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## Youth Culture and Development in Mauritius

By Rajen Suntoo, Hemant Chittoor

*University of Technology, Mauritius*

**Abstract** - Development of any society depends largely on young people and investment in today's youth is actually an investment in the future of the nation. Properly cultured youth become responsible citizens, good parents, effective decision-makers, efficient workforce and leaders of tomorrow. This study explores the relationship between youth culture and development. The main objectives of this work are to: take stock of the youth culture in society and examine the relationship between youth culture and development. Analysis, reflection and discussions are based on both secondary data and observation of youth culture in society. The principal finding shows that youth culture has much positive impact on societies that inculcate good cultural values in youth and create opportunities for them to build character, acquire knowledge and skills, and develop talent and abilities. One main recommendation based on the study would be state investment in young people should be encouraged and given high priority on governmental agenda by societies willing to ensure sustainable socio-economic development and political stability.

**Keywords** : *Development, Youth, Youth Culture, Values and Society.*

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# Youth Culture and Development in Mauritius

Rajen Suntoo<sup>a</sup>, Hemant Chitto<sup>o</sup>

**Abstract** - Development of any society depends largely on young people and investment in today's youth is actually an investment in the future of the nation. Properly cultured youth become responsible citizens, good parents, effective decision-makers, efficient workforce and leaders of tomorrow. This study explores the relationship between youth culture and development. The main objectives of this work are to: take stock of the youth culture in society and examine the relationship between youth culture and development. Analysis, reflection and discussions are based on both secondary data and observation of youth culture in society. The principal finding shows that youth culture has much positive impact on societies that inculcate good cultural values in youth and create opportunities for them to build character, acquire knowledge and skills, and develop talent and abilities. One main recommendation based on the study would be state investment in young people should be encouraged and given high priority on governmental agenda by societies willing to ensure sustainable socio-economic development and political stability.

**Keywords** : *Development, Youth, Youth Culture, Values and Society.*

## I. INTRODUCTION

Culture is a way of life. Different societies have different ways of life and even in the same society there are variations in the behaviour, thinking, attitude and action of groups based on class, caste, ethnicity and age, amongst other factors. Young people, normally including adolescents and teenagers, have their own culture which most of the time differs from the mainstream societal culture. Their way of life has much influence on society and its development. Therefore, no responsible state in this global world can ignore investment in young people if it really wants to progress and modernize. Given that the future of a nation depends on the younger generation, the state should have proper policies, action plans and guidance for the youth enabling them to get the necessary space, opportunity, education, training and motivation to develop their potential and creativity thereby making positive contribution in society.

This study aims at taking stock of the youth culture in society and examining the relationship between youth culture and development. For the purpose of this study, use of secondary data has been made. There has been a review of literature on youth culture and development. Available data has been

critically analyzed, discussed and reflected upon.

The first part of the paper deals with the literature review where youth culture and development have been conceptualized and also an overview of the link between them in few societies has been provided. In the second part there is an analysis, discussion and reflection on available secondary data. A conclusion based on the study followed by some recommendations has been stated in the last section.

## II. NATIONAL YOUTH POLICY IN MAURITIUS

Since its independence in 1968, successive Governments in Mauritius have always laid emphasis on the youngsters of the country. However, due to the absence of a proper policy for the youth, the latter could not develop their potential to the maximum. At the beginning of the new millennium, this big weakness was partially brought on the agenda by the preparation of a "National Youth Policy" (NYP) launched by the Prime Minister, Dr Navinchandra Ramgoolam in 2000. In his message, for the revised 2009 NYP, Dr N. Ramgoolam wrote: "The National Youth Policy is an important framework for tapping the energy and the creative drive of the youth for the development of our country.....Our youth are our future and they are active contributors of the making of a dynamic and compassionate society."

The message of the head of the government reflects the consideration that the state should give to help young people develop their potentials for the sake of socio-economic development of the country. The number of youth was estimated at about 311789 in 2008 representing roughly 25% of the whole population. Therefore, government stands to gain by catering properly for the need of the youth who will be future decision makers and voters as well. The NPY ensures that equal treatment and facilities are offered to all young people and no discrimination be made on the basis of gender, ethnicity, caste or class. Such a measure is highly beneficial for the population where the youth learn values like meritocracy, democracy, unity, cooperation and tolerance which are essential preconditions for living in multicultural Mauritius.

A deeper analysis of the 2009 NPY reveals its main aim is to empower youth through proper holistic and inclusive education, training, counselling, participation in decision making, sports activities and access to the right Information and Communication

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Technology. It is believed that in this way youngsters will at the end become more capable, skilled, knowledgeable and above all responsible contributors to modernize and sustain development of the economy. Consequently, the benefits reaped by the society can help to strengthen the standard of living of the whole population.

### III. CONCEPTUALISING 'YOUTH'

There is no universal definition of the term 'youth'. Different societies attach different meanings to who they consider young people, teenagers and adolescents. For the United Nations, youth refers to those persons who are between 15 and 24 years of age. In Mauritius, the National Youth Policy (2000) defines youth as those who fall between the age of 14 to 29. Going by the definition of the United Nations, the world has a youth population of about 18%. United Nations has adopted numerous declarations, conventions and covenants concerning youth. One of them is the World programme of Action for Youth to the Year 2000 and beyond 1995 which identified ten important youth-related issues that should be of highest priority to governments willing to cater for the needs and aspirations of youngsters. Amongst others, much emphasis was laid on the full and effective participation of youth in the development of society and in decision making.

### IV. YOUTH CULTURE AND YOUTH SUBCULTURE

According to Macionis (2000), culture means beliefs, values, behaviour, and material objects that constitute a people's way of life. Christopher Jencks (1993) describes culture as all which is symbolic: the learned aspects of human society. For Haralambos and Holborn (2000), culture has two main elements, first it learned and second it is shared. Culture is in fact a shared way of life of people. In societies different groups have different lifestyles, values, beliefs, dress codes and symbols. The mainstream culture is the one that is usually the norm of any society. However, there are subculture and counter culture groups whose values and beliefs and behaviour differ from the main stream culture. For the different cultural groups to live peacefully, the state has develop common goals and vision it has of the society. The latter has to manage the diverse groups properly. In all societies, whether developed or developing, young people have a different way of living. They have their own norms, mores, folkways, values, symbols and lifestyles. Youth culture simply refers to the ways young people differentiate themselves from the culture of adults and older population of the society.

Most of the adolescents and teenagers are trendy. They like to keep up to date with new music,

dress codes, mobiles, perfumes, hair styles and activities. They are the main consumers of branded products. Peer pressure and mass media force them to be trendy. However, in any society youth culture differs among young population based on mainly class and sometimes on caste. The working class youth culture often has different values from those of the middle and upper classes. There are also youth subcultures that emerge where young people have distinct life styles than those of the mainstream youth culture. Sometimes, youth counter culture arises in societies where the values, beliefs and behaviour of the young people are totally different from those of the mainstream groups. Adolescents and teenagers often get an identity that is different from the one they get at home or at work. Juveniles who are in search of identity often find solace the peer where they are valued.

### V. THEORIES ON YOUTH CULTURE AND SUBCULTURE

For Functionalists when youth move from the family cocoon to the larger society they are faced with an anomie situation. Their values at home differ from those of peers and workplace colleagues. Sometimes youngsters forget about their own traditions and customs and adopt new ways of living. The family has a primordial role to play in the socialization process of adolescents and youngsters enabling them to smoothly adapt to changes and choose behaviour that are in line with societal mainstream culture.

From a Marxist perspective, Clarke et al. (1976) argue that although material circumstances limits the forms of culture, yet the possibility for human creativity in producing culture exist in societies. For Clarke et al. youth culture represents the creative attempts of youngsters to try to maintain or win autonomy and space from the mainstream dominant capitalist culture. Tony Jefferson (1976) argues that the youth culture of Teddy boys represented an attempt to rebuild the sense of loyalty and working class community which were affected by urbanization and development. The youth culture with its distinctive style of dress and music act as an attempt to find solution to problems like unemployment, poverty and alienation. Although the problems are not solved yet they feel doing something worthwhile for protecting their community, gain status and offer solace to others who are in vulnerable situation.

### VI. DEVELOPMENT

For the sake of this paper the term development comprises economic and social development. Economic development is defined as a sustainable increase in the living standards that encompass material consumption, education, health, and environmental protection (World Development Report, 1991). On the

other hand, social development refers to socioeconomic justice, that is, fairness in income and occupational distribution, preservation and respect for human rights, equal access to education, mutual understanding among members of different groups and peace and stability in society. The overall goal of development is to increase the economic, political and civil rights of all people in the country. For development to take place, a society needs the input of each and everyone. Youngsters, adults and the elderly have to work hand in hand to make development and progress happen. The different institutions of the state should cooperate for the benefit of the population. The public and private sectors together with the civil society have an immense responsibility towards the state. The latter can only prosper when different stakeholders join hands and work responsibly. Good governance and transparency at all levels should prevail.

## VII. YOUTH CULTURE AND DEVELOPMENT

Since its inception, UNESCO has stressed upon culture which impacts on development. Even the 1998 Intergovernmental Conference on cultural policy for development, held in Stockholm, rightly concluded that 'any policy for development must be profoundly sensitive to culture itself'. This shows that youth culture should be given its due and recognition by societies as it has its contribution in development process. Young people are an important asset that should be exploited judiciously for development and its sustainability given the fragility and uncertainty of economic turbulence in this global world. No responsible society can ignore the potential of its younger population. Cultural values, beliefs and behaviour of youth have an impact on development.

Societies all over the world have always used adolescents and teenagers to gain statuses locally, regionally and internationally in many areas, more particularly in the domain of sports. Young people sacrifice their precious moments of youth to train for hours in order to be able to participate in sports and athletic activities with a view to bring back honour, medals and statuses for their countries. Once they win international games or break world records in athletics, leaders of their society start to claim paternity of the success of the participants. The latter are often welcomed as heroes. Mass media are used to show celebrations and political leaders are found surrounding them, but more for their own marketing. After the event participants are often forgotten and rarely are they given any kind of support, financial or logistic, from state authorities. Most societal institutions use youngsters for their vested interest.

Regarding education, adolescents and youngsters are made to compete to achieve the best results. Capitalist societies often sell the dream of

meritocracy to youth. Many time young people are frustrated when they do not get jobs that they deserve and most of the time state authorities do not give them any feedback on why they have not been recruited. The lack of transparency in job allocation often discourages youngsters to perform well. Underemployment impacts negatively on efficiency and productivity which indirectly affects development. Youngsters feel alienated and they sometimes turn towards groups which encourage and validate deviant behaviour to blow out frustrations.

## VIII. CONCLUDING REMARKS AND A PROPOSED YOUTH CULTURE DEVELOPMENT MODEL

Youth culture is a marker of identity for adolescents and teenagers all over the world. Although values, belief systems, norms and mores of youngsters differ from those of the mainstream culture, positive contribution made by their way of living cannot be underestimated in society. The state has to review its mode of operation and make provision to take on board the attitudes, thoughts, behaviour and action of youngsters in the development process. The youth culture developmental model is an 'all inclusive' alternative model of development for societies to sustain and consolidate development in this fragile and uncertain global world. With a small population, Mauritius stands to gain by influencing its National Youth Policy along the lines of a more well-thought-through model. Development in this global world has to be youth centered. Youth Culture Development Model (YCDM) requires the state to become 'all inclusive' in its pursuit for development. The term 'all inclusive' means accepting the youth culture as a way of living and seeking the collaboration of Youth and supporting them by inculcating appropriate behaviour required by the society for development purpose. Societal institutions have to review their modes of operation vis-a-vis youngsters. All the agents of socialization have to work in collaboration in order to achieve success. States have to develop policies to accommodate youth culture. Societal stakeholders, Government, private sector and the civil society, need to join hands to take on board all youngsters for the benefit of the society.

The agents of socialization have a primordial role to play for the success of YCDM. Families, schools, peer groups, mass media and religion can help much to understand youth culture and position it for the well being of the society. The Family as an important agent of socialization has to give space for youth to become creative and develop an identity. Parenting has to be reviewed. With information and technological advancement, parents are more than ever called to become a partner and develop friendly relationship with their children. The latter have a broad mind and should not be underestimated by parents. The state should use the mass media more precisely television to impart adult

education. Religious and community institutions can also help parents to learn how to cope with youngsters as social control no more lies with parents in this virtual world. Informed parents understand that culture is dynamic and their offspring youth culture and their way of behaviour are not permanent.

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# The Significance of Distribution Channel and Product Life Cycle in the Management of an Organization the Nigerian Experience

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*Introduction* - In recent times, business organizations operate on large and specialized, scales, which have all, resulted in increased production. As a result of this increased production, direct marketing to consumers had become very expensive and inefficient. Marketing channel decisions are among the most complex and challenging decisions facing the firm As man passes his life in phases: birth, childhood, adolescence, adulthood, old age and death so do products as evidenced in the product life cycle theory. The objectives of this paper are to assess the significance of distribution channel and product life cycle on the survival and growth of business organizations in Nigeria. Efforts are made to discuss in details the conceptual framework of distribution channel and product/life cycle. Finally it is posited that distribution channel and product life cycle are highly significant in the management. This paper is divided into four sections namely: introduction, distribution channel, product life cycle and conclusion and recommendations.

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## I. INTRODUCTION

In recent times, business organizations operate on large and specialized, scales, which have all, resulted in increased production. As a result of this increased production, direct marketing to consumers had become very expensive and inefficient. Marketing channel decisions are among the most complex and challenging decisions facing the firm. As man passes his life in phases: birth, childhood, adolescence, adulthood, old age and death so do products as evidenced in the product life cycle theory. The objectives of this paper are to assess the significance of distribution channel and product life cycle on the survival and growth of business organizations in Nigeria. Efforts are made to discuss in details the conceptual framework of distribution channel and product/life cycle. Finally it is posited that distribution channel and product life cycle are highly significant in the management.

This paper is divided into four sections namely: introduction, distribution channel, product life cycle and conclusion and recommendations.

## II. DISTRIBUTION CHANNEL

A product is not important to the consumer, if it is not available when and where it is wanted. A product reaches customers through a channel of distribution. Decision areas include: selecting and manning the middlemen, storage, handling and transporting the product. Marketing channels are very crucial in structuring marketing decisions. This is because without the channels; products will never get to the customers who need them. Channel decisions can only be productive if there is goal congruence between the company and its channel members. However, intermediaries/middlemen who direct products to dysfunctionalities will set in if channel conflicts occur between them as marketing channels are very crucial for the success or other wise of marketing efforts. Pride and Ferrell (1985) define marketing channel or channel of distribution as "a group of interrelated customers".

Rachman and Mescon (1982) see channel of distribution as "a sequence of marketing agencies (such as wholesalers and retailers) through which a product passes on its way from the producer to the final user". Richard (1976) et al defines channel of distribution as "a combination of middlemen that a company uses to move its products to the ultimate purchaser". Bonne and Kurt (1980) regard marketing channels as "the paths that goods and title to them follow from producer to consumer". A distribution channel consists of the set of people and firms involved in the transfer of title to a product as the product moves from producer to ultimate consumer or business user. A channel of distribution always includes both the producer and the final customer for the product in its present form as well as any middlemen such as retailers and wholesalers. The act of bridging the gap between producer and consumer and provide the purchaser with a convenient means of obtaining the product that he or she wishes to buy. In moving goods to convenient location for the consumer, channels provide form, time, place and ownership utility. **Form utility** is the want satisfying capability that is created when a good produced. **Time utility** is the want satisfying capability that is created when a product is made available to customers when they want it. **Place utility** is want satisfying capability that is created when a product is made readily accessible to potential customers. Products have no value to the consumer in the manufacturer's warehouse until it is made available to consumers where they want to buy them. **Possession utility or ownership utility** is want-satisfying capability that is created when title of a product is transferred from the manufacturer to the buyer at the point or time of purchase (retail store). Possession utility is the want-satisfying capability that is created when a customer buys the product – that is when ownership is transferred to the buyer. Marketing functions performed in channels of distribution can be grouped as those that are necessary to a transaction those that are required for the physical exchange of goods and those that facilitate both the transaction and the physical exchange. Channel decision-making involves establishing and maintaining the institutional structure in marketing channels.

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A company wants a distribution channel that not only meets customers' needs but also provides an edge on competition. Some firms gain a differential advantage with their channels to design channels that satisfy customers and outdo competition, an organized approach is required which comprises of a four sequence decisions: (i) specifying the role of distribution (ii) selecting the type of channel (iii) determining intensity of distribution (iv) Choosing specific channel members - that is selecting specific firms to distribute the product.

#### a) *Selecting the Type of Channel*

Some firms adopt direct distribution a situation where producer deals with final customer, with no middlemen providing assistance. In contrast, a channel producer, final customer, and at least one level of middlemen represents indirect distribution.

#### b) *Major Channel of Distribution*

Diverse distribution channels exist today. The most common channels for consumer goods, business goods, and services are described as follows:

#### c) *Distribution of Consumer Goods*

Five channels are widely used in marketing tangible products to ultimate consumer:

- Producer → consumer
- Producer → retailer → consumer
- Producer → wholesaler → retailer → consumer
- Producer → agent → wholesaler → retailer → consumer

#### d) *Distribution of Industrial/Business Goods*

A variety of channels is available to reach organizations that incorporate the products into their manufacturing process or use them in their operations. The four common channels for business are:

#### g) *Typical Activities of a Middleman*

##### Sales Specialist For Producer

Provides market information  
Interprets consumers' wants  
Promotes producers' products  
Creates assortments  
Stores products  
Negotiates with customers  
Provides financing  
Owns products  
Shares risks

← MIDDLEMEN →

##### Purchasing Agent For Buyer

Anticipates wants  
Subdivides large quantities of a product  
Stores product  
Transports products  
Creates assortments  
Provides financing  
Makes products readily available  
Guarantees products  
Shares risks

- Producer → user
- Producer → industrial distributor → user
- Producer → agent → user
- Producer → agent → industrial distributor → user.

#### e) *Distribution of Services*

The intangible nature of services creates special distribution requirements. There are only two common channels for services.

- Producer → consumer
- Producer → agent → consumer

#### f) *Multiple Distribution Channels*

Many perhaps most, producers are not content with only a single distribution channel. Instead, for reasons such as reaching two or more target markets or avoiding total dependence on a single arrangement, they employ **multiple distribution channels**. The user of multiple channels occurs in several distinct situations such as reaching different types of market when selling:

- The same product to (for example, sporting goods or computers) to both consumer and business markets.
- Unrelated products (margarine and paint; rubber products and plastics).
- Multiple channels are also used to reach different segments within a single market when:
- Size of the buyers varies greatly. Albarka airline may sell directly to travel departments in large corporations, but rely on travel agents to reach small businesses and ultimate consumers.
- Geographic concentration differs across parts of the market. A manufacturer of industrial machinery may use its own sales forces to sell directly to customers that are located close together, but may employ agents in sparsely populated markets.

These channels or intermediaries are institutions that have specialized in rendering distributive services both to the producers and consumers. They are of three types:-

- a) **Merchant Middlemen:-** This category of intermediaries buy and take title to the goods they buy from producers (e.g. wholesalers and retailers).
- b) **Agent Middlemen:-** They look for markets for the producer and receive commission or fee for expediting exchanges e.g. sales representatives.
- c) **Facilitators:-** This group of intermediaries render services that facilitate the movement of goods and services from the point of production to point of consumption e.g. warehousing, transportation etc.

Intermediaries also perform what we call equalization function by providing time, place and ownership utilities, which help to increase the value of products. Intermediaries equally obtain information about consumers (Social outlook, economic profit, demographic characteristic, concentration and dispersion etc) and pass them to producers to assist them in planning their productions to attune them to the environment. They assist producers in advertising, promoting and pricing of their products for the markets. In addition they are risk takers (e.g. goods becoming obsolete in their hands with time during storage, pilfering, damage from fire etc). Also some production/economic activities are financed by them. In most cases they buy from and pay the producers and sell to consumers in appropriate sizes at credit. From the above analysis, the importance of middlemen in the marketing of goods and services shall not be overemphasized. In conclusion, the reasons for their importance are as summarized below:

- a) Middlemen reduce the number of transactions required, thereby reducing cost:- The contribution of middlemen is important. Shipping products to too many retailers by manufacturers without a wholesaler who can perform this duty incurs costs, which are reflected in the prices charged for products. If the number of transactions can be reduced through the use of middlemen, costs will be less and lower prices will result.
- b) Middlemen perform marketing function:- Middlemen are valuable because they perform almost every marketing functions. They can conduct marketing research, advertise, employ sales force and engage in physical distribution. They can also maintain inventories, extend credit and collect debts, and provide a variety of services to their customers. Manufacturers therefore can shift the performance of these functions from themselves to middlemen.
- c) Middlemen are specialists:- Since middlemen may be specialists in performing some marketing functions, their efficiency in performing these

functions which are normally shifted to them by manufacturers results to lower costs and hence lower prices for the products in the hands of customers.

- d) Middlemen perform the concentration and dispersion functions:- Two important functions by middlemen are the concentration and dispersion functions. Concentration is the consolidation of small lots into larger lots for more economic shipment performed mainly by wholesalers/distributors and dispersion, which is breaking large lots into smaller, lot sizes for convenient purchase by consumers performed by retailers.
- e) Middlemen enhance the value of products:- Mainly because of the ability of middlemen to store and transport products, the values of these products are enhanced. Through storage, time utility is created. These products become more valuable to consumers because they are made available when the consumers want to purchase them. On the other hand, products are more valuable if they are made available at convenient locations to the customers i.e. the products have place utility. This utility is created by middlemen who transport these products to stores close to population concentrations.
- f) Middlemen bring buyers sellers together:- They also play the role of bringing buyers and sellers together by matching buyers who seek certain products with sellers who offer them.
- g) Middlemen act as information sources:- They provide information on the market and competition to the companies.
- h) Middlemen save companies money:- For new companies that lack financial competence or established companies that do not have adequate financial resources as they expand their operations, middlemen perform these costly marketing functions for them.
- i) Middlemen are valuable for companies marketing new products:- Companies trying to sell products in new markets may lack the experience of these new markets which middlemen who possess such can perform.
- j) Middlemen are valuable for companies marketing new products:- New products that are substantially different from existing product lines always pose as problems for the innovating firm to market. Middlemen who possess the requisite skill and experience help these companies for the introduction of these new products.
- k) Middlemen are helpful for small companies:- Small companies which are not strong financially and often lack product and market expertise, make use of retailer and wholesalers to their advantage.

Distribution's role within a marketing mix is getting the product to its target market. Distribution is the arrangement necessary to transfer ownership of a product and transport the product from where it is produced to where it is finally consumed. The most important activity in getting a product to market is arranging for its sale and the transfer of title from producer to final consumer. Other common activities (or functions) are promoting the product, storing it, and assuming some of the financial risk during the distribution process. Typically however, firms called middlemen perform some of these activities on behalf of the producer or the consumer.

#### h) Functions of Marketing Channels

The following are the important functions member of the marketing channel perform:

- Gathering information on the changing needs in the market and pass them on to the producers. By so doing, they perform part of the research team.
- Ordering goods, usually in bulk, thereby, reducing the cost of storage by the producers. Ordering is a way of letting the producers know of the demand level in the market.
- Taking title to the products they help to the market.
- Bearing risks of storage due to theft, climatic changes and even cost of warehousing.
- Helping in financing trade through acquisition and allocation of funds required to carry inventory at any level of the marketing channel.
- Being responsible for negotiating the final price and other terms of the offer for the eventual transfer of ownership.
- Providing a sales force enabling manufacturers to reach many small customers at a relatively low cost. These intermediaries have more contacts and are often more trusted by the buyers than is the distant manufacturer.

#### i) Different Channel Levels Available to a Marketing Manager

There are different channel levels available to a marketing manager and these include:

- a) Zero Level: This is when producers sell directly to consumers without any intermediaries (direct marketing).
- b) One Level: When the producer sells through two intermediaries.
- c) Two Level: When the producer sells through two intermediaries.
- d) Multi Channel: When producers sell through several intermediaries.

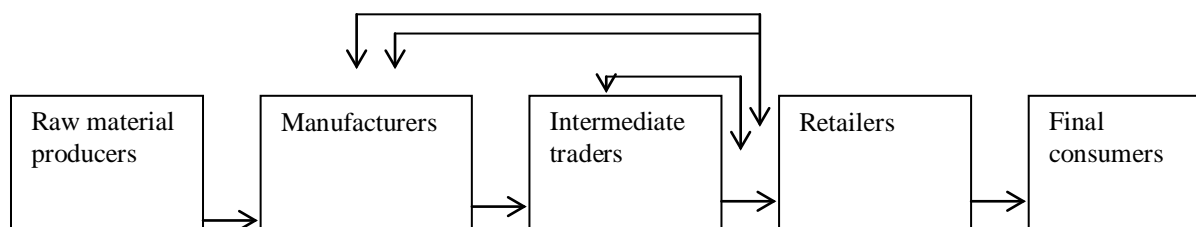
A cursory look at marketing channels in everyday use is enough to convince the marketing manager that there is nothing as the best marketing channel. The best for one product, may not be the best for another. Instead of searching for a best channel for all products, the marketing manager has to analyze alternative channels in the light of consumer needs in order to determine an optimum channel (s) for the firm's products. Today's marketing channel may change tomorrow, putting into consideration the other marketing variables.

#### j) Marketing Functions Performed in Channels of Distribution

Marketing functions performed in channels of distribution can be grouped as those that are necessary to a transaction, those that are required for the physical exchange of goods, and those that facilitate both the transaction and the physical exchange. In short, these groups can be termed transactional, logistical, and facilitating function.

Transaction functions: Transactional functions include buying, selling and risk assumption.

Figure 1 : Important Channels of Distribution



Channels decision-making involves establishing and maintaining the institutional structure in marketing channels. By aiding demand and supply chain analysis, the internet is revolutionizing distribution and logistics and creating value-added chains. This in turn has led to a strategic re-think of how business should be done. In

some business segments customers are contacted directly, while in others extranets are created to link together the company, its suppliers and its customers in a bid to create "value chain integration" which is necessary for seamless and efficient operations.

### *Advantages And Disadvantages Of The Use Of Middlemen*

#### **Advantages Of Agents**

1. Cost
2. Establish Connections
3. Multiplicity Of Products Handled
4. Seasonal Products
5. Small And/or Unknown Principals
6. Product-Minded Principals

#### **Disadvantages Of Agents**

1. Weaker Control
2. Variations In Sales Methods
3. Discipline
4. Lack Of Flexibility

### *Advantages Of Distributors*

1. The distributor provides an additional sales force.
2. Additional advertising is provided if the distributor has a catalogue and the manufacturer's products are presented in it.
3. The cost of dealing with small order is eliminated.
4. The distributor enables business to be done at the grass roots level, which is particularly important where the manufacturer seeks widespread distribution of his product, perhaps in remote geographical areas.
5. The local distributor is well placed to service end users through immediate availability of the end product, though such a service obviously depends on the distributor's stocking and physical distribution capability.
6. The distributor can reach markets and customers not concentrated on by the producer's salaried sales force, e.g. small contractors, infrequent users, etc.
7. Advertising and promotion are available through distributor mailing lists.
8. A distributor network provides an opportunity for the producer to promote his name and image on a large scale.

### *Disadvantages Of Distributors*

1. The manufacturer must put out time and effort to monitor the activities of distributors.
2. The manufacturer's own local sales force must spend time servicing the distributor.
3. There is always the possibility of conflicting sales efforts.
4. The manufacturer's field sales force may be reluctant to process orders through distributors as this lessens the commission enjoyed by the sales force.
5. The producer must have distributor-oriented advertising and product literature available if required.
6. Assistance and education of distributor personnel may be mandatory.
7. A reorientation of the manufacturer's sales and marketing personnel to distributor thinking must be achieved.

### *k) Factors Affecting Choice of Channel*

For the purpose of this paper, the factors influencing the choice of channel levels have been grouped into four thus:

#### **Marketing Considerations**

- Type of Market
- Number of potential customers
- Geographic concentration of the market
- Order size

#### **Production Considerations**

- Unit value
- Perishability
- Technical nature of a product

#### **Middlemen Considerations**

- Service provided by middlemen
- Availability of desired middlemen
- Producer's and middlemen's policies

#### **Company Considerations**

- Desire for channel control
- Services provided by seller
- Ability of management
- Financial resources

### *l) Determining intensity of Distribution*

Here, the company most desired on the intensity of distribution - that is, how many middlemen will be used at the wholesale and retail levels in a particular territory. There are three major categories of intensity ranging from intensive to selective to exclusive.

#### *i. Intensive Distribution*

A firm with intensive distribution policy seeks to achieve a wide distribution for its products. This in essence means that the firm will make use of as many outlets as possible perhaps a combination of both direct and indirect methods of distribution are likely to be out into use. Such intensive distribution aims the product at the mass marketing and the distribution strategies implemented tend to carry the product to all the nooks and corners of the market. For instance soft drinks industries such as NBC Plc, 7up Plc, cosmetics industries like PZ Plc and others. With this type of distribution there is likelihood that the company is unable to have adequate control over the product and the cost is likely to be higher.

#### *ii. Selective Distribution*

With selective distribution however, not every outlet or channel will be utilized. The firm will rather rely on a few outlet to handle the products. The firm may resort to this method if the product involved is of a durable nature and requires an after-sales service or it is associated with certain prestige. The firm will therefore use as the criteria for selection the middlemen's experience and the ability to handle the product effectively in terms of after sales servicing required and the necessary promotional activities to be undertaken.

These conditions will certainly eliminate opportunists middlemen who may only be interested in making quick fortune and brisk money without paying adequate attention to the desire of the firm and the need of the customers. It is therefore not uncommon for firms with this selective distribution strategy in view to advertising for middlemen handle certain product place a lot of emphasis on the financial capability, product experience and other virtue, considered as pre-requisite.

### iii. *Exclusive Distribution*

Exclusive distribution entails the granting of exclusive rights to a single seller in with a particular territory or area to sell the company's products such a right therefore provides that the firm supplies all the necessary tools including promotional device to the seller. The seller in turn undertaken to handle only the firm's middlemen all stand to gain from such arrangement. The middlemen get larger commission because his mark-up is high, he also commands the prestige of such a role. The firm on the other hand, is free from the burden of having to handle completely the marketing of its products and it is in the better position to fight off competition. Example of products that lend themselves to exclusive distribution include product like computer, air-conditioner, oil product, auto products, accessories, lift etc.

Shapiro (1977) observed that one of the most frustrating problems facing marketing is the management of their distribution channels. The concept of channel management hinges on issues as price maintenance, channel selection and appointment, channel control, and channel motivation.

## III. PRODUCT LIFE CYCLE

A poet once said, "life is like the playful cackle of a million geese". As life is interesting for humans, so it happens to be interesting for products. The concept of the Product Life Cycle (PLC) was popularized by Theodore Levitt in 1965, and since then the fad had caught on. Product Life Cycle (PLC) is the progression of a product from birth to death, typically thought to encompass four stages (1) introduction (2) rapid growth (3) maturity, and (4) decline. In essence, the term 'product life cycle' describes a product's sales history from its introduction to the market to its withdrawal from the market. The graphs, which usually accompany discussions of a product life cycle, represent sales volume curves. The theory is that products begin their commercial lives with the first sale; sales rise as the life of the product continues until a peak is reached, and then decline until the company considers that their overall contribution to revenue does not justify maintaining their presence in the market. Clearly, the nature of the cycle varies tremendously from product to product. The product life cycle concept involves an

understanding that each product typically flows through several distinct product life cycle stages as sales volume is plotted over time. Identifying when a product has reached any one of these stages is not always easy. Sometimes, a product can be lifted (backwards or forwards) from one stage to another by specific marketing tactics. Also a product is so associated with a company conveying an image of quality, reliability, tradition etc that the company may decide to retain it as part of its product portfolio, even though, according to the life cycle theory, it is well into the 'decline' period. Therefore, all products follow a product life cycle, but the shape of the cycle itself rarely follows the textbook version exactly, there are many variations on the theme.

**Introduction:** The introductory stage, sometimes called pioneering stage, a product is launched into the market in a full-scale marketing program having gone through product development, including idea screening, prototype, and market tests. This is a period of slow sales growth as the product is introduced in the market. Profits are non existent because of the huge capital investment in product introduction and because this is the time to find acceptance by would-be purchasers and there is a slow growth in sales. Only a few firms sell the product, unit costs are high because of low output, there may be early teething troubles with production technology and prices may be high to cover production costs and sales promotion expenditure as much as possible (e.g. colour televisions, CD – ROM Disc, Computers, Video cassette recorders, pocket calculators were all very expensive when first launched. The product for the time being is a loss-maker. Because consumers are unfamiliar with the innovative product or feature, a pioneering firm's promotional program is designed to stimulate demand for the entire product category rather than a single brand. The introductory stage is the most risky and expensive stage because of huge amount of money to be spent not only on the development of the product but also to seek consumer acceptance of the offering.

**Growth:** (Market – acceptance stage): This is a period of rapid market acceptance and substantial profit improvement. New customers buy the product and production rises, unit costs fall. Since demand is strong, prices tend to remain fairly static for a time. However, the prospect of cheap mass production and a strong market will attract competitors so that the number of producer is increasing. Mostly as a result of competition, profits start to decline near the end of the growth stage.

As part of firm's efforts to build sales and, in turn, market share, prices typically decline gradually while manufacturers. Spend a lot of money on product improvement, sales promotion and distribution to obtain a dominant or strong position in the market.

**Maturity:** In the early part of maturity stage, sales continue to increase but at a decreasing rate. This is a period of a slowdown in sales growth because the product has achieved acceptance by most potential buyers. Profits stabilize or decline because of increased competition. This is the longest period of a successful product's life. Eventually, sales will begin to decline so that there is over capacity of production in the industry, severe or intense price competition occurs, profits fall and some producers leave the market. Seeking to differentiate themselves, the remaining producers extend their product lines with new and improved models or modify their products or searching for new market segment.

**Decline (Revitalizing stage):** This is the period when sales show a downward drift and profits erode. This is the phase when the manufacturer has finally to decide whether to accept that the decline in sales and profitability is such that the product should be discontinued or to implement previously prepared plans to revitalize it through price reduction, alter the packaging or select other channels of distribution or develop a small market niche and remain moderately successful in the decline stage in order to prolong its profitable life. If a product remains on the markets too long, it will become unprofitable and the decline stage in its life cycle then can give way to a 'senility' stage.

Inevitably, decline stage set in for most products because of the following reasons:

- The development of a better or less expensive product to fill the same need.
- The need for the product disappears, often because another product development.
- People simply grow tired of a product, so it disappears from the market.

#### IV. REASONS WHY PLC IS USEFUL

There are three main reasons why product life cycle is useful to the management of an organization. They are:-

- 1) Forecasting sales:- It helps to forecast sales at different stages of the product life cycle.
- 2) It suggests different marketing strategies at different stages of the product life cycle. Precisely, the marketing programme should contain an appropriate mix in product quality, price, distribution, promotion, and mega-marketing strategies.
- 3) It shows the importance of planning for the totality of a new product or service from its introduction stage to the decline or disappearance of the product in the market.

#### Characteristics, Marketing Objectives And Marketing Strategies Of The Four Stages Of Product Life Cycle

1.	CHARACTERISTICS	INTRODUCTION	GROWTH	MATURITY	DECLINE
	Sales	Low sales	Rapidly rising sales	Peak sales	Declining sales
	Cost	High cost per customer	Average cost per customer	Low cost per customer	Low cost per customer
	Profits	Negative	Rising profits	High profits	Declining profit
	Customers	Innovators	Early adopters	Middle majority	Laggards
	Competitors	Few	Growing number of imitators	Stable number beginning to decline & intense	Low, declining number
2.	MARKETING OBJECTIVES	Create product awareness and trial	Maximize market share	Maximize profit while defending market share	Reduce expenditure and milk the brand.
3.	STRATEGIES OVERALL	Market development	Market penetration	Defensive positioning	Efficiency or exit
	<b>Product</b>	Undifferentiated, offer a basic product	Improved items, offer product extensions, services warranty	Diversify brands and items Differentiated	Pruned line phase out weak Models.
4.	PRICING	Charge cost plus mostly likely high	Lower over time price to penetrate market	Lowest price to march or best competitors	Cut price increasing
5.	DISTRIBUTION	Scattered, build selective distribution	Intensive build intensive distribution	Intensive build more intensive distribution	Selective: phase out unprofitable outlets
6.	PROMOTION	Category awareness	Brand preference	Brand loyalty	Reinforcement

7.	ADVERTISING	Build product awareness among early adopters and dealers	Build awareness and interest in the mass market stimulate wide trial	Stress brand differences and benefits	Reduce to level needed to retain hard core loyals
8.	SALES PROMOTION	Use heavy sales promotion to entice trail	Reduce to take advantage consumer demand.	Increase to encourage brand switching	Reduce to minimal level.
9.	MANUFACTURING	Subcontracting short runs over capacity	Centralize shift to mass production under capacity	Many short runs decentralize	Revert to subcontracting.

Source: Chester R. Wasson (1978) *Dynamic Competitive Strategy and Product Life Cycles* (Austin: 7 x: Austin Press)  
John A. Kleber (1976) *Planning Corporate Growth with inveverted Product Life Cycle*, "Long Range Planning" October pp12-29 and Peter Doyle (1976) "The Realities of the Product Life Cycle". *Quarterly Review of Marketing Summer*.

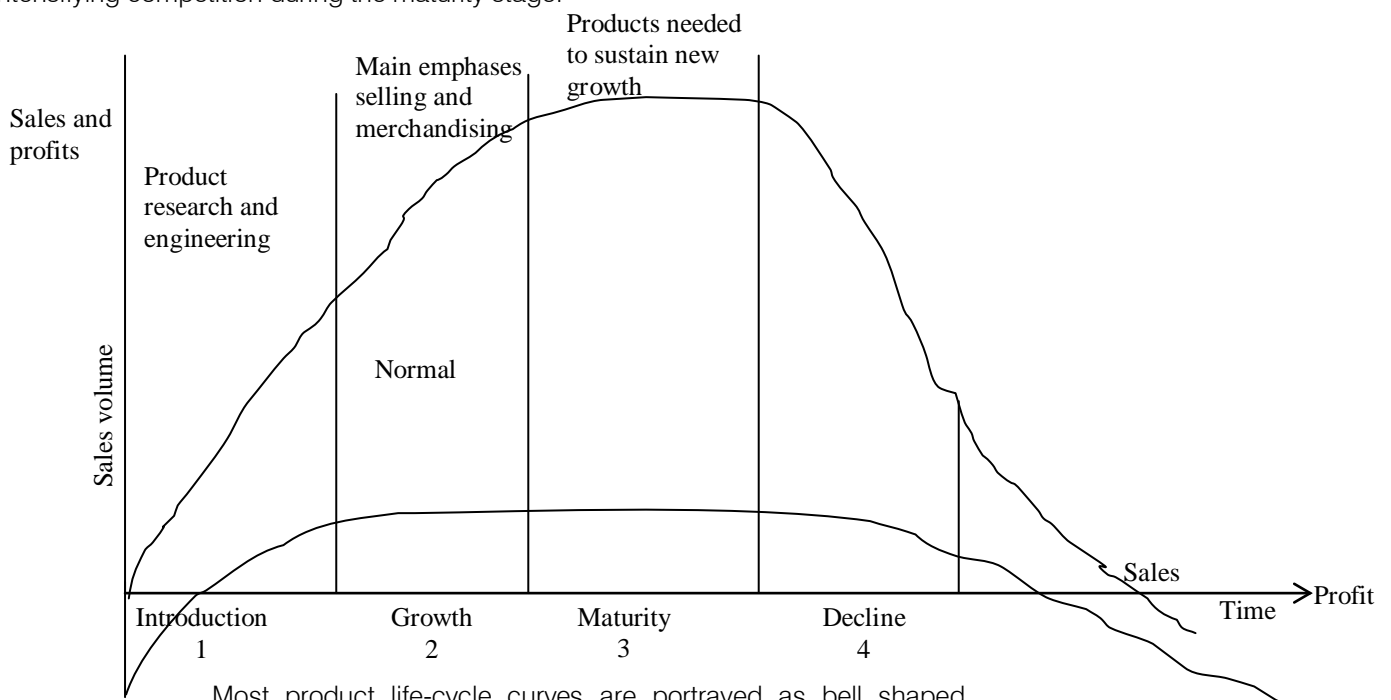
A product life cycle consists of the aggregate demand over an extended period of time for all brands comprising a generic product category.

A life cycle can be graphed by plotting aggregate sales volume for a generic product category over time, usually years. In this typical life cycle, the profit curve for most new products is negative (signifying a loss) through much of the introductory stage. In the latter part of the growth stage, the profit curve starts to decline while sales volume is still rising. Profits decline because the companies in an industry usually must increase their advertising and selling efforts and/or cut their prices to sustain sales growth in the face of intensifying competition during the maturity stage.

Introduction a new product at the proper time will help maintain a company's desired level of profit.

To say that a product has a life cycle is to assert four things.

1. Products have a limited life
2. Product sales pass through distinct stages, each posing different challenges, opportunities, and problems to the seller.
3. Profits rise and fall at different stages of the product life cycle.
4. Products require different marketing, financial, purchasing, manufacturing, and human resources strategies in each stage of their life cycle.



Most product life-cycle curves are portrayed as bell shaped.

The Product Life Cycle (PLC) concept can be used to analyze a product category, a product form, a product, or a brand.

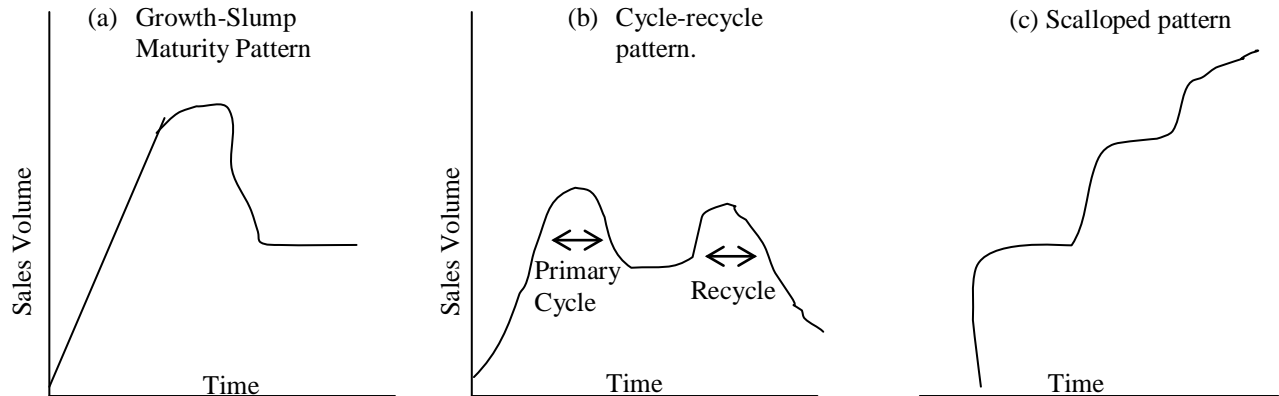
Product categories have the longest life cycles. Many product categories stay in the maturity stage

indefinitely and grow only at the population growth rate. Some major product categories typewriters, newspapers – seem to have entered their decline stage of the Plc. Some others fax machines, cellular

telephones, bottled water – are clearly in the growth stage.

- Product forms follow the standard Plc more faithfully e.g. manual, electric and electronic typewriter.

- Product follow either the standard Plc or one of several variant shapes.
- Branded products can have a short or long Plc although many new brands die an early death, some brand names have a very long Plc and are used to name and launch new products.

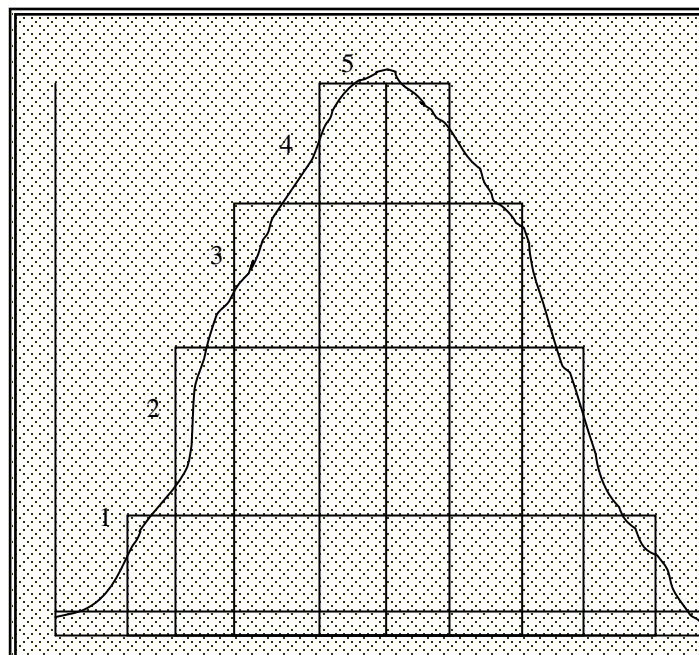


a) A Growth-Slump Maturity Pattern: Often characteristic of small kitchen appliances. The sales of such product grow rapidly when the product was first introduced and then fell to a "petrified level". The petrified level is sustained by late adopters buying the product for the first time and early adopters replacing the product.

b) The Cycle – Recycle Pattern: Describes the sales of new drugs. The pharmaceutical company aggressively promotes its new drug, and this produces the first cycle. Later, sales short declining and the company gives the drug another promotion push; which produces a second cycle (usually a smaller magnitude and duration).

c) Scalloped Plc: Here sales pass through a succession of life cycle based on the discovery of new product characteristics, uses or users e.g. Nylon sales, show a scalloped pattern because of the many new uses that continued to be discovered over time.

The full import of the product life cycle can best be appreciated when one looks at the type of product adopters and their behaviours. Once introduced, the new product will just be noticed and patronized by the innovators who are fashion and fad conscious, and who will go to any length to take on new products.



1) Innovator 2) Early adopters 3) Early majority 4) Late majority 5) Laggards

Peculiarly enough, they are very small in number and hence will make the new product to be at its low level of the introductory sales, prompting the company to advertise heavily and use pricing baits. After this group of adventures are the early adopters who will follow the innovators. Joined together, demand of these two groups will lead to growth in sales. The early majority comes next and thereafter comes the late majority each contributing about 30% of the total demand of the product. As at this stage, the innovators would have shifted to other new product innovations, dragging along some of the early adopters. Hence, sales growth will slow down. By the time the early adopters and some early majority have completely left, the laggards (price conscious customers and very fashion averse people) will start patronizing the product. However, the demand of the laggards will not be able to match the lost demand of the innovators, early adopters, and early majority who would have switched to other products. Hence, the product will enter the decline stage. One major implication of the product life cycle concept is the assistance it provides top management in planning their product replacement strategies. Once a product reaches the maturity stage, management as a matter of rational strategic positioning, should initiate a product replacement process that will eventually lead to the launching of a successor to the about to decline product; such that immediately the decline stage is reached appropriate product phase out strategies can be used to handle the declining product while the newly developed product is launched as a replacement. The strategic catch here is how frequently should products be replaced? Does the reaching of maturity stage of a product really means management should consider dropping it? In reality, the fact that sales stagnates (a sign of the maturity stage) does not necessarily means that the product had reached its maturity stage, as what might have gone wrong may just be the mismatch of the marketing mix by the company or breakdown of communication or positioning strategy. Instead therefore, of following the product life cycle concept blindly, management must attempt to determine what had gone wrong and then introduce measures to rectify the situation and jump start sales increase. This is where most managers fail as they quickly drop a product that shows the slightest sign of maturity. A mature product should also not be phase out instantly as most managers (especially upon the successful completion of a replacement product) would drop the mature product immediately.

For success and profitability, and as a strong strategic posture, matured products must be carefully handled. The strategies that can be used include: market adaptation strategies, take off strategies as well as recycle strategies. Market adaptation strategies include all market adjustment strategies taken to fortify the product market share from being breached by

competitions, and include the adaptation and improvement through redesigning of product packaging, the intensification of advertising as well as using sales promotional strategies on a periodic basis to boost sales.

Take off strategies are those strategies executed to prevent the mature product sliding into the decline stage and it involves re-launching the product through the use of market repositioning strategies. The product can be given a new re-birth to start off a new life cycle through the redesigning of the product to meet new needs and changing the communication appeal of the product to make it appeal to new market segments. Recycle strategies involve the efforts made at improving the sales of the product on a seasonal and periodic basis so as to elongate its life and give the company more time space to develop replacement products. It includes a combination of price lowering and increase in advertising expenses. Where the product is characterized by low cost, the maturity stage should be handled using the stretch and harvest strategy which involves the elongation of the life of the product (stretching) and investing the sales proceeds in the development of a replacement product (harvesting). However this strategy can only be used where the mature product is facing mild competition. An example of product life cycle concept coming to play is that of Elephant Blue Detergent. When it seemed that the product was entering the decline stage, the manufacturer introduced a new product known as the "New Improved Elephant Blue Detergent. As at now, there are versions of the product that are packaged in cell packs to attract some market segment. Rank Xerox in its own case extended the life cycle of their photocopying machines through carefully planned improvements and launching of improving model with strong advertising appeal – "We taught the world to copy".

A pertinent question to ask is whether or not the product life cycle theory (PLC) is still relevant in international marketing or it is a concept related only to domestic marketing. The answer to this is a qualified yes. This is due to the non uniformity of the marketing environment existing in different countries. Hence a product reaching its maturity stage in country A may be at its growth stage in country B. This is even more dependent on the type of product strategy being used by the manufacturer in marketing its products in international markets. A product like bicycle has definitely declined as a transportation product in the United State of American while in a country like China, the bicycle is still much favoured as a means of transportation. Hence, for the PLC concept to be well exploited in structuring international marketing strategies, the company must take into consideration the nature of its domestic market as compared with those of different international markets, since a product

may be at maturity in its domestic market while it may be at its introductory stage in a particular foreign market, and at the growth stage in another market. Hence, the company must classify the world markets into distinct market groups in accordance to the level of sophistication in those different markets and introduce its mature product in these markets, in rapid succession depending upon the degree of development and sophistication of these markets, in descending order, as a product that has reached maturity in a sophisticated market may not be introduced yet in a technologically and economically backward market. A marketer must therefore exploit to the maximum the time difference between different markets. The PLC concept therefore, enable the international marketer to monitor the progress of its product, its various markets and allow him to ensure the recovery of the amount invested in the product in addition to profits (if any). It also assists in the formulation of marketing strategies at the various stages of the product life cycle and inform the international marketers as to whether to differentiate his existing brand or model or whether to introduce a new product in place of the old. For product life cycle not to be a myth or magic therefore, one would expect companies to analyze the performance of their products/services against the concept of the life cycle. This would enable them to plan a balanced product mix and guide the allocation of marketing efforts. After the analytical processes, then a life cycle profile of the total product line will be developed. The stages involved will include: determining percentage of company's sales and profits which fall within each phase of a products life cycle, calculating changes in the life cycle and profit profiles over a particular number of years; developing target life cycle profile; and developing corporate strategies (new product programme, acquisition, product line rationalization etc).

It should be noted that new products should not be introduced indiscriminately; the total product range should be evaluated, and related to marketing profitability and market share. Otherwise there is the danger that new products could merely be competing with existing profitable products in a company's range while total market share is not expanded. Above all, the product life cycle theory is particularly valuable in reminding management that innovation strategies are important to business survival and growth.

A more realistic view is that life cycle analysis serves several different roles in the formulation of strategy, such as an enabling condition, a moderating variable, or a consequence of strategic decisions. The life cycle serves as an enabling condition in the sense that the underlying forces that inhibit or facilitate growth create opportunities and threats having strategic implications. Market growth – or the expectation of growth enables competitors for offering products directly to segments previously uneconomic to serve.

The stage of the life cycle also acts as a moderating variable through its influence on the value of market share position and the profitability consequences of strategic decisions. This role is recognized through the inclusion of product growth rates or life cycle stages as a major dimension in virtually all portfolio classification models. Finally, a producer life cycle forecast is not a fait accompli which can only be reacted to but instead is only one of several scenarios that are conditional on competitive actions.

## V. REASONS FOR PRODUCT FAILURE

The reasons why new product fails or succeeds are as follows: product deformity in product functioning, poor design, lack of standardization, poor external appearance, poor packaging and labeling, failure by the organization to identify its intended market and determine correctly through marketing research, product poor timing of product introduction whether too soon or too late, improper and poor conceptualization (Buffer and Pletcher 1980) that is some products are found to have higher cost of production than what is anticipated and this would lead to higher per unit prices of the goods than the market is ready to pay for the product which invariably lead to lower sales volume than expected and hence lower profitability, poor marketing communication, poor underlying market intelligence, constraints that bother a new product capacity to attract and hold on to customers (Monroe 1973), competitive problem as a result of product staying too long under market test such that competitors can steal idea about the new product and introduce their own version of the new product into the market thus throwing the innovative company off balance, lack of financial strength to execute adequate promotional strategy to back up the product, poor marketing communication, poor underlying market intelligence, changes in product quality, loss of customer trust, inability to capture enough market, weak products, resource conversion technology, product piracy, some products are forced to decline stage because of some many factors: political, government and its age, social, economic, legal, political – government and its agencies – NAFDAC, SON, ban of major raw materials, imitation – fake and adulterated, poor understanding of customers needs, product defects when very serious may lead to product rejection. Where products have defects or have negative after use effects, it may lead to customer's rejection of the product, or even an avalanche of legal suits by customers seeking damages for injuries they might have suffered due to consuming the product. The cost of damages itself can deal the final blow on the product. Deliberate sabotage from within or outside the firm to kill the product may force the product to decline stage or make it to fail. Therefore, marketers and production managers and quality managers must take careful notice of these factors amidst others to elongate

the use of their product and prevent the ugly specter of product failure.

## VI. CONCLUSION AND RECOMMENDATIONS

Product life cycles, in spite of their varying time frames, are a helpful tool for encouraging managers at all levels to think strategically. The great value of the product life cycle concept is that management, knowing what typically happens at different stages in a product's life, should be able to improve its forward planning. Well-timed and effective implementation of specific marketing actions may succeed in extending or stretching out a product's life, especially if they are taken soon enough in the market maturity stage. Planning in advance what steps should be taken to build sales and obtain the best profits during different product life cycle stages is important companies that have these plans can take aggressive actions at the critical times rather than reacting defensively to changing market and competitive conditions.

Since products and services have limited life cycle, it is important for marketing managers to plan the replacement of their "expired" products and services. However, intelligent timing is important in product replacement strategies. Product life cycles are very useful tool for strategies considering the accelerating of change in recent years. In addition to making managers aware of interdependencies among operating areas like research and development, production, finance and marketing, product life cycles force managers to consider the timing of their efforts. As time passes, circumstances inside and outside the organization change. Thus strategies need to be updated and reformulated accordingly.

Channel decision is not a static once-and for all choice, but it is a dynamic part of the over all marketing planning. No matter how well channels are designed and managed, there are bound to be channel conflicts, which can be vertical, horizontal or multi-channels in nature. Distribution channels and product life cycle are very crucial to the success of any form of marketing efforts. Channels and the product life cycle offer valuable insights into allocating resources, analyzing future problems, opportunities and make managers to think strategically. Above all distribution channels and product life cycle are particularly valuable in reminding management that innovation strategies are important to business survival and growth.

In conclusion, this paper cannot be complete without asking why big companies likes Cadbury Nigeria Plc, Paterson Zochonis Industries Nigeria Plc (PZ) Lever Brothers Nigeria Plc (LBN), West African Milk Company Nigerian Plc (WAMCO), West African Portland Cement (WAPCO), Nigerian Bottling Company PLC, 7UP

Bottling Company Plc, etc. employ the services of distributors in marketing their different products. A proper comprehension of the above analysis shows that where a proper channel choice and physical distributive strategy are designed, the growth of the product is not only enhanced, but a relative market share growth of the company will be guaranteed.



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## Entrepreneurial Acculturation, Traits, and Hospitality Management in Terengganu Home Stay Industry

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**Abstract** - The tourism industry is set to become a major contribution to Terengganu's gross domestic product and this will place the second sector to petroleum and gas. Based on that, this paper discusses the relationship of entrepreneurial acculturation, traits, and hospitality management in Terengganu homestay industry. The finding of this study is based on random sampling which covered 86 entrepreneurs who are operating their business in five villages in Terengganu, recommends that for entrepreneurial traits to be effective by certain factors of entrepreneurial acculturation, such as; funding schemes, entrepreneurial programs, physical infrastructure, and advisory service that are considered important should therefore be included. Furthermore, the results indicated that all of respondents are not accepted the factor of entrepreneurial traits become as intermediary variable in a path-model of association entrepreneurial acculturation and hospitality management. Additionally, most of homestay entrepreneurs in Terengganu are not really practicing the factors of entrepreneurial acculturation in developing their entrepreneurial traits and hospitality management.

**Keywords** : *Entrepreneurial acculturation, traits, homestay, hospitality management.*

**GJMBR-A Classification** : *FOR Code: 150603, 150402, 150605, 150304 JEL Code: L26*



*Strictly as per the compliance and regulations of:*



# Entrepreneurial Acculturation, Traits, and Hospitality Management in Terengganu Home Stay Industry

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**Abstract** - The tourism industry is set to become a major contribution to Terengganu's gross domestic product and this will place the second sector to petroleum and gas. Based on that, this paper discusses the relationship of entrepreneurial acculturation, traits, and hospitality management in Terengganu homestay industry. The finding of this study is based on random sampling which covered 86 entrepreneurs who are operating their business in five villages in Terengganu, recommends that for entrepreneurial traits to be effective by certain factors of entrepreneurial acculturation, such as; funding schemes, entrepreneurial programs, physical infrastructure, and advisory service that are considered important should therefore be included. Furthermore, the results indicated that all of respondents are not accepted the factor of entrepreneurial traits become as intermediary variable in a path-model of association entrepreneurial acculturation and hospitality management. Additionally, most of homestay entrepreneurs in Terengganu are not really practicing the factors of entrepreneurial acculturation in developing their entrepreneurial traits and hospitality management.

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## I. INTRODUCTION

The hospitality management of Terengganu homestay are mostly operated by small scale farmers and villagers, monitored and assisted by the state government, via the Terengganu State Tourism Board. Actually, most of homestay entrepreneurs who are operated their business hospitality and culture are under minimal fund of capital, and unorganized business. Therefore, entrepreneurial acculturation is the major programs offered by the government to assist villagers in providing good traits in homestay management and service of hospitality. The purpose of this acculturation programs is to develop the service of traditional hospitality in Terengganu homestay industry to become more marketable and demanding from foreign tourist (Lembaga Penggalakan Pelancongan Malaysia, Negeri Terengganu, 2010). In general, Norasmah et al (2010) was mentioned that the main objective of Malaysia government in entrepreneurial

acculturation programs is to inculcate and instill entrepreneurship values and culture amongst the small and business enterprises, youths, and graduated students. Consequently, the exposure and enhancement the factors of entrepreneurial acculturation (e.g. funding schemes, entrepreneurial program, physical infrastructure, advisory service) are given to the potential entrepreneurship traits with the intent of providing knowledge and improving level of expertise and efficiencies in hospitality management of Terengganu homestay.

In order to develop entrepreneurial acculturation and traits in hospitality management of Terengganu homestay industry, the Ministry of Tourism and Ministry of Information, Communication, and Culture (MICC) was established to strategize the policy regarding the small hospitality of homestay business. The aim essentially was to provide a conducive environment to promote and assist the entrepreneurial development in the homestay industry. According to Arthur and Mensah (2006) the implication of tourism industry must be supported by a good service in transportation, telecommunication, restaurant, hotel, resort, and the cultural life-style. Furthermore, an element of heritage and environment will be adopted as a basic guiding in development of tourism industry in Terengganu. According to Lembaga Penggalakan Pelancongan Malaysia, Negeri Terengganu (2010), the vision of Terengganu state government in implementing the servivcce of homestay hospitality in Terengganu become reality and was much practicing by farmers and villagers. Consequently, this study has argued that is there significant relationship between the entrepreneurial acculturation program, entrepreneurial traits, and management of homestay hospitality? Thus, this paper endeavors to measure the relationship of entrepreneurial acculturation programs and entrepreneurial traits toward the hospitality of homestay business in Terengganu.

## II. MALAY CULTURE AND TRADITIONAL HOMESTAY

Historically, Terengganu known as a Malay state on the East-Coast Malaysia that have maintain much of the traditional cultural heritage which has been

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in existence for thousands of years. This Malays traditional lifestyle, and unique of culture are synonym with the demanding of the current Terengganu hospitality of homestay. Additionally, most of foreign tourists are interested to understand and feel great enjoying in traditional hospitality of homestay. Fundamentally, the concept of homestay is hospitality servicing that allows the visitor to rent a room from a local family to better learn the local lifestyle as well as improve their language ability. Terengganu state government is encouraging the villagers to involve in a homestay industry, as well as to allow the local family to earn some additional and needed income. Lembaga Penggalakan Pelancongan Malaysia, Negeri Terengganu (2010) was mentioned that state government is really concerned the involvement of small business and villagers in tourism industry, especially in displaying the traditional cultural and also supported to the others cottage industry.

### III. TERENGGANU HOMESTAY INDUSTRY

Terengganu is well known as a famous of culture and heritage in attraction tourists to visit Terengganu. Meanwhile, the Terengganu homestay hospitality is a program which involved tourists with selected family in village to stay together. Tourists will have chances in experience their daily life and also enjoy with the Malaysian unique culture. Currently, the Terengganu state government was hardly to implemented the concept of homestay in five traditional villages which are registered under the Terengganu state government, there are; Kuala Terengganu, Jertih, Dungun, Setiu, and Hulu Terengganu (Lembaga Penggalakan Pelancongan Malaysia, 2010). In order to develop entrepreneurial acculturation in homestay industry, the Terengganu state government was cooperated with the Ministry of Tourism and Ministry of Information, Communication, and Culture to support the villagers in servicing of homestay hospitality.

In a year 2010, the homestay program in Terengganu was received visitors from outsiders, there are; Netherlands, Macau, South Africa, and Singapore (Lembaga Penggalakan Pelancongan Malaysia, 2010). Actually, the Terengganu homestay program was offered a nice package of accommodation to tourist with a family daily life. Fundamentally, there are 106 of family houses from five places in Terengganu (e.g. Kuala Terengganu, Dungun, Setiu, Jertih, Hulu Terengganu) which was recognized as a beautiful and cleaning of homestay by Majlis Tindakan Pelancongan Negeri Terengganu and Terengganu State Tourism. As part of hospitality in homestay management, the participant also will ask to introduce a lot of Malay Traditional event, such as; Majlis Perkhawinan Melayu, Bersawah, Main Pantai, and Persembahan Wayang Kulit. Instead of that,

visitors also presented the traditional game, such as; Eklokek, Cap Kekok Kaki Ayam, Pom Along-Along, Sende Dua Ende, Tok-Tok Na, and Cak Ciling Cilang Ong.

### IV. LITERATURE REVIEW

Actually, the homestay entrepreneurs can be considered as micro and small sectors which are focused on tourism industry. As mentioned by Norasmah et al (2010), entrepreneurial acculturation is factors which are contributed to the entrepreneurial traits that are operated their business in a micro and small scale. Meanwhile, Othman et al (2008) was argued that the development of micro and small business scale in Malaysia can be seen through the sheer amount and variety of supporting mechanisms and policies that exist for encouraging entrepreneurial acculturation, including; funding schemes, entrepreneurial programs and activities, physical infrastructure and advisory services.

In fact, Chamhuri Siwar et al (1995) also agreed with Othman et al (2008) which mentioned that there have been numerous support programmes in entrepreneurial acculturation provided by the government agencies and institutions aimed at fostering the development of small and business enterprises in a context of entrepreneurship, such as; funding scheme, entrepreneurial program, physical infrastructure, and advisory service that will contributed to the personality traits and business performance. According to Hafidzah Hassan (1996), the funding scheme is intended for Malaysia government that foster, assisting and support entrepreneurship in small and medium business scale. The aim is to set up the successful entrepreneurs that will join the existing international market in bringing successful local entrepreneurs across the country. The idea is that they will highlight the role that entrepreneurs can play in creating jobs and promoting competitiveness. Therefore, the assisting of funding scheme will make the local entrepreneurs going beyond the current situation. Additionally, Ab. Aziz Yusof. (2009) has argued that Malaysia government agencies and institutional (e.g. Perbadanan Usahawan Nasional Berhad, Majlis Amanah Rakyat, Jabatan Kemajuan Masyarakat), as well as community development financial institutions can be important partners in developing entrepreneurship programs for native in foster care. Instead of entrepreneurship programmes, the Malaysian government agencies and institutional also are specialized financial institutions with a mission to provide financial products and services to people and communities.

Furthermore, the concept of entrepreneurial program in this study is a program focused on supporting and empowering entrepreneurs in Terengganu communities. Traditionally, the entrepreneurial program the purpose of entrepreneurial

program is to design to help individuals in strengthening and fulfilling entrepreneurial motive and in acquiring skills and capabilities necessary for playing his entrepreneurial role effectively (Desai, 2007). The significance of entrepreneurial program in creating better entrepreneurial personality in the development of small and medium industries has been emphasized by many researchers (Hynes, 1996; Shepard, 1996). Littunen (2000) has highlighted that a typically successful entrepreneur must go through entrepreneurial development process in order to gain knowledge and ability to take risks, be innovative, able to identify business opportunities, and correct errors effectively.

The concept of physical infrastructure previous researches have highlighted in a literature review that the assisting of physical infrastructure are much more reliant as well as other factors in entrepreneurship development (Littunen, 2000). According to Chamhuri Siwar et al (1995), the implementation of Malaysia government in physical infrastructure will assist entrepreneurs to move their business easily, creative and innovation in product development, to accommodate technology facilities, easily to strategize the competitive market, and to communicate each others in business industry. Meanwhile, the advisory service become as a factor in entrepreneurial acculturation as well as entrepreneurial development. An Explanation of Ab Aziz Yusof (2009) and Chamhuri Siwar et al (1995), there are there basic matters which are concluded in a concept of advisory service, including advising in entrepreneurial behavior, skill, and knowledge. However, Gurol and Atsan (2006) were specialized that the concept of advisory service is the responsible of trainer to give a knowledge and skill toward the business management, product innovation, risk management, problem solving, and competitive advantage. Meanwhile, the term of entrepreneurial traits were concluded that personality of entrepreneurs who are independent, highly locus of control, creative and innovative and capable to garb market opportunities (McClelland, 1961; Shane et al, 2003).

## V. HYPOTHESIS

This research has identified nine hypotheses in order to determine significant relationships between variables. These nine hypotheses or testable statements have been formulated based on literature, research objective and questions to determine the relationships between the entrepreneurial acculturation (e.g. change funding schemes, entrepreneurial program, physical infrastructure, advisory service), entrepreneurial traits, and hospitality management in homestay, there are;

H1: The greater the emphasis on funding schemes, the higher will be the level of entrepreneurial traits.

H2: The greater the emphasis on entrepreneurial program, the higher will be the level of entrepreneurial traits.

H3: The greater the emphasis on physical infrastructure, the higher will be the level of entrepreneurial traits.

H4: The greater the emphasis on advisory service, the higher will be the level of entrepreneurial traits.

H5: The greater the emphasis on funding schemes, the higher will be the level of hospitality management of homestay.

H6: The greater the emphasis on entrepreneurial program, the higher will be the level of hospitality management of homestay.

H7: The greater the emphasis on physical infrastructure, the higher will be the level of hospitality management of homestay.

H8: The greater the emphasis on advisory service, the higher will be the level of hospitality management of homestay.

H9: The greater the emphasis on entrepreneurial traits, the higher will be the level of hospitality management of homestay.

## VI. METHODOLOGY

### a) *Population and Sampling*

The total population for the study focused on the numbers of family who was participated in a homestay programmed in a year of 2010. As for the year 2010 there were approximately 106 families in Terengganu was registered in a homestay program that was organized by Majlis Tindakan Pelancongan Negeri Terengganu (Lembaga Penggalakan Pelancongan Malaysia, Negeri Terengganu, 2010). Aiming to address the issue of homogeneity and heterogeneity, researchers adopted simple random sampling study to identify several factors related to the relationship of entrepreneurial acculturation toward the entrepreneurial traits and hospitality management of homestay. Based on the calculation Sekaran (2005), they are 86 of answered the questionnaire, however, there are only 68 respondents were replied the answer. Table 1 show the respondent from the total population was selected to number of population, sample and respondents' replied of this study.

*Table 1:* The number of population, sample, and replied

Places	Populations	Samples	Respondents' Replied
Kuala Terengganu	37 (35.0%)	30	26
Dunqun	26 (24.5%)	21	17
Setiu	17 (16.0%)	14	10
Jertih	16 (15.0%)	13	9
Hulu Terengganu	10 (9.50%)	8	6
Kemaman	0 (0%)	0	0
Total	106 (100%)	86	68

*b) The Construction of Questionnaire*

Based on the literature on variables which were identified, researcher was constructing the items and scale of measurement in this study, as show in a table 2.

*Table 2 :* The variables, items and measurement.

Variables	Items	Citation	Measurement
Funding Schemes	<ul style="list-style-type: none"> <li>Assist entrepreneurs in developing their business</li> <li>To set up successful entrepreneurs join the international market</li> <li>Through funding entrepreneurs can enlarge business and promoting competitiveness</li> <li>Make the entrepreneurs go beyond the situation</li> <li>Can be important partners in developing entrepreneurship programs for native in foster care</li> </ul>	Hafidzah Hassan (1996); Ab Aziz Yusof (2009)	Likert scale; 1. Strongly disagree 2. Disagree 3. Neutral 4. Agree 5. Strongly agree
Entrepreneurial Program	<ul style="list-style-type: none"> <li>To design to help individuals in entrepreneur's strengthening</li> <li>Fulfilling entrepreneurial motive and acquiring skills</li> <li>Capabilities for playing his entrepreneurial role effectively</li> <li>To gain knowledge and ability to take risks.</li> <li>Be innovative and ability to identify business opportunities</li> </ul>	Desai (2007); Hynes (1996); Shepard (1996); Littunen (2000)	
Physical Infrastructure	<ul style="list-style-type: none"> <li>Physical infrastructure will assist entrepreneurs to move their business easily</li> <li>Creative and innovation in product development</li> <li>To accommodate technology facilities</li> <li>Easily to strategize the competitive market</li> <li>To communicate each others in business industry.</li> </ul>	Chamhuri Siwar et al (1995); Littunene (2000)	
Advisory Service	<ul style="list-style-type: none"> <li>Advising in entrepreneurial behavior, skill, and knowledge</li> <li>The concept of advisory service is the responsible of trainer to give a knowledge and skill toward the business management</li> <li>To train entrepreneurs in product innovation</li> <li>To develop entrepreneurs highly risk in management</li> <li>To develop entrepreneurs to become problem solving</li> </ul>	Ab Aziz Yusof (2009); Chamhuri Siwar et al (1995); Gurol and Atsan (2006)	
Entrepreneurial Traits	<ul style="list-style-type: none"> <li>Entrepreneurs is individual who are running their business independently</li> <li>Internally locus of control</li> <li>Creative and innovative to market their product and strategize the business</li> <li>Achievement oriented in competitive market</li> <li>Grab the market opportunities</li> </ul>	Gurol and Atsan (2006); McClelland, (1961); Shane et al (2003)	
Hospitality	<ul style="list-style-type: none"> <li>The knowledge of hospitality management is crucial</li> </ul>	Arthur and Mensah	

- Homestay owners should study the current hotel and (2006);
- Creative in managing the activity of visitors in Terengganu
- Must have a knowledge in food selection and Tourism Board,
- To know how to control the cost of beverage (2010)

## VII. FINDING

As part of this study to identify the actual path-model in a significance relationship between variables, multiple regressions were used to test the H1, H2, H3, H4, H5, H6, H7, H8, and H9. However, a descriptive analysis on entrepreneurial profile was first conducted before inferential analysis in order to know the frequency and percentage of items in demographic and business profiles.

### a) Reliability

However, reliability becomes as a starting-point in this analysis to study the consistency and stability of questionnaire. The first run of test which administered on 68 respondents, yielded the cronbach alpha was read several variables in this study. It indicates the most of the variables that has been investigated in this study are found to be moderately reliable as mentioned in table 3.

*Table 3 :* The Reliability of Variables

Variables		Number of Cases	Number of Items	Reliability Coefficients ALPHA
Funding Schemes	Independent	86	5	0.617
Entrepreneurial Program	Independent	86	5	0.585
Physical Infrastructure	Independent	86	5	0.673
Advisory Service	Independent	86	5	0.562
Entrepreneurial Traits	Intermediary	86	5	0.716
Hospitality Management	Dependent	86	5	0.629

### b) Descriptive Analysis

In term of demographic profile, the number of male entrepreneurs (64.7%) is slightly higher than male (35.3%). Meanwhile, the majority of the respondents in Kraftangan Malaysia are in the age above 51 years (30.9%), followed by the group in between 41 – 50 years (29.4%), below 30 years (23.5%) and in the range of 31 – 40 years (16.2%). In term of term operation, the highest numbers of respondents are in less than 5 years operation (42.5%), a range of 6 - 10 years (35.3%), and followed by 11 – 15 years (22.0%). Then, the bulk of respondents come from Kuala Terengganu (38.2%), Dungun (xxx%), Dungun (25.0%),Setiu (14.7%), Jertih (13.3%) and Hulu Terengganu (8.8%). In a numbers of family members, most homestay entrepreneurs was operated with 4 – 7 members (69.1%), below 3 members (26.4%), and 8 -10 family members (4.3%). Furthermore, most of homestay entrepreneurs received

the frequency of visitors is around 3 – 5 times (70.6%), and less than 2 times (29.4%), as highlighted in table 4.

Table 4 : The Frequency and Percentage of Entrepreneurs

Items	Frequency	Percentage		Frequency	Percentage
<b>Gender</b>			<b>Business Location</b>		
Male	44	64.7	Kuala Terengganu	26	38.2
Female	24	35.3	Dungun	17	25.0
<b>Age</b>			Setiu	10	14.7
Below 30 years	16	23.5	Jertih	9	13.3
31 - 40 years	11	16.2	Hulu Terengganu	6	8.8
41 - 50 years	20	29.4	Kemaman	0	0
More than 51 years	21	30.9	<b>Number of Family Members Involved</b>		
<b>Term of Operation</b>			Less than 3 members	18	26.4
Less than 5 years	29	42.5	4 - 7 members	47	69.1
6 - 10 years	24	35.3	8 - 10 member	3	4.3
11 - 15 years	15	22.0	More than 11 members	0	0.0
16 - 20 years	0	0.0	<b>Frequency of Visitors Attended</b>		
Above 21 years	0	0.0	Less than 2 times	20	29.4
			3 - 5 times	48	70.6
			6 - 10 times	0	0.0
			More than 11 times	0	0.0

c) *Path-Analysis*

As we known, the path-analysis is considered as a major analysis to consolidate an analysis of relationship between independent variables, intermediary variable, and dependent variable. Therefore, this paper used the stepwise regression to analyzes the interrelation between three variables, there are; entrepreneurial acculturation (independent), entrepreneurial traits (intermediary) and hospitality in homestay management (dependent). Fundamentally, the analysis of interrelation in a path-model will divided into two layers of study. First layer will discuss the relationship of independent variables (e.g. funding schemes, entrepreneurial program, physical infrastructure, advisory service) toward intermediary variable (entrepreneurial traits). Meanwhile, the second layer will discuss the association

of independent and intermediary variable toward dependent variable (hospitality in bomestay management).

i. *Relationship of Entrepreneurial Acculturation toward Entrepreneurial Traits (First-layer)*

In a relationship of entrepreneurial acculturation toward entrepreneurial traits as well as in a 1st. layer of path model, the results indicated that the multiple correlation coefficient (R) which using all predictors simultaneously is 0.621 and R<sup>2</sup> is 0.386 which means that 38.6 percent of the variance in a entrepreneurial traits can be predicted from the factors of entrepreneurial acculturation, as mentioned in table 5.

Table 5 : Stepwise Regression in Association of Entrepreneurial Acculturation and Traits

Model Summary <sup>d</sup>				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.524 <sup>a</sup>	.274	.263	.44439
2	.583 <sup>b</sup>	.340	.320	.42683
3	.621 <sup>c</sup>	.386	.357	.41507

a. Predictors: (Constant), Advisory

b. Predictors: (Constant), Advisory, Program

c. Predictors: (Constant), Advisory, Program, Funding

d. Dependent Variable: Entrepreneurial Traits

Furthermore, the output of table 6 reveals that were all of three variables in entrepreneurial acculturation are statistically significant association with the entrepreneurial traits, including; advisory service ( $B = -.428$ ,  $p = .000$ ), entrepreneurial programs ( $B = .360$ ,  $p = .002$ ), and funding schemes ( $B = -.231$ ,  $p = .033$ ). Therefore, we accept the H1, H2, and H4. The results

also suggested that most of entrepreneurs in Terengganu homestay industry are significance toward the relationship of entrepreneurial acculturation and traits. These results also supported the literature that was claimed by Hafidzah Hassan (1996), Desai (2007), Hynes (1996), Littunen (2000), Chamhuri Siwar et al (1995, McClelland, (1961), and Shane et al (2003)

*Table 6:* The Beta and Significance Value of Entrepreneurial Acculturation and Traits

Coefficients <sup>a</sup>					
Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
1	(Constant)	1.736		3.788	.000
	Advisory	.561	.524	4.992	.000
2	(Constant)	.718		1.209	.231
	Advisory	.427	.398	3.558	.001
	Program	.375	.286	2.558	.013
3	(Constant)	1.446		2.167	.034
	Advisory	.459	.428	3.901	.000
	Program	.471	.360	3.155	.002
	Funding	-.285	-.231	-2.176	.033

*a. Dependent Variable: Entrepreneurial Traits*

ii. *Relationship of Entrepreneurial Acculturation and Traits toward Hospitality of Homestay (Second-layer)*

As part of the 2nd. layer is to know the significance association between entrepreneurial acculturation toward hospitality management (H5, H6, H7, H8) and entrepreneurial traits toward hospitality

management, stepwise regression analysis was used to test the hypothesis. The results indicates that the multiple correlation coefficient (R) which using all the predictors simultaneously is 0.508 and R<sup>2</sup> is 0.258 which means that only 25.8 percent of the variance in hospitality management can be predicted from the factors of entrepreneurial acculturation and traits, as show in table 6.

*Table 6 :* Stepwise Regression in Association of Entrepreneurial Acculturation and Traits toward Hospitality Homestay Model Summary<sup>c</sup>

Model Summary <sup>c</sup>				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.448 <sup>a</sup>	.201	.189	.40155
2	.508 <sup>b</sup>	.258	.235	.38987

a. Predictors: (Constant), Program

b. Predictors: (Constant), Program, Advisory

c. Dependent Variable: Hospitality Management

Moreover, the table 7 indicated that only 2 independent variable are significantly associated with dependent variable, there are; entrepreneurial program ( $B=.332$ ,  $p=.007$ ), and Advisory Service ( $B=.266$ ,  $p=.029$ ). These findings supported the hypothesis 6 and 8. However, the factor of entrepreneurial traits (intermediary variable) is not significant relation with the hospitality management as well as in a hypothesis 9.

Therefore, the results indicated that all of respondents are not accepted the factor of entrepreneurial traits become as intermediary variable in a path-model of association entrepreneurial acculturation and hospitality management. This result also rejected the literature that was claimed by Arthur and Mensah (2006);

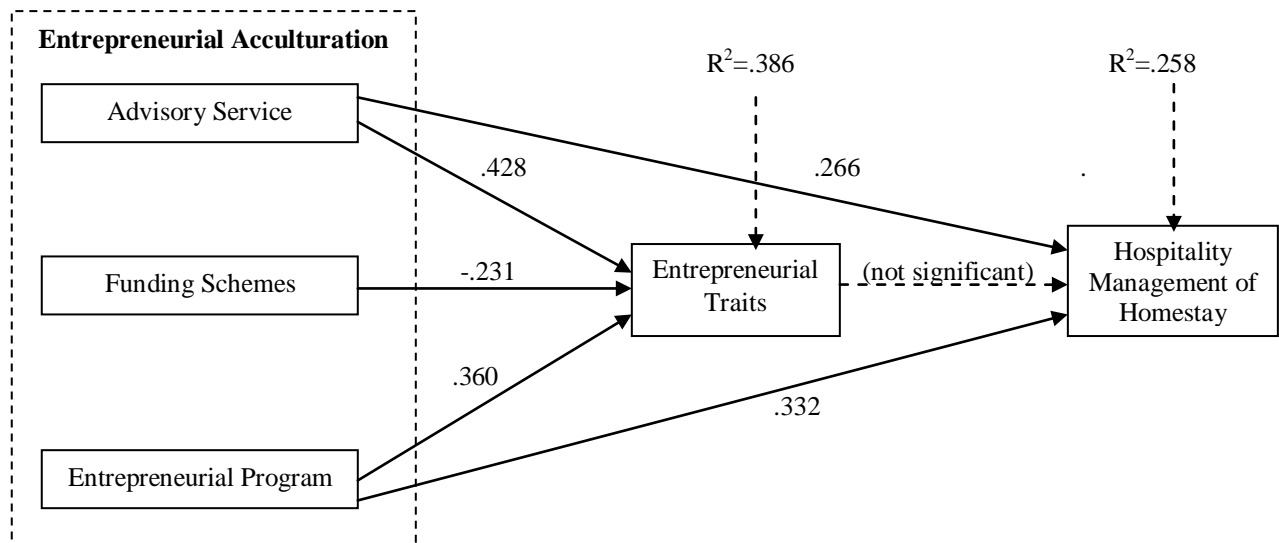
**Table 7:** The Beta and Significance Value of Entrepreneurial Acculturation and Traits toward Hospitality Management

Coefficients <sup>a</sup>					
		Unstandardized Coefficients		Standardized Coefficients	
Model		B	Std. Error	Beta	t
1	(Constant)	1.997	.519		3.848
	Program	.506	.124	.448	4.075
2	(Constant)	1.549	.542		2.855
	Program	.375	.134	.332	2.798
	Advisory	.245	.110	.266	2.239

a. Dependent Variable: Hospitality Management

As a solution, figure 1 show the final result of stepwise regression between three major variables, there are; entrepreneurial acculturation, traits, and hospitality management.

**Figure 1:** The Relationship of Entrepreneurial Acculturation with Entrepreneurial Traits and Hospitality Management



## VIII. DISCUSSION AND RECOMMENDATION

In Terengganu, state government took initiative to realize the concept of entrepreneurial acculturation program among homestay owners. In this study, the variables of entrepreneurial acculturation were found to have influenced the entrepreneurial traits and hospitality management, however, the entrepreneurial traits is not significant and influence to the hospitality management. In general, this finding indicated that dimensions related

to funding schemes, entrepreneurial program, and advisory service were among the primary contributors which influenced to entrepreneurial traits and only two factors (e.g. advisory service and entrepreneurial program) are significant with the hospitality management. Thus, more serious attention should be given to the development of entrepreneurial traits and hospitality of homestay management among homestay owners in Terengganu.

This finding also indicated that homestays' entrepreneurs tend to be strong in in planning which

would further lead in entrepreneurial traits, and subsequently contributed to hospitality management in homestay industry. Listed below are some recommendations as to how entrepreneurial acculturation can be useful in contributing up the entrepreneurial traits and hospitality management of potential homestays' entrepreneurs.

- Homestays' entrepreneurs need to be exposed early to this real situation for better understanding and to build up their self-confidence in business. This form of entrepreneurship will widen their experiences and reinforce learning from textbooks.
- Interaction between homestays' entrepreneurs with government agencies will create entrepreneurs more awareness, understanding, skillful and respect each others in strategizing their business in homestay industry.
- Smart partnership between homestays' entrepreneurs and others tourism businesses. Homestays' entrepreneurs can be mobilized to offer insights into the business world through business skill,

## IX. CONCLUSION

In the areas of entrepreneurial acculturation and personality traits, many different schools of thought, academicians, and policymakers emerged to practice the concept of entrepreneurship in many kind of industries. Actually, the study of entrepreneurial acculturation was built upon the foundations laid by earlier academicians and policy-makers from America, UK, China, and others third world countries. Last two decades, most of Malaysian entrepreneurs were encouraged to develop their personality trait which is influence from entrepreneurial acculturation and translate it's into the business characters.

As well as discussed in by previous researchers, the factors of entrepreneurial acculturation were in fields as such; funding schemes, entrepreneurial program, physical infrastructure, and advisory service are the factors that are significantly associated with the entrepreneurial traits and business management. However, the results of this study in association factors of entrepreneurial acculturation toward personality traits and management of homestay hospitality is generally not supported the literature. In fact, the finding also not really supported the ambitious of Terengganu State Government. Lastly, further efforts should be taken to develop the acculturation program as well as to construct the entrepreneurial character and professionalism in hospitality management in homestay industry.

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## Corporate Governance and Performance : An Analysis of Pakistani Listed Firms

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**Abstract** - This study aims to examine the impact of corporate governance on family and non-family controlled companies' performance in Pakistan. The sample size of this study is 792 companies listed on Karachi Stock Exchange from 2003 to 2008. The findings reveal that corporate governance structure influences the family and non-family controlled companies' performance. However all corporate governance mechanisms are not significant. The significant variables differ between family and non-family controlled companies. Thus, regulators need to be vigilant that family and non-family controlled companies practice differently and to set different codes for each type of companies.

**Keywords** : corporate governance; performance; family-controlled companies

**GJMBR-B Classification** : FOR Code: 150303, JEL Code: G34, G31, L21, L22, L25,



*Strictly as per the compliance and regulations of:*



# Corporate Governance and Performance: An Analysis of Pakistani Listed Firms

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**Abstract** - This study aims to examine the impact of corporate governance on family and non-family controlled companies' performance in Pakistan. The sample size of this study is 792 companies listed on Karachi Stock Exchange from 2003 to 2008. The findings reveal that corporate governance structure influences the family and non-family controlled companies' performance. However all corporate governance mechanisms are not significant. The significant variables differ between family and non-family controlled companies. Thus, regulators need to be vigilant that family and non-family controlled companies practice differently and to set different codes for each type of companies.

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## I. INTRODUCTION

Family firms form the basic building block for businesses throughout the world. The economic and social importance of family enterprises has now become more widely recognized. Internationally they are the dominant form of business organization. One measure of their dominance is the proportion of family enterprises to registered companies; this is estimated to range from 75% in the UK to more than 95% in India, Latin America and the Far and Middle East (Yasser, 2011). The manner in which family firms are governed (the way in which they are directed and controlled) is therefore crucial to the contribution they make to their national economies as well as to their owners.

Family-owned, listed companies are the backbone of Pakistan's economy. However, these companies are traditionally either unaware of the general principles of good corporate governance, or work in a relatively less open environment. Promoting basic principles of good governance for family-owned companies is crucial in supporting the development of a strong economic sector.

Anderson and Reeb (2003) conclude from the US data that family companies outperform non-family agency problem between owner and manager but give companies, same finds are also observed from the studies of Miller and Breton-Miller (2006) and Villalonga and Amit (2006). Meanwhile, research in Western Europe found that family control companies have lower

rise to problem between family and minority shareholders (Maury, 2006). However, studies show that owner-manager companies are less efficient in generating profits than professional non-owner managers (Lauterbach & Vaninsky, 1999).

In sum, plenty of studies on family companies have been conducted worldwide, but there are limited studies in the Pakistani context. Therefore, this study aims to fill this research gap. Most Pakistani companies are family owned and controlled. The researchers are motivated by a desire to find out whether Pakistani family-controlled companies perform better than non-family controlled companies or vice versa with regards to corporate governance mechanism.

In this study financial performance is considered in two perspectives, which are the accrual based and cash flow based analysis. Accrual based profit measures are claimed to be open to manipulations by managers (Teoh, Wong & Rao, 1998). Therefore, the alternative performance measure based on cash flows may be preferable. Cash flow based studies have been carried out by several researchers (Kaplan, 1989; Jain & Kini, 1994; Kim, Kitsabunnarat & Nofsinger, 2004) who argue that operating cash flows are a useful measure in determining the firm's value and less sensitive to manipulation by managers. In terms of corporate governance mechanisms, this study introduces two new variables (directors' qualifications and independent directors with professional qualifications) that are expected to affect the firm's performance.

The presentation format of this study is as follows.

First, the theoretical framework on family and non-family companies' performance and corporate governance mechanism is deliberated in the literature review section.

The research methodology is then explained followed by the research findings and discussion. Finally, the research findings are summarized followed by limitations of the study and recommendations for future study.

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## II. THEORETICAL BACKGROUND AND HYPOTHESIS DEVELOPMENT

This section develops the hypotheses regarding the effects of family-controlled and non-family controlled companies and corporate governance mechanisms on performance.

### a) *Family and non-family companies' performance*

A Study conducted by Daily and Dollinger (1992) evidences that family companies reported higher sales growth and greater improvement in net margins than non-family companies. McConaughy, Walker, Henderson and Mishra (1998) examine differences in efficiency and value, depending on whether the firm was founding family controlled firm (FFCF) and had a CEO who was the founder/a descendant of the founder, or was a non-FFCF. The findings show that FFCFs are more efficient and valuable than NFFCFs with respect to industry, size and managerial ownership.

McConaughy, Matthews and Fialko (2001) found that family companies have higher Tobin's Q than their counterparts. The family companies controlled by the founding family have greater value, operated more efficiently and carry less debt than other companies. Miller and Breton-Miller (2006) note that family companies perform better than non-family companies when the family companies have the intention to keep the business for next generations. A study by Maury (2006) in 13 Western European countries found that active family control continued to outperform non-family control in terms of profitability in different legal regimes. In 2008, a survey conducted by Pakistan Institute of Corporate Governance (PICG) indicated that 80% of firms cannot reach the third generation of their founders in Pakistan.

Family companies have several incentives to reduce agency costs (Fama & Jensen, 1983; Demsetz & Lehn, 1985; Anderson & Reeb, 2003). As family's wealth is so closely linked to the firm's welfare, that there is a strong incentive to monitor managers and minimize the free-rider problem inherent in small, atomistic shareholders (Demsetz & Lehn, 1985). Research also claims that executives who are stewards are motivated to act in the best interests of their principals (Donaldson & Davis, 1991). Stewardship philosophy has been practiced and common among successful family companies (Corbetta & Salvato, 2004). Keen involvement encouraged by the stewardship philosophy creates a sense of psychological ownership that motivates the family to behave in the best interest of the firm (Zahra, 2005; Corbetta & Salvato, 2004).

However, it is difficult for family companies to avoid the misalignment between principal and agents. The agency cost in family companies can take place between minority owners and the major family owners who serve as their potentially exploitative de facto

agents (Morck & Yeung, 2003; Villalonga & Amit, 2006). Amran and Che Ahmad (2009) found that there is no difference in performance between family-controlled businesses and non-family controlled businesses for companies listed from 2000 to 2003. Firm performance diminishes as large shareholders remain active in management although they are no longer competent or qualified to run the firm. The implication is that firm performance is even worse for older family companies than for non-family companies (Shleifer & Vishny, 1997). Hence, based on the arguments, researcher hypothesized that:

H1: Family companies have higher financial performance than non-family companies.

### b) *Board composition*

Non-executive directors are needed on boards to monitor and control the actions of executive directors due to their opportunistic behaviour and act as the checks and balances in enhancing boards' effectiveness (Jensen & Meckling, 1976). Additionally, non-executive directors might be considered to be "decision experts" (Fama & Jensen, 1983), independent and not intimidated by the CEO (Weisbach, 1988), able to reduce managerial consumption of perquisites (Brickley & James, 1987) and act as a positive influence over directors' deliberations and decisions (Pearce & Zahra, 1992). According to the Tricker (1984) the presence of non-executive directors on boards provides "additional windows on the world". This is congruent with the resource dependence theory, which proposes that non-executives directors act as middleman between companies and the external environment due to their expertise, prestige and contacts.

According to Pakistani Code of corporate governance (2002) boards of directors must be balances and the proportion of executive directors must not exceed 75%. Empirical studies (Ward & Handy, 1988; Ward, 1991; Felton & Watson, 2002; Newell & Wilson, 2002) show that family companies prefer to have independent non-executive directors in their boards. Independent directors provide neutral insights, bring in fresh, creative perspectives and help in decision-making by bringing in new dimensions of experiences that may not be found among family directors. In family companies, the representatives of non-family directors on the board can offer a functional counterpoint in decision-making. Ward and Handy (1988) report that 88% of companies using non-executive directors believe that their boards are more useful and valuable as corporate governance agents of performance.

In contrast, a high proportion of non-executive directors on boards, as proposed by agency and resource dependency theories also have drawbacks. Arguments against boards dominated by non-executive directors include stifling strategic actions (Goodstein, Gautam and Boeker, 1994), excessive monitoring

(Baysinger & Butler, 1985) and lack of real independence (Demb & Neubauer, 1992). However, research by Klein, Shapiro and Young (2005) found no evidence that board composition affects firm performance. In family owned companies, a high level of board independence does not automatically lead to better performance. Chin, Vos and Casey (2004) also claim that the percentage of non-executive directors has little impact on overall firm performance. Based on the arguments on the composition of independent non-executives directors seem to be mixed. Therefore, the authors hypothesized that:

H2: There is a significant association between proportion of independent non-executive directors and financial performance.

#### c) *Director's qualification*

The Code of Corporate Governance (2002) recommends that directors should use their qualities (skills, knowledge and experience, professionalism and integrity) in carrying out their duties. This is consistent with the resource dependence theory. Castillo and Wakefield (2006) evidence that educational background and skills may influence family companies' performance. A family's special technical knowledge concerning a firm's operations may put it in a better position to monitor the firm more effectively. Also, families have incentive to counteract the free rider problem that prevents atomized shareholders from bearing the costs of monitoring, ultimately reducing agency costs. Sebor and Wakefield (1998) find a positive relationship between education of the incumbent and conflict over money, management control and strategic vision. Educated incumbents may have been exposed to better financial management than their less educated counterparts. Based on the arguments, the authors hypothesized that:

H3: There is a relationship between proportion of directors' qualification and financial performance.

#### d) *Independent director's with professional qualification*

Independent directors' background and competency are essential factors as they contribute positively to the family companies (Johannisson and Huse, 2000). However, Hartvigsen (2007) claims that companies are facing challenge in searching for qualified directors to sit on the boards. Most of the families prefer interlock directorship to secure their point of view in business operations. A survey conducted in America by Ernst & Young reports that many companies in Europe and America complain that they struggle to find qualified directors for their boards (The Economist, 2006). Hendry (2002) also highlights that family companies face problems of having competent and expert agents.

Moreover Berube (2005) notes that companies can no longer be contended with directors who simply put in a token of appearance. Companies seek for

qualified directors, together with their expertise. A report from Christian & Timbers in New York also reflects the tough competition for qualified outside directors (Bates, 2003). Therefore, the authors hypothesized that:

H4: There is a relationship between proportion of independent director with professional qualification and financial performance.

#### e) *Board Meetings*

The corporate governance view is that board should meet regularly to discuss matters that arise. There are various suggestions for the frequency of board meetings. In the US, six meetings per year in alternate months is a good balance for most companies, and supplemented by occasional special meetings (Moore, 2002). Boards meet formally at least four times per year, supplemented by additional monthly executive committee meetings attended by directors, the chairman, the CEO and senior managers (Ward, 1991).

Pakistani Code of Corporate Governance (2002) proposes that the board should meet regularly, with due notice of issues to be discussed but should meet at least once in a quarter.

The board should disclose the number of board meetings held in a year and the details of attendance of each individual director; it should also maintain minutes of meetings. Based on the above literatures, the authors hypothesized that:

H5: There is a relationship between the number of meeting and financial performance.

#### f) *Leadership Structure*

The corporate governance perspective views the CEO duality to arise when the post of the CEO and Chairman are managed by one person. The agency theory claims that there must be a separation between ownership and control. The separate leadership structure can curb agency problems, and enhance the firm's value (Fama & Jensen, 1983).

In contrast, duality leadership is common among family companies (Chen, Cheung, Stouraitis & Wong, 2005) since they perceive. The founder-CEOs as more concerned about the survival of their companies are willing to protect their legacy for future generations. In the US, Moore (2002) finds that some companies have the CEO as the board chairman in order to focus the company's leadership. In addition, by splitting the role of the chairman and CEO, it reduces the CEO's freedom of action (Felton & Watson, 2002). Other researchers find that stewards who hold the positions of a board executive and a chairman concurrently have significantly higher corporate performance (Donaldson & Davis, 1991; Finkelstein & D'Aveni, 1994).

Still others suggest there is no significant difference in firm performance between executive and non-executive chairmen (Chaganti, Mahajan & Sharma, 1985; Molz, 1988). The CEO-chair is responsible for the

firm and the CEO has the power to determine strategy without fear of counter demands by an outside chair of the board (Finkelstein & D'Aveni, 1994; Davis et. al., 1991). Based on the discussions above, findings are found to be mixed. Therefore, the authors hypothesized that:

H6: There is a significant association for companies that practice separate leadership with financial performance.

#### g) Control Variables

The control variables in this study are the debt, firm age and firm size. Companies do appear to make their choice of financing instrument as though they had target levels in mind for both the long-term debt ratio, and the ratio of short-term total debt (Marsh, 1982). A study by Welch (2003) finds that there is a negative correlation between a firm's debt levels and corporate performance.

Yasser (2011) argue that companies all over the world prefer internal over external finance and debt over equity. Companies do not aim at any target debt ratio; instead, the debt ratio is just the cumulative result of hierarchical financing over time. Companies that face a financial deficit will first resort to debt, and will be observed later at a higher debt ratio (Myers & Majluf, 1984).

Next, firm age is an important determinant of firm growth, the variability of firm growth and the probability of firm dissolution (Evans, 1987a). A study relating to firm age conducted by Dunne and Hughes (1994) finds that smaller companies were growing faster than the larger ones, though with more variable growth rate patterns. The small companies also shared a relatively low death rate from takeover as compared to the large companies, while medium sized companies were most vulnerable to takeover. The findings also revealed that younger companies, for a given size, grew faster than old companies.

Firm size can be "retarded" if a family management team is reluctant to raise external funds because it fears it will entail a loss of family control (Yasser, 2011). Daily and Dollinger (1993) argue that some family companies operate without growth plans.

#### b) Research model and measurement

In this study, the research model is as follows:

Model for total sample:

$$FPERF_{it} = b_0 + b_1FCF_{it} + b_2BCOMPO_{it} + b_3DIRQUAL_{it} + b_4PROQUAL_{it} + b_5MEETG_{it} + b_6LSHIP_{it} + b_7DEBT_{it} + b_8FAGE_{it} + b_9FSIZE_{it} + \alpha_i + \lambda_t + u_{it} \quad (1)$$

Model for family-controlled companies and non-family controlled companies:

$$FPERF_{it} = b_0 + b_1BCOMPO_{it} + b_2DIRQUAL_{it} + b_3PROQUAL_{it} + b_4MEETG_{it} + b_5LSHIP_{it} + b_6DEBT_{it} + b_7FAGE_{it} + b_8FSIZE_{it} + \alpha_i + \lambda_t + u_{it} \quad (2)$$

As a result, some family companies only grow at a pace consistent with meeting the advancement needs of organizational members in the family system. Cromie, Stephenson and Montieth (1995) found that family companies were smaller in terms of employment and sales turnover than non-family companies. Trow (1961) argues that larger companies have more resources, making it easy to attract, train, and develop potential successors and to engage outside advisers who may encourage continuity planning (Yasser, 2011).

### III. RESEARCH METHODOLOGY

#### a) Data

The researcher gathered data from a sample of Pakistani companies listed on Karachi Stock exchange over the period of 2003 to 2008. The years 2003 to 2008 were selected because this study seeks to examine the post effect of the implementation of Code of Corporate Governance issued in 2002. The sample size for this study is 132 companies and the total sample for six years observations were 792. This study adopted panel regression model analysis to determine the coefficient correlation between independent and dependent variables (Gorritz & Fumas, 2005; Anderson & Reeb, 2003).

The definition of family-controlled firm was consistent with previous studies (Anderson & Reeb, 2003; Villalonga & Amit, 2006). In determining the family companies, the information on directors' profile and shareholdings were collected from the annual reports and corporate websites of companies. Data on board composition, directors' education, independent directors with professional qualification, number of meetings and leadership structure were also obtained from the annual reports. Financial data such as market value of ordinary shares, total assets, net income, earnings before interest, tax, depreciation and amortization (EBITDA), shareholder's equity, return on assets (ROA), long term debt and operating cash flow were gathered from the independent financial analysts. Then, the financial data was cross-checked with the printed annual reports to enhance reliability of the information.

c) *Model specification*

Variables, definitions and measurements are given in Table 1.

d) *Panel data approach*

In order to test the proposed model equations, this paper employs panel data approach. A panel data methodology is used in this paper because it facilitates elimination of the unobservable heterogeneity that the different companies in the sample data could present (Himmelberg, et al., 1999). Yasser (2011) describe that a panel data regression has some advantages over regression that run cross sectional or time series regression independently. Firstly combining time series and cross sectional observation panel data gives more informative data, variability, less co-linearity among the variables, more degree of freedoms, and more

efficiency. Secondly, by making data available for several thousand units, a panel data can minimize the bias that might results if individuals or firm level data are divided into broad aggregates. Lastly, panel data can better detect and measure effects that simply cannot be observed in pure cross-section or pure time series data (Gujarati 2003; Baltagi 2001).

The classical normal linear regression assumes that the error term is constant over time periods and locations. If such assumption is true than it is said that homoskedasticity exists. However, if there are variations in the observation, it may cause the variance of the error term produced from the regression not to be constant and as a result, the problem of heteroskedasticity prevails. If that occurs, the estimates of the dependent variable become less predictable (Gujarati 2003).

*Table 1* : Variables, definitions and measurements

Variable	Measurement
<b>Dependent variables</b>	
Tobin's Q (Q)	Market value of common equity plus book value of preferred shares and debt divided by book value of total assets.
Return on assets (ROA)	Net income divided by book value of total assets.
Operating cash flow (OCF)	Ratio of cash flow from operating activities to total assets.
<b>Independent variables</b>	
Family-controlled firm (FCF)	Family-controlled firm is defined as: (1) Founder is the CEO or successor is related by blood or marriage, (2) At least two family members in the management, AND (3) Family directors have managerial ownership (direct and indirect shareholdings) of minimum 20% in the firm. It is coded as 1 if it is a family-controlled firm, 0 otherwise.
Board composition (BCOMPO)	% of independent non-executive director/ total directors.
Director's qualification (DIRQUAL)	% of directors' with degree/ total directors.
Professional qualification (PROQUAL)	% of independent director with professional qualification/ total directors. Professional is defined as an individual that hold the professional title (CA, CMA, CPA, and ACCA), engineering, information technology, law and others.
Meeting (MEETG)	The frequency of meetings per year.
Leadership structure (LSHIP)	Firm practice whether separate or duality leadership. It is coded as 1, if firm practice separate leadership, 0 for duality separate or Duality leadership.
<b>Control Variables</b>	
DEBT	The book value of long-term debt/ total assets.
Firm Age (FAGE)	The number of years since incorporated.
Firm Size (FSIZE)	The natural log of the book value of total assets.

Source: Developed for this research

## IV. RESULTS AND DISCUSSIONS

a) *Descriptive analysis*

Table 2 summarizes the statistics on all companies, family-controlled companies and non-family controlled companies with relation to the sector. Overall, the highest sector in this sample was properties (27.4%), followed by industrial products (26.71%), trading services (15.75%), consumer products and

plantations (10.96%). Then, the sample was split to family-controlled and non-family controlled companies. For family-controlled companies, the first place is industrial products (27.38%), followed by properties (26.19%), and trading services (16.67%). Meanwhile, for non-family controlled companies, properties sector (29.03%) was in the top rank, and followed by the industrial products (25.81%).

b) *Univariate tests*

In Table 3, t-test results show that there was a difference in performance (as measured by TOBINS Q) between family and non-family controlled companies. Family-controlled companies have shown higher mean value (0.788) as compared to non-family controlled companies (0.746). It implies that family-controlled companies have better firm performance. These findings are in line with previous studies (Daily & Dollinger, 1992; McConaughy, et al., 1998; Anderson & Reeb, 2003; Miller & Breton-Miller, 2006; Martinez, Stohr & Quiroga, 2007) indicate that family-controlled companies are

likely to achieve higher performance than non-family controlled companies. Family companies have greater firm value, operate more efficiently and families have the intention to keep the business for next generations. In contrast, when OCF is used as dependent variable, it is evident that non-family controlled companies have higher mean of OCF (0.062) as to family-controlled companies (0.038). It shows that non-family controlled companies are better at managing the companies' cash flows.

Table 2 : Descriptive analysis

Sector	All companies	%	FCF	%	NFCF	%
Consumer product	168	21.21%	108	17.65%	60	33.33%
Industrial product	102	12.88%	66	10.78%	36	20.00%
Cement	36	4.55%	24	3.92%	12	6.67%
Trading services	42	5.30%	36	5.88%	6	3.33%
Fertilizer	30	3.79%	24	3.92%	6	3.33%
Textile	276	34.85%	246	40.20%	30	16.67%
Chemical	54	6.82%	42	6.86%	12	6.67%
Financial Services	54	6.82%	42	6.86%	12	6.67%
Technology	30	3.79%	24	3.92%	6	3.33%
	792	100%	612	100%	180	100%

Source: Developed for this research

Notes: FCF = Family-controlled companies, NFCF = Non-family controlled companies.

Table 3 : Means, standard deviation and tests of differences in means between family and non-family controlled companies and corporate governance mechanisms with performance indicators.

	All Companies		FCF		NFCF		dif. In mean	t-value
	Mean	S.D	Mean	S.D	Mean	S.D		
Tobin Q	0.770	0.132	0.788	0.120	0.746	0.143	0.042	4.306*
ROA	0.042	0.079	0.043	0.057	0.041	0.101	0.002	0.258
OCF	0.048	0.136	0.038	0.070	0.062	0.192	-0.025	-2.41*
BCOMPO	0.396	0.115	0.372	0.090	0.429	0.136	-0.056	-6.755*
DIRQUAL	0.770	0.198	0.720	0.199	0.839	0.174	-0.119	-8.397
PROQUAL	0.168	0.131	0.157	0.119	0.183	0.146	-0.026	-2.649*
MEETG	5.305	1.999	4.967	1.212	5.765	2.658	0.798	5.434
DEBT	0.121	0.137	0.125	0.130	0.117	0.146	0.008	0.796**
FAGE	11.830	13.910	10.971	12.264	12.994	15.817	-2.022	-1.945
FSIZE	13.599	0.801	13.655	0.812	13.524	0.780	0.131	2.184
LSHIP	0.900	0.295	0.850	0.358	0.970	0.174	-0.120	-7.683***

Source: Developed for this research

*Notes: \* significant at 0.05 (1 tailed); \*\* significant at 0.01 (1 tailed); Tobin Q=Market value of common equity plus book value of preferred shares and debt divided by book value of total assets, ROA=Net income divided by book value of total assets, OCF=Ratio of cash flow from operating activities to total assets, LSHIP=Type of leadership that a firm practice, whether separate leadership or duality leadership, BCOMPO = Percentage of independent non-executive director divided by total directors, DIRQUAL = Percentage of directors' with degree and above divided by total directors, PROQUAL = Percentage of independent director with professional qualification divided by total directors, MEETG = The frequency a firm conducts meetings per year, DEBT = The book value of long-term debt by total assets, FAGE = Number of years since incorporated, FSIZE = Natural log of the book value of total assets; # For LSHIP, a chi-square test was applied.*

In terms of PROQUAL, the mean for non-family controlled companies (0.183) is higher than that of family-controlled companies (0.157). The results show that non-family controlled companies prefer to have more independent professional directors on their boards as compared to family-controlled companies. The independent directors were claimed to bring in fresh creative perspectives, to be more objective, to have new dimensions of experience, to be more open in discussions and to enhance management accountability (Ward & Handy, 1988). On the other hand, owners of family-controlled companies were reluctant to appoint independent directors because they were afraid of losing control, did not believe that the non-executive directors understood the firm's competitive situation, were afraid of opening up to new, external ideas and their boards spent a lot of time on more urgent, operational issues (Ward, 1991). Executives provide rich firm-specific knowledge and strong commitment to the firm (Sundaramurthy & Lewis, 2003). LSHIP variable is significant, whereby there are differences between leadership structure practiced by family and non-family controlled companies. For DEBT, family-controlled companies favor the use of debt more than non-family controlled companies. The mean value of debt for family-controlled companies was 0.125, while that for non-family controlled companies was 0.117.

The use of debt is preferred by family-controlled companies because they prefer internal to external fund. This finding supports Myers & Majluf's study (1984). On the other hand, non-family controlled companies prefer to have lower usage of debt and use other sources of financing to run their business operation. This finding supports Welch's study (2003). However, the results discussed above only give directions for the hypotheses. The next section discusses the multivariate analysis which is more robust.

### c) Multivariate tests

#### i. Pooled OLS

On the Bases of the results reported in Table 4, when data is pooled together (for all companies), results reveal that family-controlled firm (H1) and board composition (H2) hypotheses are supported using Q, ROA and OCF.

Director's qualification (H3) and independent directors with professional qualification (H4) are only supported when Q is used as indicator to measure firm performance. Meeting (H5) and leadership structure (H6) are supported only when ROA is applied.

The findings reveal that family-controlled companies have higher firm performance as compared to non-family controlled companies. Thus, H1 is accepted. This is in line with previous studies (McConaughy, et al., 2001; Anderson & Reeb, 2003; Maury, 2006; Matinez, Stohr & Quiroga, 2007). In terms of board composition, the results indicate that higher proportion of independent directors leads to lower firm value. These results may explain that independent directors that dominated the board may act as an "additional windows" (Trickers, 1984) and lack of real independence (Demb & Neubauer, 1992). So, this study does not support H2.

When Q is use as a performance indicator, the results show DIRQUAL and PROQUAL are significant. Thus, H3 and H4 are accepted. The results indicate a positive direction whereby directors with qualifications may enhance firm performance. Moreover, when board consists of higher numbers of independent directors with professional qualifications, the firm's value increases. This is because the educational background, competency and skills are used to manage the companies. Thus, these findings supported previous studies (Johannisson & Huse, 2000; Castillo & Wakefield, 2006).

However, when ROA is use as the performance indicator, it is found that MEETG is negatively related with firm performance. It explains that loads of meeting held is not an effective, but it can deteriorate the firm value.

So, H5 is not supported. DEBT and FAGE are negatively related with firm performance. Debt findings are consistent with study done by and firm age results are in line with Dunne and Hughes (1994). This research found FSIZE to be positively related to firm performance. This is consistent with previous study by Trow (1961).

Table 4 : The pooled ordinary least square by using Q, ROA and OCF (All companies)

	Tobin Q		ROA		OCF	
	Coefficient	t-value	Coefficient	t-value	Coefficient	t-value
FCF	0.034	3.54***	0.018	3.07***	-0.016	-2.57
BCOMPO	-0.089	-2.15	-0.08	-3.32	-0.062	-2.34
DIRQUAL	0.041	1.71***	0.017	1.25	-0.009	-0.57
PROQUAL	0.098	2.72***	0.021	0.99	0.034	1.51
MEETG	0.001	0.38	-0.004	-2.99	-0.001	-1.06
LSHIP	-0.022	-1.45	0.008	0.84	0.001	0.15
DEBT	0.046	1.65**	-0.051	-3.13	-0.053	-3.02
FAGE	0.00	0.85	0.00	-2.21	-0.001	-3.82
FSIZE	-0.024	-5.78	0.016	6.79***	0.009	3.6***
F-statistic	7.44		11.74		5.37	
R <sup>2</sup>	0.04		0.07		0.03	

Source: Developed for this Research

Notes: \* significant at 0.1 (1 tailed); \*\*significant at 0.05 (1 tailed); \*\*\* significant at 0.01 (1 tailed); Q = Market value of common equity plus book value of preferred shares and debt divided by book value of total assets, ROA = Net income divided by book value of total assets, OCF = Ratio of cash flow from operating activities to total assets, FCF = Family-controlled firm, LSHIP = Type of leadership that a firm practice, whether separate leadership or duality leadership, BCOMPO = Percentage of independent non-executive director divided by total directors, DIRQUAL = Percentage of directors' with degree and above divided by total Directors, PROQUAL = Percentage of independent director with professional qualification divided by total directors, MEETG = The frequency a firm conducts meetings per year, DEBT = The book value of long-term debt by total assets, FAGE = Number of years since incorporated, FSIZE = Natural log of the book value of total assets.

## ii. Panel data regression

Besides using the Pooled Ordinary Least Square (OLS), a Hausman test was carried out to determine whether Fixed Effect Model (FE) or Random Effect Model (RE) is appropriate in this study. The result of the Hausman test shows that p value was significant, so the F-statistic result, FE is more applicable in this study.

Table 5 explains that board composition for family and non-family controlled companies are negatively related with firm performance. It explains that when more independent directors sit on the board, the firm's performance decreases. Thus, companies do not fully utilize the roles of the independent directors. The directors may sit on the board to fulfill the board composition requirements or to show that the board is "independent", but in reality it is not. These findings do support previous studies (Trickers, 1984; Demb & Neubauer, 1992).

In term of director's qualification, only non-family controlled companies show positive relations with performance. Higher qualification by directors helps companies to achieve higher firm performance. Directors' educational background, competency and skills are used to manage the companies. This finding supports previous studies (Castillo & Wakefield, 2006).

For variable PROQUAL, family and non-family controlled companies show a negative relationship with the firm performance. The results indicate that having a higher number of independent directors with professional qualifications, does not increase a firm's the performance. This explains that family and non-family controlled companies may have problems getting competent directors on their boards (Henry, 2002).

Family-controlled companies favor more meetings to enhance firm performance. This may be due to the fact that the more regularly they meet; the more they discuss matters without being constrained by time. Decision making is taken seriously because the companies seek to have their assets transferred to future generations. In contrast, for non-family controlled companies, several meetings are ineffective. Non-family controlled companies usually comprise more outsiders. So, these outsiders work professionally such that when conducting meeting, every matter is taken seriously and time used wisely.

LSHIP variable for non-family companies is negatively related with firm performance. It shows that separate leadership actually enhances firm performance. In terms of control variables (debt, firm age and firm size) the results show a negative

relationship with firm performance. Non-family controlled companies do not favor the use of debt which is consistent with previous studies by Welch (2003). Family and non-family controlled companies support the notion that a firm's value decreases as it ages, and this is in line with studies by Dunne and Hughes (1994). The

finding supports research by Daily and Dollinger (1992). The research found that being non-family controlled enhance firm performance (when ROA and OCF are used as firm performance indicators). Thus, this finding also supports previous studies by Trow (1961).

*Table 5* : The FEM using Tobin Q, ROA and OCF (Family and non-family controlled companies)

	Tobin Q		ROA		OCF	
	FCF	NFCF	FCF	NFCF	FCF	NFCF
	Coefficient	Coefficient	Coefficient	Coefficient	Coefficient	Coefficient
FCF	0.000	-0.0073	0.0002	0.000	0.0000	0.0007
BCOMPO	-0.024	0.103***	-0.021	-0.105***	-0.009	-0.091
DIRQUAL	-0.008	0.116***	-0.004	0.053**	-0.011	-0.029
PROQUAL	0.314***	-0.106***	0.050***	0.004	-0.012	0.088**
MEETG	0.011**	-0.000	0.000	-0.006***	0.001	-0.003
LSHIP	-0.017	-0.064	0.002	0.045	0.003	0.007
DEBT	0.021	0.103***	-0.009	-0.130***	-0.021	-0.121
FAGE	0.000	0.000	-0.000***	-0.000	0.000*	0.001
FSIZE	-0.022*	-0.028	0.000	0.029***	0.002	0.017
F-statistic	21.00	12.21	8.24	2.42	10.65	3.92

Source: Developed for this research

Notes: \* significant at 0.1 (1 tailed); \*\*significant at 0.05 (1 tailed); \*\*\* significant at 0.01 (1 tailed); FCF = Family-controlled companies, NFCF = Non-family controlled firm, Tobin Q = Market value of common equity plus book value of preferred shares and debt divided by book value of total assets, ROA = Net income divided by book value of total assets, OCF = Ratio of cash flow from operating activities to total assets, LSHIP = Type of leadership that a firm practice, whether separate leadership or duality leadership, BCOMPO = Percentage of independent non-executive director divided by total directors, DIRQUAL = Percentage of directors' with degree and above divided by total Directors, PROQUAL = Percentage of independent director with professional qualification divided by total directors, MEETG = The frequency a firm conducts meetings per year, DEBT = The book value of long-term debt by total assets, FAGE = Number of years since incorporated, FSIZE = Natural log of the book value of total assets.

## V. CONCLUSION

Overall, this study finds that there are significant difference between family and non-family controlled firms' performance when measured by Tobin Q, ROA and OCF. For family-controlled companies, only two variables (PROQUAL and MEETG) are significant. Boards that have higher composition of professional directors show higher firm performance. But board meetings' frequency is in the differing trend. Family-controlled companies do show lower number of meetings. For non-family controlled companies, the board governance variables (BCOMPO, DIRQUAL, PROQUAL, MEETG and LSHIP) as suggested by code of Corporate Governance (2002) have improved the firm performance. In addition, debt, firm size and firm age affect a firm's performance. It is evidence that corporate governance does play a vital role in influencing Pakistani companies' financial performance. Family-controlled

companies do not comply with the guidelines provided by the Securities and Exchange Commission of Pakistan (2002). Thus, regulators need to take note that family and non-family controlled companies apply different sets of practices in managing their companies.

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# Performance of Incentive Schemes in Construction Projects in Nigeria

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**Abstract** - The purpose of incentive schemes is to motivate workers to achieve higher workplace performance. To confirm this purpose in construction projects in Nigeria, this study measured the extent to which incentive schemes induced workers to higher performance. The study was conducted with two sets of questionnaire which were administered on project managers on seventy one construction sites in Nigeria and five craftsmen on each of these sites. The questionnaire required the respondents to rank the performance of twenty types of incentive schemes used in the Nigerian construction industry on a five point Likert scale. The incentive schemes rated as high performing by project managers were day work schemes, medical allowance, holiday with pay and job and finish schemes and those ranked high by craftsmen were disability insurance and food canteens. This difference in perspectives revealed the need to harmonise the types of incentive schemes used in construction projects.

**Keywords** : *incentive schemes, project managers, craftsmen, performance indices.*

**GJMBR-A Classification** : *FOR Code: 150305, 220103, JEL Code: D22, J31,*



*Strictly as per the compliance and regulations of:*



# Performance of Incentive Schemes in Construction Projects in Nigeria

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**Abstract** - The purpose of incentive schemes is to motivate workers to achieve higher workplace performance. To confirm this purpose in construction projects in Nigeria, this study measured the extent to which incentive schemes induced workers to higher performance. The study was conducted with two sets of questionnaire which were administered on project managers on seventy one construction sites in Nigeria and five craftsmen on each of these sites. The questionnaire required the respondents to rank the performance of twenty types of incentive schemes used in the Nigerian construction industry on a five point Likert scale. The incentive schemes rated as high performing by project managers were day work schemes, medical allowance, holiday with pay and job and finish schemes and those ranked high by craftsmen were disability insurance and food canteens. This difference in perspectives revealed the need to harmonise the types of incentive schemes used in construction projects.

**Keywords** : *incentive schemes, project managers, craftsmen, performance indices.*

## 1. INTRODUCTION

Incentives are rewards given to an individual or group that cause them to respond with specific behaviours. Stolovitch [1] defined incentives as something/item valued by an individual or group that is offered in exchange for increased performance and an incentives system as an organized programme of rewards/or recognitions offered for the purpose of motivating people to perform in specific ways. Incentives can be positive or negative, tangible or intangible. They may be financial, or non financial, and are usually given to those who perform at a given level. Such rewards may be available to workers, supervisors, or top managers. Whether the incentive is linked directly to such items as safety, quality or absenteeism, the reward follows successful performance.

The purpose of incentives schemes is related to and advances the purpose of wages. [2] claimed that pay represents the most important and contentious element in the employment relationship, and it is of equal interest to the employer, employee and government. To the employer, because it can represent a significant part of his costs, is important to his employees' performance and to competitiveness, and affects his ability to recruit and retain a labour force of quality; to the employee, because it is fundamental to his standard of living and is a measure of the value of

his services or performance. The wage is equally important to the government because it affects aspects of macro-economic stability such as employment, inflation, purchasing power and socio-economic development in general.

Monitoring and measuring performance of incentive schemes is crucial for successful implementation of incentive schemes. This view is shared by Belfield and Marsden [3] who concluded in their study of performance based pay system, that the pay system alone does not drive organizational performance outcomes, but the combination of the pay system and monitoring environment do. In the same vein incentive schemes that are not monitored and evaluated firmly and systematically against intended business outcomes are invariably those that have little or no business impact, if you don't measure it, you can't manage it. Incentive schemes should rather be treated as an on-going management initiative, requiring continual review and re direction.

The benefits derivable from performance measurement are several. For example Kaydos [4] asserted that managers derived benefits such as improved control, clear responsibilities and objectives in running their organizations, strategic alliance of company's objectives, understanding of the business process and ability to ascertain the capabilities/limitation of organizations. Spitzer [5] also listed benefits of performance measurement as focused attention, clarified expectations, accountability, increased objectivity, provides basis for goal setting, improved execution, promotes consistency, facilitates feedback, increases alignment, improves decision making, provides early warning signals, enables prediction and facilitates motivation.

Studies of performance measurement of applied incentives in the construction industry have measured the impact of the incentive schemes in general ways. The studies have predominantly assessed whether financial incentives are good motivators or not. Research conducted by Schrader [6], Bocherding [7] Burcherding and Laufer [8], Maloney [9], Wahab [10] and Aina [11] affirmed financial incentives as being able to improve performance of construction workers. But they all did not provide the extent of performance improvement, especially in empirical terms so as to justify the continuous use or review of the incentive schemes. This gap is the focus of this study.

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## II. RESEARCH METHODOLOGY

The data required for this study were primary data. The data was sourced using structured questionnaire and in depth interview with the management of construction firms. The population for the study were the contractors registered with the Federation of Construction Industry (FOCI) comprising medium and large construction contractors registered in the categories C and D with the Federal Ministry of works. These classes of contractors have formal organizations with structured incentive programmes suitable for this study. Out of the 95 firms on the FOCI register, 78 firms located in Lagos and Abuja was selected as the sample size. This figure constituted 82% of the firms on the FOCI register.

Twenty incentive schemes were presented for performance assessment by construction firms. The contractors and the craftsmen were separately asked to rank the performance scores of the incentive schemes on a Likert scale of 1 to 5. The scale was defined as follows; 1-very low performance, 2- low performance, 3- Average performance, 4- high performance and 5- very high performance. The preference of the contractors and their craftsmen were used to compute contractor's

incentive performance indices **KIPI** and craftsmen incentive performance indices **CIPI**. For the **KIPI** and **CIPI**, the total weight value for each incentive scheme is obtained by summing the product of the number of response for each rating to an incentive scheme and the

respective weight value expressed as  $TWV = \sum_{i=1}^5 P_i V_i$

where **TWV** is the total weight value, **P<sub>i</sub>** is the number of respondents rating an incentive **i** and **V<sub>i</sub>** is the weight assigned to incentive **i**. The **KIPI** and **CIPI** for each incentive scheme is derived by dividing **TWV** by the total number of respondents (**n**).

$$KIPI / CIPI = \frac{\sum_{i=1}^5 P_i V_i}{n}$$

The means of **KIPI** and **CIPI** were also computed. The deviation about the mean of each factor and the variance and standard deviation of the distribution were also calculated to measure the scatter about the mean. The coefficient of variation were calculated to measure the scatter in the data relative to the mean in percentages.

*Table 1.0 : Contractor's Incentive Performance Indices (KIPI)*

Incentive Scheme	Contractor's Performance Incentive Index <b>KIPI</b>	Rank	$KIPI - \overline{KIPI}$	$(KIPI - \overline{KIPI})^2$
Profit sharing	1.17	14 <sup>th</sup>	-0.42	0.18
Day work	3.33	2 <sup>nd</sup>	1.20	1.44
Piece work	1.16	15 <sup>th</sup>	-0.97	0.94
Hour saved	2.08	8 <sup>th</sup>	-0.05	0.003
Standard time	1.95	11 <sup>th</sup>	-0.18	0.03
Geared system	0.56	18 <sup>th</sup>	-1.55	2.40
Plus rate	1.88	13 <sup>th</sup>	-0.25	0.06
Job and finish	3.21	3 <sup>rd</sup>	1.08	1.17
Indirect scheme	0.88	16 <sup>th</sup>	-1.25	1.56
Group Incentives	2.38	7 <sup>th</sup>	0.25	0.06
Holiday with pay	3.13	4 <sup>th</sup>	1.00	1.00
Canteens	2.04	9 <sup>th</sup>	-0.09	0.019
Sports facilities	0.67	17 <sup>th</sup>	-1.46	2.13
Staff bus	1.92	12 <sup>th</sup>	-0.21	0.04
Pension scheme	2.08	8 <sup>th</sup>	-0.05	0.003
Training	2.00	10 <sup>th</sup>	-0.13	0.02
Medical allowance	3.95	1 <sup>st</sup>	1.82	3.31
Disability Insurance	2.63	6 <sup>th</sup>	0.50	0.25
Free working tools	2.04	9 <sup>th</sup>	-0.09	0.09
Relocation expense	2.88	5 <sup>th</sup>	0.75	0.56

$$\text{Variance} = \frac{(\text{KIPI} - \text{KIPI})^2}{n}$$

$$= 15.26$$

$$20$$

$$= 0.76.$$

$$\text{Standard deviation (SD)} = \sqrt{\text{variance}}$$

$$= \sqrt{0.76}$$

$$= 0.87.$$

$$\text{Coefficient of variation} = \frac{\text{SD}}{\text{KIPI}} \times 100$$

$$= 41\%.$$

### III. DISCUSSION OF RESULTS

The indices for incentive performance **KIPI** are presented in table 1.0. it is seen in the table that the highest **KIPI** is 3.95 and the lowest is 0.58. The incentive scheme with the highest **KIPI** and performance was medical allowance, while geared system had the lowest performance index. The average **KIPI** was 2.13.

Incentive schemes with **KIPI** higher than mean of **KIPI** were: day work scheme, job and finish scheme, Holiday with pay, Group Incentives, medical allowance, Disability insurance and relocation expense. Incentive schemes with **KIPI** lower than the mean of **KIPI** were profit sharing, piece work, hour saved, standard time, geared system, plus rate, indirect scheme, canteens, sport facilities, staff bus, pension scheme, training and free working tools. The highest and lowest deviations about the means were 1.82 and -1.55.

The implications of contractors' incentive performance indices **KIPI** are:

- None of the incentive schemes performed at the "very high impact" level because none scored up to 5.0.**KIPI**. The closest to the "high impact" level is medical allowance which scored 3.95 **KIPI**.
- Four of the incentive schemes, namely; medical allowance, daywork scheme, job and finish scheme and holiday with pay have **KIPI** that are between medium impact and high impact performance
- Eight incentive schemes, namely; freeworking tools, relocation expense, disability insurance, training, pension scheme, canteens, group incentives and hour saved scheme have performances that ranged between low impact and medium impact.
- All the remaining seven incentive schemes performed between zero impact and low impact levels.
- The non financial incentive schemes performed better than the financial incentive schemes.

*Table 2.0 : Craftsmen Incentive Performance Indices (CIPi)*

Incentive scheme	Craftsmen Incentive Performance index. CIPi	Rank	CIPi – $\bar{\text{CIPi}}$	$(\text{CIPi} - \bar{\text{CIPi}})^2$
Profit sharing	0.60	13 <sup>th</sup>	-1.75	3.06
Day work scheme	2.40	8 <sup>th</sup>	0.05	0.00
Piece work	1.40	11 <sup>th</sup>	-0.95	0.090
Hour saved scheme	0.60	13 <sup>th</sup>	-1.75	3.06
Standard time	1.60	10 <sup>th</sup>	-0.75	0.56
Geared system	0.40	14 <sup>th</sup>	-1.95	3.80
Plus rate	2.80	7 <sup>th</sup>	0.45	0.20
Job and finish	3.40	4 <sup>th</sup>	1.05	1.10
Indirect scheme	2.60	7 <sup>th</sup>	0.25	0.06
Group Incentive	2.00	9 <sup>th</sup>	-0.35	0.12
Holiday with pay	2.00	9 <sup>th</sup>	-0.35	0.12
Canteens	4.20	2 <sup>nd</sup>	1.85	3.42
Sports facilities	0.80	12 <sup>th</sup>	-1.55	2.40
Staff bus	1.60	10 <sup>th</sup>	-0.75	0.56
Pension scheme	2.80	7 <sup>th</sup>	0.45	0.20
Training	3.40	4 <sup>th</sup>	1.05	1.10
Medical allowance	3.00	6 <sup>th</sup>	0.65	0.42
Disability Insurance	4.40	1 <sup>st</sup>	2.05	4.20
Free working tools	3.60	3 <sup>rd</sup>	1.25	1.56
Relocation expense	3.40	4 <sup>th</sup>	1.05	1.10
	47.00			27.94

$$\overline{\text{CIP}} = \sum \frac{\text{CIP}}{20} = 2.35$$

$$\begin{aligned} \text{Variance} &= \frac{(\text{CIP} - \overline{\text{CIP}})^2}{n} \\ &= \frac{27.94}{20} \\ &= 1.39. \end{aligned}$$

$$\begin{aligned} \text{Standard deviation} &= \sqrt{\text{variance}} \\ &= \sqrt{1.39} = 1.18 \end{aligned}$$

$$\begin{aligned} \text{Coefficient of variation} &= \left\{ \frac{1.18}{2.35} \times 100 \right\} \% \\ &= 50 \end{aligned}$$

$$\text{Coefficient of variation} = 50\%.$$

Table 2.0 shows the craftsmen incentive performance indices (CIP). The table shows that disability insurance has the highest index 4.40 while geared incentive has the lowest index 0.40. The average impact of all the incentives CIP is 2.35. incentive schemes with CIP higher than the mean were Day work scheme, plus rate, job and finish Indirect scheme, canteens, pension scheme, Training, medical allowance, disability insurance, free working tools and relocation expense. Incentive schemes with CIP lower than the mean of CIP are profit sharing, piece work scheme, hour saved, standard time. Geared scheme, group incentive, holiday with pay, sports facilities and staff bus. The highest and the lowest deviation around the mean are 2.05 and -1.95.

The scatter around the means of the two distributions KIP and CIP were large. This implied that the KIP and CIP values do not cluster around their means. The computed KIP variance was 0.76 with a standard deviation of 0.87. The CIP distribution recorded a variance of 1.39 and a standard deviation of 1.18. The coefficient of variation was 41percent and 50 percent for KIP and CIP respectively. The computation showed that the scatter of data relative to mean was higher in CIP than KIP. The ranges of the deviations of KIP distribution was 3.37 (3.95 – 0.58) while that of CIP was 4.00 (4.40 – 0.40).

The implications of craftsmen incentive performance indices CIP were:

- According to the craftsmen none of the incentive schemes performed at the very high impact level because none scored up to 5.0CIP. However two of the schemes, namely; disability insurance and canteens scored “high impact” performance of 4.4 and 4.2 CIP respectively.
- Five of the incentive schemes, namely; job and finish scheme, training, medical allowance, free working tools and relocation expense have CIP ranging between “medium impact” performance and “high impact” performance.
- Seven of the incentive schemes, namely; daywork scheme, plus rate ,indirect scheme, group incentives, holiday with pay and pension schemes performed between “low impact” and “medium impact” CIP.
- The remaining six incentive schemes had CIP that ranged between “zero impact” and “low impact”.
- The non financial incentive schemes performed better than he financial incentives.

**Table 3.0 .:** Grouping of the variables according to their deviation about the means of KIP and CIP.

Group	Incentive scheme	Deviation about mean of KIP	% Deviation	Deviation about mean of CIP	% Deviation
A	Group incentive Holiday with pay	+0.25	+12	-0.35	-15
		+1.00	+47	-0.35	-15
B	plus rate	-0.25	-12	+0.45	19
	Indirect scheme	-1.25	-59	+0.25	11
	Canteens	-0.09	-4	+1.85	79
	Pension scheme	-0.05	-2	+0.45	19
	Training	-0.13	-6	+1.05	45
	Free working tools	-0.09	-4	+1.25	53
C	Day work scheme	+1.20	+56	+0.05	+2
	Job and finish	+1.08	+51	+1.05	+45
	Medical allowance	+1.82	+85	+0.65	+28
	Disability Insurance	+0.50	+23	+2.05	+87

	Relocation Expense	+0.75	+35	+1.05	+45
D	Profit sharing	-0.42	-20	-175	-74
	Piece work	-0.97	-46	-0.95	-40
	Hour saved	-0.05	-2	-1.75	-74
	Standard time	-0.18	-9	-0.75	-32
	Geared system	-1.55	-73	-1.95	-83
	Sports facilities	-1.46	-69	-1.55	-66
	Staff bus	-0.21	-10	-0.75	-32

#### IV. APPRAISAL OF THE VARIATIONS AROUND THE MEANS OF KIFI AND CIFI INDICES

The variations showed four categories of behaviors around the means of KIFI and CIFI. These four groups are presented in table 3.0:

**Group A :** These are incentive schemes with positive deviation about the mean of KIFI but with negative deviation about the mean of CIFI. These are incentive schemes considered to be high performing by contractors but low performing by the craftsmen. The Is are group incentives and Holiday with pay, their deviation about the mean of KIFI are 0.25 and 1.00 respectively and their deviation about the mean of CIFI are also -0.35 and -0.35. the contrast in the indices of the contractors and the craftsmen show the perceptions on the both sides. While the contractors believe these incentive schemes are performing well, their craftsmen do not share their views. The large positive deviation (47%) of the holiday with pay shows that the KIFI for this is stronger than the CIFI (15%).

**Group B :** These are incentive schemes with negative deviation about the mean of KIFI, but positive deviation about the mean of CIFI. These are iIS considered to be low performing by the contractors but high performing by the craftsmen. These incentive schemes are plus rate, Indirect scheme, canteens, pension scheme, Training and free working tools. The percentage deviation of canteens by the craftsmen (+79%) is the largest in this group, followed by free working tools (53%) and Training (45%). These high percentages show the high premium that craftsmen placed on canteens, free tools and Training against the opinion of the contractors on these incentive schemes. Though the negative deviation about the mean of the KIFI for canteen, free tools, training and pension suggest that the contractors scored these incentive schemes as low performing, but the percentage deviation of the incentive schemes about the mean is very small and close to the mean. They are 4%, 2%, 6% and 4% respectively. This suggests that though they are negative, they are almost on the mean and do not suggest that the contractors are avowed to such important incentive schemes such as training and pension scheme.

**Group C :** These are incentive schemes with positive deviation about the mean of KIFI and the mean of CIFI. These are incentive schemes considered to be high performing by both the contractors and the craftsmen. These incentive schemes are Day work scheme, job and finish, medical allowance, disability insurance and relocation expense. Convergence of the opinions of the contractors and craftsmen points to the importance of this list of incentive schemes and consequently the premium that management of construction firms should bestow them. In this group, medical allowance leads the pack with positive total CIFI and KIFI deviation of +113%. Followed by disability insurance (110%). Job and finish scheme and relocation expense have balance scoring by both the contractors and craftsmen 51% and 45% for job and finish and 35% and 45% for relocation expense. This balance scoring suggests that these two incentive schemes deserve the attention of management of construction firms because of the concordance exhibited by the contractors and craftsmen.

**Group D :** These are incentive schemes with negative deviation about the mean of KIFI and the mean of CIFI. These are incentive schemes considered to be low performing by the contractors and the craftsmen. These incentive schemes are profit sharing, piece work, hour saved, standard time, geared system, sports facilities and staff bus. The convergence of position of contractors and craftsmen in this case too suggest that these schemes are low performing and not so important. The population of this group is made up of more financial group of incentive schemes (5#) and two non financial incentive schemes. The lowest performing IS are geared system (-156%) and sports facilities (-136%).

#### V. CONCLUSION

The findings of this study showed that incentive schemes used in the construction industry in Nigeria are of wide variety and different compositions. These incentive schemes impact workers differently and thus perform the function of motivating workers differently. The high performing incentive schemes are day work scheme, job and finish scheme, medical allowance, disability insurance, and relocation expense. Though these are high performing, none of their performance rating was at "very high impact" level, the highest was at

“high impact level”. The result also showed that there was consensus among the project managers and craftsmen that non financial incentives performed better than the financial incentives. Conversely, there was strong variance between them on the motivating strengths of group incentives, holiday with pay, plus rate and indirect schemes. This dissention requires harmonization for the purpose of optimizing the use of the incentive schemes.

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6. After Acceptance.

### 1. GENERAL

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## References

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**27. Refresh your mind after intervals:** Try to give rest to your mind by listening to soft music or by sleeping in intervals. This will also improve your memory.

**28. Make colleagues:** Always try to make colleagues. No matter how sharper or intelligent you are, if you make colleagues you can have several ideas, which will be helpful for your research.

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- Please note the criterion for grading the final paper by peer-reviewers.

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#### Results:

The principle of a results segment is to present and demonstrate your conclusion. Create this part a entirely objective details of the outcome, and save all understanding for the discussion.

The page length of this segment is set by the sum and types of data to be reported. Carry on to be to the point, by means of statistics and tables, if suitable, to present consequences most efficiently. You must obviously differentiate material that would usually be incorporated in a study editorial from any unprocessed data or additional appendix matter that would not be available. In fact, such matter should not be submitted at all except requested by the instructor.

#### Content

- Sum up your conclusion in text and demonstrate them, if suitable, with figures and tables.
- In manuscript, explain each of your consequences, point the reader to remarks that are most appropriate.
- Present a background, such as by describing the question that was addressed by creation an exacting study.
- Explain results of control experiments and comprise remarks that are not accessible in a prescribed figure or table, if appropriate.
- Examine your data, then prepare the analyzed (transformed) data in the form of a figure (graph), table, or in manuscript form.

#### What to stay away from

- Do not discuss or infer your outcome, report surroundings information, or try to explain anything.
- Not at all, take in raw data or intermediate calculations in a research manuscript.



- Do not present the similar data more than once.
- Manuscript should complement any figures or tables, not duplicate the identical information.
- Never confuse figures with tables - there is a difference.

#### Approach

- As forever, use past tense when you submit to your results, and put the whole thing in a reasonable order.
- Put figures and tables, appropriately numbered, in order at the end of the report
- If you desire, you may place your figures and tables properly within the text of your results part.

#### Figures and tables

- If you put figures and tables at the end of the details, make certain that they are visibly distinguished from any attach appendix materials, such as raw facts
- Despite of position, each figure must be numbered one after the other and complete with subtitle
- In spite of position, each table must be titled, numbered one after the other and complete with heading
- All figure and table must be adequately complete that it could situate on its own, divide from text

#### Discussion:

The Discussion is expected the trickiest segment to write and describe. A lot of papers submitted for journal are discarded based on problems with the Discussion. There is no head of state for how long a argument should be. Position your understanding of the outcome visibly to lead the reviewer through your conclusions, and then finish the paper with a summing up of the implication of the study. The purpose here is to offer an understanding of your results and hold up for all of your conclusions, using facts from your research and generally accepted information, if suitable. The implication of result should be visibly described. Infer your data in the conversation in suitable depth. This means that when you clarify an observable fact you must explain mechanisms that may account for the observation. If your results vary from your prospect, make clear why that may have happened. If your results agree, then explain the theory that the proof supported. It is never suitable to just state that the data approved with prospect, and let it drop at that.

- Make a decision if each premise is supported, discarded, or if you cannot make a conclusion with assurance. Do not just dismiss a study or part of a study as "uncertain."
- Research papers are not acknowledged if the work is imperfect. Draw what conclusions you can based upon the results that you have, and take care of the study as a finished work
- You may propose future guidelines, such as how the experiment might be personalized to accomplish a new idea.
- Give details all of your remarks as much as possible, focus on mechanisms.
- Make a decision if the tentative design sufficiently addressed the theory, and whether or not it was correctly restricted.
- Try to present substitute explanations if sensible alternatives be present.
- One research will not counter an overall question, so maintain the large picture in mind, where do you go next? The best studies unlock new avenues of study. What questions remain?
- Recommendations for detailed papers will offer supplementary suggestions.

#### Approach:

- When you refer to information, differentiate data generated by your own studies from available information
- Submit to work done by specific persons (including you) in past tense.
- Submit to generally acknowledged facts and main beliefs in present tense.

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<b>References</b>	Complete and correct format, well organized	Beside the point, Incomplete	Wrong format and structuring



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