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# **Role of entrepreneurship education on students' intention and mediating effect of self-efficacy**

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**Entrepreneurship education trend is increasing rapidly worldwide. This increase was driven through entrepreneurship promise like a catalyst to promote economic revival and growth. It is anticipated entrepreneurship education provides the basis of entrepreneurship notions, forming attitude, behavior, and mind set of the entrepreneurs. Several programs regarding entrepreneurial education established in universities have significantly increased worldwide. The objective of the study is to assess the role of entrepreneurship education on students' intention and the mediating effect of self-efficacy. It is a cross-sectional descriptive study in which 500 respondents participated. Replies of respondents on the basis of 5 points Likert scale regarding entrepreneurial intention, attitude, subjective norms, such as normative beliefs, perceived behavior control, self-efficacy, and education were noted. Chi-square test was applied to know the association between different variables. Among the 500 respondents, 56.0% were 26-30 years old, 70.0% males and 88.0% had done their Masters. Out of these participants who strongly agreed, 82.0% preferred to become entrepreneur rather than employee, 80.0% said they can earn much money if they establish their own business, 77.0% believed that people who are important to them think they should start a career as entrepreneur, 80.0% said if they start their business, success chances would be much high, 63.0% said they can mostly handle whatever comes their way and 70.0% said that entrepreneurship course boosts their understanding regarding financial preparation of entrepreneurial ventures. Study concluded that entrepreneurship education has a positive role on students' intention and the mediating effect of self-efficacy.**

**Key words:** Entrepreneurship education, intention, attitude, subjective norms, self-efficacy.

## **INTRODUCTION**

Entrepreneurship education trend is increasing rapidly worldwide (Fretschner and Weber, 2013). This increase was driven through entrepreneurship promise like a catalyst to promote economic revival and growth (Nabi et

al., 2018). The purpose of this study is to access the impact of entrepreneurship education on students' entrepreneurial intention with the help of interrelated role of self-efficacy. It is anticipated that entrepreneurship

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education will provide the basis of entrepreneurship notions, forming attitude, behavior, and mind set of entrepreneurs. Entrepreneurship education is the only way to create business thinking and enhances self-efficacy of the university students owing to unemployment situation of country. Entrepreneurship education has two dimensions namely venture start-ups and venture growth having its own objects the potential to generate productive activities (Mahendra et al., 2017). Several programs regarding entrepreneurial education establish in the universities have significantly increased worldwide (Janssen, 2016). During the last two decades, a substantial growth has been observed in most developed countries (Sultan et al., 2016). Entrepreneurship education helps to train our university graduates so that they will cope with their future challenges and especially the unemployment condition of the country.

### **Entrepreneurship education role on entrepreneurial intentions**

People's performance is directly influenced by education (Popescu et al., 2016). Furthermore, entrepreneurship education is a vehicle for young people to develop their entrepreneurial intentions (Raposo and Do Paço, 2011; Bae et al., 2014; Fayolle and Gailly, 2015; Popescu et al., 2016). The entrepreneurial intention is described as a biased attitude of the potential entrepreneurs, involved or not involved in trade activities, and a broad description of people with consumerist traits, quality, and capability. This is a type of mental state which leads people to be prepared to dedicate most of their energy, time and action to get a chance or to attain a goal (Peng et al., 2015).

Numerous researchers have been carried out regarding entrepreneurship education. This is a study which stimulates students' intentions and helps them to set up new businesses. Study findings (Kuttim et al., 2014; Kim-Sun et al., 2016) demonstrated that entrepreneurship education has a significant effect on entrepreneurial intentions of students. A significant association is observed between entrepreneurship education and entrepreneurial intention (Hussain, 2015; Hattab, 2015; Ibrahim et al., 2015), by students' participation in permanent existential and experiential learning practices (Robinson et al., 2016) and by developing the meaning of reflection, experience and action (Hagg and Kurczewska, 2016). Also, entrepreneurship education aims to improve students' achievement orientation, self-esteem and personal control (Basardien et al., 2016; Mahendra et al., 2017).

### **Attitudes towards Behavior**

Attitudes are people's feelings regarding an idea (object of attitude), that could be an individual, an ideology, a

brand or any other thing about which people can attach feeling (Mohammed et al., 2017). Krueger et al. (2000) described this antecedent like the ambition of a person to generate new value in the existing organization by carrying out entrepreneurial behavior (Mohammed et al., 2017). Generally, a more positive attitude towards behavior, the stronger persons have the intention to carry out behavior (Saraih et al., 2018). For instance, Rudhumbu et al. (2016) demonstrated that the positive attitude of students about entrepreneurship education proves to become entrepreneurs when they accomplish their studies. Likewise, Remeikiene et al. (2013) verified that in Lithuania, students' attitude towards entrepreneurship was the leading factor of their entrepreneurial intention. In addition, Ferreira et al. (2012) indicated that in Portugal, the personal attitude of secondary students affected their entrepreneurial intention. It is also substantiated that entrepreneurial attitude is considerably associated with intention among college students in China (Peng et al., 2012).

### **Subjective norms**

The subjective norm is described as professed social pressure to carry out or not the behavior (Saraih et al., 2018). Subjective norms demonstrate social factors which influence a person (Mohammed et al., 2017). Regarding subjective norms, the normative beliefs form their fundamental determinants. Normative beliefs are associated with the possibility that major referent groups or individuals approve/disapprove of carrying out a certain behavior (Veciana et al., 2005; Mohammed et al., 2017). The processed social pressure to perform/ does not perform entrepreneurial behavior could be stimulated from friends, family, and teachers etc. For instance, a study done by Peng et al. (2012) discovered that in China subjective norm of students is notably associated with entrepreneurial intention. Likewise, Krithika and Venkatachalam (2014) asserted that in Bangalore subjective norm plays a key role and influences the entrepreneurial intention of business students. Furthermore, the findings of the study done by Rudhumbu et al. (2016) showed that entrepreneurship education inspired subjective norm of students and intentions towards entrepreneurship (Saraih et al., 2018).

### **Perceived behavioral control**

Entrepreneurial self-efficacy, creativity, perseverance, and control of entrepreneurship business after graduation depend on the opinion to get involved in self-employed jobs (Muhammad et al., 2015). This is affected by the perception of access to essential skills, capital, and chances to carry out behavior. If an individual has such situational factors, he/she can develop the intention to carry out subscription behavior. On the contrary, if a

person is unable to control the situation, he/she could not have the intention of carrying out specific behavior (Innan and Moustaghfir, 2012). The perceived behavioral control is related to self-efficacy concept which focuses on a person's perception towards a behavior simplicity/complexity. It is referred to control people beliefs towards various factors associated with the issues that could ease them or not (Yean et al., 2015). Pupils depend on professed behavioral control in a manner that it is students' requirement to control their professed behavior either through what they have studied during entrepreneurial education or through their intuitions (Sultan et al., 2016).

### **Role of entrepreneurship education on mediating effect of self-efficacy**

Entrepreneurial self-efficacy is defined as beliefs among persons' capabilities to effectively carry out the tasks necessary to start and manage a new venture and their prospects toward the outcomes of starting a new business (Pihie and Bagheri, 2013). Entrepreneurship education has a relationship with entrepreneurial self-efficacy due to the impact of formal learning variable on one's beliefs that he/she has the capabilities to carry out entrepreneurial jobs (Zhao et al., 2005). Mainly, this educational training can enhance significantly entrepreneurial self-efficacy by its 4 main components such as vicarious experience, enactive mastery, emotional arousal, and verbal persuasion. Malebana and Swanepoel (2014) explored entrepreneurial self-efficacy score in pupils exposed to three dissimilar levels of exposure to entrepreneurship program: zero exposure, six months and three years. The outcomes demonstrated that researchers with 3 years exposure to the entrepreneurship education have better entrepreneurial self-efficacy when compared with 2 other groups (Janssen, 2016). The study indicated that the effects of the perceived learning from the entrepreneurship-related courses, risk propensity on the entrepreneurial intentions and prior entrepreneurial experience were completely mediated by the entrepreneurial self-efficacy (Zhao et al., 2005).

### **MATERIALS AND METHODS**

It is a cross-sectional descriptive study in which 500 respondents residing in different areas of Lahore were included. Data were collected for this study from all the public and private universities of Lahore. It was taken from three major departments of all the universities: Engineering Science, and technical departments. Simple random sampling technique was used. Replies of respondents on the basis of 5 point's Likert scale (1-strongly agree to 5-strongly disagree) regarding entrepreneurial intention, attitude, subjective norms, such as normative beliefs, perceived behavior control, self-efficacy, and education were noted. Data collected through questionnaire were analyzed using the "Statistical Product and Service Solutions" (Hejase and Hejase, 2013) SPSS version 20

software. Descriptive statistics in the form of frequencies and percentages were calculated and data were presented in tables and graphs. Chi-square test was applied to know the association between different variables. Confidentiality of data was also ensured.

### **RESULTS**

Table 1 depicts that among 500 respondents, 150 (30.0%) were 20 to 25 years old, 280 (56.0%) were 26-30 years, 50 (10.0%) were 31-35 years and 15 (3.0%) were 36 to 40 years while only 5 (1.0%) respondents were above 40 years old. Out of these respondents, 350 (70.0%) were males and 150 (30.0%) were females. Among the 500 respondents, 180 (36.0%) were Punjabi, 220 (44.0%) Sindhi, 40 (8.0%) Balochi, 55 (11.0%) Pathan and 5 (1.0%) respondents belonged to other ethnic group. Most of the respondents 495 (99.0%) were Pakistani while 5 (1.0%) had other nationalities. As far as religion is concerned, 440 (88.0%) respondents were Muslim, 50 (10.0%) Christian, 2 (0.4%) Hindu and 8 (1.6%) respondents were from other religions. Likewise, 80 (16.0%) respondents were residing in cities, 280 (56.0%) in villages, 120 (24.0%) in towns and 20 (4.0%) in other areas. Among the 500 respondents, 10 (2.0%) had Ph.D. degrees, majority 440 (88.0%) had done their Masters, 30 (6.0%) had Diploma and 15 (3.0%) had certificates while 5(1.0%) had other qualifications. The result shows that 140 (28.0%) respondents area of study was Engineering, 180 (36.0%) Technical, 120 (24.0%) Science, 55 (11.0%) skilled work and 5(1.0%) respondents had another area of study. The table indicates that parents' profession of 20 (4.0%) respondents were business, 280 (56.0%) salaried workers, 100 (20.0%) clerks, 90 (18.0%) were skilled works and 10 (2.0%) parents had other professions.

Table 2 indicates the entrepreneurial intention among respondents and found that 425 (85.0%) agreed that idea is appealing of one day starting their own business, 350 (70.0%) strongly agreed they will choose a career as an entrepreneur, 410 (82.0%) strongly agreed that they prefer to be an entrepreneur rather than an employee, 375 (75.0%) agreed that they want freedom to express themselves in their own business but 250 (50.0%) respondents strongly disagreed that they would be their own boss than have a secure job and 400 (80.0%) strongly agreed that they can only make big money if they are self-employed. Results related to entrepreneurial attitude showed that among these respondents, 400 (80.0%) strongly agreed that they have always worked hard so as to be among best in their field, 370 (74.0%) strongly agreed and believed concrete outcomes are essential in order to judge the business success, 350 (70.0%) agreed that they mostly sacrifice personal comfort so as to take benefit of business opportunities, 175 (35.0%) disagreed that they would rather be their own boss than have a secure job, 400 (80.0%) strongly agreed that they can earn much money only if they



**Table 1.** Socio-demographic characteristics.

Parameter	Frequency	Percentage
<b>Age (years)</b>		
20-25	150	30.0
26-30	280	56.0
31-35	50	10.0
36-40	15	3.0
Above 40	5	1.0
Total	500	100.0
<b>Gender</b>		
Male	350	70.0
Female	150	30.0
Total	500	100.0
<b>Ethnic group</b>		
Punjabi	180	36.0
Sindhi	220	44.0
Balochi	40	8.0
Pathan	55	11.0
Other	5	1.0
Total	500	100.0
<b>Nationality</b>		
Pakistani	495	99.0
Others	5	1.0
Total	500	100.0
<b>Religion</b>		
Muslim	440	88.0
Christian	50	10.0
Hindu	2	0.4
Others	8	1.6
Total	500	100.0
<b>The longest residing area</b>		
City	80	16.0
Village	280	56.0
Town	120	24.0
Other	20	4.0
Total	500	100.0
<b>Highest education level</b>		
Ph.D	10	2.0
Masters	440	88.0
Diploma	30	6.0
Certificate	15	3.0
Other	5	1.0
Total	500	100.0
<b>Area of study you are</b>		
Engineering	140	28.0
Technical	180	36.0

**Table 1.** Cont'd

Science	120	24.0
Skilled work	55	11.0
Other	5	1.0
Total	500	100.0
<b>Profession of parents</b>		
Own business	20	4.0
Salaried worker	280	56.0
Clerks	100	20.0
Skilled worker	90	18.0
Other	10	2.0
Total	500	100.0

No need for the Figures since data is explained.

establish their own business and 325 (65.0%) agreed that they feel active while working with co-workers in a lively business environment.

Table 2 exhibits that 200 (40.0%) respondents were neutral that their closest family thinks that they should follow a career like an entrepreneur, and 285 (57.0%) agreed while 385 (77.0%) strongly agreed. Among the respondents, 400 (80.0%) strongly agreed that if they start their own business, success chances would be much high, 150(30.0%) agreed they have sufficient knowledge and skills to launch a business, 250 (50.0%) agreed they are able to develop/handle entrepreneurial project, 200 (40.0%) disagreed that entrepreneurs have good image in society and 250 (50.0%) respondents agreed that they have awareness about start-up support. Likewise, 250 (50.0%) respondents strongly agreed that they always can solve difficult issues if they try hard enough, 150 (30.0%) agreed that they are confident that they could handle unforeseen events efficiently, 250 (50.0%) agreed that they can solve various problems if they invest necessary effort, 200 (40.0%) strongly agreed that when they confronted with any problem, they can mostly find numerous solutions, 200 (40.0%) also strongly agreed that if they are in trouble, they can mostly think about a solution, 315 (63.0%) strongly agreed that they can mostly manage whatever comes their way and 240 (48.0%) agreed and said thanks to their resourcefulness, they understand how to manage unexpected situations.

Table 2 further demonstrates that 245 (49.0%) respondents strongly agreed that entrepreneurship course boosts their understanding regarding entrepreneurs' attitudes, 200 (40.0%) strongly agreed that entrepreneurship course boosts their knowledge to both individuals and society, 250 (50.0%) respondents strongly agreed that entrepreneurship course boosts their knowledge of generating novel ideas, 350 (70.0%) strongly agreed that course boosts their knowledge regarding financial preparation for entrepreneurial project,

**Table 2.** Role of entrepreneurship education on student intention and the mediating effect of self-efficacy.

Parameter	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
<b>Entrepreneurial intention</b>					
The idea is appealing of one day starting your own business	25(5.0%)	425(85.0%)	5(1.0%)	25(5.0%)	20(4.0%)
I will choose a career as an entrepreneur.	350(70.0%)	50(10.0%)	25(5.0%)	30(6.0%)	45(9.0%)
I prefer to be an entrepreneur rather than to be an employee in a company or in an organization	410(82.0%)	40(8.0%)	10(2.0%)	20(4.0%)	20(4.0%)
I want the freedom to express myself in my own business	40(8.0%)	375(75.0%)	40(8.0%)	20(4.0%)	25(5.0%)
I would rather be my own boss than have a secure job.	60(12.0%)	100(20.0%)	40(8.0%)	50(10.0%)	250(50.0%)
You can only make big money if you are self-employed	400(80.0%)	50(10.0%)	10(2.0%)	15(3.0%)	25(5.0%)
<b>Entrepreneurial attitude</b>					
I have always worked hard in order to be among the best in my field	30(6.0%)	400(80.0%)	50(10.0%)	20(4.0%)	30(6.0%)
I believe that concrete results are necessary in order to judge business success	370(74.0%)	30(6.0%)	10(2.0%)	60(12.0%)	30(6.0%)
I often sacrifice personal comfort in order to take advantage of business opportunities	50(10.0%)	350(70.0%)	8(1.6%)	22(4.4%)	20(4.0%)
I'd rather be my own boss than have a secure job	100(20.0%)	150(30.0%)	50(10.0%)	175(35.0%)	25(5.0%)
I can make big money only if I create my own business	400(80.0%)	40(8.0%)	10(2.0%)	18(3.6%)	32(6.4%)
I feel energetic working with innovative colleagues in a dynamic business climate	100(20.0%)	325(65.0%)	25(5.0%)	27(5.4%)	23(4.6%)
<b>Subjective Norms: normative believes</b>					
I believe that my closest family thinks that I should pursue a career as an entrepreneur	150(30.0%)	50(10.0%)	200(40.0%)	15(3.0%)	85(17.0%)
I believe that my closest friends think that I should pursue a career as entrepreneur	150(30.0%)	285(57.0%)	15(3.0%)	15(3.0%)	35(7.0%)
I believe that people, who are important to me, think that I should pursue a career as an entrepreneur	385(77.0%)	15(3.0%)	10(2.0%)	25(5.0%)	65(13.0%)
<b>Perceived behaviour control</b>					
If I start my own business, the chances of success would be very high	400(80.0%)	25(5.0%)	10(2.0%)	25(5.0%)	40(8.0%)
I have enough knowledge and skills to start a business.	100(20.0%)	150(30.0%)	150(30.0%)	15(3.0%)	85(17.0%)
I am capable to develop or handle an entrepreneurial project	150(30.0%)	250(50.0%)	15(3.0%)	25(5.0%)	60(12.0%)
Entrepreneurs have a positive image within society.	100(20.0%)	150(30.0%)	20(4.0%)	200(40.0%)	30(6.0%)
I am aware of the start-up support	200(40.0%)	250(50.0%)	10(2.0%)	15(3.0%)	25(5.0%)
<b>Self-efficacy</b>					
I can always manage to solve difficult problems if I try hard enough	250(50.0%)	200(40.0%)	15(3.0%)	10(2.0%)	25(5.0%)
I am confident that I could deal efficiently with unexpected events.	100(20.0%)	150(30.0%)	50(10.0%)	50(10.0%)	150(30.0%)
I can solve most problems if I invest the necessary effort	150(30.0%)	250(50.0%)	25(5.0%)	50(10.0%)	25(5.0%)
When I am confronted with a problem, I can usually find several solutions	200(40.0%)	150(30.0%)	25(5.0%)	100(20.0%)	25(5.0%)
If I am in trouble, I can usually think of a solution	200(40.0%)	150(30.0%)	25(5.0%)	75(15.0%)	50(10.0%)
I can usually handle whatever comes my way	315(63.0%)	85(17.0%)	15(3.0%)	27(5.4%)	58(11.6%)
Thanks to my resourcefulness, I know how to handle unforeseen situations	150(30.0%)	240(48.0%)	10(2.0%)	25(5.0%)	75(15.0%)

Table 2. Cont'd

<b>Entrepreneurship education</b>					
The entrepreneurship course increases my understanding of the attitudes of entrepreneurs	245(49.0%)	130(26.0%)	25(5.0%)	24(1.8%)	76(15.2%)
The entrepreneurship course increases my understanding of entrepreneurship to both the society and individuals	200(40.0%)	150(30.0%)	15(3.0%)	50(10.0%)	85(17.0%)
The entrepreneurship course increases my understanding of generating innovative ideas.	250(50.0%)	150(30.0%)	10(2.0%)	25(5.0%)	65(13.0%)
The entrepreneurship course increases my understanding of financial preparation for entrepreneurial ventures	350(70.0%)	120(24.0%)	5(1.0%)	15(3.0%)	30(6.0%)
The entrepreneurship course increases my understanding of planning a business	210(42.0%)	180(36.0%)	10(2.0%)	35(7.0%)	65(13.0%)
The entrepreneurship course enhances my skills to deal with the risks and uncertainties	150(30.0%)	275(55.0%)	5(1.0%)	30(6.0%)	40(8.0%)
Successful stories of local entrepreneurs inspire my entrepreneurial mind.	150(30.0%)	240(48.0%)	10(2.0%)	30(6.0%)	70(14.0%)
I think entrepreneurial skills are acquired through training	245(49.0%)	125(25.0%)	20(4.0%)	50(10.0%)	60(12.0%)

210 (42.0%) strongly agreed that course boosts their knowledge about planning a business, 275 (55.0%) agreed that entrepreneurship course boosts their skills to handle uncertainties and risks, 240 (48.0%) agreed that successful stories of local entrepreneurs motivate their entrepreneurial mind and 245 (49.0%) respondents strongly agreed and believed entrepreneurial skills are obtained through training.

Table 3 depicts the correlation between the role of entrepreneurship education and age. Significant results ( $P < 0.05$ ) were obtained regarding participants will choose a career as an entrepreneur, can earn much money if they establish their own business, their closest family think they should pursue career like entrepreneur, success chances much high if they start their business, can deal with unexpected events efficiently and entrepreneurship course boosts their understanding regarding generating novel ideas. Table 4 shows a correlation between the role of entrepreneurship education and gender. Significant results were found for all the above variables (Table 3) except participants will choose a career as an entrepreneur and entrepreneurship course boosts their understanding regarding

generating novel ideas.

Like developed countries, the aptitude of students in Pakistan is also increasing toward entrepreneurship education. Keeping in mind its significance current study was conducted among 500 respondents to obtain appropriate outcomes. The current study is also consistent with finding from past studies in other countries. Attitude, social norms and social behavior are impacting our thinking; the results of this study vary in our setting. The study revealed that most of the participants (86.0%) were up to 30 years old and only 14.0% were above 30 years old, indicating that the majority have an ideal age in which people are more ambitious to start a business. But the findings of a study conducted by Mbuqe (2016) exhibited different scenario that only 13.1% respondents were up to 30 years old and the majority (86.9%) were above 30 years old. The study disclosed that the majority of the respondents (70.0%) were males and only 30.0% were females. Other major difference is that majority of the respondents, 70% were males and 30% were females due to our religious and social norms as compared to the other countries' research. This is in contrast with the findings of a

recent study carried out by Popescu et al. (2016) who reported that more than half (59.3%) of respondents were females and 40.7% were males.

A similar study conducted by Fayolle and Gailly (2015) reported education that focuses on entrepreneurship is considered a catalyst to develop entrepreneurial intentions among students. It was very encouraging to know that significant majority of respondents had an idea to start their own business due to entrepreneurial education, wanted to become an entrepreneur rather than an employee and can earn big money through self-employment.

Remeikiene et al. (2013) indicated in their study that students' entrepreneurial attitude is the main factor that motivates them to start a successful business. The findings of our study showed that major proportion of participants believed that concrete outcomes are essential for business success, they work hard and sacrifice to get benefit about business opportunities and can earn big money if they establish their own business. In a study, Krithika and Venkatachalam (2014) elucidated that subjective norm plays a leading role to influence the entrepreneurial intention

**Table 3.** Correlation of role of entrepreneurship education on student intention and the mediating effect of self-efficacy with age.

Parameter	Age		Total	P-value
	Up to 30 years	Above 30 years		
<b>I will choose a career as an entrepreneur</b>				
Strongly agree	290(58.0%)	60(12.0%)	350(70.0%)	0.000
Agree	50(10.0%)	0(0.0%)	50(10.0%)	
Neutral	25(5.0%)	0(0.0%)	25(5.0%)	
Disagree	20(4.0%)	10(2.0%)	30(6.0%)	
Strongly disagree	45(9.0%)	0(0.0%)	45(9.0%)	
Total	430(86.0%)	70(14.0%)	500(100.0%)	
<b>I can make big money only if I create my own business</b>				
Strongly agree	332(66.4%)	68(13.6%)	400(80.0%)	0.000
Agree	40(8.0%)	0(0.0%)	40(8.0%)	
Neutral	5(1.0%)	5(1.0%)	10(2.0%)	
Disagree	18(3.6%)	0(0.0%)	18(3.6%)	
Strongly disagree	32(6.4%)	0(0.0%)	32(6.4%)	
Total	430(86.0%)	70(14.0%)	500(100.0%)	
<b>I believe that my closest family thinks that I should pursue a career as an entrepreneur</b>				
Strongly agree	130(26.0%)	20(4.0%)	150(30.0%)	0.004
Agree	40(8.0%)	10(2.0%)	50(10.0%)	
Neutral	170(34.0%)	30(6.0%)	200(40.0%)	
Disagree	15(3.0%)	0(0.0%)	15(3.0%)	
Strongly disagree	75(15.0%)	10(2.0%)	85(17.0%)	
Total	430(86.0%)	70(14.0%)	500(100.0%)	
<b>If I start my own business, the chances of success would be very high</b>				
Strongly agree	345(69.0%)	55(11.0%)	400(80.0%)	0.000
Agree	20(4.0%)	5(1.0%)	25(5.0%)	
Neutral	10(2.0%)	0(0.0%)	10(2.0%)	
Disagree	20(4.0%)	5(1.0%)	25(5.0%)	
Strongly disagree	35(7.0%)	5(1.0%)	40(8.0%)	
Total	430(86.0%)	70(14.0%)	500(100.0%)	
<b>I am confident that I could deal efficiently with unexpected events</b>				
Strongly agree	90(18.0%)	10(2.0%)	100(20.0%)	0.000
Agree	135(27.0%)	15(3.0%)	150(30.0%)	
Neutral	40(8.0%)	10(2.0%)	50(10.0%)	
Disagree	50(10.0%)	0(0.0%)	50(10.0%)	
Strongly disagree	115(23.0%)	35(7.0%)	150(30.0%)	
Total	430(86.0%)	70(14.0%)	500(100.0%)	
<b>The entrepreneurship course increases my understanding of generating innovative ideas</b>				
Strongly agree	215(43.0%)	35(7.0%)	250(50.0%)	0.000
Agree	125(25.0%)	25(5.0%)	150(30.0%)	
Neutral	10(2.0%)	0(0.0%)	10(2.0%)	
Disagree	25(5.0%)	0(0.0%)	25(5.0%)	
Strongly disagree	55(11.0%)	10(2.0%)	65(13.0%)	
Total	430(86.0%)	70(14.0%)	500(100.0%)	

among business students. It is significant to mention that majority of respondents believed their closest friends and

people that are important to them desire they should pursue a career like an entrepreneur except for their

**Table 4.** Correlation of role of entrepreneurship education on student intention and the mediating effect of self-efficacy with gender.

Parameter	Gender		Total	P-value
	Male	Female		
<b>I will choose a career as an entrepreneur</b>				
Strongly agree	245(49.0%)	105(21.0%)	350(70.0%)	0.285
Agree	30(6.0%)	20(4.0%)	50(10.0%)	
Neutral	20(4.0%)	5(1.0%)	25(5.0%)	
Disagree	20(4.0%)	10(2.0%)	30(6.0%)	
Strongly disagree	35(7.0%)	10(2.0%)	45(9.0%)	
Total	350(70.0%)	150(30.0%)	500(100.0%)	
<b>I can make big money only if I create my own business</b>				
Strongly agree	285(57.0%)	115(23.0%)	400(80.0%)	0.024
Agree	25(5.0%)	15(3.0%)	40(8.0%)	
Neutral	10(2.0%)	0(0.0%)	10(2.0%)	
Disagree	8(1.6%)	10(2.0%)	18(3.6%)	
Strongly disagree	22(4.4%)	10(2.0%)	32(6.4%)	
Total	350(70.0%)	150(30.0%)	500(100.0%)	
<b>I believe that my closest family thinks that I should pursue a career as an entrepreneur</b>				
Strongly agree	115(23.0%)	35(7.0%)	150(30.0%)	0.005
Agree	35(7.0%)	15(3.0%)	50(10.0%)	
Neutral	125(25.0%)	75(15.0%)	200(40.0%)	
Disagree	15(3.0%)	0(0.0%)	15(3.0%)	
Strongly disagree	60(12.0%)	25(5.0%)	85(17.0%)	
Total	350(70.0%)	150(30.0%)	500(100.0%)	
<b>If I start my own business, the chances of success would be very high</b>				
Strongly agree	305(61.0%)	95(19.0%)	400(80.0%)	0.000
Agree	10(2.0%)	15(3.0%)	25(5.0%)	
Neutral	10(2.0%)	0(0.0%)	10(2.0%)	
Disagree	15(3.0%)	10(2.0%)	25(5.0%)	
Strongly disagree	10(2.0%)	30(6.0%)	40(8.0%)	
Total	350(70.0%)	150(30.0%)	500(100.0%)	
<b>I am confident that I could deal efficiently with unexpected events</b>				
Strongly agree	70(14.0%)	30(6.0%)	100(20.0%)	0.013
Agree	105(21.0%)	45(9.0%)	150(30.0%)	
Neutral	25(5.0%)	25(5.0%)	50(10.0%)	
Disagree	35(7.0%)	15(3.0%)	50(10.0%)	
Strongly disagree	115(23.0%)	35(7.0%)	150(30.0%)	
Total	350(70.0%)	150(30.0%)	500(100.0%)	
<b>The entrepreneurship course increases my understanding of generating innovative ideas</b>				
Strongly agree	165(33.0%)	85(17.0%)	250(50.0%)	0.085
Agree	110(22.0%)	40(8.0%)	150(30.0%)	
Neutral	10(2.0%)	0(0.0%)	10(2.0%)	
Disagree	20(4.0%)	5(1.0%)	25(5.0%)	
Strongly disagree	45(9.5%)	20(4.0%)	65(13.0%)	
Total	350(70.0%)	150(30.0%)	500(100.0%)	

closest family. As far as perceived behavior control is concerned, the mainstream of respondents had the desire to start their own business due to high chance of

success as they have ample knowledge and expertise to establish a business and in society entrepreneurs have a good image.

Janssen (2016) demonstrated in his study that students of entrepreneurial education have better self-efficacy when compared with other groups. It is worth-mentioning here that a massive portion of respondents believed that they can always solve problems if they try hard, can efficiently deal with unforeseen events and if facing any problem can find numerous solutions through necessary efforts. With the passage of time entrepreneurship education is getting more importance worldwide. Sultan et al. (2016) asserted that during the last two decades a significant growth has been observed about entrepreneurship education in the majority of developed countries. In this association, a major proportion of participants showed interest and agreed that entrepreneurship course boosts their understanding about attitudes of entrepreneurs, about society and individuals, generating innovative ideas, planning a business and to deal with risk and uncertainties while there is need to acquire entrepreneurial skills through training.

## Conclusion

Role of entrepreneurship education cannot be underestimated as it provides individuals with better opportunities to establish their own business. The idea behind this study is “The Theory of The Planned Behavior”. This theory has been described in descriptive forms not in hypothesis form. Through the help of the planned behavior theory it is proved that the role of entrepreneurship education has a positive impact on students’ intention. Actually entrepreneurship is a plan about establishing a new business, that is, why the antecedents of the theory of planned behavior are very supportive of the enhancements of the students’ intention. The study concluded that entrepreneurship education has a positive role on students’ intention and the mediating effect of self-efficacy. Further studies are required to be conducted on a vast level to assess the role of entrepreneurship education on students’ intention to provide them with better opportunities.

## CONFLICT OF INTERESTS

The authors declare that they have no conflict of interest.

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*Full Length Research Paper*

# **Critique does not equate to rebellion: Positive deviance and entrepreneurial networking among small and medium enterprises in Uganda**

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**This paper examines the relationship between positive deviance and entrepreneurial networking among small and medium enterprises (SMEs). Using a mixed method approach combined self-administered questionnaires and interview guide covering 228 SMEs in Uganda, the cross-sectional nature of this study revealed key nuances about SMEs. The research findings confirmed a significant positive relationship between positive deviance and entrepreneurial networking among SMEs in Uganda. The findings also revealed that: SME owner/ managers should create enabling environment for people with divergent views to interact with each other to innovate new practices, such as accessing resources from the networks; managers should initiate new policies for error management to allow employees room to learn from mistakes; managers should acquire new skills of leadership skills to manage and utilize the knowledge and skills of positive deviants. This research therefore contributes to existing scholarship by providing nuances in the study of positive deviance and entrepreneurial networking among SMEs in Uganda through employing a complexity approach that transcends previous academic focus on social network theory.**

**Key words:** positive deviance, entrepreneurial networking, small and medium enterprises (SMEs), complexity.

## **INTRODUCTION**

Successful entrepreneurs recognise the importance of entrepreneurial networking in the process of starting and sustaining businesses (Engel et al., 2017; Koning and Stanford, 2015). Although entrepreneurial networking provides useful information, social support and tangible

resources to support achieve goals like business growth and competitiveness, it has been criticised for focusing mainly on the static aspects of networks, content, relations, their governance and structures (Pollack et al., 2015; Galkina, 2013). This focus limits the understanding

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of entrepreneurial networking because they are seen as an objectively given reality that comes into being and changes without the participation of entrepreneurs (Lux et al., 2016; Sarasvathy and Venkataraman, 2011). Positive deviance is intentional behaviours that significantly depart from the norms of the referent group (organization) in honourable ways that lead to positive outcomes (Mertens et al., 2016). Previous studies focused on destructive deviant behaviours in organisations (Tziner et al., 2006), while others studying individuals who have solved a problem and spreads their unique solutions their existing solutions to bring about sustainable behavioural and social change in health (Pascale et al., 2010: 206). Despite growing interest, little remains known about the factors that stimulate positive deviance (PD); in particular, how management can enable its emergence. Social networks are an important way of working with complexity. Social networks enable the rapid transmission of information and practices provided there is trust within the network. One of the principles in social network science is that when people with divergent views (PD) are better connected, they are more individually and collectively productive, cohesive, and resilient. This study looks at positive deviance relationship with a social networking lens. It was hypothesized that positive deviance relates to entrepreneurial networking. The Central Broadcasting Corporation (CBS) story demonstrates how positive deviant employees were able to access resources from a social network.

The CBS in Uganda is a success story in which the networking strategies expounded in this paper were applied by entrepreneurs to create a highly successful enterprise. Using the Corporate Social Responsibility budget, CBS radio established and supported listenership groups to promote activities that generated income. However, when the radio station was switched off by the government in 2009 over allegations of inciting violence, its closure affected CBS' cash flow since it could no longer air advertisements. The CBS management called back six flexible employees with uncommon practices to develop strategies of mobilizing resources from the radio networks to keep the groups active. The employees started contacting some of the organisations that used to advertise with CBS radio. CBS management and employees persuaded Stromme Foundation to start providing financial support to organised groups to learn financial literacy, income generating projects, primary health care and technical education for children of group members. CBS radio and the Stromme Foundation joined forces and began imparting income generating skills to group members, supporting adolescents to acquire technical skills and supporting group initiatives to mobilise savings. The groups were linked to markets through online marketing. The resources mobilized from the Stromme Foundation stimulated some individuals among the CBS groups and began making candles and soap, writing books, practicing agriculture and animal

husbandry, and many other potentially profitable activities different from their daily routine. The groups were connected to potential markets through linkage marketing that gave birth to an association called Empower Women through Savings and Loan Associations-(POWESA). Stromme Foundation after realising that the model was working, connected CBS to other development partners like FK-Norway, MYRAND-India to support CBS groups with resources to start a SACCO. By 2016, POWESA members had share capital of \$1,033,333 and savings of \$3,055,556. Despite being closed by the government for two and a half years, CBS was able to provide financial and non-financial resources like social support to community initiatives to grow their businesses. CBS was voted the best radio station, winning awards from 2010-2016, for its programmes that promoted development. CBS radio used entrepreneurial networking to mobilise financial and non-financial resources to support its listener groups and greatly improve their sense of purpose and well-being.

## LITERATURE REVIEW

### Complexity systems leadership theory (CSLT)

CSLT explains the relationship between positive deviance and entrepreneurial networking in the Complex environment (Lindhult and Hazy, 2016; Goldstein et al., 2010; Hazy, 2012; McMillan, 2008). Hazy (2012) posits that higher levels of innovation could only be achieved through employees that deviate from the norms. Goldstein et al. (2010) argue that when employees with divergent views interact with others they create a symbiotic behaviour among themselves. These further contend that unfolding-series of events alertness tend to stimulate cohesiveness, ties, interactions and networking style among SME owners/managers. Positive deviant business owners/managers with unusual behaviour are likely to identify and exploit opportunities by joining different social networks to access resources for business competitiveness (Haynie et al., 2009; Shane, 2003). CSLT as an individual theory can predict mixed multiple possible outcomes with divergent views.

### Positive deviance

Positive deviance is intentional behaviours that significantly depart from the norms of the referent group (organization) in honourable ways that lead to positive outcomes (Mertens et al., 2016). Positive deviants normally perceive the world differently, break the norms and mobilize resources to pursue their new ideas that make the organisation compete unlike the conservative organisations. There is tolerance towards individuals who tend to do something different or unplanned, even when it

causes doubts with others (Goldstein et al., 2010). Positive deviance has become an important issue in organizations and is gaining increasing research attention (Herington and van de Fliert, 2018). Employees who seem to have deviant behaviours normally violate organizational norms to increase the organisation functionality and to serve as a source of creativity and innovation, thus contributing to the organization's competitive advantage as well as to the societal wellbeing (Artz., Hatfield and Cardinal, 2010). In developing economies, SMEs face a challenge of managing employees with deviant behaviours since they have a greater tendency to resign, develop stress related problems and low morale (Kim and Choi, 2017). They sometimes experience low self-esteem, an increase in fear and lack of confidence at work, as well as physical and psychological pain (Christian and Ellis, 2014). This normally happens among SMEs where innovations and resource allocation are highly controlled by top management. Positive deviant behaviours can have both positive and negative repercussions.

### **Entrepreneurial networking**

Entrepreneurial networking is understood as the active process of establishing and maintaining relationships which underlines the dynamic side of their formation undertaken by the focal actor (Johannisson, 2017; Galkina, 2013). Entrepreneurial networking is a highly context specific phenomenon where the setting imposes certain socio-cultural patterns of establishing entrepreneurial relations (Burt et al., 2013; Borgatti Mehra and Labianca, 2009). In entrepreneurial networking, relationships provide emotional support for entrepreneurial risk taking and this is fruitful for some situations (Cooper, 2017). The relationships may be derived from membership of trade associations, business networks or indeed friendships with business people, which help the entrepreneur in providing the access to information (Lockett et al., 2017). The argument is that entrepreneurial networking connections and structure facilitate the flow of information and create the mutual trust and cooperation (Johannisson, 2017).

### **Positive deviance and entrepreneurial networking**

Positive-deviance are antecedents of entrepreneurial networking since positive deviant employees come up with new ideas and mobilise resources through networks (Pascale et al., 2011; Goldstein et al., 2010). They assert that developing a high degree of resonance interaction or symbiosis and not competition requires that individuals with different backgrounds and with different sets of experiences connect with others in a very meaningful way to access required resources (Hazy and Silberstang,

2009). In most cases, the presence of PD among organisations' employees is fostered and demonstrated when individuals are able to voice their opposing viewpoints in a meaningful manner (Johannisson, 2017; Goldstein et al., 2010: 39). This is sometimes lacking in some SMEs with individuals who happen to possess opposing viewpoints (Kibirango et al., 2017; Goldstein et al., 2010).

Positive deviance focuses on practice rather than knowledge (Hulsheger et al., 2009). Although most problems have complex, interlinked underlying causes, the presence of positive deviants demonstrates that it is possible to find successful solutions since positive deviants are able to access resources from networks to implement their new ideas that may have radical departures from what is expected to be normal (Pascale et al., 2010). Past studies indicate that people, who have a high level of networking ability, have also some extra positive abilities such as being good at problem solving, deal making, conflict managing and negotiating (Frieder and Basik, 2017). Additionally, Horiuchi (2017) asserts that networking ability is also related to the capacity of individuals to understand, analyse, and evaluate the actors in political environment. Positive deviants in a business are likely to influence the kind of network to participate in to access the tangible and intangible resources (Yildiz et al., 2015; Vadera et al., 2013).

### **Positive deviants and entrepreneurial networking**

In every community and every organization, some people do better than others with the same tools and constraints. Pascale et al. (2011) called these "positive deviants." Such individuals establish community behavioural norms related to the problem to be addressed or enable community to discover successful uncommon behaviours/strategies practiced by the positive deviants (Kibirango et al., 2017; Pascale et al., 2011). Literature on complexity systems leadership theory clarified that only those behaviours/strategies accessible to all are kept. There is a proverb which says that:

*"We cannot (yet) clone people but we can adopt their successful behaviours/strategies"*

This means that positive deviance focuses on practice rather than knowledge (Hulsheger et al., 2009). Although most problems have complex, interlinked underlying causes, the presence of positive deviants demonstrates that it is possible to find individuals in an organization who innovate new ideas to challenge a status quo, look for resources through social networking. Van Dick and Scheffel (2015) assert that positive deviants are a source of innovation, in that they can resolve, by their own means, a problem that their community is yet to solve. They, however, agreed that the challenge is making an

anomaly a collective resource. Employees must therefore, place attention on individual success more so than global dysfunction. Organizations that took up such recommendation shifted the responsibilities: the identification and diffusion of new ideas occurred in the field, breaking away from the traditional top-down model and access resources from social networks (Bowman, 2013). Employees with divergent views are also more inclined to explore experiment and innovate, which leads to better results. This can happen when the SME has an error management culture that allows trial and error without reprimanding the employees (Frese and Keith, 2015).

*H1a: Positive deviants are positively and significantly associated with entrepreneurial networking.*

### **Novelty experiments and entrepreneurial networking**

Employees with divergent views prefer to make experiments by testing new ways of doing things to solve the prevailing business problems (Muafi, 2015). The abilities available in the leadership of social systems help employees to amplify novel experiments of positive deviants, and whether such are intended to solve existing problems and/or opportunity-exploitation potential, which were previously unnoticed (Seidman and McCauley, 2008). Through influential interactions, which are happening all the time in every corner of the organization, novelty emerges and is enacted in unique and surprising ways. This means that the true catalysts of innovation are the webs of relationships in the nexus of interactions that connect members to each other and to others in the environment to address the current challenges in organisations by also getting tangible and intangible resources from the social networks (Hazy and Ashley, 2011).

The employee differences create novelty since the interaction of two identical things cannot generate something new. Pushing this analogy further, the catalyst for innovation lies in deviations from what is expected, that is, experiments in novelty reflecting departures from the currently accepted and conventional ways of functioning (Goldstein et al., 2010). These experiments are constantly going on in organizations, although such deviations are typically unnoticed or marginalized. Whenever new ideas are amplified, and disseminated by business owner/manager, new ways of solving problems emerge in novel patterns, practices, and strategies that can improve and transform the business emerge (Lindhult and Hazy, 2016). At workplace, in which experiments in novelty lead to innovative practices, processes, and routines, is likely to enable an organization to become adaptable to the unprecedented levels of change characterizing today's business environments. The social networks create a platform where individuals with different objectives meet to access

social support for novelty experiments that contribute organisation competitiveness (Frese and Keith, 2015).

*H1b: Novelty experiments are significantly positively associated with entrepreneurial networking*

### **METHODOLOGY**

The research methodology employed involved quantitative and qualitative approaches in the context of critical realism mixing since a qualitative approach can address the issues that arise from using a quantitative method. Critical realism attempts to understand and respond to reality as perceived in real domains (Benton and Craib, 2001).

#### **Population and sample**

To answer the hypotheses, we conducted a comprehensive large-scale survey among Ugandan SMEs. For practical reasons, the geographical scope of the study was restricted to SMEs in Kampala district. The target population comprised of 93,117 registered SMEs with more than five employees based on trade, services and manufacturing sectors (UBOS, 2013), under this study, the SMEs are the unit of analysis while managers and business owners are the unit of inquiry. A total sample of 392 SMEs for this study was generated using Krejcie and Morgan (2006) sample size determination formula. In total, 456 questionnaires were received from respondents of 228 SMEs indicating a response rate of 58%.

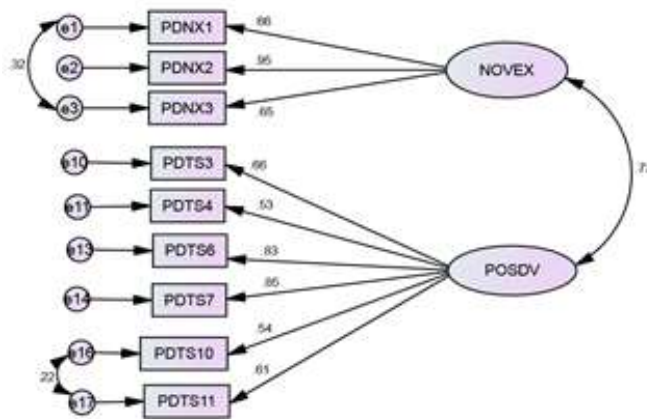
#### **Measurement of variables, validity and reliability**

##### **Positive deviance**

Positive-deviance (PD) was examined by assessing the level of existing tolerance towards individuals who tend to do something different or unplanned, even when it causes doubts with others (Goldstein et al., 2010). The study also examined the behavior of certain individuals whose uncommon practices enable them to find better solutions to problems than their neighbors who have access to the same resources (Pascale et al., 2011). Confirmatory factor analysis (CFA) finally retained novelty experiments and positive deviant behaviors (Seidman and McCauley, 2008). The model had a good fit as shown in Figure 1, Chi-square =22.840; Degree of Freedom (DF) =24, Probability (P) = 0.529; Goodness of Fit Index (GFI) =0.977, Tucker Lewis Index (TLI) =1.002; Normed Fit Index (NFI) =0.975; Root Mean Square Error of Approximation (RMSEA) = 0.00. The Likert scale was 1-6. The validity was 0.750 and reliability was 0.920.

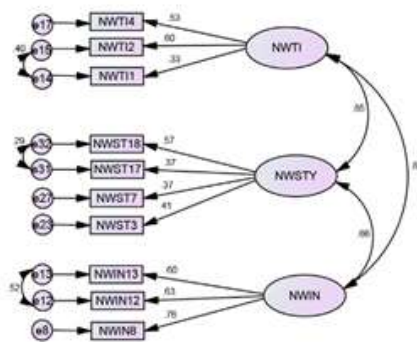
##### **Entrepreneurial networking**

The presence of strong and weak ties and a broad network appears to influence the persistence and success of entrepreneurs (Davidsson and Honig, 2003). The CFA retained interactions, ties, inter dependence and networking styles. It measured the relationships between contacts of the responding entrepreneur, resources like information, money, materials, social support and space. The CFA had a good model fit as shown in Figure 2: Chi-square =33.958; Degree of Freedom (DF) =29, Probability (P) = 0.241; Goodness of Fit Index (GFI) = 0.971, Tucker Lewis Index (TLI) =0.984; Comparative Fit Index (CFI) =0.990; Normed Fit Index (NFI) =0.937; Root Mean Square Error of Approximation (RMSEA) = 0.027.



Chi-square=22.840; Degree of Freedom (DF) =24, Probability (P) = 0.529; Incremental Fit Index (IFI) =1.001; Goodness of Fit Index (GFI) =.977, Tucker Lewis Index (TLI) =1.002; Comparative Fit Index (CFI) =1.000; Normed Fit Index (NFI) =0.975; Relative Fit Index (RFI) =0.962; CMIN/DF =0.952; Root Mean Square Error of Approximation (RMSEA) = 0.000

Figure 1. Positive deviance.



Chi-square = 33.290, degrees of freedom = 21, probability = 0.043, RMSEA = 0.051, goodness of fit index (GFI) = 0.969, normed fit index (NFI) = 0.932, comparative fit index (CFI) = 0.973, Tucker-Lewis index = 0.953, adjusted goodness of fit index (AGFI) = 0.934

Figure 2. Entrepreneurial networking.

The Cronbach Alpha ( $\alpha$ ) which assessed discriminant validity was above 0.5 (Fornell and Larcker, 1981). The observed factor loadings compared with their standard errors revealed evidence of an association between positive deviance and its respective constructs value was above 0.5, considered an acceptable reliability for each item (Mohajan, 2018). All variables for the study were tested for validity 0.850 and reliability 0.919, which were acceptable as they met the minimum value of 0.7 recommended by Nunnally (1978). Tables 1, 2 and 3 show the validity and reliability.

**Data management and analysis**

Four approaches of statistical analysis as used by Mustapha et al. (2011) were utilised in this study as follows: first, IBM SPSS statistics version 23 was used to compute the descriptive statistics (Field, 2005). Descriptive measurements were used to report demographic data and to check the level of all predictor, mediator and criterion variables. Frequency measures including percentage, mean and standard deviation, zero order correlations, reliability coefficients and plots were used in this process.

The analysis of moment structures (AMOS) Program version 23, a graphic and statistical analysis tool, was used for confirmatory factor analysis (CFA) and structural equation modelling (SEM) or path analysis, to examine the goodness of fit of the proposed model, and subsequently to estimate the structural coefficients

pertaining to the hypothesised path model. The study used SEM to verify the hypothesised relationships between entrepreneurial networking variables, namely, positive deviance, ecologies of innovation and entrepreneurial networking among SMEs. This technique allowed the estimation of causal relations among variables as well as mediating effects of direct and indirect effects of mediator variables in the relationships between predictor variables and the criterion variable.

The test for common method bias was considered under this study. The problem of common method bias was solved by obtaining responses from different SMEs. Procedural remedy and careful construction of the items used in the measurement instrument was carried out. All ambiguous, unfamiliar terms, and vague concepts were removed, and all questions were kept simple, specific, and concise. Similarly, all double barrelled questions were eliminated by decomposing them in to simpler and focussed questions (Tourangeau et al., 2000). Thus, all items for the final study were re-worded and the scale anchors used in the pilot study was maintained to avoid change in the meaning of the construct and potential compromise on validity. Scale formats, anchors, and scale values were maintained in order to avoid common method biases. Raw data collected from the field were screened for errors, missing values, outliers, and further test to assess assumption of parametric data was performed. The histogram, normal p-p plots, homogeneity of variance, and multi-collinearity were used to ascertain whether the data satisfied the assumption of parametric

**Table 1.** Qualitative demographic characteristics.

Interview	Position	Experience (years)	Age range	Level of education	Size of business	Nature of business
TT1	Manager	15	50-59	Degree	Medium	Broadcasting
TT2	Manager	17	50-59	Degree	Medium	Hospitality
TT2	Product Development Manager	12	40-49	Degree	Medium	Cosmetics
TT3	Manager	7	40-49	Postgraduate	Medium	Clay products
TT4	Owner	12	50-59	Postgraduate	Small	Consultancy
TT5	Manager	8	30-39	Postgraduate	Small	Manufacturing
TT6	Owner	20	60-69	Postgraduate	Small	Consultancy
TT7	Manager	9	40-49	Postgraduate	Medium	Manufacturing
TT8	Owner	10	30-39	Diploma	Small	Trade
TT9	Owner	6	30-39	Degree	Small	Trade

**Table 2.** Relationships between the study variables.

Variable	Mean	SD	1	2	3	4
Novelty Experiments-1	3.928	0.751	1.000			
Positive Deviants-2	3.912	0.692	0.639**	1.000		
Positive Deviance-3	3.920	0.653	0.913**	0.897**	1.000	
Entrepreneurial Networking-4	4.161	0.490	0.535**	0.523**	0.584**	1.000

\*\*Correlation is significant at the 0.01 level (2-tailed).

test. Normality was tested by use of histogram and normal p-p plots, while the Levene's test was generated to test for homogeneity of variance. Furthermore, tolerance and variance inflation factor (VIF) statistics were generated to determine whether multi-collinearity was a problem in the data. However, the tolerance and VIF were achieved and tenable and were not a problem in the data as recommended by Field (2005) and Hair et al. (2010). Additionally, tests to examine the mediating role of ecologies of innovation in the relationship between positive deviance and entrepreneurial networking were carried out using guidelines set by Baron and Kenny (1986). The results of the mediating role of ecologies of innovation in the relationship between positive deviance and entrepreneurial networking are discussed subsequently.

#### Qualitative data reliability, validity and analysis

The study tested for the reliability and validity of the qualitative data based on Miles and Huberman (1994) quality of qualitative research criteria of conformability, credibility, transferability and dependability. The key informants were interviewed for 30 to 40 min to ensure all the necessary data was gathered from them. The interview notes and voices were reviewed to check for correctness and logical inference of the findings. Furthermore, the transcribed scripts were reviewed to check for the correctness and completeness of the data. The study also followed a specific procedure in coding and analysis of qualitative responses. The

researchers were able to provide full explanation and account of all the ideas, records of observations and responses presented on each occasion of the interview process through self-participation in the interview process. The qualitative data was analyzed using content analysis based on thematic areas created guided by the study constructs and dimensions.

The reliability and validity of the qualitative data were also ensured. The key informants were interviewed for 30 to 40 min to ensure all the necessary data was gathered from them. The interview notes and voices were reviewed to check for correctness of data. The transcribed scripts were further reviewed to check for the correctness and completeness of the data. The information was properly coded and categorized into the study thematic areas arrived at based on the study constructs and dimension. Furthermore, based on Miles and Huberman (1994), criteria for quality in qualitative research of conformability, credibility, transferability and dependability were ensured. Therefore, to ensure that conclusions were most reasonable from the qualitative data, confirmatory audit was conducted during data collection and analysis stages. It involved checking the retained recorded interviews and field notes to ensure logical inferences and quality of findings. Besides, credibility under qualitative research corresponds to internal validity and to ensure that qualitative inquiry was performed in a credible manner. This was achieved by the researcher personally involving himself to collect the qualitative data. In addition, the aspect of transferability was also considered. Transferability was achieved through use of specific procedures in coding and analysis of qualitative responses as stipulated by Miles

**Table 3.** Direct regression.

Parameter	Unstandardized coefficients		Standardized coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	2.444	0.161	-	15.192	0.000
Positive Deviance	0.438	0.040	0.584	1.820	0.000
<b>Dependent variable: Entrepreneurial networking</b>					
R	0.584	-	-	-	-
R Square	0.341	-	-	-	-
Adjusted R Square	0.338	-	-	-	-
Std. Error of the Estimate	0.399	-	-	-	-
F Statistics	117.074	-	-	-	-
Sig.	0.000	-	-	-	-

and Huberman (1994). Furthermore, dependability was achieved by conducting a dependability audit, which involved an on-site and independent examination of the interview process. The researcher was able to provide full explanation and account of all the ideas, records of observations and responses presented on each occasion of the interview process through self-participation in the interview process. This further confirmed the credibility of the results of qualitative data collection before its analysis, presentation and interpretation (Patton, 2002). Thus, the hypotheses discussed are:

H1: There is a positive significant relationship between positive deviance and entrepreneurial networking.

H1a: Positive deviants are positively and significantly associated with entrepreneurial networking

H1b: Novelty experiments are significantly positively associated with entrepreneurial networking.

## RESULTS AND DISCUSSION

Under this study, both correlation and regression analyses were used to test for linear relationships between the variables.

### Descriptive statistics

The results show the characteristics of SMEs, business owners/managers. The nature of businesses was: trade 102 (44%), services 85 (37.3%), while manufacturing was 41 (18%). Among the businesses that the study focused on had existed more than 9 years counted 36%, while those which had existed 7 to 9 years were 35.5%, other businesses that had existed 4 to 6 years were 14.5% and 1 to 3 years were 10.5%. Most of business owners/managers who responded to the questionnaires were male (62.4%). The results reveal that the majority of owners or managers in the total sample were aged between 30 and 39 years (55.7%), followed by 18 and 29 years (26.7%), while 40 and 49 years were 15.4%, the category of 50 to 59 years were 1.7% and above 60

years were 4%, respectively. The number of years individuals had worked with the organisation 3 to 6 years (44.8%), this was followed with 1 to 3 years (34.8%), less than one year were 9.8%, while 6 to 10 years were 7.2%, 10 to 15 years were 1.7% and above 15 years were 1.7%, respectively. The highest level of education among the business owners and managers was degree at 83.3%, while 13.8 and 2.9% had post graduate qualifications. Among the sample respondents, 91.3% were managers while 8.7% were business owners. This means that most of the businesses have existed more than one year and respondents had adequate knowledge and experience to respond to the questions correctly.

### Qualitative demographic characteristics

The nine key informants selected for the interview were proportionately distributed comprising of five managers and four owners. The proportional distribution of the interviewees provided an opportunity to get a representative view of entrepreneurial networking among SMEs. The age of the key informants ranged between 30 and 69 years. The managers scoring the highest age bracket between 44 and 50 years and owners falling in the age bracket 40 and 59 years. The age factor is paramount in explaining the maturing of the interviewees in establishing business and social relationships contributing to successful access to resources.

### Pearson zero order correlation

Table 2 shows that the mean scores of the study variables range between 3.9 and 4.1, while standard deviations range from 0.49 to 0.79. This, for a six -point Likert scale, indicates that the concepts in the study were being practiced to a reasonable level. Moreover the standard deviations are small which implies that the study

**Table 4.** Competing models.

Parameter	Model-1	Model-2	Model-3
(Constant)	4.003	2.772**	2.426**
Nature	0.047	0.009	0.009
Novelty Experiments	-	0.346**	0.218**
Positive Deviants	-	-	0.217**
<b>Dependent Variable: Entrepreneurial Networking</b>			
R	0.124	0.535	0.585
R Square	0.015	0.286	0.342
Adjusted R Square	0.011	0.280	0.333
Std. Error of the Estimate	0.487	0.416	0.400
R Square Change	0.015	0.271	0.056
F Statistic	3.547	85.378	18.891
Sig.	0.061	0.000	0.000

sample is an accurate reflection of the population (Saunders, 2006). The correlation coefficients were found to be significantly associated with each other at 0.01 level. The results reveal a positive association between positive deviance and entrepreneurial networking ( $r = 0.584$ ,  $P < 0.001$ ). The relationship between Positive deviants and entrepreneurial networking ( $r = 0.523$ ,  $P < 0.001$ ). There is also a significant positive correlation between novelty experiments and entrepreneurial networking ( $r = 0.535$ ,  $P < 0.001$ ). In essence, the study results indicated a positive change in each of the components of positive deviance is highly associated with a positive change in entrepreneurial networking among SMEs in Uganda.

### Regression results

The regression analysis was performed to test the association between the study variables.

H1 examined the relationship between positive deviance and entrepreneurial networking. The results show that there is a significant and positive relationship between positive deviance and entrepreneurial networking ( $\beta = 0.584$ ,  $p < 0.05$ ), and thus the hypothesis was supported. This suggests that positive changes in positive deviance are associated with positive changes in the entrepreneurial networking among SMEs in Uganda.

Hypothesis 1(a): positive deviants are positively related with entrepreneurial networking. The results show that there is a significant and positive relationship between positive deviants and entrepreneurial networking ( $\beta = 0.217$ ,  $p < 0.05$ ), and thus the hypothesis was supported. This suggests that positive changes in positive deviants are associated with positive changes in entrepreneurial networking among SMEs in Uganda.

Hypothesis 1(b): Novelty experiments are positively related with entrepreneurial networking among SMEs.

The results show that there is a significant and positive relationship between novelty experiments and entrepreneurial networking ( $\beta = 0.218$ ,  $p < 0.05$ ), and thus the hypothesis was supported. This suggests that positive changes in novelty experiments are associated with positive changes in entrepreneurial networking among SMEs in Uganda.

Hair et al. (2010) stipulates that if you do not achieve acceptable fit for the measurement model, model fit will not improve when the structural relationships are specified. Only when the measurement model is validated and achieves acceptable model fit can we turn our attention to a test of the structural relationships. Besides, they further states that two key differences arise in testing the fit of a structural model relative to a measurement model. First, even though acceptable overall model fit must be established, alternative or competing models are encouraged to support a model's superiority. Second, particular emphasis is placed on the estimated parameters for the structural relationships, because they provide direct empirical evidence relating to the hypothesized relationships depicted in the structural model. In Table 4, the competing model, the Adjusted R square in model 1 was 0.011, when variable two was introduced it increased to 0.280 and model three is 0.333. It shows that model 3 has a better fit.

H1: The results of the hypothesis show that positive deviance is associated with entrepreneurial networking. Positive deviants prefer novelty experiments that influence their decision to access resources from social networks to directly implement their perceived ideas because of their networking style. Some positive deviant employees realize that there is no internal enabling environment for them to access resources within, with employee support due to low interactions and use their ties and interactions in the network to access resources to support divergent views that may not be very popular to the whole organisation (Kibirango et al., 2017;

Goldstein et al., 2010).

This is also consistent with qualitative findings:

*'This company produces body cosmetics and hair products. We have employees who come up with new ideas on product development, distribution channels and packaging. We allow our employees to compete in idea generation and every idea that is screened and approved, it is named after the employee and we give them a commission. It has helped us to be creative and open to new ideas. Interviewee' 1.*

The positive deviant employees can only succeed to access resources from the social networks directly when they have support of business owner/management and when they are empowered to make decisions with high interaction and feedback of top management (Vadera et al., 2013; Lavine, 2011).

*H1a:* Positive deviants are associated with entrepreneurial networking. It is evident from the study that major innovations and novelty ventures rely on individual employee' radical departures from the norm. The study shows that positive deviants' act prompt critical reflection on the actions taken which is an opportunity for critical thinking and hence an evaluation of the identified and prevailing opportunities. Employees evaluate the viability of opportunities and mobilize resources from the networks through their interactions and networking styles. Further, this enhances interactions and double or multiplicative interactions among employees. From such meaning emerge as a foundation for opportunity exploitation and new venture creations. It is therefore vital to identify and nurture positive deviants (Lindhult and Hazy, 2014).

*'Some of our employees think outside the box by generating new ways of doing things like new product development, distribution channels. The new ideas, new processes are referred to assurance committee to screen them so that we fund the best idea with high returns. Sometimes we find ourselves with two or three divergent good ideas and the resources are not adequate. We share the money, materials or airtime in case of radio stations and we test all of them so that we do not miss the opportunities. It has been helpful'. Interviewee 2.*

Internal working environment is based on the conditions, entities, events, and factors within an organization that influence its activities and choices, particularly the behaviour of the employees. Basically, such conducive internal working environment can be provided through a degree of freedom, and the tolerance of trials and error type of governance. The environment motivates employees to share their conceived ideas with others outside endorsed relevant and adequate governing policies, structures, and/or new embryonic approaches/method. They sufficiently coordinate and facilitate the

inter-dependent emerging (evolving) patterns; employee's creativity, and innovativeness that enhance the access of resources from social networks (Kibirango et al., 2017; Goldstein et al., 2010).

Nurturing positive deviants require an enabled, adequate and favourable internal working environment with a certain degree of freedom and exercised tolerance of trials and error. In this case, organization managers ought to provide a flexible platform for enhanced rational thinking and learning. Positive deviance is used to develop interventions and implementation process based on the successful behaviours and strategies of individuals at risk. Despite their circumstances, they perform better than their peers did (Kelly et al., 2016; Goldstein et al., 2010).

The SME manager may choose to either reward the behaviour or take a non-action by refraining from punishing the deviation. On the other hand, if the action is judged to be harmful or ineffective like wrong product or processes, the organization may refrain from punishing the action and encourages, where possible, the employees to re-group and take a new approach or learn from the failure to help guide the next attempt (Kim and Choi, 2017; Hazy, 2013).

*H1b:* Individuals with uncommon sets of experiences and information, connect in a very meaningful way to have novelty experiments. Business Managers sometimes fail to manage deviant staff from the norms/policies, which affects the process of creating environment for innovation. The staff with divergent views try new ways of doing things through experiments tend to question the status quo and sometimes are pushed out of the organisation. Sometimes SMEs do not have structures to support staff with divergent views to test their innovative ideas (Muafi, 2015). Positive deviants face the challenge of having adequate internal working environmental and organization capabilities enhancement (degree of freedom, tolerance of trails and error). The qualitative findings support the quantitative data.

*"We allow our chef to come up with new menu on every Friday. Once the product is liked by our clients, we adopt it to be part of the main menu. We allow our chef to experiment new ideas that is why our menu is good". Interviewee 3.*

Without dynamic and supportive management, positive deviants may not create conducive environment for interactions and accessing resources from entrepreneurial networks (Lindhult and Hazy, 2016). It is a non-linear system where linear approximation breaks down in the face of instability. It requires freedom among staff to fine-grain choice and actions of individuals who are influenced by common assumptions and beliefs. Novelty experiments can work if the SME has structures in place to support non-linear interactions (Chakraborty and Siriwardane, 2013; Goldstein et al., 2010). The experiments move



parts of the system away from normal routines to new learning. The experiments in novelty reflect departures from the currently accepted and conventional ways of functioning.

These experiments can constantly go on in organizations, although such deviations are typically unnoticed or marginalized. Management can use the tool of positive deviance as social intervention that helps social systems identify and amplify novel experiments that have previously gone unnoticed, but whose problem-solving and opportunity exploitation potential can be unleashed. The key to dynamic management lies in creating conducive environment in the workplace, in which experiments in novelty lead to innovative practices, processes, and routines, enabling an organization to become adaptable to the unprecedented levels of change characterizing today's business environments and access resources from networks in unusual way (Carlile and Lakhani, 2011).

## Conclusions

Understanding the power of positive deviance and entrepreneurial networking provides value and guidance to SME managers on the process and mechanism of stimulating and nurturing entrepreneurial networking among SMEs in Uganda and beyond. The findings indicate the importance of the positive deviance by tolerating divergent views of individuals who tend to do something different or unplanned, even when it causes doubts with others. The new ideas and order transformation can be a conduit through which positive deviants can entrepreneurially network to access resources for business competitiveness.

Experimentation readiness, nurturing positive deviants requires an enabled, adequate and favourable internal working environment with a certain degree of freedom and exercised tolerance of trial and error. In this case, SME manager ought to provide a flexible platform for enhanced rational thinking and learning. Positive deviance may be used to develop interventions and implementation process based on the successful behaviours and strategies of individuals at risk, despite their circumstances to perform better than their peers did (Goldstein et al., 2010). The implementation of divergent views with support of management provides the necessary support and removes barriers to the implementation of the proposed actions. This engagement is essential to promote opportunities for practicing positive deviance actions without causing losses to the SMEs (Walls and Hoffman, 2013).

Creating an error management culture ensures that business learns more, on the individual, team and organisation level. The errors made by positive deviants offer unique opportunities to learn. When information is communication takes place about errors, joint

understanding and insight arise which benefit the detection, speed and quality of the error correction. Employees are also more inclined to explore, experiment and innovate, which leads to better results (Moore et al., 2014). The following recommendations are suggested to enhance entrepreneurial networking:

- (1) The SME managers should endeavour to create a conducive working environment for positive deviant employees to interact and develop ties with other network actors to access tangible and intangible resources, especially in developing countries.
- (2) Business owners/managers should create environment for error and trail. Employees should be given freedom to make experiments guided by policies. In case an error is made by positive deviant employee, management should focus on the process of learning from the mistakes and how to improve on the new generated ideas without punishing the employee since it kills initiatives. The organisation systems should accommodate information sharing and error management.
- (3) SMEs must actively cultivate an environment which encourages employees to learn from each other rather than condemning differences in perception and deviation. If successful, these changes should reduce the anxiety and fear that typically accompany high-conformity minded work environments.
- (4) In situations where management encourage employees to make decisions and take actions, the manuals and procedures should be used as guidelines to aid in the decision-making process rather than having strict rules that must be dogmatically obeyed and unquestioned.

The study limitations and areas for further study are:

The study was limited to trade, manufacturing and services sector SMEs registered and operating in Kampala, Uganda and it is possible that the results are only applicable to trade, services and manufacturing sectors. More so, the present study is cross-sectional; it is possible that the views held by individuals may change over the years. Although the constructs have been defined as precisely as possible by drawing upon relevant literature and theory, the measurements used may not perfectly represent all the dimensions. For example positive deviance (used here as a behavioural concept) is very much in its infancy. Similarly, we have employed entrepreneurial networking as proxy for entrepreneur's access to resources.

Additionally, future research could use the same basic hypotheses, but implement the study in terms of a longitudinal rather than a cross-sectional design and, also test the model in other economies. In spite of the limitations, policy makers in Uganda and perhaps in other developing nations dealing with SMEs, academicians, business owners, managers and even general readers

interested in the field of positive deviance and entrepreneurial networking development might find this study useful.

## CONFLICT OF INTERESTS

The authors have not declared any conflict of interests.

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*Full Length Research Paper*

# **Context and strategy: Managing Sanlam for and in change, 1945-2013**

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**Business sustainability of corporations a hundred years old, is not a regular occurrence in Africa. A qualitative historical study of the development of an insurance company succeeding on the trajectory of adapting to challenging context constitutes the core of this study. The historical analysis illustrates the role of social context, international political economy and management agency in negotiating a successful company to overcome contextual constraints. The South African Life Assurance Company (Sanlam) arrived at the end of the Second World War in 1945 with a basic business strategy focusing on sustaining its growth since 1918. Dynamic contextual changes mandated strategic management changes in the business focus, empowerment strategy and strategic vision of the company. This article explains how management responded to change, relying on international management practices to secure a century of African business success.**

**Key words:** Context, sustainability, management.

## **INTRODUCTION**

Few companies survive simultaneous fundamental socio-political and global industry overhaul. This article explores the management agency in Sanlam for sustainability between a stable conservative business environment and radical contextual changes since the end of World War II (WWII). Using international management theory (Bateman and Snell, 2009; Chandler, 1992; Kelley et al., 2006; Senge, 1990) and practice during the post-war era in a case study, this article assesses the performance of Sanlam, management actions and the outcome within this context of growth, international adversity and domestic instability

Sanlam was established in 1918 as a company seeking to take insurance to the uninsured and impoverished

Afrikaans community in South Africa. Despite marketing all its insurance products inclusively to all South Africans, Sanlam was considered to be an insurance company for Afrikaans people. The relevance of the history of Sanlam for business sustainability in Africa, is that a marginalised segment of society achieved economic empowerment through systematic business development commencing with life insurance. After the 1940s Sanlam also invested in other Afrikaans business enterprises and by the 1960s Afrikaners has established a presence in the manufacturing industry, in mining, banking and the retail sector (Giliomee, 2003; Davenport and Saunders, 2000). A dearth of studies on post-1945 African business development, especially during the period of

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decolonisation, African nationalism and the quest for self-determination in Africa, opens an opportunity to explain the success factors supporting Sanlam during those formative years in the history of Africa. A growing number of businesses in Africa that commenced operations since the 1990s, stand to benefit from the case study on the strategic role of change management in directing an enterprise through challenging circumstances towards sustainability.

### **Problem statement**

Since the end of WWII in 1945, the external environment of conducting business and management in Africa and South Africa, changed fundamentally and dynamically. For any organisation to survive this change and sustain its business in the long run, management vision, strategy and practices, as these unfold in the organisation, offer insight into a company's ability to sustain itself. Change management is fundamental in understanding the sustainability strategy of any organisation. This article seeks to explain how Sanlam, a long-term insurance company in South Africa, negotiated fundamental market overhaul to secure the longevity of the company into the twenty-first century. What role did management perform in securing company survival?

The research gap is not that Sanlam was the only life insurance company to survive for a hundred years in South Africa, the SA Mutual turned a hundred years old already in 1945. The research gap is that Sanlam was an Afrikaans oriented company that allowed research into its archives, to establish how management negotiated the changed context to sustain the company. The second element of the research gap is to establish how, despite international isolation, management tapped into international management theory and best practice, to transform the unfocussed conglomerate into an inclusive focussed financial services operation in Africa.

### **RESEARCH METHODOLOGY**

A qualitative research methodology is used. The study is based on in-depth and critical qualitative source analysis of primary documents as well as secondary literature to understand management strategy, vision and practices between 1945 and 2013. A case study of the development of Sanlam between 1945 and 2013 was undertaken, exploring the management practices and implementation of change management during the entire period.

The final assessment is based on an analysis of the management practices of Sanlam and how it was applied within the organisation, as well as management's understanding and application of change management and how it contributed to sustainability of the organisation.

The objective of the study is to analyse the case of Sanlam between 1945 and 2013 in the complex South African context, to determine how sustainability was achieved. The focus is on the crucial role of management.

### **LITERATURE REVIEW**

#### **Management theory-culture and strategy**

##### *Theories of management in the post-war era*

After WWII the business environment of insurance companies internationally as well as in South Africa, became increasingly turbulent and complex. Management had to understand the complex variables in the internal and external environment. The primary focus was no longer on the organisation only. Changes in the external environment had a direct and indirect impact on business sustainability. This interrelationship between the environment and the organisation gave rise to the systems approach to management as well as other dynamic contemporary approaches such as the contingency approach, the learning organisation, re-engineering and total quality management. This complex management environment mandated exceptional managerial capabilities.

The Cold War era of 1946 to 1989, is a very important period in the development of management theory. During the late 1940s through to the 1960s distinct schools of management emerged. These included the human relations theory, the equilibrium theory and systems theory (Kelley et al., 2006). The systems approach to management was developed in the 1950s and compensated for the main limitations of the classical approaches. The limitations of the classic management approach were that the relationship between the organisation and its external environment was ignored and that the focus on specific aspects of the organisation was at the expense of other considerations. A lack of an integrated perspective hampered organisational sustainability. According to Smit et al. (2007), the systems approach 'views an organisation as a group of interrelated parts with a single purpose: to remain in balance (equilibrium)'. Any changes in one part influences other parts and leads to imbalance.

In response to this limitation, the contingency approach to management offered the systems approach to organisational management. This approach recognises that there is no single best management practice. Therefore management should integrate the most appropriate management techniques and principles from different management theories to contend with complex business contexts. Contingencies such as the external environment, the capabilities of the organisation, the managers and the technologies used by the organisation

assists managers in grasping complex contexts and choose appropriate business strategies. (Smit et al., 2007).

The classic approaches to management continue to underpin fundamental management and organisational behaviour up to today. The human relations perspective in management remains an influential management dimension (Smit et al., 2007). The Human Relations theory aims at understanding how psychological and social processes interact in the work environment to affect performance. This theory was the first to emphasise informal work relationships and worker satisfaction. This approach owes much to other schools of thought such as the scientific management and administrative management approaches which originated from the classical management theory (Bateman and Snell, 2009).

The development in management theory, described earlier, shaped and guided management in organisations since 1945 as the international business environment became increasingly global. Complexity and uncertainty characterised the context of business. Management had to contend with a growing need for competitiveness, quality and value creation. Management had to develop a systematic understanding of the internal and external environment of the organisation and deal with situations and contingencies within a complex context. This approach assisted organisations in securing a sustainable competitive advantage.

### ***Management capabilities during global volatility***

In a volatile global world of work, adaptive managerial capabilities are critical towards organisational competitive advantage and the ability to devise strategies to exploit competitive advantages. Capability deployment pre-emptively emerging opportunities and mitigates the disadvantages of foreignness (Luo, 2000).

According to Chandler (1993) the evolution of modern management approaches and an organisation's capabilities developed within the organisation, were fundamental in shaping economic growth and competitive strength of modern industrial nations. After World War II production processes became more capital-intensive and cost advantages were utilised through economies of scale. The Japanese, for example, acquired new facilities and developed skills and capabilities within their organisations. The rapidly growing local markets led to global expansion in the 1970s and 1980s. Organisational capabilities distinguished the successful nation from other global contenders, generating economic growth and industrial strength.

After World War II organisational capabilities were driven by business organisation competition and national aspirations. The learned capabilities resulted from problem solving and acquiring knowledge from an understanding of the external environment and

stakeholders of the organisation. Applying the learning organisation approach these capabilities were established, with constant learning on various levels, including between workers and managers. The creation, maintenance and expansion of these capabilities gave some organisations a competitive advantage over others in global markets (Chandler, 1992).

Penrose cited in Augier and Teece (2007) states that 'the unused capabilities of management, coupled with the intangibility of certain resources', enables diversification in an organisation. Penrose argues that organisations are able to grow as managerial capability is freed up for new applications through managerial learning. This is also referred to as the dynamic capabilities approach. This approach provides a framework for organisations on how to develop a sustainable competitive advantage. Dynamic capabilities also refer to the capacity of an organisation to shape, re-shape, configure and re-configure its asset base in such a way to enable a response to a changing environment.

Teece (2012) builds on this concept of dynamic capabilities by stating that these capabilities are based on the skills and knowledge of one or a few executives rather than on organisational routines. Dynamic capabilities are higher level competences that determine the organisation's ability to integrate and build the competences to address a rapidly changing business environment. These capabilities have grown in importance over time due to its strategic nature as an enabler of value creation and competitive advantage.

Capabilities are built on individual skills as well as collective learning. The longer an organisation has been in existence and the larger its size, the less its capabilities depend on specific individuals. Dynamic capabilities on an enterprise level consist of more than routines. The capabilities lead to identification, prioritisation and selection of appropriate projects in an organisation where routines identify how the projects are run. The study of corporate histories can lead to understanding the origins of capabilities (Teece, 2012).

### ***Change management globally and locally***

One way of understanding organisational change is through the analysis of how the organisational routines change. Becker et al. (2005) describe routines as 'the basic components of organisational behaviour and the repository of organisational capabilities'. Change of routines is in most cases instigated by management. The capability of an organisation to compete is dependent on introducing new products and services and improving their processes. This requires continuous change in routines.

In the complex and turbulent environment in which organisations have to compete successfully to survive, managing change is one of the most difficult challenges facing management. Change is often unexpected and

that adds to the complexity of managing that change. Change is closely related to the culture of an organisation and can therefore change the complete nature of the organisation. Organisations are made up of people and that also increases the complexity of dealing with change, since change is human action and impacts on the lives of people. Organisational development has also gained traction as a popular approach to organisation studies, since it incorporates an on-going planned effort by managers and leaders to manage change as a means of improving organisational performance (Smit et al., 2007).

Change management and strategic planning or thinking go hand-in-hand in most organisations. The nature of strategic planning has also changed as it is conducted within a context of uncertainty. The timeframe of planning shortens continuously. With every change to the strategy of the organisation, it implies organisational development interventions to assist the people of the organisation to understand and deal with the change implied by the strategy.

'Environmental changes drive strategy and strategic planning and these in turn drive organisational change' (Viljoen, 2015). The nature of change and the aim to ensure sustainable success in the context of change, mandates an analysis of change management in an integrated and holistic context. This article will assess change within the context of complex domestic conditions in South Africa. The most appropriate model to understand the success of Sanlam in a fundamentally changed context, is the model of systemic change. This ties back to the systemic management approach. 'The interplay between the changing external environment and the internal world always leads to continuous changes in both worlds' (Viljoen, 2015).

## THE CASE OF SANLAM

### The life office in the changing environment

In 1945 Sanlam was only the fourth-largest life office by premium income, but moved into the second position since 1948. The financial services market became more competitive, specialised and diversified. In this context management directed Sanlam into a diversified operational environment as the founding generation of managers made way for the second generation of managers. Gys de Villiers and Tinie Louw, joint General Managers, both retired in 1946. Louw stayed on as Managing Director of Sanlam until December 1949, while AD Wassenaar succeeded De Villiers as General Manager in October 1948, a position he held until the end of 1965, when the title of the senior manager changed from General Manager to Managing Director. Wassenaar held this position until 1969, when he was succeeded by PJF (Pepler) Scholtz in March 1969 until the end of April 1978. Scholtz was the Managing Director until 1978.

When Wassenaar stepped down as Managing Director, he then joined the Board, from which he retired at the age of 80, bringing to an end a career of 60 years in Sanlam. FJ (Fred) du Plessis succeeded Scholtz in May 1978 and served as Managing Director of Sanlam until April 1985. Up to 1978 the top managerial positions in Sanlam were occupied by men who had progressed up the company ladder.

The generation of founding members worked in a close-knit managerial team under Willie Hofmeyr as Chairman of Sanlam. When Hofmeyr suddenly passed away in 1953, Charlie Louw succeeded him as Chairman until 1966. Louw only retired at the age of 91, being a director for 48 years. Hofmeyr was a symbol of Afrikaner perseverance and drive, and conducted his duties as chairman in an 'executive' manner, despite not being an 'executive chairman'. Inward-looking Afrikaner control was illustrated by Wassenaar's ascendancy to the position of Chairman of the Sanlam board in January 1967. He retired as Managing Director only in 1969. Then he remained on the Board until he turned 75 in September 1982. Fred du Plessis succeeded Wassenaar as Chairman in 1982. In 1982, Du Plessis was made Executive Chairman of Sanlam and assumed the duties of Group Chief Executive in 1985, positions he occupied until his death in 1989. Fred du Plessis was the first non-Sanlam employee to assume a managerial position in the company.

In a conservative management structure with managers emerging from the formative years' paradigm, Sanlam was successful in growing the company along the existing industry trajectory. In the business of life assurance, the strategy was growth and product diversification. In one respect, Sanlam diverted from growth strategies of long-term insurance companies globally. Sanlam, as the company targeting the uninsured market of Afrikaans people in South Africa, engaged in other Afrikaner economic empowerment strategies. The leadership in Sanlam joined other Afrikaner business, academic and cultural leaders in establishing new enterprises to take Afrikaner businessmen into sectors formerly not populated by Afrikaner businessmen. A drive to succeed in business, and the aim to address Afrikaner poverty and economic marginalisation, allowed the proliferation of Afrikaner-controlled enterprises across the total spectrum of economic activity. Federale Volksbeleggings (FVB) was the financing vehicle. Sanlam had a controlling interest in FVB, but did not manage the company. The social capital network of managers and directors of Sanlam formed the matrix of managerial control in the emerging industrial conglomerate. MS Louw served on the FVB board and when FVB was established it fell upon him to support entrepreneurs and investors through the acquisition, rationalisation of management, and the streamlining of Afrikaner enterprises to full profitability. In 1952 FVB also assisted in establishing a mining house, Federale Mynbou Beperk (FM). This

mining house expanded operations from small coal mines to the acquisition of the controlling stake in General Mining Corporation (Genmin) from the Anglo American Corporation (AAC). In FVB a variety of industrial companies, financing companies and investment companies moved in under the Sanlam network of Afrikaner- assisted businesses (Verhoef, 2006; 2009).

The concern about organisational form that developed in Sanlam was simultaneously a performance issue and a strategic interest not typically associated with a life office. Between 1970 and 1985 the Sanlam Group's structure became increasingly complex. Sanlam's asset base grew from R1 000m in 1975 to R6 000m in 1984. FVB and Fedmyn expanded into a wide range of industrial and mining interests. In the banking sector, Trust Bank, established by Jan S Marias, consolidated operations into the Bankrop Group. Bankrop's assets increased from R500m and 2% market share, to R10 555m and 13% market share by 1985. Sanlam acquired substantial stakes in the Malbak/Protea Group, Natie Kirsch's Tradegro group, and the Murray and Roberts construction group. Substantial losses were made in the chemical business Sentrachem, in Kirsch's Tradegro group, in Nissan, Gencor's industrial interests and in Sappi. The rumour in the financial press was that Sanlam had pumped more than R300m into these companies seeking to affect a turnaround. The strategy was subsequently to overhaul one of its investment companies, URD Investments Pty Ltd. (with only one asset, Federale Mynbou Beleggings, holding a 35% stake in Fedmyn), into an investment company, Sanlam Beleggingskorporasie Beperk (Sankorp Ltd.) (Verhoef, 2009). The dilemma for Sanlam was that internationally the long-term insurance market was changing by the mid-1980s. Sanlam was constrained in responding to these market changes by its extensive investments in non-insurance business.

Sanlam slowly progressed from a centralised unitary organisational structure (the so-called U form), as described by Alfred Chandler Jr, to a diversified organisation displaying an M form of organisation. This means that functional diversification led to the branching out of operations into decentralised business units. Sanlam's management style and strategic objective testified to this. Management was characterised by two approaches between 1945 and 1985. The first was the direct, hands-on style grounded in centralised control. All financial, operational and staff matters were discussed and final decisions taken by the Board of Directors. The management style remained rigid and bureaucratic. A multitude of processes, procedures and rules relating to operational and staff matters were introduced. These were administered by the same generation of managers who had established Sanlam. Only in 1978 did a non-Sanlam rank-and-file person take up the position of Managing Director of the company, namely Dr FJ du Plessis. He elevated the position to that of Executive

Chairman in 1982, a role suited to his' dominant personality. He perpetuated centralised personal control. The second approach of more human resources-based control emerged later as a clear adjustment in the style of management occurred in Sanlam. Central control remained unchanged, but acquired a more human face. GFS de Villiers, AD Wassenaar and PJF Scholtz, exercised central management control through the U form of organisation. Board meetings were gradually streamlined by organising business along functional areas from 1955. In 1958, the minutes of the meetings were also streamlined by minuting only decisions and not all discussions.

Wassenaar did not introduce any new strategic direction for Sanlam when he succeeded Charlie Louw as Chairman. His concern was the stability of the company. His business skills and leadership were acknowledged by the Harvard Business School, which named him the 'South African Businessman of the Year' in 1968. From 1955, a shift from generalists to specialists occurred in operations. Various specialists were appointed to develop specialist functions in the organisation, such as a public relations officer (1955), an English language expert (1956), a technical consultant for the purchasing of electronic equipment (1958), a legal adviser (1978), and art advisers (1978). Delegation and the empowerment of a new layer of management signified a limited change in management control when Pepler Scholtz assumed office. The approach to staff also changed. A report on "more effective utilisation of human resources" was presented to the board in 1973. In 1980, decisions on salary increases to a certain predetermined level were gradually delegated to management on different levels of operation. In 1983, the decision-making powers for investment decisions were also delegated to the appropriate level of management (Sanlam Minutes, 1955-1980).

It was only since the 1970s that management assumed a more strategic role. General Managers dealt with functions closer to their areas of expertise. The strategic direction of Sanlam was gradually becoming more defined under Fred du Plessis as Executive Chairman. His vision for Sanlam was a prominent role in the South African economy as an Afrikaner business conglomerate. This strategy eventually developed into a distinct barrier to successful adjustment to industry changes of the late 1980s. The most significant characteristic of the post-war period was the diversification of its investment base, which positioned Sanlam across all the sectors of the economy. Although not directly engaged in the management of the underlying companies, through directorships and investments, Sanlam had a distinct operational exposure. The operational efficiency of many of the 'stakeholder' companies lagged the market by the late 1970s, with shares trading at a notable discount.

Organisational restructuring was inevitable because of the growing diversification of Sanlam's investment



Table 1. Sanlam performance, 1945-1985.

Year	Premium Income £/R since 1961	% Growth	Assets £	Return on assets	Death and disability claims paid £/R since 1961	Branches	Bonus rate	Admin cost £/R since 1961
1945	1 888 766	29	9 394 751	3.35	215 186	9	2.0	209 961
1947	2 729 424	44	13 051 675	3.35	286 669	9	2.2.0	352 285
1949	3 451 377	26.4	17 784 699	3.6	428 412	9	2.2.0	411 551
1951	4 492 179	30.1	23 898 986	3.81	441 325	10	2.2.0	604 806
1953	6 053 322	34.7	32 901 535	3.94	633 021	11	2.4.0	887 095
1955	7 895 133	30.4	43 877 475	4.3	800 188	12	2.7.6	1 105 107
1957	10 156 622	28.6	57 698 736	4.65	1 239 960	15	2.7.6	1 482 765
1959	12 237 986	20.4	73 148 133	4.94	1 890 885	18	2.10.0	1 695 695
1961	29 206 757	19.52	179 684 662	4.97	4 766 000	21	2.5.0	4 420 596
1963	35 177 460	20.4	219 747 632	5.21	7 633 000	23	2.5	5 300 169
1965	43 644 000	24.1	270 572 449	5.38	10 404 293	26	2.65	9 576 885
1967	52 312 406	19.86	334 042 988	5.86	11 237 722	26	2.75	9 995 673
1969	64 896 980	24.2	421 403 355	6.2	14 853 433	30	27.5	11 981 779
1971	93 818 000	44.56	528 607 000	6.26	22 692 000	36	31.0	10 000 000
1973	143 925 000	53.4	701 867 000	6.25	26 909 000	38	31.0	14 000 000
1975	189 972 000	31.9	973 442 000	7.26	35 979 000	38	31.0	19 000 000
1977	259 940 000	36.8	1 349 981 000	7.95	49 800 000	43	33.0	22 000 000
1979	392 124 000	50.8	1 940 442 000	8.00	62 206 000	49	35.0	25 000 000
1981	644 744 000	64.4	3 072 848 000	9.54	96 318 000	52	37.5	43 000 000
1983	1 079 303 000	67.4	5 044 560 000	10.7	149 030 000	56	45.5	71 000000
1985	1 605 000 000	48.7	7 785 000 000	11.20	229 000 000	57	46.5	107 000 000

Source: Sanlam Annual Financial Statements (1945-1985).

portfolio. The centralised management structure, had to make way for more professional management. Amatori and Colli noted: "Out of these changes (development of professional management) arose the modern multidivisional corporation." Diversification was a twofold challenge for Sanlam. On the one hand, a population experiencing rising living standards, began to demand more innovative investment products. This developed as a result of innovative and different product offerings. On the other hand, the expanding investment activities of Sanlam engaged the company increasingly in non-insurance business operations. This undermined performance. Du Plessis therefore abolished the management committee in October 1978 to take more direct control of 'the Sanlam conglomerate'. In 1984, the Board approved the formation of a Group Holding Company, acknowledging the functional diversification of operations and embarking on the M form of organisation. The key management characteristics of Sanlam changed. The unitary form (U form) of the past, which was embedded in the scientific management theory and manifested through strong central managerial control in a centralised organisation, developed strain. The classical management theory with its emphasis on authority and unity of command, direction and the subordination of individual interest to that of the collective entity (in this

case the managers), gradually changed. The emphasis on stability and tenure of staff and the promotion of a unity of interest between management and employees, could no longer be sustained in the more dynamic multidivisional enterprise. The rapidly growing economy after the war mandated change in organisational form and managerial practice. The bureaucratic and administrative management approaches made way for a more people-oriented approach. The human relations theory found increasing application in the managerial style of the Sanlam management. By the 1980s the economic changes of South Africa impacted directly on the organisational and managerial structure of the company. The Peter Senge 'learning organisation' soon manifested in the changes to the organisational structure as well as the nature of management in Sanlam. The multidivisional organisation mandated diffusion of decision-making powers. Top management developed a more strategic role as 'commanders-in-chief, and directed the next level of management, the divisional managers, who operated as the 'field generals'. Du Plessis' autocratic management style between 1978 and 1989 temporarily placed a hold on the full manifestation of the M form.

As reflected in Table 1, Sanlam grew consistently up to the mid-1980s, but performance stagnated equally

consistently afterwards.

### Context and strategic overhaul: The crucial changes for growth

During the last half of the 1980s Du Plessis' rule of force brought Sanlam to the brink of a strategic *cul de sac*. Industry developments mandated the building down of its Afrikaner empowerment empire. It was only after the restructuring exercise towards the mid-1990s that the focus shifted to financial services as a core function. During the period of Du Plessis' leadership the relative stability of the underlying Sanlam-bred management and directors was a supportive factor. The Sanlam management displayed long-term stability in the succession of leaders who had made their way up the ranks in the company. Apart from Fred du Plessis, management consisted of second and third generation Sanlam managers. In 1985, when Fred du Plessis was Chairman and Managing Director, the second management rank was Pierre Steyn, George Rudman and Johan Söhnge as Senior General Managers. In April 1985 Pierre Steyn succeeded Du Plessis as Managing Director. The latter chaired the board, while AD Wassenaar was a member of the board until his retirement in February 1986. Wassenaar served Sanlam as Honorary President until his death in 1991. Du Plessis died suddenly on 14 March 1989, a day before he would have delivered the chairman's address at the seventieth Sanlam annual general meeting. Between March and September 1989, Tjaart van der Walt was the Sanlam Chairman, succeeded by Dr AJ van den Berg in September 1989. Management returned to the Sanlam faithful under Steyn (his career started in Sanlam in the early 1960s after completing a first degree as a recipient of a Sanlam bursary) and then in April 1993 Desmond Smith, Senior General Manager: Individual Insurance, assumed the position of Managing Director.

In 1993 Marinus Daling became Chairman of Sanlam, and subsequently Executive Chairman in November 1997. As head of investments in Sanlam before the formation of Sankorp (the investment subsidiary Fred du Plessis established in 1985 to address the under-performance of its so-called strategic investments). Daling's new executive team comprised Hendrik Bester, Managing Director: Asset Management; George Rudman, Senior General Manager: Finance; Johann Treurnicht, Senior General Manager: Marketing; and Leon Venter, Senior General Manager: Business Systems. They brought together vast experience as actuaries and managers in Sanlam, but the strategist was Daling, the relatively young 52-year-old actuary who had managed Sanlam's investments in Sankorp since 1985. He was a close confidant of Fred du Plessis. When Daling succeeded Desmond Smith, the senior management team members, except for Rudman, were five years younger than him. The strategic repositioning of Sanlam

was in the hands of a young Sanlam generation. The board provided backing to a group of people with deep and wide economic, strategic and business experience and the wisdom to guide transformation of the Sanlam business.

An important expert was the accountant and business executive DL Keys, Chairman and former CEO of Gencor and a member of the board of Billiton and reinsurance companies. In 1991 Keys was appointed Minister of Finance in the last Cabinet of FW de Klerk, but he resigned in 1994 and returned to the Sanlam board in September 1994. Keys had a successful business career and worked with the Sanlam management as Chief Executive of Gencor. Although he was an Englishman, he had close working relationships with Afrikaners throughout his professional career and spoke immaculate Afrikaans.

The Afrikaners in management and on the board were known to be independent critical thinkers, supportive of political change in South Africa, but the extent of the consequences of majority black rule was uncharted territory. Sanlam's management navigated cautiously between business sustainability, fundamental changes in the long-term insurance market, and the political overhaul of South Africa. The board did not drive any path-breaking strategic or business changes in Sanlam. Management and policy direction were dominated by Fred du Plessis<sup>1</sup> (Scheffler, 2009), and after his death it was not the directors but management who emerged as the agent of change management.

Fred du Plessis was obsessed with control and after the acquisition of Union Corporation following an unfriendly take-over of Union Corporation during 1975/1976, Du Plessis battled in public with Rembrandt and Volkskas to secure full control of the board of Genmin, the new Afrikaner controlled mining house. Rumours were going around that the Sanlam management was acting in too interventionist and authoritarian a manner at some of its related companies. The public *Broedertwis* shook the confidence in Sanlam as a trustworthy life office, investment partner and vanguard of Afrikaner economic achievement. In Sanlam the acquisition drive of the 1970s and 1980s resulted in control of companies operating in diverse business and industrial sectors outside of the long-term insurance market. Sanlam did not have the expertise to intervene in operational management, but was aware of the sub-optimal performance of these non-core assets. The former Managing Director, Pepler Scholtz, a member of the Sanlam board in 1983, pointed out that when a company controlling a diverse number of operating concerns, was also an operating company, more

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<sup>1</sup>Interview Walter Scheffler, 24/02/2009. He describes Fred du Plessis' appointment as a 'culture shock' to many in Sanlam, because he had a strong personality, strong views and academic demeanour, which often left the ordinary Sanlam employee grasping to understand the gist of what he said. He did not tolerate opposition.

problems arose than were being solved. Scholtz identified the conflicting dualism of the interests of the controlling company and those of related companies. Sanlam as a life office with the responsibility to guarantee stable insurance returns and a safe savings opportunity, could not guarantee equal access to its investment funds by all its related companies and simultaneously look after policyholders' interests. Scholtz suggested the separation of responsibilities between management of a life office and management of non-core operating companies. The strategic importance of functional separation was inevitable.

Fred du Plessis identified four areas of under-performance in the Sanlam Group: unsatisfactory performance of 'related' companies; a complete lack of coordinated group response to short-term business cycle estimates, and these impacted on the long-term perceptions of changes in technology, the political economy, social behaviour and demographics; uncoordinated recruitment and development of human resources in the Group; and finally, insufficient attention was afforded to the construction of a distinguishable group identity to separate Sanlam from other conglomerates in South Africa (Sanlam Board minutes, 15/8/84).

The management philosophy driving the restructuring of Sanlam's strategic investments was, what was known in management theory of the time, as strategic planning companies (SPC) (Goold and Campbell, 1987). Sankorp functioned on a lean management structure, primarily participating in and influencing the development of business strategies in the related companies. 'The centre must provide the longer-term perspective' (Goold and Campbell, 1987: 46); a senior manager at a strategic planning company claimed: "It is a charade to pretend in this era of corporate democracy to decentralize this right and responsibility [that is to be involved in strategy decisions] widely into the organisation. Down at the business level there are two or three decisions each decade that make or break business. Do you really want to leave the business manager alone to make these (Goold and Campbell, 1987: 47)? Sankorp concentrated investment, human resources and strategic planning expertise in its own structure in order to assist long-term planning from the centre, leaving short-term implementation decisions to operational management within underlying companies. Du Plessis maintained an active presence in the Sankorp planning process. He was known for his "... single-minded, purpose leadership and clear insight ..." (The Star, 25/2/90), as well as "... clear economic vision, his expertise and his refusal to compromise his principles" (Pretoria News, 16/3/89). When he died in 1989, the response was that, "It says much for the management capability of the Sanlam Chairman, Fred du Plessis, who died in tragic circumstances last week, that his replacements in the group's top echelons were so self-evident" (Finance

Week, 29/3/89). Du Plessis' thinking was that the SPC ultimately had to build the leadership throughout the group, which, it was believed, would ultimately deliver much-improved operational excellence.

In Sankorp a core of strategic management experts addressed those concerns as part of a systematic performance overhaul of underlying concerns. What Sankorp achieved was to rationalise Sanlam's stake investments through disposals and investments, the unbundling of several conglomerate pyramids, the migration from absolute control to significant control of underlying companies, the delisting and listing of companies, and BEE. These actions added significant value, but also established core principles in management as a signature Sankorp legacy. These included management succession planning, equal opportunities, flexible work practice, directors' roles as active and engaged in the company, social involvement, managing the business environment in a situation of structural economic and political change, BEE and corporate governance (Minutes Sankorp Bord, 22/2/95). The most value-adding dimension of Sankorp's intervention was the close monitoring of the performance of the underlying companies and regular reporting to Sanlam in that respect. The Sankorp portfolio had a market value of R1 300 million in 1985, which by 1995 had risen to R21 779 million, 36.77% annual compound growth. In 1995 alone the value added to the Sankorp companies was R3 333 million, which represented an internal rate of return (IRR) of 19.7% compared to the JSE Overall Index of 10.4%. Sankorp's portfolio performed even better for the preceding three years, 1992 to 1995, during which the value added was R13 331 million with an IRR of 46.5%, while the JSE Overall Index was 27.2%. Ultimately the combined stock exchange performance of Sankorp's portfolio between 1985 and 1995 exceeded the JSE's overall performance by 18% (Minutes Sankorp Board, 21/11/96).

Restoring value in the Sankorp investments comprised only one dimension of the Sanlam repositioning. An industry shift out of long-term insurance toward personalised wealth products, necessitated strategic thinking and change management. Management had to come to grips with the contracting demand for long-term insurance products, understand the new demand for wealth products and carve out a new role in the dynamically changing financial services industry. It was soon apparent that Sanlam under Daling emerged as a 'learning organisation' (Senge, 1990) where leaders perceived themselves as part of the evolution of the nature of work and organisations. The ability to apply the five disciplines of the learning organisation held the key to Sanlam's industry repositioning. The death of Fred du Plessis and the management repositioning under Pierre Steyn set in motion a direction that was not at that time envisioned to be the beginning of the demutualisation of Sanlam. Steyn inherited Sanlam with a yield on assets of

**Table 2.** Sanlam accumulated surplus and policy liabilities, 1986-1994.

Date	Accumulated surplus (1), R'm	Total policy liabilities (2), R'm	Policy liabilities (market related/linked policies excluded)	1÷2%	1÷3%
			R'm		
30/09/86	1 402	10 942	4 078	1.8	34.4
30/09/87	1 455	17 046	6 044	8.5	24.1
30/09/88	1 493	19 231	8 007	7.8	18.6
30/09/89	1 686	29 950	12 097	5.6	13.9
30/09/90	1 697	34 449	15 117	4.9	11.2
30/09/91	1 745	47 279	20 961	3.7	8.3
30/09/92	1 805	56 455	25 881	3.2	7.0
30/09/92	2 100	67 669	32 076	3.1	6.5
30/09/94	3 200	86 463	41 531	3.7	7.7

Source: Sanlam Archives: Sanlam Minutes of Board Meeting (19/04/95).

just over 10%, while inflation ranged between 14 and 15%. He called on George Rudman, who was then Senior General Manager: Finance and Planning, to find 'a profit base' (*winsgrondslag*) for Sanlam. The telling question was: what is profit in a mutual insurer? Rudman consulted with British and American life offices on how to manage the 'estate'. The 'estate' as defined by Rudman at that time was the difference between assets and policyholder liabilities, that is, the free assets of the company (the capital, this was the term used in a mutual company for the excess of assets over actuarial liabilities) of a mutual insurer. He returned convinced that Sanlam, the mutual, had to be managed with a clear view to generate profit as the security to the company in times of market downturn and extreme volatility. Rudman took a visionary position when in January 1990 he appealed for a 'new' approach to the management of policyholder funds. He called for a dedicated strategy to seek optimal profits on investment, low costs and an equitable distribution of risk. He told management that the mutual company should no longer be managed as a mutual. Its 'capital' should be considered as an 'estate', which constitutes the capital to be invested to optimise returns to profit-sharing policyholders (SA: 5/2/1: Confidential memorandum G Rudman – P Steyn, 16/1/1990). Rudman understood the need for a radical change in the culture of doing life business. Sanlam needed a business approach to life business, as markets and client demand changed and political volatility increased instability. Bringing about such a complete mental shift called for patient convincing. Mutuality was part of the Sanlam legacy but by the 1990s was no longer the crucial motivational mass mobiliser of the beginning of the century. Industry changes mandated functional adaptation, but management had to prepare policyholders for a change.

Management was also not easily convinced about changing its mutuality. Desmond Smith considered Pierre Steyn a devout 'mutualist', but at the time of his passing

away in December 1993 Smith claimed that management was already fairly swayed towards the wisdom of demutualisation. To Smith the conservative life assurer, it was a matter of striking the right time, both in terms of the readiness of Sanlam as well as the market (Interview D K S Smith, 5 October 2017). Rudman made submissions to the Sanlam board twice, but in both instances he failed to convince the board, who represented policyholders' interests, which were that policyholders' interests would not be served at that stage by changing the mutual character of the company (Minutes Sanlam Board, 19/4/95, 21/9/94). When Marinus Daling succeeded Steyn, in December 1993, it was known to senior management that Daling wanted demutualisation of Sanlam. The Sanlam institution was not going to change easily. Rudman recalled the management summit session ('*bosberaad*') in April 1994 where discussions on mutuality loosely surfaced and Marinus Daling sounded Rudman out about the desirable route for Sanlam. Rudman remarked that there were no sacred cows as far as mutuality was concerned. If it was decided on sound business principles that Sanlam should demutualise, then 'we decide it and do it' (Interview Rudman, 14/11/2007). However, many more mutuality stalwarts needed convincing. A weakening financial situation shifted the decision forward. Table 2 reflects Sanlam's declining surplus by 1993.

Internal management dynamics and management style difference brought Daling on 14 November 1997 to inform Desmond Smith that the Human Resources Committee of the board had decided that he be relieved of his duties as Managing Director. Daling consulted secured agreement from the board telephonically and told Smith that various aspects of the weaker performance of Sanlam, including the declining CAR during 1997, inefficiency in claim processing and the subsequent massive backlog at Sanmed (the medical insurer), and unflattering Sanlam operating profit and marketing results in 1997, were his making. The facts that Sanlam's operating profit had

increased consistently since Smith's appointment as Managing Director in 1993 was not considered, nor were the fundamental transformation programmes, organisational reforms and introduction of profit centres in Sanlam acknowledged. In granting a performance bonus to Smith at the end of 1996, Daling indicated that he expected Smith to emerge as a stronger leader to map out a holistic vision of the direction in which Sanlam was moving, and solicit improved performance of all members in the management team. This was the only hint that Daling considered Smith ill-equipped to secure Sanlam's demutualisation. The actuarial report for 1997 showed that operating profit was up, but was only 86% of budget. On the back of that information Daling apparently claimed, "I told you so" (Minutes Sanlam Board, 25/2/98; Actuarial Report, 31/12/97). Ultimately, Daling's personal ambition on demutualisation despite Smith's cautioning that Sanlam was still in a capital-building phase, explains his action. Smith left immediately and Daling succeeded him as Executive Chairman.<sup>2</sup>

The focus was fully on driving demutualisation. Smith did not suit the Daling re-engineering plan. Timing was of the essence. Daling moved away from a past positioning strategy and embraced the business process redesign approach to strategy as he took agency of the developments in Sanlam. It was hinted that slow change management might have explained why management was not ready to drive the demutualisation process when Daling thought the time was ripe, (Confidential Communication G Rudman, 30/9/17). But there were other reasons why he decided to act swiftly. To Daling and Rudman's satisfaction, sufficient capital had been accumulated to do the transaction. This included the acquisition of Gensec.

The face of Sanlam Ltd was Marinus Daling. At the age of 54, with 33 years' service in Sanlam, working his way up from a *platteland* Nylstroom boy of the Northern Transvaal on a Sanlam bursary at the University of Pretoria, his ambition was Sanlam beyond the mutual. The confluence of context and business salvage convinced Daling at the end of 1997 that he had to act decisively. After stepping into the role of Executive Chair on 30 November 1998 Daling orchestrated Sanlam's rescue strategy. The leadership structure of Sanlam Ltd was a hand-picked team. Attie du Plessis, who was pulled into the demutualisation team, served on the executive committee with George Rudman; Flip Rademeyer, Financial Director; Hendrik Bester, Head of Personal Finance; Nic Christodoulou, Head of Employee Benefits; Charl le Roux, Head of Sanlam Health; Anton Botha, Head of Gensec; Chris Swanepoel, Chief Actuary;

<sup>2</sup>SA: Minutes of Sanlam Board, 3/12/1997; Confidential Memorandum DK Smith. It was general knowledge among the management team that Smith was convinced of the sound decision to demutualise, but that he did not think Sanlam was ready to take the step. He was convinced that Sanlam's capital position needed to be on a sound footing as a matter of priority. Sanlam, according to Smith, could not afford to demutualise yet. Daling's ambition did not leave room for that. Interview Desmond Smith, 14/6/2017; 10/8/2017.

and Johan Bester, Sanlam Secretary. The Sanlam Ltd. board was identical to the board of Sanlam Life. The members migrated from the Sanlam pre-demutualisation board to the post-demutualisation boards. Daling had continuity on the boards and trusted colleagues in the Executive Committee (Exco). Members of the Exco served on various boards in the Group, thus distributing existing executive management of Sanlam throughout the Group operations. The Sanlam 'trusted' or former directors, were entrusted with the new Sanlam. Daling had to hold the reigns at the centre, since demutualisation had changed the organisational form but not the inefficiencies or market scepticism. Financial fundamentals supported the demutualisation decision. Table 3 shows weakened growth in premium income during the early 1990s, a weaker relative industry position and seriously faltering RoAs.

Daling wanted to restore operational performance. The first step was functional restructuring. He set up separate business units in 1999, comprising of Sanlam Personal Finance, Sanlam Employee Benefits, Sanlam Health and Gensec, as well as a new wholly-owned subsidiary, New Business Development. Sanlam controlled 56.9% of Santam and 23.7% of ABSA. Structurally, the new Sanlam did not differ much from the old. That was the challenge of change management in a society that bore very little resemblance to the one in which Sanlam achieved strong growth during the sixties and seventies. The gradual improvement in performance is reflected in Table 4.

Daling could not drive through the changes he envisioned for Sanlam. He passed away in February 2001, leaving a void in performance and leadership. As reflected in Table 4, return on embedded value collapsed to -9%. Sanlam needed more than the restructuring of business units.

### **Strategic intent: Growth and wealth creation**

Johan van Zyl was appointed at the helm of Sanlam Ltd. in 2003, after a short interlude of an unprecedented weak appointment in the person of Leon Vermaak as successor of Sanlam. Van Zyl's motto was 'back to basics'. He set Sanlam on restoring sound performance in each of the business units, embracing the changes in South African society and politics. His management style was to give strong leadership from the centre in terms of strategy, but to allow the experts in the different business units to implement that strategy where they understood the context, business and people best. The fundamentals strategic vision was to improve return on capital employed. This meant that Sanlam would look where its capital was situated, move it to enhance performance and secure optimal growth for both shareholders and policyholders.

Step one was to unlock capital in underperforming investments. One such investment was the stake of

**Table 3.** Sanlam selected performance indicators, 1985-1997.

Year	Premium Income Rm	% growth	Premium As % Industry	Life Assurance Fund Rm	Total Assets Rm	Asset % Industry Assets	RoA %
1985	1 605	-	27.07	7 524	7 785	18.2	11.2
1986	2 087	23	-	9 316	9 611	19.6	11.19
1987	3 527	40.8	-	12 269	12 845	21.2	10.28
1988	5 174	31.8	34.04	16 537	17 213	23.3	10.10
1989	6 036	14.2	35.13	21 735	22 796	18.7	10.23
1990	7 428	18.7	34.33	27 254	27 908	19.56	10.71
1991	8 178	9.17	33.34	50 012	50 786	29.4	6.76
1992	10 400	21.3	33.3	59 125	60 070	29.3	6.68
1993	12 798	18.6	33.23	70 568	71 846	29.5	6.29
1994	13 626	6.14	29.5	99 163	101 380	31.9	5.22
1995	16 654	18.1	26.9	122 260	124 987	33.8	6.70
1996	18 618	10.54	25.06	130 400	132 877	29.04	6.22
1997	21 966	15.2	31.02	136 244	139 817	28.5	8.57
Annual Compound Growth '85-'97	26.84	-	-	30.11	30.02	-	-

Source: Sanlam Annual Financial Statements (1985-1997); Financial Services Board Annual Reports (1985-1997).

**Table 4.** Sanlam performance 1998-2002.

Parameter	1998	2000	2002
Total Group equity (Rm)	21 952	27 238	27 087
Total assets (Rm)	17588	178065	18357
Headline earnings (Rm)*	1 186	2 406	2 127
Embedded value (EV) per share (cps)	827	1035	1032
Return on EV %	-0%	5.1%	-9.2%
Total issued shares (m)	2 654.5	2 654.5	2 654.5
Earnings per share (cps)*	58.4	90.6	80.8
Share price (cents)	585	956	760
Dividend per share	-	30	37
Capital Adequacy Ratio (CAR)	1.7	2.4	1.7

Source: Sanlam Annual Financial statements (1998-2002).

Sanlam in ABSA. In November 2005 Sanlam disposed of its 23% interest in ABSA to Barclays Bank. The significance of this transaction was both strategic and financial. The cash available changed the business landscape of Van Zyl's turnaround strategy. This put Sanlam in a position to decide on the application of 'surplus' capital in business ventures offering good returns and eased the tense relationship with an underperforming strategic asset. The legacy of 'strategic' investments from the Fred du Plessis era was finally concluded. For the first time since 1973 when Sanlam acquired FVB's stake in Trust Bank, it no longer had a substantial stake (through the voting pool) in a South African bank. Management of the structural change in the Group suddenly became much easier. The conclusion of

other strategic initiatives on the restructuring of Gensec Bank and the conclusion of a major BEE transaction were key components in the 'Delivery 2004' plan. Sanlam Capital Markets (SCM) took control of Gensec Bank's former capital market operations. The restructuring was an integral part of group-wide capital management and the strategy to seek significant improvement in investment returns. In December 2003 SCM's fixed cost base was more than half less than that of Gensec Bank, while equity capital employed in Gensec amounted to R1.6 billion, compared to R400 million in SCM. The Gensec ROE (without write-downs, provisions and restructuring costs) was 7.7%, while SCM's was 21%. Write-downs and provisions in Gensec amounted to in excess of R465 million. Gensec underperformed the

**Table 5.** Sanlam performance, 2002-2013.

Parameter	2002	2004	2006	2008	2010	2012	2013
Total Group equity value (Rm)	27 087	36682	46 811	45 238	57 361	75 352	84 409
Total assets (Rm)	18357	228024	335482	31708	361191	490 953	561 304
Headline earnings (Rm)*	2 127	3 185	6 838	2 702	5 122	5 763	8 062
Embedded value (EV) per share (cps)	1 032	1 344	2047	2 213	2 818	3 707	4 121
Return on EV per share %	-9.2	27.7	31	-1.7	18.2	22	17
Total issued shares (m)	2 654.5	2 767.5	2 303.6	2 190.1	2 100	2 100	2 100
Headline Earnings per share (cps)*	80.8	116.6	304.9	132.2	252.4	292.1	395
Share price (cents)	760	1300	1830	1700	2792	4477	5324
Dividend per share	37	50	77	98	115	215	200
Sanlam Life Capital Adequacy Ratio (CAR)	1.7	3.7	4.4	2.7	3.4	4.3	4.5

Source: Sanlam Annual Financial Statements (1998 - 2016). \*Introduction of IFRS in 2006 changed accounting policy figures not fully comparable to period before 2006.

investment bank index by more than 4% per annum, which translated into a destruction of value to shareholders of approximately 12% since the hasty acquisition of Gensec. There was no argument about the rationale for the intended restructuring. In June 2004 the bank licence of Gensec was returned to the Registrar of Banks. This action freed up further capital, available for better employment in the Group's capital management programme (Minutes Sanlam Board, 3/12/2003, 19/4/2004, 2/6/2004).

After the conclusion of the ABSA transaction and the cash-rich Sanlam's decision to buy back its shares, a notable improvement in market confidence developed. The share price rose to well above R12.00 by the end of 2005 and the discount to EV dropped below 10%. The financial analysts were upbeat about the anticipated upward trend in the Sanlam share price. That rise reflected in the growing proportion of institutional shareholders to 60% of Sanlam's shareholders in 2006. Offshore shareholders made up 24% of Sanlam's shareholders. Individual shareholders' stake in the company diminished from 47% shortly after demutualisation to 17% in 2006. Expectations materialised, since in 2007 the share price rose to around R22.75 and traded at only a 3% discount to EV. Overall performance of the Group in 2006 pointed to the growth strategy gaining sustainable momentum. New business volumes exceeded R100 billion, and core earnings R4 billion for the first time (Sanlam Annual Report, 2007: 119). The performance reflected a group reaping the benefits of a focused business strategy implemented since 2003, but the significant development was the change in the structure of the business. During 2002 more than 75% of all new business inflows was generated through the life insurance business. In 2007 new business from the traditional life market declined to around 20%, while the performance of innovative private investment products rose exponentially. By 2007 Sanlam

had built the largest private client business in South African in Sanlam Private Investments. SPI held assets under management of more than R50 billion in 2007, reversing a loss-making operation of 2002 to deliver R80 million pre-tax profit in 2007. Financial services' net contribution to group results rose by 20%, core earnings per share rose by 27%, new business volumes rose by 26%, the value of new life business rose by 31%, and return of Group Equity Value per share rose to 18.8%. As reflected in Table 5, by 2013, return on embedded value rose consistently, as did the share price, headline earnings and CAR. Van Zyl described 2007 as the first year in which Sanlam had achieved real growth since the early 2000s. He considered the establishment years of his back-to-basics strategy as years of "fixing the business and developing a wide base". The foundation of the turnaround strategy was improved capital efficiency and diversification.

At the end of a decade of redirecting Sanlam from constrained operations facing adverse market conditions, capital impairment and uncertain strategic direction, the Group emerged in an undisputed growth trajectory at the end of 2013. The company celebrated 90 years in the South African financial services landscape in 2008. That year was only the start of a successful turnaround strategy. The Group management strategy successfully integrated the managerial and intellectual capabilities of the executive team into a consensus corporate strategy of aiming for the globe from the firm foundations of local roots. Strategically, the Sanlam Group was held together by a shared business philosophy that creates a 'One Firm' firm. This philosophy had its roots in an entrepreneurial culture with its essence captured in traditional values (such as honesty, hard work and ethical behaviour), innovation, stakeholder value and strong ties with business partners (Minutes Sanlam Board, 3/12/2012; Sanlam Business Philosophy: November 2012). The Group made significant progress towards

becoming the leader in client-centric wealth creation, management and protection in South Africa, and in emerging as a leading player in financial services in selected emerging markets of Africa and Asia, and specific developed markets. The functional structuring of the business of the Sanlam Group into autonomous clusters enabled the human capital capabilities in the Group to operate within a framework of 'tight and loose' parameters. The decade between 2003 and 2013 revisited the roots of Sanlam and confirmed those roots in negotiating the future of the Group. This was confirmed by Van Zyl: "Sanlam's history has been a key driver of empowerment, economic advancement, wealth creation and protection. This is a legacy and a responsibility that we take very seriously" (*Sanlam. Riding the wave. Sanlam's socio-economic impact in South Africa and beyond. Sanlam, 2013*).

### Concluding the case of Sanlam, 1945-2013

Assessing the fundamentally changed context of South Africa after 1990, but more so, assessing the fundamental overhaul of global insurance market, called for strategic vision and understanding of the strategies of change management. Sanlam had nurtured good stable and responsible managers in its conservative organisation since 1918. Management kept strong centrally controlled styles of business operations until the dynamics of a deregulated global context and new socio-political developments in South Africa mandated radical change of direction. This radical change did not imply a change in the basic business model, but adapting to changes in the environment as part of the core insurance and financial services business. Sanlam had to bring in new human capital, address shifts in consumer demand for risk products, deliver much improved returns on investment for its new shareholder base, and Sanlam wanted to remain in business. The company was on the verge of a century of business in South Africa. Management innovation through the injection of leadership outside the Sanlam ranks was the answer. Fred du Plessis' personal traits brought him into conflict with the Sanlam stalwarts and the public or Sanlam policyholder base. Du Plessis was even content with confronting other Afrikaner business interests and respected Afrikaner business people. He failed to secure the core insurance and investment functions of Sanlam as drivers of change and enhanced performance. Daling had a sense of the contextual challenges, but he only got to effect demutualisation. It is important to recognise the in-house Sanlam management innovators, such as Rudman and Smith, who initiated and drove the demutualisation initiative up to the point where the Daling ambition took control. Daling was successful in driving demutualisation through an unprecedented and somewhat risky timeframe. Demutualisation was the first step towards

business sustainability. Performance enhancing strategies were needed to sustain the business as a going concern. Johan van Zyl understood strategy, context and human capital. The combination of the three dimensions of management, secured Sanlam entry into a next century.

### FINDINGS AND DISCUSSION

The world in which Sanlam operated after WWII, was a dynamically changing one. The post-war recovery fuelled by the rapid rebuilding of its main trading partner economies in Britain and Europe, expanded the market for life assurance and an emerging market for new financial services. Superior change management was called for as the global business environment opened up to deregulation. The termination of the Bretton Woods fixed exchange rate system, in 1971, signalled growing international competition. At the core of the global developments was strategic management to negotiate corporations successfully through such change. Sanlam management sustained its focus on centralised control of its conservative business model until the mid-1980s. The implication of these findings for the research gap, is that the predominant Afrikaans management team in Sanlam, anticipated the fundamental contextual change in south Africa and tapped into international management theory and best practice to bring about organisational and strategic change. African business leadership is confronted with similar fundamental contextual changes, which suggests a similar demand for open-minded management.

The management structure of Sanlam changed continuously during the period under consideration. It was adapted to accommodate changes external and internal to the organisation. The management principle that 'structure follows strategy' manifested in Sanlam. Decisions on organisational changes were based on strategic interests or concerns that were well thought through and entrenched in the strategy of the organisation. Management of Sanlam assumed a more strategic role since the early 1970s. Various other examples are incorporated in this case study. The implications of these structural changes for current African business, is management's sensitivity to consistently changing context.

The organisational structure or architecture of Sanlam consistently related to the management theory applied during the period. The concepts of 'a diversified organisation', 'decentralised business units' and 'human resources-based control', for example, were closely adhered to in Sanlam during the 1980s when these concepts characterised international management theory and practice. Geographical proximity is not a pre-requisite for adherence to the state of the art management.

Sanlam is an example of a sustainable business in



operation after 100 years. The most important implication is that business organisations in Africa are capable of achieving such milestones. The organisation remained relevant throughout the complex and turbulent external environmental changes and adapted to change as and where required for sustainability. The management style, leadership, people orientation and strategic thinking led to a 'change fit' and learning organisation capable of adapting to context. This secured a century of Sanlam.

## CONFLICT OF INTERESTS

The authors have not declared any conflict of interests.

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*Full Length Research Paper*

# **Internal equity and customer relationship management in developing countries: A quantitative and a comparative study of three private companies in Burkina Faso**

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**Internal equity in customer relationship management is ignored by companies in Burkina Faso, which causes a reduction in terms of profitability. Equity and ethical practices in marketing are essential to the sustainable development of companies in Burkina Faso especially in the context of globalization where values of fair trade are promoted and where competition is ferocious. This research focuses on the contribution that fair business practices from business to customers bring in terms of companies' performance in developing countries. Data collection was performed with a questionnaire addressed to customers of two Small and Medium Enterprises (SMEs) and one Very Small Enterprise (VSE) in Burkina Faso. Quantitative data is processed using Sphinx IQ and SPSS. The results confirm that companies in which internal equity degree is high, the sales growth is increasing due to satisfaction and repurchase.**

**Key words:** Internal equity, customer satisfaction, customer repurchase, sales, growth, marketing.

## **INTRODUCTION**

The field of this research is that of marketing. Recent studies show that some illogical and immoral practices are in private companies of Burkina, affecting its economy and its development (Akouwerabou and Bako, 2014). This research is therefore focused on private companies and is entitled "Internal equity and customer relationship management in developing countries: a quantitative and a comparative study of three private companies in Burkina Faso". The various actors in the field and the subject of research are the managers,

customers, and the competition. Furthermore, Customer Relationship Management is a process by which a company seeks how to meet its customers' needs and expectations, thus its customer satisfaction in order to promote sustainable and profitable exchange for both parties. The company seeks to know deeply each customer; it then communicates with its customers using practical tools and customizing its offers to establish sustainable relationships. For Perconte (2003), Customer Relationship Management is a business strategy to

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attract new customers, to extend relationships with them and to retain them. For Borg and Blidner-Knittel (2009), Customer Relationship Management is defined as a process in which a company seeks to know its customers by connecting with those who bring an income and should not just be a way to make a lot of money. From this definition, it is clear that Customer Relationship Management implies several parameters (Reinartz et al., 2004).

Moreover, misunderstanding and incidents between businesses and their customers remain challenges for companies (Morrison, 2005). Therefore, human relationship school states that the company is primarily a "social system" (Bressy and Konkuyt, 2004), a system in which it is important to know how to harmonize relationships to achieve specific objectives. Achieving these goals requires both an innovative strategy and a knowledge that is a competitive advantage (Ouédraogo, 2006). It is fundamental for a company to know its customers and to satisfy them, to enable the company to keep a good image (Van Laethem et al., 2007). Therefore, some authors tried to understand customer's perception of the exchange. The equity concept becomes important in Customer Relationship Management. Kotler and Dubois (2003) mention equity by bringing out the concept of fair price that customers perceive about an offer. The most relevant research is the one of Morrison (2005), which is limited only to the influence of external equity on customer satisfaction and on the research of Urbain (1979) that links concepts such as equity, fair price and the perception of fair price; and Brewer and Selden (2000) that define internal equity as a dimension of performance. As one can see, the previous research in the area of Customer Relationship Management mainly puts a focus on notions such as external equity and customer satisfaction, equity and fair price, or a focus on internal equity and performance in a context different from the West African context. Until now, the effects of internal equity on corporate business especially in the West African context were particularly ignored. In exchanges between customers and companies, the quality of products or services compared to the prices charged by companies rarely met customers' expectations. That is what explains anger, unhappiness among customers and the consequences that this entails in trade. It is then necessary for companies to have a management system that meets customer needs by offering a higher level of satisfaction than the conventional system in terms of quality, and price. One of the existing solutions is to take into account the average income of Burkina, what can bring companies to offer quality products or services tailored to customers' expectations. Another solution is to bring the companies to abide to market rules, as these companies often face financial difficulties because they do not respect the rules of the market and its transparency (Ouédraogo, 2003). To better understand the customer, it was considered

necessary to consider the following key question: What is the impact of the perception of internal equity on sales growth in private Small and Medium Enterprises (SMEs) and private Very Small Enterprises (VSEs) of Burkina Faso? The problem raised by this question comes from the simple fact that the loss of customers of a given company is often related to several causes (Morrison, 2005). Another finding is that some companies do not pay great attention and importance to the concept of internal equity in the exchanges with customers. A Customer Relationship Management, in which the company provides no efforts to take into account the needs and expectations of customers, may be inappropriate and fatal to that company (Juët, 2005). In an exchange situation the individual compares his or her ratio with the offer as a repository and s/he can perceive a sense of equity or non-equity (Adams, 1963; Peretti, 2004). When the exchange is unfair the customer may be a victim of injustice (Adams, 1963). This leads to dissatisfaction which may lead him/her to no longer make purchases (Morrison, 2005). This research is structured on the following fundamental questions:

- (1) What is internal equity in Customer Relationship Management?
- (2) What are the effects of the perception of internal equity on customer satisfaction?
- (3) What are the effects of internal equity perception on repurchase?
- (4) What are the effects of the perception of internal equity on the growth of Small and Medium Enterprises turnover (SMEs) and Very Small Enterprises (VSEs) turnover?

## LITERATURE REVIEW

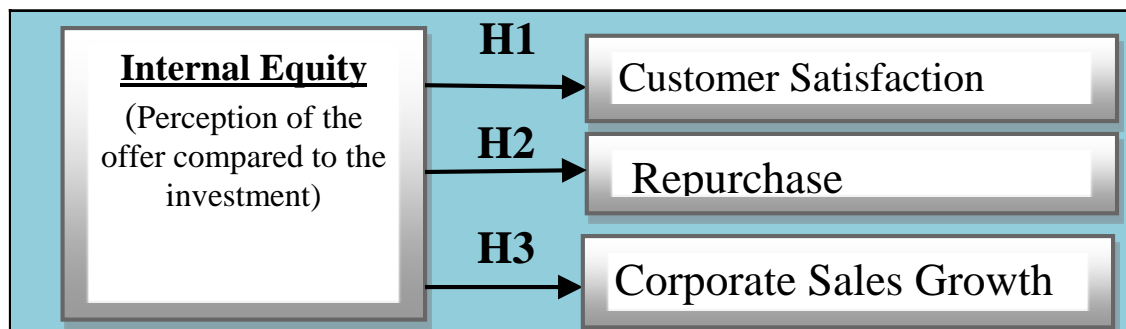
A more thorough review of the literature shows what has already been discussed.

### The theory of equity in business exchange

Homans (1961), Adams (1963), Zeithaml et al. (2004), Peretti (2004), Aravindakshan et al. (2004), Morrison (2005), Olsen (2002), and Nasse (2012), underline the notion of equity resulting from the comparison between what an individual perceives in an exchange "output, profit" and the contribution s/he makes to the exchange "input, investment". They demonstrate that equity not only influences customer satisfaction but also, they demonstrate that equity influences customer repurchases. They show internal equity in the business-customer exchanges have an important place.

### The theory of distributive justice

Sabadie (2000), Kotler and Dubois (2003), Peretti (2004),



**Figure 1.** The three hypotheses.  
Source: Nasse (2015).

Juët (2005), Van Laethem et al. (2007), and Akouwerabou and Bako (2014) are mainly supporters of the concept of fair price to the extent that the concept of fair price is perceived as the balance between the needs of customers and the interests of the company, and it is understood as an avoidance of unfair or illegal practices in setting prices.

### The theory of quality

For Kotler and Dubois (2003), Demeure (2008), Van Laethem and Body (2008), and Nasse (2012), Customer Relationship Management requires the company's products to be of good quality and the prices to meet customer's expectations. They abound in the sense of the quality theory by showing that customers take into account, not only as a fundamental criterion the quality of the product but also another fundamental criterion that is the quality of induced services. One can see that quality is very important for customers. Product quality is often associated with its price. The customer considers the offer by making a quality/price ratio.

### The theory of satisfaction

Ladhari (2005), Vanhamme (2004), Gandhi (2011), Bashar et al. (2012), and Nasse (2012) mention customer satisfaction. For these authors, equity and emotional reactions are linked to the concept of satisfaction. For these authors, fairness is an antecedent of satisfaction.

### The theory of repurchase

Simon (2000), Van Laethem and Body (2008), Kitchathorn (2009), and Nasse (2012) show that satisfaction has a significant influence on the repurchase intentions. For these authors, a satisfied customer has an intention not to break now but to continue buying the

products and services of the company. They thus establish a link between equity and repurchase.

### The theory of sales growth

Morrisson and Mathieu (2003), Ouédraogo (2007), Nasse (2012), and Shamba and Livian (2014) talk succinctly about company's sales growth.

For these authors, there is a need for companies to consider customer satisfaction, what necessarily leads to sales growth.

### Research model and hypotheses

The research model that shows the different relationships between the various variables identified in the literature review is shown in Figure 2.

There are three hypotheses to be tested as follows (Figure 1):

Hypothesis 1: Internal equity influences customer satisfaction.

Hypothesis 2: Internal equity influences repurchase.

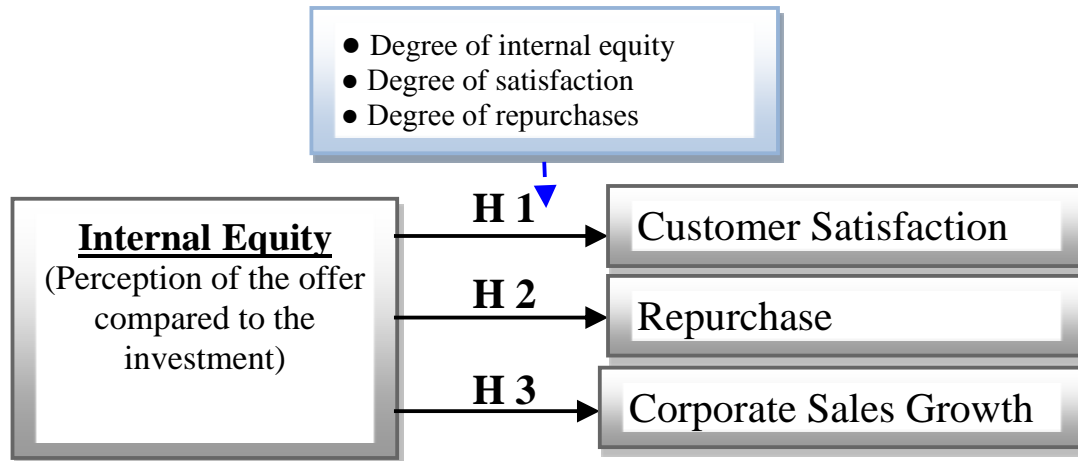
Hypothesis 3: Internal equity influences corporate sales growth.

### MATERIALS AND METHODS

This is an exploratory dealing with marketing research in the context of Burkina Faso. The epistemological posture adopted is postpositivist. The approach is hypothetico-deductive.

### Research procedure

This exploratory study uses a quantitative questionnaire composed of fourteen questions designed by using the software packages Sphinx IQ Version 2014 and Statistical Product and Service Solutions IBM-SPSS (Hejase and Hejase, 2013). The questionnaire is pre-tested with a number of customers belonging to three private



**Figure 2.** Final research model  
Source: Nasse (2015).

companies. This first test is done on a sample of 120 respondents. The pre-test results is used to draft a final version of the quantitative questionnaire. Once the final version of the designed questionnaire is made, it is administered again on a paper to the customers of the three companies for a period of six months. The studied population is composed of individuals interested in purchasing different products. For the quantitative approach due to a lack of resources and a lack of time, a survey is conducted, involving a "sample". This sample is a subset of the studied population. To set the sample size, the following formula is used:

$$n = (p)(1-p) / (e / Z)^2$$

where p is representing the selected proportion of an attribute, for example gender. Here, assuming 50-50 female to male ratio,  $p=0.50$  or 50%; e represents the level of precision or accuracy set for this research, here 6.5%, and Z is the number related to degree of confidence in this case  $Z=1.96$  or 95% confidence (Hejase and Hejase, 2013: 231; Ganassali, 2009: 51). Then

$$n = 0.25 / (0.065 / 1.96)^2 = 229 \text{ people.}$$

A sample of 229 people is enough for a 6.5 point error estimate. Once the sample is determined, data collection was done through a questionnaire. The total number of respondents is 233, what is sufficient.

### Research instrument

This is focused on the description of the questionnaire. It shows the number of questions, the focus of the questions, where the questions are from. The research has been carried out through a survey questionnaire. The number of questions is 14. Items are measured on a Likert scale in four items ranging from "Strongly disagree" to "Strongly agree." These four items are respectively "Strongly disagree", "Disagree", "Agree" "Strongly agree". The Likert scale in four items is selected not only to avoid neutral answers and to collect the answers of a good quality but also to allow respondents to save time as most of the respondents encountered were in hurry. According to Ganassali (2009), "With four items the respondent is forced to match the effort to tick one side or the other of the central position, which is sometimes chosen as a safe haven." Furthermore, to better quantify the data

discussed, a number is assigned to each data response. Thus, the answer "Strongly disagree" is the number 1, the answer, "Disagree" is the number 2, the answer, "Agree" is the number 3, and the answer "Strongly agree" is the number 4.

### Instrument validation

The survey questionnaire is composed of 14 questions and it is validated by some university teachers. Dr. Niamboue Bado from Florida A. & M. University in United States of America and Pr. Alidou Ouédraogo from the University of Moncton in Canada.

### Research setting

The country where the research is conducted is Burkina Faso where participants are identified. The research field is limited to the main city of Burkina, the capital city that is Ouagadougou in the Kadiogo province and the city for a period of one year. In the context of Burkina Faso, conducting a research in the companies is challenging and problematic because most of the companies want to protect their data and keep it confidential. Therefore, the research is limited to these three companies because it is only these companies that allow the researcher to carry out the research.

### Research participants

Participants are considered using the criteria that include age, gender, level of education, marital status, profession and social class. First, the age of participants is ranged from 10 to more than 55 years old. Second, participants gender includes both women and men being customers of one of the surveyed companies. Third, the education level of participants is from primary school to university. Finally, participants are from different socio-professional categories and social classes.

### Data analysis

It is a quantitative data (questionnaire) analysis. First, quantitative data is processed using both Sphinx IQ software and SPSS

**Table 1.** Correlations between variables.

Enterprise	Variables Crossing	Results
Training Center	"Satisfaction linked to quality " and "Internal Equity"	p-value = <0.01; $\chi^2 = 41.83$ ; df = 9.00
	"Satisfaction linked to price" and "Internal Equity"	p-value = <0.01; $\chi^2 = 54.73$ ; df = 9.00
	"Satisfaction linked to product" and "Internal Equity"	p-value = <0.01; $\chi^2 = 36.16$ ; df = 9.00
	"Global satisfaction " and "Internal Equity"	p-value = <0.01; $\chi^2 = 40.08$ ; df = 9.00
	"Repurchase" and "Internal Equity"	p-value = <0.01; $\chi^2 = 39.37$ ; df = 9.00
Restaurant	"Satisfaction linked to quality" and "Internal Equity"	p-value = 0.01; $\chi^2 = 16.63$ ; df = 6.00
	"Satisfaction linked to price" and "Internal Equity"	p-value = <0.01; $\chi^2 = 45.15$ ; df = 9.00
	"Satisfaction linked to product " and "Internal Equity"	p-value = <0.01 ; $\chi^2 = 19.64$ ; df = 6.00
	" Global satisfaction " and "Internal Equity"	p-value = 0.04; $\chi^2 = 13.02$ ; df = 6.00
	"Repurchase" and "Internal Equity"	p-value = 0.02; $\chi^2 = 15.61$ ; df = 6.00
ENT SARL	"Satisfaction linked to quality" and "Internal Equity"	p-value = 0.01; $\chi^2 = 16.25$ ; df = 6.00
	"Satisfaction linked to price" and "Internal Equity"	p-value = <0.01; $\chi^2 = 27.61$ ; df = 4.00
	"Satisfaction linked to product " and "Internal Equity"	p-value = <0.01; $\chi^2 = 30.85$ ; df = 4.00
	"Global satisfaction " and "Internal Equity"	p-value = <0.01; $\chi^2 = 18.67$ ; df = 6.00
	"Repurchase" and "Internal Equity"	p-value = <0.01; $\chi^2 = 18.96$ ; df = 6.00

Source: Nasse, Data Analysis (2015).

software. Second, the quantitative data is completed by direct observation and indirect observation.

**Validation of the research**

The research instruments chosen must allow people to better appreciate the phenomenon to measure and see if it is well measured (Carricano et al., 2010). Post validation of data is made, and respondents reiterate the same points of views.

**Viability of the research**

The results are tested several times to see if the results are the same. According to Carrino et al. Bertrandias (2010), the method of "test" and "retest" is the best way to show the viability of a research. The results are tested several times with the same instruments and the outcomes are the same.

**RESULTS**

The total sample collected in the three companies consists of 233 respondents with a 100% response rate. However, the comparative study of the three companies has necessitated reconsideration of sample data N (= 233) into three sub samples (N1 = Training Center = 138 respondents; N2 = SARL ENT = 49 respondents; N3 = Restaurant = 46 respondents). The processing of the data has revealed at least five identical relevant relationships in the three private companies. These five relevant relationships are obtained by crossing the variable "internal equity" with other variables. These

relationships are either significant (S) or very significant (VS). The results in Table 1 show the correlations between variables.

**For the training center**

Table 1 depicts that cross tabulating the variable "internal equity" and the variable "satisfaction related to quality" shows that the relationship is statistically significant because the p-value = <0.01 and  $\chi^2 = 41.83$ . Similarly, the same behaviour is observed for the following crosstabs: crossing the variable "internal equity" and the variable "satisfaction linked to the price" (p-value = <0.01 and  $\chi^2 = 54.73$ ), crossing the variable "internal equity" and the variable "satisfaction related to the product" (p-value = <0.01 and  $\chi^2 = 36.16$ ), crossing of the variable "internal equity" and the variable "overall satisfaction" (p-value = <0.01 and  $\chi^2 = 40.08$ ), and crossing the variable "internal equity" and the variable "repurchase" (p-value = <0.01 and  $\chi^2 = 39.37$ ).

**For ENT SARL (a printing company)**

Table 1 depicts that cross tabulating the variable "internal equity" and the variable "satisfaction related to the quality" shows that the relationship is statistically significant as the p-value = 0.01 and  $\chi^2 = 16.63$ . Similarly, the same behavior is observed for the following crosstabs: crossing the variable "internal equity" and the

**Table 2.** Test of multiple comparisons (Satisfaction linked to quality).

Test	(I) Enterprises	(J) Enterprises	Mean difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
						Lower Bound	Upper Bound
	Training Center	ENT SARL	- 0.47678*	0.10729	0.000	- 0.7312	- 0.2223
		Restaurant	0.15942	0.13465	0.466	- 0.1619	0.4808
Games-Howell	ENT SARL	Training Center	0.47678*	0.10729	0.000	0.2223	0.7312
		Restaurant	0.63620*	0.13938	0.000	0.3035	0.9689
	Restaurant	Training Center	- 0.15942	0.13465	0.466	- 0.4808	0.1619
		ENT SARL	- 0.63620*	0.13938	0.000	- 0.9689	- 0.3035

\*The mean difference is significant at the 0.05 level.

Source: Nasse, Data Analysis (2015).

**Table 3.** Test of multiple comparisons (Satisfaction linked to price).

Test	(I) Enterprises	(J) Enterprises	Mean difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
						Lower Bound	Upper Bound
	Training Center	ENT SARL	- 0.369565*	0.124945	0.011	- 0.66730	- 0.07183
		Restaurant	0.152174	0.114020	0.380	- 0.11920	0.42355
Games-Howell	ENT SARL	Training Center	0.369565*	0.124945	0.011	0.07183	0.66730
		Restaurant	0.521739*	0.139635	0.001	0.18910	0.85438
	Restaurant	Training Center	- 0.152174	0.114020	0.380	- 0.42355	0.11920
		ENT SARL	- 0.521739*	0.139635	0.001	- 0.85438	- 0.18910

\*The mean difference is significant at the 0.05 level.

Source: Nasse, Data Analysis (2015).

variable "satisfaction linked to the price" ( $p$ -value =  $<0.01$  and  $\chi^2 = 45.15$ ), crossing the variable "internal equity" and the variable "satisfaction related to the product" ( $p$ -value =  $<0.01$  and  $\chi^2 = 19.64$ ), crossing of the variable "internal equity" and "overall satisfaction" variable ( $p$ -value =  $0.04$  and  $\chi^2 = 13.02$ ), and crossing the variable "internal equity" and the variable "repurchase" ( $p$ -value =  $0.02$  and  $\chi^2 = 15.61$ ).

### For the restaurant

Table 1 also depicts that cross tabulating the variable "internal equity" and the variable "satisfaction related to the quality" shows that the relationship is statistically significant as the  $p$ -value =  $0.01$  and  $\chi^2 = 16.25$ . Similarly, the same behavior is observed for the following crosstabs: crossing the variable "internal equity" and the variable "satisfaction linked to the price" ( $p$ -value =  $<0.01$  and  $\chi^2 = 27.61$ ), crossing the variable "internal equity" and the variable "satisfaction related to the product" ( $p$ -value =  $<0.01$  and  $\chi^2 = 30.85$ ), crossing of the variable "internal equity" and the "global satisfaction" variable ( $p$ -

value =  $<0.01$  and  $\chi^2 = 18.67$ ), and crossing the variable "internal equity" and "repurchase" variable ( $p$ -value =  $<0.01$  and  $\chi^2 = 18.96$ ).

The comparative analysis between the three companies shows that the results are excellent in ENT SARL compared to the two other companies namely the training center and the restaurant because there is more customer satisfaction at ENT SARL than at the training center and the restaurant.

Table 2 shows that all comparisons are significant with respect to the variable satisfaction related to the quality except between the training center and the restaurant ( $p = 0.466$ ).

Looking into Table 3, the results indicate that all comparisons are significant with respect to the variable "satisfaction linked to the price" except between the training center and the restaurant ( $p = 0.380$ ).

Table 4 depicts that all comparisons are significant with respect to the variable internal equity except between the training center and the restaurant ( $p = 0.226$ ).

Table 5 shows that all comparisons are significant to the variable satisfaction with the product, except between the training center and the restaurant ( $p = 0.162$ ).

**Table 4.** Test of multiple comparisons (Internal Equity).

Test	(I) Enterprises	(J) Enterprises	Mean difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
						Lower Bound	Upper Bound
Training Center		ENT SARL	- 0.47752*	0.12096	0.000	- 0.7654	- 0.1896
		Restaurant	0.21014	0.12648	0.226	- 0.0915	0.5118
Games-Howell	ENT SARL	Training Center	0.47752*	0.12096	0.000	0.1896	0.7654
		Restaurant	0.68767*	0.14543	0.000	0.3412	1.0341
Restaurant	Restaurant	Training Center	- 0.21014	0.12648	0.226	- 0.5118	0.0915
		ENT SARL	- 0.68767*	0.14543	0.000	-1.0341	- 0.3412

\*The mean difference is significant at the 0.05 level.  
Source: Nasse, Data Analysis (2015).

**Table 5.** Test of multiple comparisons (Satisfaction linked to product).

Test	(I) Enterprises	(J) Enterprises	Mean difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
						Lower Bound	Upper Bound
Training Center		ENT SARL	- 0.46835*	0.09069	0.000	- 0.6832	- 0.2535
		Restaurant	0.22464	0.12184	0.162	- 0.0663	0.5156
Games-Howell	ENT SARL	Training Center	0.46835*	0.09069	0.000	0.2535	0.6832
		Restaurant	0.69299*	0.12270	0.000	0.3997	0.9863
Restaurant	Restaurant	Training Center	- 0.22464	0.12184	0.162	- 0.5156	0.0663
		ENT SARL	- 0.69299*	0.12270	0.000	- 0.9863	- 0.3997

\*The mean difference is significant at the 0.05 level.  
Source: Nasse, Data Analysis (2015).

Table 6 shows that all comparisons are significant to the variable global satisfaction except between the training center and the restaurant ( $p = 0.038$ ).

Table 7 depicts that all comparisons are significant to the variable global satisfaction except between the training center and the restaurant ( $p = 0.240$ ).

The results of the quantitative analysis between the three companies, thus show that the perception of internal equity practices is satisfactory in the point of view of all the customers of ENT SARL company; a great number of customers from the training center are also satisfied, but just a small number of customers of the restaurant are satisfied.

## DISCUSSION

The results obtained through the survey, allow the comparisons of the theoretical hypotheses and the empirical research results to test if they are confirmed. The results of the quantitative analysis brought a number of significant items and thus they confirm the hypotheses.

First, the results of the training center, of ENT SARL and of the restaurant show that there is a strong relationship between internal equity and customer satisfaction, the strength of the relationship between internal equity and customer satisfaction is statistically significant. Furthermore, the variability of customer satisfaction can be explained by the variability of internal equity perceived by the customer. The degree of internal equity perceived has a moderating effect on customer satisfaction: internal equity influences customer satisfaction, thus the null hypothesis ( $H_0$ ) is rejected and hypothesis 1 is confirmed.

Second, the results of the training center, of ENT SARL and of the restaurant demonstrate that there is a strong relationship between internal equity and the degree of repurchase; the relationship between internal equity and customer satisfaction is statistically significant. Furthermore, variability in the degree of repurchase can be explained by the variability of the internal equity perceived by the customer. The degree of internal equity perceived has a moderating effect on the degree of repurchase: internal equity influences the repurchase,



**Table 6.** Test of multiple comparisons (Global satisfaction).

Test	(I) Enterprises	(J) Enterprises	Mean difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
						Lower Bound	Upper Bound
	Training Center	ENT SARL	- 0.44587*	0.10592	0.000	- 0.6971	- 0.1947
		Restaurant	0.32609*	0.13049	0.038	0.0148	0.6374
Games-Howell	ENT SARL	Training Center	0.44587*	0.10592	0.000	0.1947	0.6971
		Restaurant	0.77196*	0.13529	0.000	0.4491	1.0948
	Restaurant	Training Center	- 0.32609*	0.13049	0.038	- 0.6374	- 0.0148
		ENT SARL	- 0.77196*	0.13529	0.000	-1.0948	- 0.4491

\*The mean difference is significant at the 0.05 level.  
Source: Nasse, Data Analysis (2015).

**Table 7.** Test of multiple comparisons (Repurchase).

Test	(I) Enterprises	(J) Enterprises	Mean difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
						Lower bound	Upper bound
	Training Center	ENT SARL	- 0.23381*	0.08214	0.014	- 0.4289	- 0.0387
		Restaurant	0.17391	0.10669	0.240	- 0.0813	0.4291
Games-Howell	ENT SARL	Training Center	0.23381*	0.08214	0.014	0.0387	0.4289
		Restaurant	0.40772*	0.11341	0.002	0.1369	0.6785
	Restaurant	Training Center	- 0.17391	0.10669	0.240	- 0.4291	0.0813
		ENT SARL	- 0.40772*	0.11341	0.002	- 0.6785	- 0.1369

\*The mean difference is significant at the 0.05 level.  
Source: Nasse, Data Analysis (2015).

therefore the null hypothesis (H0) is rejected and hypothesis 2 is confirmed.

Third, the statistics analysis of the training center, of ENT SARL and of the restaurant show that there is a link between internal equity, customer satisfaction, the degree of repurchase; for instance, the relationship between internal equity and customer satisfaction is statistically significant; also, the relationship between internal equity and product repurchase is statistically significant. Furthermore, variability in the degree of satisfaction or the degree of repurchase can be explained by the variability of internal equity perceived by the customer. The degree of internal equity perceived not only has a dampening effect on satisfaction, but also on the degree of repurchase: internal equity influences the growth of the business turnover, thus the null hypothesis (H0) is rejected and hypothesis 3 is confirmed.

The results of this study show the relevance of the concept of internal equity in the Customer Relationship Management. The research on the three companies revealed that, internal equity is a factor of sales growth, thus of corporate economic profitability. Many authors who argued that for businesses to be successful, they

must have fair practices (Perreti, 2004; Hondeghem and Perry, 2009; Nasse, 2012; Akouwerabou and Bako, 2014) are right. The perception of equity by the individual leads him/her to adopt some behaviors that are profitable to the company. Thus, the perception of fairness by customers in an exchange, leads the customer to engage in some behaviors that are beneficial to the company (Perreti, 2004; Nasse, 2012; 2014). Except for the company ENT SARL, the two other companies namely the training center and the restaurant have difficulties in conceiving an offer in which internal equity is truly perceptible by all the customers. One may suggest that activities in education sector and activities in restaurant sector are more challenging to be truly fair offers.

The choice of the organizational structure compared to the company size can be another factor that explains the fact that a company is innovative in terms of fair offer than the other (Ouédraogo, 2006). The company ENT SARL can better satisfy its customers than the other two companies.

An observation on the different forms of hybridization within the three different companies (Table 8) may help one to understand why fair practices are more

**Table 8.** Forms of management hybridation.

Companies	Types of organisations	Importation of management tools	Types of managers	Norms of social relations	Hybridation
Training center	International SME	Weak	The boss is the owner Local senior executives and some senior executives trained abroad	Localism "open"	Weak
ENT SARL	Local SME	Weak	The boss is the owner No senior executives	Localism "open"	Weak or null
Restaurant	Local VSE	Null	The boss is the owner No senior executives	Localism "null"	Null

Adapted from Shamba and Livian (2014).

observable in one company than the other.

### Conclusion

First, the main contribution is the enrichment of the concept of internal equity. This concept has already been defined in English and French literature; although there are other definitions of internal equity, this research contributes to enhance this definition. So, there is internal equity when the customer perceives that the price of a product is proportional to the quality of the product they are buying. Under such conditions, the customer perceives that the offer is fair (Peretti, 2004; Nasse, 2012). This means that internal equity is perceived by customers when the product or the service is adequate or equitable. Internal equity in the Customer Relationship Management must not be restricted to the concept of "fair price"; it must include a fair management, a fair governance, a fair compensation, a fair valuation of the business exchange situation between a company and its customers. Second, this research has identified the creation of measurement tools to measuring internal equity,

customer satisfaction and the degree of repurchase. These tools were developed thanks to the literature. Thirdly, this research highlights internal equity effects on customer satisfaction and their repurchase intentions. Behaviors and attitudes listed when customers receive a fair and an impartial exchange are: the willingness to invest again, the intention to sacrifice his/her money, the intention not to change partner and intention not to stop buying (Perreti, 2004; Nasse, 2012). This research has demonstrated different perceptions of equity by customers and it chiefly contributes to company management by proposing the best management practices not only, but also by taking into account some specific factors of success in the context of Burkina. In a word, this research brings some new information which contribute to enlighten the equity theory, what enhances the methodological approach (Takougang, 2010). The final model is depicted in Figure 2.

The concepts of internal equity and external equity are particularly difficult to handle. The concept of equity is used in many disciplines and in different ways. It was hard to find the best concept of internal equity perceived by the

customer in the field of marketing, a research that had been done very rarely, especially in the African context and specifically in Burkina. The development of a quantitative questionnaire has also been a particular choice by setting items in French, which is suitable for the context. The concept of satisfaction required a lot of attention when handling it. So, it has not been easy to find an appropriate definition to the concept of customer satisfaction. The choice of the variables and the choice of the questionnaire are related to the unique context of Burkina, what could lead to bias in generalizing the results.

The research clarifies the concept of equity in general and specifically that of internal equity perceived by the customer and it shows that internal equity has an influence on customer satisfaction, repurchase intentions, and sales growth of Small and Medium Enterprises (SMEs) and Very Small Enterprises (VSEs). The effects of the perception of internal equity may be positive or negative for the company in terms of repurchase (Perreti, 2004; Nasse, 2012). Also, the effects of the perception of internal equity may be positive or negative for the company (Perreti, 2004; Nasse, 2012) in terms of growth in sales.

Consideration of internal equity in the exchanges between a company and its customers will increase the sales of Small and Medium Enterprises (SMEs) and Very Small Enterprises (VSEs) in Burkina. Finally, banishing immoral business practices increases the quality of companies' product and service. This helps to strengthen their competitiveness (Akouerabou and Bako, 2014).

### Implications for the development of companies

Bourgoin (1984) shows that in the African context companies fails because of mismanagement and this is why managers should apply new forms of management in the African context. Thus, avoiding unfair practices can rebalance business exchanges between customers and companies by significantly reducing customer loss. In the same way, the reactivity of a company should be high and efficient in repairing unfair practices, in order to anticipate the negative effect such as customer loss, reduction of income and sales growth, and some conflictual situations. For this, a company has to know how to use its resources to diagnose and resolve problems related to the management of its customers (Friedrich, 2014).

### Implications for the authorities and for a sustainable development of Burkina Faso

In the context of Burkina Faso, encouraging companies for ethical and fair practices is vital for the companies' welfare and for the whole economy growth. Companies' unfair practices have always shown some negative consequences (Akouerabou and Bako, 2014) both towards the whole economic system of a country and also towards a real sustainable development.

### Future research

The study was performed in the specific sector of Small and Medium Enterprises (SMEs) and Very Small Enterprises (VSEs) in Burkina. It would be useful to extend it in big companies to check whether the results will be the same. It is also necessary to complete this exploratory quantitative study by a confirmatory qualitative study. It is important to extend the study in another African sociocultural context.

### CONFLICT OF INTERESTS

The authors have not declared any conflict of interests.

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