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For book references

Bindseil, U. [2004] *Monetary Policy Implementation, Theory, Past and Present*, Oxford University Press, Oxford.

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CRITICAL SUCCESS FACTORS FOR ENHANCED STAKEHOLDER MANAGEMENT IN GHANA

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Abstract

Though construction projects undertaken in developing countries are aimed at socio-economic growth, the benefits cannot be realized without carefully considering project stakeholders management for successful delivery. This study identified and evaluated Critical Success Factors CSFs as part of a broader study aimed at “Developing Sustainable Stakeholder Management Framework for Developing Countries”. An exploratory, qualitative survey was adopted. A questionnaire survey was used to validate 35 CSFs identified from the literature reviewed and Relative Importance Index for analysis. Early stakeholders’ identification; managing culture and political environment; communication; project managers’ competence; formal stakeholder management process was highly ranked. Five groups were also confirmed. The study contributes to the body of knowledge by validating CFSs for the Ghanaian construction industry.

Keywords: *Critical Success Factors, developing countries, project success, stakeholder management.*

Contact: caigbavboa@uj.ac.za. The authors declare that they have no relevant or material financial interests that relate to the research described in this paper. Also, the authors declare that the submitted paper is their original work and that, upon publication, nothing contained in it will not constitute an infringement of any copyright. Paper received **15.12.2016**. Approved **30.12.2016**. This paper is licensed under the Creative Commons Attribution-Non Commercial-No Derives 3.0. License. This paper is published with Open Access at www.socioeconomica.info.

1. Introduction

Ghana as a developing country continue to undertake construction projects as a development intervention for improved physical infrastructure provision and socio-economic growth. The success of construction projects undertaken is critical as it impacts on the economy and output of the construction industry and the vice versa. Notably are the construction industry's contribution towards the GDP, socio-economic development, direction of the economy due to the huge investment, effect on other sectors as a result of linkages and employment due to the labour intensive nature (Ofori, 2012). To achieve project success there have been several attempts to consider the technical aspect of project management. Interestingly, several studies by scholars have identified critical success factors CFSs aimed at addressing shortfalls in project delivery without considering the perception, role and influence of the many stakeholders involved in the project delivery (Davis, 2013). In spite of the studies and efforts to find solution for successful project delivery, there are records of many project failures in developing countries which calls for a new approach.

Project failures and poor delivery of construction projects in developing countries have been attributed to several factors such as cost and time overruns, poor quality of delivery, late scope changes, poor and late payment, relocation of projects, delays and poor planning of projects which are attributed to the numerous participants involved in a project: project manager, client, owner, sponsor, consultants, contractors, sub contractors and suppliers referred as stakeholders (Fugar and Agyakwah-Baah, 2010). Othman (2013) attributes mega-project delivery failures to political, lack of human resource, technical and managerial challenges. In addition projects have been considered failure when measured against the stakeholders' satisfaction and needs (PMI, 2013). Construction projects have several firms, individuals and participants who affect or are affected by the project outcome (Freeman, 1984; Yang, 2010). Construction projects cannot be successfully established and accomplished without carefully considering and dealing with all the stakeholders involved (Eslerod and Jepsen, 2013). Enhancing project delivery then calls for the need for developing countries to consider stakeholder management as done in the developed countries and project managers embrace stakeholder management as a soft project management skill aimed at enhancing project delivery.

Stakeholder management is not just about managing the individuals and firms involved in a project, nor an event. Rather it is a process that entails a systematic approach to identifying all stakeholders, prioritising their needs and interest, analysing and monitoring all activities carried out in connection with the stakeholders aimed at project success (Lock, 2007; Eslerod and Jepsen, 2008). There are several factors that influences the outcome of successful stakeholder management process. In addition there are equally different approaches suggested by different scholars and countries (Yang, 2010). It is therefore pertinent identifying and considering the critical success factors CSFs for enhanced stakeholder management process. Though there is a study that has identified CSFs for construction projects, the study was carried out in developed countries region

specific and recommends a similar study for developing countries. This has necessitated a study to confirm and identify additional CSFs for developing countries.

This research aims at identifying and evaluating CSFs for effective stakeholder management in developing countries as part of a broader study aimed at “Developing sustainable stakeholder management framework for developing countries“. Three research objectives were formulated as: to identify CSFs for an effective stakeholder management process, (2) categorize the factors identified and (3) evaluate the identified CSFs to determine the extent of impact of each factor. The study contributes towards the body of knowledge by making available to project managers the identified, evaluated CSFs for SM process in developing countries and the subsequent development of a framework to be used for an effective stakeholder management process for enhanced project delivery. The research design approach selected employed a combination of a systematic integrative literature review, quantitative thematic analysis as phase one. Identified and additional critical factors were validated and sought for from interviewing key industry players. Evaluation of the impact was however addressed from a questionnaire survey employed and analysed using a relative importance index. There were however limitations as research participants involved were from one selecter region in Ghana.

Identifying and evaluating critical success factors for successful delivery of construction projects in developing countries cannot be over emphasized. This is because of the infrastructure development role in the socio-economic realization coupled with the construction industry’s contribution towards the nation’s growth (Ofori, 2012). Further, these projects support governments in achieving their development objectives (Othman, 2013). Public sector government sponsored projects range from small to mega scale thereby requiring improved project management controls to avoid mega-costs and schedule (Relle, 2014). According to Mok et al, (2015) mega construction projects for instance, involves various stakeholders of diverse occupational and professional backgrounds with different levels, types of interests in the project which is complicated in nature hence impacting on project delivery. Project team members usually meets for the first time, from different geographical locations, varying cultural background, notwithstanding the pressure of external and complex stakeholder environment (Aaltonen, 2011). Some projects embarked by governments in developing countries have failed or at least there is perception and the major causes attributed to role of stakeholders involved which calls for further investigation (Davis 2014; Eyiah-Botwe, 2015).

The lack of success and what constitutes critical success criteria especially relating to public sector projects delivery has raised several concerns (Amoa-Mensah, 2011; Adinyira et al, 2012). Reasons assigned as responsible for project delivery failure in developing countries include, time, cost overruns, poor quality and project management issues, time, perceived as mainly technical (Davis, 2014). Ahadzie (2010) argues that the central theme for any project success criteria must focus on the needs of the project, client or user. This is confirmed as client satisfaction is identified as a main project success criterion (Newcombe 2003: Adinyira et al, 2012). Though different stakeholders have different perception of project success, the client and end users have many common success factors including stakeholder satisfaction, communication, cost and time budgets (Davis, 2014). Project managers as key stakeholders have a responsibility to ensure project success; meeting stakeholder needs and satisfaction (PMI, 2008). A project cannot be established and successfully delivered without carefully considering and dealing with project stakeholders (Eslerod and Jepsen, 2013). This calls for the need to evaluate and understand the complexities of the stakeholders involved which is critical for project success.

Stakeholders in construction are individuals and groups who have interest or whose interest can affect or be affected by the outcome of a project (Freeman, 1984; Yang 2010). In addition, stakeholders have power, legitimate, and urgent claim, stake, expectation and can be antagonistic to project outcome (Mitchell et al, 1997, Newcombe, 2003). Following this definition several project stakeholders have been identified to include client, contractor, sponsor, local community member, lobbying organization, and government agency, project managers, designers, sub-contractors, suppliers, funding bodies, users and the community (Newcombe, 2003 ;Cova & Salle, 2005).

Considering the complexity, diverse stakeholders, threats and opportunities to be managed within the set targets of cost, time and performance, stakeholder management is required for successful project delivery (OGC, 2003; Chapman and Ward 1997). Olander (2006) mentions that construction projects attract interest from various stakeholders whose expressed needs and expectations are often in conflict with each other and managed through a stakeholder analysis process. Lock (2007) suggest the systematic identification, analysis, planning actions, communication, and negotiation aimed at stakeholders influence. Chyiniio and Olomolaiye (2010) opines a process of identifying and classifying stakeholders for initial and subsequent engagements with stakeholders; timely, planned and in a coordinated manner. Eskerod and Jepsen (2013) argues by broadening the definition as consisting all purposeful activities carried out in connection to the project in order to enhance project success. Nevertheless, stakeholder management has its own challenges including the several processes emanating from industry practices among others (Oyegoke, 2008). Each project is unique in nature, no two projects are ever the same hence the need for additional efforts to build effective project teams and generate trust, both within and between the team and the project stakeholders within the limited duration of projects requirements (Grabher, 2002; Yang 2011). This calls for the need to identify critical factors for successful implementation of any stakeholder management process.

Critical Success Factors CSFs in terms of stakeholder management, are viewed as those activities and practices that should be addressed in order to balance stakeholders' interests and further ensure that projects are moved forward (Yang, 2011). Several critical success factors for project delivery have been identified by scholars compared with stakeholder management (Davis, 2014). Pinto and Slevin (1987), Chan et al. (2002) are among recognized authors of the most widely used success factor list (Jugdev and Müller, 2005; Turner and Müller, 2005). It is worth noting that some of these identified factors were though for successful project management, they are related to managing stakeholders hence worth considering for stakeholder management. Managing project stakeholders is one of the important task of project management since project success depends on the many stakeholders involved.

Karlsen (2008) from an empirical study aimed at exploring critical success factors for building trust in project stakeholder relationship identified reliable behavior; good communication; sincerity; competence; integrity; commitment and benevolence in that order. Following a review of literature on stakeholder management, Yang (2009), identified ; Managing stakeholders with social responsibilities (economic, legal, environmental and ethical); Formulating a clear statement of project missions; Identifying stakeholders properly; Understanding area of stakeholders' interests; Exploring stakeholders' needs and constraints to projects; Assessing stakeholders' behavior; Predicting the influence of stakeholders accurately; Assessing attributes (power, urgency, and proximity) of stakeholders; Analyzing conflicts and coalitions among stakeholders; Compromising conflicts among stakeholders effectively; Keeping and promoting good relationships; Formulating appropriate strategies to manage stakeholders; Predicting stakeholders' reactions for implementing the strategies; Analyzing the change of stakeholders' influence and

relationships during the project process; Communicating with and engaging stakeholders properly and frequently as fifteen critical success factors.

Table – 1. Findings of CSFs from studies on Public Private Partnership for construction projects PPP from 1990 to 2013 (years inclusive).

CSF no.	Critical Success Factors CSFs	Publications	Total
1	Political support /stability		
2	Public/community support		
3	Favorable legal framework		
4	Competitive/ Transparent/ Procurement approaches		
5	Good feasibility studies Selecting the right project/ Clear project brief and design development		
6	Open and constant communication		
7	Trust		
8	Detailed project planning		
9	Strong commitment by both		
10	Clarity of roles and responsibilities among parties		
11	Good leadership and entrepreneurship skills		
12	Consistent monitoring		
13	Environmental impact of project		
14	Good governance		
15	Clear goals and objectives		

Source- Osei-Kyei and Chan, (2015)

Table – 2. Findings of CSFs for construction stakeholder management studies (developed countries)

CSF no.	Critical Success Factors CSFs	Mean Rank
1	Managing stakeholders with social responsibilities (economic, legal, environmental and ethical)	4.43 1
2	Exploring stakeholder needs to projects	4.26 2
3	Communication with and engaging stakeholders properly and frequently exploring stakeholder needs to projects	4.26 2
4	Understanding area of stakeholder interest	4.22 4
5	Properly identifying stakeholders	4.21 5
5	Keeping and promoting a good relationship	4.17 6
8	Analyzing conflicts and coalitions among stakeholders	4.04 7
7	Accurately predicting the influence of stakeholders	4.02 8
9	Formulating appropriate strategies for the management of stakeholders	3.97 9
10	Assessing attributes (power, urgency, and proximity) of stakeholders	3.91 10
11	Effectively resolving conflicts between stakeholders	3.88 11
12	Formulating a clear statement of project mission	3.87 12
13	Predicting stakeholder reactions to implementation of the strategies	3.83 13
14	Analyzing the changes in stakeholder influences and relationships	3.83 13
15	Assessing stakeholder behaviour	3.80 15

Source: Yang (2009)

Table – 3. Findings of CSFs for Cost of Poor Quality in construction projects delivery (COPQ) in South Africa

CSF no.	Critical Success Factors CSFs	Mean Rank
1	Providing effective leadership	4.26 1
2	Clearly defining project objectives	4.26 1
3	Identification of process and skills	4.22 2
4	Providing effective PM process	4.21 3
5	Team work	4.20 4
5	Use of integrated procurement process	4.17 5

Source: Aigbavboa and Thwala, (2014)

Similarly, Aigbavboa and Thwala, (2014) developed CSFs for Cost of Poor Quality in project delivery in South Africa construction industry. The five CSFs had “providing effective leadership as the highest ranked. Considering the fact that quality is a major success factor, this research did a review of the CSFs as stated above. Similarly, Gudiene et al, (2013) in developing a CSF model for construction projects in Lithuania identified 41 variable grouped under 9 CSFs as responsible for successful construction project delivery. 31 variables and 7 CSFs groups were stakeholder related. This confirms the fact that project success is largely dependent on effective stakeholder management. The factors were categorized as: external factors, internal factors, institutional factors, projects related factors, project management/ team members related factors, project manager related factors, client related factors, contractor related factors and stakeholder related factors. The variables within each group were found as interrelated (Gudiene et al, 2013).

Table – 4. CSF model for construction projects in Lithuania

CSF no.	CSFs Themes (groups)	Critical Success Factors CSFs
1	External factors	Economic environment
2		Social environment
3		Political environment
4		Legal environment
5		Cultural environment
6		Nature ecological environment
7	Project management/ team members related factors	Relevant past experience
8		Competence
9		Trouble shooting
10		Risk identification and allocation
11		Technical capability
12	Personnel issues	
13	Projects manager related factors	Competence
14		Experience
15		Technical capability
16		Delegation of authority and responsibility
17		Perception of role and responsibilities
18		Trust

19		Contract management
20	Client related factors	Competence
21		Experience
22		Type
23		Clear and precise goals/objectives
24		Risk attitude
25		Ability to participate in different phases of project
26		Contractor related factors
27	Technical and professional capability	
28	Experience	
29	Work conditions	
30	70 Advanced technologies	
31	71 Extent of subcontracting	

Source: Gudiene et al. (2013)

Finally, the study also critically reviewed CSFs for housing project in Nigeria. This is useful as the research considers other CSFs from a developing country and a sector so crucial for developing countries where governments have a backlog of housing delivery and undertake housing projects as a development intention.

Table – 5. Findings for Project Management Success Factors for sustainable housing

CSF no	Critical Success Factor	No. of authors
1	Project understanding	5
2	Top management support	5
3	Information/communication	4
4	Client involvement/participation	5
5	Competent project team	8
6	Project manager/leader authority	6
7	Realistic cost and time estimates	4
8	Adequate project control	2
9	Problem solving abilities	2
10	Project risk management	3
11	Adequate resources for project	4
12	Adequate project planning	3
13	Project monitoring recital and feedback	3
14	Project mission/common goal	5
15	Project ownership	3

Source: Bakar et al. (2009)

Table – 6. CPMSF for housing project in Nigeria

CSF no	Critical Success Factor	No. of authors
1	Housing project ownership	7
2	Project team composition	4
3	Cultural difference	2
4	End users involvement and other Issues	6

5	Top management support	7
6	Project team competency	5
7	Project leader stability	5
8	Project information and communication	4
9	Adequate project monitoring and Feedback	7
10	Project information and communication	5

Source: Ihuah et al, (2013)

Based on the review, the study identified the common CSFs from previous studies and reviews by the several scholars. Thirty-five CSFs were found as useful for the study and categorized into seven groups of related factors or activities as follows.

Table – 7. Proposed CSFs and categorization for Construction Stakeholder Management (Ghana)

CSF no	CSFs groups/ category	Critical Success Factors CSFs
1	Pre-conditions (External factors)	Managing stakeholders by considering first pre-conditions of political and cultural environment (in addition to economic, legal, social, and ethical issues already identified)
2	Pre-stakeholder identification	Good feasibility studies Selecting the right project/ Clear project brief and design development/ procurement approach.
3		Detailed project planning.
4		Strong commitment by both parties after education to embrace SM
5		Competitive/ Transparent/ Procurement approaches
6		Good leadership and entrepreneurship skills
7		Clear goals and objectives
8		Top management support
9		Public/community support
10		Stakeholder identification
11	Formulating appropriate strategies for the management of stakeholders	
12	Predicting stakeholder reactions to implementation of the strategies	
13	Project manager's competence (experience, technical ability, leadership style)	
14	Project team related factors	
15	Stakeholder assessment and prioritization)	Exploring stakeholder needs to projects
16		Assessing attributes (power, urgency, and proximity) of stakeholders
17		Understanding area of stakeholder interest
18		Predicting stakeholder reactions to implementation of the strategies
19		Accurately predicting the influence of stakeholders
20		Assessing stakeholder behavior
21	Stakeholder engagement	Communication (with and engaging stakeholders properly and frequently; Open and constant communication)
22		Keeping and promoting a good relationship and trust
23		Information and communication approach/ dissemination
24		Analyzing conflicts and coalitions among stakeholders
25		Engaging stakeholders by considering critical success and barrier factors
26		Clarity of roles and responsibilities among members
27		Implementing fully stakeholder management process and strategies

28	Implementation, monitoring and evaluation	Identify and analyze changes in stakeholder influence
29		Identify and analyze changes in stakeholder interest
30		Consistent monitoring and feedback
31		Evaluate attainment of objectives stakeholder needs and satisfaction
32		Consider documentation and implementation of feedbacks
33	Continuous support	Realize stakeholder changes, communicate and engage with frequently, adapt new strategy where necessary
34		Continue top management support, increase PM and stakeholders knowledge in SM,
35		Formal SM process (Establish an approach profile and SM process conducive for procurement approach and project type)

Source; Authors

2. Methodology

An exploratory and qualitative research approach was employed for this study. The first phase involved a theoretical study consisting of an in-depth literature review on stakeholder management and critical success factors CSFs for stakeholder management. In addition, a review of studies on CSFs for project management was conducted due to lack of studies on CSFs for stakeholder management and also being a soft project management skill. A three-stage approach was used for the content analysis of publications on the subject area (Yi and Wang, 2013; Osei-Kyei and Chan 2015). Using keywords such as “success factors”, “critical success factors”, “stakeholder management”, “project management”, over fifty (50) publications were retrieved from the institutional database for the period 1990-2015. The second stage was further screening using a combination of the key words “success factors” and “stakeholder management” or “success factor” and “project management” (Yang, 2009). Emphasis was on journal publications that have reviewed critical success factors or project success factors. In addition, journals on different construction areas were considered such as Public Private Partnership PPP, public projects, housing and empirical studies from different geographical regions since the developed framework aims at different procurement approaches and construction industries in developing countries. The third stage entailed a content analysis for the selected publications considering the objective, methodology, list of factors identified among others. The research considered factors relating to project stakeholders and stakeholder management for publications on critical success factors for project management since some identified factors are not stakeholder related.

A successful compilation of thirty-five (35) critical success factors from literature reviewed was done. A set of questionnaire with five sections: invitation to respondents, objectives and brief information on stakeholder management: respondents’ background; 35 set of questions on the factors identified; 7 set of questions on the themes developed and an open-ended question on what respondents considered as the most critical factor was used for primary data. The objective for each set of questions was stated to direct the respondents and research participants informed of the aim of the paper as part of a broader study to develop a sustainable stakeholder management plan. Regarding the themes, the respondents were asked to either agree or disagree with the the proposed themes or categorization as needed to be considered during a stakeholder management process.

On the CSFs, research participants were asked to rate their degree of opinion against each CSF identified on a Five-point Likert scale with (1)= strongly disagree and (5)=strongly disagree. This method has been used for similar studies on critical success factors (Yang, 2009; Aigbavboa and Thwala, 2014). Research respondents were randomly selected from a list of professionals obtained online and from known consultants. The purpose was for broad opinion and true reflection of response from critical success factors from key stakeholders namely, project managers, architects, engineers, quantity surveyors, clients, sponsors, end-users and contractors. 100 semi-structured questionnaires were in all distributed with the assistance of enumerators and using e-mails. Firstly, respondents were to evaluate the 35 CSFs identified and the 7 groups as necessary for successful stakeholder management process using a five-point Likert scale. Sixty-Two questionnaires were returned and sixty were assessed as successfully completed. A 60% response rate achieved was found as consistent with the norm of more than the 20%-30% and above the 40% required but limited to key players in only two major cities in Ghana namely Accra and Kumasi (Akintoye, 2000; Yang, 2009).

The research was conducted within a month with the assistance of two enumerators. The returned questionnaires were analyzed using two different methods for the two main set of questions. The main critical success factors were analyzed using a Relative Importance Index (RII) and the Kish (1965) formula as it aimed at evaluating the level of impact on the success of the stakeholder management process.

$$RII = \sum W (0 \leq RII \leq 1) / A * N$$

Where: W – is the weight given to each factor by the respondents and ranges from 1 to 5, (where “1” is “strongly disagree” and “5” is “strongly agree”); A – is the highest weight (i.e. 5 in this case) and; N – is the total number of respondents. Kish (1965) formula; $n = n^1 (1 + n^1 / N)$, N = the total population size, n= the sample size, $n^1 = S^2 / V^2$, V= the standard error of sampling distribution assumed to be 0.05, S= the maximum standard deviation of the population size (Total error of 0.05 @ 95% confidence level), $S^2 = P (1 - P)$ where, P= the proportion of the population elements that belong to the defined class. A descriptive method was used to identify in the opinion of the respondents the themes evolved were useful in the process and also to consider what in the opinion of the respondents constitute most critical factor from experience.

3. Key Findings and Analysis

3.1 Background/Demographics of Respondents

The questionnaire successfully returned for the primary data had all key stakeholders participating. Project managers (25%) were the highest participants followed by Architects (17%), Engineers (8%), Quantity Surveyors (10%), Contractors (7%), Sponsors (7%), Client (13%), Government Representatives (8%) and End-users (5%). In addition, research participants had gained good experience with Architects recording over 20 years, followed by Project Managers

(15years) and Contractors (5 years) as the lowest. This compares with Yang, (2010) similar studies and showed a good reflection of stakeholder involvement in project management process hence the results can be generally accepted.

1) Table of demographics fo respondents

Background/Demographics of respondents	Average Years of Experience in Industry (above - yrs)		No. of respondents
1. Project Managers	15	15	
2. Architects (without formal project management certification)	20	10	
3. Engineers	10		5
4. Quantity Surveyors	10	6	
5. Contractors	5	4	
6. Sponsors	10	4	
7. Client/Project owners	20	8	
8. Government Representatives	15	5	
9. End users	10	3	

3.2 CSFs categorization or grouping

In response to the questions on CSFs categorization/groups, respondents were of the opinion that the categorized groups were essential for effective SM process. In addition, participants indicated a high acceptance as indicated by the RII values. Stakeholder identification (0.85), stakeholder engagement was equally ranked as the highest. This agrees with literature by several scholars emphasizing the need for stakeholder identification and engagement (Bourne, 2005; Jepsen and Eskerod, 2013). Stakeholder classification and prioritization (0.82), Implementation, monitoring and evaluation (0.80), Pre-stakeholder identification (0.79), Pre-conditions (0.76) and Continuous support (0.55) followed in the order of decreasing RII. The least RII of 0.55 which is above 0.50 is an indication that all the groups are essential. This again agrees with stakeholder groups evolved by scholars having developed SM framework or process (Yang, 2010; Aapaoja and Haapasalo, 2014). Stakeholder management should be a process involving systematic identification of all stakeholders, activities, analyzing, and engagement and offering the necessary support and not just an event for successful project delivery (Lock, 2007; Jepsen and Eskerod, 2013)

Table of CSFs Groups/categorization showing RII and Rank (R)

CSFs groups/categorization	RII	RANK
1. Stakeholder identification	0.850	1.00
2. Stakeholder Engagement	0.848	2.00
3. Stakeholder Assessment (classification and prioritization)	0.820	3.00
4. Implementation, monitoring and evaluation	0.811	4.00
5. Pre-Stakeholder identification	0.792	5.00
5. Pre-conditions(External factors)	0.762	6.00
7. Continuous support	0.554	7.00

3.3 Evaluation of CSFs by respondents

Respondents were to evaluate by rating their degree of agreement for each of the identified CSFs according to a five-point Likert scale (1 = Strongly Disagree and 5 = Strongly Agree) by bearing in mind projects that they been involved. The following ratings were obtained from the RII analysis:

2) Table of CSFs Groups/categorization showing RII and Rank (R)

CSF no	CSFs group/category	Critical Success Factors CSFs	RII	RANK
1	Pre-conditions (External factors)	Managing stakeholders by considering first pre-conditions of political and cultural environment (in addition to economic, legal, social, and ethical issues already identified)	0.849	2.00
2		Pre-stakeholder identification	Good feasibility studies (Selecting the right project/ Clear project brief, design development/ procurement approach).	0.792
3	Detailed project planning.		0.668	21.00
4	Strong commitment by both parties after education to embrace SM		0.790	14.00
5	Competitive/ Transparent/ Procurement approaches		0.811	6.00
6	Good leadership and entrepreneurship skills		0.791	13.00
7	Clear goals and objectives		0.781	15.00
8	Top management support		0.790	14.00
9	Public/community support		0.513	27.00
10	Stakeholder identification		Early and proper identification of all stakeholders	0.850
11		Formulating appropriate strategies for the management of stakeholders	0.762	18.00
12		Predicting stakeholder reactions to implementation of the strategies	0.760	20.00
13		Project manager's competence (experience, technical ability, leadership style)	0.817	4.00
14		Project team related factors	0.761	19.00
15	Stakeholder assessment (classification and prioritization)	Exploring stakeholder needs to projects	0.807	7.00
16		Assessing attributes (power, urgency, and proximity) of stakeholders	0.793	11.00
17		Understanding area of stakeholder interest	0.781	15.00
18		Predicting stakeholder reactions to implementation of the strategies	0.519	25.00
19		Accurately predicting the influence of stakeholders	0.516	26.00
20		Assessing stakeholder behavior	0.668	21.00
21	Stakeholder engagement	Communication (with and engaging stakeholders properly and frequently; Open and constant communication)	0.820	3.00
22		Keeping and promoting a good relationship and trust	0.805	8.00
23		Information and communication approach/ dissemination	0.801	10.00
24		Analyzing conflicts and coalitions among stakeholders	0.791	13.00
25		Engaging stakeholders by considering critical success and barrier factors	0.805	8.00
26		Clarity of roles and responsibilities among members	0.781	15.00

27	Implementation, monitoring and evaluation	Implementing fully stakeholder management process and strategies	0.803	9.00
28		Identify and analyze changes in stakeholder influence	0.666	22.00
29		Identify and analyze changes in stakeholder interest	0.601	24.00
30		Consistent monitoring and feedback	0.765	17.00
31		Evaluate attainment of objectives stakeholder needs and satisfaction	0.793	11.00
32		Consider documentation and implementation of feedbacks	0.781	15.00
33	Continuous support	Realize stakeholder changes, communicate and engage with frequently, adapt new strategy where necessary	0.663	23.00
34		Continue top management support, increase PM and stakeholders knowledge in SM,	0.775	16.00
35		Formal SM process (Establish an approach profile and SM process conducive for procurement approach and project type)	0.812	5.00

3.4 Pre-conditions (External factors)

Political and the cultural environment were the additional pre-conditions to ethical, social, legal and economical identified by Yang, (2011). Political and cultural environment plays a significant role in stakeholder interest, influence and behavior in developing countries especially when mega projects and integrated procurement approach are involved (Neringa et al, 2013; Osei-Kyei and Chan, 2013; Aapaaja and Haapasalo, 2014; Mok et al, 2015). A project without political support will experience a major critical barrier (Eyiah-Botwe, 2015) which will inadvertently affect the stakeholder management process as stakeholders are likely to be antagonistic to the project outcome (Newcombe, 2003).

3.5 Pre-stakeholder identification

All the eight factors were confirmed and rated as impacting on the effective SM process and its successful implementation. Competitive, transparent procurement approach was highest ranked in this group with RII of 0.811 however ranked 6th overall as per table. This is understood as the procurement approach determines the stakeholder process and stakeholders involved (Rwelamila, 2010). Good feasibility studies, top management support, clear goals and objectives are necessary since that will determine stakeholder attitude and decision to embrace stakeholder management (Jepsen and Eskerod, 2013). Public support was the least ranked with RII of 0.513. This again confirms the assertion by scholars that project managers and team are interested in satisfying the client and not the public, end users hence the little involvement of the public at the early stages of the project (Newcombe, 2003).

CSFs	Critical Success Factors CSFs	RII	Rank
2	group/category		
	Good feasibility studies (Selecting the right project/ Clear project brief, design development/ procurement approach).	0.792	12.00
3	Detailed project planning.	0.668	21.00

4	Pre-stakeholder identification	Strong commitment by both parties after education to embrace SM	0.790	14.00
5		Competitive/ Transparent/ Procurement approaches	0.811	6.00
6		Good leadership and entrepreneurship skills	0.791	13.00
7		Clear goals and objectives	0.781	15.00
8		Top management support	0.790	14.00
9		Public/community support	0.513	27.00

3.6 Stakeholder identification

The highest rated CSF finding belonging to the Stakeholder identification group is early and proper identification of stakeholders with RII of 0.850 and overall ranked first. This agree with literature as stakeholder identification has been suggested as part of the SM process by many scholars. The addition is the need for early and proper identification of all stakeholders. Project manager's competence was second ranked with RII of 0.817 and overall ranked fourth. These two factors are critical to successful SM implementation and project delivery in developing countries since the SM concept is yet to be fully embraced (Eyiah-Botwe, 2015). The least factor is predicting stakeholder reactions to implementation of the strategies as per table

	CSFs group/category	Critical Success Factors CSFs	RII	Rank
10	Stakeholder identification	Early and proper identification of all stakeholders	0.850	1.00
11		Formulating appropriate strategies for the management of stakeholders	0.762	18.00
12		Predicting stakeholder reactions to implementation of the strategies	0.760	20.00
13		Project manager's competence (experience, technical ability, leadership style)	0.817	4.00
14		Project team related factors	0.761	19.00

3.7 Stakeholder assessment (classification and prioritization)

The most rated CSF finding relating to Stakeholder assessment is Understanding area of stakeholder interest with RII of 0.807 (ranked 7th overall) and Assessing attributes (power, urgency, and proximity) of stakeholders (RII, 0.793 and ranked 11th overall). The other factors though confirmed were lowly ranked as per table...

	CSFs group/category	Critical Success Factors CSFs	RII	Rank
15	Stakeholder assessment (classification and prioritization)	Exploring stakeholder needs to projects	0.781	15.00
16		Assessing attributes (power, urgency, and proximity) of stakeholders	0.793	11.00
17		Understanding area of stakeholder interest	0.807	7.00
18		Predicting stakeholder reactions to implementation of the strategies	0.519	25.00
19		Accurately predicting the influence of stakeholders	0.516	26.00
20		Assessing stakeholder behavior	0.668	21.00

3.8 Stakeholder Engagement

The CSF evaluation by respondents for stakeholder engagement on the average were very high with Communication (RII-0.820 and ranked 3rd overall), Keeping and promoting good relationship and trust, engaging stakeholders by considering critical success factors (RII-0.805 and ranked 8th overall). Stakeholder engagement has been identified by all scholars as critical and confirmed by respondents (Yang, 2009). Though Clarity of roles and responsibility

21	Stakeholder engagement	Communication (with and engaging stakeholders properly and frequently; Open and constant communication)	0.820	3.00
22		Keeping and promoting a good relationship and trust	0.805	8.00
23		Information and communication approach/ dissemination	0.801	10.00
24		Analyzing conflicts and coalitions among stakeholders	0.791	13.00
25		Engaging stakeholders by considering critical success and barrier factors	0.805	8.00
26		Clarity of roles and responsibilities among members	0.781	15.00

The last two groups of CSFs were not much different as all factors were confirmed by respondents as critical factors for SM process. Implementing fully stakeholder management process and strategies (RII of 0.803 and ranked 9th) and Formal SM process (RII-0.812, ranked 5th overall) were the highest ranked in their groups. All CSFs were though confirmed the low evaluation of some factors reflects the challenges in project management in developing countries such as identifying and analyzing stakeholders. In addition, realizing stakeholder changes was low rated an indication of the challenges associated with stakeholder analysis by research participants.

	CSFs group/category	Critical Success Factors CSFs	RII	Rank
27	Implementation, monitoring and evaluation	Implementing fully stakeholder management process and strategies	0.803	9.00
28		Identify and analyze changes in stakeholder influence	0.666	22.00
29		Identify and analyze changes in stakeholder interest	0.601	24.00
30		Consistent monitoring and feedback	0.765	17.00
31		Evaluate attainment of objectives stakeholder needs and satisfaction	0.793	11.00
32		Consider documentation and implementation of feedbacks	0.781	15.00
33	Continuous support	Realize stakeholder changes, communicate and engage with frequently, adapt new strategy where necessary	0.663	23.00
34		Continue top management support, increase PM and stakeholders knowledge in SM,	0.775	16.00
35		Formal SM process (Establish an approach profile and SM process conducive for procurement approach and project type)	0.812	5.00

5.0 Conclusion

This study set out to identify and evaluate critical success factors CSFs for effective stakeholder management SM in developing countries. Three research objectives were formulated as: to identify CSFs for an effective stakeholder management process, (2) categorize the factors identified and (3) evaluate the identified CSFs. Thirty- Five (35) critical success factors were identified through literature review. The findings and analysis agreed with the literature that the factors are critical but of different impact. This is confirmed by the RII of 0.513 for Public/community support ranked 27th and lowest however above RII-0.500 value. This study confirmed the need to have political and cultural environment as addition to other identified by earlier researchers.

Secondly, this research set out to categorise the CSFs into groups for the SM process for the purpose of developing a sustainable stakeholder management frame work. The five groups are: Pre-conditions (External factors), Pre-stakeholder identification, Stakeholder identification, Stakeholder assessment (classification and prioritization), Stakeholder engagement, Implementation, monitoring and evaluation and Continuous support. The findings indicate that the groups were confirmed by respondents as useful for SM process. The need for pre- stakeholder identification as part of the process before stakeholder identification was confirmed.

Thirdly, the study evaluated the level of impact of each of the critical factors and identified the first five ranked factors as follows: early stakeholders' identification (RII of 0.850) ; managing culture and political environment (RII of 0.849) ; communication (RII of 0.820); project managers' competence (RII of 0.817); formal stakeholder management process (RII of 0.812) were highly ranked in the descending order of first to fifth. The findings and the rankings also indicated that perception of CFS are not very much different from other studies, however the perception differ in which CSFs have the highest impact on successful and effective SM process in developing Ghana.

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PERFORMANCE MANAGEMENT AS PANOPTICISM: EMBEDDING INTELLECTUALLY REPRESSIVE CONDITIONS IN ACADEMIA

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Abstract

This paper explores how performance management (PM) in higher education has become an oppressive panoptic tower in its pursuit of institutional accountability. Panopticism, derived from the panopticon, is used as a metaphor for academic surveillance. Using Foucault's notion of panopticism, we argue that academics have succumbed to the 'normalization judgment' effected through systemic institutional surveillance practices.

In this case study, we explored how PM facilitated through target-setting performance contracts is experienced by a selection of South African university academics. There are indications that performativity is creating a reality that is constraining, alienating and individualizing, thereby detracting from the academic enterprise.

Keywords: *Panopticism, Neoliberalism, Performance Management, Accountability, Academic Autonomy.*

1. Introduction

In recent years, with the introduction of formal performance management (PM) systems

Contact: sseyama@uj.ac.za. The authors declare that they have no relevant or material financial interests that relate to the research described in this paper. Also, the authors declare that the submitted paper is their original work and that, upon publication, nothing contained in it will not constitute an infringement of any copyright. Paper received **13.10.2016**. Approved **17.11.2016**. This paper is licensed under the Creative Commons Attribution-Non Commercial-No Derives 3.0. License. This paper is published with Open Access at www.socioeconomica.info.

for academics, South African higher education institutions (HEIs) have been characterized by increasingly stringent hierarchical and bureaucratic managerialist practices. These are rationalized as reasonable measures to ensure transparent accountability that is intended to maximize efficiency and counter the strategic and operational management deficiencies in HEIs. However, contrary to this justification, such measures are predicated on surveillance that resembles the panopticon in prisons, leading to ‘coercive’ compliance. Strangely, academics seem to have succumbed to the ‘normalization judgment’ effected through systemic institutional managerial practices, to the extent that they ‘willingly’ subscribe (Morrissey, 2013) to this neoliberal rationale for leading and managing HEIs. Neoliberalism is the catalyst for managerialism or New Public Management (NPM), which in HEIs is effected through PM systems. Furthermore, despite the growing discontent with and criticism of managerialism and PM (Amaral, 2009; Lorenz, 2012), HEIs are intent on reinforcing the system.

In response to the pressure to increase performance, academics are opting to engage in careerism, which Clarke and Knights (2015, p.1866) describe as the “frantic pursuit of careers”. In this way academics are redefining their purpose as custodians of knowledge production in order to gain legitimacy and status. This trajectory risks obscuring the primary role of the academic profession, i.e. teaching students to be critical and active citizens. As the managerialist approach gains more traction in HEIs, it is becoming a threat to education values that are founded on critical, social and political orientations. Claire and Sivil (2014, p.63) argue that it “...undermine[s] academic motivators, such as curiosity, success and recognition by peers rather than money”.

PM, as it currently exists, defies the logic of it being an inherently necessary and worthy management tool. Evidence points to it producing more detrimental effects than benefits (Ball, 2015). In the light of this evidence, this study addresses the following question, ‘How does PM influence academics’ and managers’ professional lives’? We deployed Foucault’s notion of panopticism as an analytical framework to problematise the practice of PM in HEIs. In *Discipline and punish* (1977) Foucault explicates the notion of panopticism, which is a metaphor for surveillance mechanisms used in prisons, as a technique of power.

2. Panopticism

Jeremy Bentham’s panopticon (1785), which is a surveillance mechanism used in prisons, offered Foucault a precise metaphor to reveal how modern technologies of power function. He then coined the term ‘panopticism’.

The panopticon consists of a tower situated at the center of a large courtyard, surrounded by a series of buildings divided into levels and cells. Each cell window falls under the direct scrutiny of the tower and each inmate is visible to the surveilling alone. The cells thus become ‘small theatres in which each actor alone, perfectly individualized and constantly visible’ (Foucault 1977, p.230).

The panopticon is “an all-seeing individual or institution, which may or may not be watching a certain person or society at any given time” (Foucault 1977, p.205). As a monitoring apparatus, the panopticon enables a few supervisors to control large numbers of prisoners by foregrounding hierarchy through its imposing visibility. Foucault (1977, p.205) argues that the panopticon as a metaphor of control, “...is the diagram of a mechanism of power reduced to its ideal form; its functioning, abstracted from any obstacle, resistance or friction... it is in fact a figure of political technology that may and must be detached from any specific use”.

Panopticism then defines power relations among people in their daily interactions. It serves as a framework for the relationship between the prisoner (employee) and the watchman (organisation). It also delineates the boundaries of each one’s responsibilities, where the prisoner is conditioned to believe that the watchman is on constant watch (Foucault, 1977). Hence the essence of their existence within the prison walls is to obey the rules. The panopticon, as a large structure is physically overbearing, yet it is its psychological dimension that eventually enables the panopticon to achieve its goal, i.e. to control prisoners’ behavior. The structure is visible but unverifiable, as the watchman is not visible to the prisoners (Shore & Roberts, 1995). Accordingly, panopticism manifests its power through its spatial dimensions and its invisible policing. In its structural visibility to the prisoners the panopticon foregrounds a visible power hierarchy that is intended to condition conformity, while threatening to penalize non-conforming behavior.

As the panopticon is enduring and intangible, but felt, it is ingrained in people’s minds, manifesting as fear (Schmelzer, 1993). Fearful that they are always under the radar, inmates of their own accord control their behaviour to conform and avoid punishment. Thus obedience and self-discipline (Soderstrom, 2011, p.17) naturally follows. The physical gaze in extending to the psyche, it attains more potency in its colonizing and repressive impact. One becomes accountable to oneself for one’s own behavior. One is then unconsciously complicit in one’s own oppression. It renders the observed powerless and creates a sense of inadequacy within individuals, a vulnerability that gives others power over you (Shore, 1993). Under these conditions conformity buys one the appearance of ‘freedom’.

In an organization, surveillance subordinate’s employees. In HEIs “the rise of academic managerialism means deans now have legitimacy and formal power to make decisions about faculty activities based on research outputs” (Alvesson & Spicer 2016, p.35). In the same manner that the panopticon achieves traction through fear, so PM in HEIs is driven by fear, i.e. fear of losing rewards, promotion opportunities and research grants (Saltmarsh, Sutherland-Smith & Randell-Moon, 2011; Clarke & Knights, 2015). This squashes any semblance of performance for self-actualization that is known to be self-sustaining and propelled by passion (Alvesson & Spicer, 2016). Given that fear is a heightened emotion that translates to a physiological response that prepares the body for fight or flight, it cannot be sustained for extended periods of time without being detrimental to both body and mind i.e. exhaustion and burnout that lead to demotivation and low productivity (Schmelzer, 1993).

Foucault (1977, p.230) warns of the individualizing effect of a panopticon, as inmates are

not in a position to canvass support for resistance, “if the inmates are convicts, there is no danger of a plot, an attempt at collective escape, the planning of new crimes for the future, bad reciprocal influences”. However, unlike inmates in isolated prison cells, academics do have the organizational space to offer resistance. Yet, despite their discontent with PM, mentioned earlier, panopticism’s numbing and threatening effect dissuades academics from offering resistance (Flemming & Spicer, 2008). Butler (1997, p.84), in her interpretation of Foucault’s position on power, argues that power “not only unilaterally acts on a given individual as a form of domination, but also activates or forms the subject”.

Panoptic surveillance is presented (Foucault, 1977, p.293) as a “widely applicable mechanism in multitude of settings whenever one is dealing with a multiplicity of individuals on whom a task or a particular form of behavior must be imposed, the panoptic schema may be used”. Thus the panopticon as a metaphor for surveillance provides a pragmatic lens through which the impact of PM in HEIs can be analyzed. The prison analogy is demonstrative of systems put in place for academics to account for their performance through binding performance contracts that encompass key performance areas, key performance indicators and targets. Academics’ apprehension with the demand for accountability lies in the extent to which they perceive the system to be prescriptive and hence controlling (Seyama, 2013; Ball, 2015). Through prescribed intelligence gathering strategies institutions have knowledge of and are privy to academics’ every move, thereby holding power over academics (Soderstrom, 2011). Finally, HEI’s practice of panopticism implies that academics cannot be trusted, thereby justifying their surveillance. This all begs the question of how PM can be justified as a tool intended to manage performance?

3. Neoliberalism Encroachment in Higher Education

For the past three decades HEIs have been managed within the NPM paradigm, which sought to control finances and people in an attempt to strengthen institutional accountability to stakeholders and to offer quality service (Broad & Goddard, 2010). Academics, as HEI employees, have their services measured against institutional key performance areas and indicators and performance targets (Besley & Peters, 2006). All these are considered in terms of the economic value-add to the institution. From this perspective, academic value has shifted from intellectual capital as a good in itself to an economic commodity. Pressure is on academics to redefine their identities and roles as those of economic agents (Morrisey, 2013). Consequently, the focus of academic purpose, i.e. social advancement, is being skewed towards that of entrepreneurship. Webb, Briscoe and Mussman (2009, p.4) argue that, “this particular economic value is oppressive and dehumanizing”.

Webb et al. (2009) assert that neoliberalism, as a political-economic theory, is based on the assumption that free market systems have optimum potential to stimulate economic growth and therefore provide the resources governments need to fulfil their social roles, i.e. enhancing human capital development and therefore further economic growth. Some, however, argue that with this approach, the state abandons its responsibility to safeguard citizens’ rights, that require

it to partly or fully provide, for example, “education, welfare, security, health, etc.” (Lorenz, 2012, p.602). In this view, corporatizing public institutions at the expense of serving the public good, is a social injustice.

Buller (2014) observes that neoliberalism has resulted in the emergence of strongly diverging purposes in academia: First, social purpose, which is “to produce an informed electorate, train the leaders of tomorrow in critical thinking, engage students in serious reflection on ethical and social issues and second, economic purpose, which is to prepare their graduates for meaningful lives of service, work, and leisure”. Prior to the introduction of neoliberal thinking in HEIs, the two purposes were integral to what academics perceived as their role in education (Buller, 2014). Currently, the economic purpose dominates higher education discourse and practice. These two diverging purposes reflect the sharp contrast between what university management views as the economic benefit of PM and how academics view PM as detrimental to a university’s social purpose. Empirical evidence emanating from some South African HEIs reveals escalating tensions as management takes an increasingly autocratic and bureaucratic stance with respect to PM (Claire & Sivil, 2014). For example, increasingly stringent accountability measures are reflected where every aspect of academic life has to be formally reported through memorandums, more descriptive and inflexible performance contracts, higher targets, harsh penalties such as the loss of an annual bonus and promotion, threats of job loss, etc. (Claire & Sivil, 2014). Metz (2011) reasons that the more education institutions demand quantitative data for outputs in relation to students’, teachers’ and researchers’ performance, the more blinded they are to quality attainment and education’s basic aims.

PM is perceived to be diverging from its intended purpose of enhancing academic performance to a power tool that cuts at the heart of academic autonomy (Claire & Sivil, 2014). The numbers’ game seemingly is accorded higher priority than quality. The culture of accountability that is so narrowly defined to privilege an economic agenda at the expense of the public good unrelentingly encroaches on academics’ identity, freedom, daily roles and purpose (Lorenz, 2012). Accountability measures as reflected in PM systems imply a view of the “academic-as-problem” (Thomson & Cook, 2014, p.701). Trow (cited in Amaral, 2009) points out that the NPM critique of the competence of public institutions is indicative of a loss of trust in those institutions. To keep them on a tight leash in order to conform, accountability has become an alternative to trust.

This state of academics under scrutiny raises questions about their freedom to teach students to be critically conscious and to be prepared as empowered and active citizens. Academics’ freedom is curtailed when they cannot freely think for and express themselves. For this reason, it is necessary to examine the nature and impact of this surveillance culture on the lives of individual academics and how they respond to it.

4. Research Design

Since our research interest was to understand how an evolving PM system in a particular university, that we refer to as South University, impacts on academics, a qualitative case study method was deemed appropriate to capture the particular nature and complexity of this single case. A single case offers a deep account of the context for a particular case and interrogates participants' experiences and perceptions "within that case to build a complex and holistic picture" (Creswell, 1998, p.15). Our aim was not to gain an insight into other cases, nor to identify typical findings or statistically generalize the results. Rather, our purpose was to maximize what could be learned about the specific case under investigation (Stake, 1995). Rather, our purpose was to maximize what could be learned about the specific case under investigation (Stake, 1995). A single case can provide in-depth learning (Bryman, 2001, p.47). Nevertheless, Stake and Trumbull's (1982) notion of 'naturalistic generalization' is a useful concept as it allows for the possibility, and in a relatively homogenous environment such as in South African HEIs, the probability that readers in other HEIs will vicariously recognize their own experience here.

Our case is a South African HEI. We chose this particular university as it exemplifies a formal PM system that has been implemented over a number of years and that cascades through the university hierarchy from the vice chancellor to junior lecturers. To protect the identity of the university we do not provide any further details about it.

4.1 Data collection

We conducted face-to-face semi-structured interviews with 12 lecturers, senior lecturers and professors. Participants from the education, engineering, health sciences and science faculties were purposefully selected. Their experience in academia ranged from 5-25 years (age 30-60 years). This stratified selection provided a wide spectrum of disciplines giving a sense of how academics with diverging paradigms and identities across the institutions are experiencing PM and as such enhances the trustworthiness of the study. The interviews lasted from 45-80 minutes. The interviews took the form of what Kvale (1996, p.125) refers to as "an interpersonal situation, a conversation between two partners about a theme of mutual interest". This was particularly important given our own membership with these academic communities, and because the candidness of revelations depend very much on the trust that is built up (Fineman, 2001) between the researcher and participant, and this helped in attaining rich and (often) emotional data set. A single broad question was asked: 'How is your experience of South University's PM system?' The open-ended questions permitted us to engage participants to delve deeper into their experiences, thereby producing thick narrative descriptions for genuine analysis.

In responding to voluntarily participate, our sample was self-selective. All the interviews were audio-recorded, with the participants' consent, using hand-held digital recorders, and the researchers transcribed all.

4.2 Data analysis

We read and re-read interview transcripts to fully familiarize ourselves with data and probed through participants' accounts for themes. To make sense of data, we coded the raw data into first order categories associated with PM, such as performance contracts; review/feedback meetings; performance appraisals and ratings. We then analyzed how power dynamics underpinned experiences and meanings participants derived through engagement with the PM process. This exposed the 'how' and 'why' PM has taken the form it has. By employing the inductive process, we determined associations between the categories, thereby revealing the themes. The presentation of these themes, together with their interpretation within our panoptic analytical framework, is related as panoptic encounters.

4.3 Ethics

We followed South University's Faculty of Education's Research Ethics Committee's (2014) research ethics guidelines. As guided by the minimum standards for ethical research, the study met the requirements for protecting participants' confidentiality and anonymity; their right to freedom of participation and withdrawal; avoiding any potential risks; representing their voices in a fair and transparent manner and ensuring that their consent to participate is fully informed.

In conceptualizing the study, we considered various challenges of 'insider research'. Mercer's (2007, p.2) cautionary remarks were helpful:

Greater familiarity can make insiders more likely to take things for granted, develop myopia, and assume their own perspective is far more widespread than it actually is [...] the 'obvious' question might not be asked [...] the 'sensitive' topic might not be raised [...] assumptions might not be challenged [...] people may not share certain information with an insider for fear of being judged [and ultimately] the potential for [data] distortion is usually greater within the context of insider research.

In line with Mercer's caution about insider researcher limitations or challenges we engaged in epoch to distance ourselves from the participants' experiences. This enabled our unprejudiced probing. However, we were cognizant that in our privileged position we had inside information about performance management policies and processes. Clarke and Knight (2015, p.1870) agree "it is perhaps easier to conduct in-house research because of a familiarity with the culture that facilitates the construction of meaningful questions as well as the currency of detecting any dissembling on the part of respondents". But there is always a risk that if we are too familiar we might neglect important aspects or be biased in our interpretation and analysis (Bonner & Tolhurst, 2002). Thus we were deliberate in continuously re-visiting and reflecting on our data and analysis thereof with the view to identifying our biased positions.

As insider researchers, it was easier to gain access to participants and as members of the academic community we were recognized as colleagues having shared experiences of the same phenomena being investigated. Therefore, a trust relationship was easily established with participants (Bonner & Tolhurst, 2002). They did not perceive us as having power over them with the potential to influence their careers, as we do not hold managerial positions. Consequently, there were no power plays between us (Mercer, 2007). Such rapport was fundamental to the ease of dialogue during interviews, which led to open and in-depth discussions that provided rich data for analysis. However, we were sensitive to and respectful of participants 'taking us into their confidence'. For example, in our reporting we have kept faculties, departments and disciplines anonymous. We have also avoided recounting whole participants' stories, which have the potential to identify those participants or their departments and faculties.

4.4 Limitations

The study could illuminate on how leadership has come to be perceived as repressive by interrogating the whole academic leadership, including deans, deputy vice chancellors and vice chancellor. The study could benefit in the future from a broader base by extending to other universities of varying composition.

5. Performance management practices as panoptic encounters

What we draw as findings from the interviews carried out for this research is how performance management practices are experienced as panoptic encounters that are repressive as they encroach the 'how and what' of their performance.

5.1 Accountability as a panopticon

In this section, we show how for the research participants PM as a so-called 'legitimate' accountability tool is experienced as a surveillance mechanism that creates an oppressive work environment for academics. As Gordon remarked "...performance management from the best of my knowledge is a process and has sent a strong message...to academics that management is keenly watching them and securitizing their performance". For Jeremy, "it [PM] is primarily reporting ... for its own sake, not for the sake of something else. To start with the PM ... you fill a form ... which is more detailed about almost everything that you are doing, and it is more on numbers. Because I think the main purpose of it is to quantify". Most participants' lived-experiences reveal a system unrelenting in its intent to use accountability to surveil academics in order to gather evidence and knowledge about them so as to control them effectively. They agree on the character of the target setting performance contract, that it demands total explicitness of performance, including the 'how much' of performance. Dillon (2007, p.9) captures the situation well stating, "you cannot secure anything unless you know what is it... securitization demands

that people ... are transformed into epistemic objects”.

Zama reported on her experience of the performance contract process, “you set the targets...the HOD will ask you what you intend to do this year. You say ... basically you are putting your neck out there ... you say this, “I’m going to do this, I’m going to do one, two and three” ... every year there’s an expectation to do more.” Simon refers to the contract process where HODs commit to targets, whilst the dean questions the extent to which the HOD is fully exploiting the department’s potential to further contribute to the faculty’s strategic goals:

Remember he (the dean) also needs to check ... which and how far can he push the department. So, if I seem to be very safe in what I'm choosing he can decide that, 'but I do want you to go international as well to start having international partners' . . . I think if there's an HOD who will say they have not been pushed they'll be lying, because that push is always there.

As experienced by Simon, if the intended performance gain is considered inadequate one is pushed to extend it and some are forced into risk-taking by having to commit to something that is above their capability. Added to that, Simon concedes that performance contract discussions with some staff who are opposed to PM are very aggressive, “making or requesting that they agree with something that they don’t really want to get into”. According to Besley and Peters (2006, p.818) “the essence of contractual models involves a specification, which is fundamentally at odds with the notion of professionalism”. Thus the PM distorts the idea conveyed by professionalism of individuals in work environments deriving their intellectual and positional authority from the liberal conception of rights, freedom and autonomy (Besley & Peters, 2006).

5.2 Colonization of academic performance

I think ... it [PM] is fulfilling the mandate that it has. Especially when you consider the approaches that they [management] are using now ... It's all about getting research done, which in some cases ends up frustrating people who might not really be interested that much in research, but are pure teachers (Siya).

This quotation is reflective of participants’ perception that the setting of targets frames or narrows down performance to specific activities, which could have the unintentional effect of narrowly prescribing and colonizing the how and what of performance. Morrisey (2013, p.18) concurs to the evident “colonization of higher education with governmentalized practices of subject formation in everyday university life”. In a colonized performance, we observe a system that is taking possession of academics’ intellect and practices. In this case it is patent that prioritized and excellent performance is predicated on research activities and outputs. Nathan alludes to its restraining impact:

It's [target setting performance] stifling ... I think it's more to do with the expectations of the management. Look I can understand why they also have targets which they set and... Because the VC [vice chancellor] also has to put his goals and objectives ahead so that he can make headway. And I think it does stifle a lot of things that we want to do at departmental level.

Underlying participants' concession to target driven performance is the seemingly unavoidable shift of what underpins academic identity and performance. These experiences reinforce our argument that PM is a subtle coercive power tactic and in agreement with Ball (2015, p.5) that with PM's reliance on quantitative measurement, "we are reduced by it to a category or quotient – our worth, our humanity and our complexity are abridged".

Jeremy was inclined to conclude that PM underpinned by targets and driven by quantitative measures is failing in its role, "it's supposed to lead to better performance and it's supposed to be more like an interactive thing where it is a dialogue between the manager and the people being managed. As it is, it's not a dialogue, it is one way". Nathan similarly decried PM's instrumentality, describing the implications of the demand for targets, "I've...tried to go back with the concerns that have been raised with regards to PM, that it has been ... autocratic ... it's limiting academic autonomy". Saltmarsh et al. (2011, p.297) warn that, "the instrumentalist emphasis on quantity of research output and compliance with quality measures operated as a demoralizing disincentive that curtailed, rather than improved, productivity for many". For Sharne:

It creates a very unhealthy hierarchy...because at the moment you look ... at the hierarchy as it stands, you have HODs, you have deans, you have DVCs. The DVC is punching hard on the executive dean. The deans are punching on the HODs. And it actually creates a very suffocating environment. Because ... we had a session with our dean, she was telling us she was actually presenting a mid-year progress report for the faculty. She was told, 'yes, your faculty is doing very well. In fact, it's the highest producing faculty in the university but you haven't met your targets'.

In Saltmarsh et al.'s (2011, p.302) study, "for staff ... the sense of pressure and urgency is implicated in turning hierarchies based on research activity into abusive institutional cultures". Consequently, for academics the only option to achieve excellent performance is to exceed the already high targets (Seyama, 2013). To compound the predicament, much discontent has been expressed about the absence of or nebulous criteria for excellent performance (Shore & Roberts, 1995; Seyama, 2013). Laura reflected on this dilemma:

The rating to me is just a mystery. [Be]cause if you give yourself a four then you must motivate that, why you are giving yourself a four? Did you go over and above? How do you go over and above when you develop a learner guide? ... my understanding is this is the structure. This is what it should look like. So how do you go above and beyond

that? I ask him what is over and above? I still didn't get ... what more, what other things, other extra, what extra over and above. Working until eight at night? I don't know.

Ball (2003) maintains that where there is no clarity pertaining to performance excellence academics are reduced to being apprehensive about their scholarly competence. They become uncertain of the extent to which they ought to perform, be it not achieving or achieving or exceeding performance targets. Shore and Roberts (1995, p.8) put it aptly that, “with no fixed, shared or officially defined standards for excellence, the lecturer is impelled toward an endless and relentless quest to improve his/her performance and to achieve what is in effect the unattainable goal of total quality in all of their duties”.

5.3 Blurred regulation boundaries: Institutional regulation vs academic self-regulation

Accountability schemes are designed to coerce teachers by inducing self-regulation through surveillance coupled with threat of punishing sanctions (Webb et al. 2009, p.6).

Data supported the notion that performance under the gaze promotes self-regulation through its threat of punishment, thereby inducing individuals to abide by an institution's normalizing regulations. Hence, there is a progressive process from surveillance (panopticism) to governmentality, leading to loss of freedom, and eventually to academic subjection. From the perspective of governmentality, “government refers to a continuum, which extends from political government right through to forms of self-regulation, namely technologies of the self”, as Foucault calls them (Foucault in Lemke, 2001, p.201). Aaron reflected on his experiences and observations, which are indicative of what Foucault considers the blurring of boundaries between institutional and self-regulation that ultimately control the academic:

There are incentives that are put in place for researchers that reach their targets. So, now the (research) units drive us. We are chasing the units at all costs. We do what we have to do to get the units in and the competition is very high. So by that I mean now we have to account for the research that we do regardless of the work we do as lecturers and administrators wrapped in one. We have to publish in reputable journals and we have to attend conferences that have ISBN numbers and so on and so on. So now that's the cost I was talking about. So now for you to have a voice within the academic space you need to have papers.

Saltmarsh et al. (2011, p.299) quote Phil, the research director in a business/management department, “we've got carrots and we've also got a whip, and the whip can be quite substantial when it comes to the back pocket. And so, if you don't produce work of value to the university, well in particular to the faculty, the faculty requires for it to meet its own key performance indicators ... then there is a monetary penalty involved”. Consequently, academics' self-regulation

is facilitated by anxiety induced by threats of punishment for ‘deviant’ behavior, for instance loss of rewards, promotion and research funding opportunities. As Shore and Roberts (1995) maintain, one of the most debilitating impacts of this system is the enduring anxiety that academics have to live with.

Participants’ response to performativity is also reflective of Foucault’s view that individuals continually reconstitute themselves as directed by their conditions. Laura described the process:

You choose what you want to do, what congresses to attend, what workshops you want to attend and all the other things in your portfolios you are given. Okay, this is what I want to do... “Did you do this? Did you write this? Did you submit your proposal?” I was still busy with the proposal then, “Did you do whatever? Did you do your data collection?” Because that was also part of that.

From this perspective, performance contracts translate to legitimized surveillance at two levels, i.e. institutional regulation and self-regulation. Ironically, academics develop their performance contracts numbed into the belief that they are ‘free’ to determine their own performance objectives and targets. As can be seen from the quote above, such ‘freedom’ is deceptive. Academics have to align their performance to institutional strategic goals and thrusts and, most importantly, work to attain the set targets. The key performance areas are set together with the performance indicators. The performance framework is already established in the hierarchy. Seemingly, the institution does not coerce academics as, “ultimately it is the individual lecturer who is expected to discipline himself/herself” (Shore & Roberts, 1995, p.7). This is the self-regulation that Foucault conceives as governmentality, i.e. the governing of mentalities, that is so well characterized by Thornborrow and Brown (2009, p.370):

Participants made conscious decisions about where to channel their time and energies, and most often with individual promotions and strategies in mind. In this way, academics transform themselves into perfect neoliberal subjects, for techniques of control work best when they make individuals ‘want’ what the system needs in order to perform.

5.4 Divide and rule: Everyone for himself/herself

We identified a ‘divide and rule’ tactic as one of the distinctive means of neoliberal governance of organizations, i.e. shaping responsible persons who understand that they are responsible for themselves to the exclusion of others. Davies’s (2006) notion of ‘responsibilization’ calls on individuals to agree to take responsibility for themselves while discarding responsibility for others in order to attain the requisite performance targets. In view of that, ‘responsibilization’ reflects what promotes individualism, competition and isolation in work environments.

For Patrick, “the structure I think identifies things people should be doing on an individual basis very much rather than on a group basis”. Jeremy concurs, “it is individualistic. It does not look at the community of practice”. Simon notes that, “staff is looking after its own interests”. Aaron agrees that:

The information sharing, that is, collegiality falls off, isn't it? Because now people are trying to push...their research agenda and there's nothing wrong with that. I mean as human beings we try to survive in the environments we find ourselves in...

Participants' views reflect the dark side of individualism, that is, its divisive character even when it was not the intended outcome. The focus on meeting or exceeding performance expectations could detract from academics perceiving their performance as being for the benefit of their departments. Participants' experiences also confirm that when confronted by the panopticon, academics are prone to securing the self by appealing to instrumental performativity (Clarke & Knights, 2015). They, at times unknowingly, exploit PM's promotion of individualism thereby undermining any semblance of collegiality, collaboration and solidarity (Metz, 2011). In this respect, PM practices in HEIs promote capitalistic academics that focus on individual performance and the related success and promised rewards (Clarke & Knights, 2015). Here again we see an example of Foucault's concept of governmentality, “as the choice of options for action is, or so the neo-liberal notion of rationality would have it, the expression of free will on the basis of a self-determined decision, the consequences of the action are borne by the subject alone, who is also solely responsible for them” (Lemke, 2001, p.201). This is where we see subjectification of an academic as an economically rational individual, which from a neoliberal perspective is quite acceptable. As Costea, Amiridis and Crump (in Clarke & Knights, 2015, p.1868) put it, “the ethos of modern culture means that everyone has total personal responsibility to realize their own human potential and is obliged to strive unendingly and without limits to extend themselves in pursuit of the unattainable ideal”.

In the presence of individualism, competition is bound to rear its head. Nathan reflected, “I think people have their own agendas. Some people promote research...they want to hold [onto] research for themselves and not share with the colleagues”. This gives them leverage to use students' research for co-authorship. In the same vein, Aaron observes that academics strengthen their competitive edge by:

...coming up with mechanisms of getting the units...they organize their own conferences. So now there's nothing wrong with this. To me it is symptomatic of something else...of a competitive environment that is encouraged by the executive and every time we talk to the executive they tell us about money [and] how important it is for the department to be financially viable.

In the midst of the competitive atmosphere academics become distrusting of each other and they tend to be evasive and conceal their scholarly activities. For some academics these conditions portend isolation, apprehension, “destructive internal rivalries and the fragmentation of solidarity” (Shore & Roberts, 1995, p.8) as seen in Nathan’s department “...[it] is causing personality clashes, causing people to feel undermined...And no doubt...staff would feel marginalized and say look why would someone get all the opportunities and others not?” Such a PM system practices a ‘divide and rule’ strategy that conveniently keeps academics in their silos thereby reducing their potential for collective mobilization and rendering resistance innocuous (Shore & Roberts, 1995). Furthermore, some participants allude to surveillance strategies to be alienating those who deviate from the requisite behavior. For fear of being labeled a non-conformist, academics silence their voices. Sharne notes:

...and they [academics] feel that...even in certain cases it is used to settle scores. So that if you are Joe Black and you are my colleague and we are not in good terms I will use the performance management to make sure that the difference that we have are resolved.

Jeremy points out that in such conditions, “you shouldn’t be critical because if you are critical, you are going to disturb the system. You disturb this vehicle that’s moving properly and you come to ask too many questions”. In view of that, insinuations of discontent with the system could render academics non-conformists resulting in them being treated with suspicion and perceived as truant non-performers, which could lead to punitive outcomes. Moreover, Harrison and Brodeth (1999, p.206) contend that “staff alienation has the potential to develop into a more serious problem and can involve reduced quantity and quality of work, absenteeism, stress-related illness such as alcoholism, and even sabotage”.

6. Conclusion

We set out to explore how PM in HEIs has steadily become an oppressive panoptic tower in its pursuit of institutional accountability, efficiency and rankings. Panoptic practices in PM, as reflected in this paper, exemplify how universities are shifting from being beacons of democracy and spaces for critical intellectual engagement to becoming regulatory and disciplinary institutions. This emerging panoptic conundrum has the tendency to invade academics’ intellectual and emotional spaces where notions of enlightened open-mindedness are discarded and where the quality of teaching and research is at risk of being compromised. With target-setting performance contracts we found evidence of a colonized performance that promotes narrowly defined academic activities directed at economic outcomes and career enhancement with little regard for the primary role of education. As academics are pitted against each through divisive practices, authentic collegiality and collaboration cultures are diluted, if not lost. Participants expressed their displeasure at the misuse and abuse of accountability as a surveillance mechanism to enforce compliance and, all the more so, that it is done so under the threat of penalty.

With all this, how do academics respond when their livelihood is dependent on toying the line? In as much as they are cognizant of the governmentality of institutional truth forms, they are willingly engaging in the demanded performance activities because these are critical to their career survival. This is deemed to be the surrendering or abandoning of their autonomy (Alvesson & Spicer, 2016), social values and ethical selves.

Observing this academics' careerism as a response to the accountability and performativity culture, Jeremy is troubled by PM's impact on academics' agency that "chances are that we are going to fail to be critical, even in our own work...As a result it will manifest itself in terms of the student who is coming out". This is the risk that should persuade the scholarly community to work together to alter the current performative trajectory and meaningfully engage in a more critical performativity, which appreciates that HEIs ought to be functional and sustainable. Spicer, Alvesson and Kärreman (2009, p.545) offer:

Five elements of a performative approach to critical performativity: an affirmative stance (getting close to the object of critique to reveal points of revision), an ethic of care (providing space for management's view point and collaboration with them to achieve emancipatory ends), a pragmatic orientation (being realistic about what can be achieved given structural constraints), attending to potentialities (leveraging points of possibility for changing managerial practices in an incremental rather than radical revolutionary manner), and a normative orientation (ideals for good organizational practice).

Given that with this paper, we seek to contribute to the deliberations on what is taking place within the shadowy corners of PM as a coercive and calculating mechanism, its constraining nature and subjectification of academics, maybe academics ought to consider one of Morrisey's (2013) suggestions of resisting the system. Such resistance it is hoped could delimit the oppressive and colonization impact of panopticism. As observed in this study, participants are caught up in a conundrum of complying with the system they are critical of. Some perceive themselves to be working towards the practices of freedom by publishing to gain the related scholarly 'power'.

Such compliance, however, to Foucault's disappointment, this approach is a veiled form of resistance since academics are in any case complying, which "serves to reinforce rather than challenge the dividing practices of managerialism" (Clark & Knights, 2015, p.1875). A number of authors have alluded to some academics' 'compliant resistance', which to a large extent is implicit (not surprising due to risk to their careers), for instance, cynicism (Flemming & Spicer, 2008), re-focusing on students as the primary goal as in Clarke and Knights' (2015, p.1877) study where "some respondents reflected on a more ethical sense of subjectivity where the commitments to publishing did not displace their 'open' and embodied engagement with students and a concern to facilitate their emotional, moral and intellectual development"; Playing the game (one is conscious of the controlling power, but functions at a distance thereof (Clarke & Knights, 2015) and "creating a space, and thus a confrontation with power, within which it is possible to make oneself thinkable

in a different way” (Ball, 2015, p.13) This “indicates a pragmatic response, not any deep compliance to any particular script” (Alvesson & Spicer, 2016, p.41). The mentioned modes of resistance are not pragmatic at the level of changing the system. As Alvesson and Spicer (2016) point out that such approaches are regarded as ineffective resistance. But, it is more conscious in refusing its subjectivity or it represents Foucault’s (1997) notion of the ethic of the care of the self that Postma aptly explicates:

It is a realization of who one is not, a de-identification from what one is expected to be or coerced into being. It is at the root of the self’s resistance to forms of subjugation. This self is different from the entrepreneurial self-enforced by the neoliberal order. Positively, truth about the self is approached through a reflection on the self in the light of ethical norms. It is the truth about the own intentions, motivations, satisfactions and desires (Postma, 2015, p.39).

Bearing in mind the ‘esteemed’ critical role of academics in their communities, such responses could corrode academics’ public intellectual credibility. Considering that some academics are playing the game’ and giving the system what it wants, Alvesson and Spicer (2016, p.31) suggest that “what is needed is a de-gaming of academics”. It appears that the ways of changing the system need a much broader value-shifting agenda as creating non-oppressive working conditions must be understood as the role of academics together with HEIs’ leadership. Maybe with more courageous, open and frank discussions beyond performance review meetings with line managers we can acknowledge this reality. We need a far more fundamental re-think, a reflective and progressive and open-minded dialogue to debunk some of the noted managerialist thinking and practices. In so doing, perhaps we can begin to answer Morrisey’s (2013) question, “in the world of education, does one have to be in a benchmarked competitive environment in order to be productive and accountable? Can we reason and insist upon other ways of being accountable and productive?”

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EXAMINING STUDENTS' FOR THE PURPOSE OF ENHANCING HIGHER EDUCATION QUALITY

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Abstract

For the purpose of this research, we used a quality questionnaire related to quality, satisfaction and loyalty of students. The research was carried out at the start and end of the academic year. This approach ascertained a gap with respect to quality, satisfaction and loyalty of students of eMPIRICA College.

Using factor analysis, the statements were grouped in 3 quality dimensions. The results of MANOVA showed that there is a significant statistical difference between expected and perceived quality, satisfaction and loyalty on the part of the students. Based on that, a gap between expectations and perceptions was ascertained.

Keywords: Higher education, quality assurance, multivariate analysis, gap.

Contact: adispuska@yahoo.com. The authors declare that they have no relevant or material financial interests that relate to the research described in this paper. Also, the authors declare that the submitted paper is their original work and that, upon publication, nothing contained in it will not constitute an infringement of any copyright. Paper received **19.08.2016**. Approved **17.10.2016**. This paper is licensed under the Creative Commons Attribution-Non Commercial-No Derives 3.0. License. This paper is published with Open Access at www.socioeconomica.info.

1. Introduction

Higher education in Bosnia and Herzegovina, as in Europe, is facing numerous challenges such as: the need for quality enhancement and harmony between teaching and learning on one hand, and the wider social needs and market demands on the other, adjustment to globalisation and an increasing number of students and higher education institutions in the whole world, increase and dissemination of offering higher education services using new technologies such as massive open online courses or blended learning [Nanić, 2014, pp. 923].

Specific tendencies in higher education in Bosnia and Herzegovina and beyond have influenced the work of higher education where quality as a means to fighting for each student has become more important. However, Senthikumar and Arulaj (2011) claim that overall higher education quality lags behind primary and secondary education, and more attention needs to be given to higher education.

Higher education institutions as leaders of society development need to offer users a specific quality in their work. Specificity of education is that within its system knowledge is transferred onto the user and students are the primary users of the educational system. Students acquire new knowledge and competencies in the higher education which they utilise in all segments of life.

Students are the best instruments to measure the quality of higher education since they are the primary users of the educational system. In order to enhance quality system at a higher education institution, it is essential to investigate the satisfaction of the students with that institution. Comparison of satisfaction of students in two time periods can give us an insight into what has improved/worsened in the system. The investigation is conducted by determining the gap between the expectations and perceptions of students. Through implementation of Bologna Declaration in B&H educational system the quality keeps developing. The higher education institution needs to actively apply the quality system as it is the only way to receive all necessary licenses and accreditations [Puška et al., 2015a, pp. 16]. According to the official records retrieved from the website of Centre for Information and Recognition of Qualifications in Higher Education in Bosnia and Herzegovina currently there are 10 public and 38 private higher education institutions which have a license. Out of these, 18 HEIs have received an institutional accreditation and 12 more are in the process of becoming accredited, which puts the quality culture at a higher level in B&H.

The topic of the paper is to investigate methods of enhancing quality system at eMPIRICA College through determining the gap in the quality system. Determining in what statement there is a gap helps in providing guidelines for enhancing the overall quality level.

Main aim of this paper is enhancement of quality system via determining the gap between the expectations and perceptions of the students. Supporting aims of this paper are to:

- Group the statements on measuring quality into quality dimensions,
- Determine if there is statistically relevant discrepancy between expectations and perceptions in quality, and satisfaction and loyalty of the students,
- Investigate in which quality statements there is a gap between expectations and perceptions.
- Provide guidelines using the results of the research to enhance quality at eMPIRICA College.

2. Conceptual framework of the research

2.1. Higher education quality

Quality in HEIs is equivocal and encompasses teaching delivery (a high-quality curriculum adjusted to the market), high-quality work conditions (well-equipped schools), competent teaching staff (qualified to offer knowledge to students), competent HEI employees (Students' office clerks, expert associates, etc.), etc. [Puška et al., 2015a, pp. 16].

Due to its complexity and multidimensionality the quality needs to be observed from various angles, out of which students' opinion is the most important as they are direct participants in the higher education system. So as to maintain the quality level, all actors and work conditions at a higher education institution have to be oriented at quality enhancement.

Quality system is not merely introduced so as to meet legal regulations, but the quality needs to serve in building satisfaction of the student, who will be loyal [Puška et al., 2015b, pp. 104].

The system of quality assurance guarantees that the subject of higher education pays attention to the purpose of its existence, to the processes that contribute to the creation of experts and to people who plan and conduct education processes and scientific and research work [Mencer, 2005, pp. 241].

Main tendencies in the field of assuring and enhancing quality of higher education are conveyed through [Lazić, 2007, pp. 1]:

- Ascertaining unique criteria of assuring and guaranteeing the quality of education within the frame of Bologna process,
- Developing, determining and balancing national systems of accrediting HEIs and study programs and
- Elaborating on and introducing the quality management system based on different QMS models.

Establishment of quality system in European countries is conditioned by Bologna Declaration on development of higher education. "A wide spectrum of evaluation and accreditation programs of individual countries in the EU and the rest of the world considerably hinders the establishment of unique quality standards in higher education, comparison of accredited programs, curricula or institutions, as well as mobility of students and staff" [Petković, Jašarević, 2005, pp. 288]. It is precisely curricula, teaching staff and students that are key parameters of development and enhancement of quality in higher education.

Guolla (1999) deems that positive perceptions of quality can lead to students' satisfaction and an increase in the number of students at the institution. Each HEI strives to achieve a competitive advantage and attract new students and keep the existing ones by enhancing the quality system [Temizer, Turkyilmaz, 2012, pp. 3802].

2.2. Instruments for measuring quality in higher education

Different research applied different instruments to measure quality in higher education. Many researchers have readjusted SERVQUAL model for measuring quality for the purpose of investigating students' satisfaction with the quality. Original SERVQUAL, created by Parasuraman et al., (1988) saw its 10 dimensions reduced to 5, those being : tangibles, reliability, responsiveness, assurance and empathy.

By readjusting SERVQUAL model Owlia and Aspinwall (1996) suggested six dimensions to measure quality in higher education, those being: tangibles (appropriate equipment and facilities), competence (vocational classes, practical and theoretical knowledge), attitude (understanding needs of students, friendliness, personal care, etc.), content (practical application of curriculum, knowledge flexibility, etc.), delivery (effective presentations, feedback from students, etc.), reliability (trust, solving complaints and problems etc.). As it was mentioned above, HEI services are specific as they are used to transfer knowledge to students and for that reason it is not possible to apply the classical instrument for measuring service quality. Furthermore, Ho and Wearn (1996) incorporated SERVQUAL into HETQMEX model which is excellence model for higher education, while Klarić and Kulašin (2011) have developed SERVQUAL into HEDUQUAL model for measuring higher education quality.

In addition to SERVQUAL model for measuring higher education quality, the following models are also used:

- SERVPERF measures service quality based on the perceived service factors. It is in essence SERVQUAL model that differs in that it measures students' perceptions, not expectations.
- HEDPERF was developed by Firdaus (2006) and it serves as a measuring instrument of service quality exclusively for higher education which consists of the following dimensions: non-academic aspects, academic aspects, reputation, approach and understanding. It is precisely SERVPERF and HEDPERF that represent the best instruments for measuring higher education quality, but it is not possible to determine which one is better [Camgoz-Akdag, Zaim, 2012, pp. 875].
- EduQUAL is specifically suggested for education sector. It is used for measuring satisfaction level of different participants [Mahapatra, Khan, 2007, pp. 289]. This measuring instrument consists of the following dimensions : learning outcomes, responsibility, physical facilities, personality development and academic aspects.
- EDUSERVE was developed based on SERVQUAL measuring instrument which served for measuring the expectations and perceptions of quality in Mauritius high schools (Ramseook-Munhurrun et al., 2010). It consists of the following dimensions : empathy, school facilities, reliability, responsiveness and assurance of students' discipline.

2.3. Satisfaction and loyalty of students

Satisfaction is defined as a rate of the total service and service experience in the preceding period (Lin et al., 2010). Loyalty is a term connected to dedication of clients to a specific brand, shop

or supplier based on the positive attitude and is reflected in the repeated purchase [Ningsih, Segoro, 2014, pp. 1017]. When applied to higher education system satisfaction is experience with higher education service while loyalty is students' dedication to higher education institution they attend, as well as their desire to continue their education there. The most important indicator in HEI quality research is precisely loyalty and satisfaction of students. A loyal and satisfied student helps in development of that higher education institution. Keeping the levels of loyalty and satisfaction of students is impossible without the implementation of quality system at that HEI [Puška et al., 2015a, pp. 17]. Connection of these two concepts with quality was dealt with in numerous studies. Puška et al., (2015a and 2015b) in their two studies connected quality perception with satisfaction and loyalty of students using multiple regression and canonical-correlation analysis and proved that a satisfied student is a loyal student. Negricea et al., (2014) investigated the connection of quality perception with satisfaction of students. Dib and Alnazer (2013) investigated how quality system is connected to satisfaction and loyalty of students. Dado et al., (2012) connected quality system with students' behaviour. Temizer i Turkyilmaz (2012) investigated how quality perception affects students' satisfaction index and its connection to loyalty.

Investigating loyalty and satisfaction is very important for each HEI. "Students transfer their satisfaction with work and quality of a HEI to others, and in that manner s/he represents that institution in the best possible way. On the other hand, a dissatisfied student will not represent the institution in the best way and in that manner the reputation and image of the institution suffers, which can result in a fewer number of enrolled students and migration of students to another institution. [Puška et al., 2015b, pp. 103]. "

If the university meets the expectations, the student will be satisfied and will be the best promoter of the university. The aim of education service flow is the satisfaction of the student, which leads to loyalty and projects itself to the continuation of the studies (masters, doctoral studies, etc.) or initiates positive references to potential students and partners (general public) [Gajić, 2011, pp. 73]. Due to everything abovementioned for each HEI it is very important to monitor its quality system as well as the satisfaction and loyalty of its students.

2.4. Hypotheses of research

Higher education institution influences students through the established quality system. Yahnong Li and Kaye (1999) conducted a research on the sample of 228 students and proved that students' expectations are relatively stable in a period of time, while their perception of service quality changes during their studies and the perceived level of quality decreases as the studies progress. This research showed that all students have high expectations from HEIs, but the perceived quality decreases. For that reason it is necessary to enhance the quality system in HEIs so as the expected and perceived quality levels are approximately the same so that the students are satisfied with the HEI. Based on this and similar research the first hypothesis is formulated as follows :

- *There is a significant statistical difference between quality dimensions based on expected and perceived quality level with students.*

Satisfaction is the key factor of business success and implementation of quality system (Lin, Tsin, 2008). Due to that fact, it is very important to investigate satisfaction of students and determine if it changes over a period of time and if students' satisfaction increases or decreases during their studies. If students' satisfaction decreases during their studies, they will not be interested in continuing the following cycles at that HEI, and it is debatable if they will complete the current cycle at that HEI. Based on the abovementioned the second hypothesis is formulated as follows:

- *There is a significant statistical difference in students' satisfaction at the start and end of the academic year.*

Since the quality system is connected to satisfaction, and satisfaction, in turn, to loyalty of students, it is necessary to investigate if and how the loyalty of students changes. The mentioned studies have shown that these three research variables are mutually related. Loyal students continue other cycles at that HEI and recommend it to others (Temizer, Turkyilmaz, 2012). Based on that, it is necessary to investigate if and how the loyalty of students changes so as to enhance the quality at the HEI. For that purpose, the third hypothesis is formulated as follows:

- *There is a significant statistical difference in students' loyalty at the start and end of the academic year.*

To prove the proposed hypotheses the research will use multivariate analysis of variance (MANOVA). Based on that, the following variables are proposed: independent variable – conducted research in two time periods and dependent variables – quality dimension, satisfaction and loyalty of students.

3. Research methodology

For the purpose of this paper empirical research was conducted at eMPIRICA College on two occasions. The first research and collection of primary data was conducted at the start of academic year 2014/2015, while the second research was conducted at the end of the same academic year. The research was conducted on two occasions so as to determine the gap between expected level of quality, satisfaction and loyalty (the research at the start of the academic year) and perceived level of quality, satisfaction and loyalty (the research conducted at the end of the academic year). The point of this research is to monitor and enhance quality at the HEI.

Both pieces of research used the same questionnaire taken from our co-founder Ljubljana School of Business, Slovenia which consisted of 4 parts:

- 15 statements related to quality which encompassed different segments of a higher education institution: teaching and administrative staff, availability of information, facilities and equipment, as well as reaction of the institution to the needs and desires of students. Due to variety of statements, factor analysis will be used to determine quality dimensions.
- 5 statements to measure students' satisfaction
- 5 statements to measure students' loyalty
- Participants' characteristics (gender, year of study, study program, mode of studying).

First three groups of questionnaire used five-level Likert scale, where students were required to provide their level of concurrence with the proposed statements (1 - strongly disagree, 5 - strongly agree). The fourth group of questions is related to the characteristics of the students: their gender, year of study, program study and mode of study. In both cases a web-based questionnaire was used which was uploaded to the scientific portal - lka.si and the students received the link to the questionnaire. In the first research, the questionnaire was filled out by 85 students, which is 75 percent of the total number as there are 112 students in all three years of study. Due to the low total number, the research used purposive sampling, that is, the link was sent to all students via a personal message through e-learning platform – eCampus. Overall statistical data analysis was carried out in software packages SPSS 20.0. which used several statistical methods. The reliability of the acquired data was measured using statistical analysis called Crombach' alpha. Factor analysis investigated reliability of data based on Kaiser-Meyer-Olkin (KMO) test and Bartlett's test.

Apart from the need to investigate the proposed hypotheses, it is necessary to determine what statements within quality dimensions show the gap between the expected and perceived quality level and to what extent, so as to provide guidelines for enhancement of quality at eMPIRICA College. This approach will also determine the gap between satisfaction and loyalty of students so as to enhance loyalty and satisfaction of students at eMPIRICA College. In the course of proving this hypothesis and aims the following methodology will be used:

- Step 1: Grouping statements into quality dimensions using factor analysis,
- Step 2: Investigating reliability of the collected data using Crombach alpha,
- Step 3: Investigating the proposed research hypotheses using MANOVA and
- Step 4: Investigating the gap between the expected and perceived quality using t-test.

4. Results of the research

The questionnaire was filled out by 84 students the first time and second time it was filled out by 85 students and the following table shows the general characteristics of the subjects.

Table – 1. General characteristic of the subjects

Factor	Category	Percentage in the 1st research (%)	Percentage in the 2nd research (%)
Study program	Engineering Informatics	46.4 %	50.6 %
	Business Informatics	53.6 %	49.4 %
Mode of studies	Full-time studies	26.2 %	27.1%
	Distance-learning studies	73.8 %	72.9 %
Gender	Male	89.3 %	84.7 %
	Female	10.7 %	15.3 %
Year of study	First	23.8 %	28.2 %
	Second	37.0 %	38.8 %
	Third	39.2 %	32.9 %
Total number of students		84	85

Source: Research results

Since the questionnaire was anonymous it was not possible to compare the answers of the specific students and determine the discrepancy between them. However, since the general answers will be observed in two pieces of research and it will not be dealt with subtle differences in the observed categories of the subjects, these characteristics are considered acceptable for the further investigation. To examine the reliability of the factor analysis results, we used Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy and Bartlett test of sphericity. KMO indicator ranges from 0 to 1. If the value of that measure is below 0.6 the correlation matrix will not be appropriate for the factor analysis. With Bartlett's test it is desirable that the significance value is below 0.05 ($p < 0.05$). In the course of running factor analysis the analysis of main components was used, as well as Varimax factor rotation with Kaiser normalization. In the choice of number of factors we used unit root method, that is, Kaiser criterion.

Table – 2. Results of factor analysis on quality dimensions

Factor	Quality-related statements	Factor value	Statement code
1	Employees in the College pay attention to the specific needs and wishes of the students	.717	VAR01
	Students' complaints are solved quickly	.738	VAR02
	Employees help students in solving problems encountered in the course of the studies	.754	VAR03
	Employees always think in students' best interests	.753	VAR04
	The College keeps promises it has made to the students	.731	VAR05
	Employees provide support to the students	.780	VAR06
	The College looks after students' wellbeing	.740	VAR07
	Administrative staff at the College is pleasant	.530	VAR08
Explained variance 53.672%, Crombach's alpha 0.921			
2	College employees are always at students' disposal	.624	VAR09
	Lecturers use modern scientific methods in transferring knowledge	.653	VAR10
	Lecturers connect theory and practice	.674	VAR11
	Lecturers are available via electronic media	.803	VAR12
	Lecturers treat students in a transparent way	.661	VAR13
Explained variance 7.393%, Crombach's alpha 0.853			
3	The College has solid equipment	.837	VAR14
	College facilities are comfortable	.792	VAR15
Explained variance 7.137%, Crombach's alpha 0.796			
KMO = 0.927; Bartlett's test $p < 0.000$; Total variants explained 68.202%			
Factor	Student satisfaction statements	Factor value	Statement code
	I think I have done the right thing by selecting education at this College	.901	VAR16
	I do not regret enrolling in this College	.893	VAR17
	I am satisfied with my College choice	.868	VAR18
	My experience of this College is very pleasant	.853	VAR19
	Generally speaking, I am satisfied with this College	.806	VAR20
Explained variance 74,825%, Crombach's alpha 0,915			
KMO = 0,837; Bartlett's test $p < 0.000$			

Factor	Student loyalty statements	Factor value	Statement code
	I would recommend the College I attend to others	.909	VAR21
	If I had to choose again I would choose the same school	.890	VAR22
	I am proud to be a student of this College	.855	VAR23
	I only say good things about this College	.854	VAR24
	If given an opportunity to continue my education, I would do it at this College	.841	VAR25
Explained variance 75,732%, Cronbach's alpha 0,919			
KMO = 0,876; Bartlett's test p < 0.000			

Source: Research results

Before the factor analysis results are interpreted it is necessary to determine values of Bartlett's test and values of KMO test. Measure of sampling adequacy is represented through KMO test and using Bartlett's test of sphericity it is aimed to determine the meaning of correlations within correlation matrix. Results obtained through factor analysis show that the data are adequate for factor analysis since value of KMO test is 0.9279, which is almost 1. Specificity test is of significant importance since it implies that the correlation matrix is not unit, which the test has proven.

Factor analysis results have shown that in accordance with 15 statements that were used to measure quality at the higher education institution 3 dimensions stand out, which are shown as factor 1-3.

Factor 1 - Administrative help provided for students. This first quality dimension describes students' needs and help provided for their wellbeing using 8 statements. The first factor explained 53.67 % of the variance of the main group so the reliability of the collected data is very high. The value of Cronbach's alpha is 0.937 as the values for Cronbach's alpha range from theoretical 0 (zero) to 1. If the values of this indicator are close to zero then that data is said to be unreliable. If those values are close to one it can be said that the data is reliable.

Factor 2 - Satisfaction with the administrative and teaching staff. This second quality dimension is described using 6 statements which are related to student's satisfaction with administrative staff and information they received from the College. The second dimension explained 7.39 % of the variance and it also has a high reliability of the collected data. Cronbach's alpha value is 0.890.

Factor 3 - Facilities. The third quality dimension consists of merely 2 statements related to satisfaction with College equipment and facilities as well as College's keeping promises. This factor explains 7.137 % of the main group variance and the value of Cronbach's alpha is 0.766. It does not represent a high reliability, but it can be taken into consideration. It is necessary to point out that that "if all values of this indicator are below and equal to 0.75 one should reconsider if that data should be taken into account" [Leontitsis, Page, 2007, pp. 336]. Since the value of Cronbach's alpha is over 0.75 the data will be taken into consideration. After the quality dimensions have been determined factor analysis of the remaining two variables was done, those being satisfaction and loyalty.

Results of the factor analysis have shown that all the conditions for conducting this analysis have been fulfilled, which is corroborated by KMO and Bartlett's test results. All five statements used to investigate satisfaction have been grouped in one factor and it explained 74.9 % of the main group variance. There is a high reliability present in these data as the value of Cronbach's alpha is 0.915.

Based on factor analysis and Crombach's analysis it has been shown that the statements used for satisfaction of students are related and reliable.

Upon conducting factor analysis on satisfaction of students, factor analysis for statements on loyalty of students will be conducted as well. Results of KMO and Bartlett's test show that the used matrix is not a unit matrix and that there is a relation between the used statements which fulfilled the propositions for the use of factor analysis.

Conducted factor analysis has shown that there is only one factor related to students' loyalty and that factor explains 75.3 % of the main group variance. Crombach's alpha test shows that the data are reliable since its value is 0.919.

Upon investigating the reliability of the used data we move on to testing the proposed research hypotheses. Testing hypotheses will be carried out using MANOVA analysis and using Wilks' Lambda indicator. MANOVA is the extension of variance analysis which is used when there are more than one (two or more) dependent variables. "MANOVA compares groups and shows if it is probable that the mean differences in group influences on that combination of dependent variables are correct and if it shows the possibilities those groups manifest." [Memet, 2011, pp. 76]. Examination of the hypotheses will be carried out with 99 % reliability of accepting the correct hypothesis, that is, p-value should be below 0.01. In the course of conducting this analysis the most important things are the indicator of significance and F-test value. For the level of significance, the lower p-value, the better, while the higher F-test value, the better, since it is precisely that which proves that there is greater statistical difference between two or more observed groups. With MANOVA analysis the results from two pieces of research are taken as an independent variable – one for the start of the academic year and the other one for the end of the academic year. As a dependent variable with the first hypothesis we took quality dimensions, with the second hypothesis we took students' satisfaction variable and with the third hypothesis we took students' loyalty variable.

Table – 3. MANOVA analysis results using Wilks' Lambda indicator

Dependent variables	Value	F	Sig.	Hypothesis status
Quality dimensions	.794	2.650	0.001	Accepted
Students' satisfaction	.929	2.497	0.033	Accepted
Students' loyalty	.846	5.952	0.000	Accepted

Source: Research results

MANOVA results show that in proving the third hypothesis there is the greatest statistical difference in students' answers. F-test result is the greatest and is 5.952. The lowest one is the significance level. P-value is 0.000, which makes the third hypothesis acceptable, with 0.0 % risk level that the true hypothesis will be rejected. Furthermore, this analysis has the lowest value of Wilks' Lambda indicator and is $\lambda = 0.846$.

Furthermore, MANOVA results show that the first hypothesis is accepted, that is, that there is a significant statistical difference between quality dimensions based on expected and perceived quality level with students. With proving this hypothesis the value of F-test is 2.650 while the level of significance is 0.001, which makes this hypothesis acceptable with 0.1 risk level that the true hypothesis will be rejected. The value of Wilks' Lambda indicator with this analysis is $\lambda = 0.794$.

The second hypothesis proposed can be accepted since there is a significant statistical difference with students' satisfaction at the start and end of the academic year, which is also supported by the level of significance. P-value is 0.033 while the value of F-test in this analysis is 2.497. In this analysis the value of Wilks' Lambda indicator is $\lambda = 0.929$. However, examination of the second hypothesis shows that there is 3.3 % probability that the true hypothesis is rejected.

Table – 4. Difference between expectations and perceptions of students regarding quality

Statement Code	Perception mean	Expectation mean	t-test	Freedom degree	Sig.	Mean difference
Quality dimension – Administrative help provided for students						
VAR01	3.8824	4.2381	-2.848	167	.005	-.35574
VAR02	3.7176	4.2024	-3.316	167	.001	-.48473
VAR03	4.1412	4.3929	-2.200	167	.029	-.25168
VAR04	3.9647	4.1667	-1.473	167	.143	-.20196
VAR05	3.7059	4.1190	-2.908	167	.004	-.41317
VAR06	4.2000	4.4286	-2.118	167	.036	-.22857
VAR07	3.8588	4.2857	-3.397	167	.001	-.42689
VAR08	4.3882	4.3214	.590	167	.556	.06681
Quality dimensions –Satisfaction with the administrative and teaching staff						
VAR09	4.2235	4.4524	-1.853	167	.066	-.22885
VAR10	4.0941	4.4762	-3.307	167	.001	-.38207
VAR11	4.1412	4.3810	-2.122	167	.035	-.23978
VAR12	4.2588	4.5833	-2.862	167	.005	-.32451
VAR13	4.3294	4.5595	-2.196	167	.029	-.23011
Quality dimension - Facilities						
VAR14	3.5765	4.2024	-4.029	167	.000	-.62591
VAR15	3.8235	4.3452	-3.795	167	.000	-.52171
Student satisfaction						
VAR16	4.1765	4.4524	-2.427	167	.016	-.27591
VAR17	4.1882	4.4643	-2.192	167	.030	-.27605
VAR18	4.1882	4.5357	-3.012	167	.003	-.34748
VAR19	4.0353	4.4048	-3.117	167	.002	-.36947
VAR20	4.0706	4.4167	-2.797	167	.006	-.34608
Student loyalty						
VAR21	4.0000	4.5476	-4.185	167	.000	-.54762
VAR22	3.9176	4.2381	-2.186	167	.030	-.32045
VAR23	3.9647	4.3214	-2.841	167	.005	-.35672
VAR24	4.0941	4.4881	-2.969	167	.003	-.39398
VAR25	3.8941	4.4524	-4.068	167	.000	-.55826

Source: Research results

Examining the given results of t-test we can see that only one statement has a positive value of this test because expectations for that statement were lower than the perception at the end of the academic year and that statement is Administrative staff at the College is very pleasant and it is 0.06681. Examining other values we can observe that with the statement that the College has solid equipment there is the largest gap between students' expectations and perceptions and is -0.62591.

Observing the significance level (sig) it can be seen that in all but three statements this level is lower than 5 %, that is, the p-value is <0.05 . Those statements are: Employees always think in students' best interest, Administrative staff at the College is pleasant and College employees are always at students' disposal, and it can be said that for these three statements there is the smallest deviation from students' perceptions and expectations.

Based on t-test results it can be concluded that eMPIRICA College needs to work more on quality enhancement so as to decrease the gap between students' expectations and perceptions on providing information to students and improve equipment and facility quality. Based on this test it is evident that all but one statement show a negative difference, that is, students' expectations were higher than the perceptions at the end of the academic year. This College's Management should analyse in more detail these results and make decisions so as to enhance the quality system at this institution and thus reduce the gap between expectations and perceptions of that quality.

It is necessary that each higher education institution continually monitors students' satisfaction and compares it according to time frames so as to identify bottleneck in the quality system.

5. Conclusion

The research in this paper has been conducted on two occasions : at the start and end of the academic year with the aim of examining the gap between expectations and perceptions of the students. The results have shown that with all research variables there is a negative difference, that is, the expectations exceed the perceptions of students and average deviation is from 4 to 12 percent. Only with the statement Administrative staff at College is very pleasant there is a positive difference, that is, a positive gap. Based on the calculated gap and results of ANOVA and t-test the conclusions can be made as to what statements need more work so as to enhance the quality system at higher education institutions.

In the course of examining quality at eMPIRICA College, we used 15 statements which were grouped into 3 quality dimensions using factor analysis. Since the questionnaire was taken from eMPIRICA College co-founders it had some disadvantages as it did not include some other statements and dimensions used in e.g. SERVPREF and HEdPREF models for measuring quality. This research has shown that it is necessary to separate teaching staff from administrative staff and technical staff in the course of measuring quality of the staff and treat them as separate quality dimensions as higher education institutions primarily transfer knowledge onto students via teaching staff and using equipment and facilities. It is also necessary to include more statements on equipment and facility quality and reduce statements related to the needs and help to students.

The recommendations for the future research are that in the course of creating a new model for measuring quality at higher education institutions it is necessary to include more different statements and determine which dimensions are of primary significance for the quality. Furthermore, it is necessary to apply this questionnaire to different HEIs so as to gain more complete information from students rather than merely conduct this type of research on only one HEI. Only in that way can we get a valid model for measuring quality at higher education institutions.

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COMMUNICOLOGICAL AND MEDIA POWER OF SPENDING HABITS ON B&H MARKET

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Abstract

Understanding the behavior of consumers and their purchasing patterns is of great importance both for the business sector and for consumers themselves. Confrontation with the factors that most influence our purchasing decisions allows us to realize how much we actually (in) dependent on others, especially Referential groups. This work has the task to show the degree of the impact of family-cultural consumer legacy that become consumer habits of society in Bosnia and Herzegovina. The main hypothesis was revealed that the purchase patterns of BH consumer subordinate habits, which are the result of family traditional beliefs and media actions. As a research tool used questionnaires, which included questions that dichotomy and Likert scale of five degrees to determine the level of agreement or disagreement among the respondents. Survey included 117 respondents, of different ages and from different areas of Bosnia and Herzegovina, in order to obtain the answers are representative. The results showed that the buying patterns of BH consumers are subordinate habit and family traditional beliefs, while media advertisements are not directly subordinate, but they affect the decision itself when purchasing, given that more than 70% of the respondents responded that sometimes loads of products you see in advertisements. The obtained results are presented and marketing implications and recommendations for further action on the target company BH auditorium.

Keywords: *Spending habits, Consumer, Purchasing Patterns.*

Contact: medinax27@yahoo.com The authors declare that he has no relevant or material financial interests that relate to the research described in this paper. Also, the authors declare that the submitted paper is their original work and that, upon publication, nothing contained in it will not constitute an infringement of any copyright. Paper received **01.12.2016**. Approved **30.12.2016**. This paper is licensed under the Creative Commons Attribution-Non Commercial-No Derives 3.0. License. This paper is published with Open Access at www.socioeconomica.info.

1. Introduction

Consumer habits are every form of purchase where an individual decision on the choice of buying is not as independent as far as a result of imposed or through childhood adopted rules of behavior and decision-making, which were applied during the period and become one with single consumer. When we conclude persistence consumer habits? Take for example the purchase of salt. This is obviously food that is essential in every household, but the very process of buying will happen when we run out of the same. This is not yet consumer habits, than standard consumer needs. However, if a person buys again one and the same brand of this product or of the same customers, and / or the same points of sale, then we talk about consumer habits.

The analysis of consumer habits opens up many other issues such as the length of the specific consumption patterns, the degree of influence of individual external factors in their formation, stability of consumer evolution on the one hand and consumer strictness on the other side and so on.

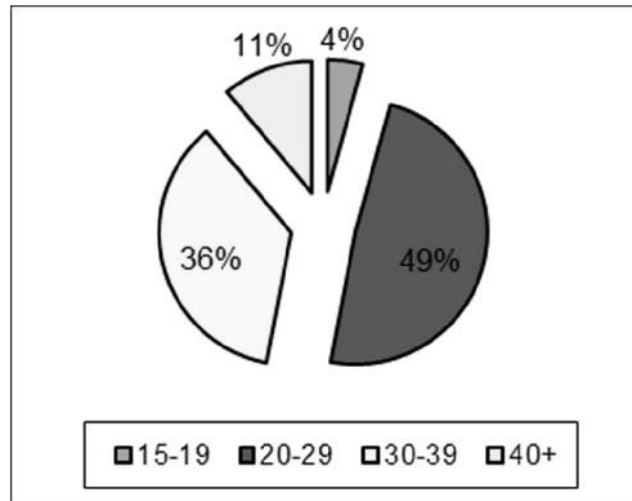
The question of stability of certain consumer habits is both important and difficult to answer. Weight is reflected precisely in the recognition of each individual / s to his / hers choices, not his or hers, but incurred communicational processes of her / him and his / hers environment, especially primary reference groups, such as families. However, knowing about the stability of these external influences and the degree of their impact on our purchasing patterns, can be liberating and for consumers themselves, and allow them to open their perceptions and create new attitudes adapted to new market conditions. It is also important from the aspect of themselves suppliers to understand the driving impulses in the process of consumption of its customers, and thus come up with new methods to the same approach and achieve profitable operations. Ultimately, the situation in which this country is, with very modest growth rates of gross domestic product, and high foreign trade deficit, this paper wants to illuminate possible causes of these conditions from the point of demand BH population.

2. What kind of products we buy?

In Bosnia and Herzegovina on a daily basis we are "bombarded" with the information to the population, despite the persistence of domestic producers, citizens regularly buying products from imports and thereby contribute to further increase in the trade deficit and outflow of funds. In the last few years have been carried out many actions under the slogan "Buy Domestic", however the population, although aware of the significance preference for domestic products, though still supplies imported products. In fact, citizens of Bosnia and Herzegovina are an excellent example of cultural and communicational receptors when it comes to consumer behavior. This work has the task to provide a new image of BH population, not as irresponsible members, but rather as "slaves" to their consumer habits, deeply rooted in family and traditional and cultural values, and offer a solution to get out of this situation. Empirical research of this work was done

in order to clearly review and obtain accurate information about consumer habits. The study included a total of 117 participants / pupils who / s are of different ages, as one can see from the chart below.

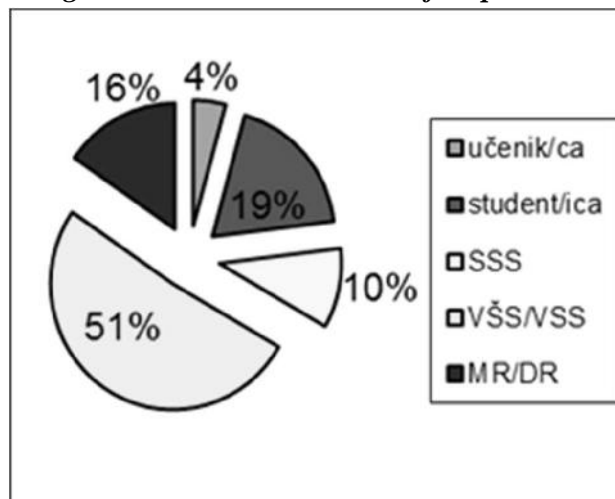
Figure 1: Age of respondents



Source: Authors work based on the results of the survey

Work includes both theoretical considerations causes of the consumer habits, and also the part of a research based on a survey of BH citizens from different cities in order to obtain competent results of their responses. Also, it's comprised of different demographic categories, in terms of gender (51% males and 49% of female respondents), different ages, education and employment in order to investigate the possible deviations of attitudes as a result of different demographic background of respondents.

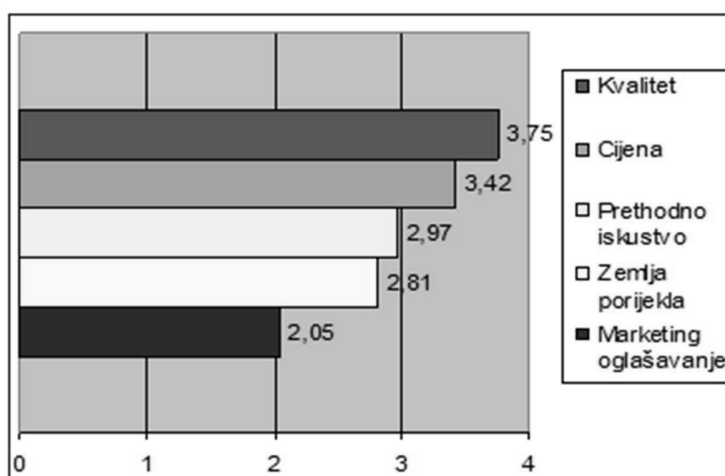
Figure 2: Educational status of respondents



Source: Authors work based on the results of the survey

As can be seen from the chart offered, the group of respondents is diverse in all segments; of age, to the educational structure and the property status, which ultimately represents the essential and decisive factors in the choice of buying a particular product. For these reasons we were interested in the factors that affect the final choice when shopping. We considered that there is a narrow 5 factors that affect the final choice of consumers: price, quality, advertising, previous experience and country of origin.

Figure 3: Factors that influence purchase decisions



Source: Authors work based on the results of the survey

Although Bosnia and Herzegovina has more than 50% of the unemployed, the average of respondents put the quality of products as a primary factor in the buying process. However, since it is present as well, and a higher deviation among the responses, before it could be concluded that it is a simultaneous relation quality-price which is crucial to BH-customer. This graph clearly shows that the degree of importance, the third emphasizes personal experience with this product is closely followed by the character of the country of his origin. It should be noted that the term "country of origin" does not necessarily mean buying domestic product, how will it below the results of research find. Marketing advertising has proven to be at least a determining factor for deciding to purchase, but its importance is not negligible.

3. Family heritage and consumer habits

According to modern views of the concept of family includes individuals that can be described as members of the most basic social group, who live together and interact in order to satisfy their personal and common needs. Whether we are talking about a nuclear¹ or extended family², it is impossible to ignore their reference influence on the formation of opinions and habits

¹ Nuclear Family – Each family that besides spouse includes one or more children.

² Extended Family – Nuclear Family living with at least one grandparent.

of behavior of all its members. These impacts are multi-dimensional and for this study primarily will focus on the concept of so-called. consumer socialization, which defines the process by which children acquire the skills, knowledge and attitudes necessary for their functioning as a consumer. (Schiffman & Kanuk, 2004, p.277)

The fact is that preadolescents adopt many norms of behavior by watching the behavior of their parents and / or older brothers and sisters, and consumption is no exception. It significantly contribute to a common experience in buying, especially now when they are working mothers more likely to buy in the company of children. One gets the impression that this very common purchase are becoming way to spend time together, due to the bustle of life, and thus further gain in importance in the formation of children's views.

Consumer socialization is not limited to the common purchase, but becomes the means of other forms of socialization, so parents often directing the activities of their children by promising rewards in the form of some products, usually toys or sweets, and thus gains control of their behavior.

It is important to point out that this form of socialization does not stay only in childhood, but continues throughout life. However its bad influences in the pubescent stage, when young desire for others to accept, deviate from the initial consumer patterns based violence and accept the norms of the new reference group - friends. However, it is noticeable that after this stage the impact of family consumer socialization again comes to the fore and become part of their legacy. In an empirical study of this work, which included 117 respondents on the question of whether the planning and conduct of buying larger quantities and values carried out in consultation with the members of the household, we come to different results which are not necessarily linked to the age of the respondents. The population of young people in the phase of life, education is the most prone to carrying out purchases in consultation with parents (95.2%). This is justified due to the stability of financial dependence. Confirmations of the impact of financial dependence on this model finds and purchase in the category of the unemployed (86.2%). It should be noted that the noticeable weakening of the importance of family buying the completion of postgraduate studies (69.2% partially or completely disagreed, and even 15.4% had a negative view of the joint purchasing).³

It is also notable transfer of allegiance to a particular product or brand, so-called. intergeneration transfers stamps. This can be seen particularly in Bosnia and Herzegovina, where for example, father throughout the growing child driving car Golf II, and the child after the end of the driving test, the most frequently chosen precisely this type of car as their first choice. Further, this intergenerational transfer stamps, may represent a way of expressing belonging to certain social classes (associated or aspiration). This also can respond to the question of the causes and effects snob effects stampede being marketed consumption. Once formed attitudes in the comfort of home become more powerful than the concept of perception and other factors of consumer

³ Reference - The percentages stated in question no. 6 for each of the categories were obtained relationship with replicated positive / negative attitudes towards the total number of respondents of given categories. This is done in order to avoid deviation due to the unevenness of the participation of individual demographic structure in the study.

behavior, to the extent that it becomes extremely difficult to break of the habit of things that an individual has learned that "needs to consume".

Results of research on the issue of purchasing habits, which tends generic learned traditional purchases of parents or teachers, are most often related to sex. Family consumer legacy is something more noticeable in the case of the female population (47.7%) compared to the male part of the respondents / forum (just 25.7% agreement). Interestingly, the population aged 40 and over did not accept its buying heritage of their parents and that even 71.4% would refuse this claim. Probable causes of these positions lie in the fact that the range of products today that this population consumes is very different from the range in age of their parents. On the other hand unemployed people, primarily young population, are more inclined to adopt this part of the heritage (57.1%).

Of course, this process cannot be seen one way. Especially at the present time, consumer socialization is directed to children and to parents, especially when it comes to new technology, in which young people have the most interest. To what extent does the young consumer power "educate" their parents depends on many factors, including a way to establish the interfamily relationships and openness to the new.

Why has the issue of domestic consumer legacy important? As pointed out, established consumption patterns become partly consumer habits, which are hard to give up, even when rational watching other choice purchase would be far better. This is an extremely important issue especially for suppliers, because if you have considerable influence families to purchase, very few will have the effects of improving sales through different action, stall offers and the like. This especially comes to expression in the case of Bosnia and Herzegovina, where the majority of manufacturers of food products, which have consumed the traditional family in the former Yugoslavia, were located in the neighboring countries, which significantly complicates the new domestic manufacturers to find their placement.

4. The influence of the media and advertising

The role of media in society is miscellaneous; Media are information carriers, creators of the truth of an event, public information officers and advertisers a story circle in one unit. Public opinion used and accepts the information they hear and see in the media as a norm, rule and factors applicable as such. In communication sciences medium is essentially technical or physical means of converting messages into a signal that can transmit channel. (Udovicic, 2012, p.19)

Once we define the role of the media in public opinion, it is important to position and role of advertising, which is interpreted by the media. If we had said that the media define and create the reality, then the advertising part of that reality as interpreted by the media. Modern understanding of the media industry is based on advertising income and the media live from the ad. (Udovicic, 2012, p.19) In this way, we understand that the advertising for the media portion of the revenue that brings money. For advertising, the most commonly used mass media; television,

radio, internet and print media. However, the question arises, how to distinguish between acceptances of information that represents and create the reality, for example. news and political shows, diaries and advertisements that in the course of these shows broadcast on these programs. Commercials make money and do not pass through filters that are part of journalism; accuracy, truthfulness, veracity, confirmation from multiple sources, while others these facilities and programs broadcast in the previous pass through all filters before the official broadcasting.

Those who exercised the most advertised and the best results in the market. And their products become close to us, because the media are imposed as a good way of life. (Udovicic, 2012, p.19) In this way, we can conclude that the advertisements do not appear by accident in the media. Their creators want consumers to say that they are true, real and just as they are presented. It is no coincidence that in prime time (diaries, political shows, download games, etc.) The most expensive time for AD space. The reason for this is the higher viewership and admissibility of what is advertised. The role of advertising is to convince the authenticity of products / offers being advertised. Advertising or promotion is paid or personal message that comes from sources that can be identified. It was referred to the public channels of mass media, and created to convince. (Udovicic, 2012, p.22)

In the commercials never mention side effects or certain disadvantages. Typically, this is the best product ever before appeared on the market and in advertising cannot access critical towards him. In this way the media is contributing to the design and creation of their own perceptions about something. Media are prone to manipulation and stereotyping of the public for the purpose of accepting and approving served of content. Often in the media appear stereotypical, sexist, discriminatory and unrealistic advertisements through which directly affects the formation of perceptions of public opinion. Stereotypical and unethical advertisements are those which use a naked woman's body to attract viewing certain advertisements; advertisements for cars or for certain parts of the car. Then, stereotypical advertisements are those in which represents an idyllic family by a woman with an apron works in the kitchen and her husband watch the game, or advertisements in which boys are superior to girls, in this still represented in the clothes of male color (blue), and girls in female colors (pink). These are all stereotypes⁴ through the mass media do not affect the display / consciously to form an opinion of consumers, because they are broadcast every day and thus become a reality and define a rule how to behave.

Role FACING⁵ in media advertising is very important, because so many are sold conceived ideology that eventually become reality. The role of advertising is huge, dominant and leaves a strong impact, especially in the target group which is intended. The best-selling products are those which are suitable to the target group which can be subject to manipulation (children, teenagers, people with certain problems; cosmetics that offer solution to the problem within 24 hours, problems with weights, etc.). This type of advertising does not sell the product and its real

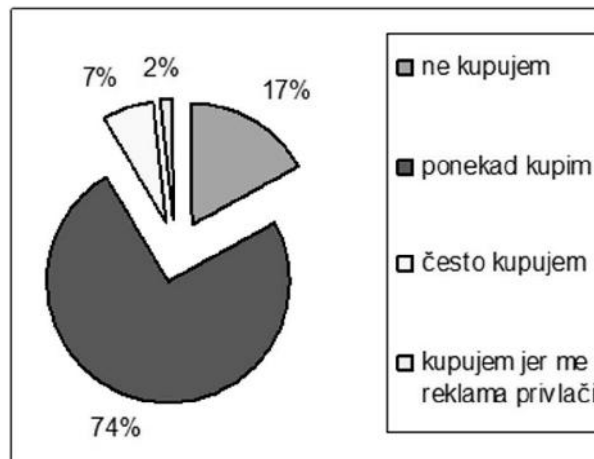
⁴ The stereotype - the Greek word "stereos" means stability and the word "typos" which means a form or type. Stereotypes are generalizations of events and things and the belief that each person belongs to a certain pre-defined weight and type, rather than a single individual.

⁵ Framing - emerged from Eng. words frames framework. It is one of the theories of mass communication where by framing / extraction / selection highlighting certain events and thus become more important than other.

effects, but human desire, the need and desire for happiness, security, love, beauty and happy family. Most advertisements are sent this message and show a happy, family people, ideal proportions, with maximum economic and social security.

The idea of manipulation by marketers is extremely present among B&H citizens, so much so that according to research conducted even 88.03% of the respondents say that there is no particular confidence in advertising spots. However, whether ultimately advertisements motivate the purchase of certain products subjects who participated in the survey responded as follows:

Figure 4: Do advertising motivate you to buy certain product?



Source: Authors work based on the results of the survey

According to research conducted on the market of Bosnia and Herzegovina, the impact of advertising on the formation of a final decision on the purchase of advertised products is present only in 2% of the respondents, while 7% said that advertising often motivates them to this activity. However, one can conclude that BH citizens are completely indifferent to marketing communications manufacturers, given that as much as 74% expressed that because of advertisements tend sometimes to buy, at least to check what kind of product the word. The statement that advertisements have a moderate effect when it comes to the purchase form is the fact that only 17% of participants considered that advertisements do not have any influence on their purchasing activity.

We conclude that although there are negative stereotypes towards commercial publication in BH, they nevertheless act enough to intrigue residents to try the product and form their own opinion about the product.

5. Cultural dimensions that affect the buying habits

For a consumer purchasing habits affects a number of factors that are part of his ideology and beliefs of previous and present views and opinions on the sales item. We can define it in the final purchasing decision of consumers affected by cultural, social and psychological factors.

- Cultural factors included in the genesis of a consumer and thus to reflect on their behavior when making a decision to purchase and consumption of certain products. In a general sense we can say that culture is everything that surrounds us, and thus becomes a specific and different for a certain environment, state, society, city, etc. These specifics are related to everything that surrounds us: the building, music, style of dress, food, drink, etc. When we talk about cultural habits of a country, usually in addition to the architecture we talk about food and drink. It became the main cultural determinants of a country, where you see that this type of culture so prominent in the general guidelines. Any real individual with their purchasing habits indirectly affects the definition of culture for myself and then for the community in which he lives.

Looking at the individual, when deciding to purchase a product, there are a number of determining factors, such as time to buy, money, access to shops, design shops, positioning the product on the shelf, product design and its advertising power of the media. Each of these factors can be broken down into more detailed descriptions of each of which has its final decisive power of the consumer, which thus creates his decision to purchase a particular product. The definition of culture, UNESCO has defined as "a complex whole which includes knowledge, belief, art, morals, laws, customs and any other capabilities and habits that characterize a society."⁶ In general for culture even we can say that formed the style of consumers and thus determines its habits; style, clothing, etc., relationship violence, eating habits and the like. Culture on the behavior of consumers affected by a number of factors such as religion, language, and others. These factors are reflected in: purchasing habits of family members, (un) awareness about buying local products, whether the name and characteristics of the product written in their native language or in a foreign; as with some resistance and be at a desire for a new, different and similar.

The empirical research on this issue, the primary focus was the establishment of a sense of stability so domestic product and a sense of tradition in the purchase. The results showed the presence of awareness of local products and the positive evaluation of the same. The categories for which respondents expressed a positive attitude towards local products are: Chocolate products (38%), edible oil (40.5%) and detergents (44.3%). The lowest levels of highlighting local production are present in juices (only 16.5%).⁷ When we talk about the demographic preferences, we emphasize that gender did not play a significant role. On the other hand demographic categories that are most emphasized the importance of local

⁶ Available on: www.unesco.org

⁷ Reference: The percentages stated in this matter, obtained by the ratio between the numbers of respondents highlighted the importance of domestic product, or tradition, in comparison to the total number of respondents.

products were young people aged 20-29 years, highly qualified staff, and employees. If we consider that the BH economy is still on the rise and that is characterized by extremely high costs, which are passed on to the final consumer / the board, while other imported products price competitive, (of course not all), it is quite understandable why the net interest unemployed respondents for domestic products. When it comes to the presence of a sense of tradition in certain products, conclusions can be replicated, but in smaller percentages.

- Social factors affecting the purchasing power of consumers, the most dependent on economic power, social role and impact of family-family habits. We can say that the social role and economic power are closely related. For consumers often acts deciding factor becomes brand products. Consumers certain products need to use marked something that gives the image of glamor, luxury and lifestyle that is above average. This is possible with a strong economic power, because such products are often more expensive than others. In a conversation with the shopkeeper in perfumery, she says: "This powder is much better quality than others has a good texture to cover facial imperfections and proved to be the number 1 in our shop. However, women are very skeptic when buying, because its brand is not so well known, and we often heard it said - Chanel is Chanel. It is a proven brand and quality but also when it is removed from the kit it flashes." This example confirms that people are not inclined to change and to strive for the proven, but primarily that want luxury and glamor, because it makes us happy and increases their value.

According to the results of this study, female population (56.8%) is at least indifferent to the impact of brand-a (brand) when purchasing. Also significant influence is exercised and in the case of young people aged 20-29 years (42.6%) and 30-39 years of age (57.1%). The lowest levels of awareness and drug brands shown in the case of persons aged 40 years and over (even 71.4%). It is interesting that people with close level of education, undergraduate and postgraduate programs of study, for the first time have the opposite point of view, whereby persons with University degree/ College degree interest (50%) prefer to purchase certain brands, while Master degree / PhD (53.8%) are independent the brands.⁸

Another equally important determinant of which falls into the category of social factors influence the family and the family to buy. It often happens that we buy certain products, because our family members say they buy this or that product. The influence of the family is much stronger and more dominant than their own opinions and attitudes. For example, husband would rather buy some food or hygiene item brand by his wife says, but they will stand in front of the shelves and see who is the best of the offered. Otherwise, the same applies. Purchases based on the recommendations and instructions of the spouses and other

⁸ Reference: Although this issue on a scale of agreement of respondents rated the penultimate place, actually shows that the BH market there is awareness of the product brand by the population.

family members, according to the results of empirical research before likely in the case of men and younger people, under 30 years of age, and in the case of the unemployed. On the other hand, respondents older than 40 years (71.4%), as well as persons who have completed postgraduate studies (53.8%) showed the lowest level of agreement with this statement.

- Psychological factors can be called personal factors. These are the factors that influence in the decision of purchase in accordance with our mental patterns and beliefs in certain things. There are several factors that affect the psychological beliefs about buying certain products. Thus, e.g. often react automatically and mechanically doing shopping, if not economically challenged. In this sense, we can connect and power of advertising. If you buy toothpaste, in this particular do not have toothpaste we buy, we usually take the one that presents an association of toothpaste in my head, but it's pasta with advertisements. Although the results of the study showed that only 12% of respondents absolutely believe advertising, they still leave a certain impression on them and affect the final choice when purchasing a product.

It is a different situation when it comes to economic constraints, she immediately choice of narrow and thus limited the consumer to choose a less expensive product. Often, consumers who are economically limited the purchase, buying a particular product under the earlier conviction and psychological impact of habit, no matter what it is significantly more expensive and difficult becomes the choice of their purchasing power. Sometimes the psychological belief that something is good and better than the other for stronger economic constraints. Product price is not affected directly by the purchasing habits of consumers, to show us the results of empirical research. It is noticeable that category: private (75%) of the population with a high school education (77.8%) and young people aged 20-29 years of age (72.3%) have the highest levels of agreement with this statement and thus shows lower levels of substitution according to the favorable price products. Also, the female respondents (70.5%) showed somewhat greater agreement with this statement than the male part (57.1%).

Generally speaking, there is very humble willingness to change current patterns of purchases, among all categories of respondents. But from the results of research to conclude that the greatest resistance to change have persons with secondary school education (44% agreed with the statement 0% said they would change their habits), while persons with a university (41.7%) and postgraduate studies (53.8%), have expressed a greater openness to change. Gender and age were the deciding factors in the answers.

6. Conclusions and recommendations

Before the presentation of final conclusions regarding the purchasing habits of BH population, point out that the work is primarily designed as a mini-research in order to form an idea of the persistence of certain patterns of buying in the market of Bosnia and Herzegovina, and to suggest a much larger scope, both in terms of the sample as well as in demographic subcategories. Considering that on the basis of the investigated we can conclude the presence of distinct consumer habits in all demographic structure, with different intensity endurance surveyed sub-factors of this habit on individual structures inhabitants, we conclude that BH consumer in general is not independent of his family and cultural and communications environment.

Additional findings of the study can be defined as follows:

1. The influence of family consumer socialization is most notably among the young population in the phase of education (secondary and university), as well as with the unemployed population. The financial dependence on the parent and / or partner is actually hidden sub factor of influence and if we consider that in the month of July 2016 were registered over 520,000 unemployed,⁹ we can conclude that this factor spending habits of great importance, and it is expected his impact in the coming years in terms of the demographic structure. Therefore, it makes recommendations to marketers that advertising spots to other marketing communications activities directed more towards the financial steward of the family.
2. Marketing of the brand's most has effect in young and female population, however, in order to expand its business in this market, recommended adaptation of the marketing process more in the direction of the male population. Similarly as in the previous conclusion, the financial (in) dependence plays a key role here, and since it is in B&H still present patriarchal form of the family, where wives are not employed, the focus now should be focused on a population that is responsible for financial activities.
3. New innovative products will arouse the most interest of the population have completed post-graduate studies, as well as private persons, since they showed highest levels of resistance to well-established shopping Forms. This part of the population frantically fought rid of the family and social shackles and open to new ideas.
4. Finally we point out that the B&H citizens are largely conscious of the necessity of buying local products, with the presence of positive attitudes towards the brand BH-in, both in terms of cost, and quality, and the highest level of awareness had been traditionally represented in these markets. However, the impact of this factor, we must limit due that the frequency of purchase of these products far lower for the unemployed, for which we have previously expressed, have a large consumer presence in the overall structure. The future of the B&H brand and is also in the hands of the very BH manufacturers and Bosnian authorities. Some need to act in order to ensure acceptable prices and marketing present

⁹ Statistics Agency in BH (Available on: http://www.bhas.ba/saopstenja/2016/NEZ_2016M07_001_01_BS.pdf)

products, while others in order to ensure adequate economic climate and lower unemployment.

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GOING BEYOND THE MYSTERY OF COMPETITIVENESS INDICATORS: THE CASE OF TRANSITION ECONOMIES

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Abstract

Economic growth in transition economies has been disappointing in the past 25 years. Transition economies failed to catch up with the EU member States in total factor productivity, and is growing slower than the EU economy. This calls for new policies to enhance competitiveness and economic growth. Implementation of effective policies that enhance competitiveness of transition economies requires a clear understanding of the concept of competitiveness. This paper deals with Total Factor Productivity (TFP) model that measures the ability of transition economies to compete in the international market. The growth of TFP are estimated using data from key sectors of selected post-transition and transition economies during 2004-2014. Competitiveness indicators can contribute to the identification of criteria between countries if the competitiveness analysis is reliable. The aim of this paper is to calculate competitiveness indicators for the current level of competitiveness of the transition economies. Also, paper aims to resolve the mystery of competitiveness indicators to enhance their usefulness for the evaluation of country performance and for policy conclusions. Competitiveness assessment is a way to use uniform evaluation criteria to gauge the extent to which a transition economy makes use of different ingots to promote sustained improvements in its prosperity. Indicators of competitiveness were drawn upon both the actual literature on competitiveness as well as modern economic theory. By bringing to bear all the existing data on transition economies, together with new survey data collected for the researching purpose, we are able to go beyond the simple ranking of countries to disassemble the sources of competitiveness into their constituent parts. This allows policy/decision makers to identify areas where transition economies are falling behind relative to other post-transition economies.

Keywords: *competitiveness, indicators, transition economies, total factor productivity, economic growth*

Contact: lejla.terzic.efb@gmail.com. The authors declare that he has no relevant or material financial interests that relate to the research described in this paper. Also, the authors declare that the submitted paper is their original work and that, upon publication, nothing contained in it will not constitute an infringement of any copyright. Paper received **30.09.2016**. Approved **03.11.2016**. This paper is licensed under the Creative Commons Attribution-Non Commercial-No Derives 3.0. License. This paper is published with Open Access at www.socioeconomica.info.

1. Introduction

The development of total factor productivity (TFP) is a main determinant of permanent economic growth of a national economy. While the breakdown of communism 25 years ago signaled the beginning of the transition to market economics for Emerging Europe, the political and economic transformation of the transition economies really got going at the turn of the century. Over the last 15 years, the transition economies have undergone a major economic transformation, and many are beyond recognition compared with where they stood at the turn of the century. However, unification has stalled, and without a reform push, transition economies cannot expect to attract the scale of investment flows that is needed to finance faster economic growth. Economic reforms become trapped in the transition countries since the mid-2000s, even in countries that are still away from reaching the transition border. Progress in transition economies has been closely correlated with political systems: countries which are more democratic have come further, in terms of economic reforms, than their less democratic neighbor transition countries.

There are some of the major questions to be explored in this paper, which now proceeds as follows. It begins by examining the concept of competitiveness and calculating the growth of total factor productivity estimated as a Tornqvist Index in the number and range of indicators of competitiveness. In order to evaluate competitiveness of selected post-transition and transition economies, several methodological approaches have been discussed. It then draws on some of the most reported composite indicators of competitiveness to explore how they are constructed and their utility for policy makers. The fuzzy and mysterious nature of the competitiveness concept and the theory underlying it suggests that this is unlikely to be a straightforward or easy task, with critical questions, among others, concerning what variables should be included in the indicators and how these indicators should be aggregated to produce an overall indicator. Beyond this, even if competitiveness were to be properly measured, it is debatable what any indicator of competitiveness tell us that is meaningful. Nevertheless, competitiveness indicators can encluse to the recognition of norms among countries.

The pursuit of competitiveness as a key policy goal has created tremendous global interest in the assessment of competitiveness. Indeed, there is a huge empirical literature around different indicators of an economy's competitive performance, some of which focus on revealed performance measures such as growth of total factor productivity, GDP PPP per capita, productivity, terms of trade, relative unit labour costs, and others of which seek to construct more sophisticated and specific indicators of competitiveness.

2. The Concept of Competitiveness: The Theoretical Background

Competitiveness of economies is an evasive concept. It has gained attention in era of globalisation specially in countries struggling to return to growth. The main intent of this paper is to define competitiveness from the overview of transition economy to a new road of growth and development with additional social and ecological sustainability.

The phrase of competitiveness is used primarily to underline the cost situation of enterprise or countries. It is frequently used nowadays when an economy is challenged by immediate low-cost rivals. This concentration on costs was reaproached by Paul Krugman (1994, 1994b) as "elusive and

meaningless" at the unintentional stratum and as "misleading or even dangerous" at the politics stratum, since this explanation suggests that cost decrease is the merely beneficial politics feedback.

However, the theory of the firm highlights that triumph within oligopolistic markets subordinates on "competitive advantage" (Aiginger, 2006).¹ The function of productivity is stressed to explicit authors who deliberate productivity as the merely consequential idea of competitiveness (Porter, 1990; Kohler, 2006). Data on Total Factor Productivity (TFP) is provided for changes over time than for absolute differentiation, and certainly not within a method who allows parable of TFP with a cost appraisal.

The significance of institutions has gained growing consideration over the recent decade (Acemoglu, 2003; Rodrik et. al., 2004; Alesina et al., 2005; Bouis et al., 2011). This includes the role of governance and the extent to which the public sector and regulation support in the long run. That includes the activities of government and the public sector with observation support for the years to come. The existence of norms, nonattendance of corruption, confidence within institutions are generally approved as factors of readiness and growth for transition economies. The relevance of clusters for competitiveness has been explored by Porter (1990, 2004, 2008), Ketels (2006), and Ketels & Protsiv (2013). In the explanation of transition to an immediate path of growth, the effectiveness of the social chain to intensify the productive facilities of an economy becomes extremely significant.

A concept of outcome competitiveness is defined by the European Commission (2001) as: "the ability of an economy to provide its population with high and rising standards of living and high rates of employment on a sustainable basis". Basic appraisals of outgrowth accordingly began with GDP PPP per capita as the major pointer of outgrowth competitiveness.

To apprehend competitiveness, the basis should be emphasizing the nation's derivations of prosperity. The prosperity, is resolved by an economy's productivity stratum, which is expressed by the amount of manufactured goods and services produced per unit of human, physical and natural resources (Delgado, M., Ketels, C., Porter, M., Stern, S., 2012). GDP per capita adjusted for purchasing power parity (PPP) is the broadest indicator of national productivity and is strongly connected to a nation's standard of living (Porter et al. 2008). Criticism of GDP as fundamental criterion of economic output and indicator of prosperity is related to the 'beyond GDP' discussion (Stiglitz et al. 2009). This access scales the accomplishment of society using an extensive set of instruments. Whereas the target of economy's competitiveness is accomplishing the goals of its citizens the beyond-GDP access is useful point of removal to revise the admission. There is current exploration on the appraisal "beyond GDP" to improve the access and to adjust it to the needs of heterogeneous communities. The substitute to spacious completion of indicators as within "beyond GDP" is to evaluate prosperity using measures which compress many factors that enclose to welfare. Life expectancy represents a quantitative subjective indicator; investigation responses to questions related to life satisfaction and personal "happiness".

Aiginger (1987) defines „competitiveness of a nation as the ability to (i) sell enough products and services (to fulfil an external constraint); (ii) at factor incomes in line with the (current and changing) aspiration level of the country; and (iii) at macro-conditions of the economic,

¹ See Aiginger (2006, 2014); Fagerberg (1994), Grilo-Koopman (2006), Grupp (1995), Krugman (1996), Oughton (1997), Peneder (2002).

environmental, social system seen as satisfactory by the people." According to Fagerberg (1988) competitiveness is: "the ability of a country to realise central economic policy goals, especially growth in income and employment, without running into balance of payment difficulties". Porter (1990) considers that "the only meaningful concept of competitiveness at the national level is national productivity". According to Competitiveness Policy Council (1994): competitiveness is "the ability to sell products on international markets, while incomes in the domestic markets increase in a sustainable way." IMD (1994) defines "World competitiveness as the ability of a country or a company to, proportionally, generate more wealth than its competitors in the world markets". Oughton & Whittam (1997) define competitiveness as a "long run growth in productivity and hence rising living standards, consistent with increasing employment or the maintenance of near full employment". According to World Economic Forum (2000): "Competitiveness is the set of institutions and economic policies supportive of high rates of economic growth in the medium term." European Commission - EC (2001) defines competitiveness as: "the ability of an economy to provide its population with high and rising standards of living and high rates of employment on a sustainable basis." EC (2011) claims that: "...competitiveness is about stepping up productivity, as this is the only way to achieve sustained growth in per capita income – which in turn raises living standards". Janger et al. (2011): "... determine competitiveness as the capability to elevate norms and employment while keeping sustainable environment and outward equilibrium".

Delgado et al. (2012) define: "Foundational competitiveness" as "the expected level of output per working-age individual that is supported by the overall quality of a country as a place to do business" and "Competitiveness is what underpins wealth creations and economic performance". According to Peneder (2001) competitiveness is the: "ability ... to create high factor incomes along a sustainable path, taking into consideration a society's social, ecological and economic constraints with respect to long-term development." Explicit analysts investigate the influence of economic freedom on economic growth and business occasions (Vukotić & Baćović, 2006, pp. 81-91.). Numerous studies have connected nation's competitiveness with suitable occasions.

Kovačić (2007) accentuates that mixture of statistical data and indicators of international institutions are the appropriate path to estimate national competitiveness. Considering the development of the idea during time, we can interpret competitiveness in light of the agitated new growth way as the "ability of a country to deliver the beyond-GDP aims for its citizens".

3. Methodological Approach for Evaluating the Competitiveness of Transition Economies Based on Total Factor Productivity Model

Evaluating competitiveness of national economies is a challenging task because of the many factors that influence on national productivity. The Total Factor Productivity (TFP) captures within calculation - labor as input and the beneficences, such as: physical human and other intangible resources to the manufactured goods and services. TFP is an element of labor productivity. TFP is not evaluated precisely. It is gained as residual after calculating for the beneficences all other indicators of production (from growth to output).

Conceding that neoclassical accumulated production function, accumulated value added (or GDP) growth should be disintegrate into beneficences from accumulated capital input (K), accumulated labor input (L) and accumulated total factor productivity (A) growth as:²

² See: Jorgenson et al. (2007). Erumban et al. (2015).

$$\Delta \ln \text{GDP} = \bar{V}_K \Delta \ln K + \bar{V}_L \Delta \ln L + \Delta \ln \text{TFP} \quad (1)$$

where V_K and V_L are appropriately the share of capital and labor repayment in nominal GDP. Under constant rebounds to hierarchy $V_K + V_L = 1$, that the capital repayment share can be calculated by subtracting labor repayment from nominal value added. $\Delta \ln K$ is the capital benefits growth rate and $\Delta \ln L$ is the labor input growth rate. $\Delta \ln \text{TFP}$ represents the TFP growth.

According to Jorgenson (1963), capital benefits and labor input are evaluated as translog accumulated of different types of capital and labor.

$$\Delta \ln K = \sum_k \bar{s}_k \Delta \ln K_k; \text{ and } \Delta \ln L = \sum_l \bar{s}_l \Delta \ln L_l \quad (2)$$

where s_k is the share of each type of capital k in total capital compensation, and s_l is the share of each type of labor l in total labor compensation, defined as:

$$s_k = \frac{P_{K,k} K_k}{\sum_K P_{K,k} K_k} \text{ and } s_l = \frac{P_{L,l} L_l}{\sum_l P_{L,l} L_l} \quad (3)$$

where $P_{K,k}$ is a rental price of capital type k , and $P_{L,l}$ is the price (wage rate) of labor type l .

In equation (2) the growth rate of each employee category is valued by their restratification portion. It can represent both the quality or composition effect (diversities into various employee categories). In Total Economy Database, difference has been made into the quantity impact (H) or the quality impact. Enumerating beyond various employee categories and accessing their growth quota, it can be obtained:

$$\Delta \ln H = \Delta \ln \sum_l L_l \quad (4)$$

where H represents labor quantity evaluated by employment or hours obtained by adding beyond various employee categories. The dissimilarity beyond labor input growth quota accumulated using equation (4) and the accumulation beyond various employee categories in equation (2) is labor quality (or the labor composition effect), as it captures the diversity connected to labor input (Jorgenson et al, 2007). In Total Economy Database, the addition of labor is separated into the beneficence of employment quantity (H), labor quality (LQ), and the beneficence of capital services divide into ICT and non-ICT capital services. Therefore, equation (1) can be revised as:

$$\Delta \ln \text{GDP} = \bar{s}_{K,it} \Delta \ln K_{it} + \bar{s}_{K,nit} \Delta \ln K_{nit} + \bar{s}_L \Delta \ln H + \bar{s}_L \Delta \ln \text{LQ} + \Delta \ln A \quad (5)$$

Deducting the growth rate of labor quantity, H - it can be divided the growth quota of labor productivity into capital repining and Total Factor Productivity Growth (TFPG) as:

$$\Delta \ln v = \Delta \ln \text{GDP} - \Delta \ln H = \bar{s}_{K,it} \Delta \ln k_{it} + \bar{s}_{K,nit} \Delta \ln k_{nit} + \bar{s}_L \Delta \ln \text{LQ} + \Delta \ln A \quad (6)$$

y represent the total economy labor productivity quota, measured as the diversity among GDP and labor quantity growth and k is capital repining, evaluated as the difference between capital service growth and labor quantity growth. The coaction among labor productivity, and TFP becomes understandable from equation (5). The equation demonstrates that growth in labor productivity rely upon: capital deepening, labor quality and TFP. The growth of TFP in selected post-transition and transition economies, estimated as a Tornqvist Index, is shown in table 1.

Table 1: The Growth of Total Factor Productivity in selected post-transition and transition economies - Estimated as a Tornqvist Index

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Estonia	3,0	4,2	3,8	3,2	-7,2	-4,6	4,7	2,4	3,2	0,1	0,6
Slovenia	1,0	3,3	3,5	2,5	-1,8	-8,6	1,6	2,2	-2,0	-1,5	0,5
Lithuania	1,8	3,8	3,8	4,4	-1,5	-11,5	3,2	5,6	2,2	2,0	0,7
Czech Republic	2,5	3,0	4,4	2,2	-1,4	-5,4	0,8	0,5	-1,4	-1,7	0,1
Latvia	2,6	1,3	10,6	2,0	-10,8	-6,9	0,7	3,4	4,5	3,2	2,8
Poland	2,7	0,5	2,3	2,2	-0,8	0,4	3,2	2,3	-0,6	-0,6	-0,7
Slovak Republic	2,0	2,5	4,1	6,0	1,1	-6,4	3,8	0,3	-1,0	-0,2	-1,1
Croatia	-1,5	-2,0	-2,2	-1,8	-3,6	-8,1	-0,7	0,3	-1,1	-1,4	-0,8
Hungary	1,0	1,3	1,0	-2,1	-0,4	-6,5	-0,2	-0,3	-1,1	-0,9	-0,8
Bulgaria	-1,5	-2,0	-2,2	-1,8	-3,6	-8,1	-0,7	0,3	-1,1	-1,4	-0,8
Romania	6,4	3,1	6,0	5,0	6,7	-6,9	-1,2	-0,2	6,3	2,8	0,8
Iceland	6,5	1,1	-2,1	4,9	-0,6	0,2	-1,3	2,8	2,8	2,7	1,7
B&H	5,5	-1,3	8,9	5,2	-0,2	-4,3	-1,0	0,7	-3,1	1,3	-2,4
Macedonia	7,4	0,5	1,3	3,7	-0,9	-3,8	3,3	0,5	-3,3	-0,6	0,7
Albania	1,0	1,5	1,1	1,3	1,9	2,7	1,8	0,2	-1,6	3,6	0,0
Turkey	4,2	0,8	-1,3	-1,5	-4,1	-7,9	3,5	2,1	-3,4	-1,1	-2,3

Source: Author's calculations is based of data announced by the Total Economy Database.

On average, we find rather large differences in TFP growth between individual selected post-transition and transition economies. However, Latvia, Lithuania and Estonia exhibit the highest TFP growth over the period 2004-2014. Even though the positive price effect obviously dominates in Estonia, Lithuania and Romania, this was not the case in Slovak Republic, Hungary, Bulgaria and Croatia. Iceland and Macedonia exhibit higher TFP growth than the rest of transition economies. This methodological approach to growth accounting gives new insights into drivers of economic growth and details concerning the sectoral origin of technological growth in an economy. Furthermore, with this methodology, it can be assessed the importance of domestic as well as international relations within an economy, between transition and post-transition economies. It can be concluded that the productivity growth greatly varies between post-transition and transition countries, and changes in terms of trade can affect individual economies in the region in radically different ways. This influence relies on the stage of real appreciation in particular economies. Therefore, it is connected to the specific mixture of price and non-price growths effecting international competitiveness.

4. Methodological Approaches for Evaluating the Competitiveness of Transition Economies Based on Competitiveness Indicators

In order to evaluate competitiveness of selected post-transition and transition economies, several methodological approaches will be discussed: 1. European Commission - Europe 2020 Competitiveness methodological approach, 2. the World Economic Forum Competitiveness methodological approach, 3. the World Bank methodological approach, 4. the Heritage Foundation methodological approach and 5. The Business School for the World (INSEAD) Global Talent Competitiveness methodological approach.

Through the methodological approach of the Europe 2020 Competitiveness Index, the report of EU evaluates the extent to which the 28 EU member countries and EU candidate countries have in place the institutions, policies and services to make Europe a smart, inclusive and environmentally sustainable society. The European Commission created a strategy entitled „Europe 2020 -EU Strategy for Smart, Sustainable and Inclusive Growth“, which marks the significant elements of the program. Europe has identified new generators to increase growth and create jobs. These areas are addressed by Europa 2020 flagship initiatives. The top three priorities are (European Commission, 2010): “1) Smart growth: economic development based on knowledge and innovation; 2) Sustainable growth: promoting a resource efficient, greener and more competitive economy and 3) Inclusive growth: providing a high-employment economy delivering economic, social and territorial cohesion.”

According to Europe 2020 Competitiveness methodological framework the smart growth sub-index aims to evaluate the addition to which European are developing economies relied on knowledge, talent and innovation. It is constructed of 4 pillars related to different principles of ability to create smart economies in European Union (EU 2020 Competitiveness Report, 2014, pp.8): enterprise environment, digital agenda, innovative Europe, education and training. The inclusive growth sub-index captures the magnitude to which all individual members of society can provide to and gain from economic growth in Europe. This is included through two pillars, one evaluating the labour market and employment conditions, and the other evaluating social inclusion. The sustainable growth sub-index is made up of one pillar, evaluating the magnitude to which the natural surrounding is contributing to competitiveness and the preservation of a pollution-free surrounding. The assesment of competitiveness in Europe is calculated by using quantitative data. Total scores for every economy are estimated as unweighted averages of the individual scores from the seven pillars. The scores and rankings of the countries covered by the EU 2020 Competitiveness Report are derived from a database including 148 countries. Total scores are conferred on a scale from 1 to 7, where higher values display stronger accomplishment.

The World Economic Forum (WEF) establishes its competitiveness analysis on the Global Competitiveness Index (GCI), which incorporates microeconomic and macroeconomic basics of national competitiveness. WEF Competitiveness Index calculates 12 various pillars of competitiveness. Basic preconditions are critical for factor driven economy. Efficiency enhancers are important for efficiency driven economies. Factors of innovation and business sophistication are crucial for innovation driven economy. Pillars are divided into 3 sub-indicators. The first group of pillars are important for economies in the factor driven stage. The second group of pillars are relevant for efficiency driven stage. The third group of pillars are crucial for innovation and

business sophistication stage. The percentage distributed to every indicator presents weight that belongs to appropriate pillar category. Estimation of GCI is situated on scores collection, from the first to the last pillar group by application proper weights. The selection of indicators can be sensible. Candidate indicators are diagnosed and abduct ideas suggested by theory. The Index model created by WEF needs the compatibility of proper annual data for countries covered by survey. Every individual indicator is certified by statistically significant relationship to GDP per capita adjusted by purchasing power parity (Porter et al. 2008).

In extension to the WEF, the World Bank declares Reports on Ease of doing business, which target to classify economies by the quality of business environment as pillar of competitiveness. The *Doing Business (DB)* data are collected by the questionnaire that adopts a business study to guarantee comparisons across economies. The doing business index (DBI) considers value of indicator values in many fields (WB, 2014): 1) Starting a business, 2) Dealing with construction permits, 3) Getting electricity, 4) Registering property, 5) Getting credit; 6) Protecting investors, 7) Paying taxes; 8) Trading across borders; 9) Enforcing contracts; 10) Closing a business. Index of Economic Freedom created by Heritage Foundation (HF), presents detailed examination of the institutional climate and economic development. Many theories deal with various economic development basis and causes, but HF methodology signifies that: the economies with enormous economic freedom posses higher economic growth rate than economies with low level of economic freedom. IEF includes an average of 10 particular freedoms in following fields (HF, 2014): business, trade, monetary, government, fiscal, property rights, investment, financial, corruption and labor.

The 2014 INSEAD (The Business School for the World) Global Talent Competitiveness methodological approach (GTCI report) aims attention to the talent growth in improving economies' competitiveness. The GTCI (the Global Talent Competitiveness Index) offers an approach to talent competitiveness issues and generates three main indicators: 1) The talent competitiveness input sub-index is constructed of 4 pillars. It explains the policies, assets and exertions that economy can pair talent to raise competitiveness. Enablers (Pillar 1) focus the range to which the political and economic surroundings conceive a convenient climate to develop and prosper talent. The other 3 pillars explain 3 ranges of talent competitiveness, obtaining respectively on what economies are doing to Attract, Grow and Retain talent (pillars 2-3-4). The Input Sub-Index is the arithmetic average of the scores calculated on those 4 pillars. 2) The talent competitiveness output sub-index. This sub-index aims to evaluate the quality of talent in a economy that results from the policies, resources and achievements evaluated in the Input Sub-Index. It is composed of two pillars, describing the current situation of a selected economy in terms of „labour and vocational skills“ LV skills (Pillar 5) and „Global Knowledge Skills“ GK skills (Pillar 6). 3) The global talent Competitiveness index. This is the overall index and is calculated as the direct arithmetic average of the scores obtained on each of the six pillars explained above. For businesses as well as for national economies, talent has become the core currency of competitiveness. The GTCI 2014 confirms the strong correlation between economic performance and the combination of vocational and global knowledge skills available locally.

5. Evaluation Results: Analysis Between Post-Transition and Transition Economies

Analysis of indicators of competitiveness in selected transition economies is based on a comparison of results obtained by the application of distinctive methodologies and the established correlation between selected positions among countries concerning numerous competitiveness studies and analytical indicators. Comparison of competitiveness indicators was implemented by subordinate data and Spearman's correlation coefficient. In the analysis shown in table 2, which examines the classification of selected transition and post-transition economies according to EU 2020 competitiveness surveys for 2014, the best ranked economies are the post-transition economies (Estonia, Slovenia and Lithuania). Compared to them, Turkey and Macedonia are the worst ranked. According to GCI for 2014, the best ranked economies are: i) Estonia as post-transition economy and ii) Iceland as transition economy. The best ranked economy according to DB indicators for 2014 is Iceland. Compared to them, B&H and Albania are the worst ranked. According to IEF indicators for 2014, the best ranked economy is Estonia while B&H is the worst ranked. The best ranked economy is Iceland, according to GTCI indicators for 2014, while Romania is the worst ranked.

Table 2: Classification of selected transition and posttransition economies by application of distinctive competitiveness methodologies and GDP PPP per capita for 2014.

	Rank EU 2020 CI (28) 2014	Rank GCI (144) 2014	Rank DBI (177) 2014	Rank IEF (92) 2014	Rank GTCI (92) 2014	GDP PPP per capita 2014
Post-transition economies						
Estonia	1	1	3	1	2	5
Slovenia	2	12	6	14	4	2
Lithuania	3	4	2	2	7	6
Czech Republic	4	3	13	4	3	3
Latvia	5	5	4	5	5	10
Poland	6	6	8	7	8	7
Slovak Republic	7	13	9	10	n/a	4
Croatia	8	14	14	15	10	9
Hungary	9	10	10	8	6	8
Bulgaria	10	8	11	11	9	13
Romania	11	9	12	12	12	12
Transition economies						
Iceland	12	2	1	3	1	1
B&H	n/a	n/a	16	16	n/a	16
Albania	n/a	n/a	15	9	n/a	15
Turkey	14	7	12	13	11	11
Macedonia	13	11	5	6	n/a	14

Legend: EU 2020 CI -The Europe 2020 Competitiveness Index, GCI - Global Competitiveness Index, DBI - Doing Business Index, IEF - Index of Economic Freedom, GTCI – Global Talent Competitiveness Index

Source: Calculation is based on data announced by the European Commission, World Economic Forum, World Bank, Heritage Foundation, INSEAD and national accounts database for 2014.

Additional analysis will show the connotation of the characteristics of the understanding of examination competitiveness studies, which are broadly used to constitute the indicators of competitiveness of assorted international institutions. The interdependence of classification according to distinctive studies (European Commission, World Economic Forum, World Bank, Heritage Foundation and INSEAD) and hard statistical indicator (GDP PPP per capita) as a expansive scope of economic growth, is shown in Table 3, as represented by Spearman's rank correlation coefficient. The data was accomplished comparative analysis of competitiveness indicators was implemented via the SPSS 20 statistical software package.

Table 3: Spearman's correlation coefficient for analyzed competitiveness indicators for the presented post-transition and transition economies

	EU 2020 CI	GCI	DBI	IEF	GTCI	GDP PPP pc
	1,000	,262	,268	,345	,497	,552*
EU2020CI	.	,366	,353	,227	,101	,041
	14	14	14	14	12	14
	,262	1,000	,473	,811**	,615*	,305
GCI	,366	.	,088	,000	,033	,288
	14	14	14	14	12	14
	,268	,473	1,000	,705**	,613*	,552*
DBI	,353	,088	.	,002	,034	,027
	14	14	16	16	12	16
Spearman's rho	,345	,811**	,705**	1,000	,650*	,432
	,227	,000	,002	.	,022	,094
	14	14	16	16	12	16
	,497	,615*	,613*	,650*	1,000	,832**
GTCI	,101	,033	,034	,022	.	,001
	12	12	12	12	12	12
	,552*	,305	,552*	,432	,832**	1,000
GDP PPPpc	,041	,288	,027	,094	,001	.
	14	14	16	16	12	16

Source: calculations by author.

Conducted analysis of Spearman's rank correlation coefficient contributes to feedback to the inquiry which methodological approach of competitiveness assessment demonstrates the prosperity of the national economy and competitiveness of analyzed post-transition and transition economies in the most reliable way. Positive interrelationship between the IEF and GCI indicators accompanying by a coefficient of 0,811, has recommended that accomplishing greater rank of competitiveness rely upon on economic freedom because the country with the tremendous economic freedom have a higher quota of economic growth than countries with inferior economic freedom. Rank interdependence is pronounced between GTCI competitiveness indicators and indicators of economic growth (GDP PPP per capita), accompanying by a correlation coefficient of 0,832. The level of competitiveness of selected post-transition and transition economies analyzed in terms of different methodological approaches, indicates that methodological approach developed by INSEAD greatly correspond with the existing position of economic growth, illustrated by great

interrelation between the GTCI competitiveness indicators and the GDP PPP per capita as a reliable measure of economic growth.

6. Conclusion

The analysis based on overall competitiveness indicators deliver information about the macroeconomic and microeconomic surroundings that create business occasions for promoting competitiveness of transition economies. Assorted propositions can be stressed from the analysis of Spearman's rank correlation coefficient for the presented economies' analyzed indicators:

- There is important interrelationship between the GTCI and GDP PPP per capita articulated by a strong positive interrelation (0,832).
- Interaction is evident between IEF and GCI, accompanying by correlation coefficient of 0,811, which symbolize a very strong positive correlation between these indicators. Positive correlation between the Index of Economic Freedom and the Doing Business index has indicated that competitiveness depends on economic freedom.
- Between the indicators of Heritage Foundation (IEF) and DB indices is presented a positive correlation (0,705). Positive interaction between the Index of Economic Freedom and the Doing Business index has indicated that Heritage Foundation uses particular indicators of the Doing Business which makes them responsive to the identical difficulties.

Evidently the post transition countries' lectures in harmonized countries with dissimilar economic and political circumstances are beneficial in aiding the EU expansion process and the reunification of the new representative countries into European Union. These lectures are also helpful for adaptation to the necessities and disputes of globalization. The role of using suitable policy models will increase in the line of building environment for reconstructing competitiveness, sustainable development and economic growth of the EU candidate countries. Choosing the appropriate policy depends on determining the cause of the lack of competitiveness. However, methodological approach for evaluating competitiveness developed by The Business School for the World (INSEAD) assurance to expose new observation into the elements of competitiveness. The ambition of the Global Talent Competitiveness Index is to be an tool for sustained prosperity and connecting talent to economic development and growth. The GTCI is device to encourage cooperation between government, business and academic community, international associations and ordinary citizens. In this multiple surrounding, it is understandable that talent competitiveness prosperity will require united efforts of government, business and educational groups. Total Factor Productivity methodological approach to growth accounting gives new insights into drivers of economic growth concerning the sectoral origin of technological growth in an economy. Additionally, with this TFP methodology, it can be assessed the importance of domestic as well as international relations within an economy, between transition and post-transition economies.

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CONSIDERING THE MULTIPLE AND PRESSING CHALLENGES THE UNITED NATIONS FACES TODAY, WHAT IS THE PROPER ROLE OF THE SECRETARY-GENERAL AS TOP INTERNATIONAL PUBLIC SERVANT?

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Abstract

As the successor of the failed League of Nations, the United Nations was established at the end of World War II to ensure International Peace and Security; and promote Human Rights and Development amongst other imperatives. The UN is headed by a Secretary-General who supervises the operations of the International Organization. There has been a significant correlation between the qualities and roles of each UN Secretary-General and achieving these UN Core. The disorderly state of the International System and the actuality that states are driven by their national interests make this job one of the most difficult on earth. This paper critically examines the requisite role of the UN Secretary-General in addressing United Nations' pressing internal and external challenges. Despite the challenges and failures of the UN since 1945, significant achievements have been made especially in the areas of Human Rights Promotion, Refugees Management, Gender Equality, Peacekeeping, Poverty Eradication, Trade Liberalization, Securing Debt Relief, Facilitating Transitional Justice, Conflict Mediation, Combating Diseases and Managing the Effects and Adaptation of Climate Change. The UN Secretaries-General have played greater roles in the progress made in these areas through shaping the Global Agenda and constantly hammering on and lobbying the world about assorted

Contact: mehari.fisseha@outlook.com. The author declares that he has no relevant or material financial interests that relate to the research described in this paper. Also, the author declares that the submitted paper is their original work and that, upon publication, nothing contained in it will not constitute an infringement of any copyright. Paper received **03.12.2016**. Approved **30.12.2016**. This paper is licensed under the Creative Commons Attribution-Non Commercial-No Derives 3.0. License. This paper is published with Open Access at www.socioeconomica.info.

Considering the Multiple and Pressing Challenges the United Nations Faces Today, what is the Proper Role of the Secretary-General as Top International Public Servant?

key concerns. Through their roles many Treaties, Protocols and Institutions have been established to address various global concerns. The qualities and roles of UN Secretaries-General since 1945 were critically analyzed, bringing out the correlation between these qualities and roles, and their achievements – overall achievements of the UN. The frustrations of UN Secretaries-General especially those necessitated by the UN Security Council's internal politics were also brought to light. The needful qualities and qualifications of a UN Secretary-General were critically highlighted, dissected, pairing them with past successes and failures. Some of these qualities range from qualities of Resilience, Moral Courage, and the personality to coax the most powerful world leaders towards an agreement, Impartiality, Persuasive Powers and Charm, to Wisdom. This work is segmented into the Cold War and Post-Cold War Eras Secretaries-General, the UN Challenges and the achievements and failures of these UN Chiefs. Finally, is the analysis of the present challenges of the UN and what are required of the coming UN Secretary-General in addressing them, as Ban leaves next year.

1. Introduction – The UN and Roles of Secretaries-General

The United Nations (UN) is an International Organization, designed to promote international peace, security, development, human rights; protect of the environment; and provide humanitarian aid in times of cataclysms. Established in 1945, after World War II, the UN replaced the bootless League of Nations in order to prevent another such conflict.¹ Headquartered in New York, the UN currently has 193 member states; and six principal organs: the General Assembly (UNGA), the Security Council (UNSC), the Economic and Social Council (ECOSOC), the Secretariat, the International Court of Justice (ICJ), and the United Nations Trusteeship Council. The UN System agencies include the World Food Programme, the United Nations Educational, Cultural and Scientific Organization (UNESCO), the United Nations Children Emergency Fund (UNICEF), the World Bank Group, the World Health Organization etc. The UN won the Nobel Peace Prize in 2001, and some of its officers and agencies have also been awarded the prize.

The UN Secretary-General (UNSG) is perceptively the most difficult position on earth because of the pressures from member states, the unending divisions amongst major powers in the UNSC, and the relentless intellectual and physical demands. Because of the open-ended nature of the role of the UNSG, each of them interprets the role differently. The UNSG heads the UN Secretariat as a top diplomat; and is also the spokesperson of the organization. Article 97 of Chapter XV of the UN Charter asserts that the Secretary-General shall be the "Chief Administrative Officer" of the UN, but does not characterize their specific roles. Ideas about the roles of the UN Chief are further stated in Articles 98 through 100, as the officer in all meetings of the six principal organs except the ICJ, and shall perform other functions obligated to him by these organs. According to Article 99, the UNSG is responsible of notifying the UNSC on matters which "in his opinion may threaten the maintenance of international peace and

¹ Kennedy, Paul (4 September 2007). *The Parliament of Man: The Past, Present, and Future of the United Nations*. New York: Random House. ISBN 0375703411.

security;"² and could work behind the scenes to facilitate discussions if the members of the council are unwilling to discuss such matters. Since 1945, the UN has had 8 Secretaries-General: Trygve Lie, Dag Hammarskjold, U Thant, Kurt Waldheim, Javier Perez de Cuellar, Boutros Boutros Ghali, Kofi Annan and Ban Ki-moon (the current). These men have spoken out and played important roles on global issues to various degrees.³ The UNSG must also "uphold the values and moral authority of the UN, and speak and act for peace, even at the risk, from time to time, of challenging or disagreeing with those same Member States."⁴

The assets of the UNSG include his personal diplomatic skill, his staff, and the centrality of the UN in International Diplomacy. A UNSG should have outstanding conflict prevention, negotiation, mediation and resolution skills especially on polarized International Issues; should have a deep exposure to International Relations Issues; and should have been outstanding in an important national, regional or international leadership capacity. The UNSG should also have the authority and personality to wheedle the most powerful world leaders towards a consensus. Furthermore, the UNSG is supposed to be independent, impartial and must have integrity. These are necessary to prevent international disputes from arising, going apocalyptic or spreading. The UNSG also attends consultations with world leaders, government officials, and others; and travels worldwide in order to be in touch with the populations of the Organization's Member States and inform them about the vast array of issues of international concern that are on the Organization's agenda.⁵ Every year, the UNSG issues a report on the work of the UN that appraises its activities and outlines future priorities.⁶ Additionally, Secretaries-General serve for renewable five-year terms and their recommendation is subject to the veto of any of the five permanent Members of the UNSC. The UNSG's selection process customary norms include the rotation of the position within five regions of the world, and that the position holder may not be a citizen of any of the Security Council's five permanent members.⁷ Most Secretaries-General have been agreeable candidates from middle powers with no little prior fame.

2. During Cold War

The UN mission to preserve world peace and subsequently its effectiveness were deeply questioned in its early decades by the Cold War between the US and Soviet Union and their

² UN Charter, Article 99

³ Simon Chesterman (ed), *Secretary or General? The UN Secretary-General in World Politics* (Cambridge: Cambridge University Press, 2007).

⁴ "Role of the Secretary-General", The United Nations Website

⁵ http://www.un.org/sg/sg_role.shtml

⁶ Ibid

⁷ "Kofi Annan: Job at a Glance". PBS. Educational Broadcasting Corporation.

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respective allies. Because of this, the hands of Secretaries-General within this period were tied and they could not achieve so much despite their remarkable personalities, qualifications and outstanding diplomatic skills. During this era, the UN role in International Relations wasn't quite clear and was deeply undermined by the power politics of the West and East. There were so many proxy wars within this era, and UN role in preserving international security was an abysmal to the extent that another World War was almost kicked off. During this era, UN was able to intervene in conflicts distant from the Cold War.⁸ Between 1946 and 1952, Trygve Lie was the UNSG. He came to the position with outstanding mediation and diplomatic skills, and qualifications (former Norwegian Minister of Foreign Affairs etc). He was instrumental in the intervention of UN Armed Forces in the Korean War which resulted in the subsequent refusal of the Soviet Union to recognize him as the Secretary-General. He also supported and influenced the establishment of Israel in 1947 following Palestine's partition; and Indonesia. His passionate support and bias for Israel made him pass secret military and diplomatic information to Israeli officials which were very shameful to the position.⁹ Nevertheless, he influenced the withdrawal of Soviet forces in Iran and a ceasefire to the fighting in Kashmir. His critics point out his failures to facilitate negotiation in the Berlin Blockade and have criticized him for his arrogance and stubbornness – very pejorative qualities for the position. He would end up presiding over a long list of diplomatic failures, tarnishing the UN image, and accomplishing very little.¹⁰ Trygve Lie subsequently called the job “the most difficult job in the world” a phrase iterated by most of his seven successors; and he resigned.

With great diplomatic skill, qualifications, technocratic competence and moral authority, Dag Hammarskjöld became the UNSG between 1953 and 1961 and helped in mediating the Suez Canal Dispute (1956) after the first UN Peacekeeping Force was established to end the Suez Crisis. He was often praised as one of the UN most effective Secretaries-General and made the position at 47. However, the UN under his leadership failed to intervene against the USSR's simultaneous invasion of Hungary following the country's revolution.¹¹ His resilience made him to refuse to give in to Soviet pressure to resign. He was responsible for organizing of the first and second UN international conference on the peaceful uses of atomic energy in Geneva (1955 and 1958). Under him, new methodologies were implemented at the UN, including the establishment of a UN “presence” in various conflicts around the world. In 1960, the UN deployed United Nations Operation in the Congo (UNOC), to bring order to the Congo crisis.¹² While travelling to meet with rebel leader Moïse Tshombe during the conflict, he died in a plane crash; months

⁸ Meisler, Stanley (October 1995). *United Nations: The First Fifty Years*. New York: Atlantic Monthly Press. ISBN 978-0871136169. p. 35

⁹ Hilde Henriksen Waage (2011). "The Winner Takes All: The 1949 Island of Rhodes Armistice Negotiations Revisited". *Middle East Journal* 65 (2): 279–304. doi:10.3751/65.2.15.

¹⁰ Ki-Moon, Ban; MacAskill, Ewen (22 July 2010). "Disquiet grows over performance of Ban Ki-moon, UN's 'invisible man'". *The Guardian* (London).

¹¹ Meisler, Stanley (October 1995). *United Nations: The First Fifty Years*. New York: Atlantic Monthly Press. ISBN 978-0871136169. p. 114

¹² *Ibid*, pp. 115–134

later he was posthumously awarded the Nobel Peace Prize. US President John F. Kennedy called Hammarskjöld "the greatest statesman of our century".¹³

U Thant succeeded Dag, and was the UNSG from 1961 – 1971 as a top diplomat. In 1964, he deployed the United Nations Peacekeeping Force in Cyprus - the longest-running peacekeeping mission. He helped to diffuse the Cuban Missile Crisis and in ending the Civil War in the Congo. He influenced the establishment of the UN Development Programme, UN University, UNCTAD, UNITAR, and the UN Environmental Programme. From 1972 to 1981, Kurt Waldheim was the UNSG and came to the position as an outstanding diplomat and former Ambassador of Austria. During his first three years, he visited areas of special concern to the United Nations including South Africa, Namibia, Cyprus, Syria, Lebanon, Israel, Egypt, and Jordan. In 1980, he unsuccessfully failed to negotiate the release of the American hostages held in Tehran.¹⁴ Javier Perez de Cuellar (1982 – 1991) came to the position as a top diplomat and mediator. He led mediations between Britain and Argentina in the aftermath of the Falklands War. He helped in promoting the efforts of the Contadora Group to bring peace and stability to Central America. He also interceded in the negotiations for the independence of Namibia and the conflict in Western Sahara between Morocco and the Polisario Front. In 1986, he presided over an international arbitration committee that ruled on the Rainbow Warrior incident between New Zealand and France. Under him, the UN shifted its pre-occupation to economic development and cultural exchange.¹⁵ Javier Perez de Cuellar also facilitated a negotiation of a ceasefire to end the Iraq-Iran War.

3. Post Cold War

Post Cold War, UN roles in the world have increasingly been around: promoting Democracy, Good Governance, Human Rights, Transparency and Accountability - Civil Society and Media Liberties all around the world - Liberalizing International Trade and Increasing Private Sector Participation in National, Regional and International Economies – Securing Debt Relief and Giving Foreign Aid to her developing members through her institutions - Humanitarian Interventions to prevent gross Human Rights Abuses - Collective Security Efforts - Combating Terrorism – Peacekeeping - Refugees Management - Non-Proliferation - and Mediation in Wars – Fighting Poverty, Inequality and Diseases and Mainstreaming Gender Equality – Combating Climate Change. To address all these, Post Cold War Secretaries-General have helped in influencing mild achievements in most of these. The UN institutions like the International Criminal Court (ICC), United Nations Human Rights Council (UNHRC), United Nations Framework Convention on Climate Change (UNFCCC); World Trade Organization

¹³ Linnér S (2007). "Dag Hammarskjöld and the Congo crisis, 1960–61" (PDF). Uppsala University. p. Page 28.

¹⁴ Israeli-Ugandan Relations in the Time of Idi Amin by Arye Oded, *Jewish Political Studies Review* 18:3-4 (Fall 2006)

¹⁵ Meisler, Stanley (October 1995). *United Nations: The First Fifty Years*. New York: Atlantic Monthly Press. ISBN 978-0871136169. p. 286

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(WTO), the United Nations Office on Drugs and Crime (UNODC) - Global Policies and Treaties like the Kyoto Protocol, Millennium Development Goals (MDGs), Sustainable Development Goals (SDGs); and Principles like the Responsibility to Protect (R2P) – were all established to address a lot of global challenges through mainly the leaderships of UN Secretaries-General.

Boutros Boutros Ghali of Egypt became the UNSG in 1992 and was there till 1996. He made the position after being the Foreign Affairs Minister of Egypt and as a scholar of International Law and Affairs. During his time, he focused on the Middle East, the bureaucratic reorganization of the UN Secretariat and the increasing economic gap between North and South. UN also failed in Srebrenica (the massacre) and in Rwandan (the genocide) while he was the UNSG. In 1992, he submitted An Agenda for Peace, a suggestion for how the UN could respond to violent conflict. Subsequently, he could not muster support in the UN for intervention in the continuing Angolan Civil War. Some scholars believed he was responsible for an escalation of the Somalia crisis. His reputation became mixed in the larger controversies over the role of the United States in the UN.

The United States would subsequently veto a second term for Boutros-Ghali and he was not re-appointed. This brought in the ability of a UNSG to be in good terms with the US as a major quality for the position as Secretaries-General work more closely with the US than any other UNSC Member State, and needs relationships with both government officials as well as

Members of Congress who play an enormous role over UN funding issues. His successor Kofi Annan (1997 - 2006) through advocacy; beautiful diplomatic and managerial skills; persuasive powers and charm; wisdom, practical intelligence and charisma; moral authority; and having being with the organization ended up as one of the best Secretaries-General ever. He helped in reshaping the image of the UN, in raising UN reputation and in integrating the Civil Society and Private Sector into UN works. He represented the clear qualities of an efficient Secretary-General in leading the UN amidst all global challenges. He shared a Nobel Peace Prize with the UN for his efforts in revitalizing the United Nations in 2000. On assuming office, he introduced new management mechanisms through the establishment of a cabinet-style body to assist him and be grouping the UN activities. He introduced the establishment of the position of Deputy Secretary-General, a 10 percent reduction in posts, and a reduction in administrative costs. Annan was deeply involved in supporting the transition from military to civilian rule in Nigeria in 1998. In 1999, he supported the efforts of East Timor to secure independence from Indonesia. In 2000, he was responsible for certifying Israel's withdrawal from Lebanon. In 2006, he led talks in New York between the Cameroonian and Nigerian presidents which led to a settlement of the dispute between the two countries over the Bakassi peninsula.

He came in during the escalation of the AIDS epidemic and issued a “Call to Action” proposing the establishment of a Global AIDS and Health Fund. He influenced the shaping of UN Agenda towards respect for human rights leading to the establishment of UNHRC, democracy, equality and poverty reduction. He released We the People: the Role of the UN in the 21st Century, a report that was geared towards improving the lives of the poor in the new millennium which led to the establishment of the Millennium Development Goals (MDGs). MDGs had 8 goals that were geared toward reducing hunger, poverty, child mortality, and

increasing literacy level. He achieved his streamlining the UN Agenda through influencing the float of UN Offices in every of its member state. He also facilitated the repatriation of more than 900 international civil servants and citizens of Western countries from Iraq and led the first United Nations team negotiating with Iraq on the sale of oil to fund purchases of humanitarian aid. His moral courage made him to challenge the whole international community through his General Assembly speech in 1999 to confront the challenges of genocide, atrocity crimes, and humanitarian intervention which led to the institution of R2P. Later on during US Invasion in Iraq, he called the Invasion illegal based on International Law. He clearly rejected Unilateralism and that Use of Force must be through UNSC resolution. As a visionary Kofi Annan set a lot of Global Agendas and established clear priorities. Annan's oratorical brilliance and advocacies made the organization seem slightly less depressing than it otherwise would have in its darkest hours. Annan was also considered an activist, "world moderator" – style Secretary-General.

4. Current Challenges of the UN and the UNSG's Efforts

Currently, the UN pressing challenges range from the internal ones of lack of Democracy in the UNSC Permanent Membership and Reforming the Organization for efficiency and pro-activity TO the external ones of Achieving the SGDs as the MDGs were mildly achieved - the Syrian Crisis - Combating Terrorism – the Ukrainian Crisis - the Israeli and Palestinian Crisis - Refugees Crisis - Unilateralism – Global Economic Imbalance - Nuclear Proliferation – the Unending Crisis in the Middle East and North America – Poverty - the Reinstitution of Arms Race amongst the super powers – and Climate change.

On entering office in 2007, the current UNSG, Ban Ki-moon refused to condemn the death penalty imposed on Saddam Hussein by the Iraqi High Tribunal. This position contradicted the long-standing UN opposition to the death penalty as a human-rights concern.¹⁶ He has received strong criticism from the UN Office of Internal Oversight Services (OIOS), which affirmed that the Secretariat under his leadership was "drifting into irrelevance".¹⁷ On entering office, Ban identified global warming as one of the major issues of his administration. On 1 March 2007 in a speech before the UNGA, Ban emphasized his concerns about global warming. In 2008, he criticized Israel for planning to build housing units in a West Bank settlement, saying the decision conflicts with "Israel's obligation under the road map" for Middle East peace.¹⁸ In 2011 when the Libyan Civil War began, Ban's attention and public statements that year were dominated by the War. He lobbied for peaceful solutions to the crisis. He spoke out against

¹⁶ Julia Preston (3 January 2007). "New U.N. Chief Invites Controversy by Declining to Oppose Hussein Execution". The New York Times.

¹⁷ "Arrhenius End of Assignment Report" (PDF). Foreign Policy. 14 June 2010.

¹⁸ "U.N. blasts Israel for West Bank housing expansion plan". CNN. 10 March 2008. Archived from the original on 14 March 2008.

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military action in Libya, believing that a diplomatic solution would be possible and preferable. However, he gave up that if the then leader Muammar Gaddafi refused to abide by a cease fire agreement, the international coalition of military forces would have no choice but to intervene to protect the civilian population in Libya.¹⁹ After his re-appointment for his second term in January 2012, Ban has focused his public statements and speeches on peace and equality in the Middle East and on equality issues. Throughout 2012, he expressed his concern about the continuing Israeli–Palestinian conflict, in particular the condition of the Palestinian hunger strikers in Israeli prisons²⁰ and the movement restrictions imposed on Gaza Strip residents.²¹ During a speech at the UN headquarters commemorating Human Rights Day, Ban condemned countries with anti-gay laws, mentioning 76 countries that criminalize homosexuality. On Syria, Ban has been organizing and moderating the Geneva II Conference.²² Ban's challenges and failures have been the issues of increasing terrorism practices, the UN failure in Syria and Ukraine; and the inability of the UN under his leadership to effectively respond to the Refugees Crisis and instabilities (products of US's Unilateralism and imposing their norms on other states) in the Middle East.

5. Post Ban's Leadership and the Necessaries of The Next UNSG

As Ban Ki-moon leaves next year and in addressing the UN internal and external pressing challenges above, the next UNSG must have the qualities of Resilience - Moral Courage - Practical Intelligence - Diplomatic, Mediation and Managerial Skills - A deep exposure to International Relations Issues – The authority and personality to coax the most powerful world leaders towards an agreement – Independence - Impartiality - Integrity - Qualifications for the job (should have shown exemplary leadership through measurable high capacity leadership performances) - Technocratic Competence - Persuasive powers and Charm – Wisdom – Charisma – should be Unbiased – and should be a Visionary. With most of these qualities, the UNSG can play the roles of addressing the current global challenges through: being able to shape the UN Agenda – Bringing Issues to focus and Clarity – Mediate and Arbitrate to prevent conflicts or bring an end to them – Check the high-handedness of Super Powers - and bringing to the attention of UNSC, any issue that is a threat to International Security.

¹⁹ "Ban Ki-Moon: I am willing to take any measures for human rights". The Christian Science Monitor. 23 March 2011.

²⁰ "Concerned at plight of Palestinian hunger strikers, Ban urges solution without delay". United Nations. 18 October 2011.

²¹ Christian Ultsch (27 November 2012). "UN chief interviewed on religious tolerance, Gaza, Palestinian status". Die Presse.

²² "Syria Geneva II peace talks witness bitter exchanges". 22 January 2014.

6. Conclusion

Preoccupations of Secretaries-General during the Cold War were mainly decolonization and conflict resolution. And previous UN Chiefs through their mediation skills played enormous roles. Previous Secretaries-General have ran the UN through identifying global problems, forming a technical team to discuss them, coming up with Treaties or Agreements to make them part of International Law, setting up Institutions for implementation and supervising the implementation. Through their efforts as the face of the UN especially since the end of the Cold War, there have been more institutional mechanisms in addressing global challenges like: poverty, hunger, illiteracy, diseases, Climate change, gross human rights abuses, militarization, and terrorism. The needfulness of the UN in managing Global Challenges is increasingly quite important and the UN effectiveness in doing this has great correlation with the personalities and roles of its Secretaries-General. The UN internal challenges in this New World Order also include Unilateralism of super powers and their inability to come to consensus when they are needed most like the current example of Syria – This is where the role of the UNSG is highly needed. The veto power system of the UNSC has rendered UN powerless in very important interventions to save human lives from atrocities and in making very important decisions and this has really incapacitated the UNSG. To make UN stronger and be able respond to this world's current security and socio-economic realities, the UNSC's permanent membership structure has to be changed to reflect the current power structure of the world. This will also help to increase the efficiency of the UNSG.

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THE DEMAND FOR IMPORTS IN SOUTH AFRICA: AN EXPLORATORY REVIEW

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Abstract

This paper looks at the effects of historical trade policy reforms and other determinants in South Africa over the period 1995-2012. We discovered that over the reported period, the demand for imports in South Africa had been increasing with only a few downturns in between. South Africa's merchandise imports are dominated by manufactured imports; and they accounted for more than half of the total merchandise imports over the reported period. One of the key contributors towards the improved performance of imports in South Africa is the trade liberalization policy.

Keywords: *South Africa, Imports, trade policy reforms*

1. Introduction

South Africa's transition into a democratic dispensation has so far yielded positive results, and this is evident in the country's improved economic performance and its progress in re-integrating its activities into the global economic realm. The country's economy has become more open, more productive, and more outward-oriented (Flatters and Stern, 2007). Its economic growth measured by real gross domestic product (real GDP) per capita increased from R27.9 billion in

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1994 to R37.4 billion in 2012 (See IMF, 2013). The annual average real GDP growth rate doubled from 1.4% over the period 1980-1993 to 3.3% over the period 1994-2012 (IDC, 2013).

This evolution was followed by a number of strategic development policies. Trade liberalization, amongst other policies, underwent a review. The trade liberalization policy entailed rapid tariff liberalization, as agreed to under the General Agreement on Tariffs and Trade (GATT) in 1994; and this was implemented in 1995 under the auspices of the World Trade Organization (Rangasamy and Harmse, 2005). Bienen (1990, cited in Kusi, 2002) defined this, as the relaxation or elimination of tariffs, and the removal of duties and/or quotas on exports; the alteration in non-tariff barriers, such as import quotas and quantitative restrictions; changes in licensing, and the direct allocation of foreign exchange, as well as in the specific regulations for products.

The country's accession to the WTO, the negotiation of a free trade agreement with the EU, and discussions over a SADC free trade area collectively marked the growing contribution of trade to the prospects and prosperity of the economy (Lewis, 2001).

Subsequent to this adjustment, international trade in South Africa has become one of the essential settings for economic growth. Total trade accounted for a share of more than 50% of the country's gross domestic product over the period 1995-2012 (UNCTADSTAT, 2013). Also, the opening up of the economy has encouraged South Africa to import foreign products and services, in order to meet the domestic demand. Import penetration also increased from 22% in 1995 to 30% in 2012 (UNCTADSTAT, 2013). In the early 2000s, the contribution of South Africa's trade balance moved from a surplus to a deficit – with import's contribution to growth growing to more than 25%. The available literature for South Africa provides an analysis on the extent to which South Africa's exports and total trade responded to the structural changes in the country's transition to democracy. This can be seen in the work by Lewis (2001) and Edwards and Alves (2005).

However, (to our knowledge) no study has done a thorough analysis of the adjustments in imports particularly before and since democracy. This paper provides an outline of South Africa's import structure and trends in the performance of imports, taking into account the effect of the historical, current trade policy reforms and the effect of other factors over the period 2012. The rest of the paper is divided into four sections. Section 2 gives a brief overview of South Africa's historical and current trade policy reforms, focusing mainly on the imports side of trade. Section 3 covers the structure, the trends in imports over the period 1995-2012; while section 4 concludes the study.

2. Trade policy reforms in South Africa before and since 1994

Apartheid policies started losing backing in the early 1980s. Before this period, the country's trade regime had been characterised by excessive protection built around high tariffs, formula duties, import surcharges, and direct controls (Kusi, 2002). Moreover, South Africa's trade policy was primarily focused on import substitution, which was intended to induce manufacturing in the domestic market.

When the import substitution policy failed to produce the intended results, the country started moving towards export promotion in the early 1980s (see Edwards and Schoer, 2001). As Cassim (2003) noted, during this period more effort was put into improving conditions for exporters in terms of liberalisation; and less was being done to encourage imports. Between the early 1980s and late 2012, the country directed more of its effort towards reducing trade restrictions. For example, in 1983 it started off by reducing the value of imports subject to quantitative restrictions. This led to imbalances in the country's balance of payments, which had negative effects on the trade liberalisation process. In an attempt to curb this, import surcharges were introduced by GATT.

Following this, in 1985 import surcharges were increased again from 10% to 60% (see Kusi, 2009 and Edwards, 2006). In 1988, differential surcharge rates were introduced on selected types of goods. This coincided with the increase in applied ad valorem and formula duties (Bell 1997 cited in Edwards, 2006).

In 1990 the country started moving towards liberalisation; and this was followed by the removal of import surcharges. By 1992, the share of imports affected by quantitative restrictions had been reduced to less than 15% of tariff lines. Sectors that were still highly restricted by that time included the agricultural sector, food beverages, rubber and tobacco and clothing (see GATT 1993, cited in Jonsson and Subramanian, 2000 and Edwards, 2006).

Coinciding with the democratic elections in 1994, the country continued to adopt more liberal policies, which resulted in the elimination of the quantitative restrictions on imports. This led to a significant improvement in the country's imports; as it encouraged the country to access the foreign markets, in order to meet its domestic demand. In the same year, the country committed to promoting import controls. This was replicated in the implementation of the General Agreement on Tariffs and Trade (GATT). As articulated in Edwards (2006), in the WTO (1998), and in Jonsson and Subramanian (2000), the main purpose of this offer was to: Reduce the number of tariff lines from over 13000 to the six level digit by 15% in the first year, and by 30% in 1999; to bind 98 per cent of all the tariff lines at the harmonised system eight digit level, as opposed to 18% before the round; and to replace all quantitative restrictions and formula duties with an *ad valorem* tariff.

Since the period between 1992 and 1995, the country has been able to reduce both the total number of its tariff lines and the number of *non-ad valorem* tariffs. In addition, it has had all import surcharges abolished. The year 1995 was also marked by the country's entry into the World Trade Organisation (WTO, 1998, and Edwards, 2006).

In 1996, the country formulated a new Tariff Rationalisation Process (TRP), which included a complete restructuring of the incentives given to trade, industry and agriculture (Holden and Casale, 2000). This included: The reduction of tariff lines and peaks; the conversion of formula and specific duties to *ad valorem* rates; the introduction of a duty-free subsidy for imports with no substitute; the introduction of a maximum of 30% *ad valorem* rates on final products, 20% on intermediate goods, and 10% on primary goods (see Edwards, 2006).

1996 was marked by the adoption of the Southern African Development Community (SADC) free-trade protocol. In terms of imports, the protocol emphasised the elimination of import duties and the phasing out of quantitative restrictions on imports of goods from SADC member countries (see Sadcstan, 1996). Following this, in 1997 the number of tariff lines carrying formula duties was reduced from 1900 in 1993 to 28 in 1997; and the number of product lines facing specific tariffs was reduced from 500 to 227 (Jonsson and Subramanian, 2000).

In 1999, the country signed the Trade, Development and Co-operation Agreement (TDCA), which involved South Africa and the European Union. In terms of trade, this agreement contained a free trade agreement, which allows South Africa to import goods from the EU at a zero tariff rate.

The period 2000-2008 witnessed the implementation of the TDCA and the SADC Free Trade Protocol. This was followed by the introduction of a new institutional structure through the Southern African Customs Union (SACU) and the authorization of a preferential trade agreement between MERCOSUR members (Argentina, Brazil, Paraguay and Uruguay) and SACU country members (Botswana, Lesotho, Namibia, South Africa and Swaziland). Further, in the same period, the free trade agreement between the (SACU) and European Free Trade Association (EFTA) was signed.

This agreement was intended to improve the trade in goods, and to lay a foundation for a further engagement between the two above-mentioned Parties with regard to intellectual property, investment, trade in services and public procurement (EFTA, 2008). In 2008, the SACU signed a Trade, Investment and Development Co-operative Agreement (TIDCA) with the United States of America (see SACU, 2008).

This was followed by the negotiations on the Tripartite Free Trade Area between SADC, the EAC and the COMESA member countries. According to COMESA-EAC-SADC-Tripartite (2008), this was meant to establish a larger market, with a single economic space. Furthermore, in the same year, the country entered BRICS (South Africa, China, India, Russia and Brazil). Table 1 below provides a summary of the country's import-related trade policy reforms in a chronological order, covering the period 1983-2012.

Table 1: The chronology of South Africa's import policy reforms

Year	Policy reform
1983	<ul style="list-style-type: none"> • Reduction of the value of imports subject to quantitative restriction from 77% to 23%. • Decrease in real exchange rate • Relaxation of imports permits by Switching from a positive list to a negative list.
1985	<ul style="list-style-type: none"> • Introduction of 10% imports surcharges • Increase in imports surcharge from 10% to 60%

1988	<ul style="list-style-type: none"> • Differential surcharge rates introduced on Luxury goods (60%), Capital goods(10%), Motor Vehicle(20%) and Intermediate goods(10%) respectively
1990	<ul style="list-style-type: none"> • Imports surcharges reduced on Luxury goods, Capital goods, Motor Vehicle and Intermediate goods
1994	<ul style="list-style-type: none"> • Imports surcharges on Capital and Intermediate goods were abolished
1994	<ul style="list-style-type: none"> • Quantitative restrictions were converted to tariffs
1995	<ul style="list-style-type: none"> • The remaining imports surcharges were abolished
1994-1997	<ul style="list-style-type: none"> • Imports controls on agricultural products were removed
1996	<ul style="list-style-type: none"> • The new tariff rationalisation process was formulated • The SADC protocol was signed
1999	<ul style="list-style-type: none"> • The SA-EU Trade, Development and Co-operation Agreement (TDCA) signed
2000	<ul style="list-style-type: none"> • Implementation of the SADC Free Trade Protocol • Implementation of the SA-EU Trade, Development and Co-operation Agreement (TDCA)
2002	<ul style="list-style-type: none"> • Commencement of the SACU agreement
2004	<ul style="list-style-type: none"> • The preferential Trade Agreement between MERCOSUR and SACU signed
2006	<ul style="list-style-type: none"> • The EFTA-SACU agreement Signed
2008	<ul style="list-style-type: none"> • The SACU-USA Trade, Development and Co-operation Agreement (TIDCA) signed • Commandment on the SADC-EAC-COMESA Tripartite Free trade Area
2011	<ul style="list-style-type: none"> • Joined the BRICS • Signing of the SADC-EAC-COMESA Tripartite Free Trade Area

Source: Kusi (2009), Edwards (2006), Jonsson and Subramanian (2000), WTO (1998), DTI (2015). SACU (2008), EAC-SADC-Tripartite (2008),

Since the introduction of democracy, South Africa has continued to establish strategic trade partnerships with both developing and developed countries. These include: Bilateral, Unilateral, intra-regional and inter-regional trade agreements. Most significantly, after democracy, the country entered into three main bilateral trade agreements: the Development and Co-operation Agreement (TDCA); the SADC free trade agreement; and the Southern African Customs Union. The nature and terms of these arrangements and other new agreements are summarised in Table 2 below.

Table 2: Summary of major import-related agreements between South Africa and other countries

Agreement	Countries involved	Terms of the agreement
Customs union	South Africa, Botswana Lesotho Namibia and Swaziland	Duty free trade of goods with a common external tariff on goods entering any of the countries from outside the Southern African Customs Union(SACU)
Free Trade Agreement	12 SADC Member States ¹	85% duty-free trade which must be achieved by 2008. 15% of trade will be liberalized from 2009 to 2012 when SADC region accomplishes the status of a complete FTA with almost all tariff lines traded duty free.
Free Trade Agreement	South Africa and the European Union (EU)	South Africa has agreed to liberalised 86% its duties on certain Products originating from the EU by 2012.
Free Trade Agreement	SACU and the European Free Trade Association (EFTA) -Iceland, Liechtenstein, Norway and Switzerland	Tariff reductions on selected goods
Bilateral Preferential Trade Agreement	South Africa and Zimbabwe	Preferential rates of duty, rebates and quotas on certain goods traded between the two countries
Bilateral agreement	South Africa and US	Provides a bilateral forum for the two countries to address issues of interest, including AGOA, TIDCA, trade and investment promotion, non-tariff barriers, SPS, infrastructure and others.
Trade free Agreement	EFTA States and the SACU States	Reduction of tariffs on certain products. These includes industrial and agricultural goods
Preferential trade agreement between SACU and Southern Common Market	SACU, Brazil, Paraguay and Uruguay	Reduction of tariffs on selected goods before 2012

Source: Departments of trade and industry (2013), and Author's compilation

¹ (Botswana, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe)

3. The structure and performance of South Africa's imports

In terms of Trade, South Africa forms one of the top 50 countries, which makes it one of the top contributors to the world's trade. According to the profile report from the World Trade Organization (2014), in 2003, the country ranked 33 in terms of Merchandise imports, and 30 in terms of service imports; while it ranked 40 in terms of merchandise exports, and 47 in terms of service exports. Table 3, below depicts the trends in South Africa's trade and trade balance.

Table 3: Trends in trade and trade balance

YEAR	Imports in billion\$	Exports In billion\$	Trade balance in billion \$	Imports growth rate in %	SA's imports as a % of the world's imports
1995	33.4	34.4	1	0.00%	0.50%
1996	33.3	35.5	2.2	-0.20%	0.50%
1997	34.9	36.6	1.7	4.60%	0.50%
1998	32.9	34.6	1.7	-5.70%	0.50%
1999	30.3	33.7	3.5	-7.90%	0.40%
2000	33.1	37	3.9	9.20%	0.40%
2001	31	35.9	4.9	-6.10%	0.40%
2002	32.5	36.8	4.2	4.80%	0.40%
2003	43.3	47.1	3.8	33.20%	0.50%
2004	58.8	58.1	-0.7	35.90%	0.50%
2005	68.7	67.6	-1.1	16.70%	0.50%
2006	84.3	78	-6.2	22.70%	0.60%
2007	98.1	90.3	-7.8	16.40%	0.60%
2008	107.5	98.9	-8.6	9.70%	0.60%
2009	80.8	78.6	-2.3	-24.80%	0.50%
2010	101.5	104	2.5	25.60%	0.50%
2011	121.7	123.8	2.2	19.80%	0.60%
2012	121.7	114.4	-7.2	0.00%	0.60%

Source; UNCTADSTAT database (2013), and Authors' compilation

In the early years of the post-apartheid era (1994-2003), South Africa had been recording positive trade balance (see, Table 3). The situation changed in 2004, when the country experienced a rise in household consumption and public sector infrastructural investment; and this led to a rise in the demand for imports (see, IDC 2013). Between 2007 and 2009, the country's domestic production was severely affected by the global recession, which also contributed to the country's trade deficit over the last 9 years of the reported period, with the exception of 2010 and 2011 (see Styler and Powell, 2010).

The rise in imports followed the Free Trade Agreement (FTA) between South Africa and the EU, which was implemented in 2000. The rate at which imports had been increasing over the years had been fluctuating between a negative 20% rate and a positive 35% rate. This trend started to decline in 1995 – from a positive 24% to a negative 6% in 2001. This was followed by a rapid increase in imports by 36% in 2004. In 2012, the country's imports increased by a mere 0.01% - from \$121.66 billion to \$121.67 billion.

As mentioned before, the country appears to be in the top-50 list in terms of trade in the world; however, its share of imports in the world's total imports is not very significant. As Table 2 shows, over the reported period, the country's contribution to the World's imports remained very low – ranging between 0.5% and 0.7%. Between 1995 and 2001, it showed a negative trend. While

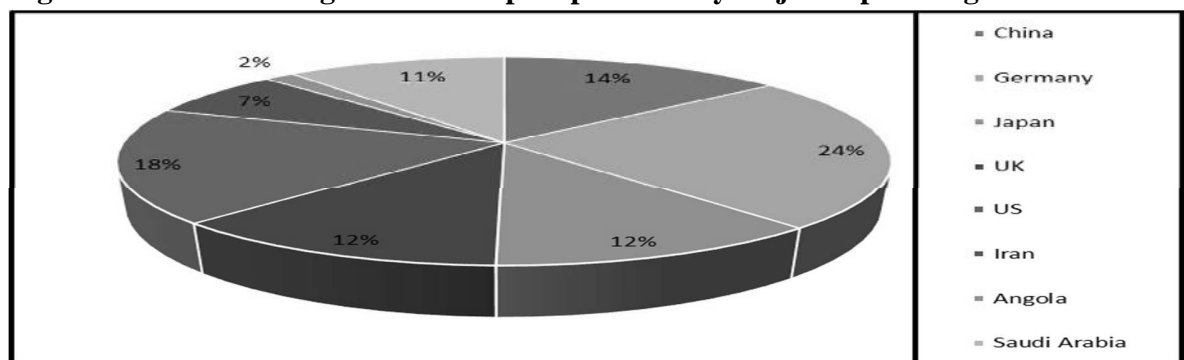
in the period between 2002 and 2007, it showed a steady increase from 0.4% in 2002, to approximately 0.6% in 2007.

In 2008, it slumped again; but this is not very puzzling, given the fact that the South African trade performance suffered during the economic crises in 2007, 2008 and 2009. Over the years, the trends in South Africa’s imports mirror the trends in the world’s imports (*UNCTADSTAT, 2013*). Furthermore, the country’s imports had been changing in the same direction over the years under review; with the exception of 1996 and 1999, when South Africa’s imports slumped; while the world’s imports increased.

a. South Africa’s major import sources in the world

South Africa trades with both developing and developed countries in the world. In terms of imports, its major partners are primarily the developed countries. The top 8 import sources for the country include: Germany, the United States, the United Kingdom, China, Japan, Angola, Saudi Arabia and China. Figure 1 below presents the composition of South Africa’s imports, according to the major import sources over the period 1995-2012.

Figure 1: Annual average share of import products by major import origins



Source: UNCTADSTAT database, and Author’s compilation

A large portion of South Africa’s imports were sourced from Germany. As shown in Figure 1, Germany accounts for an average of 24 % of South Africa’s imports over the years. However, the share of imports from Germany has been fluctuating over the years, from 14% in 1995 to 8% in 2012 (*UNCTADSTAT, 2013*). In 2009, Germany was overtaken by China; and since 2006, China has been the second largest source of imports for South Africa after Germany and overtaking the United States of America.

Currently, China ranks number 1 in terms of SA’s main trade partners, followed by Germany, which ranks number 2, and the United States of America (US) at number 3. The high performance of these countries in terms of their exports to South Africa has also been boosted by the strong partnership that South Africa has established with them.

South Africa's import commodities account for a larger (more than 80%) share of South Africa's total imports (UNCTADSTAT, 2013). Furthermore, data from UNCTADSTAT, 2013 show that the country's merchandise imports have been growing faster than its import services over the years. Table 4 presents the annual trends in individual imported products, as a share of South Africa's total merchandise imports from the world.

Table 4: South Africa's imported products as a % of the total products in 1995-2012

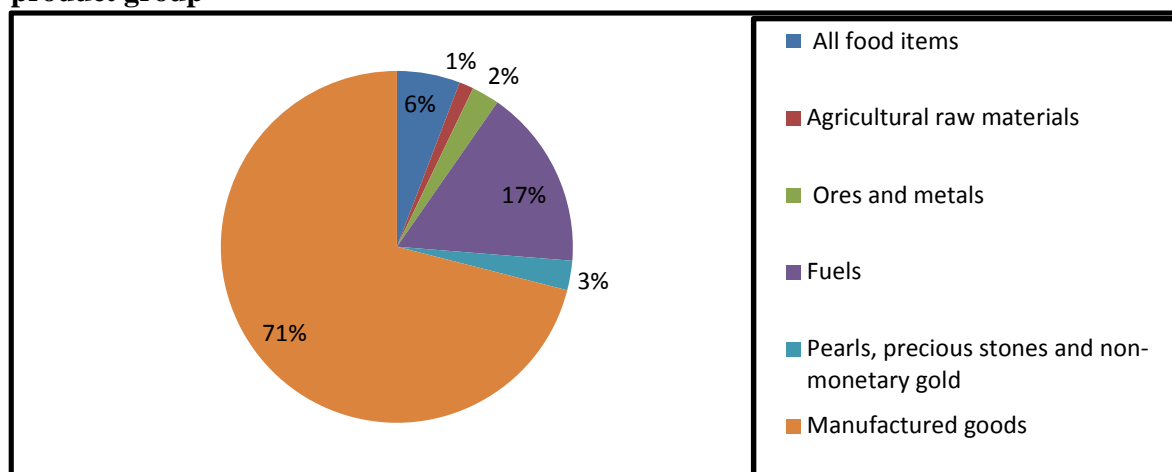
PRODUCT	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Annual Average	
Live animals other than animals of division 03	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Meat and meat preparations	0.3%	0.3%	0.3%	0.3%	0.3%	0.4%	0.4%	0.3%	0.4%	0.5%	0.7%	0.6%	0.6%	0.4%	0.6%	0.5%	0.7%	0.6%	0.5%	0.5%
Dairy products and birds' eggs	0.1%	0.1%	0.1%	0.1%	0.1%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.2%	0.1%	0.1%	0.1%	0.1%	0.2%	0.1%	0.2%
Fish, crustaceans, molluscs and preparations thereof	0.2%	0.2%	0.2%	0.2%	0.2%	0.3%	0.3%	0.2%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.5%	0.4%	0.4%	0.3%
Cereals and cereal preparations	1.1%	1.1%	1.1%	1.1%	1.2%	1.2%	1.0%	1.8%	1.2%	1.3%	1.1%	0.9%	1.2%	1.2%	1.4%	1.0%	1.3%	1.2%	1.2%	1.2%
Vegetables and fruits	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.4%	0.3%	0.3%	0.4%	0.4%	0.6%	0.5%	0.4%	0.5%	0.5%	0.4%	0.4%
Sugar, sugar preparations and honey	0.1%	0.1%	0.1%	0.1%	0.1%	0.2%	0.3%	0.1%	0.4%	0.3%	0.2%	0.2%	0.3%	0.2%	0.3%	0.2%	0.2%	0.2%	0.2%	0.2%
Coffee, tea, cocoa, spices, and manufactures thereof	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.4%	0.4%	0.4%	0.3%
Feedstuff for animals (excluding unmilled cereals)	0.5%	0.5%	0.5%	0.5%	0.5%	0.4%	0.6%	0.5%	0.4%	0.5%	0.3%	0.4%	0.4%	0.5%	0.6%	0.6%	0.5%	0.6%	0.5%	0.6%
Miscellaneous edible products and preparations	0.3%	0.3%	0.3%	0.3%	0.3%	0.4%	0.5%	0.3%	0.3%	0.2%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
Beverages	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.6%	0.6%	0.9%	0.6%	0.5%	0.5%	0.5%	0.5%
Tobacco and tobacco manufactures	0.2%	0.2%	0.2%	0.2%	0.2%	0.3%	0.3%	0.3%	0.3%	0.3%	0.2%	0.2%	0.2%	0.2%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
Hides, skins and furskins, raw	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
Oil seeds and oleaginous fruits	0.1%	0.1%	0.1%	0.1%	0.1%	0.2%	0.1%	0.1%	0.1%	0.1%	0.0%	0.0%	0.1%	0.0%	0.1%	0.1%	0.1%	0.0%	0.0%	0.1%
Crude rubber (including synthetic and reclaimed)	0.2%	0.2%	0.2%	0.2%	0.3%	0.2%	0.2%	0.3%	0.3%	0.3%	0.2%	0.2%	0.3%	0.2%	0.3%	0.2%	0.4%	0.3%	0.3%	0.3%
Cork and wood	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.2%	0.3%	0.2%	0.2%	0.1%	0.2%	0.1%	0.1%	0.1%	0.2%
Pulp and waste paper	0.1%	0.1%	0.1%	0.1%	0.1%	0.3%	0.1%	0.1%	0.1%	0.1%	0.1%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Textiles fibres and their wastes	0.4%	0.4%	0.4%	0.4%	0.5%	0.5%	0.5%	0.6%	0.5%	0.5%	0.3%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.4%
Crude fertilizers other than division 56, and crude minerals	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.2%	0.3%	0.2%	0.2%	0.5%	0.3%	0.2%	0.3%	0.2%	0.3%	0.3%
Metaliferous ores and metal scrap	1.3%	1.3%	1.3%	1.2%	1.3%	0.9%	0.8%	1.1%	1.3%	1.1%	1.1%	1.3%	1.6%	1.5%	0.9%	1.0%	0.9%	0.8%	1.1%	1.1%
Crude animal and vegetable materials	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Coal, coke and briquettes	0.5%	0.5%	0.5%	0.5%	0.5%	0.4%	0.6%	0.5%	0.5%	0.5%	0.4%	0.5%	0.3%	0.8%	0.4%	0.7%	0.5%	0.4%	0.5%	0.5%
Petroleum, petroleum products and related materials	13.6%	13.5%	13.6%	13.7%	13.3%	12.8%	11.4%	10.8%	10.8%	12.8%	12.7%	17.1%	15.8%	20.1%	18.7%	17.0%	17.7%	20.5%	14.8%	14.8%
Gas, natural and manufactured	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.2%	0.1%	0.2%	0.2%	0.3%	0.5%	0.1%	0.1%
Electric current	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%	0.1%	0.1%	0.1%	0.1%	0.2%	0.2%	0.3%	0.3%	0.3%	0.2%	0.1%	0.1%
Animal oils and fats	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Fixed vegetable oils and fats, crude, refined or fractionated	0.5%	0.5%	0.5%	0.5%	0.5%	0.4%	0.6%	0.6%	0.7%	0.7%	0.5%	0.5%	0.8%	0.7%	0.6%	0.8%	0.9%	0.9%	0.6%	0.6%
Processed Animal and vegetable oils and fats	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Organic chemicals	2.2%	2.2%	2.2%	2.2%	2.2%	2.0%	2.1%	1.9%	1.7%	1.6%	1.4%	1.4%	1.5%	1.5%	1.6%	1.5%	1.6%	1.5%	1.6%	1.8%
Inorganic chemicals	0.8%	0.8%	0.9%	0.8%	0.8%	0.8%	0.8%	0.8%	0.7%	0.6%	0.6%	0.6%	0.6%	1.0%	0.7%	0.8%	0.9%	0.8%	0.8%	0.8%
Dyeing, tanning and colouring materials	0.7%	0.7%	0.7%	0.7%	0.7%	0.6%	0.7%	0.7%	0.7%	0.6%	0.5%	0.5%	0.5%	0.4%	0.5%	0.5%	0.4%	0.4%	0.4%	0.6%
Medicinal and pharmaceutical products	2.6%	2.6%	2.5%	2.6%	2.5%	2.4%	2.7%	2.4%	2.4%	2.1%	2.2%	2.2%	2.3%	2.1%	2.6%	2.6%	2.2%	2.2%	2.4%	2.4%
Essential oils for perfume materials and cleaning preparations	0.7%	0.7%	0.7%	0.7%	0.7%	0.8%	0.8%	0.7%	0.7%	1.3%	0.7%	0.6%	0.9%	0.6%	0.8%	0.7%	0.8%	0.7%	0.7%	0.8%
Fertilizers other than group 272	0.4%	0.4%	0.4%	0.4%	0.5%	0.4%	0.3%	0.5%	0.3%	0.5%	0.4%	0.4%	0.5%	0.8%	0.4%	0.5%	0.7%	0.6%	0.5%	0.5%
Plastics in primary forms	1.6%	1.6%	1.6%	1.6%	1.6%	1.5%	1.4%	1.6%	1.3%	1.5%	1.4%	1.3%	1.4%	1.1%	1.3%	1.4%	1.2%	1.2%	1.4%	1.4%
Plastics in non-primary forms	0.7%	0.7%	0.7%	0.7%	0.7%	0.6%	0.7%	0.7%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%
Chemical materials and products, n.e.s.	1.9%	1.9%	1.9%	1.9%	1.9%	1.8%	1.8%	1.9%	1.7%	1.5%	1.6%	1.3%	1.5%	1.5%	1.6%	1.5%	1.4%	1.5%	1.7%	1.7%
Leather, leather manufactures and dressed furskins	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.2%	0.2%	0.2%	0.2%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.2%
Rubber manufactures,	0.9%	0.9%	1.0%	0.9%	0.9%	1.0%	1.0%	1.0%	1.1%	0.9%	1.0%	0.9%	1.1%	0.9%	1.0%	1.1%	1.1%	1.1%	1.0%	1.0%
Cork and wood manufactures (excluding furniture)	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.4%	0.4%	0.3%	0.3%	0.3%	0.3%	0.3%	0.2%	0.2%	0.2%	0.2%	0.2%	0.3%
Paper and paper manufactures	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.1%	1.1%	1.1%	1.1%	1.0%	1.2%	1.1%	1.0%	1.0%	1.2%	1.2%
Textile yarn and related products	2.1%	2.1%	2.1%	2.1%	2.0%	2.4%	2.4%	2.2%	2.0%	1.7%	1.6%	1.4%	1.3%	1.7%	1.6%	1.5%	1.5%	1.5%	1.9%	1.9%
Non-metallic mineral manufactures,	3.1%	3.1%	3.2%	3.1%	3.1%	3.0%	2.4%	3.5%	3.1%	2.7%	2.5%	2.5%	2.3%	2.3%	2.0%	2.3%	2.0%	2.2%	2.7%	2.7%
Iron and steel	1.2%	1.2%	1.2%	1.2%	1.2%	1.1%	1.2%	1.1%	1.3%	1.4%	1.5%	1.6%	1.9%	1.7%	1.6%	1.6%	1.7%	1.6%	1.4%	1.4%
Non-ferrous metals	0.9%	0.9%	0.9%	0.9%	0.9%	1.4%	0.9%	1.0%	1.1%	1.0%	0.9%	1.2%	1.2%	0.8%	0.7%	1.0%	1.0%	1.0%	1.0%	1.0%
Manufactures of metal,	1.8%	1.8%	1.8%	1.8%	1.9%	1.9%	2.0%	2.1%	2.0%	1.9%	1.8%	1.8%	1.9%	1.9%	1.9%	2.0%	1.9%	1.9%	1.9%	1.9%
Power generating machinery and equipment	2.0%	2.0%	2.0%	2.0%	2.1%	2.5%	2.6%	2.9%	3.0%	2.8%	2.7%	3.0%	2.6%	3.1%	2.7%	2.6%	2.6%	2.5%	2.5%	2.5%
Specialised machinery	4.6%	4.6%	4.6%	4.6%	4.7%	4.1%	4.4%	4.8%	4.7%	4.4%	4.3%	4.1%	5.0%	4.8%	3.7%	3.3%	4.1%	4.3%	4.4%	4.4%
Metal working machinery	0.8%	0.8%	0.8%	0.7%	0.8%	0.7%	0.7%	0.7%	0.6%	0.7%	0.6%	0.7%	0.6%	0.6%	0.6%	0.5%	0.5%	0.5%	0.7%	0.7%
Other industrial machinery and parts	5.2%	5.2%	5.1%	5.2%	5.3%	4.8%	5.1%	5.3%	5.4%	4.7%	4.7%	4.8%	4.8%	4.6%	4.9%	4.4%	4.5%	4.4%	4.9%	4.9%
Office machines and automatic data processing machines	4.4%	4.4%	4.4%	4.4%	4.4%	4.6%	4.5%	4.0%	4.3%	4.2%	4.1%	3.8%	3.3%	2.9%	3.5%	3.5%	3.0%	2.7%	3.9%	3.9%
Telecommunication and sound recording apparatus	6.5%	6.5%	6.6%	6.5%	6.4%	6.3%	5.7%	5.6%	4.6%	5.1%	5.5%	5.1%	4.4%	3.9%	4.5%	4.7%	4.2%	3.8%	5.3%	5.3%
Electrical machinery, apparatus and appliances	4.8%	4.8%	4.8%	4.8%	4.7%	4.8%	4.7%	4.5%	4.6%	4.2%	4.2%	4.1%	4.1%	4.2%	4.7%	4.3%	3.9%	3.8%	4.5%	4.5%
Road vehicles	5.8%	5.8%	5.7%	5.8%	6.0%	7.8%	8.8%	9.1%	10.0%	10.9%	13.1%	12.1%	12.4%	9.0%	8.2%	9.9%	10.0%	9.8%	8.9%	8.9%
Other transport equipment	3.3%	3.3%	3.1%	3.4%	3.3%	3.1%	3.7%	2.7%	3.8%	3.8%	3.0%	1.5%	1.5%	1.8%	1.3%	1.7%	1.7%	1.2%	2.6%	2.6%
Prefabricated buildings, sanitary, heating and lighting fixtures	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.1%	0.1%	0.1%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Furniture and parts thereof	0.4%	0.4%	0.4%	0.4%	0.5%	0.4%	0.5%	0.5%	0.5%	0.5%	0.6%	0.6%	0.7%	0.5%	0.7%	0.6%	0.6%	0.8%	0.5%	0.5%
Travel goods, handbags, etc.	0.1%	0.1%	0.1%	0.1%	0.1%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.3%	0.3%	0.3%	0.3%	0.3%	0.2%	0.2%
Articles of apparel & clothing accessories	0.8%	0.8%	0.8%	0.8%	0.8%	1.3%	1.3%	1.2%	1.7%	1.8%	2.1%	1.8%	1.5%	2.2%	2.2%	2.0%	2.0%	1.5%	1.5%	1.5%
Footwear	0.8%	0.8%	0.8%	0.8%	0.7%	0.9%	0.8%	0.7%	0.8%	0.8%	0.7%	0.7%	0.6%	1.0%	0.9%	0.9%	1.0%	1.0%	0.8%	0.8%
Professional and scientific instruments,	2.3%	2.3%	2.3%	2.3%	2.3%	2.0%	2.2%	2.3%	2.1%	2.0%	2.0%	1.9%	1.7%	1.7%	1.9%	1.7%	1.7%	1.6%	2.0%	2.0%
Photo apparatus, optical goods, watches and clocks	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.8%	0.7%	0.6%	0.5%	0.4%	0.4%	0.4%	0.5%	0.4%	0.4%	0.4%	0.4%	0.6%	0.6%
Coin (other than gold coin), not being legal tender	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Gold, non-monetary (excluding gold ores and concentrates)	0.0%	0.0%	0.0%	0.0%	0.0%	0.5%	0.6%	0.3%	0.2%	0.4%	1.2%	1.2%	1.0%	2.1%	2.3%	3.1%	3.4%	3.9%	1.1%	1.1%

Source; UNCTADSTAT database, 2013, and the Authors' compilation

Over the reported period, Petroleum, petroleum products and related materials (14.8%), specialised machinery (4.9%), other industrial machinery and parts (5.3%), Telecommunication and sound-recording apparatus (4.5), in addition to road vehicles (8.9%) were the major contributors to the country's total merchandise imports (see Table 4).

Most of these products, with the exception of Petroleum, petroleum products and related materials, are categorised as capital goods. It is commendable to have a country's imports dominated by such products; since they would have a positive effect on production. Since 1995, Machinery and Equipment goods have always accounted for more than 50% of manufactured goods imported by the country (UNCTADSTAT, 2013).

Figure 2: Annual average composition of South Africa's imports, according to the major product group

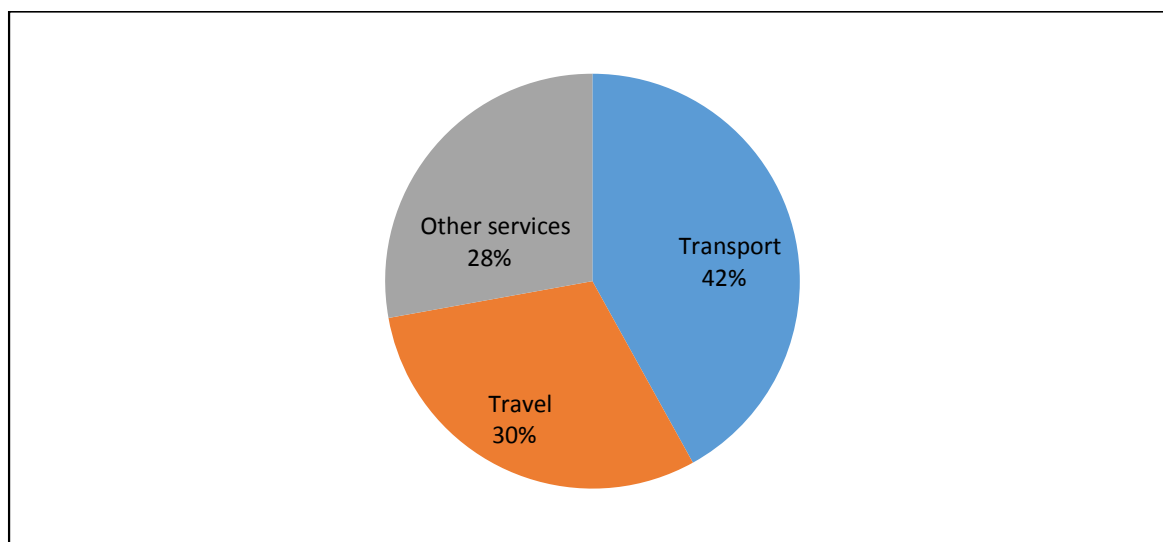


Source: UNCTADSTAT database, 2013, and Author's compilation

As Figure 2 depicts, South Africa's merchandise imports are dominated by manufactured goods. These account for an annual average of 71% over the reported period. This has also been the key driver of the rise in the country's import penetration since 1995. During the period 1994-2002, import penetration in the manufacturing sector went up by 54% from 23.5% in 1994 to 35.8 in 2002 (Flatters and Stern, 2007).

Fuel (17%) appears to be the second-largest merchandise product, followed by All-food items (6%). In addition, manufactured imports grew faster than the growth rate of total merchandise imports. According to Fin 24 (2013), the 15.8% rise in South Africa's imports in 2013 was driven by the capital goods procurement.

Figure 3, Average annual share of imports to total Service imports by service group in the period 1995-2012



Source: UNCTADSTAT database 2013, and authors' compilation

Figure 3 provides the structure of South Africa's import services and their performance over the period 1995-2012. Transport services account for a larger portion of South Africa's import services. As Figure 3 shows, transport services, travel services, and other services, contribute 42%, 30% and 28%, respectively to South Africa's total import services. Relative to other forms of services, travel services appear to have been changing faster than the other services over the years. This indicates that even though the country has a comparative advantage in exporting travel services, it does import a significant portion of its travel services from other countries; as they are essential for tourism. Transport services seem to be the slowest-growing service in this case.

Table 5: South Africa's top 15 merchandise imports as a % of the total product imports from the world (annual average)

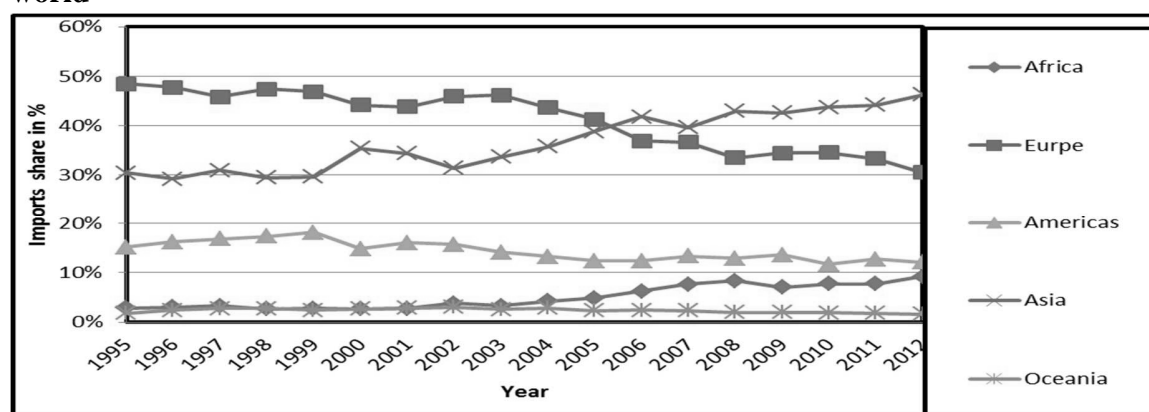
Top 15 Imports Commodities	1995-2012
Petroleum, petroleum products and related materials	14.80%
Organic chemicals	1.80%
Medicinal and pharmaceutical products	2.40%
Textile yarn and related products	1.90%
Non-metallic mineral manufactures,	2.70%
Manufactures of metal,	1.90%
Power generating machinery and equipment	2.50%
Specialized machinery	4.40%
Other industrial machinery and parts	4.90%
Office machines and automatic data processing machines	3.90%
Telecommunication and sound recording apparatus	5.30%
Electrical machinery, apparatus and appliances	4.50%
Road vehicles	8.90%
Other transport equipment	2.60%
Professional and scientific instruments,	2.00%

Source; UNCTADSTAT database, and Author's compilation

Table 5 shows that over the reported period, petroleum, petroleum products and related materials (14.8%) comprise the most imported commodities in the country, followed by road vehicles (8.9%). On an annual basis, the contribution of petroleum, petroleum products and related materials appears to have ranked the highest every year (UNCTADSTAT, 2013).

As mentioned before, South Africa has established foreign relations with both developing and developed countries. The country's top 8 major import sources are developed countries from different continents.

Figure 4: Share of South Africa's Imports by Continent as a % of SA's imports from the world



Source: Quantec database (2013)

A larger percentage of South Africa's imports come from Asian, European and American countries (see Figure 4). Between 1995 and 2005, Europe was the largest source of imports for South Africa, with its share in South Africa's imports decreasing over the years – from 48% in 1995 – to 41% in 2005. In 2012, Europe's share in South Africa's imports had decreased to 30%. From 2006 to 2012, Europe was overtaken by Asia; as imports from Asia had been the growing faster over the years; and Asia accounted for 42% in 2006 and 46% in 2012.

This was driven by South Africa's improved trade relations with China. On an annual average, Africa (5%) and Oceania (2%) remained the lowest exporters to South Africa.

At a regional level, the European Union (EU) was the largest source of South Africa's imports over the years. Data from UNCTADSTAT (2013) show that the annual average share of imports from the EU was 37% over the period 1995-2003, and 30% over the period 2004-2012.

According to the WTO (2009), the three EU countries have always been among the top six sources of South Africa's imports – with Germany leading. Western Asia, North American Free Trade Area and Eastern Asia also accounted for a significant share of South Africa's imports compared with other regions.

b. South Africa's import relations with the European Union (EU)

The largest foreign partnership that South Africa entered into after democracy was with the SA-EU agreement. It is, therefore, necessary to explore the nature (of) and the effect that this partnership had on the South African economy, focusing mainly on the import side of such trade.

i. SA-EU trade arrangement

The SA-EU free trade agreement emanating from the Trade, Development and Co-operation Agreement was established in 1999, and implemented in 2000. This agreement was meant to promote the expansion and mutual liberalisation of the bilateral trade between the two parties. It was destined to last over a transitional period of 12 years at most. According to the FTA terms, the agreement covers mainly agricultural products and industrial products. Furthermore, South Africa is expected to progressively reduce its own imports duties on different groups of products at different rates over the years – starting from the commencement date of the agreement. By the year 2012, the country was expected to have liberalised 86% of its duties on products originating from the EU.

Table 6: South Africa's Trade balance with the EU

year	Imports in billion \$	Exports in billion \$	Trade balance in billion \$	Imports Growth rate in %	SA's imports from the EU as a % of imports from the World
1995	12	10	-2	0%	41%
1996	12	11	-2	-1%	41%
1997	13	11	-2	9%	41%
1998	12	10	-2	-11%	41%
1999	11	10	-1	-8%	41%
2000	11	12	1	-3%	40%
2001	11	12	1	1%	42%
2002	11	12	1	5%	43%
2003	17	14	-3	53%	44%
2004	20	18	-2	13%	41%
2005	24	18	-7	24%	39%
2006	28	19	-9	15%	35%
2007	29	23	-6	2%	36%
2008	33	26	-7	14%	32%
2009	24	20	-4	-27%	32%
2010	30	26	-5	28%	31%
2011	39	26	-13	27%	31%
2012	36	20	-16	-7%	28%

Source: UNCTADSTAT database, and authors' compilation

As Table 6 shows, over the years, with the exception of 2000, 2001, and 2002, the country had been recording a negative trade balance, signifying that the country had been demanding more imports than the value of those it actually exports to the EU. In the early years of democracy, South Africa's Product imports from the EU fluctuated between 5 billion US dollars and 15 billion US dollars. However, in 2003, the country experienced a rapid increase by more than 50% of the previous year's product imports. This could be a consequence of the implementation of the Free trade agreement between South Africa and the European Union in 2000.

In 2009, the country's imports from the EU dropped drastically by 27%; and this was also caused by the 2008-2009 global recession. Telecommunication equipment and Motor vehicles for the transport of persons appear to have been the main contributors to South Africa's imports from the EU member states over the reported period. Manufactured goods still account for a larger amount of South Africa's imports from the EU.

c. South Africa's import relations with Africa

South Africa is the largest economy on the African continent; and it has put the continent on the global economic map through its foreign relations with developed countries from other continents, such as Europe, America and Asia. In the African continent, South Africa appears to be the largest trade partner for numerous African countries and regions. This sub-section provides a clear picture of the nature of South Africa's trade relations with Africa, focusing on imports.

Table 7: South Africa's merchandise trade African continent

year	Imports in billion \$	Exports in billion \$	Trade balance in billion \$	Imports Growth rate in %	SA's total imports as a % of Africa's total imports
1995	0.79	5.5	4.71	0%	21%
1996	0.8	5.8	5.01	1%	21%
1997	0.84	6.12	5.28	5%	21%
1998	0.76	5.18	4.42	-10%	19%
1999	0.74	5.4	4.66	-2%	18%
2000	1.35	4.63	3.27	82%	20%
2001	1.43	3.97	2.55	5%	18%
2002	1.56	4.37	2.81	9%	18%
2003	2.49	5.03	2.54	60%	20%
2004	3.4	6.19	2.8	37%	22%
2005	4.12	6.29	2.17	21%	21%
2006	6.44	7	0.55	56%	22%
2007	7.49	8.55	1.06	16%	20%
2008	10.31	10.66	0.35	38%	18%
2009	7.9	10.36	2.47	-23%	15%
2010	10.65	15.53	4.88	35%	17%
2011	13.42	15.99	2.57	26%	17%
2012	15.68	17.92	2.24	17%	16%

Source: UNCTADSTAT database, 2013

Table 7 shows that South Africa is a net exporter to African countries. Over the reported period (1995-2012), the country recorded a trade surplus with African countries. In terms of imports, the country's interaction with Africa was rather weak during the early years of democracy (1995-2001). However, as the country entered into trade agreements and reduced the barriers to trade, the amount of imports coming from Africa started increasing from US\$1.42 billion in 2001 to US\$15.7 billion in 2012.

South Africa's total imports mirror the trends of Africa's imports. The country contributed a significant amount (more than 24%) to Africa's total imports from the world over the years. The amount of South Africa's imports from Africa had been very low relative to other continents. The continent accounted for less than 10% of the World's imports to South Africa. This is not very shocking, given that South Africa is the largest African import source for African countries. Table 8 below shows the top 20 South Africa's import products from Africa

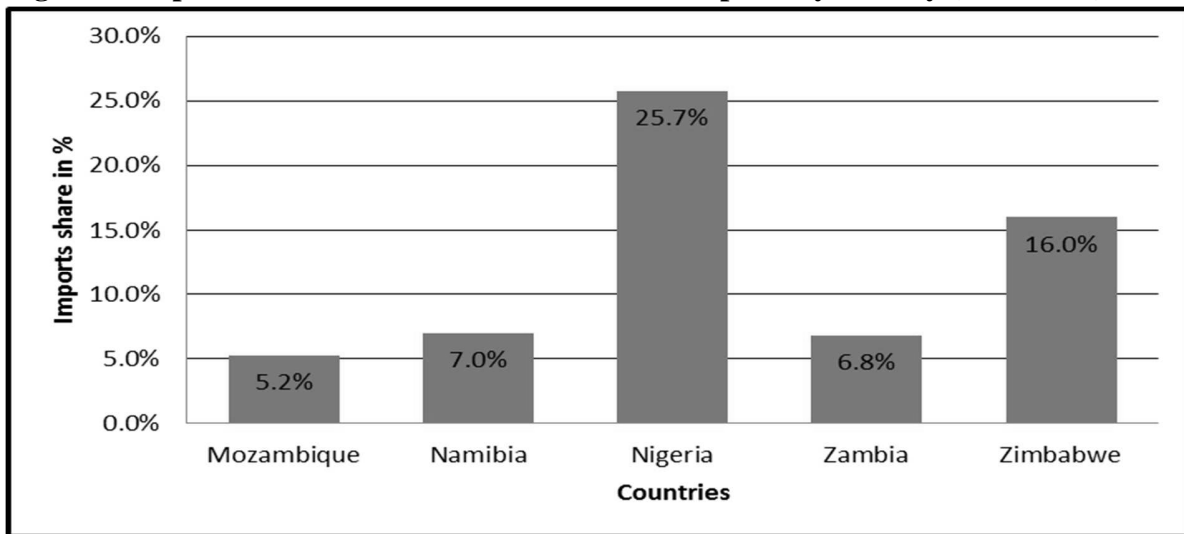
Table 8: Top 20 South Africa's import products from Africa

Products	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	1995-2012
Meat and meat preparations	1%	1%	1%	1%	1%	1%	2%	1%	1%	1%	2%	1%	1%	1%	1%	1%	1%	1%	1%
Sugar, sugar preparations and honey	0%	0%	0%	0%	0%	3%	4%	1%	4%	1%	1%	1%	0%	0%	0%	0%	0%	0%	1%
Coffee, tea, cocoa, spices, and manufactures thereof	4%	4%	4%	4%	4%	2%	2%	2%	2%	1%	1%	1%	1%	1%	1%	1%	0%	0%	2%
Beverages	0%	0%	0%	0%	0%	1%	3%	1%	2%	2%	1%	1%	1%	0%	2%	1%	1%	0%	1%
Tobacco and tobacco manufactures	4%	4%	4%	5%	4%	3%	3%	2%	2%	1%	1%	1%	1%	0%	1%	0%	1%	2%	2%
Cork and wood	3%	3%	3%	3%	3%	2%	2%	2%	2%	2%	1%	1%	1%	0%	0%	1%	0%	0%	2%
Textiles fibres and their wastes	6%	6%	6%	6%	6%	4%	4%	5%	4%	4%	2%	1%	1%	1%	1%	1%	1%	1%	3%
Crude fertilizers other than division 56, and crude minerals	2%	2%	3%	2%	2%	2%	1%	1%	1%	1%	1%	0%	0%	1%	1%	0%	0%	0%	1%
Metalliferous ores and metal scrap	4%	4%	4%	3%	5%	2%	2%	7%	10%	7%	7%	7%	9%	8%	4%	5%	4%	3%	5%
Petroleum, petroleum products and related materials	39%	39%	38%	39%	41%	17%	20%	28%	26%	33%	29%	44%	45%	53%	49%	46%	45%	53%	38%
Electric current	1%	1%	1%	1%	1%	0%	1%	3%	2%	1%	1%	1%	2%	2%	3%	2%	2%	2%	2%
Textile yarn and related products	3%	3%	3%	3%	3%	2%	2%	3%	2%	1%	1%	1%	0%	0%	0%	0%	0%	0%	1%
Non metallic mineral manufactures, n.e.s.	1%	1%	1%	1%	1%	2%	1%	5%	1%	2%	5%	3%	2%	1%	1%	2%	1%	1%	2%
Non-ferrous metals	3%	3%	3%	3%	3%	4%	4%	4%	5%	5%	6%	5%	5%	3%	2%	3%	3%	2%	4%
Manufactures of metal, n.e.s.	2%	2%	2%	2%	2%	2%	2%	2%	2%	1%	1%	1%	0%	0%	0%	1%	1%	1%	1%
Specialised machinery	2%	2%	2%	2%	1%	2%	1%	2%	1%	1%	1%	1%	0%	0%	1%	1%	0%	0%	1%
Road vehicles	1%	1%	1%	1%	1%	2%	2%	3%	4%	2%	2%	0%	0%	0%	1%	0%	0%	0%	1%
Articles of apparel & clothing accessories	4%	4%	4%	4%	3%	4%	5%	4%	7%	3%	2%	2%	2%	2%	2%	2%	2%	2%	3%
Miscellaneous manufactured articles, n.e.s.	1%	1%	1%	1%	1%	4%	5%	2%	3%	3%	6%	3%	4%	5%	8%	5%	3%	0%	3%
Gold, non-monetary (excluding gold ores and concentrates)	0%	0%	0%	0%	0%	7%	8%	3%	3%	5%	16%	13%	10%	11%	12%	20%	22%	20%	8%

Source; UNCTADSTAT database, 2013, and Authors' Compilation

Petroleum oils, oils from bitumen, materials, as well as crude, account for a larger percentage of South Africa’s imports from Africa. As Table 8 shows, these products accounted for 38%, 19% and 44% in 1995, 2001 and 2007, respectively. In 2012, Petroleum oils, oils from bitumen, materials and crude oil accounted for almost half of South Africa’s total imports from Africa, followed by gold and non-monetary products, which accounted for 20%. Primary products and manufactured goods account for a significant share of South Africa’s imports sourced from other African countries.

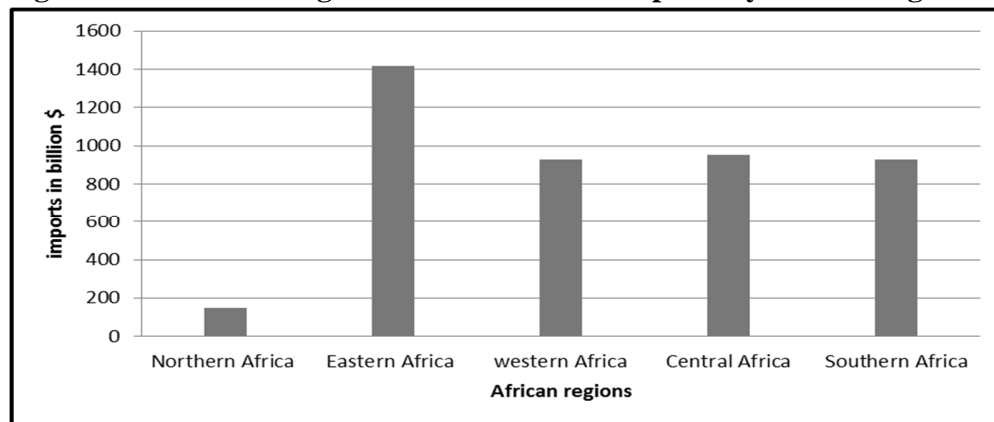
Figure 5: Top 5 African sources for South Africa’s imports by country (1995-2012)



Source: UNCTADSTAT database

Over the period 1995-2012, the country’s main sources of African imports include Nigeria (25.7%), Zimbabwe (16%), Namibia (7%), Zambia (6.8%) and Mozambique (5.2%) on annual average (see Figure 5). Nigeria appears to be the largest African country with imports for South Africa over the reported period. The outstanding contribution from Nigeria can be attributed to the bilateral relations that South Africa has with Nigeria dating back to the period of Apartheid.

Figure 6: Annual average total South African imports by African region



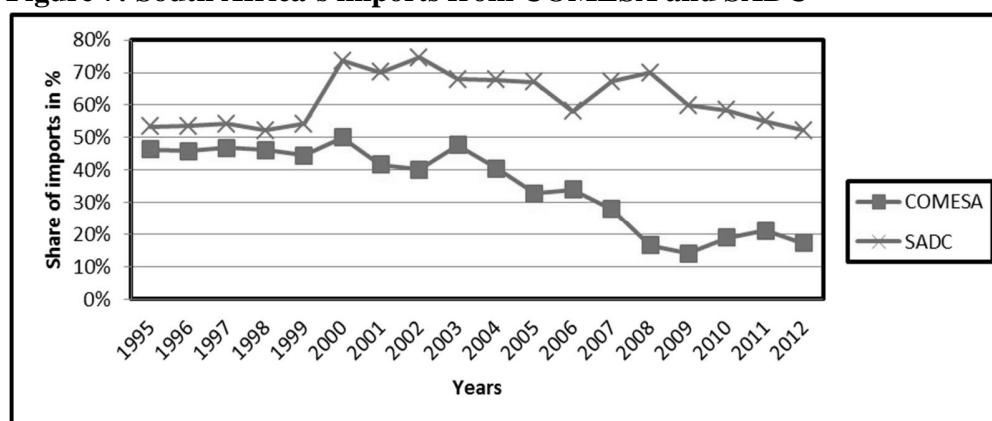
Source: UNCTADSTAT database

South Africa's trade relations in terms of imports are at different levels across African regions. Figure 6 shows that over the period 1995- 2012, Eastern African countries accounted for a larger percentage of Africa's imports to South Africa. Also, it is clear that the Northern African region exports very little to South Africa.

3.3.1. South Africa's import relations with African regional groupings

South Africa is a member of various regional groupings in Africa and outside the African continent. In the African continent, the country is a member of the Common Market for Eastern and Southern Africa (COMESA) and the Southern African Development Community (SADC).

Figure 7: South Africa's imports from COMESA and SADC



Source; UNCTADSTAT database and Author's compilation

The Southern African Development Community (SADC) accounts for a larger percentage of South Africa's imports from Africa when compared with other African regional groupings. On an annual average over the period 1995-2012, SADC accounted for 62% of imports from Africa to South Africa; while those of COMESA accounted for 35%.

d. South Africa's imports from the Southern African Development Community (SADC) region

In 1994, South Africa joined the Southern African development community; and it has since then regarded the region as one of its major African partners in terms of foreign relations. South Africa is the largest economy in the region; and it has taken the lead in economic integration and collaborative efforts for improving the economies of the member countries. Among those economic areas where the country is one of the front-runners in the region is trade. It accounts for a larger portion of the region's total trade. Table 9 below provides a picture of the SADC imports by member state over the period 1995-2012.

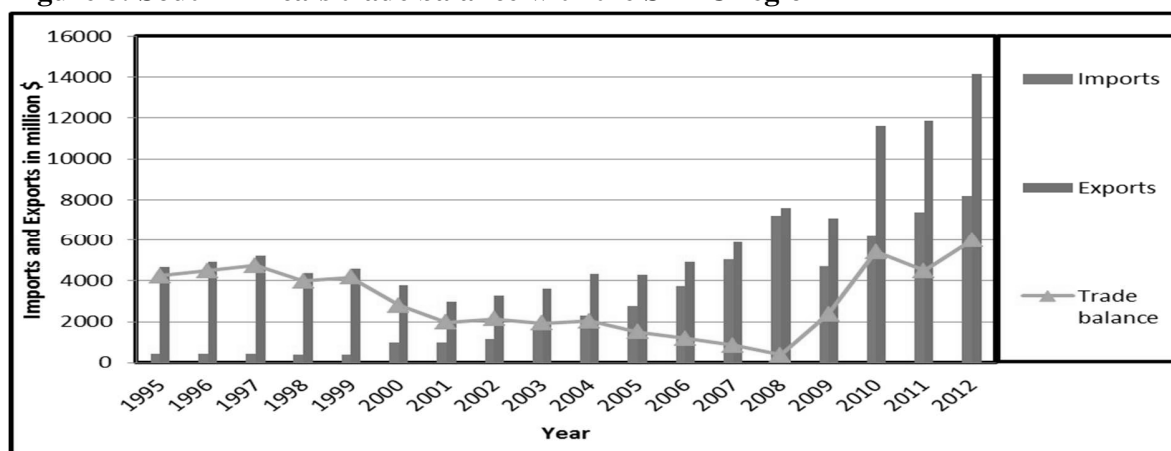
Table 9: SADC imports by member states

Period	1995-2012	
	Member state	Annual Average share
Angola	15.50%	18356
Botswana	3.20%	3838
Dem. Rep. of the Congo	3.70%	4316
Lesotho	1.30%	1545
Madagascar	1.30%	1523
Malawi	1.10%	1332
Mauritius	3.50%	4160
Mozambique	2.80%	3271
Namibia	2.70%	3181
Seychelles	0.40%	520
South Africa	54.00%	63765
Swaziland	1.60%	1902
United Republic of Tanzania	4.20%	4941
Zambia	2.60%	3029
Zimbabwe	2.10%	2440

Source: UNCTADSTAT database and authors' compilation

Over the period 1995-2012, South Africa accounted for more than half (54%) of the SADC total imports, followed by Angola (15.5%); while Lesotho (1.3%), Madagascar (1.3%), Malawi(1.1%) and Seychelles(0.4%) remained the lowest contributors – each accounting for less than 2% to the region’s total imports. South Africa’s large input to the region’s imports and total trade can be attributed to its economic state relative to those of other SADC member countries, and the trade arrangements that the country has with other non-SADC developed countries.

Figure 8: South Africa’s trade balance with the SADC region



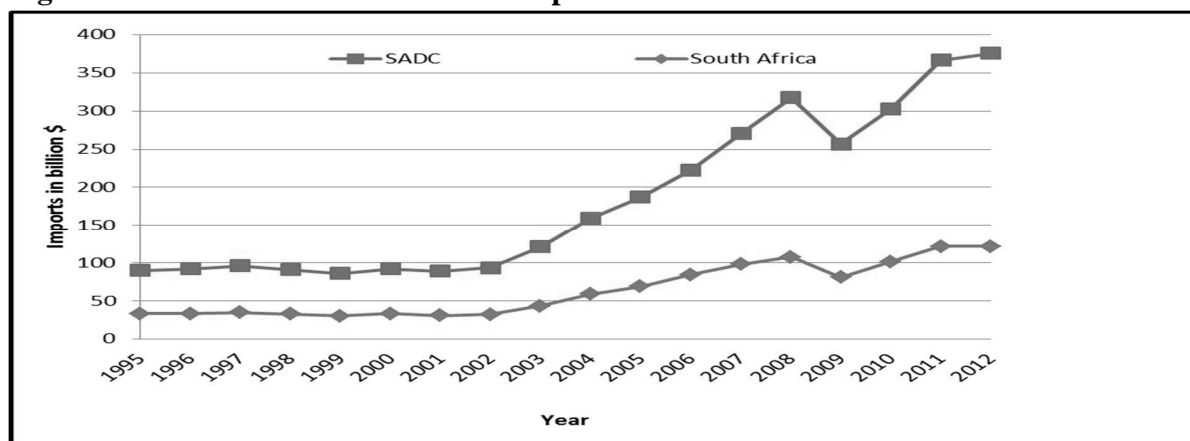
Source: UNCTADSTAT database, 2013

Since democracy, South Africa has constantly recorded a trade surplus from its trade with other SADC countries (see Figure 8). According to South Africa’s trade performance review from SADC trade (2005), in 1999 and 2000 a larger portion of South Africa’s trade surplus with the world came from the SADC region. Over the periods 1995-2005 and 2010-2012 the gap between imports and exports was very wide – with the value of exports being almost three times the value of South Africa’s imports from the SADC. The country’s intra-regional trade relations with other SADC countries have been significantly weak over the past years, when compared to those of

other regions. Among other factors causing this, are the barriers to trade between South Africa and other SADC country members. However, strides have been taken towards creating a strong intra-regional trade among the regional member countries.

For example, the country has established bilateral trade and unilateral agreements with some of the SADC member states. This has also been supported by the SADC trade protocol, which was enforced in 2000.

Figure 9: South Africa's merchandise imports from the SADC



Source: UNCTADSTAT database, 2013

South Africa's total imports from the world resemble similar trends as the total of SADC imports (see Figure 9). As the main contributor to the region's imports, a change in South Africa's performance in the area of imports could lead to significant adjustments to the imports from SADC.

Table 10: South Africa's merchandise imports from the SADC region by member states

YEAR	SA's imports product from the SADC by country in thousands \$	Annual average share in %
Angola	824918.2	28.20%
Botswana	225354.5	7.70%
Zimbabwe	511872.6	17.50%
Zambia	289333.8	9.90%
Tanzania	81855.7	2.80%
Swaziland	124546.7	4.30%
Seychelles	2757	0.10%
Namibia	394307.2	13.50%
Mozambique	292616.4	10.00%
Mauritius	56506.4	1.90%
Malawi	69358.9	2.40%
Madagascar	14254.7	0.50%
Lesotho	33567	1.10%
D.R.Congo	5819.6	0.20%
SADC	2927068.7	100%

Source: UNCTADSTAT database, 2013, and Authors' compilation

Table 10 presents a geographical breakdown of South Africa's imports from the SADC. A larger portion of South Africa's imports from the SADC are from Angola and Zimbabwe. Over the reported period (1995-2012), Angola and Zimbabwe's merchandise exports to South Africa

amounted to an annual average of \$ 824 million and \$511.9 million. This comprises 28.2% and 17.5 of the SADC merchandise exports to South Africa, respectively.

Over the period 1995-2012, South Africa's top-five major merchandise imports as a share of the SADC merchandise exports to South Africa from Zimbabwe included tobacco and tobacco products (9.6%), textiles fibres and their waste (8.3%), metalliferous ores and metal scrap (24.2%), miscellaneous manufactured articles (6.0%), gold, non-monetary (excluding gold ores and concentrates) (8.6%).

The country's imports from the SADC are dominated by primary commodities and manufactured products. Fuel products are the main commodities that the country imports from the SADC; and they amounted to \$813 million over the reported period, which is 27% of South Africa's total merchandise imports from the SADC (UNCTADSTAT database, 2013).

4. Conclusion

The paper analyzed trends in the behavior and structure of South Africa's imports over the period 1995-2012. It has looked at the historical trade policy reforms and the effect of these reforms on the behavior of imports in South Africa. It was found that these policy adjustments have stimulated growth in most of the country's economic sectors. An increase in economic growth is commonly followed by a rise in domestic consumption, which serves as a stimulus for more imports. The paper discovered that South Africa's imports respond positively to the trade policy reforms that the country has undergone since democracy; as the share of imports showed a rise over the reported period. South Africa's merchandise imports are dominated by manufactured imports; and they accounted for more than half of the total merchandise imports over the reported period. Manufactured goods are categorized as capital goods, and capital goods boost productivity. It appears that one of the key contributors towards the improved performance of imports in South Africa is the trade liberalization policy, which was introduced subsequent to the country's transition to a democratic government. The country has used this as a tool to re-integrate its economy into the global marketplace.

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SOUTH AFRICA'S 'AFRICA RENAISSANCE' PROJECT: BETWEEN RHETORIC AND PRACTICE

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Abstract

South Africa's putative status in Africa as a regional and sub-regional hegemonic power is sometimes viewed from the prism of its exceptionalism and Afro-modernity. The study on which this article is based analyzed secondary data from print and electronic media to argue that although South Africa has shown mixed behavior in its foreign policy in Africa, neo-imperialism is not the most appropriate mode to conceptualize it. Contrary to the arguments of some studies that have unjustifiably placed South Africa's continental diplomacy in Africa within the orbit of neo-imperialism or sub-imperialism, this paper argues that South African diplomacy in Africa is also captured within the orbit of its constitutional democracy. We argue that South Africa has collaborated with international capital to create unequal exchange between it and Africa. South Africa's African Renaissance rhetoric appears more of a response to the world economic order it found itself in at the end of apartheid than the purported African revival it projects.

Keywords: African Renaissance, Afro-modernity, hegemony, neo-imperialism, South Africa

Contact: umezurikeS@unizulu.ac.za. The authors declare that he has no relevant or material financial interests that relate to the research described in this paper. Also, the authors declare that the submitted paper is their original work and that, upon publication, nothing contained in it will not constitute an infringement of any copyright. Paper received **21.08.2016**. Approved **12.10.2016**. This paper is licensed under the Creative Commons Attribution-Non Commercial-No Derives 3.0. License. This paper is published with Open Access at www.socioeconomica.info.

1. Introduction

South Africa's putative status in Africa as a regional and sub-regional hegemonic power is sometimes viewed from the prism of its exceptionalism in terms of constitutional democracy. This has borne fruit in the Rainbow Nation's entrepreneurship, especially in terms of foreign direct investment (FDI) in Africa and elsewhere and international good citizenship underlined by the morality inherent in its foreign policy on the continent due to the international stature of post-apartheid leaders (see Geldenhuys, 2010; Ogunnubi and Isike, 2015). Ndlovu (2010), Grix and Lee (2013) and Umezurike and Asuelime (2015) note that South Africa's hosting of sports mega-events can be seen as a demonstration of public diplomacy to portray its soft power capability as well as a strategy to pursue its broader global interests. In like manner, South Africa has hosted major international conferences, capitalizing on its superb infrastructure inherited from the apartheid regime (Umezurike, 2015). Thus, most studies have described South African influence in Africa as neo-imperialism especially due to its hegemonic status expressed through business expansion in Africa and the stance it has taken against immigration from the continent. The study on which this article is based analyzed secondary data from print and electronic media to argue that although South Africa has shown mixed behavior in its foreign policy in Africa, neo-imperialism is not the most appropriate mode to conceptualize it. South Africa's major aim in its African diplomacy has been to maintain its standing as a constitutional state or at best to demonstrate African solidarity in the name of the African Renaissance. Contrary to the arguments of some studies that have unjustifiably placed South Africa's continental diplomacy in Africa within the orbit of neo-imperialism or sub-imperialism (Bond 2013), sometimes justifying this stance by pointing to the country's aggressive business expansion in Africa and anti-immigration policies, this article argues that South African diplomacy in Africa is better captured within the orbit of constitutional democracy.

The article is organized into five sections. The introduction discusses the study's objectives and the methodology used to conduct the research. Section two sets out the theoretical framework that supports or disapproves the arguments. Neo-imperialism was selected as the theory and the literature in this respect is extensively discussed, followed by a discussion on South Africa's foreign policy in Africa. The third section provides a brief overview of South African morality embedded in its constitutionalism at international fora since the dawn of democracy in 1994. It argues that South African action and inaction on issues concerning Africa are not entirely underlined by neo-imperial ambitions but its desire and commitment to international good citizenship and the rule of law or best African solidarity. Section four examines the attributes of post-apartheid South African foreign policy in Africa; it is argued that it does not represent neo-imperialist ambitions. The final section provides a summary of the article and draws conclusions on South Africa's ambitions in Africa.

2. Unpacking the Conceptual Trappings of Neo-imperialism

Studies in international relations have not reached consensus on a generally accepted definition of the concept of neo-imperialism. The best approach is to contrast different definitions with events in the international political economy. An extensive literature review was conducted on the concept of neo-imperialism. Kieh (2012) describes neo-imperialism as a notion that expresses the asymmetrical relationship of domination of a strong state over a weak state. It is problematic because of the unequal configuration of economic, military and political power among nations. The dominant power, called the 'core' uses its structural advantage to coerce the weaker state known as the 'periphery' to behave in a particular manner that benefits the former. By implication, this type of relationship implies that the leaders of former colonies do not have the required mental attitude to achieve complete political freedom that extends to economic freedom. Instead, the former colonies are economically colonized because these politically independent countries are unable to deliver their countries from economic domination by powerful states. Thus, in simple terms, neo-imperialism is a term that is used to explain the dominance of a weak state by a more powerful state in a relationship that is grossly unequal although without direct governance.

Kieh (2012) is of the view that neo-imperialism functions within a wide range of cultural, economic, political, military and social interactions between dominant and dominated states. For example, the dominant state offers economic and military aid to the weaker state which often enriches the ruling class in the latter state. This type of relationship exists between the developed capitalist West and developing countries, especially in Africa. Ayoola (2015) states that colonialism gave way to neo-imperialism. Kieh and Ayoola observe that the colonizers opted for neo-imperialism at a particular stage in history when the physical occupation of territories in the form of colonialism was no longer necessary. Therefore, neo-imperialism is an entirely new dimension, because military regimes are no longer the appropriate tool and sponsored civil wars are no longer the best way for core states to maintain control of periphery states. This new form is found in conditional democracy even if it is stage-managed; it guarantees stability for the easy exploitation of the neo-colonial state. The core state is usually economically powerful with a strong capital base which it deploys in its relationship with the periphery state that usually has a weak economy and a weak capital base. Lenin described imperialism as the highest stage of capitalism where capitalist development reached the stage of domination by monopolies and finance capital. Exporting capital was pre-eminent; the world was divided among international trusts and the biggest capitalist powers (see Lenin, 1917; Fuchs, 2010; Iwilade and Ewurum, 2009; Umezurike, 2015). South Africa is far from achieving Lenin's five stages of imperialism in its relations with Africa since 1994 due to its internal limitations, especially high levels of poverty and the need for reconstruction after many years of underdevelopment of Black people.

Iwilade and Ewurum (2009) note that scholars such as Hobson and Lenin compared imperialism with colonialism and hoped that political independence would tear down the walls of

imperialism. Unfortunately, this was not the case. The end of colonialism and the eventual fall of the Berlin Wall did not see off imperialism in the international political economy. This is the main reason for the continuous existence of neo-imperialism. The former colonies remain economically dependent on the large capitalist countries, perpetuating the unequal relationship between developing and developed economies. For example, relations between the West and the African continent are characterized by unequal relations of exchange; while the West specializes in the production of finished goods which are sold at exorbitant rates, Africa produces primary goods which are sold at a cheaper rate. This is somewhat similar to the relations South Africa has established with the SADC sub-region and West Africa. For example, since establishing formal relations with Nigeria in 1994, South Africa has invested large amounts of capital in Nigeria, especially in telecommunications, the food chain, tourism, petrochemicals, and banking and other services. South African companies operating in Nigeria include MTN, Eskom Nigeria, South African Airways, Stanbic Merchant Bank Nigeria Ltd., Multichoice Nigeria/M-Net, Umgeni Water, Defresh Products Nigeria Ltd, South Africa-Nigeria Communications and Systems Ltd, Grinaker-LTA Construction Ltd, Protea Hotels, Critical Rescue International, Global Outdoor Semces, Oracle Airtime Sales, and Digital Satellite Television (Adebajo, 2007; Aremu, 2013; Mohammed, 2013; Ebegbulem, 2013).

Similarly, surveys on South African companies doing business in Ghana show coverage of a wide range of sectors, including mining, retail, insurance, transport, tourism, banking, telecommunications, construction, services, manufacturing, fishing, advertising, aviation, energy, multimedia communication, beverages and franchising (Games, 2003). Ghana offers incentives to foreign investors, including sound macroeconomic reforms to contain inflation, debt, poverty and unemployment; and the implementation of International Monetary Fund (IMF) programmes aimed at stable growth (Games, 2003). These and other factors such as cheap labour, a high level of education and thus skills and political and economic stability make Ghana attractive to South African investors. South African exports to Ghana rose from R21.7 billion in 1992 to R116.2 billion in 2003, while imports from the country increased from R4 billion to R52.5 billion in the same period (Games, 2003; SouthAfrica.info, 2014).

Fuchs (2010) argues that, while media imperialism or information imperialism are integral components of the new form of imperialism, they are subsumed under finance capital. Media and information are used to legitimize global capital exports through propaganda and the spread of information which supports imperial behavior. Fuchs (2010) notes that fossil fuel has continued to be a pre-cursor of imperial warfare and confrontation. Interestingly, in Africa, South Africa has the capability for both media and information imperialism especially through its multinational companies that operate in telecommunications and media industries on the continent and elsewhere. Examples include MTN and DSTV's roles in African transnational capital and markets. Iwilade and Ewurum (2009) locate imperial dominance in the nature of the economic relations between people. They contend that other manifestations of imperialism are mere rationalizations that are designed to disguise the economic motivations that drive societies towards empire. The politics of dominance and dependency have arisen out of the experience of the exploited classes

in the developed world and that of the dominated people of the 'Third World' in Asia, Africa and Latin America. This world view was well-presented by classic Marxist-Leninist writings on the character and implications of monopoly capitalism and imperialism (Iwilade & Ewurum, 2009). It is also a reflection of the experience of contemporary developing countries in the international system crafted and stage-managed by the Western capitalist political economy. South Africa's ability to invest outside the country and to attract investors is a sure recipe for the country's economic wellbeing. It has been a gateway for foreign direct investment (FDI) in Africa since democratization (Draper and Scholvin, 2013; Segal and Lekaba, 2014). Bond (2013) notes that the parent companies of most multi-national companies with headquarters in Johannesburg that do business in Africa are based in Europe, Australia, America and Japan. This perhaps is a marked indication of South Africa's position as a front for international capital flight from Africa.

A good example is South Africa's intra-trade relations with Nigeria which are reflected in the latter's newly calculated GDP. While the South African trade balance with Nigeria is in deficit, this is because the calculation excludes capital exports where South Africa has an advantage. If the calculation were to include capital exports, South Africa would show a trade surplus and advantage over Nigeria.

Galtung (1971) contends that, although the world consists of core and periphery nations, each nation has its own centre and periphery. He adds that imperialism is a special type of relationship between nations which relies on a bridgehead which the centre in the core nation establishes in the centre of the periphery nation. For Galtung, the dominant relationship can only be described as imperialism when it is established in a special way, where it has a subtype. Conflicts of interest or disharmony may occur when there is a gap between the living conditions of the dominant and the dominated. Imperialism ensures that there is less inequality at the centre than on the periphery. The study identified five types of imperialism: economic, political, military, communication and cultural. These types of imperialism occur in phases which Galtung termed colonialism, neo-colonialism and neo-neo-colonialism. This situation is comparable to South Africa's efforts to reduce inequality and poverty which now largely depend on its ability to create wealth from the external environment, mainly through FDI.

Iwilade and Ewurum (2009) argue that the overall structure of relations where political actions occur and the mechanisms by which the structural dominance of some groups is consolidated to the disadvantage of others is the best mode to capture and understand imperialism. In Africa, South Africa has gained the advantage, especially in the transnational export of capital for investment. This also explains the relationship between the developed capitalist West and Africa. America and Europe are the core centres with Africa as the periphery, even after political independence. On the other hand, Robinson (2007) refers to USA imperialism as the use of the transnational rich class and state machinery to increase, protect and establish the world capitalist mode, mainly in the national interest. The world has witnessed new modes of world capitalist domination where intervention creates the necessary conditions for the entrance of global capital. While the targeted regions are reintegrated into the current global political economy, this is often to their disadvantage.

Robinson (2007) argues that US intervention shifts power from the rich at local and regional levels to a new bourgeoisie that supports the interventionists' transnational projects. Hence, the outcome of US military invasion is not the creation of a militarized global structure or a campaign for hegemony, but more likely a confused political reaction to the crises of world capitalism – economic stagnation, legitimization problems, and the rise of counter-hegemonic forces. For example; the \$300 billion invested by the US in the first three years of the occupation of Iraq is a clear illustration of how US intervention creates an advantage for American capital at the expense of other states and regions where it intervenes (Robinson, 2007). The interests of military, oil, engineering and construction companies with head offices in the USA have been promoted by means of the instrumentalization of the US state apparatus, especially under the presidencies of Bush Senior and Junior. However, these companies remain transnational and represent global capital; evidence of the forces of globalization. Robinson (2007) warns that war, and natural and humanitarian disasters give rise to new cycles of accumulation through reconstruction and that the military-energy-engineering-construction complex is the global capital sector that benefits the most from such creative destruction. Believably, global capitalists appreciate the vital role the US plays in opening up new opportunities for the extraction of surplus value through the creation of new avenues for capital exports by its interventionist policies (Robinson, 2007). While it is doubtful whether South Africa has the capacity to match the sway that the US holds in the global arena in Africa, it is argued that its capitalist tendencies enabled its investors to benefit from the crises in Angola, Zimbabwe, and DRC because of the role these companies played in those countries during the crises and political turmoil.

3. South Africa's Capital Project in Africa: The Rhetoric of Practice

South Africa's collaboration with global capital to create unequal exchange between it and Africa raises fundamental questions about its commitments to African Renaissance. South Africa's African Renaissance rhetoric appears more of a response to the world economic order it found itself in at the end of apartheid rather than the purported African revival it projects. While the country does not have the capacity to create a military monopoly of destruction of the kind the US has paraded around the world, it has shifted its strategy to those areas where it does have such capacity. South Africa's ability to increase its capital base and investment in war torn African countries and those that experience political crises has been notable. Examples include Sudan, DRC, Angola, and Zimbabwe where South African companies have conducted both covert and overt operations.

During the first term of the democratic government, South Africa's foreign policy mainly followed the moral behavior and public statements of anti-apartheid icon, President Nelson Mandela. Under President Thabo Mbeki, foreign policy was marked by his skills as an experienced diplomat and international statesman (le Pere, 2004). Mbeki was a major proponent of Marxist-Leninist theory but the use of this philosophy was limited to presenting a critical view of a global

world order dominated and controlled by the West. Mbeki also did well for South Africa in propagating African Renaissance rhetoric to create solid ground for business growth in Africa and beyond. Simply put, South African business witnessed its greatest opportunities and smoothest growth during Mbeki's days in office, especially in terms of South-South and even South-North relations. For instance, in 2008, South Africa was the largest foreign investor (US\$ 136 million) in Mozambique, ahead of China (US\$76.8 million) (Njal 2011).

For example, many South African companies now operate in Sudan due to Mbeki's diplomatic and peace efforts in that country. The Global Railway Engineering Consortium of South Africa concluded a US\$21 million contract with the Sudanese Railway Corporation for the rehabilitation of railways and rolling stock on 9 December 2004 (Department of International Relations and Cooperation, 2005). Funding was granted by Rand Merchant Bank, which is indirectly or directly a South African loan¹. In May 2004 SOEKOR and PETROSA entered into an agreement with the Sudanese state oil company, SUDAPET for special oil concession rights for Block 14 (Department of International Relations and Cooperation, 2005; Nathoo, 2005). PETROSA signed an agreement to train and develop technical staff in Sudan. South African exports to Sudan include finished goods such as base metals, machinery, vehicles, wood pulp, plastics and chemicals while imports from Sudan include mainly primary goods such as vegetables, animal fats and petroleum products (Department of International Relations and Cooperation, 2005; Nathoo, 2005). This represents a major division of labour between the two countries into skilled and unskilled.

Scholars express divergent views on whether South Africa employs economic statecraft to its benefit. Some are of the opinion that such statecraft does not exist, while others maintain that it has the covert intention of manipulating and serving South African business interests wherein it stands to gain with the expropriation of foreign capital to South Africa (Eldredge, 2010; McKinley in SAIIA, 2014). A close examination of South Africa's involvement from the perspective of Zimbabwean immigration to South Africa might appear costly in socio-political and economic terms. This is especially so as South Africa has continued to ignore the positive aspects of immigration. Many Zimbabwean immigrants have skills that are in short supply in South Africa and the country could benefit from their expertise.

Helliker and Vale (2013) note that, while Marxism was a fundamental tenet of South Africa's liberation struggle, post-apartheid leaders chose neo-liberalism over Marxism. South Africa had grounds to believe that the collapse of the Soviet Union and the neo-liberal economies that dominated the world offered pertinent lessons. Post-apartheid South Africa adopted neo-neo-liberal policies while paying lip service to social democratic development with a view to redressing the historical legacy of inequality and social injustice (Helliker and Vale, 2012; 2013). In reality, the country has snubbed Marxism in its economic practice since 1994. However, this is not sufficient grounds to suggest, as many have argued, that South Africa has consolidated its position as a neo-imperialist or sub-imperialist state in Africa.

¹ The loan is a direct loan of South Africa if the state has stake through direct investment, but is indirect if the state does not have direct involvement but its conglomerates have.

Steinmetz (2005) identifies various types of empires. He contrasts territorial with non-territorial types of modern empire that continue, however, to rest on colonialism and imperialism. He argues that territorial and non-territorial approaches have never been pure but have been mixed both in terms of both timing and in the repertoire of particular metropolitan states (Steinmetz, 2005). South Africa could belong to the latter (non-territorial empire) imperialism, although there is doubt that it has the capacity to be an empire or an imperial power. It could be on the road to becoming an empire in terms of business expansion in Africa. There can be no doubt that South African multinationals play a pivotal role in the economic and even the political activities of southern Africa, as much of the region's capital flows from South Africa (Miller, 2008). The country has remained the major beneficiary of regional economic cooperation among southern African countries as virtually all economic sectors ranging from mining, to customs, retail, communication and transportation are concentrated in the hands of South African companies (see Alden and Soko, 2005; Miller, 2008).

As Miller (2008) argues, the role of South African companies in the capitalization of the Southern African economy cannot be over emphasized, but it is not without consequences. For example, the continued growth of a South African retail company (Shoprite) in Zambia created rivalry between the company and local vegetable producers who responded aggressively by threatening to burn down the store in response to the deprivation the company's presence had caused them. Miller notes that the Partnership Forum established between Shoprite and local citizens could reflect the global neo-liberal shift towards partnerships and cooperation among contending social forces. This notion is supported by the World Bank, the IMF and other interest groups. African countries embraced neo-liberal economic and political reforms in the 1990s which coincided with a major political change in South Africa and opened up African economies to the country's multinational companies (Miller, 2008). The above-mentioned partnership in Zambia ended the tension between Shoprite and local communities because the former easily triumphed over the unorganized villagers. For South African companies operating in Africa, the progress of organized groups continues at the expense of disorganized peasants. Miller argues that despite a renaissance of local organizations in Zambia, this could not protect them from eventual exploitation at the hands of organized giant retail companies such as MTN. Thus, South African neo-imperialism takes the form of transnational multi-national companies supported by the state apparatus to expand, defend and stabilize the global capitalist system in Africa.

Africa is witnessing a new form of global capitalist domination where South African companies penetrate African markets using transnational capital accompanied by the rhetoric of African Renaissance spearheaded by state policy makers. This has almost succeeded in hiding the country's true interests in the form of expanded trade and investment in Africa. As such, the African Renaissance has become a symbolic campaign for hegemonic power and the subtle legitimization of South African business expansion in Africa. To all intents and purposes, South Africa has thus completed all of Lenin's five stages of imperialism as the highest form of

capitalism barring one; territorial division and occupation in Africa which it lacks capacity to achieve.

4. On Morality Vs Constitutionalism?

Is South Africa's African Renaissance rhetoric more of a response to the world economic order it found itself in at the end of apartheid than the purported African revival? South Africa does not have the capacity to create a military monopoly of destruction of the kind the US has created, but has shifted its strategy to the areas where it has capacity. Good examples of South Africa's African Renaissance successes include sporting diplomacy on the continent, especially assistance to Mali for its hosting of the Africa Cup of Nations in 2002. South Africa provided significant aid to Mali including human resources, finance, technical skills, communication facilities and transport (Ndlovu, 2010). CAF acknowledged South Africa's help as crucial in the successful hosting of the tournament when at the eleventh hour, it seemed that the competition would not take place (Ndlovu, 2010). South Africa extended the same assistance to Ghana when it hosted the African Cup of Nations in 2008 though on a smaller scale. In the same vein, South Africa through the National Oil Company (NOC) PetroSA bankrolled the successful hosting of the All Africa Games in 2011 by Mozambique when it was clear the latter's capacity to host the competition was in doubt (Petro SA 2011; Ogunnubi 2014).

South Africa has used its solid private sector to finance and ideologically support sport in Africa including its hosting of the 1995 Rugby World Cup, the 1996 African Cup of Nations, the 2003 Cricket World Cup co-hosted by South Africa, Zimbabwe and Kenya, and the 2010 FIFA World Cup. South Africa also hosted the 2013 African Cup of Nations because Libya who won the hosting rights could not do so due to the outbreak of civil war and NATO's intervention in that country. It stepped in to host the African Cup of Nations in 1996 when Kenya that won the hosting rights was cash trapped. However, in 2014 when West Africa was stricken with Ebola, Morocco who won the hosting rights declined the honor, and South Africa did not offer its services, citing budget challenges. It is instructive that, in this case, the national interest superseded the African Renaissance project because South Africa's calculations were based on fear of the spread of the Ebola virus in the country and losses in terms of the cost of hosting the event. South Africa has the most sophisticated medical facilities in Africa and the most developed capitalist economy. It should have stepped in to salvage the tournament in the spirit of the African Renaissance.

Mega South African companies involved in sports sponsorship in Africa include MTN, PetroSA, Standard Bank, and Multichoice/Supersport, among others. Government and private sector partnerships in this regard include SABMiller working with SAFA, provincial governments and the National Department of Sport and Recreation to sponsor competitions of the regional Confederation of Southern African Football Associations (COSAFA), including youth and women's competitions (Ndlovu, 2010). South Africa's most exciting contribution to the African Renaissance movement was undoubtedly bringing the FIFA World Cup to Africa for the first time in 2010 and its claims of hosting on behalf of Africa. No other project has done more to bring

Africans together since the end of colonialism and apartheid, even though its glitter has been tarnished in recent times by allegations of bribery. These are some reflections of the country's soft power capabilities which it deploys to advance both its hegemonic aspirations and economic interests in Africa (Ogunnubi and Isike, 2015).

At the beginning of democratic era, South Africa's foreign policy was underlined by the principles of its liberation struggle and international good citizenship (Fairbanks, 2012). The apartheid struggle was a global one; thus, South Africa would assume international responsibility for the good citizenship that justified that struggle. However, this commitment has been diluted over the years. For example, in 1996, Nelson Mandela welcomed the spiritual leader of Tibet, the Dalai Lama to the South African Parliament. Fifteen years later, the government has, on many instances refused to grant the Dalai Lama a visa to attend Archbishop Emeritus Desmond Tutu's birthday party in Cape Town.

In the same manner, South Africa has sometimes found itself at serious odds with African countries. For example, in the Zimbabwean crisis, the country maintained the quiet diplomacy which President Mbeki opted for during his time of mediation. In the feud over yellow fever with Nigeria, South Africa realized that a diplomatic crisis would not be beneficial; business interests in Nigeria dictated the need for a hasty apology (Umezurike and Asuelime, 2015). The same strategy of withdrawal was followed when South Africa opposed the human rights abuses of the military junta of late General Sani Abacha and the hanging of the Ogoni 9 including environmental activist, Ken Saro Wiwa in 1995 (Banjo & Omidiran, 2000; Adebajo, 2007; Banjo, 2010). However, we argue that such foreign policy choices in Africa or elsewhere do not qualify South Africa as a neo-imperialist outpost on the continent even if such choices are motivated by the state's business interests. At most, South Africa's choice is anti-West or international good citizenship which often reflects its internal constitutional democracy and the moral stature of its post-apartheid leaders such as Mandela and Mbeki.

In 2007, South Africa voted against a United Nations resolution calling on Myanmar's military junta to put an end to human rights abuses. It did the same in 2008, when the country was instrumental in thwarting a UN resolution to impose sanctions on neighboring Zimbabwe despite the fact that the US ambassador rightly pointed out that similar sanctions were instrumental in the liberation of South Africa from apartheid (Fairbanks, 2012). South Africa has failed on a number of occasions to respond appropriately to rogue regimes. For example, having at first supported the UN resolution mandating a no-fly zone to support Libyan rebels fighting Col. Muammar al-Qaddafi, South Africa condemned the subsequent NATO bombing campaign, balked at releasing \$1.5 billion in assets to the rebels, and complained about the unceremonious way Qaddafi was chased out of Tripoli and eventually killed (Fairbanks, 2012). Fairbanks recounts that President Jacob Zuma himself flew to Tripoli in May and expressed sympathy after the bombing claimed the lives of Qaddafi's family members. The view of many is that South Africa's impact on global affairs is very much the tale of a determined growing economy taking precedence over gauzy ideals that are sometimes not practicable. Few articles about the Dalai Lama saga (the second time in two years South Africa refused to grant him a visa) noted that it coincided with the South African

Deputy President's trip to Beijing to announce a \$2.5 billion investment deal with China (Fairbanks, 2012).

In the days of apartheid, South Africa had close relations with Taiwan because both countries were facing near isolation in global affairs; in the case of South Africa, this was due to the official policy of racial segregation while China claimed that Taiwan is an integral part of China. The situation became tougher for Taiwan in the 1970s when UN Security Council withdrew its resolution supporting Taiwanese independence and accepted China's position (Grimm et al. 2014). As pariah states, South Africa and Taiwan enjoyed a successful relationship until the 1990s when the former gained freedom and established popular rule. China and Taiwan then entered the race to maintain diplomatic ties with South Africa. China made it clear that it would not tolerate South Africa retaining diplomatic ties with Taiwan although it might accept other forms of relations with Taiwan as long as Taiwan does not lay claim to sovereignty of any kind (Grimm et al., 2014). South African chose to sever diplomatic ties with Taiwan (Schraeder, 2001). The pragmatic South Africa has chosen China that does not share the same ideology over Taiwan that has the same capitalist views. This demonstrates that South Africa is a realist state that makes choices in light of national and economic interests.

5. Post-Apartheid South Africa: a Symbolic Hegemon

ATTRIBUTES OF POST-APARTHIED SOUTH AFRICAN POLICY IN AFRICA

Academics, the media, diplomats and analysts alike have situated the influence of post-apartheid South Africa in Africa and in global affairs in a number of contexts, including as a middle power, emerging power, emerging middle power, pivotal state, regional power, regional hegemon, secondary power, regional hegemonic power, sub-imperialist, capitalist, imperialist neo-imperialist, soft power, leadership and representivity (see Sidiropoulos and Hughes, 2004; Flemes 2007, 2009; Ahwireng-Obeng and McGowan 1998; Habib 2009; Bond, 2013; Tella and Ogunnubi, 2014; Sidiropoulos 2014; Umezurike and Asuelime, 2015; Alden and Schoeman, 2015; Ogunnubi and Isike, 2015). All these attributes have been cited to support the simplistic assumption that South Africa is a neo-imperialist power in Africa. The claim made in this paper aligns with Ogunnubi and Isike's (2015) assertion that South Africa has large attributes of soft power especially in the African context. It is these soft power attributes that have enabled the country to consolidate its comparative advantages in relations with African countries that are often perceived as neo-imperialist or sub-imperialist. Thus, Ogunnubi and Isike (2015) and Tella and Ogunnubi (2014) acknowledge South Africa's symbolic hegemonic status rooted in the formal and informal sources of soft power, including its media exports, political ideology, constitutionalism/rule of law and respect for the Bill of Rights enshrined in its constitution, its vast array of iconic personalities which generates positive political goodwill; world-class multinational companies and universities, cultural exports, sporting attractions, and a world-class hospitality industry, among many others. At the end of apartheid, the free South Africa sought to shift its mode of production to a world-class dynamic mode (neo-liberalism), which included engaging in many strategic policies

including privatizing public enterprises, encouraging private corporate investment, reducing tariffs and export subsidies, liberalization of exchange controls, tax cuts on corporate dividends, and enforcing intellectual property rights (Edwards, 2001; Kabundi, 2009; Saayman, 2010; Thaver, and Ekanayake, 2010; Umezurike; 2015). This earned it the title of a world-class capitalist economy. As such, many are of the view that South Africa is a gateway to the rest of Africa, especially with regard to FDI although China and India have practically demonstrated that South Africa is not necessarily the gateway to the African market (Alden and Schoeman, 2013, 2015). While South Africa has an advantage over other African economies in this regard, many other countries on the continent such as Nigeria, Egypt, Ethiopia, Angola, and DRC have the necessary leverage to act as such a gateway. For example, despite not fully reaching its socio-political and economic potential, Nigeria has overtaken South Africa as the biggest economy in Africa.

South Africa has also become the South-South voice and Africa's lone voice at multilateral fora especially the G8 and the World Trade Organization. The country is also a member of the G20 and BRICS (Fairbanks, 2012; Bond, 2013; Alden and Schoeman, 2013, 2015; Games, 2013; Ogunnubi and Isike, 2015; Umezurike, 2015). It has gained leverage through its anti-imperialist rhetoric which in turn helps it to gain access to developed Western and South-South economies.

Overall, South Africa's economic influence is more pragmatic and visible when viewed from the spread of South African multi-national companies such as retail chains PEP stores, Game and Shoprite, telecommunications giant MTN, digital satellite television (DSTV) and Standard Bank in the banking sector (Dakora et al., 2010; Games, 2013; Sega and Lekaba, 2014; Ogunnubi and Isike, 2015; Alden and Schoeman, 2015; Umezurike 2015). Inferably so, South Africa undoubtedly possesses soft power in economics, commerce/trade and political diplomacy with regard to its relations in Africa. The country's soft power through converting traditional hard power competences in its economic strength have accrued great benefits and underlined South Africa's credibility as the African powerhouse; this has been interpreted by many as neo-imperialism on the part of South Africa.

6. Conclusion

In the analysis offered in this paper, we have presented arguments that demonstrate a schizophrenic foreign policy posture of South Africa in its African Renaissance project. On the one hand, South Africa has collaborated with proxies of international capital to create unequal exchange between it and Africa while on the other, it is keen to present itself as a model of African progressive advancement towards modernization and industrialization. Therefore, South Africa's African Renaissance claim of African revival partly mirrors a rhetorical response to the world economic order as well as a subtle moral campaign for facilitating its neo-imperialist expansion into Africa. Therefore, realistically and viewed from the perspective of the internationalization of capital, and the character and geo-political configuration of the South African state, the trajectory

of economic openness and stability itself reacts to the dictates of other centers of superior power within the global system.

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DETERMINING THE NEXUS BETWEEN SOCIAL ENTREPRENEURSHIP AND THE EMPLOYABILITY OF GRADUATES

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Abstract

Social entrepreneurs have, in several ways, been regarded as engines of intense socioeconomic development. They are also famous for intervening with projects for society's problems that are often, either inadvertently ignored or inadequately managed by mainstream society. The issue of graduate employability has gained increased tension around the world especially in emerging markets such as South Africa. Currently, suggestions are that considering the avowed contribution of social entrepreneurs, it may be worthwhile to start examining how they can assist with graduate employability in South Africa. This paper therefore takes an exploratory, yet focused scrutiny of the social entrepreneurship ecosystem to find out the likelihood of social entrepreneurs participating in programmes that prepare students for the workplace thereby reducing graduate unemployment. This is a conceptual paper that has benefitted from an extensive review of literature. Conclusions are drawn therefrom to suggest that opportunities exist for social entrepreneurs to provide practical, project-based learning opportunities for college and university students so that by the time they graduate they have attained reasonable work-readiness levels that stand them in good stead for employment. While the authors propose

Contact: bulelwamandyoli@gmail.com. The authors declare that they have no relevant or material financial interests that relate to the research described in this paper. Also, the authors declare that the submitted paper is their original work and that, upon publication, nothing contained in it will not constitute an infringement of any copyright. Paper received **21.08.2016**. Approved **12.10.2016**. This paper is licensed under the Creative Commons Attribution-Non Commercial-No Derives 3.0. License. This paper is published with Open Access at www.socioeconomica.info.

an intensive empirical study of the subject matter, we are equally positive that this paper may be used to advance the current platforms of engagement of the role of social entrepreneurs or grow innovative methods that provide graduates with a better chance to be successful in the working environment. In short, this paper calls for sustained discussions on how social entrepreneurs can improve graduate employability.

Key words: *socioeconomic development, social entrepreneurs, enterprise education, South Africa, graduate unemployment, graduate attributes, social enterprise*

1. Introduction

Graduate unemployment is common around the world especially in developing countries. And this has been attributed to a receding Western economy and a dearth of employability skills among graduates. Little wonder why numerous studies have been conducted across the globe to figure out specifically why this remains unsolvable. A few brave graduates take the path of entrepreneurship while many others rely on government and the private sector for paid employment.

Like many emerging economies, South Africa is facing the serious challenges of poverty, and unemployment. In some countries (such as Ukraine and USA), government is famous for being the biggest employer of labour. Dubyk and Pozniakova (2013) warn that the state cannot be expected to fully and successfully carry the burden of everyone especially considering that a weak economy often results in an increase in the number of employed and unemployable. Therefore, parastatals alone cannot provide the much needed jobs for every graduate in any society. The private sector, on the other hand, is known to have very stringent conditions for employment. Some of these conditions are very restrictive and demanding for fresh college/university graduates who are considered ill-equipped for the world of work. It is on this basis that renewed calls have been made to find out if there are other ways to ensure that by the time a college or university student graduates, he/she is ready for the workplace. Fingers have already started pointing at social entrepreneurs whose real value in transforming communities is yet to be fully explored (Mair & Marti, 2006; Welsh, 2012).

Entrepreneurship is “the innovative use of resource combinations to pursue opportunities aiming at the creation of organizations and or practices that yield and sustain social benefits” (Mair & Noboa, 2006). This definition signifies the use of entrepreneurial approach to solve certain social problems (Meyer & Gauthier, 2013). Practitioners of the social entrepreneurship approach are those whom Ashoka (2012) in Abu-Saifan (2012) believe are “individuals with innovative solutions to society’s most pressing social problems’ further suggesting that ‘they are both visionaries and ultimate realists; concerned with the practical implementation of their vision above all else”.

Social entrepreneurs are “individuals or organizations engaged in entrepreneurial activities with a social goal” (Bosma & Amoros, 2013); implying that the social entrepreneurial approach can be used to improve the efficiency and strength of existing entrepreneurship

programmes carried out by volunteer organizations, government sectors, business and non-governmental organizations. Bosma and Amoros (2013) furthermore highlight that social entrepreneurship is a process of activities that includes discovery, evaluation and trailing of opportunities that does not have to result in a new venture creation; the initiation and launch of both formal and informal organizations in pursuit of a social goal.

One of the millennium development goals (MDG's) was to achieve improved employability of citizens. This indicates that employability of individuals is important in socioeconomic development. It is assumed therefore that governments around the world are under pressure to reduce the levels of unemployment. In the case of South Africa, government's commitment is evident in several interventions and policies that aim at closing the gaps in unemployment, and poverty. These interventions are in the form of small, medium and micro enterprises (SMME) support structures and initiatives such as Small Enterprise Development Agency (SEDA); Industrial Development Corporation (IDC); National Development Agency (NDA); National Empowerment Fund (NEF); National Youth Development Agency (NYDA); South African Women Entrepreneurs' Network (SAWEN); Technology for Women in Business (TWIB); Small Enterprise Finance Agency (SEFA); the Land Bank; Micro-Agricultural Financial Institution of South Africa, and the newly created Department for Small Businesses and several others.

There are also some public-private initiatives such as the Sector Education and Training Authority skills development programmes (for e.g. study bursaries); the National Skills Development Agency; and the National Skills Fund. Despite these efforts, unemployment continues to rise. The problem of unemployment is even worse for those who have attained higher education. In fact, the new National Youth Policy (2015-2020) frowns at the stubbornly persistent rise in youth unemployment, thus emphasizing the need for graduates to obtain the necessary skills to face the challenging and increasingly flexible labor market.

Graduates in South Africa face increasing levels of unemployment even though there have been several interventions by both government and private organizations. The question that begs an answer is how else can this seemingly endless problem be solved? According to Graduate Market Trends (2011), organizations nowadays search for those that are adaptable, innovative, original, compliant and intelligent problem solvers. Altbeker and Storme (2013) affirm that graduates face challenges with regard to securing employment. In June 2012, a City Press article on graduate unemployment, warned that, "a university degree or diploma no longer guarantees employment for young South Africans as hundreds of thousands of them struggle to obtain employment". The reason for this can be viewed from the perspectives that employers anticipate graduates to have practical work experience on or after their degree, including the ability to demonstrate a range of broader skills and characteristics that include team-work, communication, leadership, critical thinking, problem solving and managerial abilities (Moleke, 2010).

Several studies have focused on graduate unemployment as well as the related causes of unemployment in South Africa. These studies paid attention to employment in the formal sector. Our paper derives its uniqueness from its scope i.e. social entrepreneurs. In this paper a theoretical examination of the likely role(s) of social entrepreneurs in improving graduate employability is undertaken. In so doing, one may disclose their potential or lack thereof in reducing the levels of unemployment; specifically their likely contribution to graduate employability. To determine these roles, we start by looking at the literature that has been published by entrepreneurship theorists and practitioners to advance the concept of social entrepreneurship including its different types and capacity for socioeconomic development. We also interrogate graduate employment in South Africa while highlighting the different employability characteristics and the probable cause of graduate unemployability in South Africa. Thereafter we explore the critical issue of graduate employability through social enterprise. We conclude this paper by calling for a further investigative engagement of the subject of social entrepreneurship and its capability to improve graduate employability on South Africa.

2. Method

Different methods of conducting research exist. Some of the methods are more apt for certain disciplines while there are also some which have multidisciplinary essence. In social sciences, the traditional literature review method is often used (see Petticrew & Roberts, 2008; Victor, 2008). The object of this paper is to examine the likely role(s) of social entrepreneurs in improving graduate employability. This is a novel study and therefore requires an approach that allows for the inclusion of both qualitative and quantitative data in order to facilitate a better understanding of this novel and noble idea. The method adopted in this study is the traditional literature review. Its epistemological orientation of interpretivism serves perhaps as the foremost method for conducting studies in social science disciplines. According to Rozas and Klein (2010), the method offers “a valid and important way to identify existing patterns and gaps in ... [as] they draw not only on quantitative... but also qualitative studies”.

3. Literature review

The concept of social entrepreneurship has gained such traction because many traditional civil society organizations such as non-profit, non-governmental organizations have begun to identify themselves as social enterprises (Trivedi, 2010)], and to create community benefit irrespective of ownership or legal structure and with varying degrees of financial independence, innovation and social transformation (Brouard & Larivet, 2011). Trivedi (2010) also adds that social entrepreneurs create and use economic profit as a means of solving social problems.

Bacq and Janssen (2011) affirm that “the social entrepreneur is a mission-driven individual who uses a set of entrepreneurial skills to deliver a social value to the less privileged”. This characterization according to Bacq and Janssen distinguishes social entrepreneurs from

profit-oriented entrepreneurs. For instance, social entrepreneurs are described as mission driven individuals who are committed to delivering a social value to the needy. Other distinguishing elements include the following:

- They bring their entrepreneurial flair to bear upon the work they do utilizing a combination of characteristics that set them apart from other types of entrepreneurs.
- They act within entrepreneurially-oriented organizations that have a strong culture of innovation and openness.
- They act within financially independent organizations that plan and execute earned-income strategies with the objective of delivering the intended social value while remaining financially self-sufficient. In this regard, financial self-sufficiency is achieved by blending social and profit-oriented activities to achieve self-sufficiency, reduce reliance on donations and government funding, and increase the potential of expanding the delivery of proposed social value.

Santos (2012) argues that social entrepreneurs are economic agents who, due to their motivation can create value without concern for profit but specifically targeting a disadvantaged population. In essence, Santos claims that, social entrepreneurship is not specifically about creating market mechanisms or securing government subsidies or creating a social enterprise, but about crafting effective and sustainable solutions using whatever combination of institutional means necessary. This characterization is indeed compatible with the view of social entrepreneurship as an umbrella concept with plenty of room for different initiatives to tackle social problems. And one of those is the issue of graduate employability.

Types of social entrepreneurs. Considering that different characterizations have been adapted for the term social entrepreneur, it is not unusual to find that “different types of social entrepreneurs exist, addressing specific social problems in their own ways and within their own realms” (Zahra, Gedajlovic, Neubaum, & Shulman, 2009). Nonetheless, the similarities and differences among the broad range of social entrepreneurship practitioners can be located within three types of social entrepreneurs; namely social bricoleurs, social engineers, and social constructionists. Smith and Stevens’ (2010) descriptions of these types of social entrepreneurs are as follows:

- Social bricoleurs work with communities to identify their real issues and find solutions to those issues. Their affinity to the communities they operate in facilitate the identification and resolution of the local social issues. Zahra et al (2009) affirm that “without them, many indiscernible or unrecognizable social needs would remain unaddressed”. In short, entrepreneurs who find and utilize opportunities as well as resources found in their local domains for the benefit of the local community are referred to as social bricoleurs. Two organizations – Treatment Action Campaign (TAC) and Section 27 - stand out in South Africa as good examples of social bricoleurs. These social entrepreneurs champion the

interest of those living with HIV/Aids and those parents who insist on good quality education for their children.

- Social engineers focus on large-scale, complex issues, which are often beyond the capacity of a community to manage on its own. They identify systemic problems such as unemployment or entrenched poverty within a social system and then find ways to address them. Social entrepreneurs are able to achieve this by “fracturing existing and often dominant institutions and replacing them with more socially efficient ones” (Zahra et al, 2009). A name that is regularly mentioned as a classic example of a social engineer is the internationally acclaimed micro financier, Yunus Mohammed. Through his Grameen bank, he provides credit facilities to indigent people of Bangladesh without necessarily seeking collateral but expecting recipients to be trustworthy and creative in the way they make use of the funds they receive. Essentially, Yunus Mohammed has transformed the hitherto orthodox practice of this sector.
- Social constructionists are highly opportunity driven, but not in the sense of a commercial entrepreneur. They identify and simply pursue opportunities with the goal of creating social wealth. Social constructionists identify opportunities, develop them to become successful, and then use them to resolve those social needs that are ineffectively addressed by existing institutions. A good example of a social constructionist is the Open Society Foundation. This brainchild of George Soros aims to protect and improve the lives of people in marginalized communities and “to build vibrant and tolerant societies whose governments are accountable and open to the participation of all people” (Open Society Foundation, nd).

This paper’s main objective is to find out the likely role of social entrepreneur’s in improving graduate employability in emerging economies such as South Africa. The consequence of this is that emerging economies including Ukraine who have only recently embraced social entrepreneurship [1] may find “new efficient tools to overcome existing problems” (Bibikova, 2015). According to Bibikova, these existing problems include unemployment, and very low wages.

Thus the authors are more inclined to believe that social entrepreneur’s develop and validate sustainable solutions to problems (Santos, 2012) that have a significant impact on how to improve and sustain societies (Dempsey & Sanders, 2010).

The role of social entrepreneurs. The focus of this paper is to understand how social entrepreneurs can contribute to graduate employability. Therefore it is necessary to reflect or review literature on the role of social entrepreneurs.

Karanda and Toledano (2012) assume that social entrepreneurs have a unique critical bottom line by which to extend their success. This unique critical bottom line hovers around improved access to health care; more effective education; poverty reduction; provision of a cleaner environment and protection of abused children. Education for instance is the main vehicle used by the community to develop new generations and to reform education to affect knowledge. According to Jafta (2013) social entrepreneurs can help solve some of South Africa’s

developmental problems and address the lack of social unity. They form and manage initiatives to achieve social change.

Sivanathanu and Bhise (2013) are of the opinion that social entrepreneurs play the role of social change in the society by:

- Adapting a mission to formulate and sustain social value.
- Recognizing and persistently chasing new opportunities to serve that mission.
- Engaging in the process of continuous innovation, adaption and learning.
- Acting boldly without being limited by resources currently in hand.

Essentially, the key motivation of social entrepreneurs is to take action against a community’s problem without the intention of profiting financially i.e. they prioritize more on serving the needs and wants of the community in a more ingenious way. This is an indication that social entrepreneurs differ from profit-oriented entrepreneurs. According to Santos (2012), a dominant difference between commercial entrepreneurship and social entrepreneurship is that, social entrepreneurs are determined to generate value for society. Abu-Saifan (2012) identifies the unique characteristics of profit-oriented entrepreneurs and social entrepreneurs - mostly found in both types of entrepreneurs - as shown in Table 1 below.

Table 1: Unique and common characteristics of profit oriented entrepreneurs and social entrepreneurs

Unique characteristics of the profit oriented entrepreneur	Characteristics common to both types	Unique characteristics of the social entrepreneur
➤ High achiever	➤ Innovator	➤ Mission leader
➤ Risk bearer	➤ Dedicated	➤ Emotionally charged
➤ Organizer	➤ Initiative thinker	➤ Change agent
➤ Strategic thinker	➤ Leader	➤ Opinion leader
➤ Value creator	➤ Opportunity alert	➤ Social value creator
➤ Holistic	➤ Persistent	➤ Social alert
➤ Arbitrageur	➤ Committed	➤ Manager
		➤ Visionary
		➤ Highly accountable

Source: Abu-Saifan (2012)

In the non-profit perspective, opportunities are not joined to the creation of wealth for owners but fairly linked to the necessity to support a social purpose yet remaining financially sustainable (Moss, Short, Payne, & Lumpkin, 2011). According to Kirkwood and Walton (2010), the purpose of a social enterprise is to deal with foremost social issues that may have been inadequately catered for or escaped the attention of government. Essentially, social entrepreneurs

are viewed as those with the unique capacity to spot and tackle complex social issues rather than leaving societal needs to the government or the private sector.

Graduate employment in South Africa. Several descriptions have been put forward for the term graduate. These range from holders of a bachelor or higher degree from a university (Altbeker & Storme, 2013); people with college education who are targeted by companies in their graduate recruitment programmes (Pauw, Bhorat, Goga, Ncube, Oosthuizen, & van der Westhuizen, 2006); to students who have graduated (Letseka, Cosser, Breier, & Visser, 2010). Nevertheless, we are inclined to define a graduate, with reference to this paper, as a degree holder (including postgraduate qualification) without reference to the institution where the qualification was obtained. We are convinced that this is a more apt definition considering that studies have indicated the high likelihood of employment for people with college/university degrees. Albeit, considering the high levels of graduate unemployment in South Africa, there is serious doubt whether this is the true position (oosthuizen, 2005). It is even argued that graduate unemployability is as a result of a lack of qualifications in Engineering and Science, which Breier and Erasmus (2009) have squarely placed at the door of the segregated educational system which did not allow the majority of South African's to pursue studies in these disciplines.

The term employability means different things to different scholars and practitioners. In fact, one is yet to find consensus in literature as to how to definitively characterize this term. According to Coetzee and Esterhuizen (2010) “employability refers to those proactive career behaviors and abilities that allow people to obtain or generate work through optimal use of both occupation-related and career meta-competencies”. Lowden, Hall, Elliot and Lewin (2011) add “while there are variations in the classification of employability, there is a broad understanding of what qualities, characteristics, skills and knowledge constitute employability both in general and specifically for graduates”. Nonetheless, scholars are in agreement that the term simply speaks to attributes that suggest ones capacity to be hired for a job. Minten (2010) for instance characterizes employability as the competence of attaining and continuing to accomplish work; the aptitude to act independently in the work place to succeed by means of sustainable employment. Individual employability relates to understanding, attitudes and skills that an individual retains and the way in which they use these possessions when they are presented to potential employers in a specific situation such as the labor market. This fits Barries' (2006) interpretation of the requisite credentials for employability, which include work-integrated learning modules and practical applications for students to gain experience in the work environment and identify certain skills in practice.

The above descriptions provide a foundation for understanding the concept of employability; it is clear that employability is the level to which workers have abilities that employers view as excellent. Some of these abilities are captured in the following table courtesy of McQuaid and Lindsay (2005).

Table 2: Necessary abilities for employability

Individual Factors	Personal Circumstances	External Factors
<p>Employability skills and attributes</p> <p><u>Essential attributes</u> Basic social skills, honesty and integrity, basic personal presentation, reliability, willingness to work, understanding of actions and consequences, positive attitude to work, responsibility and self-discipline.</p> <p><u>Personal competencies</u> Proactivity, diligence, self-motivation, judgment, initiative, assertiveness, confidence, act autonomously.</p> <p><u>Basic transferable skills</u> Prose and document literacy, writing, numeracy, verbal presentation.</p> <p><u>Key transferable skills</u> Reasoning, problem solving, adaptability, work-process management, team work, personal task and time management, functional mobility, basic Information Communication Technology (ICT) skills, basic interpersonal and communication skills, emotional and aesthetic customer service skills.</p>	<p>Household circumstances</p> <p><u>Direct caring responsibilities</u> Caring for children, elderly relatives, etc.</p> <p><u>Other family and caring responsibilities</u> Financial commitments to children or other family members outside the individual’s household, emotional and time commitments to family members or others.</p> <p><u>Other household circumstances</u> The ability to access safe, secure, affordable and appropriate housing.</p>	<p>Demand factors</p> <p><u>Labour market factors</u> Level of local and regional or other demand, nature and changes of local and regional demand(required skill levels, occupational structure of vacancies, sectors where demand is concentrated), location, centrality or remoteness of local labour markets in relation to centres of industry or employment, level of competition for jobs, actions of employers’ competitors, changing customer preferences, etc.</p> <p><u>Macroeconomic factors</u> Microeconomic stability, medium to long-term business confidence, level and nature of labour demand within the national economy.</p> <p><u>Vacancy characteristics</u> Remuneration, conditions of work, working hours and prevalence of shift work, opportunities for progression, extent of part-time, temporary and casual work, and availability of “entry-level” positions.</p> <p><u>Recruitment factors</u> Employers’ formal recruitment and selection procedures, employers’ general selection preferences (for example, for recent experience),</p>

<p><u>High level transferable skills</u> Team work, business thinking, commercial awareness, continuous learning, vision, job-specific skill, enterprise skills.</p> <p><u>Qualifications</u> Formal academic and vocational qualifications, job-specific qualifications.</p> <p><u>Work knowledge base</u> Work experience, general work skills and personal aptitudes, commonly valued transferable skills such as driving, occupational specific skills.</p> <p><u>Labour market attachment</u> Current unemployment/employment duration, number and length of spells of unemployment/inactivity, balance of work history.</p>		<p>employers' search channels (methods of searching for staff when recruiting), discrimination (for example, on the basis of age, gender, race, area of residence, disability, unemployment duration), form and extent of employers' use of informal networks, demanding only appropriate qualifications or credentials.</p>
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Source: McQuaid and Lindsay (2005) [Adapted]

According to Cape Higher Education Consortium (2013) South Africa has experienced a major development in the figures of unemployed youth together with matriculants and university level graduates. The issue of unemployed graduates is increasing globally and not exclusive to South Africa. There is enormous literature on the subject with numerous studies based on tracer and longitudinal assessments of young people as they pass through higher education into employment.

The number of graduates who are unemployed continues to rise in South Africa. This is viewed seriously especially given that unemployment is steadily climbing up to 26%. During the 1st and 2nd quarters of 2013, unemployment increased by more than 100 000 (StatsSA, 2013). As StatsSA (2013) further reveals, a large number of those who were unemployed in the 2nd quarter of 2013 comprised those who did not complete high school education thus suggesting that the successful completion of high school as well as obtaining a tertiary qualification could be a

panacea for unemployment. But as Moleke (2010) posits, several other factors impede employability. These include institution attended, field of study, race, and gender.

Potential causes of graduate unemployment. According to Oluwajodu, Blaauw, Greyling and Kleynhans (2015) unemployment is a high priority in South Africa. They also acknowledge reduction in economic welfare, as well as brain drain as some of the consequences of unemployment in South Africa.

Pauw, Oosthuizen, and van der Westhuizen (2006) believe that graduate unemployment is a feature of several factors namely:

- Qualification obtained and field of study. In today's increasingly complex business environment, organizations are more inclined to seek candidates with the right credentials for their core business. In most cases, one finds that the core business needs of organizations require mostly scarce skills such as Engineering and Science. In fact, Moleke (2010) makes a case for Engineering as field of practice which teaches relevant job-specific skills which provide the fresh graduate the opportunity to do well at his job. Sadly, graduates with humanities and arts qualifications may take a longer period to secure employment because employers may be less certain about their capabilities (Moleke, 2010). On the basis of this, it is not surprising to find that the employment prospects of graduates with qualifications that are not in demand are shattered.
- Quality of education. A common debate amongst scholars and industry experts is that the quality of education in South Africa is progressively going down and this is reflected in poor pass rates students at tertiary institutions. Many reasons have been put forward for this including quality issues in basic education in South Africa. Worse still, the segregated education system which was available to the majority of the citizens during the apartheid era is still considered a major reason for poor performance in many tertiary institutions. As a result, employers hesitate to go on campus recruitment drives in historically black institutions. In agreement with this are Oluwajodu et al (2015) whose sample of unemployed group comprised graduates of University of Fort Hare, University of Zululand and University of Limpopo.
- Sustained discrimination. The unequal education system mentioned above could have roots in the unfortunate skewed employment data which seems to favor Whites and a few Asian and Coloured South Africans. It can be argued that the skewed education system denied majority of the citizens the opportunity to obtain employability skills which include among others workplace readiness skills.

According to the National Film and Video Foundation (NFVF) (2005), to get a job with a qualification in the Arts may be demanding considering that one is expected to have attained some work experience before accessing most jobs within film, music, and even social sciences. For instance, in the film industry a directing role requires some experience. In the same vein, taking up the role of a creative officer is a long term achievement and as a result may not be that

enticing to remain in the profession for too long. It is therefore not surprising that substantial unemployment and unequal earnings characterize the South African labor market, with the youth excessively affected (2013) leading to a reliance on social grants – including old age, child support, disability, foster care, care dependency, and grant-in-aid for income (Western Cape Government, 2013).

Graduate employability through social enterprise. The argument around the employability of graduates is not a new one; in fact it has been the issue of extensively ranging academic research for nearly three decades (Atwood, 2010). According to Bruns (nd) “most graduates lack essential experience of the work place. Their training has not been sufficiently relevant to the requirements of organizations. For graduates to compete in the highly competitive world of work, organizations in various industries have resorted to on-the-job training”. Weddle (2009) adds “In the past, employers were willing to hire those who had modest skills and train them to perform a job. Today, they will only employ individuals who have all of the skills to do a job and the state-of-the-art knowledge required to use those skills effectively on-the-job”.

According to Owens and Tibby (2014) graduates require the skills, abilities and qualities to allow them to be effective in this shifting global economic environment. Progressively, employers believe graduates to be innovative, adaptable, and flexible and have an enterprising mindset. Enterprise education supports employability by empowering students to develop the characteristics, attributes and skills that will enable them to make effective contributions to the economy and society. Enterprise education evidently links to employability and as such, has to be at the core of employability strategies.

Wilson (2012) defines enterprise education as the process of preparing graduates with an improved capacity to generate ideas and the skills to make them happen. This prepares graduates with characteristics, capabilities and skills that develop their employability and empower them to be entrepreneurial in a range of settings including employment. Helyer and Lee (2014) makes a case for experiential learning as ancillary to this process by stating that learning and doing cannot be separated and therefore students who do not make any attempts to secure some work based skills are not likely to attract any attention from employers (Birchall, 2013). However, Cooper, Orrell and Bowden (2010) also affirm this view that it is not enough for graduates to simply experience the workplace inactively; they need to actively participate in order to learn. Essentially, learning is the product of graduates’ efforts to understand and transform their experience in a way that it makes sense to them.

Graduates’ attributes. It is common to find various explanations for the causes of graduate unemployment in South Africa. A number of these have been attributed to unemployability perhaps resulting from qualification obtained, institution attended and or even work experience. Some studies have however paid attention to skills and attributes that facilitate employment. For instance, Harvey and Green (1994) put forward what employers have indicated

as the most wanted graduate skills groups in rated order of employers' preference. See table below.

Table 3: Critical graduate attributes

1. Willingness to learn	7. Co-operation	13. Analytic ability	19. Adaptability (organizational)
2. Commitment	8. Communication skills – written	14. Flexibility	20. Ability to cope with pressure
3. Dependability/reliability	9. Drive/energy	15. Initiative	21. Time management
4. Self-motivation	10. Self-management	16. Logical argument	22. Rapid conceptualization of issues
5. Team work	11. Motivation	17. Adaptability (intellectual)	23. Research skills
6. Communication skills – oral	12. Problem solving ability	18. Numeracy	24. Self-confidence

Source: Harvey and Green (1994).

Griesel and Parker (2009) instead focus on four main categories of skills and attributes that employers look out for to include basic skills, intellectual ability, workplace skills, applied knowledge and interactive skills.

CIHE (2008) acknowledges seven important necessities for graduate employability to include subject specific knowledge, analytical research/technical skills, maturity, thinking/problem solving skills, new ideas and capability to aid innovation, high potential and future leadership potential. Gartland and Wood (2008) on the other hand recognize that to improve employability and consequently enhance graduate attributes will require 'increasing levels of conceptual, analytical and appraisal skills from undergraduates and master's-level students' with lessons that focus on, among others, 'originality and the ability to deal with complex issues and make sound judgments in absence of complete data'.

Coetzee (2011) argues for a well-rounded graduate that appeals to an employer. She further states that a student's graduateness is typified by his intellectual capacity which facilitates job placement and therefore suggests the following skills for graduates: Problem-solving and decision-making skills; cultural competence; sociability; emotional literacy; analytical skills and several others.

Interestingly, Oluwajodu et al (2015) are of the view that "South African graduates are often unsuccessful in the recruitment phase, because they lack some of the required skills".

4. Discussion

Although we have found some papers that have reported the impact of social entrepreneurs to socioeconomic development, we are yet to find any evidence that makes a direct reference to how they can improve graduate employability. This claim of ours is not specific to South Africa using the data we have assembled from other studies. It is clear anyway that social entrepreneurs add value to socioeconomic development through their ‘charity’ efforts and the provision of employment to community members (Malunga, Iwu, & Mugobo, 2014). While these roles played by social entrepreneurs are noble, the crux of this paper which is to understand how social entrepreneurs can improve graduate employability is yet to be resolved. Judging from the contributions of Owens and Tibby (2014), Wilson (2012) and Heyler (2014), we deduce that social entrepreneurs can demonstrate their efforts at reducing graduate unemployability by offering opportunities to university/college students and graduates to participate in what Owens and Tibby refer to as enterprise education. This, in our opinion, will comprise elements of work integrated learning, job shadowing, experiential learning and community engagement. It is hoped that these will not only build career management competencies in graduates, but also improve their employability.

According to Jackson and Wilton (2016), one of the formidable ways of nurturing career management competencies in undergraduates is through work integrated learning, which enhances students’ understanding of the expected skills including how to perform on a job. Work integrated learning is considered necessary owing to the continued economic uncertainty and a highly competitive labor market (Ross, 2012; Tomlinson, 2012). Therefore, it is necessary to have employers assisting in the development and enhancement of employability opportunities for graduates by providing work readiness opportunities that bring real issues of the workplace to the attention of those who participate in work integrated learning.

The concerns of Cleary, Horsfall, Muthulakshmi, Happell, and Hunt (2013) regarding a lack of managerial support in the workplace for those on work integrated learning projects could serve as an excellent opportunity for social entrepreneurs. We posit this argument on the strength of our understanding that for-profit organizations, timelines and other exigencies of business may not permit those who are assigned the responsibility of managing those on work integrated learning to properly provide mentoring and other support they need.

Experiential learning means providing students with the opportunity to gain exposure, outside the classroom, to concepts that are taught in school. This could be in the form of simulations, field visits to and conducting small assignments for organizations (Luppino, 2007; Hindle, 2002; Duarte & Hodge, 2007; Mustar, 2009). Austin and Rust (2015) refer to it as a hands-on experience that can include service learning, applied learning in the discipline, co-operative education, internships, study abroad and experimental activities.

Job shadowing simply means allowing someone to observe a more experienced person executing his daily roles and responsibilities. Mader, Mader and Alexander (2015) describe it as

a “way for [the] youth to become aware of the world-of-work through programs sponsored by schools or social organizations”.

These propositions of ours have been widely researched and empirically suggested as likely buffers of work readiness of students but not in relation to social entrepreneurs. What has been suggested mostly in extant literature on enterprise education is a triad of engagement involving community, students/institutions of higher learning and an organization (either public or private). An opportunity exists here for social entrepreneurs to champion enterprise education projects of colleges/universities by providing hands-on training opportunities for students to understand how problems are solved in the real world and so on. In this case, social entrepreneurs are in touch with colleges and universities thereby they can make input into the curricula of schools.

Currently, evidence from South African studies suggests that mostly profit oriented organizations are the ones that participate in these programmes. It is believed that these programmes serve as their corporate social responsibility effort. In fact, the Cell-C Take a Girl Child to Work programme is hailed as a credible opportunity for young girls in high schools to be exposed to a variety of career options. Several organizations take this initiative seriously as they seek the support of schools to nominate participants. It is not yet known how far this programme has aided young girls in preparing for a career after school. What this boils down to is that to date there is hardly any empirical evidence in academic literature that social entrepreneurs, specifically in South Africa, add value to graduate employability.

5. Conclusion

We set out by asking the question: are social entrepreneurs likely to assist in improving graduate employability? Essentially, we wanted to ascertain if there is a nexus between social entrepreneurship and graduate employability. Using the traditional literature review method, we have found that social entrepreneurs can improve the socioeconomic circumstances of their communities. Therefore, burgeoning economies such as South Africa, Brazil, Russia and Ukraine can realize through this paper, that there is indeed a nexus between social entrepreneurship and graduate employability. This means that emerging economies can begin to seek the opportunities that can be tapped to create jobs, improve employment levels and subsequently reduce poverty and dependence on the state for every need. In particular, the rising unemployment levels in South Africa have discouraged development in many ways. Worse even, is the high level of graduate unemployment. It is acknowledged that government has intervened through numerous means including its public private partnerships such as the SETAs. Very disappointingly, unemployment and unemployability continue to be on the rise. While it has been noted that social entrepreneurs can add value in terms of socio economic development of any nation, their particular roles in this regard i.e. contributing to graduate employability in South Africa - have yet to be investigated. The significance of this paper is therefore derived

from this particular need to understand whether social entrepreneurs can assist graduates find employment. This paper therefore makes a call for further, intensive engagement of the subject in the form of an empirical investigation which will seek to decipher how social entrepreneurs can assist in improving graduate employability thus reducing unemployment and significantly contributing to the socioeconomic development of South Africa. We are convinced that further studies on the subject will add to the existing literature on social entrepreneurship and graduate employability.

Nonetheless, this paper may be used to advance the current platforms or grow innovative methods providing graduates a better chance to be successful in the working environment. It is also hoped that this paper will enable social entrepreneurs to specifically evaluate the condition and those abilities essential to employability in the labor market. This will help to understand how South African social entrepreneurs can contribute to social development. This paper calls for sustained discussions on how social entrepreneurs can improve graduate employability.

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THE IMPACT OF GLOBAL FINANCIAL CRISIS ON THE EMU STATES

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Abstract

A relatively successful functioning of the European Economic and Monetary Union, which was formed on the 1st January 1999, has affected to the all EU member states, except Great Britain, Denmark and Sweden, to express a firm commitment to become members of the EMU for the shortest possible time. However, in 2008, the global financial crisis with its destructive earthquakes staggered the European Economic seismographs. That created Euro skepticism, opened a lot of issues about negatively EMU effects and pointed out to the short-sightedness and instability of the euro strategy. The global financial crisis has only highlighted a lot of forgotten weaknesses of the European monetary structures, which requires detailed analysis to get the answer on the question: What will be the future of the EMU and join or not to join to the EMU?

In order to identify all potential effects of the functioning of EMU and all advantages and disadvantages for the Member States, it is necessary to analyze the twelve years of functioning of EMU. The time period from 2000 to 2008, is selected in order to eliminate impact of the financial crisis, and the time period from 2008 to 2012, is selected in order to include impact of the financial crisis, because of the making a reliable conclusion. It is necessary to examine whether the three EU members that did not join the EMU (Great Britain, Sweden and Denmark) have lost or gained by the decision not to participate in the third phase of the Maastricht Treaty.

Key words: *global financial crisis, EMU, Euro winners, Euro losers.*

1. The global financial crisis and EMU

European Economic and Monetary Union is heterogeneous economic area, because it includes individual states with different economic and financial structures. According to the fact that it cannot be avoided a heterogeneous impact of the different Member States, all the states are governed by the logic of economic benefits of unification, convinced that the benefits will overcome the problems of monetary integration. However, numerous problems cannot be easily measured, and it is difficult to understand their nature and significance.

During accessing to the EMU the biggest fear for the states and the biggest lack is possibility of asymmetric disturbances. The problem of asymmetric shocks for states which come together was analyzed by Robert Mundell for the first time in his theory of optimal currency area (OCA) (Mundell 1961, pp. 657-665), well before the establishment of the European Monetary Union. By European monetary integrations, this problem has been re-actualized and became an integral part of analysis, often with diametrically opposite results and views. Thus, for instance point of view of the European Commission is that in EMU are not possible asymmetric shocks, because by monetary integration it comes to expanding the scope of trade and correlation of economic activity, while Paul Krugman insists on opposite views. Specifically, according to Krugman, eliminating the barriers of trade, due to joining the EMU by countries, has affects on the location of industry and the effect of regional activity concentration, which has influence to the ability that the shocks get characteristics of individual countries and become asymmetric.

Unlike various positions, whether in the EMU absence or presence asymmetric shocks, most economists agree that the survival of EMU just depends on the possibility of eliminating the crises. It can be concluded that the problems and solutions for asymmetric shocks are embedded into the idea of EMU, while the financial crisis are exceptional circumstances, outside of European asymmetries, and EMU leaders did not design predefined solutions.

The first serious challenge for the EMU was precisely the global financial crisis, which imposed the issue of the possibility to EMU survive. Although started in the U.S. unexpectedly, the crisis spread to the European continent soon, and seriously damaged the EMU. The emergence of the global financial crisis in the U.S. in August 2007, nobody could predict, and definitely no one economist could determine the speed of diffusion of the global financial crisis on the whole world economy. Another important problem related to the global financial crisis is the fact that everybody analyzed the reasons of crisis, no negative effects caused by financial crisis and how to prevent these negative effects, and by that it was rapidly spreading the crisis through the global financial system.

Sometimes absurd sentence by Martin Feldstein: There is a possibility that the conflict between member states, or states within and outside the EMU finish by war, became a potential scenario. (Feldstein 1997, pp. 61-62)

The growing differences between the member states contributed to the unexpected negative impact of the global financial crisis. The gap between developed and lower developed countries of EMU, escalated ahead of the global financial crisis, multiplying the

differences in borrowing capacity. For example, the interest rate on the long-term government securities in Greece was five times higher than the interest rates on the German government securities. Borrowing costs increased in countries outside the EMU, as well, but that countries had monetary sovereignty and operational capacity of national monetary policy, which could, ultimately to print national money and eliminate differences.

Contrary to the Maastricht Treaty, which did not provide a socialization of losses, it is temporarily resolved the crisis in Greece, and then in Ireland, Spain and Portugal, thanks to donations from member states. But after the Greek problems it imposes a several key issues:

- If Greece almost every year of membership in EMU was beyond the limit of the budget deficit and public debt, solution for the current crisis can nullify negative effects of the deficit, but not the problem of the public debt. The negative effects of the public debt need to be effected in the years to come.
- Second controversy is the question of aid to Greece, namely, whether Greece, Ireland and Portugal received necessary assistance and that several countries were in the same situation.
- The third controversy is the question of a crisis in a countries with dominant share of the GDP, how would be solved the situation of budget deficit and debt in Germany, Italy, France and Spain, because their contribution in total GDP of the EMU is about 75%. Fourth controversy is whether Greece, Ireland, Portugal can cause a domino effect in the EMU.

Generally, observing on the impact of the on the EMU, it can be identified two key problems, which hinder effective response to crisis such as:

- Lack of coordination between macroeconomic policies (as a result of heterogeneous fiscal policies with a vaguely defined focus on the EMU) and
- EMU covers only the part of the EU territory (European Central Bank operates only on the part of territory, and the EU institutions operate on EMU states and other EU states outside of EMU). The other drawback is particularly evident during the crisis when it is necessary ordinate action of all economic policies and its main instruments fiscal and monetary policy, which is not feasible in the EMU.

It can be pointed out, despite numerous studies and analysis of asymmetric shocks in the EMU, which were characterized as a dominant factors destabilizing monetary integration, few of them have been devoted analyzing the crisis, especially on a global level, and their potential resolution. That attitude of researchers is likely determined by absence of major financial crisis in recent years, because the Great Depression from the thirties of the last century, by the most economists described as a long time ago. However, it can be safely interpreted Milton Friedman point of view, as an economist that has marked 20th century and signaled that the EMU, which is designed on the start of the new millennium, its survival and further functioning confirm just in crisis situations, which cannot be predicted and designed their destructive power.

2. EMU effects on the member states before and after the global financial crisis

The global financial crisis has only highlighted the problem that has existed since the foundation of the EMU. Single monetary policy cannot have unique effect during the crisis, if there is no single economic policy in the EMU. Because the EMU is created without political integration, economic policy are under the jurisdiction of the national government, and monetary policy as an instrument of economic policy is limited by the lack of harmonization of fiscal policies in the EMU.

The absence of political integration is only one of many shortcomings of the EMU, where mistakes were made since its inception. Although by Maastricht Treaty, which created the EMU, it was defined that movement to the monetary union, beside principle of convergence need to be based on principle of gradualism, EMU leaders have significantly accelerated the start of the third stage, namely, start functioning EMU and some countries gave a lot of concessions and exemptions. States had the biggest problem with the fiscal convergence criteria, which is related with budget deficit and public debt. Gradualism which is required, replaced by urgency and the mistakes that made threatened to jeopardize whole EMU project. In December 1997, only Finland, Luxembourg and Portugal have fully met the convergence criteria, and, in 1999, it was decided that all EU member states become a part of the EMU.

Accelerated creation of the EMU, with a lot of concessions and under-defined rules, it cannot be rationally explained, but it can be assumed that it is result of the effort to create a zone of monetary stability in Europe, as a counterpart to the U.S. dollar, and to offset the effects of turbulence on the dollar in European economy. In fact, some European countries (Germany, Austria, Belgium, Netherlands, Luxemburg, etc.) feared that a devaluation of the dollar affect to the exchange the dollar with their currencies, which will lead to the appreciation of their currencies and make difficult their export.

Accelerated creation of the EMU had another opposite effect. It is not performed cost-benefit analysis in the long-run. In the all theoretical analysis it is not included impact of the global financial crisis. Therefore, in order to determine the final effects of monetary integration it is necessary to analyze the basic economic parameters in the EMU founding states, including the states in regime of exemptions, in the period before and after the global financial crisis. Review of basic economic parameters before the global financial crisis is given in Table 1.

Table 1. EMU impact on 12 founding states, Great Britain, Denmark and Sweden, as a percentage of average value changes, during the time period 2000-2008, compared to 2000

	GDP	Budget/GDP	Debt/GDP	Inflation	Interest rate	Unemployment
Euro zone	30.6	-1.86	68.62	8.57	-19.4	4.9
Belgium	32.9	-0.4	96.05	-12.8	-20.5	17.4
Germany	17.9	-2.01	63.84	29.3	-19.2	17.2
Ireland	58.7	4.8	31.84	-34.6	-20	10
Greece	65.9	-4.73	99	18.4	-23.5	-12
Spain	60.8	-0.13	46.72	-4.8	-20.3	-4
France	30.2	-2.78	62.52	20.9	-19.3	10.8
Italy	25.9	-2.84	105.94	-4	-18.2	-10
Luxembourg	62.4	2.33	7.28	-20	-20	126
Netherlands	32.8	-0.38	51.37	5.7	-19.5	68.1
Austria	32.8	-1.36	64.22	2.7	-20.8	27.7
Portugal	28.5	-3.5	59.15	6.7	-19.8	60
Finland	33.1	4.13	40.54	-36.4	-20	-5.5
Great Britain	10.2	-2.1	41.93	126	-10	2
Denmark	30.1	2.75	40.73	-21	-18.9	-1
Sweden	30.6	1.67	48.83	41	-17.3	23.4

Source: <http://epp.eurostat.ec.europa.eu>

Remark: GDP column represents the percentage of increase in nominal amount of the GDP, in 2008 compared to 2001. Column Budget/GDP, refers to the average budget surplus or deficit as the percentage of GDP from 2000-2008. Debt/GDP column, refers to the average value of debt as a percentage of the GDP from 2000-2008. Column inflation represents the percentage of increase/decrease average inflation during the period 2000-2008, compared to 2000. Column interest rate represents the percentage of increase/decrease average amount of the long-term interest rate during the period 2000-2008, compared to 2000. Column unemployment rate represents the percentage of increase/decrease average amount of the unemployment rate during the period 2000-2008, compared to 2000.

If we consider all the factors for the separate countries summarized in the table above, it can be concluded that the EMU winners are Finland, Ireland, Spain and Italy. Finland is the only state that fully achieved positive results in all criteria considered while all other countries can be considered losers. The biggest losers were France and Germany, considered to be the backbone of the EMU. These results are in accordance with the widespread belief that the monetary union provides more benefits to smaller states. Also, it can be concluded, that Great Britain and Sweden, which did not agree to become part of the EMU, definitely

lost by their decision, showing poorer performance of the economy in comparison to the EMU member states.

Definitely, a fact that should concern the leaders of EMU is the worst position of Germany. Germany can be described as the biggest loser in the EMU. As a country with the average savings per capita of 60 000 euro per year, whose GDP¹ represents a quarter of total GDP in the EMU, and whose Central bank and currency had a dominant influence on the ECB creation, Germany is considered to be the EMU backbone. Numerous concessions were made for Germany to join the EMU, and despite some skepticism, nobody in Germany could imagine such developments. In the last decade, Germany realized GDP growth by only 18%, increase of inflation by 30% and the unemployment rate by 17%. The alarming data is that the about 50% of the Germans want to leave EMU, and if we add the pronouncement of Germans officials, who pointed out that there was the possibility to return to the Deutsche mark, the situation becomes even more complex.

Table 1 give us distorted picture which countries won and which ones lost by joining the EMU, because the basic economic parameters significantly disturbed in some countries after 2008, after the impact of the global financial crisis. Which can be seen in table 2.

Table 2 EMU impact on 12 founding states, Great Britain, Denmark and Sweden, as a percentage of average value changes, during the time period 2008-2011, compared to 2008, after the impact of the global financial crisis

	GDP	Budget/GDP	Debt/GDP	Inflation	Interest rate	Unemployment
Euro zone	1.6	-4.7	80.6	-6	-2.3	24
Belgium	6.7	-3.5	94.7	43	-7.3	8.6
Germany	3	-2.2	76.3	-27	-22.1	-5.7
Ireland	-14.3	-16.4	77.5	-65	36.6	83.7
Greece	-10	-11.2	138.2	10.8	123.5	54.2
Spain	-1.4	-8.4	55.9	-19.7	7.4	57.3
France	2.5	-5.8	78.9	14	-14.8	17.3
Italy	0.8	-4.1	115.1	10	5.8	16.8
Luxembourg	10.2	0.2	16.4	-2	-22.7	-0.5
Netherland	1	-3.7	61.9	3.1	-20	26.6
Austria	6.7	-3	69.2	1.1	-12.6	13.1
Portugal	3	-6.9	88.9	-29.2	49.3	29.4
Finland	2.7	-0.3	43.6	64	-18.9	20.3
Great Britain	-4	-8.75	72.4	47.8	-29.2	29.5
Denmark	2.6	-0.9	40.8	41.1	-20.3	80.1
Sweden	15.9	0.5	39.8	25	-19.8	22.5

Source: <http://epp.eurostat.ec.europa.eu>

¹ German GDP is equal to GDP of 12 Member States, except France, Italy and Spain

Remark: GDP column represents the percentage of increase in nominal amount of the GDP, in 2011 compared to 2008. Budget/GDP column refers to the average budget surplus or deficit as the percentage of GDP from 2008-2011. Debt/ GDP column refers to the average value of debt as a percentage of the GDP from 2008-2011. Inflation column representing the percentage increasing/decreasing the inflation rate average from 2008-2011, compared to 2007. Interest rate column representing the percentage increasing/decreasing the long term interest rate average from 2008-2011, compared to 2008. Unemployment rate column representing the percentage increasing/decreasing unemployment rate average from 2008-2011, compared to 2008.

3. Conclusion

A huge problem in the EMU is the lack of crisis management, or adequate response to the financial crisis. In the case of Ireland, it may be noted that in the period before global financial crisis in 2008, Ireland had a budget surplus and public debt which is twice smaller than required by the Pact of stability and growth. After the crisis, bank debts and huge budget deficit threatened to endanger, not only Ireland, but also the euro zone. EU finance ministers, contrary to the Maastricht Treaty, brought package of support in the form of loans to Ireland (85 billion euro).

Countries with big current account deficit in the EMU have three alternatives:

- Adaptation on the national level (includes the necessary structural reforms, which country have to do in order to increase competitiveness of domestic enterprises, increase productivity, increase the flexibility of wages and labor force),
- By special regulations should be make impact to during the crisis in the EMU countries with consistently higher export, to increase intra trade and import from countries with deficit (according to some analyzes there are consideration that this measure in the EMU would not have expected effects, because Germany import increase by 10% from deficit countries, it would have impact to increase import from Greece, Portugal and Spain for only 0.25%, and Ireland by 1%, etc).²
- Finally, as a dominant potential solution for balance of payment deficit, budget and public debt it is obtruded change and consolidation fiscal policy in the EMU. Since Keynes, who pointed out during the first and the biggest crisis in the world, 1929-1933, importance of fiscal policy, fiscal policy is usually given prime importance in the elimination of financial crisis. In the EMU in relatively short-term, fiscal problems of Greece and some Member States have threatened to undermine stability of the financial system in the EMU, so EMU and EU, in May 2010, decided to implement far-reaching measures and help countries in the trouble. The aim of these measures

² Based on the Professor Alex Weber speech, Bundesbank President, in New York at the Foreign Policy Association, 12th October, 2008.

was fiscal consolidation and harmonization of fiscal policies in the EMU. Fiscal consolidation involves fiscal tightening and radically reducing in the spending and increasing of budget revenues, and by fiscal discipline and harmonize rules expect harmonized effect of public finances. However, to fully achieve these goals it is necessary to be revised basic principles of the Pact of stability and growth. Pact of stability and growth involves political decision about sanctioning individual countries, so it is necessary incorporate system of automatic sanctions. Also, it would be left the emphasis on eliminating the budget deficit and put the emphasis on the regulation of the level of national debt. Additionally, it is necessary to make monitoring of macroeconomic events and effective crisis management.

However, despite these disparities, and the lack of adequate crisis management, it can be assumed how much more difficult would be task of managing crisis situations without existing the EMU, namely with 16 different national currencies and one dominant Deutsche mark. The appreciation of the Deutsche mark forced other nations to raise interest rates, which would further deepen the recessionary trends, depression and reduced demand, production and employment.

It cannot be concluded that EMU fixed the problem of the global financial crisis. Will be crisis situations successfully solved and resisted in the future by EMU, it cannot be fully determined. The crisis has not been completed yet, and the problem has been solved. There is a problem of non harmonized fiscal policy with single monetary policy from the beginning of the functioning EMU, and it escalated and came to the fore during the global turmoil and crisis. Metaphorically, the hole in the aquarium if it sticks with tape, does not guarantee a bright future for fish in aquarium.

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THE RELATION BETWEEN SOCIO-ECONOMIC STATUS (SES) AND EARLY DEVELOPMENT: EMPIRICAL FINDINGS AND THEORETICAL PERSPECTIVES

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Abstract

Issues pertaining to child development have been an important topic in research. Not only is the development trajectory important but also the identification of factors that influence development trends in children. Socioeconomic status has received considerable attention in research as a factor determining development tendencies in early childhood. According to theories and frameworks, socioeconomic status influences family dynamics, parental techniques, parental investment and access to resources necessary for development. The frameworks consider that low socioeconomic status hinders development in children. Among the development domains that are influenced by socioeconomic status research documents impact language development, executive function, brain development, behavioral functioning, cognitive development and intelligence. The four theories dominating the research on the link between socioeconomic status and child development agree that lower SES standing hinders the development of children while parents with high socioeconomic status are able to provide the necessary preconditions for development.

Key words: *Socioeconomic status, language development, brain development, behavioral functioning, cognitive development and intelligence.*

Contact: shala.arif@hotmail.com. The author declares that he has no relevant or material financial interests that relate to the research described in this paper. Also, the author declares that the submitted paper is his original work and that, upon publication, nothing contained in it will not constitute an infringement of any copyright. Paper received **24.06.2016**. Approved **15.08.2016**. This paper is licensed under the Creative Commons Attribution-Non Commercial-No Derives 3.0. License. This paper is published with Open Access at www.socioeconomica.info.

1. Introduction

Family socioeconomic status predicts a number of notions in child development (Hoff, 2003) with SES continuously influencing the development trajectories (DeGarmo, Forgatch, & Martinez, 1999; Keating & Hertzman, 1999; Linver, Brooks-Gunn, & Kohen, 2002; National Research Council and Institute of Medicine, 2000), especially cognitive development in early childhood (Bradley & Corwyn, 2002; Brooks-Gunn & Duncan, 1997; McLoyd, 1998; P. Miller, Votruba-Drzal & Setodji, 2013; Sirin, 2005). Literature provides that poverty is linked to cognitive and social-emotional competences (e.g. Mayer, 2002; Gershoff *et al.*, 2003; Dahl & Lochner, 2005). While some researchers still debate the value of the impact (Mayer, 1997), evidence suggests that an increase in the income of the family positively influences children (Costello *et al.*, 2003; Gershoff *et al.*, 2007). A considerable number of studies have reported that socioeconomic factors are detrimental to long term cognitive and language development in children (Duncan & Brooks-Gunn, 1997; Duncan *et al.*, 1998; Aber, Jones, & Cohen, 2000). Finally other studies also documented the correlation between lower socioeconomic standing and behavioral outcomes (Dearing, McCartney, & Taylor, 2001). Specifically, learning environments that are poor influence language and cognitive skills in children (Feinstein, 2003), while in cases when poverty influences the practices of parents, children have behavioral difficulties starting with the age of 5 (Bore *al.*, 1997). Experts argue that parents invest in their children by obtaining equipment (books, toys) and invest time in carrying activities (reading books)-investments which are argued to increase the language and cognitive skills of children (Gershoff *et al.*, 2007) but which can hardly be offered by parents of low socioeconomic standing.

The influence of socioeconomic disadvantages and behavioral functioning is explained by the impact that poverty has on the skills and capabilities of parents (i.e. family stress model) (Foster *et al.*, 2005). To expand on this topic, parents who invest in home learning will influence the development of cognition and language in children (Dickinson & Tabors, 2001), which in return determine success in school (Whitehurst *et al.*, 1999). Settings that are rich in books and other materials when joint to parents that are engaged, contribute to literacy and language (Raz & Bryant, 1990), emotional and behavioral regulation (Brinton & Fujiki, 1993). In addition to reading, parents conduct a number of other activities such as storytelling, teaching numbers and letters (Watson, 2002; Parker *et al.*, 1999). Parents have financial resources and human capital (i.e. educational qualification) which determine how parents interact with children, what activities they emphasize as well as what the attitudes, beliefs and values the children will adopt towards learning (Hoff *et al.*, 2002). Conclusively, socioeconomic status influences development across numerous domains but the discussion of all impacts is beyond the scope of this work. Instead present work will focus on the impact of socioeconomic status on language development, executive functioning, brain development, behavioral functioning, cognitive development and intelligence.

1.1 Language development

Literature supports the idea that socioeconomic status determines early vocabulary development (Hoff, 2003) with children of low socioeconomic status developing the vocabularies slower than children from higher SES families (Arriaga, Fenson, Cronan, & Pethick, 1998; Dollaghan et al., 1999; Hart & Risley, 1995; Hoff, 2003a). The link between the two variables could be a result of factors such as biological characteristic defined by genes and influences abilities in children, effects that emerge as a result of differences in the way families function (Linver et al., 2002) and impact the differences in the language learning experience (Hoff & Naigles, 2002). Comprehensively, language development has traditionally been considered to follow a genetic blueprint (e.g., Pinker, 2002), an approach preferred by a considerable number of researchers (Hoff, 2003). The other approach considers the environment to be a stronger influence, suggesting that environments that are supporting tend to benefit development and environments that are not tend to inhibit development prospects (Hoff, 2003). Furthermore, the principle of environmental specificity, notes that the environment determines certain aspects of development (Wachs, 1991). To illustrate, maternal behavior is a predictor of language development in children as well as play development (Lyytinen, Eklund, & Lyytinen, 2003).

Parental influences- the speech of the mother mediates vocabulary development, and the differences between vocabulary sizes between high SES and low SES children can be explained by the differences in the speech of the mother. Socioeconomic status influences the development of language in children through maternal speech; specifically socioeconomic status influences the development of speech in mothers and in return the speech of the mother influences the growth of the language. In addition parents may vary on the beliefs that they hold on the value of interacting verbally with children or the wish to have a child that is verbally active, these differences in parents are argued to be a result of social stratification (Heath, 1983; Snow, de Blauw, & Van Roosmalen, 1979). Finally SES, is considered to influence the time that parents have interact with children as well as the manner in which the stress experienced by parents influences the quality of child parent interaction (Hoff et al., 2002; Snow, Dubber, & de Blauw, 1982).

Regarding the quantity of speech (Hoff, 2003b; Hoff & Naigles, 2002), mothers of low socioeconomic status talk significantly less and use the same vocabulary while communicating and interacting with children compared to mothers high on socioeconomic status (Hart & Risley, 1995; Hoff, 2003a; Hoff-Ginsberg, 1991). The study of Hart and Risley (1995) documented that children from high socioeconomic families had 11 000 utterances in a day compared to children of low socioeconomic status who had only 700 utterances daily. The differences in the day to day interaction with children accumulate and define the communication experience of children in the period of childhood (Rowe, 2007).

Studies report that children are more likely to develop large vocabularies if they are exposed to more talk as well as diversity and complexity in speech received from parents (Arriaga et al., 1998; Hart & Risley, 1995; Hoff, 2003a; Huttenlocher, Haight, Bryk, Seltzer & Lyons, 1991). The study of Rowe (2007) documented that child directed speech is fundamentally

influenced by the type of environment a child is exposed to. To illustrate, child-directed speech accounted for 10% in the variance in child vocabulary comprehension among children, attesting to the vital need of children to be exposed to communicative environments to foster language learning (Rowe, 2007; Hoff, 2003a).

Parent education—previous research studies have established a link between the development of vocabulary in children and socioeconomic indicators such as the educational level of parents and the income of the family. Reportedly, children who have developed vocabulary skills also have parents who are more educated and have more social advantages (Arriaga, Fenson, Cronan & Pethick, 1998; Hart & Risley, 1995; Hoff, Laursen & Tardif, 2002; Hoff-Ginsberg, 1991). The explanation for this link—as provided by experts—is that parents who are more educated possess developed speech patterns and provide children with quality day to day interaction as a result of which children develop language skills (Hart & Risley, 1995; Hoff, 2003a). The strongest evidence for this link has been provided by Hoff (2003a) who suggests that the vocabulary that mothers direct to children is what influences the development of the vocabulary skills. The study also provided that mothers of higher socioeconomic status were the ones to use long utterances as well as versatile words in their interaction with children, on the other hand mothers who were low in socioeconomic status exhibited the opposite behavior as a result of which children developed smaller vocabularies (Hoff, 2003a).

Experts consider that parents hold certain cognitive abilities that influences beliefs and behaviors, which are the building stone of the ideas that parents develop about children (Goodnow & Collins, 1990). It is these ideas that fundamentally shape parenting practices and as a result also the development outcomes (McGillicuddy-DeLisi & Sigel, 1995). The Home Observation for Measurement of the Environment Inventory (Benasich & Brooks-Gunn, 1996), that measures the cognitive stimulation that parents provide for children, documented that there is an undeniable link between the knowledge parents have on child development and the level of cognitive stimulation that they offer to their children. To illustrate, the maternal questioning strategies utilized for children of 4 and 6 years old, differ according to the beliefs that mothers hold on the impact of environment on development outcomes (Donahue, Pearl & Herzog, 1997). Heath (1983), reported that African American parents held different beliefs on parenting and communication, while reporting that they did not respond to child utterances and believed that children will learn on their own and adults cannot teach children to speak. On the other hand, Caucasian parents, believed that parents play an important role in the development of children. The interesting revelation is that communication offered to children by their parents is fundamentally influenced by the level of education the parents have as well as the income of the family—both indicators of the overall socioeconomic standing of the family. Arguably, the more educated the parents the more likely they will be to talk to their children, utilize versatile vocabulary as well as longer utterances. The opposite is true for parents that are less educated (Rowe, 2007).

The language competence—as suggested by literature—is influenced by the educational qualification of mothers and the income of the family which also influence to similar degrees the social adjustment of children (Yeung *et al.*, 2002). Children who have parents who are educated

are reported to be six months ahead in language abilities compared to children who are the offspring of parents without educational degrees. Similar findings were reported by the Millennium Cohort Study which documented that the children who were 3 years old and came from low socioeconomic families did not show advanced cognitive abilities and had higher possibilities to experience difficulties to externalize and internalize behavior (Kiernan & Huerta, 2008). The effect of socioeconomic factors depends on parents' monetary and other capacities not related to financial resources, and the final important implication is the education of the parent which is agreed to influence the behavior of parents and parenting approaches.

Conclusively, Hills and colleagues (2010) suggest that social inequality which refers to the social background of the family is very important for linguistic, literacy and social outcomes in children. According to data, children who lived in poor families and children of mothers without any education qualifications were the ones to have low levels of development in language/literacy and social domains.

1.2. Executive functioning

Understanding the link between socioeconomic status and executive function is important for exploring the manner in which socioeconomic status influences development, health and achievement (Hackman, Farah & Meaney, 2010; Raizada & Kishiyama, 2010). In this regard it is important to understand the implication of executive function (EF) since this is the key ability for the development of cognition, and predicts achievement and school readiness (Alloway & Alloway, 2010; Blair, 2013; Bull, Espy & Wiebe, 2008; A.R.A. Conway, Kane & Engle, 2003; Daneman & Merikle, 1996; Ursache, Blair & Raver, 2012). To date literature has established the link between socioeconomic status and executive function (Hackman & Farah, 2009), with research studies reporting that the influences of SES are visible on EF of children between the ages of 2 and 5 (Blair, Granger, Willoughby, Mills-Koonce, Cox, Greenberg, Kivlighan, Fortunato & the FLP Investigators, 2011; Hughes, Ensor, Wilson & Graham, 2010; Noble, Norman & Farah, 2005; Raver, Blair & Willoughby, 2013; Rhoades, Greenberg, Lanza & Blair, 2011; Wiebe, Sheffield, Nelson, Clark, Chevalier & Espy, 2011). In terms of performance, studies suggest that children of lower SES backgrounds perform lower than other children on a variety of tasks including working memory, flexibility, attention, and planning (Lipina, Martelli, Vuelta & Colombo, 2005; Lipina, Martelli, Vuelta, Injoque-Riclé & Colombo, 2004). Similar conclusions are reported for middle childhood as SES background influences working memory, flexibility and attention, among others (Ardila, Rosselli, Matute & Guajardo, 2005; Sarsour, Sheridan, Jutte, Nuru-Jeter, Hinsh & Boyce, 2011). Additionally, SES based disparities are visible in the development of the cortical structure (Jednorog, Altarelli, Monzalvo, Fluss, Dubois, Billard, Dehaene-Lambertz & Ramus, 2012; Kishiyama, Boyce, Jimenez, Perry & Knight, 2009; Noble, Houston, Kan & Sowell, 2012; Sheridan, Sarsour, Jutte, D'Esposito & Boyce, 2012; Stevens, Lauinger & Neville, 2009), which indicates that SES differences determine executive function.

1.3. Brain development and behavioral functioning

The experiences and conditions early in life impact the development of structural and functional brains; specifically socioeconomic status is linked to the volume of hippocampus in adults. Additionally, studies also documented that socioeconomic status is linked to brain size with higher SES adults possessing larger brain sizes compared to low SES adults. Compared to other concepts there is a limited number of studies on the link between socioeconomic status and neuro-behavioural functioning in children (Noble, Norman & Farah, 2005; Rao, Betancourt, Giannetta, Brodsky, Korczykowski, Avants, Gee, Wang, Hurt, Detre & Farah, 2010). Socioeconomic status has been reported to impact the executive control (Hackman & Farah, 2009; Hackman, Farah & Meaney, 2010), suggesting that by the time the children enter school SES has influenced cognitive and neural systems. A study researching the neural activity in 5 year olds reported that low SES children had lower hemispheric specialization of inferior frontal gyrus (Raizada, Richards, Meltzoff & Kuhl, 2008). It is argued that low SES influences the development of infants because of the lack of parental education, low quality care of parents, poor settings and malnourishment among others (Bradley & Corwyn, 2002). It is generally agreed that these differences that can be attributed to low SES result in differences in infants as early as 6-9 months, which reflect in the activity of the brain (Tomalski, Moore, Ribeiro, Axelsson, Murphy, Karmiloff-Smith, Johnson & Kushnerenko, 2013).

1.4. Cognitive development and intelligence

Cognitive deficits have been linked to the socioeconomic status of the families with deficits becoming evident in the two first years of a child's life (Mackner, Black, & Starr, 2003). Studies have documented that beginning with 2 years old, poverty predicts IQ scores and neighborhood influences IQ scores by the age of 3 (Klebanov, Brooks-Gunn, McCarton, & McCormick, 1998). In addition to influencing IQ, poverty influences attention in children as young as 6 months (Clearfield & Jedd, 2013), as well as cognitive flexibility which represents the capability of the infant to process information from different sources at the same time (Clearfield & Niman, 2012; Lipina, Martelli, Vuelta, & Colombo, 2005). Similar influences of socioeconomic status have been reported in the exploratory activity of infants, with infants from low SES backgrounds spending less time playing which influences their capacity to explore objects (Milteer & Ginsburg, 2011). A number of researchers argue that nutrition—more specifically poor nutrition—can be an important influence on exploratory behavior. According to Arburto, Ramirez-Zea, Neufeld, and Flores-Ayala (2010) infants between 8 to 12 month who were initially malnourished and were given supplements for a period of 4 months exhibited more exploratory behavior in free-play tasks than did other infants who were malnourished but did not receive the supplements (Arburto et al., 2010).

In addition, studies reported that low SES infants failed to capitalize on the information for the objects and exploration surface which limited their opportunities to explore further. On the

other hand, high SES infants were capable to utilize the characteristics of the surface in order to explore further. Infants from low SES families compared to high SES infants did not use the chance to engage in exploratory behavior because they did not build on the information for the link between object and surface properties (Tacke, Bailey & Clearfield, 2015). Socioeconomic disparities proved to be important for the behavior exhibited by infants, since infants from lower socioeconomic backgrounds were more likely to capitalize on banging behavior, while infants from high SES families employed more sophisticated behavior in their exploration (Tacke, Bailey & Clearfield, 2015). The study of Fontenelle et al. (2007) reported that children banged rigid objects at similar amounts; the difference was on flexible objects which were banged less as the age increased. The authors postulated that by the age of 8-10 months infants have learned that banging flexible objects is not a good use of their properties. Infants from high SES backgrounds exhibited greater sensitivity to affordances because they banged flexible objects significantly less than rigid ones. Consequently, higher SES infants made the optimal choice by utilizing the sound producing properties of the interaction object-surface (Bushnell & Boudreau, 1993; Gibson & Walker, 1984; Lockman, 2000). The findings of this study add to the literature suggesting a link between low SES infants and children and cognitive disparities (Tacke, Bailey & Clearfield, 2015) specifically arguing that low SES infants do not follow the typical development trajectories (Lipina et al., 2005; Clearfield & Jedd, 2013; Clearfield & Niman, 2012). To illustrate, infants of 6 months show disparities in their cognitive flexibility development trajectory (Clearfield & Jedd, 2013; Lipina et al., 2005). Importantly, low SES infants by the age of 12 months not only engage less in exploratory behavior but also exhibit less sophisticated behavior compared to high SES infants (Clearfield et al., 2014). The same study also reported that by 12 months, low SES infants exhibited less mouthing behavior, but in the mean time did not utilize any sophisticated exploratory behaviors (i.e. rotating objects, hand-to-hand transfer of objects) which suggests that low SES infants—unfortunately—have a difficulty to move from simple to sophisticated exploratory behaviors (Clearfield et al., 2014; Tacke, Bailey & Clearfield, 2015).

2. Theories and frameworks explaining the impact of SES on development

Socioeconomic status is a notion that incorporates concepts such as economic well being, prestige and power (Hoff, Laursen, & Tardiff, 2002; Oakes & Rossi, 2003). In quantitative research, scholars generally agree that SES can be measured by three indicators: job type, level of education and income (Bradley & Corwyn, 2002; Ensminger & Fothergill 2003). In this regard education is an important indicator of SES since it determines income and education (Krieger, Williams, & Moss, 1997; Mueller & Parcel, 1981). On the other hand, job type and income level are used jointly as determinants of SES (Conger, Conger and Martin, 2010). Socioeconomic status is important because it is argued to influence adults and children, more specifically, disadvantaged socioeconomic standing brings negative consequences for adults and children (Conger et al., 2002; Haas, 2006). Since studies report a link between socioeconomic status and child development,

two major theoretical frameworks have been developed to explain this interaction, it is important to note that both theories emphasize family financial capital or income (Conger & Donnellan, 2007; Gershoff, Aber, Raver, & Lennon, 2007; Yeung, Linver, & Brooks-Gunn, 2002). According to the first theory—*family stress model* (FSM)—the relationship between parents and children is impacted by the financial difficulties that the family is undergoing (Conger & Conger, 2002). Stress that comes with the economic situation influences the development of children because it influences the quality of care giving (Hackman et al., 2010).

Similarly, the second framework—the investment model (IM)—explains that high economic resources result in more parental investments on child development as a result of which parents provide children with versatile social and economic competences (Bradley & Corwyn, 2002; Mayer, 1997). Socioeconomic status influences learning resources, settings, opportunities and the assistance that parents offer. Arguably, parental care and home environment determine the development of brain region involved in executive function, cognitive and behavioral development (Hackman et al., 2010).

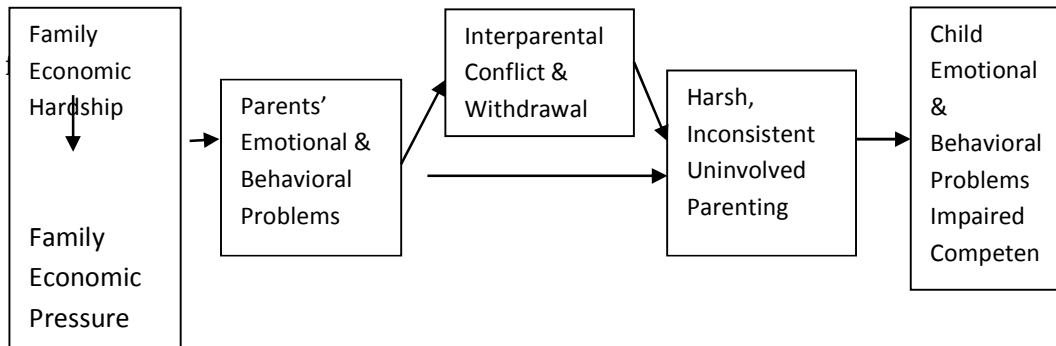
Conclusively, in explaining the influence of SES differences in development, two models are evident, namely the family stress model and the family investment model (Conger & Donnellan, 2007) but present research adds two other contemporary models explaining the link namely the social causation perspective and interactions perspective.

2.1. Family stress model (FSM)

The Family Stress Model postulates that negative economic influences result in less qualitative parent—child interaction along with more negative parenting practices such as lack of involvement, inconsistency and harsh parenting practices (Conger & Conger, 2002; Conger et al., 2002). The underlying hypothesis of the framework is that child development including but not limited to competency (cognition, social and academic competences), internalizing (e.g. depression and anxiety) and externalizing (e.g. aggression and antisocial actions) are determined by the economic resources of the family (Conger, Conger and Martin , 2010).

A number of existing studies have found support for the FSM and its predictive abilities (Conger et al., 2002; Mistry, Vandewater, Huston, & McLoyd, 2002; Yeung, Linver, & Brooks-Gunn, 2002; Solantaus, Leinonen, & Punamäki, 2004; Parke et al., 2004 Linver, Brooks-Gunn, & Kohen, 2002), additionally the assumptions of the theory have been replicated by studies which utilized different ethnic and racial groups (Conger et al., 2002; Solantaus et al., 2004; Parke et al., 2004). Studies have found support for the assumption of the theory that (a) economic hardship results on economic pressure on parents, (b) economic pressure leads to parent emotional distress, (c) parent emotional distress result on conflict among parents, (d) conflict between parents result in maladaptive parenting behaviors and (e) disruption in parenting practices leads to child maladjustment (Conger, Conger and Martin , 2010).

Figure 1. Extension of the family stress model to the lives of children



Adapted from Conger, Conger and Martin (2010).

2.2. The Investment Model (IM)

The Investment Model emphasizes the advantages that the child has in development due to the financial and wealth of the family. According to the framework, families with high economic resources will be able to invest in the development of children, while families that are economically disadvantaged are unable to invest in development of children because they must invest in families' basic needs (Bradley & Corwyn, 2002; Duncan & Magnuson, 2003; Linver et al., 2002; Mayer, 1997). To illustrate, families that are well off economically are able to support child learning through advanced training and tutoring, they are able to provide appropriate nourishment, housing, clothing, and health care and finally, families that have high economic resources live in advantage regions which further support the development of competences in children. While the IM model does not take into account the role of parents education Conger and Donnellan (2007) argue that education of parents is similar in influence to family wealth or income. The basic argument is that educated parents will have higher level jobs and are more likely to make child development a priority. To summarize, family income predicts academic, professional and financial success (Bradley & Corwyn, 2002; Mayer, 1997; Teachman, Paasch, Day, & Carver, 1997) and family income enable parent investments that develop social, emotional and cognitive competences in children (Bradley & Corwyn, 2002; Mayer, 1997).

2.3. Social Causation Perspective

According to the Social Causation Perspective the characteristics of the individual will determine socioeconomic achievement and the family relationships they will build (Lerner 2003; Mayer 1997; Rowe & Rodgers, 1997). Individuals who have positive characteristics will be more likely to persists in challenging situations and as a result gather economic and social capital that will transfer from parents to children. As such SES is considered to be an accumulation of notions

that are determined by individual specific characteristics such as intelligence and personality (Conger, Conger and Martin , 2010).

According to Mayer (1997) parent characteristics such as skills, honesty, conscientiousness and reliability will increase the life chances of children. On the other hand the interpersonal skills of parents influences parenting techniques and family structure in the way that children who have parents with weak interpersonal skills will be exposed to lower quality of parenting and will yield negative development outcomes for them (McLanahan and Percheski, 2008). In accordance with what the social causation perspective assumes, research has linked traits and dispositions of individuals to achievements in status (Conger, Conger and Martin , 2010). Reportedly, individual based differences in cognition and personality will predict SES indicators such as income, job type and economic stress (Donnellan, Conger, McAdams, & Neppel, 2009; Feinstein & Bynner, 2004; McLeod & Kaiser, 2004; Shiner, Masten, & Roberts, 2003).

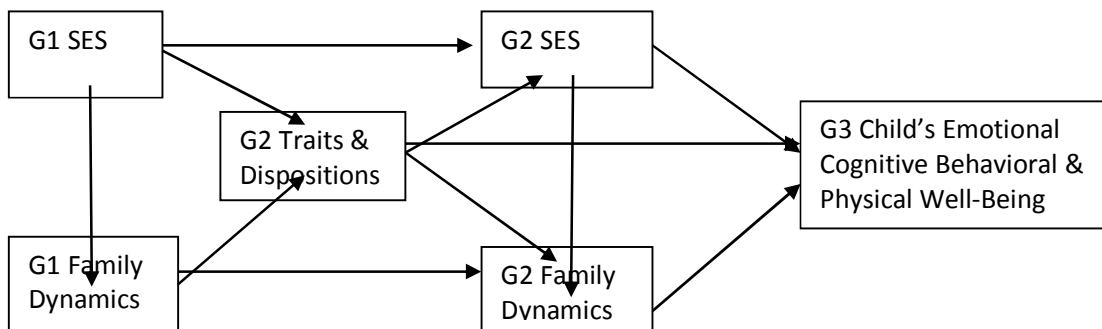
2.4.The Interactions Perspective

Conger, Conger and Martin (2010) argue that in light of recent developments in research, a comprehensive model that notes the joint influence of social selection and social causation may be the ideal theory in explaining the link between family dynamics and socioeconomic status. Similar to the hypotheses of social causation, the study of Schoon et al. (2002) reported that children of low SES families had lower academic achievement and continuous life stress. Additionally, as noted by the social selection approach, children who had lower academic achievements and more stress during their lives were also the ones to belong to lower socioeconomic classes when they reached adulthood. Consequently, Conger, Conger and Martin (2010) suggest that both perspectives should be brought together in order to explain the impact of socioeconomic status on development—the so called *interactionist perspective*.

The interactionist perspective was supported by the study of Wickrama and his colleagues (2008) and Haas (2006) who reported that children of low SES families had a higher risk of mental and physical problems which in the end resulted in economic hardship in adulthood. Relying on these findings the internationalist model of SES, family interaction processes and child development build on the interaction between social selection and social causation. According to the model, SES standing of the parents (G1- first generation) will influence the traits and dispositions of the children-namely the second generation (G2). Similar to IM, the framework postulates that G1 family dynamics incorporate family stress, marital conflict, parenting practices and parent investment. In line with what the social selection approach argues, the interactionalist model presents that the traits and dispositions of the second generation (G2) will predict SES, family dynamics and as a result also the adjustments prospects for the third generation (G3). This line of argument (G2 SES and family dynamics will influence G3 children) is in accordance with the FSM and IM frameworks as well as with the hypothesis of the social causation model (Conger, Conger and Martin, 2010).

The study of Schofield et al. (2011), conducted on 200 adolescents from early adolescence to parenthood found supporting evidence for the interactionist model. The results of this study provided that G1 SES and support provided to G2 during adolescence resulted in positive personality characteristics, low neuroticism, and a positive work ethic in G2-s. Consequently, G2 SES in adulthood predicted care and concern for children along with less emotional stress and inerparental conflict in G2-s. Finally, G2-s family situation predicted the adjustment of G3, namely positive adjustment such as academic and language competences, attachment to parents and prosocial behavior. In conclusion, as the model hypothesis, the G1 SES predicted G2 SES, and G1 family dynamics predicted G2 family dynamics (Conger, Conger and Martin , 2010) (please see figure below).

Figure 2. The Interactionist Model



Adapted from Conger, Conger and Martin (2010).

3. Conclusion

The past 10 years of research have advanced the understanding of the interplay between socioeconomic standing and development (Conger, Conger & Martin, 2010). Research has resulted in the emergence of four frameworks that explain the impact of socioeconomic standing on child development, based on the assumption that family income and parental education as indicators of socioeconomic status determine and shape the development experience. According to the family stress model, families that are low in income and other financial resources tend to experience more family stress which negatively impacts parent child interaction and the quality of parental care. According to the model, parents that experience more stress will be less involved and harsher in parenting (Conger & Conger, 2002). This is expected to negatively influence the development of language, executive function, behavioral functioning and cognitive development processes in children. The opposite is true for parents who have more advantageous socioeconomic backgrounds who will experience less stress and employ more proactive parenting techniques.

A second influential framework is the investment model according to which the development outcomes of children are determined by the investments that parents make in their children's

education. As such the framework considers that parents who are of high socioeconomic standing or who have higher levels of education will be the ones to invest more in the development of children in terms of time and financial resources. Research on this framework has found evidence that parents who invest more have children that are more advanced on skills and competences. The opposite is true for parents who lack financial resources and education. Their parental techniques are expected to be less than ideal and as a result negatively impact development processes such as language development, behavioral functioning, executive functioning as well as cognitive development.

The social causation perspective is another framework aiming to provide an explanation for the impact of socioeconomic status on development trajectories in children. According to this approach, development discrepancies are result of parent characteristics such as skills, reliability and conscientiousness (Mayer, 1997; Donnellan et. al 2009). To clarify the framework considers that parents who have weak interpersonal skills will provide lower quality parenting for children, since parents' cognition and personality is a predictor of family income, job type and economic stress (Shiner et. al 2003; Conger et. al, 2010). This is the only framework to place the individual at the center of the correlation indicating that interpersonal skills are what determine SES indicators and not vice versa. In this particular case the theory explains that differences in language development, cognition, executive functioning, behavioral functioning and brain development are attributed to interpersonal skills of parents.

The final framework has been developed by Conger et .al (2010) postulate that the link between development and socioeconomic status can be explained through social selection and social causation perspectives. The interactionist perspective, as such, considers that socioeconomic standing expands across generations, with the socioeconomic status of parents influencing development, family dynamics, parenting quality and parent investment in child development of the second generation. Similarly, these trends of the second generation are transferred to the third generation. Unlike previous theories, this approach considers that bad parenting practices of the second generation can be a manifestation of bad parenting practices inherited from the first generation, suggesting that the vicious cycle may be a better explanation than current socioeconomic status of parents.

While research on the link between SES and child development has progressed rapidly during the years several gaps remain evident in research. First, future research studies should evaluate the impact of nationality, ethnicity and race (Conger et. al, 2010) in the development trajectories of children. Secondly, researchers should focus to identify and explore the impact of mediating variables in the causal pathways proposed by frameworks. A number of studies have reported that several variables (i.e. neighborhood) serve as mediators in the correlation between SES and development (Conger et.al, 2010; Gutman et al. 2005). Consequently, in the future more should be done to understand how other variables influence the impact of socioeconomic indicators in the development trajectories of children.

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