestic, irrational, subordinate creatures, the producers of children and little else compared with men. Komisar (1971) suggests the audience of advertising could never know the reality of women's lives by looking at advertising, since "A woman's place is not only in the home, according to most advertising copywriters and art directors; it is in the kitchen or the laundry room". Komisar also refers to the image created by advertisers in 1960 as a combination sex object, wife, and mother who achieves fulfillment by looking beautiful for men. A woman in not depicted as intelligent, but submissive and subservient to men. If a woman has a job, it is as secretary or an airline hostess.

Courtney and Lockeretz (1999) examined images of women in paper advertisements. They reported the following findings which include the fact that: women were rarely shown in out-of-home working roles, not many women were shown as a professional or high-level business person, women rarely ventured from home by themselves or with other women, Women were shown as dependent on men's protection, Men were shown regarding women as sex objects or as domestic adjuncts, females were most often shown in ads for cleaning products, food products, beauty products, drugs, clothing and home appliances and finally that males were most often shown in ads for cars, travel, alcoholic beverages, cigarettes, banks, industrial companies

Over the past decades, significant changes have occurred in gender roles and in gender-based division of labour (Burn, 1996; Shaffer, 2000; Udegbe, 2003). Perhaps, the most notable of this change are the dramatic influx of women into the work-force and the progress women have made at entering professions and filling positions, once held almost exclusively by men (Kang 1997; Udegbe, 2003). Even though gender roles have undergone many changes in recent years, there are still large individual differences in people's perceptions of the behaviours and pronouncements considered acceptable for men and women. The aim of this research is to find out gender portrayal in Newspaper advertisement as see if the changes that have occurred in gender based division of labour is reflected in gender portrayal in Newspaper advertisement.

Hypothesis

The following hypothesis shall be tested in this study:

1. There will be more female as advert presenter in masculine products than male in feminine product.
2. More female will be portrayed in Nigeria Newspaper advertisement than male.
3. There will be no difference on how gender role would be portrayed in Punch, Vanguard and Guardian.
4. Male will perform executive role in Nigeria Newspaper than female.

METHODS

Materials

The aim of this research work is to investigate gender role portrayal in Nigeria Newspaper advertisement. There are about 25 Newspapers in Nigeria. Out of these newspapers, three were used as the material of this project. The newspapers are; Guardian, Punch and Vanguard, they were selected because of their national coverage and as major advertisement outlets in the Nigeria Newspaper industry.

Study area

The study was conducted in the library of Guardian Newspapers located at Total Bustop, Iyana Isolo in Lagos State, Nigeria. Copies of the three Newspapers (Guardian, Punch, and Vanguard) covering a period of six months - from the 1st July, 2014 to the 30th December, 2014 were analyzed. Adverts which are published more than once in the same newspaper or other types of newspapers were recorded once. The three newspapers were observed to be highly used for advertisements. Also, the July to December edition were used because as at the time of this study, they were the most recent publication. A period of six months was considered good enough to override any peculiarity that may be associated with a particular period or month.

Procedures

A secondary source of data collection was used, that is, advertisements in published selected Newspaper were used and the content analysis was based on the following factors:

a) Product advertised
b) Product, sex usage whether it is used by male, female or both
c) The presenter of the advert (male, female or both)
d) If both (are the presenters), who was used as the lead presenter? (male, female or both)
e) The content of the message

The products advertised were examined if they are products solely used by male, female or both. If the product is commonly used by both sexes, who is the lead presenter of the product in the advert? If the product is used by both sexes, were they both used as lead presenter in the advert? (I.e the male and female). Did the advertisement follow the traditional or non-traditional mode i.e did male advertise masculine product or female advertise feminine product or otherwise? The way they are portrayed in the advertisement of particular products would explain how that particular advert perceived and view gender role. Another important aspect of the analysis that has contributed to the collection of data is the issue of 'who the lead presenter' in the advert is when both sexes are used in advertisement. The lead presenter in an advert indicates that such gender is more recognised for the product advertised. The Newspaper advertisement were content analyzed and so as to determine how gender is portrayed in the newspaper advertisement, statistical tools such as percentages, tabulation and the Chi-square form of analysis was employed for the purpose of presenting the data in a very meaningful way. The Chi-square (x2) was used to test the hypothesis formulated.

RESULTS

Descriptive table

Newspapers	PF	PM	PB	PrF	PrM	PrB	LPrF	LPrm	LPrB	ErM	ErF
PUNCH	0	5	51	16	29	11	0	5	6	11	5
VANGUARD	0	0	7	2	4	1	0	0	1	1	2
GUARDIAN	0	2	18	1	15	4	0	0	4	1	0

KEY PF = Products used by female PM = Products used by male PB = products used by both

PRF = presenter of adverts (female) PrM = presenter of adverts (male) PrB = presenter of adverts (both)

LPrF = Lead presenter female (if both) LPrM = Lead presenter male (if both) LPrB = Lead presenter both ErM = Executive roles by men ErF = Executive roles by female

The first hypothesis which states that there will be more female as advert presenter in masculine products than male presenter in feminine products was tested using Chi-square. The result is presented below:

Table 1: Descriptive table showing the percentage of male and female presenter in Nigeria Newspaper advert.

	PUNCH	VANGUARD	GUARDIAN	TOTAL	%
Pm	5	0	2	7	9.5
PrF	16	2	1	19	25.7
PF	0	0	0	0	0
PrM	29	4	15	48	64.9
	50	6	18	74	

Table 2 Chi-square table showing the portrayal of female presenter in products used by male and male presenter in products used by female.

Fo	Fe	Fo-Fe	$(Fo-Fe)^2$	$(Fo-Fe)^2$ Fe
5	4.72	0.28	0.08	0.016
0	0.56	-0.56	0.31	0
2	1.70	0.3	0.09	0.045
16	12.83	3.17	10.05	0.63
2	1.54	0.46	0.21	0.11
1	4.62	-3.62	13.10	13.1
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
29	32.43	-3.43	11.76	0.41
4	3.89	0.11	0.01	0.0025
15	11.67	3.33	11.09	0.74
				$\sum = 15.05$

x2 obtained value = 15.05

df = 6 x2 critical value = 12.59

The Chi-square result shows that the obtained value 15.05 is greater than the critical value 12.59. It means that the hypothesis which states that 'There will be more female as advert presenter in masculine products than male presenter in feminine products' is rejected. df = 6, critical x2 = 12.59, x2 (6) = 15.05, P<.05.

The second hypothesis which states that more female will be portrayed in Nigeria Newspaper advertisement than male was tested using Chi-square. The result is presented in the table below:

Table 3: Descriptive table showing the percentage of how female and male are portrayed in Nigeria Newspaper Advertisement.

	PUNCH	VANGUARD	GUARDIAN	TOTAL	%
PrF	16	2	1	19	28.4
PrM	29	4	15	48	71.6
	45	6	16	67	

Table 4: Chi-square table showing portrayal of male and female in Nigeria Newspaper advertisement.

Fo	Fe	Fo-Fe	$(Fo-Fe)^2$	$\frac{(Fo-Fe)^2}{Fe}$
16	12.76	3.24	10.50	0.66
2	1.70	0.3	0.09	0.04
1	4.53	-3.54	12.46	12.46
29	32.24	-3.24	10.50	0.36
4	4.30	-0.30	0.09	0.02
15	11.46	3.54	12.53	0.84
				∑=14.38

X2 obtained value = 14.38, DF = 2, X2 critical value = 5.99

The Chi-square for this hypothesis shows that the obtained value 14.38 is greater than the critical value 5.99. It means that the hypothesis which states that 'more female will be portrayed in Nigeria Newspaper advertisement than male' is accepted.

DF = 2, critical x2 = 5.99, x2 (2) = 14.38, P<.05.
The third hypothesis which states that male will perform executive role in Nigeria Newspaper than female was tested using Chi-square. The result is presented in the table below:

Table 5: Descriptive table showing the percentage of executive role performed by male and female in Nigeria Newspaper advert.

	PUNCH	VANGUARD	GUARDIAN	TOTAL	%
ErM	11	1	1	13	65
ErF	5	2	0	7	35
	16	3	1	20	

Table 6: Chi-square table showing the executive roles performed by male and female.

Fo	Fe	Fo-Fe	$(Fo-Fe)^2$	$\frac{(Fo-Fe)^2}{Fe}$
11	10.4	0.6	0.36	0.03
1	1.95	-0.95	0.90	0.9
1	0.65	0.35	0.12	0.12
5	5.6	-0.6	0.36	0.07
2	1.05	0.95	0.90	0.45
0	0.35	-0.35	0.12	0
				∑=1.57

X2 obtained value=1.57 DF=2 x2 critical value= 5.99

The Chi-square for this hypothesis shows that the obtained value 1.57 is less than the critical value 5.99. It means that the hypothesis which states that 'male will perform executive role in Nigeria Newspaper than female is accepted.

DF = 2, critical x2 = 5.99, x2 (2) = 1.57, P>.05.

DISCUSSION

The first hypothesis states that there will be more female as advert presenter in masculine products than male in feminine products. From the result of the research, it is confirmed that more male was portrayed as advert presenter in feminine products than female. On the contuary, from the result of the research, there is no product solely used by female. All products advertised are used by both male and female. This therefore made it possible to have more male portrayed as advert presenter because there are no feminine products.

In relation to attribution theory, which is concerned with how individuals interpret events and how this relates to their thinking and behaviour? Attribution theory deals with how the social perceiver uses information to arrive at causal explanations for events. It examines what information is gathered and how it is combined to form a causal judgment" (Fiske & Taylor, 1991) Attribution theory is concerned with how and why ordinary people explain events as they do. Advertisers believe that products sell at higher rate when female is used as the lead presenter because users of the products would see the appearance of the presenter as a motivator. When products are for male users, it is believed that females are seen as emotional stimulants by male and would always go for products with sexy female presenter. This can be compared with turnover of products with unattractive female presenter. This is in line with Whipple et al's (1985) findings; they assert that effective role portrayals are found to be a function of three factors –appropriate match between the gender of the depicted model and the gender-image of the product; the setting of the portrayal; and the portrayals liberatedness and realism.

The second hypothesis states that more female will be portrayed in Nigeria Newspaper advertisement than male. The result of this research confirmed that, more female was portrayed in Nigeria Newspaper than male. Data gathered showed that even when products are used by both male and female, the female gender was still portrayed as lead presenter. And this result is consistent with the Gender Schema theory which states that the environment as a whole has a way of dictating individual's role. And so, it is believed that jobs like modelling, or advertising should be a feminine job. The schema is presumbly formed from interactions with the environment. Newspaper advertisement is stereotypically associated with a female that's why on most cover pages of magazines and newspaper, females are used.

Carpenter and Edison (2004) in their research on "the portrayal of women in advertising over the past fourty years" also concured that women are portrayed much more than male in advertisement. Gender role is the set of societal expectations that dictates how an individual of a gender should behave, think and feel. During the past century, perception of all 3 aspects of gender have changed, particularly that of gender role. The Gender Schema theory concerns the development of an internal schema, or mental framework, which organizes and directs the behaviour of an individual as a male or female. Gender Schema of being female might include using more female for advert job than male.

The third hypothesis states that there is no difference on how gender role would be portrayed in Punch, Vanguard and Guardian. The result confirmed that there was no significant difference among the types of Newspaper adverts. From the information gathered and the data analysis, the result shows that there is no significant difference among the Punch, Vanguard and Guardian Newspaper. However, there is need for more research on this study.

The fourth hypothesis states that male will perform executive roles in Nigeria Newspaper advert than female. The result of this research confirmed that executive roles are played by male in Nigeria Newspaper than female. This hypothesis is being consistent with the findings of cognitive developmental theories. In their researches on cognitive development, it was observed that during development, male and female learn their gender role while growing up and they fix their cognition on that mentality. For this reason, male grow up to 'think as a co-operate person', while female grow up to 'work in the kitchen'. Children develop the stereotypic conceptions of gender from what they seeand hear around them, once they achieve gender constancy, the believe that their own gender is fixed and irreversible.

Heidelberg,(2010) opposed this finding in his research on how women are portrayed in executive positions. He concluded that more women should be in executive positions. In his opinion, companies can't do without the potential of highly qualified women. One reason for this is the demographic change, another one the necessity to institutionalize a multi plicity of aptitudes and perspectives on the management level of companies.

To Piaget, a developmental psychologist, cognitive development was a progressive reorganization of mental processes as a result of biological maturation and environmental experience. Children construct an understanding of the world around then, and then experience discrepancies between what they already know and what they discover in their environment. Moreover, Piaget claims the idea thaat cognitive development is at the center of human organism and language is contingent on cognitive development. Lawrence Kohlberg suggested that children had made a cognitive judgement about their identity before they select same sex models for sex typed behaviour. The cognitive development theory contends that because children consistently hear themselves called "boy" or "girl", they begin to conceive of themselves as being of one sex or the other. Ultimately, from such interactions, children develop a conception of attitudes towards and behavioural expectations concerning that gender.

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Modelling the Behavior of the Venture Capital Industry - Evidence from Egypt

Elsiefy, Elsayed
Qatar Faculty of Islamic Studies
Hamad Bin Khalifa University, Qatar Foundation- Qatar
Faculty of Commerce, Alexandria University, Egypt

Foudah, Mohammed
Qatar Faculty of Islamic Studies
Hamad Bin Khalifa University, Qatar Foundation- Qatar

Abstract

The objectives of this exploratory study are to investigate the behavior of the Venture Capital (VC) industry in Egypt, and to test whether there are relationships among the suggested dependent variables. We are studying the domestic VC industry through two dependent variables; i.e. 1) Patent Application Count representing the Innovation level, 2) Domestic Credit to Private Sector representing the private capital funding. Also we examine the international VC through the Foreign Direct Investment (FDI). We find positive significant relationship between the FDI and the Net Foreign Assets, the Gross Capital Formation and the Natural Gas Rents (% of GDP), while there is a negative significant relationship with the Broad Money. For the Domestic Credit to Private Sector, we find a positive significant relationship with the Merchandise Exports, the FDI and the Manufacturing Value Added (% of GDP), while we find a negative significant relationship with the Gross Savings (% of GDP). For the Patent Applications Count, we find a significant positive relationship with the Domestic Credit to Private Sector, the FDI, the Education Expenditure, the Gross Savings, the Industry Value Added and the Primary Education (Pupils) while negative significant relationship with GDP. We find that FDI is positively and significantly affecting both other dependent variables while both; i.e. FDI and Domestic Credit to Private sector, are positively and significantly affecting the Patent Applications Count.

Keywords: Venture Capital, Islamic Finance, FDI, Egypt, Innovation, Patent, Domestic Credit, Education, Private Sector, SMEs

INTRODUCTION

The study is going to discuss the driving factors which significantly support and model the behavior of the domestic & international VC industry (VC, henceforth). It is known by majority of academics and practitioners that the VC is mainly depending on the level of knowledge and innovation in the market and the level of available private capital being fed to this type of investment. The study suggests using Patent Applications Count representing the Innovation level, and Domestic Credit to Private Sector representing the private funding, in order to examine the domestic VC of Egypt, while to use Foreign Direct Investment (FDI) to examine the international VC of Egypt. The main target is to build significant representing models for the three dependent variables. Then we will check if the suggested dependent variables are affecting each other or not.

For the last few decades, Small and Medium Enterprises (SMEs) have been proven that they are one of the major economic accelerators. (Thurik et al, 2002) show that higher level of entrepreneurship comes with higher rate of growth and lower unemployment. SMEs are usually facing challenges in raising the required funds in order to grow, so VC becomes the financial solution to their needs. (Musso and Schiavo, 2007) using panel data on French manufacturing firms, find that financial constraints significantly increase the probability of exiting the market while accessing the external financial resources has a positive effect on the firm's growth and employment. Also (Segarra and Teruel, 2009) find that Spanish young and small firms that are undercapitalized encounter greater barriers when attempting to access finances.

VC is a long-term risky and highly rewarded investment that may last up to 10 years and has the following characteristics:

1. VC is a non-bank financial intermediary between entrepreneurs and investors called General Partners (GPs). VCs are exchanging capital with equity stake in the firm which is receiving the funds. VC Firms usually operate within a partnership structure as they share capital as well as management efforts through participation in the company board. They raise capital from a limited partners (LPs) which include pension funds, insurance companies, foundations, endowments, and high-net-worth individuals.
2. VC firms play an active and important role in the portfolio monitoring of the companies whom receive the funds. They provide monitoring and consultancy services to these companies as well as availing their large business network that allow the company to attract further funds in its coming investment rounds; (Leslie and Wells; 1998). Also they provide the business knowledge and expertise to the companies in which they invest.
3. They are realizing their return of investment after exiting from the firm in which they have invested whether through M&A or IPOs. VCs play an important role in IPOs as they are improving the market power of the firms in which they invest, (Chemmanur and Loutskina, 2005).

The definition of VC in the developed countries includes innovative technology-related investments, while in the developing countries it just includes all start-up and early-stage firm types. There are many papers that discuss the role of Innovation in spurring the VC industry. (Florida and Kenney; 1986) find that VC concentrates in areas where high technology-intensive small businesses exist. (Kortum and Lerner; 1998) find a significant positive relationship between VC volume in an industry and the rate of innovation or patenting in US between 1965 and 1992. They also find that VC investment is positively affecting the patenting rate 3 times more than R&D investment does. (Ueda and Hirukawa; 2008) confirm the finding of (Kortum and Lerner, 1998) that VC has stronger positive impact on patents count than R&D. (Ueda and Hirukawa; 2003) find a bidirectional positive relationship between the industrial innovation and the VC investment where both are affecting the performance of each other. In addition, (Bertoni et al; 2010) find positive impact of VC investments on firms' TFP (Total Factor Productivity). (Hellmann and Puri; 2000) show that innovation and business experience are both positively affecting the allocation of the VC investments. (Lerner; 2002) suggests that policy makers may focus on technologies or innovative opportunities which are not popular among the venture capitalists and provide follow-on funding to the already established firms when the in-flow of the VC funds is falling. While it is a better supportive for the VC industry to initiate programs that enhance the demand of these funds rather than just supplying the capital. In order to achieve this, incorporation of laws and tax policies should be taken into consideration which may have a substantial impact on the amount and flow-in of the VC as well as the yielded returns.

(Bertonia and Tykvováb, 2012) suggest that innovation output increases faster in companies financed by syndicates either governmental or private, as well as by private VC investors than in non-venture-backed ones. Also they suggest that the most supportive form is a heterogeneous syndicate (i.e., private and governmental syndicate investors) led by a private investor. (Chemmanur et al, 2013) find that Corporate VC-Backed (CVC) firms are more innovative than Independent VC-Backed (IVC) ones, as measured by their patenting outcome, although they are younger, riskier, and less profitable than IVC-backed firms. They return such conclusion to two possible mechanisms through which CVCs are able to better spur innovation; 1) the technological fit between CVCs' parent firms and the entrepreneurial firms backed by them, 2) the greater failure tolerance by CVCs relative to IVCs. (Elsiefy, 2013) finds a positive and a significant relation between the Innovation (measured by patents count) and the GDP per Capita, the General Government Expenditure and the Labor Participation Rate while Inflation is negatively significant with the Innovation. (Gourinchas and Rey, 2007) shows that U.S. has re-formed its international assets and liabilities position from a lending nature into a VC investment nature. (Chemmanur et al, 2010) find that entrepreneurial firms backed by syndicates composed of international and local venture capitalists are more successful than those backed by syndicates composed of purely international or purely local venture capitalists. They importantly find that local venture capitalists that have a greater extent of syndication experience with international venture capitalists have higher success rates than local venture capitalists that have a lesser extent of syndication experience with international venture capitalists. (Hazarika et al, 2009) finds that better legal rights is significantly affecting the likelihood of the Global VC success, also they find that the cultural differences between the international VCs and the local firms in which they invest are positively significant to the VC success.

From Islamic Finance point of view, VC is originally an Islamic Finance idea where the Rabul-Mal; i.e. the investor, is providing the capital on a profit-loss sharing basis to the Mudhareb; i.e. the entrepreneur, for the purpose of conducting a new business opportunity in order to generate profit which will be shared based on a contractual agreement while losses to be distributed based on the capital share. Islamic Finance can re-promote the VC industry with the least required modification because VC falls within the Shariah compliance given the following considerations:

1. Permissibility of the capital sources. Capital should not include unlawful sources like pornography, drugs and weapon trading.
2. VC contracting should not involve usury; i.e. Riba, or unmanageable uncertainty level that may lead that a party will benefit on the loss of the other.
3. Permissibility of the business opportunity which will be undertaken. Actually, we may add that Islamic Finance has to consider the social benefits of the business opportunity during the due diligence being undertaken. It is the core role of Islamic Finance to look after the society's interests and needs in the first place prior to the maximization of profit.

On the other hand, Egypt is recognized as the birthplace of the modern Islamic Finance where Mit Ghamr is known World Wide as the first place of the first formal established Islamic Bank. Mit Ghamr savings bank was established by Dr. Ahmed El Naggar in 1963 and it was adopting the German savings bank under Shariah compliance.

Later in 1980s, unregulated privately held investment companies, e.g. El Rayan Company and El Sherif Company, which claimed that they are Shariah compliant started to mobilize funds from the public with high attractive profit returns. Those companies have collapsed and resulted to affect negatively on the potential development and society acceptance of the Islamic Finance till the permission of the first full-fledged Islamic Bank in Egypt; i.e. Faisal Bank, in 1979.

It is one of the objectives of this study is to promote the modern VC industry as a potential Shariah compliant instrument which needs almost nothing to be modified in its structure.

Egypt's Venture Capital Experience

Egypt has an old VC experience back in the 18th century when the former French Diplomat Ferdinand de Lesseps convinced khedive of Egypt and Sudan at that time Sa'id Pasha to establish a company in order to conduct a project to construct Suez Canal in order to connect the Red Sea with the Mediterranean Sea. Ferdinand de Lesseps acted as the entrepreneur of the established portfolio company which has been named Suez Canal Company. The due diligence of the project has been undertaken between Paris and Cairo by International Commission for the piercing of the Isthmus of Suez which is a group of 13 experts from seven countries to examine the plans developed by Linant Pasha. The French government acted at that time as the VC investor. French government exited from the venture by liquidated its shares in Suez Canal Company to the public. Another exiting step has happened in 1956 when President Gamal Abdul Nasser announced that Suez Canal Company is an Egypt's property.

Recently Egypt has established several programs and initiatives in order to support the development of the VC industry:

- Ministry of Communication and Information Technology has founded the Information Technology Industry Development Agency (itida) in 2004 in order to promote the required ecosystem for the entrepreneurs through different government programs and initiatives with ICT leading companies
- American University in Cairo (AUC) has established the Entrepreneurship and Innovation Program (EIP) in 2010 in order to support and incubate the innovative business opportunities.
- A non-profitable organization named the Egyptian Private Equity Association has been founded in 2011 by group of business men and corporations in order to provide the support of the VC and PE in the region
- Egypt has only so far only TWO VC companies; i.e. IDEAVELOPERS and SAWARI VENTURES. IDEAVELOPERS has been founded at 2004 as a subsidiary of EFG Hermes PE. They invested $ 25m in 17 companies out of $ 50m Technology Development fund. SAWARI VENTURES has been founded in 2010 as an international VC firm which focuses in MENA region. It recently raised $ 50m fund in the last Egyptian Economic Conference in Sharm El-Shiekh, dedicated to technology entrepreneurs.
- Also Egypt has a unique experience in the most recent VC fundraising style; i.e. The Crowdfunding. There are TWO Shariah Compliant crowdfunding companies working in Egypt and both have been founded in 2012; i.e. SHEKRA and YOMKEN. SHEKRA is an award winning Shariah Compliant crowdfunding firm which is working in a closed network of members in order to mitigate the adverse selection risk. YOMKEN is combining two concepts in one initiative; i.e. crowdfunding and open-innovation platform.

The paper proceeds as follows: section 2 gives an overview on the motivation and objectives of the study from different angles and how it is relatively important. Section 3 demonstrates the literature review on the VC industry and shows the key determinants which are affecting it as well as its role in bringing up the economic growth. Then, section 4 shows the empirical analysis of the dependent variables and how we develop the resulting models. Section 5 concludes.

MOTIVATION AND OBJECTIVES OF THE STUDY

Motivation of the Study

Regional Economic Prospects report of European Bank for Reconstruction and Development (EBRD) – January 2015 states that the economic conditions have stabilized due to financial support from the GCC countries, however this financial support is in the form of central bank deposits which cannot contribute in the overall GDP. On the other hand, the report shows that the inflation remains high due to the high import prices and the currency depreciation. The fiscal deficit is above 12% of the GDP by end of 2013/2014 fiscal year which is predicted to be lowered due to the fall of oil prices, which cannot be considered a real decrease due to improvement in the overall economy status. Similar facts are stated in EBRD Transition Report 2013 especially the reference to the low productivity as the economy needs to grow between 6 to 7 per cent annually, and the urgent need for good quality job creation in order to face the increasing unemployment rate; i.e. 13.2%, moreover, more than 50% of Egypt's labor force are working for low productivity sectors; i.e. agriculture and public sectors, while the employment share of private sector services had almost stagnated.

African Economic Outlook 2014 report also shows low economic indicators. Instability in the socio-economic conditions caused these low indicators; e.g. investment (14.2% of GDP), exports (17.6% of GDP), manufacturing (15.6% of GDP), trade (12.9%) and tourism (3.2%). The report recommends implementing policies reforms which will encourage the SMEs to develop especially in the area of information and communication technology.

All above different economic indicators and reports show the urgent real need for an economic mentality transformation in order to improve the Egyptian economy through actual development which should be the outcome of real investments.

Study Objectives

The following points summarize the objectives of the study:

1. Develop a significant model for each suggested dependent variable.
2. Investigate whether there is relations between the suggested dependent variables if they affect each other models, so one can define a potential linkage between those economic indicators in order to form a strategy to improve the Egyptian VC industry
3. Draw the attention to the importance of the VC as a potential economic booster for the economy
4. Direct the attention of the Islamic Banking and Finance towards the VC industry as a Shariah Compliant business opportunity where Islamic Finance should contribute.

LITERATURE REVIEW

As VC industry aim to create new markets, it fosters enhancing the Employment rates in the country' economy. (Belke et al; 2003) find that supporting and sustaining technological innovation momentum in the country is one of the main sources of economic and employment growth. (Belke and Schaal; 2004) find that the unemployment rate is at its highest rates when the new innovative companies do not find the proper financing for their projects. (Feldmann;

2010) shows that the more available VC in the market, the lower unemployment rate on the short-term and eventually lowering the long-term rate as well. (Ueda and Hirukawa; 2008) find that VC does not impact the Productivity Growth of the industry and the Productivity Efficiency of labor, it rather facilitates the entry of the new firms into the market, while the competitive pressure from these new firms may increase the patent propensity of the established firms. (Chemmanur et al; 2008) find that the VC-backed companies' performance is higher than the non-VC-backed ones. (Engel; 2002) finds that German new firms achieve 170% point higher growth than non-backed VC firms. (Samila and Sorenson; 2011) suggest that VC financing is stimulating firms creation more than normal funding. (Peneder; 2010) finds that Austrian VC-backed companies grow faster in terms of employment and sales revenue than others while analysis proves that VC financing does not foster the innovation performance in the companies as the VC investment is initially selecting companies with above average level of innovation. (Gompers et al; 2006) show that entrepreneurs with a track record of success are more likely to succeed than first timers and those who have previously failed. They also find that funding by more experienced VC firms enhances the chance of success. Similarly, more experienced venture capitalists are able to identify and invest in first time entrepreneurs who are more likely to become serial entrepreneurs. This evidence would seem to suggest that prior success is a signal of quality or that VC firms add little value to talented and successful entrepreneurs. (Romain and Pottelsberghe; 2004) find that VC has higher impact on growth through the introduction of new products and business models and processes to the market. They also document that the VC has higher social benefits than other businesses and public R&D.

(Romain and Pottelsberghe; 2003) find that interest rate is one of the influencing factors whereas short and long term interest rates have positive significant impact on the VC demand while the difference between the long-term and short-term (spread) has significant negative impact on the VC supply. They also find that VC demand is sensitive to the R&D activities and expenditure as well as the available stock-of-knowledge in the market. The study shows that VC is positively and significantly pro-cyclical to the GDP growth rates. But the inflexibility of the labor market is mitigating the effect of the GDP growth rate on the VC supply. (Schertler; 2003) find that only interpretable results have been generated on studying VC early-stage financing rather than the broad definition of VC on expansion stages of the firms. (Gompers and Lerner; 1998) find that the demand side of the US state-level VC is positively and significantly affected by the spending of the R&D on the industrial and academic levels, as the higher R&D spending, the higher VC invested and the higher VC-backed companies created. (Schertler; 2003) finds that the level of VC investments positively depends on the stock market capitalization and the level of R&D. (Jeng and Wells; 1998) find that IPOs are the strongest driver of VC cycles as well as Private Pension funds level which is a significant determinant over time however not across countries. They find that GDP and Market Capitalization Growth are not significant. They show that early-stage VC investing is negatively impacted by the labor market rigidities while later-stage are not. (Gilson and Black; 2004) argue that the VC industry can only be developed actively when the country's stock market is well-developed. (Cumming et al; 2004) indicate that the quality of the country's legal system is more centrally connected to facilitating the IPO exiting for VC-backed firm than the activeness of the country' stock market as it reduces the agency problems between investors and entrepreneurs. They have opposite opinion to (Gilson and Black; 1999) who argues that VC flourishes only when country's stock market is well-developed.

EMPIRICAL ANALYSIS

The data of this study has been extracted from the World Bank indicators database; i.e. 1336 indicators, for Egypt. The data ranges from 1960 to 2014. The following sections will explain how we are going to define the working list of independent variables and the time series for the analysis. It is very important to identify a common time series for the 3 suggested dependent variables in order to avoid singular outliers.

The benchmark criteria of the model are based on the following two statistical values:

1. Adjusted-R2: It reflects the power of the developed model. The minimum accepted value is 70%
2. Durbin-Watson: We are targeting to reach as close as possible to the value of 2, however, the accepted values are laying between 1.85 and 2.15

Study Approach

The analysis will be conducted into two phases for each of the dependent variable:

1. Data preparation and filtration. This stage will result the final working independent variables set which will be associated with each dependent variable
   a. Identify the time series for the dependent variables by selecting a continuous data series greater than or equal to 30 observations.
   b. Identify the list of independent variables with valid data series within the same time series of the dependent variables
   c. Execute a regression between each independent variable and each dependent variable individually in order to check if it is individually significant with the dependent variable and calculate the regression R2
   d. Include only the independent variables which are individually significant with the dependent variable then sort them in a descending order according to their calculated R2 in the previous step.

2. Conducting Stepwise Multiple Regressions. This stage will result the final significant models for each dependent variable
   a. The analysis will be done in several iterations in order to process as much possible combinations of independent variables.
   b. The exit criteria from iterating on the independent variables is one of the following:
      I. No more improvements to the Adjusted-R2 value.
      II. A dependent variable occurs in the independent variables of the model of another dependent variable.
   c. The following checks will be done once we add a new independent variable to the existing working model:
      I. Variable must remain significant without affecting previously existing variables in the working model
      II. If the new added independent variable is significant but turned one or more of the previously added variables into insignificant:
         1. We will remove the turning variables one at a time in different combinations till we reach a significant state across all variables in the model
         2. Then we generate the RESIDUAL series of both the new resulting model and the model resulted before the addition.
         3. Then we compare the SKEWNESS and KURTOSIS values of both RESIDUAL series and we choose the model which has less SKEWNESS as well as has KURTOSIS close to the value of 3
      III. If the new added independent variable is insignificant and turned one or more of the previously added variable into insignificant, we will keep removing the turning

independent variables till we reach a significant state across all involved independent variables, then we repeat the steps mentioned in the previous point; i.e. point no. 2.c.ii. Otherwise the new added insignificant independent variable will be excluded.

Data Set

We find that the 3 variables are sharing a common time series between 1977 and 2012; i.e. 36 observations. Then we filter the whole extracted data to get the variables which have a full complete data series between 1977 and 2012 time series. The result of the later step is 495 independent variables. The following steps will be executed in order to prepare the 495 independent variables for the regression; this process will be repeated for each dependent variable:

Calculating R2 and the significant value; i.e. Prob., of each independent variable individually with the dependent variable.

1. The most important findings outcome of this step are:
   a. Foreign Direct Investment as independent variable is individually significant with Domestic Credit to Private Sector. R2 value is 0.111465
   b. Domestic Credit to Private Sector as independent variable is individually significant with Patent Applications Count. R2 value is 0.246457
2. The final counts of the individually significant independent variables are the following:
   a. Foreign Direct Investment: 343 independent variables
   b. Domestic Credit to Private Sector: 371 independent variables
   c. Patent Applications Count: 405 independent variables

Study Hypothesis

Although the study approach is to run the regression analysis on all selected independent variables; however, we are expecting some of the following independent variables to occur in the final models of the dependent variables:

Foreign Direct Investment" Expected Independent Variables and Relations		
Hypothesis ID	**Independent Variable**	**Relation**
F-1	Agriculture, value added	+
F-2	Broad money	+
F-3	Deposit interest rate (%)	-
F-4	Exports of goods and services	+
F-5	GDP	+
F-6	Gross capital formation	+
F-7	Gross national income	+
F-8	Industry, value added	+
F-9	Natural gas rents (% of GDP)	+
F-10	Net foreign assets	+
F-11	Net income from abroad	+
F-12	Net official development assistance received	-

"Domestic Credit provided to Private Sector" Expected Independent Variables and Relations		
Hypothesis ID	**Independent Variable**	**Relation**
D-1	Agriculture, value added (current US$)	+
D-2	Broad money (% of GDP)	-
D-3	Exports of goods and services	+
D-4	Final consumption expenditure	+
D-5	Foreign direct investment	+
D-6	GDP per capita	-
D-7	Industry, value added	+
D-8	Inflation	-
D-9	Manufacturing, value added (% of GDP)	+
D-10	Merchandise exports by the reporting economy	+
D-11	Net official flows from UN agencies	-
D-12	Patent applications Count	+
D-13	Population ages 15-64 (% of total)	-
D-14	Population growth (annual %)	-
D-15	Real interest rate (%)	-
D-16	Total natural resources rents (% of GDP)	+
D-17	Trade (% of GDP)	+

"Patent Applications Count" Expected Independent Variables and Relations		
Hypothesis ID	**Independent Variable**	**Relation**
P-1	Adjusted savings: education expenditure (% of GNI)	+
P-2	Agriculture, value added (% of GDP)	+
P-3	Broad money	-
P-4	Deposit interest rate (%)	-
P-5	Domestic credit to private sector (% of GDP)	+
P-6	Exports as a capacity to import	+
P-7	Final consumption expenditure	+
P-8	Foreign direct investment	+
P-9	GDP	+

"Patent Applications Count" Expected Independent Variables and Relations		
Hypothesis ID	**Independent Variable**	**Relation**
P-10	GNI	+
P-11	Gross savings	-
P-12	Industry, value added (% of GDP)	+
P-13	Inflation, consumer prices (annual %)	-
P-14	Lending interest rate (%)	-
P-15	Manufacturing, value added	+
P-16	Net official flows from UN agencies	-
P-17	Net taxes on products	-
P-18	Population growth (annual %)	-

Modelling Iterations

FDI

1st Iteration

The 1st iteration has generated the model with all the variables are significant and the model statistics are matching the benchmark; i.e. Adjusted-R2 = 0.868085 and Durbin-Watson = 2.057585. We will perform regression 2nd iteration in order to improve the explanation power of the model. Another positive side of the model is that it achieves the statistical benchmarks with only 4 independent variables out of 343.

The model includes the following independent variables:

1. Net foreign assets (+ve relationship): It is matching hypothesis F-10. It refers to Foreign Assets less Foreign Liabilities owned by government monetary authorities. The more Foreign Assets than Liabilities, the more FDI.
2. Broad money (-ve relationship): It was expected to have a (+ve relationship) as per hypothesis F-2, however, Broad money is positively correlated with the Inflation. We checked the relation between the dependent variable and the "Inflation" independent variable and we found that it is not individually significant with "FDI" dependent variable and has (-ve relationship) with it. This explains the (-ve relationship) with the "Broad Money" variable which is positively correlated with the "Inflation".
3. Gross capital formation (+ve relationship): It matches hypothesis F-6. It is the net capital accumulation used for domestic investment in equipment, buildings and other intermediate goods for the sake of increasing the production of services and goods. The higher the Capital Formation, the faster economic growth as it leads to more production. Producing more goods and services can lead to an increase in national income levels. It does make sense to be positively significant with the dependent variable as it increases the ability for Foreign Investment by availing more national income.
4. Natural gas rents (% of GDP) (+ve relationship): It matches as well F-9. It refers to the difference between the value of natural gas production at world prices and total domestic cost of production which contributes positively in the GDP and increases the government ability for foreign investment.

2nd Iteration

It has generated a model with all variables are significant and Adjusted-R2 value is 0.964647 and Durbin-Watson indicator is 2.004079. The model included the following independent variables:

1. Net foreign assets
2. Exports of goods and services
3. Imports of goods and services
4. Natural gas rents (% of GDP)
5. Net income from abroad
6. Gross savings
7. Gross domestic savings
8. Age dependency ratio, young (% of working-age population). It is not part of the hypothesis table of the dependent variable.

Although the statistical benchmark values resulted from the model are exceeding the targets, however we have the following concerns on the model:

1. The inclusion of both "Exports of Goods and Services" and "Imports of Goods and Services" is challenging in the real life in order to achieve the balance between both variables. So we replaced both variables with a new variable called "Exports as a capacity to import". However, the variable was insignificant and turned some of the previously added variable into insignificant. After applying step no. 2.c mentioned in the study approach section, we reached the model where the variable "Exports of goods and services" remained insignificant while all remaining variables are significant, so this variable has been removed.
2. "Gross savings" and "Gross domestic savings" may have similarity in terms of the economic indication meant by them, so they will removed from the model
3. "Age dependency ratio, young (% of working-age population)" does not have economic explanation in the literature review in order to relate it with the dependent variable. So, the variable will be removed

We conclude to qualify 1st Iteration' model as it is matching the statistical benchmark with fewer variables than the other modified one. Also, the concerns we just highlighted regarding the independent variables in the last iteration may question the robustness of the model in the real application although it is statistically robust.

Domestic Credit to Private Sector

1st Iteration

The initial model resulted from the 1st iteration with all variables are significant and the model statistical measures are fulfilling the benchmark; i.e. Adjusted-R2 = 0.900054 and Durbin-Watson = 1.891432. The variables which are finally included in the model are:

1. Merchandise exports by the reporting economy (+ve relationship): It matches D-10 hypothesis. It shows positive relationship as it shows relation with international trading that affects the merchants' private income which accordingly increases their banking transactions. This increases the banks abilities to provide credits to their clients.
2. Inflation (-ve relationship): Of course the relation between the credit and inflation should be negative which shows a good sign for the robustness and accuracy of the data and the model. It matches hypothesis D-8.
3. Net ODA received (% of GNI) (-ve relationship): It is not part of the related hypothesis table. It refers to the net development assistance loans and grants given by international agencies to low performing economies for the sake of improving the economic conditions and welfare. From one hand, it does make sense that it is negatively significant with the ability to provide credit as it reflects negative signs to the overall

economic conditions. From the other hand, the independent variable is calculated with respect to the "GNI"; i.e. Gross National Income, that acts as the denominator in its calculation, while it has (+ve) relationship with the dependent variable. So, the more "GNI", the more "Domestic Credit to Private Sector", the less "Net ODA received" which explains the (-ve) relationship with the dependent variable.

4. Manufacturing, value added (% of GDP) (+ve relationship): It matches D-9 hypothesis. It does make sense to have a positive relationship with the ability to provide credit, as the more manufacturing leads to better market movements and increases the abilities of the owner of those manufacturing to apply for credit as they have the good potential and ability to repay it.

2nd Iteration

During the iteration, only one variable got replaced which is the "Inflation" by the "Gross Savings (% of GDP)" which is not part of the hypothesis table. The new independent variable shows (-ve) relationship with the dependent variable. This does not make sense, however, the dependent variable has (+ve) relationship with the "GDP" independent variable that works as the denominator of how "Gross Savings (% of GDP)" independent variable is being calculated. The more "GDP", the more "Domestic Credit to Private Sector", the less calculated value of "Gross Savings (% of GDP)" which may explain the (-ve) relationship with the dependent variable. However, the overall statistical measurements of the model got improved; i.e. Adjusted-R2 = 0.920536 and Durbin-Watson = 2.017613.

3rd Iteration

Interestingly, the "Net ODA received (% of GNI)" independent variable has been replaced by the "Foreign Direct Investment". This is a very important note due to the following:

1. The overall model is significant with slight improvement in its statistical measures although the explanation power got reduced; i.e. Adjusted-R2 = 0.919304 and Durbin-Watson = 2.00389.
2. The most important point is that the dependent variable "Foreign Direct Investment" is positively affecting the "Domestic Credit to Private Sector". This means that the more foreign investment, the more funding to be available domestically. This is due to the foreign currencies which will be credited in the domestic banks due to the international investments.

So, the final model that represents the variability of the "Domestic Credit to Private Sector" includes the following independent variables:

1. Merchandise exports by the reporting economy (+ve relationship)
2. Manufacturing, value added (% of GDP) (+ve relationship)
3. Gross savings (% of GDP) (-ve relationship)
4. Foreign direct investment (+ve relationship)

Patent Applications Count

1st Iteration

The resulting model needs to be improved as the Durbin-Watson is at value 1.746237 which is out of the accepted benchmark range, however, the model has a very good explanation power; i.e. Adjusted-R2 = 0.973473. The following are the independent variables of this model:

1. Domestic credit to private sector (% of GDP) (+ve relationship): this is matching with hypothesis P-5 which is supporting the literature review which is confirming that VC funding; i.e. represented by "Domestic Credit to Private Sector" variable, is positively spurring the innovation represented by the "Patent Applications Count".

2. Adjusted Savings: Education Expenditure (+ve relationship): this is also matching with hypothesis P-1 as increasing the education expenditure is fostering the innovation level because it improving the stock of knowledge in the market. This is matching with the finding of (Aghion et al, 2009).
3. Gross Savings (+ve relationship): it was expected to have (-ve relationship) as the more Gross Savings, the less the momentum towards innovation. However, the (+ve relationship) can be explained that such type of surplus is increasing the R&D expenditure; however this cannot be validated due to the lack of R&D data.
4. Industry, value added (+ve relationship): it is not matching hypothesis P-12 as this independent variable is represented as a percentage of GDP while the variable suggested in the hypothesis is referring to the value itself. However, the new variable is confirming the finding of (Porter, 1990) as well as latest report of the World Economic Forum.
5. GDP (-ve relationship): it is not matching hypothesis P-9. This can be explained as that increasing the "GDP" level is correlating with higher level of society prosperity and government expenditure which relaxes the need for innovation. However, according to some papers (Elsiefy, 2013) and (Ulku, 2004) that innovation (measured through patent) is having significant positive with GDP per Capita.
6. Permanent cropland (% of land area) (+ve relationship): the variable is not part of the hypothesis table and has not been mentioned in the literature review –up to the collected literature review- we will try to replace in the following iteration.

2nd Iteration

There couple of important findings in the resulting model of this iteration:

1. All variable are significant and the model statistical measures have been improved; i.e. Adjusted-R2 = 0.950226 and Durbin-Watson = 2.100456.
2. "Permanent cropland (% of land area)" has been replaced by "Primary education, pupils" with (+ve relationship) which is not part of the hypothesis table. It is confirming the existence of the "Adjusted Savings: Education Expenditure". We will check the impact of both variables on the model if one of them can be removed.
   a. We removed the "Adjusted Savings: Education Expenditure" independent variable from the model, however Durbin-Watson value has been dropped dramatically to 1.079287. Moreover, two variables have been turned insignificant; i.e. "Foreign Direct Investment" and "Primary Education, Pupils". So, we will return "Adjusted savings: education expenditure" back to the model
   b. Then, we removed "Primary education, pupils" from the model. However, the Durbin-Watson went below the accepted benchmark at value of 1.800378. So, we will return the variable to the model.
3. "Foreign Direct Investment" dependent variable has (+ve relationship) which makes this variable affecting both other dependent variables.

CONCLUSION AND RECOMMENDATIONS

The final models resulted from the study are the following:

1. Foreign Direct Investment = -2080000000 + 0.030455*NTFRNAST - 0.008274*BRDMNY + 0.243395*GRSCPTFRM + 427000000*NTGASRNT
2. Domestic Credit to Private Sector = = -4.168878 + 1.110207*MRCHEXPRTS + 2.762344*MNFCVALAD - 0.685548*GRSSVNGGDP + 0.000000000446*FDI
3. Patent Application Count = 445.5192 + 16.97655*DMSTCCRDTPRVT + 0.000000215*EDUEXPNDT + 0.0000000315*GRSSVNG + 0.000000115*INDSTVALAD - 0.0000000683*GDPGRTH + 0.000104*PRMEDUPPL + 0.0000000232*FDI

We found that "Foreign Direct Investment" is affecting significantly and positively both models of "Domestic Credit to Private Sector" and "Patent Applications Count" which gives an indication to the importance of the foreign investment to the domestic VC industry in Egypt. Moreover, we found that "Domestic Credit to Private Sector" is affecting significantly and positively the "Patent Application Count" which confirms the literature review which suggested that the private funding has positive significant impact on the innovation.

Comparing the resulting model of the Innovation level (Patent Applications Count) of this study with (Elsiefy, 2013) results, we conclude the following points:

1. The examined time series of this study is wider than Elsiefy's study; i.e. 1977:2012 compared to 1980:2010.
2. GDP per Capita has a positive significant relationship in Elsiefy's study while in this study, the GDP is showing negative significant relation ship
3. Elsiefy find a positive relation significant relationship with the government general expenditure while we find a positive relationship with the government education expenditure.
4. Other independent variables in Elsiefy's patent model do not appear in our patent model; i.e. Agriculture Materials Export and Inflation.

The following are recommendations for the potential further studies tackling relative subjects:

1. A more specialized and detailed information need to be collected through surveys and interviews with SMEs and entrepreneurs in Egypt in order to have their concerns and issues to be studied.
2. More broken-down type of information regarding the potential fields of innovation and patenting. This can be achieved by contacting the formal Egyptian authorities for the scientific studyes as they have better statistics on that regard
3. We need to include more indicators that reflect the social environment in order to study its effect on the results.
4. We need to emphasis on the role of Islamic Banking & Finance to promote this promising industry as it actually falls into the social responsibility of the Islamic Banking & Finance. (Mohammad and Shahwan, 2013) find that the Islamic banks are aiming towards profit-oriented target rather than social-based objectives. Thus, they suggest that Islamic banks' objectives should promote the objectives of Islamic economics thus inculcating as well Maqasid al-Shariah in its holistic direction
5. Exiting in Islamic VC can be done through SUKUK along with the current exits; i.e. M&A and IPOs.
6. Emphasizing the government role to support the VC industry, here are some examples to be considered but not to be limited to:
   a. Development of the required regulations and policies that support the VC industry
   b. Promoting the innovation levels starting from orienting the education towards it
   c. Arranging regular national and international forums for the entrepreneurs to demonstrate their ideas and projects. This will encourage them to proceed with their projects
   d. Nationalization of the VC industry by building a pool of private national fund for the sake of raising capital from the market by issuing Sukuk or shares. This pool of private funds should be created under the pure partnership basis where investors are sharing profit and loss according to the capital share. Such system required a transparent and robust regulations and supporting systems

e. Increase the public awareness of the VC industry and create more government offices to provide the required technical assistance to the potential entrepreneurs in order to enter to and exit from the market.
f. Create a specific focused stock market in order to the investors to exit

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Dependent Militarization and Africa's Security: Analysis of Nigeria and United States Relations.

DR. Wilfred M. Tarabinah
Department of Political Science, Niger Delta University
Wilberforce Island, Bayelsa State

Philips O. Okolo
Department of Political Science, Niger Delta University
Wilberforce Island,

Abstract
International politics are characterized by global military capitalism, a situation which inspires hegemons to determine the direction of the militarization programme of peripheral countries. In this study we examine the military pact between Nigeria and the United States of America. Using empirical indicators such as U.S trade and investment in Nigeria; U.S. military aid to Nigeria; incapacity of the Nigerian state to enforce international law; incapacity of the Nigerian government to mediate conflict between international actors and host communities. The study posits that Nigeria and United States government military treaty undermines the Nigeria's government capacity to enforce the liability of U.S. Corporations for the violations of international law in Nigeria.

Keywords: Dependent militarization, security, Nigeria, united states.

INTRODUCTION
The emergence of the United States as a global hegemony following the demise of the cold war and the collapse of the Soviet Union transformed the architecture of international relations. Contemporary international relations is characterized by a new regime amongst which is the unfettered match of global capitalism; international terrorism; the deepening of U.S. investments in third world markets; the U.S dependence on Africa's oil; violent conflicts in many Third World countries and dependent militarization.

It is noteworthy to mention here that during the cold war era the United States foreign policy was favourable to post colonial sovereign African nations who were sympathetic to the United States. These nations enjoyed streams of aids flow accompanied with cultural and technical assistance. Volman (1997) pointed out that through financial grants and low interest loans, the U.S. government provided more than 1.5 billion dollars in arms and other security assistance to African nations which were selected for their strategic importance for the prosecution of their cold war duet; while recalcitrant leaders were swiftly overthrown, through violent military coup d'état (Nkrumah in 1966; Sukarno and Ben Bella in 1965; Modibo Keita in 1968); at other times through overt means.

Volman, further asserted that the U.S. government conducted air strikes against Libya, prosecuted direct military intervention in Zaire and executed covert military operations against Soviet supported government in Angola and Ethiopia. Dictatorial regimes were foist on

Africa and other developing countries. These dictatorships were often sponsored by these superpowers through their transnational corporations. MacOgonor (2001) aptly noted that the authoritarian regimes were needed in Africa, Asia and Latin America countries to suppress internal insurrections which sometimes even suppress legitimate demands.

He opined that this scenario provided the immediate context for the disregard of both municipal and international law observance in Nigeria and the rest of the Third World, which provided a suitable environment for the transnational corporations who sought to operate in environment of limited legal restriction so as to maximize profit without accountability. So in addition to their normal business operations, these global corporations also engage in covert activities in the Third World countries (especially resource endowed countries) in order to promote the interest of their home government.

Since 1945 the use of militarism to protect the flow of oil has been a central plank of U.S. foreign policy. This is indicated in the meeting between president Franklin Roosevelt and the Saudi King Aziz Ibn Saud on Valentine's day 1945, wherein president Roosevelt brokered a military pact guaranteeing the king that the United States will provide military protection for Saudi Arabia in return for special access to Saudi Arabia vast oil reserves (Klare, 2004). These policies were reiterated by successive presidents which were articulated in Truman, Eisenhower, Nixon and Carter doctrines. It was also expanded by Ronald Reagan in 1981 to encompass internal threat which was used to justify the Gulf war of 1990.

Oil therefore constitutes a national security issue to the United States and she has used her hegemony to not only protect its continuous flow but has also engaged in major wars as articulated from America's foreign policy in the Middle East to the Gulf of Guinea (Rowell, Marriot and Stockman, 2005; Pelletiere, 2004; Engdahl, 2004; Mann, 2003). Rowell, et. al (2005) demonstrates how America is intensying its military operations on the African continent, having successfully secured agreements with 8 to 10 African countries to allow the U.S. military to utilize air fields and other suitable sites to establish "cooperative security locations" from which it can launch military strikes.

In order to achieve this objective, the U.S. government instituted several bilateral and multilateral military cooperation in Africa; such as the Trans Saharan counter terrorism partnership (TSCTP), African contingency operation training and assistance program (ACOTA), International military education and training program (IMET), Foreign military sales program (FMS), African coastal and border security program (ACBS Program), Excess defense article program (EDA), anti-terrorism assistance (ATA), Section 1206 fund, Combined joint task force-Horn of Africa (CJTF-HOA), Naval operation in the Gulf of Guinea, Flintlock 2005 and 2007 and Joint task force Aztec silence.

This phenomenon could be described as dependent militarization understood in the context of how the direction and intensity of a country's militarization program is externally determined. Barnet &t Wendt (1992) drew a distinction between auto centric and dependent militarization by categorizing states that produces its own arms and arms technology, training and doctrines as engaging in auto centric militarization while those states that rely substantially on imported arms and arms technology and military training as engaging in dependent militarization. Rowell (2005) opined that America is quietly increasing its military presence in Nigeria; a clear manifestation is the increase of American weapons in the hands of the Nigerian army and navy in the Niger Delta region.

Fowler (1995) asserts that ninety percent of transnational companies stem from the United States and it is also well documented that there is a connection between oil corporations, militarism and antidemocratic politics in resource endowed countries (Eaton, 1997; Dommen, 1998; Mowerry, 2002; Frey, 1997; Kinley and Tadaki, 2004; Fowler, 1995; Shelton, 2002; Frynas, 2000; Cooper, 2002; Reno, 2000). This scholarship shows that transnational corporations promote conflict in order to sustain the global arms market. This illustrate what Nordstrom (2004) calls the "shadows of war," which describes the multi- trillion dollars financial networks which actively promotes conflicts, yet remains invisible. This underscores the limitation of the reach of the State in enforcing violations of international law as presently constituted (Kamminga, 2004; Paul and Garred, 2000; Le Billion, 2001; Juma, 2007) and Amnesty International (2009) empirical study on Nigeria reveals that oil transnational corporations have exacerbated conflicts and violated human rights for over 50 years in Nigeria's Niger Delta. These violations, according to the report culminated in violent destruction and sacking of entire communities and villages akin to a genocide.

This shows that the Nigerian state is caught up in the web of international capital and militarism which creates a security paradox. This defines the problematic of this study as it seeks to find out whether the military alliance between the Nigerian government and the United States government has undermine the capacity of the Nigerian government to enforce the liability of transnational corporations for violations of international law in Nigeria.

Nigeria and U.S. Trade Relations

This section analyzes a significant denominator in the economy of the United States and that of Nigeria. According to the U.S. Dept. of Energy (2003) the United States has about five percent of the world's population but consumes one fourth of the world's petroleum, which is approximately 20 million barrels per day, out of a total world consumption of eighty million barrels. In the case of Nigeria, agriculture was formerly the dominant sector of the economy which accounted for over 70 % of the Gross Domestic Product (GDP) and employed about 70 % of the total workforce and contributed approximately 90 % of foreign revenue, with a rob off effect on the manufacturing sector which accounted for 8.2 % from a mere 4.8 % in GDP (CBN, 2002).

This scenario however changed when oil became a globally demanded commodity which led to the emergence of the Organization of Petroleum Exporting Countries (OPEC) and its bargaining power which successfully transform Third World Countries into powerful cartel thereby seizing price initiative from the oil majors and Nigeria's increased awareness of international politics transformed the country into the club of oil rentier states. Oil subsequently accounted for over 90 percent of Nigeria's export income annually. In 2000 alone, Nigeria received 99.6 percent of its export income from oil (Ross, 2003). The United States depends on oil imports for industrial survival while Nigeria depends on oil export for economic survival. This stands to reason that oil commodity is a common denominator in the United States and Nigeria and that both countries are oil dependent. The table illustrates Nigeria's oil dependency.

Table 1. Showing the Twenty Most Oil Dependent Countries in 2000 (Fuel Export as a Percentage of Total Exports)

S/N	COUNTRIES	PERCENTAGE OF TOTAL EXPORT
1.	NIGERIA	99.6
2.	ALGERIA	97.2
3.	SAUDI ARABIA	92.1
4.	IRAN, ISLAMIC REPUBLIC	88.5
5.	VENEZUELA, R.B	86.1
6.	AZERBAIJAN	85.1
7.	OMAN	82.5
8.	TURKMENISTAN	81.0
9.	SYRIAN ARAB REPUBLIC	76.3
10.	BAHRAIN	71.0
11.	TRINIDAD AND TOBAGO	65.3
12.	NORWAY	63.9
13.	KAZAKSTAN	53.9
14.	RUSSIAN FEDERATION	51.3
15.	ECUADOR	49.4
16.	COLOMBIA	41.4
17.	PAPUA NEW GUINEA	28.8
18.	INDONESIA	25.4
19.	AUSTRALIA	21.9
20.	LITHUANIA	20.9

SOURCE: Ross, M. (2003:19) Nigeria's Oil Sector and the Poor in Nigeria: Drivers of Change Program. UK: DFID

This shows Nigeria's extraordinary dependence on oil export; in 2000 alone 99 percent of its income was derived from oil which indicated that she is the most oil dependent country in the world and that its non-oil exports were significantly small. According to Ross (2003) between 1970 and 1999, the Nigerian petroleum industry generated about $231billion in rents for the Nigerian economy in constant 1999 dollars or $1900 for every man, woman and child. Prior to the advent of oil production, the Nigerian economy was dominated by foreign monopoly capital.

Odularu (2008) thus analyses the relationship between the oil sector and Nigeria's economic performance and finds a significant positive relationship between the oil industry and Gross Domestic Product (GDP). This is captured in the table below.

The Gross Domestic Product is measured by its output less the cost of input materials, equipment's, services, etc. purchased from other industries or branches of activity, deduction of any taxes, net of subsidies paid and factor payments made abroad (Odularu, 2008: 11). In addition to the GDP, oil also contributes to the enhancement of Nigeria's purchasing power by means of local expenditure on goods and services.

Highly industrialized nations requires massive amount of petroleum resources to sustain their economic hegemony. This is exemplified in the U.S. quest for oil; the United States consumes about 20 million barrels of oil per day (MBD) or 7.2 billion barrels which accounts for 45% of petroleum products; distillate fuel oil (eg.diesel fuel) accounts for 19%, liquefied petroleum gases 10%, aviation fuel 8% and a variety of other uses combined 18% (Parry and Darmstadter, 2003). Available evidence shows that the United States is the world's largest oil consumer accounting for 25.4% of world consumption (Klare, 2004; Parry and Darmstadter, 2003; Lubeck, P; Watts, M; and Lipschutz, 2001; Braml, 2007; Dewey and Slocum, 2000).

Table 2: Twenty Most Oil Dependent Countries (Fuel Exports as a Percentage of GDP)

S/N	COUNTRIES	PERCENTAGE OF GDP
1.	BAHRAIN	50.9
2.	TURKMENISTAN	49.7
3.	NIGERIA	48.7
4.	SAUDI ARABIA	44.7
5.	TRINIDAD AND TOBAGO	41.1
6.	ALGERIA	35.7
7.	AZERBAIJAN	28.3
8.	KAZAKHSTAN	27.0
9.	IRAN, ISLAMIC REP	25.3
10.	NORWAY	23.7
11.	VENEZUELA, RB	22.7
12.	RUSSIAN FEDERATION	21.5
13.	SYRIAN ARAB REPUBLIC	19.1
14.	ECUADOR	17.6
15.	PAPUA NEW GUINEA	14.9
16.	MALAYSIA	10.5
17.	INDONESIAN	10.3
18.	COTE D'IVORE	8.8
19.	LITHUANIA	7.0
20.	COLOMBIA	6.6

SOURCE: Ross, M. (2003:19) Nigeria's Oil Sector and the Poor in Nigeria: Drivers of Change Program. UK: DFID

Parry and Darmstadker (2003) findings also shows that the United States imports 11.6 million barrels of petroleum per day or 59% of its consumption, compared with 23% in 1970 and that 47% of U.S oil imports currently come from OPEC countries and about half of OPEC imports come from the Persian Gulf with Saudi Arabia being the dominant exporter, while Canada and Mexico combined supply about half of non OPEC imports to the United States. The table describes the scenario.

Table 3: Oil Supply and Reserves by Region, 2001

Region/Country	Current Production		Known Economic Reserves	
	Million Barrels per day	% of World Total	Billion Barrels	% of World Total
SELECTED OPEC PRODUCERS				
IRAN	3.7	5.5	99.1	9.7
IRAQ	2.4	3.6	115	11.3
KUWAIT	2.0	3.0	98.8	9.7
SAUDI ARABIA	8.0	11.8	261.7	25.7
UNITED ARAB EMIRATE	2.3	3.3	62.8	6.2
PERSIAN GULF TOTAL	19.2	28.2	652.0	64.0
VENEZUELA	2.9	4.2	50.2	4.9
NIGERIA	2.3	3.3	30.0	2.9
NON PERSIAN GULF TOTAL	9.1	13.4	107.0	10.5
OPEC TOTAL	28.3	41.6	759.0	74.4
SELECTED NON OPEC PRODUCERS				
CANADA	2.0	3.0	5.4	0.5
CHINA	3.3	4.8	29.5	2.9
MEXICO	3.1	4.6	23.1	2.3
NORWAY	3.2	4.7	10.3	1.0
FORMER USSR	0.0	0.0	13.2	1.3
RUSSIA	7.1	0.4	53.9	5.3
UNITED KINGDOM	2.3	3.3	4.6	0.5
UNITED STATES	5.9	8.6	22.4	2.2
	39.8	58.4	260.8	25.6
WORLD TOTAL	68.1	100.0	1018.7	100.0

SOURCE: Parry and Damstadker (2003: 34) the Cost of U.S. Oil Dependency, Discussion Paper 03-59, Washington DC: Resources for the Future

The OPEC countries produce approximately 42% of the world's oil and of these supplies 68% come from the Persian Gulf. Saudi Arabia produced 8.0 MBD in 2001, while Iran, Iraq, Kuwait and United Arab Emirate each produced between 2.0 and 3.7 MBD. Venezuela and Nigeria are the two largest non-Gulf OPEC producers. The major non OPEC producers are Russia (7.1 MBD in 2001); United States (5.0); China (3.3); Norway (3.2); and Mexico (3.1). It is estimated that the Persian Gulf region has about two thirds of the world's known oil reserve that will be profitable at current prices while the U.S. has only 2 % reserves.

In the early 1950's the United States was still self-reliant in its natural resources, but she had consumed more than ⅓ of her total oil reserves during world war11 (Klare, 2004). So fifty years later more than 60% of the oil consumed in the U.S is delivered from abroad thus posing a threat to U.S. national security and economic vulnerability as well as grave environmental problems (Council on Foreign Affairs, 2006:14).

The EIA (2007) statistics shows that the U.S. currently obtains 15% of its imported oil from Sub-Saharan Africa, and that most of it is from Nigeria and that the U.S. intends to increase oil imports from Africa to one quarter of its total import by 2015. This corroborates the findings of the US department of energy which predicts that by 2025, the U.S. will depend on foreign countries for 70% of its oil (DOE, 2003). In 2006 alone, the U.S. imported 1.045 million barrels per day of oil from Nigeria, which is approximately 10% of U.S. crude import (EIA, 2008). The table below shows the EIA's projection of U.S. oil dependency.

Table 4: Showing U.S. Oil Dependency

Bbl/day	Production 2005	US Import 2005	Production 2020	Production 2025	US Imports
United States	6,830,000	12,960,000 total	9,130,000	8,120,000	18,300,000
Middle East	25,119,000	2,345,000 from	31,570,000	33,980,000	5,730,000 from
West Africa	4,895,000	1,943,000 from	3,700,000	4,300,000	1,080,000 from
Nigeria	2,580,000	1,060,000 (2004	3,400,000	3,800,000	N/A

Source: Energy Information Administration (2006) Annual Energy Outlook, BP Statistical. Review of World Energy

This is an indication that by 2025 U.S. oil consumption is projected to increase by at least 50 percent above today's level of 20 million bbld, and that imports are likely to rise from 12 million bbld to as much as 20 million bb/d, it also shows that more than half of these imports will come from members of OPEC of which 57% will be imported from Persian Gulf and about 42% from Latin America. Interestingly energy experts predict that Nigeria could provide as much as 25 percent of U.S. imports in the future (Jaffe, 2003).

Eight of the top 10 countries with largest proven oil reserves; Iran, Iraq, Kuwait, Libya, Nigeria, Saudi Arabia, United Arab Emirate and Venezuela (Canada and Russia excepted) are members of OPEC whose oil output are expected to rise (Oil and Gas, 2005: 24). It is argued that although in the medium term, OPEC's share of world oil production is expected to remain at 40 percent, but OPEC's power will be most effective in the long run when non OPEC oil production declines as OPEC controls 70 percent of today's proven reserves worldwide (Oil and Gas, 2005: 25).

This outlook seem to pose real threat to America's energy security and economic interest when dealing with the OPEC cartel, in view of the volatile condition which prevails in the Gulf and the terrorist attacks against the United States embassies in Tanzania on August 7, 1998 as well the attack of the Twin Towers of the world Trade Center and the U.S. defense headquarter, the Pentagon in September 11, 2001 which forced America to expand its energy security policy to include the policy of Global war on Terrorism (GWOT). In acknowledging the strategic importance of Africa to the United States vital interest the U.S. changed its policy of providing logistic support for peace keeping missions in Africa to training for counter terrorism and energy security with a special focus on Nigeria which is the fifth largest supplier of oil to the United States.

With the rising competition for oil commodity, it is projected that in the next two decades, China's oil consumption is expected to grow at a rate of 7.6 percent per year and India 5.5 percent (Klare, 2004). This scenario also necessitated America's new energy policy which is to shift its supply focus from the turbulent Middle East to other areas, notably the Gulf of Guinea as the emerging new market of which Nigeria plays a dominant role. Wihbey 2006 (cited in Lubeck, Watts and Lipshutz, 2007) opines that Nigeria's role in the new scenario is critical because Nigeria and Angola's oil export to U.S. exceeds that of Saudi Arabia and that Nigeria's oil is more preferable for its low sulfur content, most of which is offshore and therefore insulated from domestic crises and quite significantly its transportability and the location of the country which borders the Atlantic, and that locating U.S. military sub regional command in Sao Tome and Principe, will resolve U.S. security question.

Thus, Nigeria is now the biggest U.S. trading partner in Sub Sahara Africa, with its major anchor on high level petroleum imports, while leading U.S. exports to Nigeria are machineries, wheat and motor vehicles and leading U.S. imports from Nigeria were oil and rubber products.

Nigeria's exports to the U.S. under the Africa Growth and Opportunity Act (AGOA), including its generalized system of preference (GSP) provisions were valued at $25.8 billion in the 2006 financial year, which represent a 15% increase over 2005 financial year, which was due to an increase in oil exports, while non-oil AGOA trade involving leather products , species, cassava, yams, beans and wood products amount to $1.4 million in 2006 which made the U.S. the largest investor in Nigeria (www.geographyiq.com/countries/ni/Nigeria-economy-summary.htm).

The U.S. goods trade deficit with Nigeria was $25.7 billion in 2006, an increase of $3 billion from $22.6 billion in 2005. U.S goods exports to Nigeria in 2006 were $2.2 billion, up to 38% from the previous year. U.S. imports from were $27.9 billion in 2006, up from 15% from 2005, which makes Nigeria the largest export market for U.S. goods, while the stock of U.S. foreign direct investment (FDI) in Nigeria in 2005 was $874 million, down from 2.0 billion in 2004. U.S. FDI in Nigeria is concentrated largely in the mining and wholesale trade sector (www.geographyiq.com/countries/ni/Nigeria-economy-summary.htm).

The U.S. State Department 2010 Report shows that Nigeria is the largest United States trading partner in Sub Saharan Africa with its two- way trade volumes reaching US$34 billion in 2010, representing a 51 percent increase over that of 2009. The report further indicates that the U.S. goods exported to Nigeria in 2010 including cereals (wheat & rice), motor vehicle, petroleum products and machinery were more than US$4b, while U.S import from Nigeria was over US$30b consisting overwhelmingly of crude oil. It stated that cocoa, bauxite and aluminums, tobacco and waxes, rubber and grains amounted to US$73million of U.S imports from Nigeria and that U.S trade deficit with Nigeria in 2010 was US$26b (Punch Newspaper, Wed. 26 Oct 2011).

Nigeria-U.S. trade relations are still dominated by crude oil. Nigeria is a significant U.S. trading partner, accounting as the 5th largest supplier of oil to the United States (Dewey and Slocum, 2000). But as pointed out by Volman (2003) investment in oil production can fuel conflict as there is significant competition to control access to oil rents and that government can afford to buy new arms. The United States needed to sustain an uninterrupted flow of oil commodity from Nigeria in order to maintain its hegemony; to achieve this, the U.S. has to ensure a climate of stability in Nigeria; so in 1999, the State department designated Nigeria as one of four priority countries for U.S. promotion of democracy (Dewey and Slocum, 2000).

Odoh (2008) demonstrates that Nigeria and U.S. relations is embedded in oil, which simply assumes the rhetoric of democracy, human rights and freedom; and that the United States depends on oil imports for its industrial, military, economic and social life in order to secure its core values. This underscores that Nigeria-U.S. relations are based on oil dependency nexus.

Nigeria / U.S. Military Aid

The United States foreign policy and its energy policy are intertwined and indistinguishable (Klare, 2008). According to EUCOM General Jones, Africa plays an increased strategic role militarily, economically and politically. To this end U.S. military involvement in West Africa focuses mainly on three main goals (i) getting U.S. forces on the ground in order to advise and upgrade the region's militaries in support of the GWOT; (ii) establishing maritime dominance in the Gulf of Guinea in order to secure offshore oil installations and if necessary unilaterally defending America's energy assets; and (iii) building or subcontracting access to new air and naval bases, to provide both forward supplies, surveillance and air cover capacities (Lubeck et al, 2007:15).

The United States Government engages the Nigerian State in a military pact towards the theatre security cooperation which is structured to support common national objectives based on security and stability within the West African sub region by adopting a "three prong approach" with the DoD, DoS and USAID providing action package (Ploch, 2009). Also, Loeffler (2009) avers that through the DOD, African partnership station (APS) was created to provide maritime safety and security through training, supply and provision of medical missions to military personnel in West Africa.

Nigeria is also listed in the international military education and training program (IMET). Through IMET, Nigerian military personnel received extensive training in U.S. military strategy, doctrine and tactics. The IMET programs also provided opportunity for members of both militaries a platform for the exchange of good governance and democracy. AFRICOM also set up security cooperation offices, defense attaché, AFRICOM Liaison, bilateral assistance and maritime assistance officers, as well as other activities to further develop trust and partnership (Ward, 2009).

The DOD cooperates with Nigeria through the funded military and military sales programs. In these programs, Nigeria is able to receive funding to procure American made military systems to improve their security network. For the fiscal year (FY 2008), Nigeria received $1.3Million with a projected increase to $1.35M for (FY 2009). In addition, the U.S. delivered four surplus coast guard balsam class coastal patrol ships in 2003 through the excess defense program of the U.S. defense security assistance agency. These ships had a total value of more than $4.1 Million at the time they were delivered to Nigeria (Volman, 2008). The following tables' present data on U.S. financial security assistance programs for Nigeria over the past decade.

Table 5: FY 1999-2002 (Dollars in Millions)

	FY 1999 Actual	FY 2000 Actual	FY 2001 Actual	FY2002 Actual
FMS Agreements	271	3180	6738	8498
FM Construction Sales Agreements				976
FM Deliveries	32	43	3132	3761
FM Construction Sales Deliveries				
FMF		10000	10000	6000
CS Licensed		2	58	8
IMET Deliveries	90	525	663	750
IMET Number of Students	7	115	23	204

Table 6: FY 2003-2006 (Dollars in Millions)

	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual
FM Agreements	6672	4622	2318	253
FM Construction Sales Agreement				
FM Deliveries	3181	3330	6849	3002
FM Construction Sales Deliveries		44	38	7
FMF				1065
CS Licensed	1502	6	2509	2858
IMET Deliveries	96			926
IMET Number of Students	6			98

Table 7: FY 2007-2010 (Dollars in Millions)

	FY 2007 Actual	FY 2008 Actual	FY 2009 Est.	FY 2010 Request
FMS Agreement	724	285	N/A	N/A
FMS Construction Sales Agreement			N/A	N/A
FMS Deliveries	4025	564	N/A	N/A
FMF Construction Sales Deliveries	2		N/A	N/A
FMF	1200	1339	1350	1350
CS Licensed	3631		N/A	N/A
IMET Deliveries	695	812	850	1100
IMET Number of Students	62	35	N/A	N/A

Source: U.S. Defense Security Assistance Agency, Historical Fact Book 30, 2008 and US Department of State, Congressional Budget Justification for Foreign Operations, Fiscal Year, 2010

Abbreviations:
CS = Commercial Sales
Est. = Estimate
FM = Foreign Military
FMF = Foreign Military Financing
FMS = Foreign Military Sales
IMET = International Military Education and Training
N/A = Not Available

Source: (http://crossedcrocodiles.wordpress.com/2010/04/04/supplying-arms-and-military-training-the-us-gift-to-africa/).

Lubeck et al,(2007:20) asserts that the U.S. military patrols the Gulf of Guinea and trains Nigerian security forces in the Delta with the help of American advisors. On the likely effect of such alliance, Rothschild and Lawson (1994) argues that increased military assistance by the United States may dialectically promote disorder as military strengthening of African states may lead to further societal disengagement, thereby weakening the states in the long term. Given the precarious security setting in the Delta, it also seems the U.S military industrial complex benefits.

Etekpe (2007) thus argues that whereas the cost of conflict in terms of loss of lives and properties have become too high for tolerance, the amount of money and profit from arms export/dealers of both industrial and developing countries have increased tremendously which supports the perception that arms exporters and dealers are largely responsible for over 70 percent of wars or violent conflicts especially in Africa. He reiterates that this scenario is evident in the Niger Delta where it was alleged that the United States used six sophisticated warships and helicopters against militant groups and that former President Olusegun Obasanjo unilaterally approved $2 billion for the importation of arms to fight militants in the Niger Delta.

Also in 2009, the Yaradua's administration procured arsenals of intelligence planes, warships and helicopter gunships from Israel, Malaysia, Singapore, Holland and Russia to match attack by the militants (Daily Independent, September, 15th 2009; This Day, November,26th 2009). The table below shows the global exporters of arms.

Table 8: Global Exporters of Weapons in 1996-2001

Ranking	Exporters	Exports US $Billions	Share of World Trade
1	United States of America	54	45%
2	Russian Federation	21	17%
3	France	11	9%
4	United Kingdom	8	7%
5	Germany	6	5%
6	Others, including developing countries	20	17%
	Total	121	100

Source: SIPRI Report adopted from Human Development Report (2002:89) cited in Etekpe (2007)

The table shows that from 1996 to 2001, the United States and Russia have dominated the arms market, ranking first and second followed by France, accounting for 45%, 17% and 9% respectively, while all the developing nation's share account for only a tiny fraction. Extant literature also indicates that developing nations continue to be the primary focus of foreign arm sales activity by weapon suppliers. For instance, the findings of Grimmett (2009) also shows that during the period 2001-2004, developing nations accounted for 58.4% of the values of all global arms transfer agreement, while in 2005 to 2008 developing nations account for 76.4% of all arms transfer agreement and the U.S. ranked first in arms transfer agreement with developing nations netting $29.6 billion or 70.1 % of these agreements.

In the second place was Russia with $3.3 billion or 7.8% of such agreements and France which came third with $5 billion or 5.9 billion or 5.9% in 2008; in the area of arms deliveries, the U.S also ranked first with a value of 7.4 billion or 40.9 % of the value of all such deliveries, while Russia came second at $5.2 billion or 28.5% of all deliveries and the target are OPEC. In 2008, the United Arab Emirates ranked first in the value of arms transfer agreements among developing nations weapons purchasers, concluding $9.7 billion in such agreements. Saudi Arabia followed with $8.7 billion of such agreement.

This denotes that the arms market is a profitable industry for arms exporting countries. Tabb (2001:98) aptly stated that "of the twenty four countries that experienced at least one armed conflict in 1997… the U.S sold weapons and provided military training to at least twenty one… at some point during the 1990s.

Capacity of the Nigerian Government to Mediate Conflicts and Enforce International Law.

The Niger Delta is rife with conflict and these conflicts revolve primarily over resources. Although the origin of armed conflict has its root in the early mercantile era when the city state kings of the region battled British imperialist attempt to monopolize the trade in palm oil to the exclusion of the Niger Delta kings and middle men (UNDP, 2006: 346). UNDP (2006: 345) noted that today the region has become far more volatile due to years of deprivation which have pushed the citizens into anger, hopelessness, cynicism and violence.

Oil corporations in corroboration with private security firms tend to create conflict in the Niger Delta through their activities. Okonta and Douglas (2001:81) showed how four members of Shell police testified to Project Underground, that Shell officials would give bribe and befriend villagers wherever there is an oil spill. These villagers would then instigate conflict in the villages over competing claims for oil benefit, a situation which Shell would then exploit, claiming that it would not pay any compensation since the community is divided over the issue of who gets what. The officers also revealed how their special strike force would be deployed to suppress community protest armed with automatic weapons and teargas.

Former Ogoni members of the Shell police have claimed that they were involved in deliberately creating conflict between different groups of people and intimidating and harassing protesters during the height of the MOSOP protests in 1993 and 1994 (Human Rights Watch, 1999). Apart from official government import, the inflow of arms into the Niger Delta has been through illegal arms trafficking involving racketeers and the oil corporations. Shell for instance, maintains its own private police force, imports its own arms and ammunition and also makes payment to the Nigerian military. (HRW, 1999)

Evidence from litigation, involving XM Federal Limited v Shell showed that Shell negotiated the import of weapons into the country in clear breach of an arms embargo between 1993 and 1995. According to the material evidence, Shell had sought tenders from Humanitex Nig.ltd to acquire weapons worth US $500,000. These included 130 Beretta 9mm caliber sub machine guns, 200,000 rounds of bullets and 500 smoke hand grenades. Nigeria Inspector General of Police approved the arms purchase under pressure from Shell managers (Frynas, 2000: 55).

In response to allegations relating to the import of weapons, Shell stated that it had in the past imported side arms on behalf of the Nigerian police for use by the "supernumerary police" who are on attachment to Shell and guard the company's facilities. . . It stated to Human Rights Watch, that it "cannot give an undertaking not to provide weapons in the future, as due to the deteriorating security situation in Nigeria, we may want to see the weapons currently used by the police who protect Shell people and property upgraded" (HRW, 1999:13,14).

Chevron Nigeria stated in correspondence with Human Right Watch, that it has "a running contract with some private security companies for the protection of company asset against theft and to control access to our premise. CNL does not have a running contract with any government security agency". Mobil similarly divulged that "under the joint operations agreement and also in the interest of Mobil employees, contractors are in order to safeguard our facilities against theft and sabotage; we make efforts to provide adequate security facilities in our areas of operations. We do have a security department. Elf on its part stated that it uses landlords and community guards to secure its well heads and installation and these local guards are paid 500 percent above the national income wage (HRW, 1999:105).

The high point of these is the fabricating of a security complex which turns the Niger Delta into a militarized zone. Ekine (2001:19) aptly stated that: "Shell and other oil companies, especially Elf and Chevron, have shown their open hostility and disregard for local communities by working hand in hand with the Nigerian military, providing them weapons, transport, logistical support and financial payments in order to commit acts of violence against people and property, in turn the military serve as a personal security force to oil workers". The Nigerian state in cooperation with the oil corporations' unleashed waves of terror on the people against what it perceives as threats to oil flow.

In October, 1990 the village of Umuechem in Rivers state was completely razed by the Mobile Police Force, destroying 495 homes and leaving at least 80 villagers dead during a demonstration for development projects from Shell (Amnesty international, 1994: 7, 8; HRW, 1999:112). The killings and brutal repression of the Ogonis in Rivers state by the Internal Security Task Force was well documented and widely reported. The head of the Task Force, Major Paul Okuntimo wrote a secret memo to the Rivers state military administrator on May 12 1994: "Shell operations still impossible unless ruthless military operations are undertaken for smooth economic activity to commence…" In a few weeks the task force had raided almost all the 126 Ogoni villages. The soldiers massacred, raped and looted. CLO (1996:18) and Carew (2002) gave a graphic account:

The Nigerian security forces attacked, burned and destroyed several Ogoni villages and homes under the pretext of dislodging officials and supporters of the Movement of the Survival of Ogoni people (MOSOP). These attacks have come in response to MOSOP's non-violent campaign in opposition to the destruction of their environment by oil companies. Some of the attacks have involved combined forces of the police, the army, the air force, and the navy, armed with armoured tanks and other sophisticated weapons. In other instances, the attacks have been conducted by unidentified gunmen, mostly at night.

The Nigerian government in essence placed its "legal and military powers . . . at the disposal of the oil companies" and allowed "ruthless military operations" against the Ogoni people (African Commission Decision, 2001). Nigeria was subsequently, suspended from the commonwealth in November,1995 following the extra-judicial killing of human rights activist Ken Saro Wiwa and other Ogonis. The suspension however, does not in any way restrain the Nigerian state and the oil corporations as many other communities in the Niger Delta are given the same dose of treatment. In the case of Odi, in Bayelsa state, grenades, long and short missiles with biological reagents were used in the invasion and destruction of Odi town in 1999 (Briggs, 2002).

Similarly, disturbances in Iko, Akwa Ibom state, following protest against Shell over a badly malfunctioning flare led to the burning of fourty houses by the mobile police (ERA, 1998). Also, in February 1999, Human Rights Watch documented an incident involving soldiers using a chevron helicopter and chevron boats to attack villagers in two communities in Delta state, Opia and Ikenyan, killing at least four people and burning most of the villages to the ground (Hrw.org/press/1999/Feb./nig0223.htm).

In other cases people were tortured and subjected to arbitrarily detention for lengthy periods for protesting against oil companies, for instance, the case of Egbema in Imo state in 1999; Obagi, Brass, Nembe Creek and Rumuobiokani in 1995 (HRW,1999; HRW, 1995). These clearly highlight a connection between oil corporations, militarism, armed conflicts and anti-democratic politics (Banfield, et.al, 2003; Bannon and Collier, 2003; Singer, 2003; Banfield and Champaign, 2004; Nitzan and Bichler, 1999; HRW, 2003).

This clearly, shows that the Nigerian State is caught up in the web of international capital and with the collaboration of the United States Government, it has not only failed in enforcing the liability of oil corporations for violations of international law but has itself acted as catalyst in armed conflict and violations of international law in the Niger Delta. It was claimed that the Nigerian government had even admitted its role in the violent operation in several memos exchanged between officials of the SPDC and the Rivers state internal security task force during the Ogoni crisis (HRW, 1999), and also the incapacity of the Nigerian legal and administrative system to enforce international treaties on oil transnational corporations operating in Nigeria's Niger Delta.

In a landmark decision of the 30th ordinary session of the African Commission of Human and People's Rights , Banjul, 13-27 October 2001, Nigeria was found to have breached the right to non-discrimination (Art 2), the right to respect for life and the integrity of person (Art 4), the right to property (Art 14), the right to health (Art 16) the right to protection of the family unit (Art 18(1), the right of people to freely dispose of their wealth and natural resources (Art 21), the right to food, the right to housing, and the right to a general satisfactory environment favourable to their development (Art 24). The commission therefore called on the Nigerian government to enforce adequate compensation to victims of the human right violations, and to undertake a complete clean up and remediation of lands and rivers damaged by oil explorations including the provision of information on health and environmental risks as well as meaningful access to regulatory and decision making bodies for communities likely to be affected by oil activities.

The recognition of corporate liability by the African Commission of Human and peoples Right and the fact that these violations still persist despite the ACHPR verdict provides a clear indication of the inability of the Nigerian government to enforce international law. Ibeanu and Egwu (2007: 49, 50) also pointed out that: "Nigeria lags behind in its reporting obligations under all the major international human rights treaty applicable to it.

CONCLUSION

This paper contends that the United States government and the Nigerian government trade relations and the need to protect U.S. investments in Nigeria drive the U.S policy of increase military aid to Nigeria which weakens the state by promoting societal disengagement. Statistical findings predicts that by 2025, U.S. oil consumption is projected to rise by at least 50 percent above today's level of 20 million bb/d; and that imports are likely to rise from 12 million bb/d to as much as 20 million bb/d. The findings suggest that the U.S will likely depend on Nigeria to provide as much as 25 percent of U.S. import. In 2006 alone, the U.S. imported 1.045 million b/d of oil from Nigeria, which is about 10 percent of U.S. crude import.

Thus, in order for the United States to safeguard the uninterrupted access to Nigeria's oil, the United States Government engages in a military security pact with the Nigerian government and has also stationed U.S. military personnel in the Gulf of Guinea and trains Nigerian Security forces to serve as surrogate to defend U.S oil interest and to prosecute U.S war on global terrorism. Accordingly, the findings of the study shows that the U.S. Government's dependence on Nigeria's oil and its military treaty with the Nigerian government for oil security puts on hold Nigeria's government capacity to mediate oil conflict and to enforce the liability of oil corporations for violations of international law in Nigeria.

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Influences of Pentecostalism on the Mainline Churches in Nigeria

Ngbea Gabriel
gabbypush@gmail.com

Abstract

Generally, religious influence has a gradual and progressive development in the history of every Nation and society. The focus of this paper is the religious experience, challenges and influences of Pentecostal churches on mainline churches in Nigeria. The emergence of Pentecostalism on the religious landscape of Nigeria has influenced the mainline churches in so many ways, Pentecostalism has penetrated and influence the mainline churches both positively and negatively. The methodology to be adopted is historical and phenomenological. The activities of the Pentecostal churches have effectively influenced the mainline churches in Nigeria. This study will take a critical look at the influences of Pentecostalism on the mainline churches in Nigeria.

KEYWORDS: pentecostalism and mainline churches.

INTRODUCTION

The objective of this paper is to examine the influences of Pentecostalism on the mainline churches in Nigeria. Looking at the Nigerian Religious landscape, it is clear that the mission churches were not the only vehicle for the spread of Christianity in Nigeria. Many Nigerians, for a variety of reasons, broke away from these churches and established flourishing churches of their own, referred to collectively as independent churches. The rapid rise of these churches in Nigeria with all types of rites¬¬- Pentecostals, spiritualist (Aladulas) and their various activities call into question how genuinely Christ centered they are. More so, do they underline any significance for the mainstream older churches in terms of liturgy, faith experience and theology?

It may appear that, the new emerging Pentecostal movements are springing up as a result of the pursuit of wealth, and that the distressed economic situations may well be the source of the rise of the Pentecostal churches. But these churches could also be a great source of inspiration to Christians and they are making a great impact in the spread of the gospel, since most of them are familiar with the plight of Nigerians and are at home with the cultural setting of the people.

Pentecostalism is one of the most rapidly growing movements in Nigeria with approximately 40 million adherents, it is also among the most radical denominations in divorcing followers from the ties that bind them (Warner, 2012). Pentecostalism accomplishes this by promoting values that directly confront the emergent "moral crisis" at the root of Nigeria's decay. Its emphasis on individualism empowers the convert amid his/her seeming political insignificance in Nigeria's famously elite-centric democracy.

Other Pentecostal teachings follow this pattern. The power of spiritual healing through personal contact with Jesus fills the gap left by inadequate state-run health services. With particular reference to wealth, followers dwell on moral probity as central to holiness. In eulogizing such values, Pentecostals establish their own moral community in opposition to those who have "caused the mess". Conversion removes the individual from the fiscal obligations of his/her role in the chain of patronage-based ties. It also cuts off the benefits of clientele, namely, graft from political superiors. In turn, the newly faithful become tithed to the church but gain access to the congregation's scholarships and charitable funds. This paper focuses on the influences of the Pentecostal movements on the mainline churches in Nigeria.

Pentecostalism

Etymologically, the term Pentecostalism is derived from the word "Pentecost" which is an anglicized version of the New Testament Greek word, "Pentecoste", meaning fiftieth (50th) day, and which corresponds to the Hebrew "feast of weeks", popularly referred to as the "Shabuoth" in the Old Testament. (Otonko, 2005)

According to Wikipedia (2012), Pentecostalism or classical Pentecostalism is a renewal within Christianity that places special emphasis on a direct personal experience of God through the baptism with the Holy Spirit. The term Pentecostal is derived from Pentecost, the Greek name for the Jewish feast of weeks. For Christians, this event commemorates the descent of the Holy Spirit upon the followers of Jesus Christ, as described in the second chapter of the Book of Acts.

The term Pentecostalism refers to certain elements of Christian life often associated with the experience of the power of the Holy Spirit which manifested strongly at the feast of Pentecost in the Bible and the consequent gifts of the spirit by Christ. It also refers to the emphasis on the third person of the Trinity and his manifestations in the individual and corporate lives of Christians. Pentecostalism can, therefore be understood as a modern religious movement, now represented not only Pentecostal churches but also within the mainline churches as a charismatic movement (Achunike, 2009: 31).

Pentecostalism has many distinctive characteristics, these features include: Baptism of the Holy Spirit, Charisms, especially that of speaking in tongues. Pentecostals tend to be fundamentalistic in the interpretation of the scripture and have a sharpened awareness of the condemn things like alcohol, smoking, watching movies etc. and emphasize on the second coming of Christ (Ngbea, 1998).

Mainline Churches

According to Wikipedia (2014), the term "mainline protestant is used along with mainstream protestant and oldline protestant to categorize denominations that are affiliated with the National council of churches and have deep historic roots in and long-standing influence on American society"

The mainline protestant churches (also called mainstream American protestant and oldline protestant) are a group of protestant churches in the United States that contrast in history and practice with evangelical, fundamentalist and/or charismatic protestant's denominations, though some mainline churches include evangelical and charismatics. Mainline churches include the United Methodist church (UMC), the Evangelical Lutheran Church in America (ELCA) the Presbyterian Church (USA) (PCUSA), the Episcopal Church, the American Baptist Churches, the united church of Christ among others. Wikipedia (2014, p1).

The mainline churches share a common approach to social issues that often leads to collaboration in organizations such as the National council of Churches. Because of their involvement with the ecumenical movement, mainline churches are sometimes (especially outside the United States) given the alternative label of ecumenical Protestantism. Hutcheson (1981, p 36-37).

Mainline churches according to Omotoye (2014) "Are European Christian churches that were introduced to Nigeria in the 19th century namely: Methodist Church, Church Missionary Society (CMS) later known as Anglican church, Baptist church and Catholic Church" (p1) In the context of this paper, according to the words of Otonko (2005) by mainline churches, we mean the Catholic Church and those Churches that directly broke away from her, beginning from the 16th century protestant reformation. They are so called mainline churches because they stem from one source and share certain religious traditions in common. They include the Catholic Church, the Anglican Church, the Lutheran church, the Methodist and Presbyterian Church etc. (p. 59)

EMERGENCE OF MODERN PENTECOSTALISM

One may not trace the origin of Pentecostalism with much degree of success without making reference to the pietistic movement of the 17th century in Europe. Pietism arose as a reaction and a revolt against strange tendencies in Lutheranism. The man that became central to this movement was Philip Jacob Spencer. This movement constitutes a great background to Pentecostalism because it lays much emphasis on a conscious new birth, what Pentecostals refer to as the baptism of the Holy Spirit or the experience of being born again. Also, its idea of Bible sharing groups influenced Pentecostals practice of prayer meeting. (Everistus, 1993)

Pentecostalism is also an offshoot of the "Holiness" type of religion. This religion had its origin in the America's variety of Methodism in the last half of the 19th century. Its leaders were revivalist preachers (Sullivan, 1972). Two important names stand out in the history of Pentecostalism, Charles Fox Parham and William J. Seymour. Parham was white and preached in the Holiness religion while Seymour was a Negro (Hardon, 1967).

The origin of the Pentecostal movement straddled the close of the 19th century and the beginning of the 20th century. The Pentecostal movement as a twentieth century development is traced to a revival, which began on 1 January 1901 at Charles Parham's Bethel Bible School in Topeka, Kansas, USA (Achunike, 2009). In 1900, Charles Parham started a school near Topeka, Kansas, which he named Bethel Bible School. There he taught that speaking in tongues was the scriptural evidence for the reception of the Baptism with the Holy Spirit. On January 1, 1901, after a watch night service, the students prayed for and received the baptism with the Holy Spirit with the evidence of speaking in tongues. Parham received this same experience later and began to preach it in all his services (Wikipedia, 2012). At about the same time that Parham was spreading his doctrine of initial evidence in the Midwestern United States, news of the Welsh Revival of 1904-1905 ignited intense speculation among the radical evangelicals around the world and particularly in the United States of a coming move of the Spirit which would renew the entire Christian church. This revival saw thousands of conversions and also exhibited speaking in tongues (Synan, 1997).

In 1905, Parham moved to Houston, Texas, where he started a bible training school. One of his students was William J. Seymour, a one eyed black preacher. Seymour travelled to Los Angeles where his preaching sparked the three-year long Azusa Street Revival in 1906. Worship at the racially integrated Azusa Mission featured an absence of any order of service. People preached and testified as moved by the spirit, spoke and sung in tongues, and fell in the spirit. The Revival attracted both religious and secular media attention, and thousands of visitors flocked to the mission, carrying the "fire" back to their home churches. Despite the work of various Wesleyan groups such as Parham's and D.L. Moody's revivals, the beginning of the widespread

Pentecostal movement in the United States is generally considered to have begun with Seymour's Azusa Street Revival (Blumhofer, 1989).

Women were vital to the early Pentecostal movement. Believing that whoever received the Pentecostal experience had the responsibility to use it towards the preparation for Christ's second coming. Pentecostal women held that the baptism in the Holy Spirit gave them empowerment and justification to engage in activities traditionally denied them. The first person at Parham's Bible College to receive spirit baptism with the evidence of speaking in tongues was a woman, Agnes Ozman (Burgess, 2002).

Many of the members of the Pentecostal movement were members of mainline churches. Now, they went back to their churches and begun to express their faith in such a strange manner, they met with stiff opposition, persecution, ridicule and even threats of excommunication. Most of these people abandoned their membership of these churches, and began to constitute what is now known as classical or fundamentalist Pentecostalism. Church historians class this phenomenon as a distinct force from Pentecostalism and Catholicism. It is now the fastest growing Christian religious movement (Bassey, 1993).

Gradually, as people began to realize that a fusion of Pentecostal piety with traditional spirituality was possible, many who began having these experiences remained in their churches while coming together privately to hold fellowships. The manifestation of Pentecostalism in the mainline churches – Anglican, Presbyterian, Methodist, and Catholic, is known as Neo-Pentecostalism. In the Catholic Church it has evolved its own peculiar terminology – Catholic Charismatic Renewal (Ngbea, 1998).

PENTECOSTALISM IN NIGERIA

In the first half of the twentieth century, elements of Pentecostalism were beginning to emerge with the Independent Religious Movements in Africa. These religious movements were often centred round a charismatic figure that the followers regard as a prophet. In Nigeria, signs of Pentecostalism were first found among these independent churches. Independent African Churches were those founded in Africa by Africans primarily for Africans (Ngbea, 1998). Terence, R. and Olufemi, V. (1993) in their work, Legitimacy and the state in Africa, gave us a pragmatic experience of the rise of Pentecostalism in Nigeria, which originated with denominational mission churches which were established by American and British Missionaries from the 1920s to the 1950s. According to Kalu (2008), it was between the 1930s and 1960s that a number of American and European Pentecostal denominations visited the country and entered into affiliation with some of the indigenous movements.

A detailed account of the rise of the Nigerian Pentecostal churches must be seen from its roots in the Western Pentecostals. This original group of Pentecostals included the Faith Tabernacle, the Apostolic Church (both were connected with the Aladura Movement), as well as the Apostolic Faith in the West of Nigeria, and the Assemblies of God in the East. These churches were soon followed by the creation of indigenous counterparts such as the Redeemed Christian Church of God. All these churches tended to be highly organized and strongly denominational, and promoted a doctrine which stressed strict personal ethics, a retreat from the "world" and worldly possessions and practices, as well as a belief in the imminent second coming of Christ (Obiagwu, 1997).

However, the creation of indigenous counterparts never happened in a vacuum. It mostly happened in tension-soaked established mission churches of the early and middle 1920s, which led to the rapid rise of the Pentecostal Spirit in Nigeria. Each break from the mission churches resulted in the formation of a new church with a Pentecostal spirit and emphasis laid on the spirit, healing and speaking in tongues. As reported by Turner, the Philadelphia congregation of the Faith Tabernacle in Nigeria split in 1925 and one section formed the "First Century Gospel Church", earnestly seeking revival and fuller power in the spirit (the Pentecostal form of revival and healing). The increasing influence of the Pentecostal spirit in Nigerian in the 1960s and 1970s was to some extent due to their emphasis or stress on healing, prophecy and ecstatic gifts (Obiagwu, 1997).

From the country's 1970s charismatic revival, emerged various independent and trans-denominational charismatic ministries, a number of which changed in the 1980s into full-fledged Neo-Pentecostal/Charismatic Churches. Thus it was in the 1970s that the first wave of evangelical growth swept the country through American groups such as Scripture Union (hereafter – SU) and some denominational missions run by the Baptists and the Assemblies of God (Ayuba, 2010).

The foundation for the 1970s Pentecostal movements and the "born again" (spiritual rebirth) phenomenon that swept through Nigeria was laid during the civil war (1967-1970). Politically, Christians in Eastern Nigeria were upset because of the support that the Federal Government received from traditional Christian European countries (especially Britain) against the secessionists. Anti-western type of Christianity began to develop and local people began to visit new prayer houses that emerged during the civil war to seek solutions for the social and economic conditions caused by the conflict. Thus, new prayer houses were established in the rural areas in Eastern Nigeria to carter for refugees fleeing the war. When the civil war was ended in 1970, there was tremendous growth in evangelical movements and prayer groups supported by students throughout Eastern Nigeria (Kalu, 2003).

The Pentecostal movement in Nigeria never had any impact until it came into the higher institutions of learning in 1970. It then entered the existing campus spirituality of the different evangelical interdenominational Christian organizations and led to the emergence of the charismatic Pentecostal Movement (Ojo, 1988).

INFLUENCES OF PENTECOSTALISM ON THE MAINLINE CHURCHES IN NIGERIA.

According to Hocken (2002) in Nigeria below the Islamic north, all the denominations are experiencing renewal prayer and fasting and signs and wonders of healing and deliverance are common. The above observation indicates the influences of Pentecostalism on the mainline churches in Nigeria. The explosion of Pentecostalism introduced into Nigeria a spirituality that was not fostered by the initial western missionaries. It inaugurated an approach to faith and ecclesial polity that is glaringly different from the initial practices of the mainline churches.

The charismatic renewal in various churches and general guest for an effective spirituality among Christians of all denominations are the effects of Pentecostalism. The penetrating of Pentecostal spirituality into the mainline churches constitutes a theological and ecclesiological obstacle for many theologians. Nevertheless, it is undisputable that Pentecostal experience and spirituality have come to stay in most mainline churches in Nigeria today. Pentecostalism has eaten deep into the religious consciousness of the contemporary Nigerian society and its influence and repercussions can be observed across religious strata in the country. Let us now point out some Positives and Negatives influences of Pentecostalism on the mainline churches in Nigeria

POSITIVE INFLUENCES

The following are some of the positive influences of Pentecostalism on the mainline churches in Nigeria

Holy Bible

The Pentecostal movement has helped in the reawakening of the mainline churches. The Pentecostal churches see the Holy bible as their centre and foundation. Pastors preach with the bible in their hands and constantly turn to particular texts during sermons; members of these Pentecostal movements describe themselves as biblical Christians to distinguish themselves from other churches. Many mainline churches are nowadays taking their bible seriously and it is no longer considered as a book meant for the clergy. There are many bible study groups in the mainline churches in Nigeria and some of them are operating vital ecclesial ministries (Ukpong, 2014).

For instance, Catholics according to Azodo (1993, 13) are finding support for much of the presupposed doctrinal and devotional practices of the churches. It is now common to hear Catholics and mainline Protesters alike: the Bible "says" and many biblical passages are becoming regular prayers motives for many Christians.

Music

Since the advent of Pentecostalism, Religious music has witnessed a remarkable innovation. In the Pentecostal churches time is devoted to music, there is much praise songs, clapping, swaying, dancing and moving around the church. The service is thoroughly experiential; it can be truly called a celebration. One thing special with those worship session is that they are participatory in nature. These is total involvements- oldies, youngsters,, children and the pastors all dig and dance to music (Ngbea, 1988).

According to Udofia (2004) music is a central part of African culture and especially in African religious culture. Pentecostalism has really fostered the flourishing of African rhythm in Christian worship, making the church more at home in the African soul. Many churches because of Pentecostal influence are now giving attention to the formation and training of choristers in the church. Resources are being allotted for the provision of musical instruments as singing and dancing is becoming an integral party the liturgy in most mainline churches.

Liturgy-Worship

According to Achunike (2004) Liturgy deals with the way people worship God. Pentecostals take worship seriously and allow it to penetrate and influence their lives. Indeed for Pentecostals worship is a 24 hour- a- day- seven-days-a-week experience of God. The Pentecostals attention to worship and vibrancy of Pentecostal celebrations have led to a change of attitude towards Liturgical celebrations in the Nigerian mainline churches.

Rediscovery and Appreciation of Charisms.

According to Otonko (2005) on account of the Pentecostals strong delight for charismatic gifts, there is now a renewed interest in the charisms of the spirit among the mainline churches. Re-echoing the council father's statement on this issue Udotte (1998) maintains that;

It is not only through the sacraments and the ministrations of the churches that the Holy spirit makes holy the people, allotting his gifts accordingly as he wills (cor 12:11), he also distributes special graces among the faithful of every rank (pp12-14).

This goes to demonstrate the enormous influence of Pentecostalism on the Catholic Church and other mainline churches in Nigeria.

Prayer Life

The advent of Pentecostalism has awakened in Nigerians an eagerness for spiritual life in the secular world, and a desire to be in communion with God through prayers. Mainline churches in Nigeria are now giving serious attention to their prayer life. There is a noticeable quest for a spirituality based on a personal relationship with the Lord, in the Catholic Church it is manifested in Love for private Eucharistic adoration (Schubert, 1991)

Use of Media

Another area of influence of Pentecostal on mainline churches in Nigeria is the use of media to preach and teach doctrines, many Bishops and Priests of the mainline churches in Nigeria are now regular quests in television and radio. The Pentecostals have encouraged the use of mass media for religious programmes, and this is fast becoming normal for the mainline churches in Nigeria (Achunike, 2004)

Tithing

According to Adelakun (1997) the Pentecostal churches are often indigenous congregations and as such there are no “mother churches” or “funding agencies” for their financing and sustenance. The support of the church rest solely on the local members. The commonly adopted means of supporting the church is tithing. The biblical practice of tithing is generally accepted by members, even when it is very demanding on the individuals. This approach has proven to be useful and effective means for the survival of Pentecostal churches in the country, many Christians in the mainline churches are also realizing the “spiritual usefulness” of tithing, and are therefore, paying their tithes to support their churches.

Devotional Practices

Pentecostalism is challenging and influencing traditional pious practices of the mainline churches in Nigeria. That is ineffective for meeting the spiritual needs of today. Members of the mainline churches are incorporating from the Pentecostals, new religious practices or devotions that seem to respond pragmatically to their religious and spiritual necessities. The general result is a kind of syncretistic devotions by many Christians, in their search for a devotion that “works” many protestants for example pray the Catholic rosary, and do the station of the cross, while some catholic are now practicing “dry fasting” seven/forty days sessions in the bushes etc (Ukpong, 2014)

NEGATIVE INFLUENCES

Healing, Deliverance, Dream, Vision and Prophecy

In Pentecostal spirituality According to (Udoette.1998) healing and deliverance are not just considered to be an extraordinary Charism and peculiar grace emanating from the treasury of the church, but they are seen as an ordinary right and privilege of every Christian. There is a tendency to separate spiritual gifts from the sacramental life of the church, and at worst, sacramental mediation of graces are considered merely as ritualistic Christianity, lacking in power.

For some priests and pastors of the mainline churches in Nigeria, there is nothing of the sacramental about healing and deliverance, but simply a ministration of a personal spiritual power by an individual. This unfortunately is degenerating into a superstitions Christianity, where experience is separated from doctrine. Hence the practice of vision and dream, telling of prophecy are subtly entering into the mainline churches in Nigeria. This situation is compounded by the explosion of the Mariam vision across the country, many Christians are now out to "consult" and spiritual direction or counseling is often confused with sorcery or divination.

Fundamentalism and Gullibilism

According to Otonko (2005) the above positions are as extreme as they are unreasonable. The first refers to the acceptance and application of spiritual text at the face value, so that, anything outside this is not acceptable no matter its authenticity, this leads to the danger of neglecting the sacred tradition as true source of revelation besides the scripture. While gullibilism is the belief in anything purportedly emanating from the spirit without necessary caution or security. The obvious danger here is false illuminism with its attendant deceitful darts.

Financial and Material Prosperity

It seems that whenever and wherever there is spiritual re-awakening the clergies always take advantage economically. The material success of some Pentecostal ministers is negatively affecting other mainline churches ministers in Nigeria. Most clergies in the mainline churches like their Pentecostal counterparts are living above members of their congregations materially. The flamboyant lifestyle is not affecting only the clergy, but it is becoming a terrible virus among the lay people too. Material prosperity is a yardstick of divine favor, whoever is poor is a sinner and not a born again prosperity gospel are impacting on the mainline churches in Nigeria.

Spiritual Titanism and Religious Tyranny/Feudalism

Pentecostalism has involuntarily tightened personality cult in the contemporary Christianity. It has succeeded to turn attention of the faithful not simple to "deceased saints" but to the "living saints". This attitude according to Ukpong (2014) is creating what we may call "spiritual titanism" among Christians, that is to say those with spiritual gifts, exercise them in a titanic manner using their gifts to Lord it over others and to bring them to servitude. This unfortunate exploitation of the divine (spiritual gifts) for self aggrandizement is becoming a common feature of some priests and pastors who are healers in the mainline churches in Nigeria. Some of the healers are exercising power in a tyrannical and dictatorial fashion, creating a kind of serfdom and harem around themselves.

Syncretism

Most authors seem to place the blame of the syncretic practices that are observed in mainline churches as a result of Pentecostal influence. While this may not be entirely true, the fact remains that the ever-increasing tendency to adulterate the traditional Spirituality of the mainline churches with alien unchristian and unorthodox practice is largely attributable to the Pentecostal influence (Otonko 2005).

Close Fraternity and Discriminatory Tendencies.

In their own congregations, neo-Pentecostals according to Shorter and Njiru (2001) call each other "Brother" and "Sister". They create a climate in which individuals help each other, finding them jobs and visiting them when they are sick. This is a fundamental re-awakening of the communal life of the early Christians which is in harmony with African sense of communalism and togetherness. The mainline churches are recapturing the sense of community and the moral imperative of being a "Brother's keeper". Nevertheless, this is opening up a risk of "over-fraternalization", and is introducing a spiritual ethnicity and religious nepotism in the country. The unfortunate development about this awakening, which is devoid of Christian-ness, is the consideration of those outside the immediate church's family as strangers.

CONCLUSION

Looking at the above influences of Pentecostalism on mainline churches, it is obvious that Pentecostalism is a force to reckon with in the contemporary Christianity in Nigeria. Pentecostalism has created permanent positive and negative impact on the mainline churches in Nigeria and the Nigerian religious landscape cannot be the same again after the explosion of Pentecostalism. Pentecostalism should therefore be understood as a valid dimension of the church's life and ministry, which loses its relevance when it is being separated from the ecclesial ministry rooted in the apostolic tradition. There is need to articulate a model of church in Nigeria and beyond that will explicate theologically and ecclesiologically the reality of the Christian faith in the contemporary Nigeria society, capable of making the encounter between God and humanity an experimental reality.

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The Effect of Innovation Types on the Performance of Small and Medium-Sized Enterprises in the Sekondi-Takoradi Metropolis

Francis Boachie-Mensah
Department of Management Studies
University of Cape Coast. Ghana

Innocent S. K. Acquah
Department of Management Studies
University of Cape Coast. Ghana

Abstract

Innovativeness has been touted as one of the fundamental instruments of growth strategies to enter new markets, to increase the existing market share and to provide the company with a competitive edge. Despite this acknowledgement, there is lack of research into how innovation contributes to the performance of small and medium sized enterprises. The aim of this study was to investigate the influence of innovation on organisational performance of small and medium-sized enterprises (SMEs) in the Sekondi-Takoradi metropolis. The research design used was survey research design whilst the research approach was quantitative research approach. Simple random sampling technique was used to collect data from 243 owners/owner managers of SMEs in the Sekondi-Takoradi Metropolis through self-administered questionnaires. Partial least squares (PLS) structural equation modelling (SEM) was used to test the hypotheses postulated. The study revealed that all four different types of innovation significantly influence organisational performance positively, except the product innovation/organisational performance relationship, which was positive but not significant. The results also suggest that innovation accounted for more than fifty one percent of the variation in organisational performance. It was, therefore, recommended that managers of SMEs pay critical attention to the implementation of innovation activities in their firms due to its positive impact of performance.

Keywords: Innovation, organisational performance, small and medium-sized enterprises

INTRODUCTION

Innovativeness has been touted as one of the fundamental instruments of growth strategies to enter new markets, to increase the existing market share and to provide the company with a competitive edge. Motivated by the increasing competition in global markets, companies have started to grasp the importance of innovation, since swiftly changing technologies and severe global competition rapidly erode the value added of existing products and services (Gunday, Ulusoy, Kilic & Alpkan, 2011). Thus, innovations constitute an indispensable component of the corporate strategies for several reasons such as to apply more productive manufacturing processes, to perform better in the market, to seek positive reputation in customers' perception and as a result to gain sustainable competitive advantage. Innovation is, therefore, a complex concept, because of its multidimensionality.

In a business environment characterized by rapid and disruptive changes, variety of customer requirements and international competition, organisations have to acquire new technological capabilities and explore new business processes in order to stay profitable in the long run (Vanhaverbeke & Peeters, 2005). Therefore, innovation that is able to meet customer requirements and introduce products or processes has become one of the most important issues for firms. It is often linked with creating a sustainable market around the introduction of new and superior product or process (Carayannis & Gonzalez, 2003). In short, it can be concluded that firms are more competitive with innovation (De Jong & Vermuelen, 2006).

Innovation also plays an important role in developing the economy, in expanding and sustaining the high performance of firms, in composing industrial competitiveness, in improving the standard of living and in creating a better quality of life (Gopalakrishnan & Damanpour, 1997). Innovation and its activities in small and medium-sized enterprises (SMEs) have also been of interest to academics (Cosh & Hughes, 2000). However, studies about innovation management in SMEs are few compared with similar studies on large firms (Cagliano & Spina, 2002; De Toni & Nassimbeni, 2003).

Previous studies have argued that, because of their nature, SMEs, particularly those operating in manufacturing, electronics, engineering and general high technology industries, are able to undertake radical innovation more easily than large firms, and that introducing pioneering products is an important entrepreneurial activity and the lifeblood of SMEs (Sirmon, Hitt, Ireland & Gilbert 2011). However, this is not a fact without refute. Some argue that while a small firm in any of these industries may have high research and development intensity (R&D/sales), a larger firm with more slack can actually devote more resources to R&D.

Statement of the problem

Following from the resource based theory and the shared value theory, innovation is seen as a fundamental variable that influences the performance of SMEs (Gunday et al., 2011; D'Angelo, 2012; Al-Ansari et al., 2013). The significance of this claim to SMEs in the Sekondi-Takoradi metropolis of Ghana remains unclear for three major reasons. To begin with, the formulation, testing, development as well as a bulk of the research on the resource based theory/shared value theory and innovation were mainly carried out among large firms in the developed North American, European, and recently, Asian countries (Al-Ansari et al., 2013), whilst the relationship between the types of innovation has been overlooked (Gunday et al., 2011).

The above implies the presence of a gap in the research concerning the role of innovation in the performance of SMEs in emerging economies, like Ghana. This obviously is an impediment, since firm size and national culture have been acknowledged as mediating the influence of innovation on performance (Al-Ansari et al., 2013). The final deficiency relates to the obvious restriction of the types of innovation in these studies to product innovation and process innovation, ignoring other types of innovation such as marketing innovation and organisational innovation. This situation portrays a deficient representation of the true as well as full effect of innovation on the performance of SMEs. This study, therefore, sought to fill this gap by using partial least squares structural equation modelling to examine the effects of four types of innovation (product, process, marketing and organisational) on the performance of SMEs in the Sekondi-Takoradi Metropolis of Ghana.

The aim of this study was to investigate the relationship between four innovation types implemented by SMEs and organisational performance. Product innovation, process innovation, marketing innovation and organisational innovation represent the four types of innovation. The specific objectives were to assess the influence of: product innovation on organisational performance, process innovation on organisational performance, marketing innovation on organisational performance and organisational innovation on organisational performance. The main research question was: What is the relationship between the innovation types chosen (i.e. product, process, marketing and organisational innovation) and organisational performance?

The rest of the paper is organized into four sections. The second section discusses the relevant literature on innovation, including the research framework and research hypotheses. This is followed by the section on methodology. The third section deals with the results and discussion. And the final section is on the conclusion and recommendations.

LITERATURE REVIEW

The meaning of innovation

Innovation is closely related to the economic objective of creating differentiation (i.e., enhancing the monopolistic power of the firm in relation to its customers) (Porter, 1980; Schumpeter, 1934). According to Damanpour (1991), previous studies (Jenssen & Nybakk, 2009; Jenssen; Åsheim, 2010 & Tidd & Bessant, 2011) have emphasised the importance of distinguishing between different types of innovation, because it helps in identifying the determinants of innovation.

According to the OECD (2005), an innovation is the implementation of a new or significantly improved product (good or service), or process, a new marketing method, or a new organisational method in business practices, workplace organisation or external relations. It is the process that covers product design, production system design, product introduction processes and start of production (Johanssen, 2008). "This includes the generation of opportunities, their selection and transformation into artefacts (manufactured products) and activities (services) offered to customers and the institutionalization of improvements in the new product development (NPD) activities themselves" (Ale Ebrahim, Ahmed & Taha, 2010).

Types of innovation

The two conventional ways of differentiating between types of innovation are, firstly, the taxonomy, already suggested by Schumpeter (1934), where a differentiation is made between the types of innovation on the basis of the object of change, speaking of, for example, product, process, market and organisational innovations and, secondly, the difference between innovations on the basis of their "newness" or "radicalness", that is, based on the extent of change. According to the OECD (2005), we may have four different kinds of objects of change, i.e. product, process, market or organisational innovations. Additionally, the extent of change associated with innovation may be depicted in terms of complete newness or significant improvement. As Massa and Testa (2008) put it, academics and entrepreneurs, for example, may interpret innovation in a very dissimilar manner: while academics usually stress scientific novelty, for entrepreneurs, on the other hand, "innovation is anything that makes money."

Product innovation

Product innovation can be defined as the creation of a new product from new materials (totally new product) or the alteration of existing products to meet customer satisfaction (improved version of existing products) (Amara & Landry, 2005). Product innovation can also be described as new developments in those activities that are undertaken to deliver the core product and make it more attractive to consumers. Product innovations are those that are capable of making use of new knowledge or technologies, and are based on new uses or combinations of existing knowledge or technologies (OECD, 2005).

Process innovation

Process innovations are defined as new elements introduced into an organisation's production or service operation. They do not produce products or render services, but indirectly influence the introduction of products and services (Damanpour & Gopalakrishnan, 2001). Process innovations share similarities with administrative innovations, and they affect the organisational members and relationships amongst them (Oke et al., 2007). In other words, a process innovation is the process of reengineering and improving internal operation of business process.

Marketing innovation

A marketing innovation is the implementation of a new marketing method involving significant changes in product design or packaging, product placement, product promotion or pricing. The aims of marketing innovations are to better address customer needs, open up new markets, or newly position a firm's product on the market, with the objective of increasing the firm's sales (OECD, 2005). Gunday et al. (2011) assert that marketing innovation plays a crucial role in fulfilling market needs and responding to market opportunities.

Organisational innovation

According to the OECD (2005), an organisational innovation is the implementation of a new organisational method in the firm's business practices, workplace organisation or external relations. They can either be intended to increase a firm's performance by reducing administrative costs or transaction costs, improving workplace satisfaction (and thus labour productivity), gaining access to non-tradable assets (such as non-codified external knowledge) or reducing costs of supplies.

Organisational innovations can take three main forms. Firstly, organisational innovation in business practices, which entails the application of new techniques for arranging routines and procedures for carrying out work. Secondly, organisational innovation with regard to workplace organisation, which requires the application of new methods for allocating responsibility and decision making among employees for the division of work within and between firm activities (and organisational units), as well as new concepts for the structuring of activities such as the integration of different business activities. Lastly, organisational innovation in external relations that has not been used before in the firm, and is the result of strategic decisions taken by management (OECD, 2005).

Research model and hypothesis development

This study explores the relationship between four types of innovation and organisational performance from the context of SMEs. The types of innovation comprise product innovation, process innovation, marketing innovation and organisational innovation.

The relationship between product innovation and organisational performance

With innovation, quality of products could be enhanced, which, in turn, contributes to firm performance and, ultimately, to a firm's competitive advantage (Al-Ansari et al., 2013). Bayus, Erickson and Jackson (2003) proved that product innovation had positive and significant link with organisational performance. Also, Hernandez-Espallardo and Ballester (2009) confirmed a significantly positive impact of product innovation on firm performance. Similarly, Alegre, Lapiedras and Chiva (2006) found that both product innovation dimensions (efficacy and efficiency) were strongly and positively related to firm performance. Furthermore, the introduction of a novel product was confirmed by Varis and Littunen (2010) to be positively associated with firm performance. Moreover, Walker (2005) conducted comparative research on the effects of product and process innovations on firm performance. They indicated that particular product improvements are positively associated with firm growth.

Besides, Tung (2012) stressed the importance of both continuous product innovation and innovation leadership to assure competitiveness, customer loyalty, and organisation survival. He opined that product innovation was directly related to an organisation's performance. Also, D' Angelo (2012) used a sample of Italian firms operating in the high tech settings within the manufacturing industry (HTSMEs). After applying a 3-year lag time approach, and running various regression models, he concluded that product innovations and the turnover derived from innovative activities positively and significantly affects the export intensity (performance) of firms.

In addition, Atalay, Anafarta and Sarvan (2013), after conducting a survey on top level managers of 113 firms operating in the automotive supplier industry, demonstrated that product innovation has significant and positive impact on firm performance. Analysing a sample of 207 firms in Australia, Oke, Jayaram and Prajogo (2013) concluded that both product innovation performance and product quality performance are found to positively affect business performance. Furthermore, the findings of Hall (2011) indicated a substantial positive relationship between product innovation activities and productivity. Likewise, Augusto, Lisboa and Yasin (2014) utilised factor and regression analyses procedures to provide insights into the relationships between organisational performance and the different facets of innovation, and concluded that specific innovation, such as product innovation, appears more significant on promoting organisational performance than organisational-wide innovation. Moreover, Ar and Baki (2011), using structural equation modelling with data collected from 270 managers of SMEs located in Turkish science and technology parks (STPs), found that product innovations have a strong and positive association with organisational performance. Finally, Mohamad and Sidek (2013) collected on a total of 284 from SMEs in the food and beverage, textiles and clothing, and wood-based sub-industries, and used hierarchical regression analysis to confirm the hypothesis that product innovation influenced firm performance significantly. Thus, the following is the first hypothesis that was developed to be tested:

H1: Product innovation positively influences organisational performance of SMEs in the Sekondi-Takoradi metropolis.

The relationship between process innovation and organisational performance

According to Pratali (2003), incremental technological (product and process) innovations help improve company competitiveness with the ultimate aim of increasing company value. Crucial to the manufacturing industry, process innovation should be emphasized by a firm as its primary distinctive competence for competitive advantage (Oke et al., 2013). More specifically, such an innovation is positively associated with firm growth (Massa & Testa, 2008). Consistent with this argument, Varis and Littunen (2010) studied SMEs in Finland and found that process innovation is positively associated with firm performance. More so, using new technology as a proxy for process innovation, Ar and Baki (2011) reconfirmed the positive and significant influence of process innovation on firm performance.

Additionally, using a sample of 229 Portuguese manufacturing organisations, Augusto et al. (2014) utilised factor and regression analyses procedures to provide insights into the relationships between organisational performance and the different facets of innovation, and concluded that specific innovation, such as process innovation, appears more significant on promoting organisational performance than organisational-wide innovation. Madrid-Guijarro, Garcia, Perez, Lema and Van Auken (2013) investigated product, process and management innovation among a sample of Spanish manufacturing SMEs during the period of economic downturn and a period of economic growth. They concluded that process innovation was positively associated with firm performance during the economic expansion and recession years.

Similarly, Varis and Littunen (2010) suggested that the introduction of novel process innovations is positively associated with firms' growth. Equally, Valmohammadi (2012) investigated the innovation management practices in Iranian organisations and concluded that both appropriate innovation inputs and effective innovation processes are positively related to business performance. Likewise, Mohamad and Sidek (2013) used hierarchical regression analysis to examine the relationship between innovation and performance of 284 Malaysian SMEs in the food and beverage, textiles and clothing as well as wood-based sub-industries to confirm the hypothesis that process innovation influenced firm performance significantly.

Correspondingly, Atalay et al. (2013) demonstrated that process innovation has significant and positive impact on firm performance. In the same way, Ar and Baki (2011) used structural equation modelling with data collected from 270 managers of SMEs located in Turkish science and technology parks and found that process innovations have a strong and positive association with organisational performance. Hence, the following is the second hypothesis that was developed to be tested:

H2: Process innovation positively influences organisational performance of SMEs in the Sekondi-Takoradi metropolis.

The relationship between marketing innovation and organisational performance

Johne and Davies (2000) ensured that marketing innovations increase sales by increasing product consumption to yield additional profit to firms. They further explained that incremental market innovation is about new ways of reading and serving current markets, which ensures firms to provide appropriate offers that yields greater avenues (Johne & Davies, 2000). Sandvik (2003) discovered that market innovation has a positive effect on sales growth of a firm, whilst Varis and Littunen (2010), using an estimated model, confirmed a highly significant relationship between a market-related innovative activity and firm performance.

Similarly, Otero-Neira, Lindman and Fernandez (2009) found strong evidence that market innovation positively influenced business performance. Equally, Atalay et al. (2013) investigated top level managers of 113 firms operating in the automotive supplier industry in Turkey and found no evidence of a significant and positive relationship between marketing innovation and firm performance. Consequently, the third hypothesis that was developed to be tested is:

H3: Marketing innovation positively influences organisational performance of SMEs in the Sekondi-Takoradi metropolis.

The relationship between organisational innovation and organisational performance

Despite the weak link they found, Lin and Chen (2007) associated innovations with increased firm sales; and they argued that organisational innovations, rather than technological innovations, appeared to be the most vital factor for total sales. Dadfar, Dahlgaard, Brege, and Alamirhoor (2013) examined the relationship between organisational innovation capability and performance in pharmaceutical small and medium enterprises in Iran. They concluded that a positive relationship between innovation capabilities and performance existed. They attributed this relationship to the effective innovation management and commitment across the organisation. Using 280 senior, executive and administrative level managers from 106 Iranian manufacturing firms through structural equation modelling, Noruzy, Dalfard, Azhdari, Nazari-Shirkouhi and Rezazadeh (2013) found that organisational learning and organisational innovation directly influenced organisational performance.

Additionally, Camisón and Villar-López (2014) used empirical evidence from a survey of 144 Spanish industrial firms and a system of structural equations to confirm that organisational innovation favours the development of technological innovation capabilities, and that both organisational innovation and technological capabilities for products and processes can lead to superior firm performance. This notwithstanding, Atalay et al. (2013), in their study of top level managers of 113 firms operating in the automotive supplier industry, found no evidence of a significant and positive relationship between organisational innovation and organisational performance. Therefore, the fourth hypothesis that was developed to be tested is:

H4: Organisational innovation positively influences organisational performance of SMEs in the Sekondi-Takoradi metropolis.

Conceptual framework of innovation and organisational performance

For the purpose of this study, the definition of innovation by the OECD (2005) was adopted. Hence, the conceptual framework for the study was based on how the OECD (2005) elucidated the construct of innovation, and defined an innovative firm as one that has implemented an innovation during the period under review. The conceptual framework for this study was, therefore, based on the works of Gunday et al. (2011), as illustrated in Figure 1.

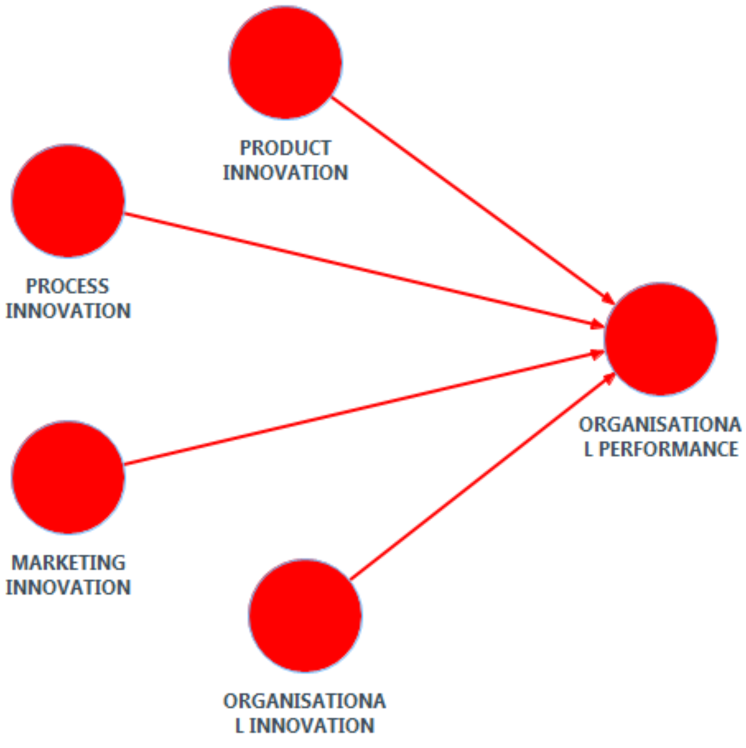

Figure 1: Conceptual framework

Source: Researchers' construct, 2014.

The model for the study was structured to reflect the relationships between innovation and performance. Product innovation (APDINV) positively influences organisational performance, process innovation (BPCINV) positively influences organisational performance, marketing innovation (CMKINV) positively influences organisational performance and organisational innovation (DOGINV) positively influences organisational performance.

METHODOLOGY

Research approach and study design

According to Yates (2003), there are two main approaches to conducting research, namely the quantitative research and qualitative research. The quantitative approach was adopted for this research, not only because of the nature of the study objective, research questions and hypotheses, but also because of the advantages it offers over the qualitative approach. The main advantage of the quantitative research approach over the qualitative research approach is that it is a scientific, fast and easier alternative, which enables statistical analyses of data, generalisation of findings, drawing of logical conclusions based on numerical values and comparability of studies (Sekeran, 2010).

Specifically, the descriptive-inferential survey design was adopted for this study. Surveys are a type of research design involving the collection and analysis of large amounts of quantitative data from a sizeable population using descriptive and inferential statistics (Tabachnick & Fidell, 2007). According to Saunders, Saunders, Lewis and Thornhill (2011), the survey is a popular as well as an authoritative strategy that gives researchers more control over the research process and is comparatively easy to explain and understand. It is popular, because it allows the collection of a large amount of data from a suitable population in a highly economical way.

Population, sample and sampling procedure

Sampling plan concerns the development of specific procedures and operational methods in selecting the sample (Zikmund, 2012) that can be followed to avoid potential errors (Uma, 2003). In this study, the target population consisted of all the manufacturing SMEs in the Sekondi-Takoradi metropolis. Out of the total of 1800 manufacturing SMEs found in the sampling frame, whose names were obtained from National Board for Small Scale Industries (NBSSI), a representative sample of 322 was drawn for the study, using Krejcie and Morgan's (1970) table. Simple random sampling method, specifically lottery method, was adopted in selecting these manufacturing SMEs from the population. This technique was chosen because it provides an opportunity for each of the manufacturing SMEs to have an equal chance of being selected. Thus, 322 survey questionnaires were distributed to the respondents of SMEs with the expectation of obtaining a high response rate (Sekeran, 2010).

Measurement of variables and the model

The five types of innovation used in this research were developed after a careful review of existing literature and expert opinions (e.g. Gundey et al., 2011; Al-Ansari et al, 2013) A total of 20 items were used to measure the five types of innovation. Six (6) items were used to measure organisational performance. These items were adapted from past researchers' approaches (Oke et al., 2007; Gundey et al., 2011; Avci et al., 2011; Al-Ansari et al., 2013). A 5-point rating scale was used to measure all the items used in this research. The following section explains the specific data analysis methodology that was used in this study.

Reliability and validity testing

As suggested by Hair et al. (2006), the coefficient alpha of 0.60 or above mean suggests that the items are performing well in capturing a specific latent variable. Items were all found to display item-to-total correlations greater than the criterion of 0.50. The overall results of latent variables composite coefficient alpha fell within the acceptable ranges that were from 0.821 to 0.949 (Appendix A). The final version of the questionnaire comprised five pages, four sections, and 34 questions.

Data collection and analysis procedure

The cross sectional survey design was used in collecting data for this study. The cross-sectional design time dimension was consistent with the descriptive research approach as well as time and cost constraints for this research study. A top-down approach was selected as the most appropriate method for executing the questionnaire and the questionnaires were sent to managers or owner managers of the selected SMEs. This was due to the fact that the nature of information and data required can best be provided by the managers or owners-managers of firms under research (Li, Zhou & Si, 2010; Martinez-Roman, Gamer & Tamayo, 2011). The self-administrated survey was used with the advantages of: administrative speed, response rate, questions and items clarity, motivation, anonymity, and sample and quality control (Creswell, 2013). Even though self-administered surveys come with some disadvantages, they were minimized, where possible, and did not outweigh the benefits provided by high response rates in a short period of time. The rationale behind this selection was to be able to offer benefits, such as reduction of interviewer bias, accommodation of long survey, and to obtain a large sample.

By virtue of the nature of the research objective, structural equation modelling techniques were used for the analyses. According to Hair, Sarstedt, Hopkins and Kuppelwieser (2014), the use of these techniques required that certain underlying assumptions were met before the results could be relied upon. These assumptions are related to sample size, multicollinearity, indicator reliability, construct reliability, convergent validity, discriminant validity as well as outer model significance. Prior tests were, therefore, carried out to ensure that these assumptions were met.

Sample size

For sample size, Hair et al.'s (2011) formula for calculating the minimum sample size requirement for use in PLS-SEM was applied. The minimum sample size should be equal to the larger of the following: (1) ten times the largest number of formative indicators used to measure one construct or (2) ten times the largest number of structural paths directed at a particular latent construct in the structural model. For this study, there are no formative indicators, but the largest number of structural paths directed at a particular latent construct in the structural model is 4. Hence, the minimum sample size will be 4 * 10 = 40. Cohen's (1992) table (Appendix B) for determining sample size in PLS-SEM was used in determining the minimum sample size. With the maximum number of arrows pointing at a construct of 4, a significant level of 0.05, minimum R 2 of 0.10 and a statistical power of 80%, the minimum sample size is 137 (Appendix B). Since 243 > 137, the minimum sample size requirement was duly met.

Multicolinearity

Pallant (2007) suggested that tolerance values of below .10 and variable inflation factor (VIF) values of above 10 indicated multicollinearity among independent variables, thereby hindering the development of good PLS-SEM models. The tolerance values ranging from (.413) to (.799) and V.I.F values also ranging from (1.252) to (2.423), obtained from this analysis, indicated the absence of multicollinearity between the exogenous variables. Appendix C displays the tolerance vales as well as VIF values for the predictor variables.

Indicator reliability

Indicator reliability specifies which part of an indicator's variance can be explained by the underlying latent variable. A common threshold criterion is that more than 50% of an indicator's variance should be explained by the latent construct. With respect to the squared loadings, values ≥ 0.7 are preferred, whilst values ≥ 0.4 are acceptable (Hulland, 1999). The indicators used in this model can be said to be reliable because all the squared loadings ranging from 0.4158 to 0.8359 are within the acceptable threshold of 0.4 or higher (Hulland, 1999).

Construct reliability

Although small indicator reliabilities may point to a given indicator's inadequate measurement of a construct, it is usually more important that all the construct's indicators jointly measure the construct adequately (Bagozzi & Yi, 1988). The preferred Composite reliability value is any value that is higher or equal to 0.70, even though values higher or equal to 0.6 are acceptable when the research is exploratory (Bagozzi & Yi, 1988). In this study, internal consistency reliability was tested by extracting the Cronbach's alpha and composite reliability coefficient (Appendix D). All latent variables have the appropriate levels of Cronbach's alpha ranging from 0.808 to 0.914 and composite reliability values ranging from 0.861 to 0.936 (Appendix D). The model can, therefore, be said to have internal consistency reliability.

Convergent validity

According to Gotz et al. (2010), a common measure to examine convergent validity in SEM models is the average variance extracted (AVE). Support is provided for convergent validity when each construct's average variance extracted (AVE) is 0.50 or higher (Bagozzi & Yi, 1988; Hair et al., 2011). In this study, convergent validity was tested by examining the AVEs of all the variables (see Appendix D). It was illustrated that the validity of the measurement scale was convergent, because all latent variable had AVEs of 0.5 or higher, ie. from 0.509 to 0.746 (Appendix D).

Discrininant validity

It is also recommended to test whether a study has discriminant validity (Hair et al., 2011). To ensure discriminant validity for each latent construct, the square roots of the average variance extracted (AVEs) should be larger than any of the correlations involving that latent construct (Hair et al., 2011). One method for assessing the existence of discriminant validity is the Fornell and Larcker's (1981) criterion. This method suggests that the square root of AVE of each latent variable can be used to establish discriminant validity, if this value is larger than other correlation values among the latent variables.

The second option for verifying discriminant validity is examining the cross loadings of the indicators. It is recommended that the measurement indicators' loadings on their assigned constructs should be in an order of magnitude larger than their loadings on the other constructs (Hair et al., 2012). It can be confirmed that (Appendix D) the model demonstrates an appropriate level of discriminant validity, because the individual square roots of the AVEs for each latent variable is higher than any of the correlations shown below or above them. Additionally, the loadings of each indicator on its construct are higher than the cross loadings on other constructs (Appendix E). Thus, it can be concluded that the latent variables have discriminant validity.

Outer model significance

Finally, Wong (2013) recommended that all outer model loadings should be significant at the chosen alpha level. As presented in Appendix G, all T-statistics of the outer model loadings are larger than 1.96, meaning that all outer model loadings are significant at the chosen alpha level of .05.

RESULTS AND DISCUSSION

Hypothesis testing

This study sought to test four hypotheses. These hypotheses are concerned with determining the influence that product innovation, process innovation, marketing innovation and organisational innovation have on organisational performance of SMEs operating within the Sekondi-Takoradi metropolis. The first hypothesis was formulated to determine whether there is a relationship between product innovation and organisational performance. The formulated hypothesis was:

H1: Product innovation positively influences organisational performance.

The analysis of the data collected proved that product innovation (APDINV) had a non significant positive effect on organisational performance (OGPERF) (β = 0.109, $p>0.05$; Appendix H). The beta coefficient was in the right direction, as hypothesized; hence, the hypothesis that "Product innovation positively influences organisational performance" was supported. This implies that an increase in product innovation would result in an increase in the performance of SMEs. Thus, SMEs that are able to record high levels of product innovation activities would perform well on both financial and non-financial performance indicators. The result is consistent with some of the findings in earlier studies, which reported significant positive relationship between product innovation and organisational performance. For example, Augusto et al. (2014) found a positive relationship between product innovation and organisational performance in their study of innovation and business performance in SMEs. Other studies also supported a positive relationship between product innovation and organisational performance (Hall, 2011; D' Angelo, 2012; Atalay et al., 2013).

The second hypothesis was formulated to determine whether there exists a positive influence of process innovation on organisational performance. The formulated hypothesis was:

H2: Process innovation positively influences organisational performance.

The analysis of the data collected showed that process innovation had significant positive effect on organisational performance (OGPERF) (β = 0.255, $p<0.05$; Appendix H). The beta coefficient was in the right direction, as hypothesized; hence, the hypothesis that "Process innovation positively influences organisational performance" was supported. This suggests that an increase in process innovation would result in an increase in the performance of SMEs. Thus, SMEs that have high levels of process innovation activities would perform well on both financial and non-financial performance indicators. The result is consistent with some of the findings of Ar and Baki (2011), who opined that process innovations have a strong and positive association with organisational performance as well as Mohamad and Sidek's (2013), who also confirmed the hypothesis that process innovation influenced firm performance significantly.

The third hypothesis was formulated to determine whether there exists a positive influence of marketing innovation on organisational performance. The formulated hypothesis was:

H3: Marketing innovation positively influences organisational performance.

The analysis of the data collected showed that marketing innovation (CMKINV) had significant positive influence on organisational performance (OGPERF) ($\beta = 0.297$, $p<0.05$; Appendix H). The beta coefficient was in the right direction, as hypothesized; hence, the hypothesis that "Marketing innovation positively influences organisational performance" was supported. This implies that an increase in process innovation would result in an increase in the performance of SMEs. Thus, SMEs that have levels of process innovation activities would perform well on both financial and non-financial performance indicators. The result is consistent with some of the findings in earlier studies, which reported significant positive relationship between process innovation and organisational performance. For instance, Varis and Littunen (2010), using an estimated model, confirmed a highly significant relationship between a market-related innovative activity and firm performance. Also, Gunday et al (2011), in their study of innovation, organisational learning and performance, established a positive relationship between process innovation and organisational performance.

The fourth hypothesis was formulated to determine whether there exists a positive influence of organisational innovation on organisational performance. The formulated hypothesis was:

H4: Organisational innovation positively influences organisational performance.

Analysis of the data collected showed that organisational innovation (DOGINV) had significant positive influence on organisational performance (OGPERF) ($\beta = 0.196$, $p<0.05$; Appendix H). The beta coefficient was in the right direction, as hypothesized; hence, the hypothesis that "Organisational innovation positively influences organisational performance" was supported. This suggests that an increase in process innovation would result in an increase in the performance of SMEs. Thus, SMEs that have levels of process innovation activities would perform well on both financial and non-financial performance indicators. The result is consistent with some of the findings in earlier studies, which reported significant positive relationship between process innovation and organisational performance (Dadfar et al., 2013; Noruzy et al., 2013; Camisón & Villar-López, 2014).

Explanation of target endogenous variable variance

The model further suggests that the endogenous latent variable, organisational performance (EOGPEF), has a coefficient of determination, R2, of 0.514. The deduction that can be made is that the four latent variables of product innovation, process innovation, marketing innovation and organisational innovation (APDINV, BPCINV, CMKINV and DOGINV) moderately explain 51.4% of the difference in organisational performance (EOGPEF).

Predictive Relevance

The Q2 is used to assess the predictive relevance of the inner model. It is claimed that a Q^2 larger than 0 means that the model has predictive relevance, whereas a Q^2 lower than 0 implies that the model is deficient in predictive relevance (Rigdon, 2010; Hiar et al., 2011; Roldán & Sanchez-Franco, 2012; Sarstedt et al., 2014). Appendix I demonstrates that the Q-squared coefficients for the predictive relevance associated with each latent variable block in the model, through the dependent latent variables, are all larger than zero, which indicates that the model has predictive relevance.

Effect sizes (f2) of exogenous variables

The effect size for each path model is determined by calculating Cohen's f2. The f2 is computed by noting the change in R2 when a specific construct is eliminated from the model. Based on the f2 value, the effect size of the omitted construct for a particular endogenous construct can be determined and values of 0.02, 0.15, and 0.35 can be viewed as indicating that an independent latent variable has a low, moderate or large effect respectively at the structural level (Roldán & Sanchez-Franco, 2012). The effect size is to be calculated using the formula: f2 = (R2 included - R2 excluded) / (1 - R2 included). Appendix J indicates the effect sizes of the various structural paths in the model, where APDINV/ EOGPEF is small, BPCINV / EOGPEF is small, CMKINV / EOGPEF is small and DOGINV / EOGPET is also small.

CONCLUSION AND RECOMMENDATIONS

The influence of product innovation, process innovation, marketing innovation and organisational innovation on organisational performance was assessed, and the major issues that emerged from the findings show that: Product innovation positively influenced organisational performance levels of the SMEs ($R2 = .015$; $p>0.05$). Process innovation positively influenced organisational performance levels of the SMEs ($R2 = .008$; $p<0.05$). Marketing innovation positively influenced organisational performance levels of the SMEs ($R2 = .033$; $p<0.05$). Organisational innovation positively influenced organisational performance levels of the SMEs ($R2 = .030$; $p<0.05$). Marketing innovation (= 3.837), and organisational innovation (= 3.819), the highest types of innovation, had the most influence on organisational performance. The composite effect of product innovation, process innovation, marketing innovation and organisational innovation on organisational performance was also assessed, and the findings indicate that product innovation, process innovation, marketing innovation and organisational innovation collectively predicted the level of performance of the SMEs significantly ($R2 = .514$; $p<0.05$), where innovation accounted for 51.4% of the variation in organisational performance.

It is concluded from the study that all the types of innovation had positive impact on organisational performance. Also, except for product innovation, the effects were significant. Of all the types of innovation, marketing innovation had the most impact on organisational performance with product innovation acting as the least contributor to organisational performance. The influence of marketing innovation on organisational performance is largely enhanced by the level of organisational innovation implemented by the organisation. Also, the level of innovation implemented by the organisation significantly influences its performance. The results further show that innovation accounts for more than fifty percent of the variation in organisational performance. In summary, all the four types of innovation positively influence organisational performance. Innovation-oriented managers and/or owner managers should ensure that there is adequate investment in product, process, marketing as well as organisational innovation activities, thereby avoiding the risk of not being able to achieve their strategic objectives.

Based on the findings and conclusions presented, it is recommended that owners/managers of SMEs should develop newness for current products, leading to improved ease of use for customers as well as improved customer satisfaction. This can be achieved by determining as well as eliminating non-value adding activities in delivery related processes of their products and also renewing the design of current and/or new products through changes in areas such as appearance, packaging, shape and volume without changing their basic technical and functional features. Also, owner managers of SMEs should not only pay attention to activities geared towards renewing the routines, procedures and processes employed to execute firm activities in an innovative manner, but also invest in marketing innovation activities, as it has the largest influence on organisational performance. Furthermore, with regard to policy direction, results from the study imply that policy makers need to provide some form of education that would highlight the importance of innovation in SMEs and how such innovation

translates into increased performance. The government should also provide an enabling environment that would support the execution of this business strategy.
The confinement of the population to SMEs operating in the Sekondi-Takoradi metropolis renders the findings, conclusions and recommendations applicable mainly to this group of SMEs. Secondly, the reliance on key decision makers as the sole respondents raises questions bordering on possible bias, particularly with the assessment of firm performance. Finally, the use of close-ended as well as rating scale type questions restricts the amount of information obtainable from respondents, particularly on the main variables of the study.

Future studies should be carried out to examine the relationships among the four different types of innovation. This will provide in-depth clarification with regard to how each type of innovation relates to one another as well as how that relationship enhances performance. Also, a replication of this study on a longitudinal basis will reveal trends in the behaviour of the different types of innovation and enhance the worth of recommendations made to the firms under study. Finally, a study involving only manufacturing firms or only service firms will provide a more detailed picture of how innovation relates to organisational performance growth.

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APPENDIXES

APPENDIX A

Computed reliability coefficients for pilot study

Variable	No. of items	Sample Size	Cronbach's Alpha	Composite Reliability
Product Innovation	5	21	0.879	0.913
Process Innovation	5	21	0.823	0.833
Marketing Innovation	5	21	0.802	0.821
Organisational Innovation	5	21	0.759	0.949
Organisational Performance	6	21	0.935	0.840

Source: Field work, 2014

APPENDIX B//////

Cohen's table for determining sample size in PLS-SEM

Sample size recommendation in PLS-SEM												
Maximum number of arrows pointing at a construct	Significant level											
	1%				5%				10%			
	Minimum R^2				Minimum R^2				Minimum R^2			
	0.1	0.2	0.5	0.75	0.1	0.2	0.5	0.75	0.1	0.2	0.5	0.75
2	158	75	47	38	110	52	33	26	88	41	26	21
3	176	84	53	42	124	59	38	30	100	48	30	25
4	191	91	58	46	137	65	42	33	111	53	34	27
5	205	98	62	50	147	70	45	36	120	58	37	30
6	217	103	66	53	157	75	48	39	128	62	40	32
7	228	109	69	56	166	80	51	41	136	66	42	35
8	238	114	73	59	174	84	54	44	143	69	45	37
9	247	119	76	62	181	88	57	46	150	73	47	39
10	256	123	79	64	189	91	59	48	156	76	49	41

Source: Cohen, 1988

APPENDIX C

Multicollinearity amongst exogenous variables.

Exogenous variable	Colinearity	
	Tolerance	VIF
Product innovation	.799	1.252
Process innovation	.456	2.195
Marketing innovation	.413	2.423
Organisational innovation	.510	1.961

Source: Field work, 2014

APPENDIX D

Measurement model results

Latent Variable	Indicators	Loadings	Loadings Squared	Coefficient Alpha	Composite Reliability	Ave
APDINV	APDINV1	0.8724	0.7611	0.9144	0.9361	0.7462
	APDINV2	0.7678	0.5895			
	APDINV3	0.9143	0.8359			
	APDINV4	0.8762	0.7677			
	APDINV5	0.8811	0.7763			
BPCINV	BPCINV1	0.7086	0.5021	0.8310	0.88103	0.5976
	BPCINV2	0.8279	0.6854			
	BPCINV3	0.7671	0.5884			
	BPCINV4	0.7967	0.6347			
	BPCINV5	0.7597	0.5771			
CMKINV	CMKINV1	0.75	0.5625	0.8309	0.88105	0.5974
	CMKINV2	0.7919	0.6271			
	CMKINV3	0.7569	0.5729			
	CMKINV4	0.8226	0.6767			
	CMKINV5	0.74	0.5476			
DOGINV	DOGINV1	0.781	0.6100	0.8268	0.87723	0.5885
	DOGINV2	0.7984	0.6374			
	DOGINV3	0.7606	0.5785			
	DOGINV4	0.7287	0.5310			
	DOGINV5	0.7654	0.5858			
EOGPEF	EOGPEF1	0.6449	0.4158	0.8088	0.86116	0.5093
	EOGPEF2	0.7195	0.5177			
	EOGPEF3	0.7699	0.5927			
	EOGPEF4	0.6675	0.4456			
	EOGPEF5	0.7238	0.5239			
	EOGPEF6	0.7483	0.5600			

APPENDIX E

Cross loadings between the measures

VARIABLE	APDINV	BPCINV	CMKINV	DOGINV	EOGPEF
APDINV1	0.87244	0.36021	0.35094	0.33463	0.41309
APDINV2	0.76782	0.28138	0.3223	0.27691	0.25094
APDINV3	0.91434	0.36345	0.4044	0.36617	0.39508
APDINV4	0.87624	0.35281	0.34108	0.32952	0.34111
APDINV5	0.88108	0.34892	0.33125	0.31923	0.32294
BPCINV1	0.37781	0.70865	0.49211	0.45567	0.42517
BPCINV2	0.30212	0.82788	0.57576	0.57434	0.52551
BPCINV3	0.2611	0.76715	0.49334	0.51547	0.41917
BPCINV4	0.30659	0.79674	0.57855	0.43157	0.57662
BPCINV5	0.29703	0.75968	0.58239	0.38974	0.47035
CMKINV1	0.28142	0.51086	0.75003	0.49673	0.53201
CMKINV2	0.29218	0.54789	0.79192	0.50879	0.47089
CMKINV3	0.32161	0.4837	0.75689	0.5133	0.48634
CMKINV4	0.30642	0.56686	0.82264	0.50248	0.54732
CMKINV5	0.36891	0.61056	0.73997	0.53637	0.47384
DOGINV1	0.38543	0.53389	0.57005	0.78104	0.51012
DOGINV2	0.34561	0.57086	0.56960	0.79838	0.48254
DOGINV3	0.35016	0.44743	0.43031	0.76055	0.43655
DOGINV4	0.21105	0.34197	0.43829	0.72870	0.38302
DOGINV5	0.11090	0.42150	0.50349	0.76537	0.43264
EOGPEF1	0.22733	0.30170	0.43676	0.42821	0.64491
EOGPEF2	0.34368	0.29069	0.40429	0.34332	0.71951
EOGPEF3	0.36353	0.47174	0.49438	0.43242	0.76988
EOGPEF4	0.19800	0.33343	0.41951	0.35238	0.66745
EOGPEF5	0.28875	0.59023	0.49657	0.43405	0.72382
EOGPEF6	0.30055	0.59707	0.51050	0.50758	0.74831

APPENDIX F

Fornell-Larcker criterion for checking discriminant validity

VARIABLE	APDINV	BPCINV	CMKINV	DOGINV	EOGPEF
APDINV	0.86381				
BPCINV	0.39739	0.77305			
CMKINV	0.40653	0.70438	0.7729		
DOGINV	0.37878	0.61615	0.66203	0.76716	
EOGPEF	0.40537	0.62838	0.6508	0.59098	0.71364

Note: Diagonal elements in bold = square root of AVE; Off-diagonal elements = correlation between constructs

APPENDIX G

T- Values for outer model

Indicator	Product Innovation	Process Innovation	Marketing Innovation	Organisational Innovation	Organisational Performance
APDINV1	53.5614				
APDINV2	22.4127				
APDINV3	96.0167				
APDINV4	49.9298				
APDINV5	54.0186				
BPCINV1		19.1747			
BPCINV2		43.3474			
BPCINV3		22.1481			
BPCINV4		30.0897			
BPCINV5		22.6758			
CMKINV1			20.8050		
CMKINV2			24.1773		
CMKINV3			22.1517		
CMKINV4			35.9396		
CMKINV5			19.9851		
DOGINV1				29.4145	
DOGINV2				33.2369	
DOGINV3				19.0581	
DOGINV4				17.9434	
DOGINV5				21.9448	
EOGPEF1					14.3207
EOGPEF2					19.3758
EOGPEF3					21.1813
EOGPEF4					13.6678
EOGPEF5					21.0826
EOGPEF6					22.2384

APPENDIX H

Structural model results for hypotheses 1, 2, 3 and 4

Hypothesis	Beta	Std Error	t-value	0.05
H_1 APDINV / EOGPEF	0.109	0.063	1.739	Not Significant
H_2 BPCINV / EOGPEF	0.255	0.078	3.261	Significant
H_3 CMKINV / EOGPEF	0.297	0.083	3.583	Significant
H_4 DOGINV / EOGPEF.	0.196	0.083	2.348	Significant

Source: Field Data, 2014

APPENDIX I

Predictive Relevance of the Independent Constructs

Latent variable	Q^2
H_1 Product innovation. -> Organisational performance.	0.2384
H_2Process innovation. -> Organisational performance.	0.2384
H_3 Marketing innovation-> Organisational performance.	0.2384
H_4 Organisational innovation. -> Organisational performance.	0.2384

Source: Field Data, 2014

APPENDIX J

Summary of the effect size results.

Latent variable		R^2 Included	R^2 Excluded	f^2	Assessment
APDINV	EOGPEF	0.5136	0.4990	0.0300	Small
BPCINV	EOGPEF	0.5136	0.5059	0.0158	Small
CMKINV	EOGPEF	0.5136	0.4807	0.0676	Small
DOGINV	EOGPEF	0.5136	0.4836	0.0617	Small

Source: Field Data, 2014

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Towards an Integrated Conceptual Framework of International Business Theory – A Literature Review Perspective: Any Convergence?

Nana Osei-Bonsu
Ajman University of Science & Technology
Fujairah Campus, UAE

Abstract

International business research has tried vividly to advance through several efforts to establish a theoretical base and agreed lines of analysis. The international product life cycle described by Raymond Vernon (1966) probably was the first major theory of the movement of firm's production overseas, rather than just to explain international trade; since then, several theories have been put forward without any of them gaining acceptance. The theories currently in use in international business research have been borrowed from different disciplines with different views and assumptions underlying their theoretical construct. Each is partial in some significant sense, however, none addresses holistically the essential nature of international business. Therefore, the development of a common theoretical base to provide rich framework to investigate the discipline should be considered among international business scholars and researchers.

Key Words: International Business, Theories, International Trade, Behavioural theories, Government Policies

INTRODUCTION

International business in general has been the subject of extensive research enquiry, and yet to date there is no universally accepted model of international business, let alone the same theory of international business. A possible explanation for this could be that little research has been directed at theory building and testing but rather to empirically testing of fractional areas of interest resulting in a galaxy of independent or semi-independent models and theories of international business. In addition to the lack of a theory building focus, researchers have attempted to apply to international business, theories from their primary backgrounds. This of course has only served to fragment the research. It is the contention here that new frames of reference are needed other than the neo-classical rational economic perspectives that currently dominate the entire study of international business. Mtigwe (2004) argued that an attempt at explaining the behavior of international firms using the neo-classical rational economic frames of reference have proved particularly troublesome. The real world of international business is far more complex and dynamic than that envisaged by these frames of reference. Furthermore, a particular weakness common to virtually all the theories of the internationalization process and international business in general, is their failure to question the fundamental assumptions on which they proceed to develop models.

Upon reviewing of the literature, this paper document that international business literature falls into three main categories: international trade theories, foreign direct investment theories and internationalization theories. However, their theoretical bases of research at present are taken from economics, business strategy, organizational development, political science and other disciplines that offer understanding of some aspects of the firm activities. These theories have their unique underlying assumptions, hence the critical challenge is how to conceptually integrate these theories in order to have a holistic approach in international business research. The main purpose of this paper is not to integrate or build a common framework for international business from these three categories of theories identified above. It rather seek to review these categories of the theories of international business by looking at their main underpinning and fundamental assumptions and if these assumptions could lead researchers and scholars for possible common theory for international business research in future. Tversky and Kahneman (1974) argue that many basic assumptions accepted as truth are fundamentally flawed and consequently the models on which they are based are fundamentally constrained. This seems to be the case with international business theories development. The theories and models currently present needed to be subjected to rigorous evaluation and criticism. The major criticisms should be centered on:

- The simplistic and static nature of the models. It is argued that the numbers of the variables that are considered in most studies on international business are too few to explain such a complex, multidimensional and dynamic phenomenon (Ramaswamy et al., 2014).
- The defectiveness of the methodological and conceptual frameworks. Sullivan (2014) argues that the absence of a coherent approach to establish the validity of measurement results in empirical investigations that are disjointed and inconclusive.

Sullivan (2014) provided an example of how different constructs were used to estimate financial performance of firm internalization in 17 studies, with the result that the conclusion arrived at are unreliable. Bonaccorsi (2002) also found a similar difficulties in his study of firm size and export behaviour. The main shortcoming in his study is the small sample sizes and cross-sectional nature of his data, when in fact longitudinal studies would be better to enhancing our understanding of international business activities. In view of the difficulties with a unifying theory, some scholars have argued for a more interdisciplinary approach by consolidating existing theories and models as well as redefining measurement issues might be more appropriate.

INTERNATIONAL BUSINESS DEFINITION AND THEORY BASED

Ball et al., (2012) define international business as companies whose activities are carried out across national borders. While Punnett and Ricks (1997) define international business as any commercial, industrial or professional endeavor involving two or more countries. Based on these two definitions, a company importing inputs purely for trade in the domestic market only would be classified as an international company because all the requirements of intentionality as defined above are met in a company. However, Czinkota, et al. (1999) deliberately take the broader view of international business that includes export and import activities and define international business as consisting of transactions that are devised and carried out across national borders to satisfy the objectives of individuals and organizations. Hill (2001) defined international business as any firm that engages in international trade and investment. In my thinking, these definitions of international business are not only imprecise but lead to an even more complex definition of the internationalization process far in excess of what both academics and policy makers use. Fortunately, Scott (2001) gave a more comprehensive definition that spells out the direction, the actions and the expected outcomes from international business activities. Scott's definition views international business as including all business activities (motivated by internal and external influences) needed to create, ship and sell goods and services across national borders for financial and non-financial rewards. Based on the definitions given above by the authors, it is important to trace the theoretical foundations of international business from its earliest forms to present day conceptualizations in order to enhance our general understanding of the field. As stated earlier, international business literature falls into three broad categories and have their roots in various dominant disciplines. For example, international trade models are rooted in classical trade theory (Smith, 1776; Ricardo, 1817), factor proportion theory (Hecksher & Ohlin, 1933) and product life cycle theory (Posner, 1961; Vernon, 1966). Internationalization models are rooted and draws on the behavioral theory of firm (Cyert & March, 1963; Aharoni, 1966). While foreign direct investment (FDI) models are rooted in economic theory (Leontif, 1953; Penrose, 1956).

INTERNATIONAL TRADE THEORIES

International trade theory is the oldest stream of international business research. According to the arguments of classical international trade theory, a country will export those goods and services in which it has an economic advantage while importing those that it does not have an economic advantage over. Smith (1776) and Ricardo (1817) argued that for two nations to trade with each other voluntarily, both nations must gain. If one nation gained nothing or lost, it would refuse it. In Smith's thinking, mutually beneficial trade takes place based on absolute advantage. The theory of absolute advantage argued that an opportunity for trade arose if a country had an absolute advantage in the production of a particular set of goods and services, while at the same time having an absolute disadvantage in the production of a different set of goods and services that it needed. In this circumstances, each country specialized in what it could supply most efficiently. When one nation is more efficient than or has an absolute advantage over what the other nation is producing (a second commodity), then both nations gain by each specializing in the production of the commodity of its absolute advantage and exchanging part of its output with the other nation for the commodity of its absolute disadvantage. Under these conditions, according to Smith, both nations would benefit if each specified in the production of the commodity of its absolute advantage and then traded with the other nation. For a long period of time, this was the accepted theory of international trade. However, questions arose about what would happen to those countries that had no absolute advantage. Should their industries closed down? Also what if one country could produce many of the goods that it needed in large quantities and at the same production cost as other country, would the trade still take place? The lack of congruency between the theoretical and the practical levels led to dissatisfaction with the explanatory power of the theory of absolute advantage resulting in the search for a new theory of international trade.

Although Smith's ideas about absolute advantage were crucial for the early development of classical thought for international trade, it is generally agreed that David Ricardo is the creator of the classical theory of international trade, even though many concrete ideas about trade existed before his principles. Ricardo showed that the potential gains from trade are far greater than what Smith envisioned in the concept of absolute advantage. According to Ricardo's theory of comparative advantage and the gains from trade, technology is crucial variable used to explain international trade patterns. The theory holds that a difference in comparative costs of production is the necessary condition for the existence of international trade. But this difference reflects a difference in techniques of production. According to this theory, technological differences between countries determine international division of labor and consumption and trade patterns. It holds that trade is beneficial to all participating countries. This conclusion is against the viewpoint about trade held by the doctrine of mercantilism. In mercantilism it is argued that the regulation and planning of economic activity are efficient means of fostering the goals of nation. According to the theory of comparative advantage, county (X) can still supply a product that it can produce more efficiently even though country (Y) may produce that same product. The main argument of this theory is that if a country has a relative advantage in the production of one product over another, then it should produce and export that good in which it has a relative advantage and import the product in which it has relative disadvantage. In the thinking of this paper, the major limitation of this theory is that it is limited to land, capital, natural resources and labour being the key factors of production. Additionally, it fails to explain why nations are continue to barricade themselves with ever increasing trade barriers if their welfare through trade efficiency is best served by specialization in those goods that they have the greatest comparative advantage while importing those goods in which they have a comparative disadvantage. The theory also fails to explain the behavior of contemporary international trade activity that is characterized by the use of high technology, globalization and the transient nature of a competitive advantage that any nation may have in the production of specific goods and services.

A refinement of the theory of comparative advantage is found in Heckshер and Ohlin (1933) model (H-O model) also known as the factor proportion theory. This theory is different from the Ricardian model which isolates differences in technology between countries as the basis for trade. The factor proportion theory, in contrast to classical trade theory, is able to provide an explanation for the differences in advantage exhibited by trading countries. According to this theory, countries will tend to generate and export goods and services that harness large amounts of abundant production factors that they possess, while they will import goods and services that require large amounts of production factors which may be relatively scarce. Therefore, this theory extends the concept of economic advantage by considering the endowment and costs of factors of production. In Heckscher-Ohlin theory, costs of production are endogenous in the sense that they are different in the trade situations, even when all countries have access to the same technology for producing each good. This emphasizes differences between the factor endowments of different countries and differences between commodities with which they use these factors.

The factor proportion theory extended the classical trade theory by adding factor endowment and the costs of the factors of production. The theory postulates that countries will tend to specialize in the production of goods and services that utilize their most abundant resources which have price advantage and exchange them for goods and services in which they have a price disadvantage. In general terms, countries will export those goods that make intensive use of those factors of production that are greater in abundance domestically thereby achieving relatively lower costs in production while importing those goods that make intensive use of those factors which are scarce locally from other nation. Hence, the differences in the production cost of individual goods brought about by differences in national production factor endowments, is the basis of trade among nations. The reasons behind this is that different products use different proportions of the three factors of production; land, labour and capital as different nations have different endowments of these factors. This theory has been recognized as the strategic trade theory in sense that firms have an incentive to export because of the lower costs of production by scale economies (increasing returns to scale). The factor proportion theory is severely limited in its practical application in sense that their main assumptions such as: homogenous products, identical production functions in all countries, and equal access to the same technical knowledge are mismatch between the theoretical and practical levels.

According to Morgan and Katsikeas (2007) classical trade theory effectively describes the scenario where a country generates goods and services in which it has an advantage, for consumption indigenously, and subsequently exports the surplus. Consequently, it is sensible for countries to import those goods and services in which they have an economic disadvantage. Economic advantages/disadvantages may arise from country differences in factors such as resource endowments, labour, capital, or technology. Thus, classical trade theory contends that the basis for international trade can be sourced to differences in production characteristics and resource endowments which are founded on domestic differences in natural and acquired economic advantages. However, with such a general insight into international trade, classical trade theories are unable to offer any explanation as to what causes differences in relative advantages. Therefore, the end of the classical trade theories era. The restrictions imposed by the assumptions of the classical theories have led to new theory development on international business.

The validity of both the classical trade and factor proportion theories were questioned by Leontif (1953) resulting in the development of the product life cycle (PLC) theory. This was found to be a useful framework for explaining and predicting international trade patterns as well as multinational enterprise expansion. This theory suggested that a trade cycle emerges where a product is produced by a parent firm, then by its foreign subsidiaries and finally anywhere in the world where costs are at their lowest possible (Vernon, 1966, 1971; Wells, 1968, 1969). Furthermore, it explains how a product may emerge as a country's export and work through the life cycle to ultimately become an import. The essence of the international product life cycle is that technological innovation and market expansion are critical issues in explaining patterns of international trade. That is, technology is a key factor in creating and developing new products, while market size and structure are influential in determining the extent and type of international trade. However, the product life cycle theory failed to explain the specifics of how the process of internationalization takes place even though it was viewed as a better alternative to classical and neo-classical trade theories.

The most common weakness of the classical theories that product life cycle theory seek to improve were their over dependency on comparative cost theory. International production was assumed to move from comparatively high cost locations to low cost location. The main arguments is that, the country of origin has a comparative advantage in the production of a particular good, but this advantage is subsequently lost to lower cost producers as the product becomes standardized (Sundaram & Black, 1995). So, the search for low labour costs and a cost advantage were the motivating factors of international production, hence firm would move endlessly between different locations to secure and maintain their cost advantage. In the assumption of this theory, product innovations are costly and require large capital investments and skilled labour, for these reasons it was expected that foreign investment was the preserve of large firms. However, in the Leontif's paradox, Leontif (1953) argued that an attempts to explain international trade from a comparative cost perspective were bound to suffer from inconsistencies? He proved that the ratio of capital to labour in the exports of the United States was lower than the capital to labour ratio of competing imports that had replaced American production. The reverse had been expected.

The product life cycle approach to international business was based on assumptions that simply do not hold as a result of more homogenous international markets and easy access to information and technology. The major criticism of the theory is that it is vague in terms of the trade-offs between the different foreign market entry methods of licensing, joint venturing, and timing of modes switches. Additional criticism is that some firms are not progressing through the defined life cycle process of introduction; growth; maturity; standardization; and decline/dematuring, but rather exhibit haphazard progression between stages (Globerman, 1996). Other criticism is also that this theory make several assumptions which detract from their potential significance and contribution to international business. For instance, they assume that: factors of production are immobile between countries; perfect information for international trade opportunities exists; and, traditional importing and exporting are the only mechanisms for transferring goods and services across national boundaries (Bradley, 1991). While this theory is insightful, a number of modern international trade theories according Morgan and Katsikeas (1997) have emerged which take account of other important considerations such as government involvement and regulation as well as entry modes strategies. Buckley and Casson (1981) argued that the choice of international market entry mode is a function of the cost associated with each country entry mode given the volume of business that the firm is planning to undertake in the market. Each market entry mode has costs such as: mode set-up costs; recruitment fixed cost associated with the mode usage; and recurrent variable cost. A given mode may have high fixed and variable costs at the planned volumes of business, therefore firms may internationalize via the most cost-efficient mode at all times.

FOREIGN DIRECT INVESTMENT THEORIES

Penrose (1956) and Bye (1958) posited that there were more other complex factors to explain international trade than what is envisaged in the classical trade and product life cycle theories, hence the introduction of foreign direct investment (FDI) theories to explain these complex factors associated with international trade. The three most important FDI theories that have explained the limitations of international trade theories are: market imperfection theory; international production theory and internalization theory. Hymer (1960) and Kindleberger (1969) argued that market imperfection as one of the complex trading obstacles is the basis of foreign direct investment. The market imperfections theory states that firms constantly seek market opportunities and their decision to invest overseas is explained as a strategy to capitalize on certain capabilities not shared by competitors in foreign countries (Hymer, 1970). The capabilities or advantages of firms are explained by market imperfections for products and factors of production. That is, the theory of perfect competition dictates that firms produce homogeneous products and enjoy the same level of access to factors of production. However, the reality of imperfect competition, which is reflected in industrial organization theory (Porter, 1985), determines that firms gain different types of competitive advantages and each to varying degrees.

Market imperfections according to Buckley and Casson (1976) led to the concept of internalization which argues that because of market imperfections, intermediate product markets are difficult to organize and this gives a firm an incentive to internalize the activities performed by these intermediate product markets under common ownership and control. Internalization of such activities across different national boundaries gives rise to a multinational company (Calvet, 1981). An added feature of the internalization theory is the transaction cost economics, which refers to a firm's desire to minimize total costs, therefore a firm will seek an international organizational form that will minimize total costs to itself (Williamson, 1975; Rugman, 1981).

Internalization theory strives on the notion that firms aspire to develop their own internal markets and this depends on the type of FDI (horizontal or vertical) and it's relevant to the firm's strategy whenever transactions can be made at lower cost within the firm. Thus, internalization involves a form of vertical integration bringing new operations and activities, formerly carried out by intermediate markets, under the ownership, control and governance of the firm. In circumstances like this the firm want to take advantage of international differences in factor prices by splitting up the production process, allocating the parts over different countries on the basis of cost efficiency. The firm services its markets by exporting from a single location to create trade both of intermediate and final goods. In Horizontal FDI which is motivated by the firm desire to be closer to customer markets due to high trade costs. The firm then runs similar operations at different locations, producing and selling in the same country (or nearby countries). This type of FDI is thus a substitute for international trade relations. International production theory suggests that the propensity of a firm to initiate foreign production will depend on the specific attractions of its home country compared with resource implications and advantages of locating in another country. This theory makes it explicit that not only do resource differentials and the advantages of the firm play a part in determining overseas investment activities, but foreign government actions may significantly influence the piecemeal attractiveness and entry conditions for firms. Most of this analysis has adopted the multinational firm as the unit of analysis and excluded the process that involved the international development. Consequently, a more dynamic, process-based perspective which demanded recognition of the internationalization of the firm to constitute a significant part of the international business literature.

INTERNATIONALIZATION THEORIES

Mort and Weerawardena (2006) argue that there are two main streams of approaches regarding the internationalization of a firm; the economic approach and the behavioural approach. Andersson (2000) noted that these two approaches observe the internationalization process of the firms from considerably different but interconnected theoretical approaches. While the economic approach is mainly focusing on the company and its environment (classical theories; Dunning's Eclectic paradigm; and Resource-Based View), the central point of the behavioural approach is the individuals within the firm and their learning. The most widely known models following the behavioral approach are gradual behavioral-based (stage models) and network model. However, both research streams call attention to the fact that international business can be influenced by both external and internal variables, such as learning and experiential knowledge, psychic distance, location and ownership advantages, industry characteristics, uncertainty, inter-organizational networks, comparative advantage, and government intervention (Shrader, et al., 2007).

Behavior-based Theories

Chetty and Campbell-Hunt (2004) argue that there are two traditional gradual behavior-based approaches to internationalization: the Uppsala internationalization model (U-Model) and the Innovation related models (I-Models), both of them referred to as the stages model. These models consist of a number of identifiable and distinct stages, where higher-level stages indicate greater involvement in foreign markets. The Uppsala Model views internationalization as a learning process that involves interplay between knowledge development and increasing foreign market commitment (Johanson and Vahlne, 1977, 1990). The model was developed from firms' internationalization behaviour which followed the pattern: (1) by engagement in psychically close markets and then gradually further away to countries with greater psychic distance and the (2) 'establishment chain' which consists of five stages: no regular export activities, export through a foreign intermediary, export via a sales subsidiary, a mix of export and foreign direct investment (FDI) in the form of a subsidiary with assembly activities, and a fully-fledged production subsidiary (Johanson and Wiedersheim-Paul, 1975). This behavior is based on the logic that gaining market knowledge and increasing foreign market commitment gradually can reduce foreign market uncertainty. The model has its theoretical base in the behavioral theory of the firm (Cyert and March, 1963), which stresses that firms' decision making is characterized by limited knowledge, and theory of the growth of the firm (Penrose, 1959), which argues that a firm's growth is a result of its ability to use, combine and develop resources and accumulate experiential knowledge.

The Uppsala model made a distinction between state and change aspects of internationalization. The state aspects are market knowledge and market commitment; the change aspects are the foreign market commitment decisions and current business activities. Foreign market knowledge and commitment are assumed to influence decisions regarding the commitment of resources in foreign markets and how current business activities are conducted, which in turn influence the market knowledge and commitment decisions. The firm's current market commitment and market knowledge are assumed to influence the way that it performs its current activities and its decisions regarding the commitment of resources to overseas operations (Johnson and Vahlne, 1990). In turn, its current activities and resource commitment decisions increase the firm's market knowledge (a source of competitive advantage) and will influence its commitment to new markets. As the firm increases its knowledge from its operations in a particular foreign market, it is more likely to make incremental resource commitments to that market, such as expanding its operations from using an export agent to opening a sale subsidiary in that market.

Johanson and Vahlne (1990) make an exception to this incremental, progressive resource commitment: firms can make larger internationalization steps (leapfrog stages) when: (i) they are large in size with excess resources; (ii) they can obtain market knowledge more easily because market conditions are stable and homogeneous; (iii) or they can generalize their market knowledge to other similar markets. Johnson and Vahlne (1990) argue that stage models can be used to explain two patterns of internationalization that they have observed. The first pattern is where firms internationalize according to an established chain: (i) no regular exporting activity; (ii) exporting via foreign intermediary or representatives or agents; (iii) sales via sales subsidiaries; (iv) Establishing a manufacturing plant or production subsidiary in the foreign country. The stages within the chain reflect different levels of market knowledge and resource commitment. The second pattern is where firms internationalize firstly into markets that they most understand (low market uncertainty), and progressively enter markets that have greater psychic distance (language, cultural, educational, industrial development and political differences). Firms are able to enter foreign markets with greater psychic distance as their market knowledge increases.

Innovation-related (I-Models)

Innovation-related models (Bilkey and Tesar, 1977; Cavusgil, 1980; Czinkota, 1982) argue for a view of internationalization as the adoption of an innovation in the firm. These models are closely associated with the research of the Uppsala model (Andersen, 2000), and build on behavioural economics (Cyert and March, 1963), which argue that internationalization is the outcome of an information processing approach where the company alters attitudes and beliefs about foreign markets. The firm is initially uninterested in exporting. However, sporadic orders from external markets demand attention from managers. The models possess a common theme in which they propose an incremental "stages" approach to export development and generally support the notion of psychic distance. Consistent with U-Models, the I-Models have attributed the gradual pattern of export development to two reasons: 1) the firm's lack of knowledge, especially 'experiential knowledge', and 2) uncertainty associated with the decision to internationalize. Bilkey and Tesar (1977) have conceptualized the process of export development on the basis of firms' increasing involvement in exporting to psychically more distant markets. They have explained that the 'stage' model is meaningful for examining export behavior of small and medium-sized firms. Several criteria such as past export, present export, exploration of exporting, unsolicited orders, etc. were used to separate the stages.

There are no arguments for the classification procedures, and no discussion of why and how the independent variables should influence the export development process.

Cavusgil's (1980) model is founded on management's successive decisions regarding exporting over a period of time. Based on empirical evidence, he suggests that several firm-specific characteristics and managerial factors act as determinants in the process of facilitating or inhibiting the progress of firms from one stage to another. Reid (1981) views internationalization as an innovation adoption process. Export adoption was believed to require a favorable management attitude to exporting, an available foreign market opportunity and the presence of spare resource capacity within the firm. He points out the need to distinguish between the foreign entry expansions processes of small and large firms. Regarding small firms, he assumed that the individual decision-maker influences the export behavior of the firm while the entry behavior in large firms is supposed to be structurally determined. Although no formal definitions are offered for 'managerial attitude', Reid (1981) indicates "managerial attitude" in the exporting research has been used to refer to decision-makers' preconditioned views, perceptual tendencies, expectations, beliefs and general attitudes towards foreign markets. This model suggests that individual characteristics of both decision-maker and firm are of great importance in determining export behavior. Although all variables (except size) identified by Cavusgil (1980); and, Reid (1981) turn out to have a significant impact, they cannot explain movements from one stage to the next; it is only possible to characterize the firms that are in different stages (Andersen, 2000). Czinkota (1982) adapted the first four stages of his model from Bilkey and Tesar's study. He used several criteria for differentiating among stages: past export volume, absolute export volume, length of export experience, types of countries exported to, number of export customers, number of export transactions, and manpower committed to exporting.

The existing literature has registered severe limitations in the Stages model. Firstly, it has been argued that the importance attached to experiential knowledge constitutes both strength and weakness of the stages model. Experiences are slow to build, shared and integrated within firms. Thus, if firms base their international decisions largely on experiential knowledge, their internationalization process will invariably be slow. This will be a major disadvantage in a dynamic economy where business opportunities quickly change. Secondly, it has been empirically demonstrated that the choice of entry strategies does not always correspond to the sequential step-by-step approach suggested in the Stages Models. Some firms may enter a new market via a direct export route but may serve the same market subsequently through an indirect export route, depending on their assessment of the relative pay-offs of the two entry strategies (Turnbull, 1987). Thirdly, when firms enter a foreign market they will usually be disadvantaged vis-à-vis the indigenous firms in terms of familiarity with the local business environment. This unfamiliarity is labeled 'liability of foreignness' (Zaheer, 1995), and is presumed to raise the entrant firms' levels of operational uncertainty with regard to relations with local actors. This implies that some companies may experience serious difficulties in their internationalization process in some countries. Fourthly, firms may overestimate the similarities between neighboring countries. Even countries that share language, historical, and legal traditions, often have very different institutions that do not allow the simple transfer of business practices and attitudes across borders.

Network Perspective of Internationalization

The network model views internationalization as a process of network establishment and development with foreign individuals and firms (Johanson and Mattsson, 1992). This perspective is based on empirical studies that firms in industrial markets establish, develop and maintain lasting business relationships with other business actors (Turnbull, 1987). The specific firms engaged in these business relationships comprises of customers, customers' customers, competitors, supplementary suppliers, suppliers, distributors, agents and consultants as well as regulatory and other public agencies (Johanson and Vahlne, 1990). In the network perspective, internationalization can be done in a number of ways (Johanson and Mattson, 1992):

- through establishment of positions in relation to counterparts in country-based networks that are new to the firm, for example by international extension or foreign market entry
- by further developing positions in those country-based networks in which the firm already has a position, i.e. international penetration
- By increasing coordination between positions in different country-based networks, i.e. international integration.

The underlying assumption of this perspective can be explained in terms of the structure of industrial networks, consisting of actors, activities and resources that are related to each other (Turnbull, 1987). The network perspective has received strong support in light of the increasing numbers of small and medium enterprises in international markets. Prior research has reported various evidence of the role of networks in firm internationalization, such as client followership (Bell, 2005), inward-outward connection (Welch and Luostarinen, 1993), serendipitous encounter (Crick and Spencer, 2005), prior and new international ties (Etemad 2004b), and influence in the timing, mode of entry and choice of international markets (Autio, 2008; Chetty and Agndal, 2007). Increasingly, Coveillo and McAuley, (1999) argues that networks are being seen as playing a critical role in the internationalization process of the firm, where the ability of a firm to exploit opportunities and grow internationally is dependent on its set of network relationships rather than firm-specific advantages. In essence, a firm begins the export process by forming relationships that will deliver experiential knowledge about the market, and then commits resources in accordance with the degree of experiential knowledge it progressively gains from these relationships (Welch and Luostarinen, 1988).

Like the stages models, the network model has also been criticized for its lack of predictive power. Indeed, Young et al. (2004) posit that while it provides new insights into the internationalization of firms, the cause and effect relationships can be ambiguous, as networks may be seen as ways to overcome resource deficiencies rather than being the actual drivers of internationalization. Another major drawback is the power asymmetries within the network and how these firms can manage their dependence on established actors. Nevertheless as a descriptive model, it has received much support and acceptance. Its strength lies in explaining the internationalization process and illuminating how the resources, activities and actors within the network affect the various dimensions. Fillis (2002) noted that it could provide the context for international business.

MEDIATING OR OMISSION VARIABLE

The table below depicts the main assumptions or conclusions drawn by the various theories reviewed in this paper. Critically examining their basic assumptions, one fundamental omission was none of these theories have tried to understand the effect of government interventions and regulations on international business. Gone were the days when international business was just a cross-border trading activities between firms from different countries. Same cannot be said nowadays of contemporary cross border trading or business activities because of keen government's participations and their key interest through policies and regulations.

Table 1: International Business Theories Assumptions

Theory Type	**Theoretical assumptions**	**Credited writers**
Classical trade theory	Countries gain if each devotes resources to the production of goods and services in which it has an advantage	Ricardo (1817) Smith (1776)
Factor proportion theory	Countries will tend to specialize in the production of goods and services that utilize their most abundant resources	Hecksher and Ohlin (1933)
Product life cycle theory	The cycle follows that: a country's export strength builds; foreign production starts; foreign production becomes competitive in export markets; and import competition emerges in the country's home market	Vernon (1966, 1971) Wells (1968, 1969)
Market imperfections theory	The firm's decision to invest overseas is explained as a strategy to capitalize on certain capabilities not shared by competitors in foreign countries	Hymer (1970)
International production theory	The propensity of a firm to initiate foreign production will depend on the specific attractions of its home country compared with resource implications and advantages of locating in another country	Dunning (1980) Fayerweather (1982)
Internalization theory	Internalization concerns extending the direct operations of the firm and bringing under common ownership and control the activities conducted by intermediate markets that link the firm to customers. Firms will gain in creating their own internal market such that transactions can be carried out at a lower cost within the firm	Buckley (1982, 1988) Buckley and Casson (1976, 1985)
Uppsala Theory	Suggests that the process of internationalization is founded on an evolutionary and sequential build-up of foreign commitments over time through knowledge acquisition. The theory assume that firms stand alone in developing their market entry strategies	Johanson and Vahlne, (1977); Johanson and Wiedersheim-Paul, (1975)
Innovation-related Theory	View internationalization as the adoption of an innovation in the firm	Bilkey, Tesar, (1977); Cavusgil, (1980); Czinkota, (1982); Reid, (1981)
Network Theory	Understanding of the internationalization of firms lies in the emphasis on relationship building through interactions and mutual interdependence as an exchange governing mechanism.	Johanson and Mattson (1988); Coviello, Munro, (1997)

Source: Modified from Morgan and Katsikeas (1992)

Heckscher-Ohlin view and the other theories that have been applied to international business are explanations of production and income-generation, but in the thinking of Grosse and Behrman (1992), none is an explanation of distribution of benefits and burdens between firms and governments. But the purpose of government intervention is the redistribution of the gain cross-nationally. Since governments are centrally concerned with the distribution issue, and their policies towards international firms are a central concern of international business

analysis, those efforts to alter the distribution of gains should be the central subject of an international business theory. Ibeh and Young (2001), argued that to avoid governmental policies and politics eliminates or would render international business theory incomplete.
The purpose of governments is to seek growth, efficiency and a distribution of benefits, both internally and with respect to international firms. International markets will therefore be distorted by governments, and it is this very distortion that requires explanation by international business theory – why and how it works out through business activities cross-nationally Grosse and Behrman (1992). A uniquely international business theory must explain differential barriers and incentives to international business imposed by sovereign governments in an effort to change the distribution of gains, and the effects of those policies on international firms' decisions and operations.

CONCLUSION AND DISCUSSION

The main purpose of this paper is to review the different perspectives of theories of international business by looking at their main underpinning and fundamental assumptions and if these assumptions could lead researchers and scholars for possible common theory for international business research in future. In so doing, the theories reviewed in this paper can be considered laudable and satisfy the general criteria of theoretical parsimony and communicability. In demonstrating this, the assumptions underlying each theory and certain contrasts were drawn between the theory types in an effort to frame them in relation to international business. While no specific attempt was made to compare the theories, the discussion emphasised their particular focus and general conclusions. Grosse and Behrman (2002) argue that international business has existed as a distinct field of study for the past decades, but it does not have a widely accepted explanatory theory on which to base its uniqueness as a discipline. The theoretical bases of research on international business at present are taken from economics, business strategy, organizational development, political science and other disciplines that offer understanding of some aspects of the firm activities. Those theories explain firm characteristics (such as strategy, structure, performance, size, ownership, marketing, functioning of the firm's internal hierarchy etc.) and provide means of predicting behaviour usually assuming the absence of Government intervention. There is also a vast literature, ranging from value-oriented analyses to social explanations, but these have not been absorbed into international business theory; and they are, even so, explanations of competitiveness among firms in different social settings.

Ricardo's theory of comparative advantage, Vernon's product life cycle, Smith's absolute advantage, Penrose’s foreign direct investment, Johansson and Vahlne’s Uppsala theory and all others are essentially explanations of business between domestic firms or regions, as well as international firms. They explain investment and intra-national trade. Those theories offer important insights into the functioning of firms in business anywhere, including international firms, but they fail to focus on the distinguishing characteristics of business operating among different nations. Since international business is the study of business activities that cross national borders and, therefore, is fundamentally concerned with the firms that undertake that business and the national Governments that regulate them, a theory that is unique to such business must explain the responses of businesses to government policies and the policy-making of Governments themselves towards international firms. Empirical studies have distinguished international from domestic business strategies and operations, but they have not resulted in an international theory of cross-national business behaviour. The lack of a proper theoretical focus has diverted the discipline from an emphasis on policy and on conflicts and cooperation among corporations and governments. A framework for constructing such a theory can be built on existing bargaining theory.

Morgan and Katsikeas (2007), argued that the fundamental consideration that differentiates a theory of international business from those explaining domestic business is the existence of governmental policies that differ between countries. Without such differences, market or firm theories will apply similarly to activities on larger stages, that is, across borders. Therefore, a theory of international business must be a theory of obstructions to markets (interventions and distortions), flows of information, movements of people, etc., imposed by governments. The purpose of such interventions is to redistribute the benefits and burdens as compared to those generated by market forces. This means that an international business theory must explain both the barriers imposed by governments and the firms' responses to those barriers. While location theory shows that production should be cited to minimize delivered cost to markets, international business theory must show how government restrictions differentially affect location and operating decisions. Similarly, while internalization theory shows cost conditions under which a firm should bring transactions within its hierarchy, international business theory must show how government policies alter those decisions and to what effect. In all, in order for a theory of international business to be uniquely international, it must concentrate on the issues not explained by the existing theories, which are merely "extra-domestic" in being applied to activities outside one country.

An international business theory must look at the distribution of gains from international business activities between the firms involved and the governments in each country and between (or among) relevant governments.' When governments are satisfied with the gains generated by an international business activity in open markets, they impose no barriers and, hence, no theory of international business is necessary; firms will then undertake cross-national activities for reasons explained by non-international theories, such as comparative advantage or internalization theory. When governments wish to redistribute the costs and benefits of international business activities, they impose policies which firms must take into account in their decision-making-and this action/reaction should be a subject that international business theory must explain. Since there are no governments that permit fully open markets, the world of international business is one requiring differential explanation. Just as Porter (1980) refocused business strategy analysis on the relationships between firms in competition, so international business theory needs to re-focus its analysis on the relationships between international firms and governments. Instead of competitive strategy among firms, it should analyse bargaining and strategic relationship between firms and Governments as suggested by Grosse and Behrman (2002).

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