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Corporate social responsibility and family business: An overview

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This paper aims to examine the main Corporate Social Responsibility (CSR) dimensions in order to provide a preliminary representation of the several perspectives of study dealt by the literature. Subsequently, for each CSR dimension, a proposition is suggested, which highlights the most critical issues emerging from the literature. Such propositions summarize the main characteristics of CSR dimensions and could be useful for further future studies. Similar approach is applied in the second part of the paper, which is focused on the relationship between CSR and the family business and suggest propositions addressed to some peculiarities of CSR and family business, such as: (a) the association between family ownership and community-related CSR performance and (b) the association between family ownership and the employee-related CSR performance.

Key words: Corporate social responsibility, family business, corporate social responsibility performance, environment, small and medium-sized enterprises (SMEs).

INTRODUCTION

In recent years, Corporate Social Responsibility (CSR) received an increasing attention from a wide range of stakeholders, as information on corporate ethical values and social initiatives are considered increasingly important in evoking positive and strong reactions among stakeholders (Morsing and Schultz, 2006). Consequently, the amount of corporate social information and the number of communication channels used to disclose social information has increased as well as the relevance of CSR studies is widely recognized by the literature, as CSR involves several aspects and actors: first, it affects sustainability (Van Marrewijk, 2003), local community and society (Pedersen, 2010), as it plays an important role in preserving the environment (Carroll, 1999), in respecting and promoting human rights and job satisfaction (Hou and Reber, 2011) and in developing and supporting ethical and moral values inside the company (Joyner and Payne, 2002); second, as a consequence, CSR affects the image and reputation of companies (Weber, 2008) and thus its financial and economic performances (Neville et al., 2005). Considering the large number of dimensions and perspectives under which CSR is analysable, and the several implications found by academic literature, a review of the main studies conducted on the main CSR dimensions is proposed, such as, the attention paid to the environment and the sustainability, impacts of CSR on society and community, corporate image and reputation, job satisfaction, economic and financial performance of CSR.

Along the time, especially in the last few years, the
attention paid to the involvement of family business in the CSR has gradually increased. Adams (2002) and Prado-Lorenzo et al. (2009), recognized that many studies on the impact of firms' characteristics and external factors on the extent of CSR reporting were widely available, whereas there was a lack of studies on the impact of internal factors, such as family involvement in ownership and management. Conversely, in last few years, a great amount of studies has been produced about the relationship between family business and CSR (Lybaert, 2014; Cruz and Larraza-Kintana, 2014; Campopiano and De Massis, 2015), given the increasing dominance and socio-economic role of family firms in the economic system.

Literature on the relationship between CSR and family business, deals with the peculiarities of this association. In this regard, De la Cruz Déniz Déniz and Suárez (2005), following the Quazi and O'Brien (2000) model, classify Spanish family firms according to their approach to the CSR, supporting the idea that family firms are very heterogeneous in their orientation towards CSR. In fact, through a cluster analysis, they demonstrate that family firms could follow a "classic", "socio-economic", or "philanthropic" approach to the CSR. On a slightly different perspective, Payne et al. (2011) show the heterogeneity between family and non-family companies in disclosing their organizational virtue orientation; for doing so, authors conduct a content analysis of the shareholder letters from S&P 500 companies. Through a wider approach, Block and Wagner (2014), use a dataset of 500 US firms to investigate whether the family ownership affects the several dimensions of CSR, classified as community-, diversity-, employee-, environment- and product-related aspects. They carry out the analysis using data from a social performance rating service (that is, KLD, which stands for Kinder, Lydenberg and Domini).

Cruz et al. (2014) focus the attention on one of the several CSR dimensions, studying the effects of family firms on stakeholders, finding out that, on one side, family firms engage in social initiatives towards external stakeholders just like non-family firms, but on the other side, family firms abate the social practices related to the internal stakeholders (employees and governance).

Other studies analyse the CSR disclosure using content analysis techniques (Lock and Seele, 2016); such techniques are also used to analyse the differences between family and non-family firms in disclosing CSR reports (Campopiano and De Massis, 2015) and allow to find out that family firms disclose a wider variety of CSR reports respect to non-family firms, but at the same time, family firms are less compliant with CSR standards.

As it can be understood from the aforementioned considerations, the results of the researches do not provide a common view on the relationship between CSR and family business, as some studies support the idea that family businesses are more socially responsible than non-family firms (Cennamo et al., 2012; Berrone et al., 2010), whereas other studies sustain exactly the opposite (Bingham et al., 2011; Kellermanns et al., 2012; Morck and Yeung, 2004).

In this debate, this study aims to clarify which is the several perspectives of analysis of CSR and which are the interrelationships between family business and CSR, suggesting a set of propositions emerging from the literature analysis. Specifically, for each CSR dimension, a proposition was suggested aimed to summarize the most critical issues to be further investigated in future researches.

Subsequently, a literature analysis is presented broken down into the main CSR dimensions, defining propositions useful to shed light on the primary issues of each of CSR aspects. After the literature analysis on CSR, a literature review was proposed on the relationship between CSR performance and family business, in order to suggest propositions that are specifically focused on the most important features of the association between family firms and CSR.

**METHODOLOGY**

This research is presented through a proposition-based approach, whose aim consists of a literature review regarding the main CSR dimensions and the relationships between CSR and family business. The main studies on the two subjects are investigated through a deep literature analysis, in order to let emerge topics which would deserve more attention by scholars, given the literature controversy or the lack of studies found about them. Such topics are then synthetized in a set of propositions.

The proposition papers are widely used in the literature and can pursue several aims, as the propositions are suitable to discuss both current and future facts. For example, Minor et al. (1991) use propositions to discuss about: (a) the ways in which companies entry in foreign markets; (b) the key strategic objectives that companies tend to pursue and (c) the features which make a foreign market attractive. A similar approach is followed by Mukerjee (2016), who posits propositions aimed at examining the factors that contribute to the competitive advantage, basing the research on the main literature and on the best practices adopted by major companies. Other scholars identify propositions derived from previous literature concerning large companies, in order to examine and discuss their robustness on small-medium size companies (Murphy and Poist, 1998). Another study compares the results of prior literature on information systems control with the future challenges of emerging information systems and suggest a set of propositions to examine and discuss the linkages between current information system control aspects and future information systems challenges (Cram et al., 2016).

The aforementioned considerations show that many literature contributions employ a proposition-based approach, following almost the same approach: analysis of prior literature and formulation of propositions to examine and discuss one or more phenomena, variables and associations.

In this paper, a literature analysis on CSR dimensions and on the relationships between CSR and family firms were conducted, following three phases:

1. Literature analysis on the social responsibility, aimed at identifying the several dimensions of CSR;
CSR: A MULTIDIMENSIONAL CONCEPT

CSR, more than ever before, has gained a remarkable importance, as it regards a wide range of elements closely related between each other and such an interaction, on one side, affects the whole environment in which the company operates, and on the other side, can be influenced by the environmental changes, including the stakeholders’ expectations (Werther Jr and Chandler, 2010). Moreover, especially in this historical moment, companies need to define their roles in society as the attention paid by stakeholders has dramatically increased on several CSR-related issues. Some studies suggest that companies should apply new standards in their businesses, to make sure that the social, environmental and ethical responsibilities are respected (Lichtenstein et al., 2004; Lindgreen et al., 2009).

At this regard, the behaviour of companies which disclose CSR can be explained under four theoretical perspectives: the stakeholder theory, the signalling theory, the legitimacy theory and the institutional theory. According to the stakeholder theory, a company needs to meet the stakeholders’ expectations in order to achieve its strategic objectives (Freeman, 1984) and CSR disclosure is one of the means a company can employ to meet stakeholders demands (Ullman, 1985; Roberts, 1992). Furthermore, companies are interested in disclosing information regarding their social initiatives to respond to the stakeholders’ attention and to show them the good social practices adopted (Chiu and Shapman, 2009; Yuthas et al., 2004).

These last considerations are supported by the signalling theory, which states that companies which develop good practices will be even more interested in making them public to signal the high quality level of their social initiatives to stakeholders (Connelly et al., 2011; Magness, 2009).

In addition, the legitimacy theory and the institutional theory provide further elements that explain the reasons why companies communicate (signal) information about their social initiatives. According to the legitimacy theory, companies are bound by a "social contract" which requires them to carry out expected social activities, in order to receive, in return, the approval from the society in which they operate (Hooghiemstra, 2000; Suchman, 1995; Fernando and Lawrence, 2014). The concepts of the legitimacy theory are very close to those of the institutional theory, which states that companies, in order to survive, tend to pursue an institutional isomorphism, complying with the predominant structural and procedural rules and belief systems within which they operate (Powell and DiMaggio, 2012; Carpenter and Feroz, 2001).

Literature deals with CSR under several aspects as social responsibility may influence a large number of factors. About the items composing the social responsibility, Carroll (1991) proposes the "pyramid" of CSR, including four main items: (a) the economic responsibility to produce an acceptable return for investors; (b) the legal responsibility to comply with laws and regulations; (c) the ethical responsibility to do not damage stakeholders nor the environment in which the company operates; (d) the discretionary responsibility to be strategically proactive to benefit the firm and/or the society. On a similar perspective, other studies assert that companies which are not obliged by the law to behave responsibly, can choose to follow responsible policies for defensive, strategic or altruistic aims (Vogel, 2005).

Therefore, to provide a more complete discussion of CSR and in order to define the propositions that would deserve a deeper analysis, there is need to take into consideration a large amount of CSR-related aspects, such as, the objectives of CSR, its impact on corporate image and reputation, the characteristics of the companies which carry out the CSR policies (large companies or small medium-sized companies), the impact of CSR on society and community, the social performance and the economic return related to CSR. Figure 1 gives a schematic and systemic representation of these issues, with the aim to show the possible relationships between the several CSR dimensions. For example, CSR is the central item in the scheme as it is linked with all the other dimensions of the figure. Regarding large companies and small and medium-sized enterprises (SMEs), literature deals with similarities and diversities in their approach to CSR; whatever the size of the company, CSR is addressed to the society and the community, has effects on the environment, on the sustainability and on the job satisfaction, which are all elements that improve image and reputation. Higher reputation is linked with better economic and financial performance. The element which allows the linkage between CSR and all the other dimensions is the corporate social disclosure, that is the formal expression, voluntary or mandatory, of the social managerial intents.

In order to inform the stakeholders about the CSR policies carried out, the objectives pursued and the results obtained, the corporate social disclosure plays a crucial role. On this topic, literature shows a wide research field composed of several studies analysing the influence of external factors (such as stakeholders power) and internal factors (such as, the existence of a CSR committee) on the level of corporate social disclosure activism (Cowen et al., 1987; Roberts, 1992; Gray et al., 1995; Hackston and Milne, 1996; Cormier and Magnan, 2003; Cormier et al., 2005; Reverte, 2009), and a number of more recent studies about the opportunities offered by the modern, web-based forms of social responsibility disclosure (Chong et al., 2016; Vilar and Simão, 2015;
CSR: Environment and sustainability

One of the main aspects of CSR is the attention to the environment (Carroll, 1999) and to the responsibilities of the companies in the ecological field and the sustainability (Orlitzky et al., 2011). Closely related to the environmental CSR is the corporate sustainability, a term that is very often used with the same meaning of CSR (Montiel, 2008), with the same scope and dimensions (Acutt et al., 2004), but that, according to other authors, express a different concept. While CSR is the responsibility of companies on their impact on society, corporate sustainability could be defined as the capacity to satisfy the needs of the present, without compromising the ability of future generations to meet their own needs (Strand et al., 2015).

Some studies underline that both market and nonmarket forces are making the attention to the environment profitable and that the environmental CSR is even more influenced by public and private politics (Lyon and Maxwell, 2008). Given the high importance recognized to the environmental issues, legislation and regulation dealing with environment-related aspects is increasing, making environmental disclosure mandatory for companies operating in potential harmful industries and for companies adopting IAS/IFRS (Barbu et al., 2014). According to Lyon (2007), the effect of CSR on financial performances is different among the industries; specifically, the production industry benefits more than the service industry in reporting more CSR, because companies belonging to the production industry are more publicly exposed given their greater impact on the environment.

The importance recognized to the environmental CSR leads many studies to analyse how companies engage in environmental protection and in measuring environmental performance (Clarkson et al., 2008; Rahman and Post, 2012). As literature shows, the majority of the studies carried out in the environmental CSR fields aim to analyse issues pertaining to particular polluting industries (Cormier and Magnan, 1999; Clarkson et al., 2008; Dandago and Arugu, 2014) and mainly to respond to the stakeholders’ pressures (Ilinitch et al., 1998; Onkila, 2009; Rahman and Post, 2012, Roberts, 2001). Still in responding to stakeholders’ expectations, companies can issue the sustainability report in order to make explicit their commitment to contribute to sustainable economic development, to promote the development of employees, the health of their families, of the local community and the society (World Business Council for Sustainable Development, 2004). Several researches into corporate sustainability refer to environmental issues, especially in polluting industries (Schellnhuber, 2006; Simnett and Nugent, 2007; Dyllick and Hockerts, 2002). Therefore, it is possible to state:

*Proposition 1*: The amount of sustainability reporting and environmental CSR disclosure depends on the potential harmfulness of the industry and on the stakeholders’ power.
CSR: Society and community

Society and community are very closely linked to the environmental and sustainability dimension. CSR is generally encouraged by governments and civil society, also considering that even in 2007 emerged that the society has great expectations that companies will assume public responsibilities (Bielak et al., 2007). From the civil society point of view, CSR has gained significance for several reasons: the growth of very large and powerful multinational companies (Hamann and Acutt, 2003), which, on one side, risk to harm the environment or even the citizens’ health and on the other side, are very attentive in disclosing their CSR policies and projects. This ‘corporate citizen paradox’ is well explained by Marsden (2000), who states that large corporations are the main responsible for many environmental and social troubles (Edoho, 2008), but at the same time, they are seen as the “key allies” to fight against the negative environmental and social impacts. Similarly, despite communities require CSR projects to be aligned with the emerging needs of people and society, corporate often use CSR only to make superficial or partial changes, only for image-related purposes (Hamann and Acutt, 2003). In other terms, the major critique to CSR on a society and community point of view, is that it seems not to be based on a genuine attention to improve social and environmental impacts. According to an interpretative study (Hine and Preuss, 2009), corporate philosophy to CSR seems not to undermine, or to run counter to, the commercial imperative. This seems to confirm the Roberts’ interpretation of CSR as manifestation of corporate pragmatism (Roberts, 2001). Therefore, as stated earlier, CSR is the response to the stakeholders’ pressures and governments regulations, but it seems not always aligned with the real public expectations, which are based on the hope that CSR could be perceived in the future, by enlightened manager, as the opportunity to reform the corporate practices on a value-driven base (Weaver et al., 1999). For these controversial considerations, we can lay down the following statement:

**Proposition 2: CSR disclosure does not satisfy the expectations of all the stakeholders composing the society and the community.**

CSR: Human resources and job satisfaction

CSR has external and internal implications. The external dimension is related to the “satisfaction” of external stakeholders, such as the society and the local community, while the internal dimension is related to the quality of the organization inside the company (Valentine and Fleischman, 2008). These two perspectives are linked between each other as it seems that the jobs inside companies with good external reputation, look more coveted by potential employees, who would be willing to forgo better financial conditions in order to work in a company with a better reputation (Montgomery and Ramus, 2003). This is confirmed by Valentine and Fleischman (2008), who find that the relationship between ethics programs (that is, the presence of a code of ethics, communication of code of ethics, presence of ethics training and hours of ethics training) and job satisfaction is mediated by the CSR perception. They also find that ethics codes, ethics training and perceived CSR are positively associated with job satisfaction. Similar results are obtained in prior studies which analyse the association between the organizational ethics and the positive response of the employees (Trevino et al., 1998; Koh and El’Fred, 2001). Other studies dealing with job satisfaction find that job satisfaction is beneficial for the firm value, therefore, the improvement of job satisfaction contributes to the improvement of stock returns (Edmans, 2012). On these bases, it is possible to lay down the following statement:

**Proposition 3: Perceived CSR affect the job satisfaction which, in turn, allows better financial performance.**

CSR: Image and reputation

The issue of corporate image and reputation can be studied following two different approaches:

1) the factors which affect the image and reputation;
2) the elements which are affected by image and reputation.

According to the first point, image and reputation reflect the positive effects due to the attention of the company to other CSR- and reputation-related dimensions, such as caring about employees, environmental sustainability, community/stakeholder relations (Montgomery and Ramus, 2003). In other terms, corporate reputation depends on the public judgement over time (Fombrun and Shanley, 1990) and reputation leads to several benefits: (a) attraction of job applicants (Gatewood et al., 1993) and employee retention, as the good reputation increases the job satisfaction (Rich et al., 1977); (b) improvement of the brand value of the company (Dowling, 2006); (c) higher financial performance, institutional investment and share price (Bear et al., 2010).

The factors which contribute to increase the reputation of a company are related to several issues, such as accounting measures of profitability and risk, market value, dividend yield and social concern (Fombrun and Shanley, 1990), customer satisfaction (Bontis et al., 2007), stakeholder familiarity (McCorkindale, 2008). In a broader sense, the elements that can improve the corporate image and reputation are the actions that demonstrate...
the CSR (Arendt and Brettel, 2010; Branco and Rodrigues, 2006).

According to the second point, once the company reaches a good level of image and reputation for social responsibility, it is able to outperform companies with poorer reputation and to provide investors with better stock market values and lower risk (Herremans et al., 1993). Good reputation can even prevent companies to suffer the effects of a financial distress, as it protects corporates from stock declines associated with the crisis (Schnietz and Epstein, 2005). Reputation arising from CSR initiatives could also boost investing in corporate image advertising, a policy which allows companies to communicate their CSR projects to the stakeholders and, in turn, to create preference for their products and brands (Pomerling and Johnson, 2009).

Interpreting the studies cited so far, it is possible to assert that the dimensions discussed in the previous paragraphs (that is, the respect and the safeguard of the environment, the corporate commitment to the sustainability, the promotion, development and caring of employees), along with other socio-economic elements, are all suitable to develop the image and reputation of the company, thereby generating an ideal virtuous circle that allows companies to have additional advantages. Corporates with good image and reputation are also more likely to be judged by the society and the community as value-driven, governed by enlightened managers. Such premises allow us to assert that:

Proposition 4: Corporate reputation and image are the result of CSR actions and would allow companies to be considered ethical and virtuous by society and community, thereby to further increase reputational (and economic) advantages.

CSR: Corporate social disclosure in large and small medium-sized enterprises (SMEs)

Corporate social disclosures are voluntary and discretionary in nature, with the exception of the environmental disclosure which is required by IFRS or by other specific regulations (Barbu et al., 2014). However, literature shows two types of social disclosure, the voluntary and the “solicited” disclosure (Van der Laan, 2009). This last is a typology of disclosure that is asked by stakeholders to the companies, to report about their interactions with and impacts on society, in agreement with the principles of stakeholder theory (Van der Laan, 2009). Commonly, stakeholders who are interested in this kind of information and require “solicited” disclosure are non-government organisations (NGOs), ethical responsible investment fund managers, regulatory agencies, ratings agencies (Van der Laan, 2009). Given that CSR disclosure is discretionary in nature, the consequence of a demanded information is a constraint on such a managerial flexibility in defining the scope and the nature of disclosure.

Another theoretical basis on which the environmental issues are disclosed is the legitimacy theory, which posit that companies seek to ensure, through their actions, the congruence between the social values associated to their activities and the norms of the social system to which they belong (Dowling and Pfeffer, 1975).

The voluntary nature of social disclosure is a point debated in the literature given the fact that the social responsibility issues (e.g., related to the environment) should be considered of high importance, at least as important as the financial and economic issues (ICAWE, 2009). Some authors underline that there is also a limited regulatory guidance in defining CSR reports, therefore (Ingram and Fraizer, 1980; Hobson and Kachelmeier, 2005): (a) it is possible that managers hold opportunistic behaviours; (b) the comparability of corporate social disclosure is not assured; (c) the credibility and usefulness of corporate social disclosure is compromised.

Literature shows that the amount of corporate social disclosure seems to be related to the size of the companies. For example, Reverte (2009) finds that firms with higher CSR rating present a statistically significant larger size, belong to industries sensible to the environment and are more exposed to the media, respect to companies with lower CSR rating. However, following the considerations expressed by the ICAEW (2009), environmental regulations are likely to be significant also for small businesses, in case the SME’s industry is likely to provoke environmental damages. Academic literature seems to agree with this idea, considering that while the SMEs are considered as the backbone of economic growth (Mulović et al., 2014; Baden et al., 2011), main literature is focused on the behaviour of large companies (Baden et al., 2011).

According to a consistent literature stream, both large companies and SMEs adopting CSR policies, obtain competitive advantages (Baden et al., 2011; Apospori et al., 2012; Battaglia et al., 2014). In this regard, some studies show that SMEs, just like large companies, can benefit from CSR policies, especially in relation with some variables, such as environment-related CSR, community-related CSR, marketplace CSR (Apospori et al., 2012; Battaglia et al., 2014). Moreover, web disclosure would offer several advantages to both the typologies of companies, as the opportunities offered by the web would be easily approachable by both large companies and SMEs (Ersrock and Leichty, 1998; Chapple and Moon, 2005).

However, according to another literature stream, large firms and SMEs are very different (Welsh and White, 1981) and thus CSR is a different issue when applied to SMEs because of the several dissimilarities with the larger companies (Russo and Perrini, 2010; Tilley, 2000). On these bases, we can assert that:

Proposition 5: SMEs are socially responsible as large companies, but SMEs exploit different CSR
communication techniques, channels, tools and strategies.

CSR: The financial and economic performance

It is widely recognized by the literature that the decision to be responsible is directly or indirectly related to the business benefits. In fact, companies which behave responsibly create, almost unavoidably, a competitive advantage (Porter and Kramer, 2006) through the enhancement of their image and reputation (Schnietz and Epstein, 2005; Herremans et al., 1993; Fornbrun and Shanley, 1990), the promotion of better job conditions for employees (Valentine and Fleischman, 2008; Celma et al., 2014), the commitment to safeguard the environment (Lyon and Maxwell, 2008), the sustainability (Montiel, 2008; Orłitzyk et al., 2011). For similar reasons, CSR provides companies with the opportunity to recruit and retain motivated and high quality workers (Paul and Siegel, 2006), to create value for the society (Moon and Vogel, 2008), to avail economic benefits, such as a reduction in cost of equity (Dhariwal et al., 2011; Friedman, 2007) and the possibility to charge a premium price for the company’s products (Paul and Siegel, 2006). A recent research shows that companies’ financial performance is positively related to average CSR rating (Chiang et al., 2015) and that social responsibility investments have positive effects on the financial performance (Lu et al., 2013; Simpson and Kohers, 2002) especially when the company is initiating the disclosure of CSR activities (Dhariwal et al., 2011). A positive association between social performance and financial performance is found also in studies conducted on SMEs (Fonseca and Ferro, 2016).

On the contrary, according to other studies, there is no obvious relationship between CSR and financial performance (Madorran and Garcia, 2016), and, when a relationship is found, it appears weak and lacking consistency (Balabanis et al., 1998). On this basis we can posit the following statement:

Proposition 6: Both large companies and SMEs may increase economic and financial performance through CSR disclosure.

FAMILY BUSINESS AND CSR PERFORMANCE

Greater stability of owner assets, as well as family owners’ direct involvement in the top management team, are a signal to stakeholders of the firm’s interest in maintaining a reputation as a “trustworthy business”. Indeed, in the case of firm bankruptcy, owner-managers would suffer greater damage than would managers who are not owners. Reputation may influence financiers’ judgement regarding a family firm’s capacity to guarantee an appropriate return on its investment. This is consistent with the school of thought which says that reputation and social capital can generate value for a firm because they reduce transaction costs relating to search, screening, adjustment, and contract enforcement (Gulati, 1998). For example, Khanna and Palepu (1997) believe that family-controlled business groups represent a property rights enforcement mechanism because an entrepreneur’s personal reputation lies behind all the firms in the group, and opportunism on the part of a single firm in the group negatively reflects on the group as a whole.

For the families of owner-managers, the maintaining of high social capital and a good reputation with stakeholders is an important element to consider. Although, there is no single theoretical framework to refer to, there are various contributions to the literature, presented together in Table 1, which indicate that family firms have a marked tendency to build and maintain a reputation for integrity and trust with regard stakeholders, as well as to create social capital in the form of enduring associations with partners.

Owner managers are particularly concerned about the health and reputation of the company, not just over coming years, but for decades to come. They want to leave the business in a good condition for their heirs. Owner managers of family firms have a strong tendency to manage capital carefully and invest in long-lasting assets, like reputation and social capital.

What suppliers, customers, employees, unions, the general public and other stakeholders (Freeman, 1984) demand has to be taken into consideration by any company which requires legitimacy (Pfeffer and Salancik, 1978). The public reputation of a business is of importance to any family which wishes its company to be looked at in a positive light by the public and, as a consequence, the family will attempt to prevent its firm from adopting any practice which may harm its reputation and will seek to satisfy the demands of shareholders.

The taking of a critical decision which is not in line with the values that the firm has publically and traditionally committed itself to might well be considered opportunistic or unreliable. Hart and Ahuja (1996) and Lankoski (2008) show that such an eventuality might have a negative impact on the company’s good name and, consequently, on its performance in the market place. Love and Kraatz (2009) give an empirical example of this when they describe how some businesses suffer a loss in excess of 65% of their ranking in terms of corporate reputation when they downsize (Zyglidopoulos, 2004; Flanagan and O’Shaughnessy, 2005). Waldman et al. (2006), on the other hand, shows that activities which provide benefits for shareholders, and society at large, are seen to bring consequential benefits to the firm’s reputation. This means that negative spillovers regarding the company’s reputation may take place because the firm is associated with its family owners renders it easier for society in
Proposition 7: Family ownership is positively associated with community-related CSR performance.

On the other hand, some authors show that family ownership of firms can have negative effects upon their CSR. Very often, family members give more importance to their own interests than they do to those of other people, particularly as a result of family-centred values (Banfield, 1958), a lack of trust in people from outside the family (Fukuyama, 1995) and a negative aspect of socio-emotional wealth (SEW) and non-economic preferences, and this can have a negative consequence for their social activities (Morck and Yeung, 2004).

From a positive perspective, it has been shown that, in areas of production which involve the risk of pollution, strategies that protect the environment are more frequently adopted by family firms than non-family firms (Berrone et al., 2010). Dyer and Whetten (2006) detected a greater concern for social issues on the part of family firms, although they did not find any particular differences in terms of social strategies between family and nonfamily firms. This, though, is in complete contrast with the findings of Bingham et al. (2011).

One of the most distinctive characteristics of family firms, according to many authors, is an interest in SEW (Gómez-Mejía et al., 2007), that is, maintaining family members’ “affective endowments” and non-financial interests. It is suggested that socio-emotional rewards for the firm and its owners mean that the family will have a greater tendency to adopt social strategies even though it...
is not proven that such strategies will have economic benefits (Berrone et al., 2012).

Given that the company’s reputation is of special importance to family firms, Zellweger et al. (2011) indicate that such firms ought to pay particular attention to the needs of family members and employees that is internal stakeholders, through the adoption of acceptable operating practices.

Although Miller and Le Breton-Miller (2005) support this position, the complete contrary would seem to be indicated by many of the examples found in the literature on family firms. Fiegener et al. (1994) point to lower peer appraisal processes; Gómez-Mejía et al. (2001) indicate rigidity in managerial hierarchies; Burkart et al. (2003) find evidence of nepotism; Gómez-Mejía et al. (2003) discover the effective mobbing of employees and executives who are not family members; Jimenez (2009) highlights discrimination on the basis of gender; Chua et al. (2009) link family ownership to compensation practices which they consider unfair. It is evident, then, that, within family firms, the treatment of family and non-family members differs greatly.

According to the SEW line of reasoning, the family has to be in permanent, tight control of the firm so as to maintain this socio-emotional wealth and it will seek to adopt practices which guarantee this control (Berrone et al., 2012). Among the methods which the family might adopt to preserve its control and influence, Chua et al. (2009) indicate the taking on of family members rather than better qualified outsiders and Cruz et al. (2010) point to the fact that the salary of a family member might not be performance linked. These practices are not consistent with the notion that all of the employees and executives should be treated fairly and be given the same opportunities. The way in which the owners of family firms react to any demands regarding the firm’s governance from employees and/or executives can also be explained by the aspects of “control and influence” and “emotional attachment” within SEW. Kellermanns et al. (2012) found that families which possess a significant quantity of a firm’s shares often consolidate and ensure that the family’s interests are looked after by manipulating the governance structures. Jones et al. (2008) discovered that, when this happens, family owners make use of the firm’s systems of governance to consolidate family control and look after family interests rather than to benefit the firm and protect its reputation. Albeit Mayo et al. (2012) indicate that the adoption of social strategies regarding employees and executives is fundamental for a firm’s legitimacy; it was suggested that this is not necessarily the situation with a family firm. It was argued that a family business may not adopt practices for the benefit of employees and executives if such practices put the family’s perceived interests and its control of the firm at risk. On this basis, we make the following statement:

**Proposition 8: Family ownership is negatively associated with employee-related CSR performance**

**RESULTS AND DISCUSSION**

The literature analysis, along with the propositions stated earlier, shows the major positions of scholars about the dimensions that characterize CSR, the current knowledge about whether and how family firms affect (or are affected by) the CSR and the existing open questions that would deserve further investigations.

The results of this research are summarized in Table 2, where all the propositions stated in the paper are organized according to their belonging to the CSR dimensions in general, or to the relationship between CSR and family business.

This research, through the use of propositions, provides a set of insights, topics and ideas that would be further explored and that, currently, are still controversial or not sufficiently addressed in the literature. The propositions stated in Table 2 could open the avenue to future researches on CSR and on the main variables that affect (and are affected by) social responsibility and family business.

**Conclusions**

In this paper, a multidimensional approach was followed to study CSR. Ethical values and social activities have received increasing importance among stakeholders, who pay attention to a series of CSR dimensions, according to the industry in which the company is operating, depending on the size of the company, according to the voluntary or mandatory social information disclosed.

First section of the paper is dedicated to the literature analysis of the main CSR dimensions and to the definition of propositions useful to underline the primary issues of each CSR aspect. Second section of the paper proposes a literature analysis on the relationship between CSR performance and family business, in order to suggest propositions specifically focused on the emerging issues of this association.

A literature review was proposed supporting the issuance of eight propositions, six related to the wide concept of CSR, addressed to six different CSR perspectives of analysis and two specifically addressed to the relationship between CSR performance and family business.

The present study contributes to the literature by providing a literature review on the main CSR issues, highlighting the most critical points to be further investigated in future researches and a review of the most important researches dealing with the relationship between family firms and CSR.

Family companies deserve particular attention as their approach to the CSR seems to differ from that of non-
Table 2. Propositions on CSR and on the relationships between CSR and family business.

<table>
<thead>
<tr>
<th>CSR Dimensions</th>
<th>Relationships between CSR and family business</th>
</tr>
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<tbody>
<tr>
<td>Proposition 1: The amount of sustainability reporting and environmental CSR disclosure depends on the potential harmfulness of the industry and on the stakeholders’ power.</td>
<td>Proposition 7: Family ownership is positively associated with community-related CSR performance.</td>
</tr>
<tr>
<td>Proposition 2: CSR disclosure does not satisfy the expectations of all the stakeholders composing the society and the community.</td>
<td>Proposition 8: Family ownership is negatively associated with employee-related CSR performance.</td>
</tr>
<tr>
<td>Proposition 3: Perceived CSR affect the job satisfaction which, in turn, allows better financial performance.</td>
<td></td>
</tr>
<tr>
<td>Proposition 4: Corporate reputation and image are the result of CSR actions and would allow companies to be considered ethical and virtuous by society and community, thereby to further increase reputational (and economic) advantages.</td>
<td></td>
</tr>
<tr>
<td>Proposition 5: SMEs are socially responsible as large companies, but SMEs exploit different CSR communication techniques, channels, tools and strategies.</td>
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</tr>
<tr>
<td>Proposition 6: Both large companies and SMEs may increase economic and financial performance through CSR disclosure.</td>
<td></td>
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</table>

family firms; moreover, family firms may differ among each other, for example in relation to the ownership structure and the size. Furthermore, still in this regard, literature shows that family and non-family firms can even have a different orientation to the CSR.

Future researches could be carried out by focusing the attention on one or more CSR aspects, breaking down the propositions suggested, defining research hypothesis and testing them through empirical analyses. This approach could contribute to the extant literature, by providing empirical evidence supporting (or refusing) the controversial points of view on many existing topics and by increasing the knowledge on research areas that are currently less addressed than others.

Conflict of Interest

The author has not declared any conflict of interests.

ACKNOWLEDGEMENTS

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REFERENCES


Full Length Research Paper

Analysis of transport logistics challenges affecting freight forwarding operations in Malawi

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Malawi is one of the landlocked countries within sub-Saharan Africa which faces serious challenges in managing her transport logistics. The provision of predictable, reliable and cost effective transport logistics is constrained due to deficiencies in road and rail infrastructure, inefficient port and transit border operations that contribute to very high transport cost. This study was undertaken to analyse the challenges facing the transport logistics industry in sub-Saharan Africa specifically Malawi. Data was solicited from a structured questionnaire that was circulated to purposely selected members from the population of the business community with expertise in transport logistics. Results from the study are also supported by literature and indicated that high transport cost, deficiencies in road and rail infrastructure, inefficient port and transit border delays pose serious challenges to transport logistics.

Key words: Transport logistics, infrastructure, trade facilitation, landlocked countries.

INTRODUCTION

Malawi is one of the landlocked countries within Southern African Development Community (SADC) that faces challenges in accessing international markets for her import and export traffic. The provision of predictable, competitive and reliable transport services is suggested to be challenged due to physical deficiencies in the rail and road networks as well as inefficient border operations that contribute to very high transport costs.

The ratio of transport costs in landlocked Malawi is up to 55% of the landed cost of the product which is in contrast with other landlocked countries in sub-Saharan Africa which averages below 20% as landed cost in terms of transport (Faye et al., 2004). The increase in global business development through economic liberalisation has brought rapid transformation to international business, making it highly competitive that demand for quality of transport logistics has a major bearing on decisions by buyers and sellers on which consumer market will be attractive for their products (Schramm, 2003). Freight forwarders face many challenges that are complex in nature in reference to transport logistics and factors facilitate the flow of international trade to global markets. In the developed world, movement of commercial trade has witnessed a well-coordinated transport network making it possible for the outcome of transport logistics performance to be reliable, predictable and cost effective (Tseng et al., 2005).

This study therefore, purported to identify and recommend the need to critically look at the challenges that are barriers to trade facilitation in Malawi and the
need to focus on regional integration strategies.

The study hence analysed the challenges faced by the freight forwarders in transport logistics as they perform operations of trade facilitation and the challenges faced by landlocked Malawi in terms of her position in the landlocked sub-Saharan economies in terms of development infrastructures such as road and rail networks that provide corridor routing for commercial trade to international markets through neighbouring territories.

LITERATURE REVIEW

Transport logistics in the global world

From a global perspective, movement of commercial trade across the globe has witnessed a well-coordinated transport network through economic liberalization making it possible for firms in the industrial and retail sector to register tremendous growth, with particular reference to the developed countries (Schramm, 2003). Over the years, most developed countries have been able to grow their economies through the network of the global village approach where importers and exporters from Europe, China, Asia, Middle East, Japan and Africa interact online and establish business deals that involve moving a large volume of trade using several modes of transport consolidated by a number of players such as freight forwarders (Schramm, 2003). Transport logistics operations determine the efficiency of moving products to international markets irrespective of distance so long as it is well coordinated and is moved with speed, reliability and in the most cost effective manner (Tseng et al., 2005).

The marine transport sector has the largest share of global merchant trade covering 90% of international business volume. Large shipping lines move huge volumes of trade between ports and are complimented by hinterland intermodal transport services such as rail, road and inland waterways (Grosso et al., 2014). Much as the marine transport sector is relatively cheaper in terms of shipping goods, the movement of goods from ports to hinterland in terms of costs is rather prohibitive. Hartzenberg (2011) illustrated that shipping a car from Japan to Abidjan could cost one thousand five United States Dollars inclusive of insurance, while the cost of moving the same unit from Addis Ababa to Abidjan would cost five thousand United States Dollars.

Djankov et al. (2006) further observed that it takes 116 days to move an export container from factory in Bangui (Central Africa Republic) to the nearest port for processing logistics formalities for exporting cargo and yet the same export formalities would take only 5 days from Copenhagen and 6 days from Berlin. Again this confirms the disparity in logistics aspects between developed and developing countries to a certain extent. In order to address the bottle necks that contribute to delays facilitating movement of commercial trade, developing economies in the sub-Saharan countries need to review their transport regulatory framework and policies and implement the international conventions and instruments that facilitate trade as has been the case with the economies of the developed countries. The performance of freight forwarders is seriously challenged when institutional policies fail to address deficiencies in addressing barriers to trade.

Transport logistics in developing countries

The most important aspect of transport relates to the ability to convey and facilitate movement of international commercial trade as well as passenger traffic. The efficiency of transport logistics system provides economic and social opportunities that bring with them job creations, access to market for their commercial trade and reduction in cost of doing business just like the economies of the developed countries in Europe, USA, Japan and China (Rodrique, 2013).

World Bank (2013) observed that transport strategy indicates support for the developing countries through the encouragement of public and private infrastructure investment to overcome physical challenges in transport logistics that will influence free flow of movement of goods and services and increased capacities in trade facilitation. Several initiatives to improve infrastructure in the Southern Africa includes the North-South Corridor programme being championed both by SADC and Common Market for Eastern and Southern Africa (COMESA) with countries in the region with emphasis to rail network which has comparative advantage to road (African Development Bank, 2011). The concessioning of the Nacala railways in Mozambique and Central East African railways in Malawi proves to be a good development in terms of Public-Private Partnership Initiatives to improve on infrastructure which will lead to improved environment of doing business in both these countries (Murithi et al., 2011).

Transport logistics in sub-Saharan Africa

Transport logistics in sub-Saharan Africa is overshadowed by a small national fragmented market which includes sixteen countries that are landlocked (Hartzenberg, 2011). The landlocked countries are Mali, Burkina Faso and Niger in West Africa; Chad, Central African Republic, Southern Sudan in North Central Africa; Ethiopia, Uganda, Rwanda, Burundi in East Africa; Malawi, Zambia, Zimbabwe in Central Africa; and Swaziland, Botswana and Lesotho in Southern Africa. It has been noted by Hartzenberg (2011) that there has been development from African governments in the region to move towards
trade liberalization and regional integration as an important development strategy that will be able to promote trade and investment with the traditional partners such as European Union and new emerging markets such as Central Asia Pacific and China.

In this case, political stability of the region needs to be guarded by all countries in the region to ensure that economic growth through trade facilitation and developing strategic instruments to allow region integration to be effective.

For example, during the civil war in Mozambique, Malawi was forced to re-route 95% of its commercial trade through the ports of Durban and Dar es Salaam which normally pass through Beira and Nacala, resulting in very high costs (Snow et al., 2003).

Challenges for landlocked countries in sub-Saharan Africa

Access to major global markets has been one of the biggest constrains to poverty reduction efforts and economic integration of the landlocked developing countries (Faye et al., 2004). Literature reveals the challenges faces by landlocked countries as discussed herein.

Access to ports

The literature review on landlocked countries in sub-Saharan Africa concludes that most of these countries share a common problem. Lack of direct access to the sea and hence to ports marginalises Sub-Saharan Africa’s landlocked countries in terms of transport and logistics to enable them move their commercial trade to international markets.

Arvis et al. (2010) and Faye et al. (2004) observed that being landlocked is associated with high cost of imports and reduced export revenue and at the same time, coastal countries may have political incentives to impose on landlocked countries.

The Southern Africa region constitutes a huge opportunity for growth and poverty reduction as it is blessed with natural resources to improve productivities in agriculture and agro-processing for value addition, energy generation and mining as well as oil. Despite the huge opportunities to economic development, Southern Africa accounted for less than 1% of global trade in 2008 (African Development Bank, 2011). According to Raballand et al. (2012), Dar es Salaam port handles traffic to DR Congo, Zambia, Burundi and Malawi with an average dwell time of 18 days. Thus storage and container demurrage charges contribute to high transport costs for Malawi.

Except for South Africa which is the main trade hub for Southern Africa, inter-regional trade between countries in the region remains very low as can be witnessed by the poor road/rail infrastructure and lack of energy generation capacity which results in unreliable electricity generation (African Development Bank, 2011).

Poor infrastructure

The review identified challenges on poor infrastructure such as road and railway network. In sub-Saharan Africa, 90% of international trade is conveyed to international market using overland road transport service with linkages to coastal countries that offer port services facilities to move cargo overseas. In this context, the conditions of road infrastructure become paramount for firms that produce and export goods and services at competitive prices. Poor infrastructure renders the countries in sub-Saharan Africa to be placed at a disadvantage in the regional and global markets due to increased costs of trade, thereby making it difficult to compete on the world market (USITC, 2009).

Observations indicate that challenges in respect of road, rail and marine, and energy infrastructure in sub-Saharan Africa are huge that no single country or government even with donor aid can go it alone. Many sub-Saharan countries have entered into partnership by developing regional integration instruments that would be able to address constraints to improve infrastructure conditions (USITC, 2009). Sub-Saharan Africa is made up of small and fragile countries such as Malawi, Mozambique, Madagascar and Niger, who have difficulties in sustaining road maintenance operations due to inadequate funds and inability to follow strict budget lines (Freeman, 2014).

From a global perspective, rail transportation has the capacity to move huge volumes of goods and products to international market in comparison to any form of ground transport. Rail freighting is critical to growth of economic activities in the developed and developing countries due to cost effectiveness it bears when compared with road transportation (African Development Bank, 2011).

Rail infrastructure development in sub-Saharan Africa has not been prioritised by various governments for lack of political will to invest in this sector. Against this background, cost of transport cannot be reduced as the rail sector is not actively involved in conveyance of international trade in sub-Saharan region, except for a few countries like South Africa. Hence, the sub-Saharan Africa has more dominance on the road when compared with the rail infrastructure.

Challenges in freight forwarding operations in sub-Saharan Africa

The challenges facing the freight forwarding industry in
Africa is largely due to a number of factors that constrain on the performance index of their operations. Trade logistics in the global economy is critical for the success of any economy in the conveyance of its merchandise across borders quickly, reliably and cheaply (Arvis et al., 2007). There is need to address constraints that impede on trade facilitation that contribute to high transport cost such as transit border delays, port inefficiencies, customs documentation procedures in order to improve the competitiveness of the products from sub-Saharan Africa on the global market.

**Challenges in freight forwarding operations in Malawi**

From the Malawi perspective, the challenges faced by the freight forwarding industry in terms of transport logistics are almost shared on the African continent due to her landlockedness and dependence on her neighbours to access ports of her import and export traffic. Malawi is regarded as one of the poorest developing countries in sub-Saharan Africa with a very small market whose economy depends on a few export crops like tobacco, tea and cotton. However, her infrastructure in terms of rail and road remains in poor state which contribute to very high cost of transportation, making it difficult to adequately compete on the international markets (Faye et al., 2004).

In comparison to other landlocked countries within sub-Saharan Africa such as Zambia and Zimbabwe, Malawi’s export base remains the weakest as she mostly depend on seasonal crops to export her products, whereas Zambia and Zimbabwe have very strong mining sectors that undertake mining exports throughout the year.

Transport ratio cost of the landlocked developing countries in Southern Africa average 20% but Malawi is singled out as the highest at 55% and this is mainly due to complete dependence on the road network and Malawi’s inability to balance its trade deficit in volumes between imports and exports. The ratio of imports is currently at 70 to 30% which covers export trade. Transporters are therefore forced to charge for a round trip from ports that serve Malawi as they are not guaranteed a return load (Faye et al., 2004).

The Almaty program of action report by World Bank (2013) is clear on the objectives proposed for action in order to achieve sustainable development. These are establishing a global framework for landlocked developing countries for efficient transit and transport systems, to help partner countries to establish governance, strategies, and policies for development of economic, financial, environmental and social sustainability.

In conclusion, transport logistics determines the efficiency of moving products to international markets irrespective of distance so long as it is well coordinated and moved with speed, reliability and cheaply (Tseng et al., 2005).

**RESEARCH METHODOLOGY**

The study was done through a survey and data was collected through face to face interviews and questionnaires that were purposely circulated to selected representatives from the population of the business community involved in transport logistics in Blantyre and Lilongwe districts. The research involved getting specific details in order to analyse the data collected and comparing that to other statements that bear the same texture in the review materials of the research topic (Williams, 2007; Hox and Boeije, 2005).

A qualitative research approach reveal a high degree of social challenges that impact on doing business through the face to face interactions as many of the respondents were very specific to the constraints on trade facilitation from Sub-Saharan landlocked countries including Malawi to international markets (Cresw ell, 2003).

On the other hand, a quantitative research approach that involved the use of a questionnaire as a survey instrument to obtain data for analysing and evaluating the information. The challenge with this method is that becomes difficult to examine the accuracy of the given information if the questionnaire is completed in the absence of the researcher as anyone apart from the intended respondent may have responded to it (Cresw ell, 2003).

In addition, secondary data was collected from literature review related to the freight forwarding industry.

On validity, the data was collected from a variety of sources through published research work Morse et al (2002), as well as from the respondents. Even on the selection of respondents, care was made to ensure that the responses were from authenticated sources, i.e. those with relevant experience. The sample frame included representatives drawn from major stakeholders such as Road Transporters Association (RTOA), Malawi Revenue Authority (MRA), Central and Eastern African Railway (CEAR), Shipping Lines, Clearing and Forwarding Agents Association of Malawi (CAFAAM), Ministry of Transport and Public Works and importers/exporters in the manufacturing and retail sectors.

Non probability sampling method was applied to the population of the business community involved in freight forwarding, transportation, manufacturing, shipping lines, importers and exporters, totalling 29. Out of the 29 selected for sample size, 22 respondents responded, representing a 75% response.

The questionnaire which was the data collection tool was divided into 10 sections. The questions in the questionnaire related to issues identified in literature review. Apart from demographics, the questionnaire required respondents to identify major challenges that impede on freight forwarding operations in terms of transport logistics and suggestions as to how the challenges would be addressed.

The purpose of using a simple rating method was to allow the respondents provide clear answers to the challenges that affect the operations of the transport logistics and the collected data was analysed using the Microsoft Excel spreadsheet. As no research technique can be perfect as articulated by Laming (1979), results from survey responses will depend on the relevant information that is received for undertaking the analysis. Therefore, to ensure data reliability and validity, data was purposely selected from industry experts who it was felt had information and experience on the subject matter.

The study targeted specific players in the market who were mostly involved in transport logistics such as transporters, freight forwarders, manufacturers, shipping lines, relevant government ministry and regulators as well as importers and exporters.

**FINDINGS AND DISCUSSION**

The physical characteristics of landlocked countries in
sub-Saharan Africa have a bearing on transport logistics challenges in terms of high transport cost emanating from deficiencies in road and rail infrastructure, long transit delays and port inefficiencies in conveyance of international trade to overseas markets (Arvis et al., 2010). Transport cost in Malawi, a landlocked country in sub-Saharan Africa, accounts for up to 55% of the landed cost of the product which is one of the highest transport ratios in the world (Faye et al., 2004).

Demographic profile results reflected that female respondents were 9%, while males were 91%, agreeing with the general observation that most Malawian female traditionally assume nursing, teaching, sales, and secretarial professions. It is therefore suggested that the dominance of the males in the transport logistics in Malawi is due to cultural preferences.

**Transport logistics challenges**

As summarized in Figure 1 on challenges, the major challenges revealed by the survey are high transportation costs, transit delays, inefficient Malawi revenue processes, and corruption at border. Much as Malawi is landlocked in sub-Saharan Africa, her main challenges emanate from weak export base because the market is very small to be able to compete on her own from a global perspective. The respondents’ responses on high transport cost is further constrained by the dominance of road haul for Malawi’s import and export traffic accounting for 90% of the volume that is moved as stated by Lall et al. (2009). The burden of high transport costs in Malawi will not be addressed unless the government undertakes to rehabilitate the rail sector so as to effectively compete with the road freight operations. Respondents (95%) on high transport costs share the view that government must invest in the rail sector if Malawi is to achieve reduction of the high cost of doing business.

Respondents (76%) raised the issue on transit delays in transiting through maritime neighbors due to documentation processes, inefficient port operations resulting in high demurrage and storage costs on their traffic as has been stated by Hartzenberg (2011). Respondents (36%) noted that the MRA processes contribute to delays despite many years of advancing in new Asycuda Systems that would have seen total elimination of documentation process. Several human interventions need to be removed to allow the system operate independently. Respondents (5%) raised the issue of corruption at the border.

Since border operations involve several government agencies who are also involved in providing transit formalities, these government agencies contribute to delays in facilitating trade. For example, the Bureau of Standards, weighbridges and health departments, all these have an interest in the same traffic. Hence, 9% of the respondents suggest that delays in border processing are also contributed by other government agencies.

**International corridors for Malawi**

On the condition of the transport infrastructure, respondents indicated that for the road/rail infrastructure, 9 and 64% of the respondents suggest that the road and rail condition in Malawi is in bad state, respectively.

In summary, the condition of the road and rail from the
respondents’ perspective, in terms of international transport corridors’ road appear to be in good and usable condition, while the condition on the international corridor on rail requires serious attention to be able to attract new traffic. Currently, 90% of Malawi’s traffic is moved by road, while the rail network attracts only 10% or less.

Transit time from ports to Inland-Malawi

An assessment of the duration of cargo in transit indicates that the Beira road takes between 2 and 5 days to get to Malawi as reported by 32% of the respondents, whilst 9% of the respondents suggest 10 days and 23% of the respondents indicate 15 days transit period. On the other hand, the Nacala rail sector respondents indicate that 23% of the users that utilize this route experience a 25 day transit time and 14% indicate 10 days transit time, while 5% of the respondents indicate transit time of 15 days. The majority of the respondents representing a scorecard of 50% suggest that the rail sector is very slow with an average transit days of 20.

The road and rail sector survey results indicate that there are significant improvements in the transit time by road from Beira, while the Nacala railway corridor reflects that this link has major challenges to do with its infrastructure. It is envisaged that once the rehabilitation works on the Nacala railway corridor in Mozambique, transit time will improve.

Role of government in trade facilitation

The role of government in ensuring the processes of trade facilitation are sustainable was also assessed and it showed that the majority of the respondents (50%), particularly, from the freight forwarding, transport, shipping lines, manufacturing and exporters were aware and appreciate that the government is very much involved in trade facilitation in the region as it is one of the government mandate to ensure that barriers to trade are removed as one way of promoting growth of the economy. In addition, 27% of the respondents indicate that government participates in various trade protocols, whilst 5% of the respondents indicated that the government does not play any part in trade facilitation and one would be inclined to conclude that those respondents are not very much aware on the role of government. Respondents (18%) were just aware that government provides support in trade facilitation through several trade protocols that have been signed with regional blocks such as SADC and COMESA.

Road/Rail fund administration

The study also determined as to whether the survey participants were aware of government commitment in terms of road and rail fund administration.

Respondents (95%) indicate that they are aware that government established a road fund through fuel levy, while 5% of the respondents indicate that they are aware that there is a rail levy for maintenance of rail infrastructure. Respondents on the survey questionnaire declared that they were aware of the toll tax on fuel levy which the government collects for road development. The fund is called Road Fund Administration and has been in operation for over 20 years period.

Respondents (82%) are not aware of any rail administration fund that have been established by government through fuel levy or any other fund, while 5% of the respondents indicate that they are not sure on the position of government, how they fund rail infrastructure maintenance and the other 5% of the respondents are not very clear on how rail fund is administered. There is no clear policy that has been established on the rail fund maintenance and it would appear that the rail infrastructure maintenance is done through budget allocation interventions on annual basis. It must be mentioned that as the rail traffic activities have been very low, the funding for the rail infrastructure has also received very little attention from government. It must also be noted that the railway network was concessional to CEAR in a public, private partnership deal, but government still owns the rail infrastructure itself, while CEAR owns the locomotives and the wagons and take responsibility to run the operations. The policy issue of funding the rail in terms of infrastructure maintenance is not very clear to the general public.

Choice of freight forwarder

The selection of a freight forwarding agent by various stakeholders is critical in ensuring that the flow of trade is moved with minimum delays. In response to how freight forwarders are chosen, the survey results indicated that 86% of the respondents prefer to utilize the services of a freight forwarder who is efficient, whilst 9% would opt for a freight forwarder who has international establishment and another 9% of the respondents would seriously consider the size as one of the criteria for selection of the agent.

Limbe/Beira Sena corridor

The Limbe/Beira rail Sena line used to be the main transport corridor for Malawi’s imports and exports until the civil war in Mozambique which caused its closure. Although, the war in Mozambique ended, the line has not been operational to traffic due to the extensive damage following floods in the lower Shire. Malawi was forced to re-route 95% of its commercial traffic using the port of
Durban following civil was in Mozambique that disrupted traditional ports of Nacala and Beira (Faye et al., 2004).

In response to the usability of the Limbe/Beira Sena corridor, 77% recommended the re-opening of the said route, stating that it will have an impact reducing cost of transport. Respondents (59%) feel the re-opening of this old rail route will help reduce transit time, whilst 45% of the respondents feel that the route will also be able to accommodate passenger traffic which was closed during the civil war in Mozambique. Only 5% were not aware of the existence of this route at all.

Advancing regional integration on sound transport infrastructure in Southern Africa

Malawi as a landlocked country in sub-Saharan Africa and a member of SADC needs the support of a sound transport infrastructure on movement of her commercial trade. It was therefore important to seek the views of various stakeholders on what benefit regional integration initiative will bring to Malawi in regards to improvement on rail and road infrastructure. Respondents' views as to advancing regional integration on sound transport infrastructure in Southern Africa and the benefits it may likely bring to the country were sought. Respondents (77%) indicate that the advancement of regional integration on sound transport infrastructure in Southern Africa will contribute towards cost reduction in transport cost, 64% of the respondents indicate that the regional integration will improve on efficiencies in terms of border crossings and trade facilitation. Respondents (68%) indicate that transit time which contributes to high transport cost and is one of the barriers to trade facilitation which will reduce transit time and 32% of the respondents suggest that integration will bring positive changes to border management.

Strategies to reduce high transport costs in Malawi

The transport ratio cost in Malawi is at 55% of the landed cost of the product, while the average transport ratio cost in sub-Saharan Africa is 20% (Faye et al., 2004). It was important to seek the views of the various stakeholders in establishing solutions to the challenges of high transport costs in Malawi. Respondents (68%) feel that government needs to diversify into rail transport so as to effectively compete with the road which currently handles almost 90% of the commercial traffic. Respondents (18%) state that government must improve on its road condition, while 18% of the respondents would like to see improvement in transit time. Another 18% of the respondents suggested building oil pipe line from the ports in order to reduce cost of fuel and 9% of the respondents are of the opinion that regional integration must also address issues to do with human development and training by adopting the use of an efficient IT system that would work to the benefit of the region. Harmonization of integrated border management system would be a case in point.

CONCLUSIONS AND RECOMMENDATIONS

It is envisaged that this study is important as it will help policy makers in government and other stakeholders in the industry to take necessary action in addressing deficiencies in the system that will help promote the growth and expansion of export trade to regional as well as international markets and reduce the high transport costs that has a huge bearing on the competitiveness of the Malawi products.

In conclusion therefore, the research study has established that Malawi government may reflect on the following priority areas for the purpose of reducing its burden on high transport cost from the transport logistics perspective.

In order to address challenges that relate to high transport cost, landlocked countries in sub-Saharan Africa such as Malawi must put emphasis on developing internal transport infrastructure as stated by Faye et al. (2004). Much as government formulated a policy to collect fuel levy for road maintenance, which is operational, there is, however, no clear policy on how it raises funds for rail infrastructure maintenance which is a very critical sector in economic development as well as cost reduction in trade.

Limbe/Sena rail route is seen as a better option going by results from the survey. The JICA (2012) feasibility study report suggests that the benefits for this are many. For example, trains are able to move a large number of wagons loaded with high volumes of cargo at very competitive rates compared to road freight. Delays of border crossings are minimised because trains are not usually subject to interruptions on route such as what road freight operators experience in terms of road blocks.

Regional integration instruments that the region has developed through regional blocks such as SADC and COMESA needs the political will of heads of states and governments of sub-Saharan countries to develop a common market and be able to compete from a global perspective (Hertzenberg, 2011).

The overall challenge for sub-Saharan region is that most of the trade is conveyed by road making it a very expensive destination compared to other regions such as Central Europe and Central Asia where some of the economies share similar characteristics of being landlocked. The promotion of integrated regional rail network would be most ideal for reducing cost and promotion of trade in order to address issues of poverty reduction.

Rail infrastructure development and rehabilitation will help Malawi achieve its goal in reducing transport cost, because the rail sector has high volume in terms of capacity and this can compete well with road freighting. The rehabilitation of the Nacala Corridor line to move
large volumes of cargo from Moartize via Malawi to Nacala is a case in point (Murithi et al., 2012). Thus, the partnership the Malawi government has with CEAR regarding the concessioning of the railway sector needs support on the rail infrastructure and rehabilitation in particular reference to domestic feeder lines.

Conflict of Interests

The authors have not declared any conflict of interests.

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