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The current issue is the third of the seventh volume of the *Athens Journal of Business & Economics (AJBE)*, published by the [Business & Law Division](#) and the [Economics Unit](#) of ATINER.

Gregory T. Papanikos
President
ATINER



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- Acceptance of Abstract: 4 Weeks after Submission
- Submission of Paper: **1 June 2021**

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- Social Dinner
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Farmers Willingness to Pay for Participatory Poultry Research in Kwara State, Nigeria: Ex-ante Approach

By Rapheal Olanrewaju Babatunde*, Adedayo Olufemi Adekunle[‡],
Gbenga Opeyemi[‡] & O. Agboola⁺

This study examined farmers' willingness to pay for participatory poultry research in Kwara State, Nigeria using ex-ante approach. The study utilized primary data collected with the aid of structured questionnaire. A random sampling technique was utilized to select a total number of 102 poultry farmers from Poultry Association of Nigeria (PAN) Kwara State Chapter. Descriptive statistics, Contingent Valuation (CV) techniques and probit regression model were used to achieve the research objectives. The CV results showed that 64.7% of the households were willing to pay. The monthly individual aggregate WTP amount ranged from ₦2,000 to ₦6,000, and on average ₦ 2,576 per month, generating aggregate annual values ranging from ₦12,000.00 to ₦72,000.00 and on average ₦30,912.00 (ceteris paribus). Probit regression model demonstrated a significant ($p < 0.01$, $p < 0.05$ or $p < 0.10$) relationship between household size, educational attainment and age of the household head and WTP. The study concluded that majority of the farmers were willing to pay for participatory research. Policy makers and other relevant stakeholders should take advantage of the significant socio-economic factors influencing the decision to participate in poultry research initiatives when formulating policies. This will help improve poultry production in the country.

Keywords: participatory poultry research, willingness-to-pay (WTP), probit regression

Introduction

The agricultural sector in Nigeria is the most important non-oil economic activity and it is the single largest employer of labour forces, employing about 70 percent of its workforce (NBS 2009). It contributed 40.07% and 22% (pre and post debasing period respectively) of Gross Domestic Products (GDP) in 2010 and 2014 respectively (NBS 2014). The sector consists of crops, fishery, forestry and livestock sub-sectors. The GDP contributed by sub-sectors are; crops (36.40%), fisheries (1.34%) forestry (0.52%) and livestock (2.61%). The livestock sub-sector

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is an important component of the Nigeria agricultural economy. The Nigeria's livestock population consists of 16.3 million Cattle; 40.8 million Goat; 27 million Sheep; 3.7 million Pigs and 151 million poultry (Adeyonu et al. 2014). The poultry industry plays important roles in the development of Nigeria economy. The industry provides employment opportunities for the populace, thereby serving as a source of income to the people. Also, it provides a good source of animal protein in terms of meat (chicken) and eggs (Apantaku 2006).

World agriculture in the 21st century will face three major challenges namely, how to feed a growing world population, how to contribute to reducing the still-high prevalence of rural poverty in the world, and how to respond to increased concerns about managing the natural resource base (McCalla 2001). There has never been a time which agricultural production between developed and developing economies is balance. According to Hayami and Godo (2004) the disequilibrium of world agriculture has been worsening as manifested by increasing food deficit in developing economies in contrast with increasing surplus in developed economies. For economic development to succeed in Africa in the next 50 years, African agriculture will have to change significantly. Production would have to have to increase massively along with increasing productivity (Collier and Dercon 2009). Dramatically increasing the global food supply is a daunting enough challenge on its own, but several significant headwinds make the task even more complicated, underscoring the need for innovative solutions. Human ingenuity and innovation have always been at the core of meeting challenges, and in doing more with less (Global Food Security Index 2015).

Furthermore, report shows that the link between agricultural innovation and food security is positive. Technologies enhance agricultural productivity gains and lower per unit costs of production, with the effects of raising the incomes of producers and of shifting outward the supply curve (Kassie et al. 2012). The decisive measure for this kind of innovation-led growth is the "total factor productivity", i.e., the ratio of total commodity output (the sum of all crop and livestock products) to total inputs used in production, including all land, labor, capital, and materials. If total output is growing faster than total inputs, this is an improvement in total factor productivity. Increase in total factor productivity implies that more output is being produced from a given bundle of agricultural resources (Fuglie and Nin-Pratt 2013).

The important element of any innovation transfer is the appropriate adoption of such technology without any hitch (Oyeniyi et al. 2008). Why have peasant farmers in Africa not adopted modern agricultural technology more readily? In the past the most common diagnosis was peasant ignorance or cultural conservatism. The answer then 'obviously' laid in programmes of education and extension — hence the major investments in improving extension services in the 1950s and 1960s. The oft-repeated exhortation to 'educate the farmers' can still be heard today in some quarters (Scoones and Cousins 1989).

Poultry research is an important process to improve poultry production. Extension agents are mostly government agents saddled with the responsibility of providing services to farmers. Public extension services reach a large number of farmers in Nigeria. According to Global Forum for Rural Advisory Services

(GFRAS) (1997), Extension services enable farmers to take up innovations, improve production, and protect the environment. Extension shows positive effects on knowledge, adoption, and productivity; agricultural extension service as comprising all the different activities that provide the information and advisory services that are required, and demanded, by farmers and other actors in the agrifood systems and rural development. Agricultural extension strengthens a farmer's capacity to innovate by providing access to knowledge and information (Emmanuel et al. 2016).

Extension and research are well-organized systems that design and disseminate technological innovations to farmers. Despite all the technological innovation transfer, the wide gap between levels of production which research contends is attainable and that which farmers achieve suggests a missing link (Oladele 2002). The capacity gap is particularly large in tropical regions, where poverty is pervasive (FAO 2014). Hence, innovation is not a one way street from research to users but can actually also be created by the users themselves. In fact, innovation primarily takes place within value chains and should subsequently be integrated into a responsive and demand-oriented agricultural education and research system (Spielman and Birner 2008). Thus, agricultural innovations are needed to sustainably increase productivity, i.e., output per unit of all inputs, while maintaining environmental quality and resources. Such innovations require enhanced investments in research and development. Innovation in the agricultural sector is a key to ensure food security and achieve the right to food. Innovations are needed to accelerate the rate of increase of per capita production sustainably over the next years and decades to keep up with increasing and changing demand from a growing population (Husmann et al. 2015).

Therefore, proper harnessing of local resources of the poor people and their involvement in the research process can help bring about development of sustainable livelihoods and contribute to the fight on poverty alleviation in rural areas where the majority of the poor live (Ndegwa 2013, Gonsalves et al. 2005). Marilee (2000) has noted that participation can take many different forms at different stages of a project cycle ranging from contribution of inputs in predetermined projects and programmes, to information sharing, consultation, decision-making, partnership and empowerment. Participation as a means is a process in which people and communities cooperate and collaborate in development projects and programmes while as an end, it is a process that empowers people and communities through acquiring skills, knowledge and experience, leading to greater self-reliance and self-management. Farmer-participatory research (FPR) can help improve the effectiveness of technology development, raise adoption rates, and increase the payoff to agricultural research (Freeman, 2001).

In recent years many studies have shown the major objectives and benefits of farmers' participatory research approach; they have some notable benefits such as improvement of farmers' capacity building, utilization of local resources etc. (Ndegwa 2013, Gueye 2000, Marilee 2000). Hence, those studies did not address specific sector, they were generalized on agriculture and there are more studies on farmers' participatory research and willingness to pay for research addressed crop

production than livestock production. Few of these studies were directed at willingness to pay for research and extension (Ibrahim et al. 2013, Birner et al. 2006). Other studies only treated willingness to pay for services or willingness to pay for inputs such as vaccines and vaccination services (Mbabazi 2015). There is however, no published peer-reviewed materials regarding the willingness of the poultry farmers to pay for participatory research in Nigeria as at the time of carrying out the study and it is unclear whether the farmers are aware of this approach, if they are aware, are they willing to pay the price involved? The answer to this question still remained unclear. This study therefore explores and explains poultry farmers' willingness to pay for participatory poultry research in Nigeria. There is a need to address this among the livestock farmers and in particular in poultry sector because of its importance to the economy of the country as well as the benefits of farmers' participatory research.

The study utilized Ex-ante approach in the study. The term *ex-ante* (sometimes written *ex ante* or *exante*) is a phrase meaning "before the event". *Ex-ante* is used most commonly in the commercial world, where results of a particular action, or series of actions, are forecast in advance (or intended). Ex-ante evaluation studies have largely two purposes: i) project planning and ii) the evaluation planning. This paper will contribute to the growing body of knowledge on the value of the willingness of poultry farmers to pay for participatory poultry research in Nigeria. The result of this study is useful for policy formulation by government at all levels. It will serve also as a reference material to researchers and students alike. The main objective of this paper is to examine the willingness of poultry farmers to pay for participatory poultry research in Nigeria: using ex ante approach. The specific objectives are to;

- i. determine farmers' awareness and perception of participatory poultry research in the study area;
- ii. determine the farmers' willingness to pay for participatory research;
- iii. examine the average price that farmers are willing to pay for poultry research; and,
- iv. identify the determining factors affecting the farmers' willingness to pay for participatory poultry research in the study area.

Literature Review

Much literature is available on the subject of farmers participation in agricultural research, advocating it as the most effective rural development approach but the studies that examine the ex-ante analysis of farmers' willingness to pay for participatory poultry research are scarce particularly in Nigeria. The study is common with crop production than in animal husbandry. In this regard, Chambers et al. (1989) and Bentley (2000) have presented excellent review of literature on farmers' participatory research (FPR). From the available studies, we can conclude that both farmers and researchers benefit from farmers participatory research approach. It leads to innovation development, empowerment of farmers,

learning, adapt and do better; it reduces the research and extension costs; it makes the research to utilize the local resources available to farmers and those the farmers familiar with; it has helped develop technologies that are more appropriate to small farmers; and it has helped improve the trust between farmers and researchers. It can also be deduced that researchers take the advantage of working with many farmers in different environment to discover more problems being faced by the farmers. It makes the researchers and the extension agents to discover the farmers' knowledge about their farms, quoting the words of one trainee from FARM-Africa,

"Before training I considered myself as if I knew more than the farmer about his situation. I was conducting surveys and research on the farms without consulting the farmer. I undermined his ideas, views and experiences. But after the training, my understanding has completely changed. Now I believe that the farmers do know their problems better than anyone else".

In the remaining part of this section, we present a brief review of empirical studies on farmers' participatory research and willingness to pay for the research by the farmers.

FARM-Africa (2001), in the farmers' research project located in south western Ethiopia, which is firmly based on the principles of farmer participatory research (FPR), aimed at creating better linkages and understanding between farmers, researchers and extension staffs; developing a better understanding of ways in which farmer participatory research can be conducted in Ethiopia; enhancing the capacity of GOs and NGOs to enable farmers to undertake farmer participatory research; stimulating and encourage the incorporation by GOs and NGOs of farmer participatory research into their own organisational activities. The study showed that, Farmers' Research Project has had considerable success in raising the awareness and improving the technical capacity related to farmer participatory research, in collaborating governmental organisations, i.e., the Bureau of Agriculture, the Awassa Research Centre and the Awassa College of Agriculture. It has brought about a huge, positive change in attitudes to local farmers and their farming systems among research and extension staff, coupled with the spread of practical experience in the use of farmer participatory research methodologies. Through the range of activities promoted by FRP research and extension staffs have also become much better informed about local agricultural systems, their rationale and their constraints. Ndegwa et al. (2015) in a study carried out to evaluate uptake by farmers of improved management practices (interventions) and their effect on performance of indigenous chickens at farm level and consequences for farmer participation in the implementation of research activities. Four villages were selected per region and 10 farms in each village. Interventions housing, feed supplementation, vaccination and deworming were implemented by farmers and monitoring and evaluation were carried out. Farmers used own local inputs in implementing the project interventions and recorded various project activities and outputs. The project was monitored over a span of five, 3-month long periods. The study discovered that, feed supplementation had high level of use by all farmers in

each period. More farmers applied deworming in later periods, 25% had vaccination in period 1, 40% in period 5, and flock sizes rose from 10–20 birds per farm to 20–30. It was concluded that, Farmer participatory research is a tool for technology testing and transfer and a quick and effective means of generating and disseminating information.

In another study by Ndegwa et al. (2013) in an on-farm farmers' participatory research project was carried out in Kenya to improve the management of indigenous chicken and their productivity at farm level, in five different agro-ecological zones. The project aimed to improve management and productivity of indigenous chicken at farm level, to change attitudes towards indigenous chicken, to improve farmers capacity and ability to carry out research (involve them in design, implementation and monitoring activities) using local resources and, to exploit the potential of indigenous chickens to contribute to poverty alleviation among rural landless people mainly women. In each region, four clusters (each cluster from a different village) were selected comprising of ten farmers each. This was followed by farmer training workshops that were held at cluster level. Implementation of a variety of improved management practices was done largely by use of local resources and farmers participation. Monitoring and evaluation were done continuously by farmers and on a regular basis by the research team. The project succeeded in the way of creation and enhancement of social capital by bringing together individual farmers and the research team to interact freely and share information, knowledge and experiences. Mutual trust, interest and enthusiasm were generated. Farmers were able to implement a variety of interventions from a basket of options, at their own pace and, with their own locally available resources. It was concluded that involvement of beneficiaries in anti-poverty initiatives is an imperative if the objectives are to be achieved. Aklilu (2007) in a study aimed to integrate participatory-, survey- and model-based approaches to socio-technical analysis and mutual farmer-researcher learning about constraints to and opportunities for village poultry development in Ethiopia. It used a data collection methods individual and open-group interviews, a cross-sectional stratified random survey, farm-recording, a market survey, and village-poultry Modeling. Feed-back workshops were organised to share between farmers and researchers the data collected through farm-recording and to learn about outcomes of simulation scenarios for identifying improvement options of village poultry systems. The result indicated that through the combination of multiple approaches and methods researchers can arrive at better understanding of constraints affecting farmers' reality. The study also confirmed that village poultry research and development are not only about finding technical solutions but also involve addressing household livelihoods, and institutional and policy issues from a social science perspective.

On the other hand, studies on farmers' willingness to pay for farmers' participatory research are not available in Nigeria. In a study to determine the willingness and capacity of poultry farmers to pay for extension services in Nasarawa State, Nigeria by Ibrahim et al. (2013), the study used Kuppuswamy scale and logit regression model. The result revealed that poultry farmers in the study area are willing and also have the capacity to pay for extension services

especially on disease control and vaccination of poultry birds. This implies that the hitherto inefficient public livestock extension services can be strengthened if livestock farmers are charged reasonably for extension services rendered to them.

However, some researchers have divergent opinions; some shortcomings in the concept of participation have been raised by various authors. Much literature is available on the subject of participation, advocating it as the most effective rural development approach as said earlier. But some shortcomings in the concept of participation have been raised by various authors. However, many projects promote participation but are initially unaware of the full implications of the participatory process. The concept has been applied in many fields, including rural development, health provision, industry management, and agriculture, among others (Oakley 1991). There are several barriers between farmers and scientists, not the least of which is social distance. Farmer participatory research (the collaboration of farmers and scientists in agricultural research and development) is a promising idea that has not lived up to its promise (Bentley 2000).

According to Bentley (2000), FPR built on a foundation of many successful experiences it has had problems. A review of 25 case studies of FPR show that sustaining farmer participation beyond initial, diagnostic stages was more difficult than researchers had anticipated. In most cases, the participation of farmers in FPR was relatively passive. There were very few examples of farmers and scientists working as colleagues. Hall and Nahdy (1999), in their study of farmer participatory research in the National Agricultural Research Systems *NARS* in the case of Uganda pointed out some problems of FPR. They emphasized that FPR has largely failed in its attempts to improve the efficiency of agricultural research by restructuring science/production relations. This failure is the result of the 'systems problem' in agricultural research, whereby the complex interrelationship of actors, institutions and resources prevents FPR methods being compatible with the *NARS*. The study stressed further the nature of these problems, five problem areas were identified which appear to be representative of the wider context of the research system: researcher/farmer power relationships; the professional identity of scientists; the skill base and available human resources; and perceptions concerning the validity of research methods. It was argued that the difficulties which these factors introduced—particularly in terms of the professional behaviour of scientists—are a result of the historical patterns of institutional development specific to Uganda, as well as the tendency of institutionalized science to perpetuate these problems. The study concluded that, these problems are more serious than problems associated with the introduction of a new method. The problems are systemic in nature and are the result of more fundamental issues relating to the structure of agricultural research. The advocacy of participation has been prescriptive and too coercive. In conclusion, even though, there are no published peer-reviewed materials regarding the willingness of the poultry farmers to pay for participatory research in Nigeria and it is unclear whether the farmers are aware of this approach, research into this area is considered a worthwhile exercise.

Methodology

Study Area

The study was carried out in Kwara State, Nigeria. Kwara State is situated entirely within the tropics. It is located between longitude 2°45' and 6° east of Greenwich Meridian and latitude 11°2' and 11°45' North of the equator. It lies to the South of Ekiti, Osun and Oyo. It is bounded in the east by Kogi, North by Niger and west by Benin Republic. Kwara State of Nigeria was created on May 27, 1967. The State population was 2,371,089 (NPC 2006). Agriculture is the main stay of the economy and the principal cash crops grown are: Kola nut, tobacco, sesame seed and palm produce. Agricultural institutes located in the State are the Agricultural and Rural Management Training Institute, (ARMTI), the National Centre for Agricultural Mechanisation and Niger River Basin Authority are all located in Ilorin and the Agricultural Research Project of the Obafemi Awolowo University at Balla provides farmers with vital information on modern agricultural techniques. Also, mineral resources abound in the State. The main ethnic groups are Yoruba, Fulani, Nupe and Baruba. Islam and Christianity are the major religions in the state (Nigeria Galleria 2017).

Type of Data

The study utilized primary data. The primary data was collected from the sampled farming households using a well-structured and comprehensive questionnaire. The survey was carried out in the year 2014.

Sampling Technique

The data used in this study were obtained from a household survey of a sample of 102 poultry farmers in the year 2014. For this study, registered poultry farmers lists were used as the sampling frame. The list was obtained through the help of Agricultural Development Program (ADP) Kwara State and Poultry Association of Nigeria (PAN) Kwara State Chapter. The farmers were visited on their meeting days and 102 of the registered farmers were randomly selected. The farmers were visited on their meeting days and randomly selected poultry farmers were interviewed.

Analytical Technique

The study utilized Descriptive statistics which include frequency and percentages. The study also quantified poultry farmers' willingness-to-pay (WTP) for participatory research using Contingent Valuation (CV) techniques and Probitregression model to examine the factors influencing the poultry farmers' willingness to pay for participatory poultry research. Contingent Valuation method was developed by Ciriacy-Wantrup (1947) is a survey technique that attempts direct elicitation of individuals' (households') preference for a service. It does this

by asking the respondents in the survey a question or a series of questions about how much they value the good or service. People are asked directly to state or reveal what they are willing to pay in order to gain or avoid some change in provision of a good or service. Alternatively, they may be asked what they are willing to accept, to forego or tolerate a change (Parajuli 2016).

The model was used to assess the resultant effect of the independent variables on the probability of the respondents' willingness to pay for participatory poultry research. A formal probit model allows estimation of probabilities, marginal effects, and a host of ancillary results, but at the cost of imposing the normal or logistic distribution on the data Angrist (2001) the probit model, is a fully parametric specification.

Model Specification

The models used to achieve the objectives of the study are given below: In determining the average amount that the respondents are willing to pay for participatory poultry research, the model is expressed explicitly as;

$$\text{Average WTP} = \sum BD / \sum N \dots\dots\dots (i)$$

Where,

$\sum BD$ is the sum of the bidding amount. $\sum N$ is the total number of respondents who were willing to pay.

Probit Model

To identify the determinants of poultry farmers' willingness to pay for participatory poultry research, the model is expressed explicitly as;

$$\text{WTP} = f(X_1, X_2, X_3, X_4, X_5, X_6, X_7, X_8 e_i) \dots\dots\dots (ii)$$

Where,

WTP= Willingness of the respondents to pay for participatory poultry research (yes=1, 0 if otherwise)

X_1 = Age of the household head (years)

X_2 = Poultry farm size (Average numbers of birds)

X_3 = Household size (number of people in each household)

X_4 = Education (years)

X_5 = Access to extension services (yes=1, 0 if otherwise)

X_6 = Membership of cooperatives (member= 1, non-member= 0)

X_7 = Income from poultry production (₦)

X_8 = Farming experience (year)

e_i is the error term and consists of unexpected random variables.

Results and Discussion

The socioeconomic characteristics of the farmers were discussed in Table 1.

Table 1. *The Socioeconomic Characteristics of the Respondents*

Socioeconomic variables	Category	Frequency	Percentage
Age (years)	31–40	29	28.43
	41–50	31	30.39
	51–60	21	20.59
	61–70	18	17.65
	>70	3	2.94
Gender	Male	72	70.59
	Female	30	29.41
Education level of poultry farmers	No education	1	0.98
	Primary	3	2.941
	Secondary	7	6.863
	Tertiary	91	89.22
Marital status	Single	9	8.824
	Married	74	72.55
	Divorced	11	10.78
	Widowed	8	7.843
Farming experience (years)	≤5	28	27.45
	6–10	54	52.94
	11–15	12	11.76
	16–20	8	7.843
Membership of cooperative society	Member	51	50
	Non-member	51	50
Poultry rearing system	Battery cage	78	76.47
	Deep litter	24	23.53
Farm size	≤100	48	47
	101–200	24	23.53
	201–300	18	17.65
	>300	6	5.882
Household size	1–3	19	18.65
	4–6	74	72.55
	7–9	6	5.882
	>9	3	2.941
Access to extension services	Access	41	40.20
	No access	61	59.80
Poultry farm income (₦)	≤100,000	38	37.26
	100,001–200,000	28	27.50
	200,001–300,000	12	11.76
	300,001–400,000	6	5.882
	>400,000	18	17.65

Source: Field Survey 2014.

Note: \$ 1.00 = 360 Naira.

The result in Table 1 shows that about 58.8% of the respondents were in their middle age and youthful farmers. These groups belong to the economically active population category (Adekunle et al. 2012). While about 38.2% are fairly old and 2.9% are really old. This shows that poultry production could be done by any age group irrespective of the age bracket but young people are more involved than the older ones in the study area. The table shows that 70.6% of the farmers were male, while 29.4% were female farmers. This indicates that males are relatively more involved in poultry production than female in the study area. Gender is an important factor which can contribute to farmers' willingness to pay for participatory poultry research. This is because the head of the family usually dictates the family decisions. Whether a household is male headed or not could determine a poultry farmers' willingness to pay for participatory research. Most of the respondents were educated 90.04%, this shows that no matter how, education and enlightenment still have a vital role in poultry industry in the study area. Table 1 shows that the levels of education attained by the respondents are very high and this may contribute significant role to their willingness to pay for participatory research. The table shows that 72.55% of the respondents were married. This indicates that poultry production is a good source of income which can cater for the financial need of the family.

Furthermore, Table 1 shows that 72.5% of the respondents have farming experience which is above 5 years. This means that many of them have been in poultry business for a long time and this will impact on the farmers' willingness to participate in poultry research. Membership of cooperative societies is also an important factor that could influence the willingness of poultry farmers to pay for participatory poultry production research. The table shows that 50% of the respondents were members of different cooperative societies. From Table 1, 78% of the respondents employ battery cage system while 24% were using deep litter system. This may be due to management stress attached to the use of deep litter system and the easiness of using battery cage for big poultry farm. Majority (53%) of the respondents have their farm sizes above 100 chickens. Farm size and scale of production could affect the willingness of the farmers to pay for participatory poultry research. Household sizes of 4–6 dominate the study area with 72.6% of respondents. This may be due to the higher number of respondents were married, this also indicate that family labour dominate the labour use among the poultry farmers. Majority of the respondents do not have access to extension services with 59.8%; extension service is usually free of charge, however, due to their limited number not all farmers have access to such services. Access to extension services may create awareness about participatory research services and in turn may positively influence the willingness to pay for participatory poultry research in the study area. About 63% of the respondents in the study area have their poultry income above ₦100,000 per annum. Income may influence farmers' willingness to pay for participatory poultry research and the farmers with high income, may not really complain of fund if they will required to participate in poultry research.

Farmers Level of Awareness of Participatory Poultry Research in the Study Area

Table 2. *Farmers Level of Awareness*

Level of awareness		Frequency	Percentage
	Aware	40	39.22
	Not aware	62	60.78
	Total	102	100

Source: Field Survey 2014.

The Level of awareness of farmers about participatory poultry research is an important concept. Table 2 shows the level of awareness of poultry farmers about poultry farmers' participatory research in Kwara State, Nigeria. The level of awareness of farmers about participatory poultry research is 39.22% while 60.78% of the farmers were not aware. The result revealed that the majority (60.78%) of the respondents was not aware of participatory poultry research in the study area.

Willingness of Farmers to Pay for Participatory Poultry Research

Table 3. *Willingness to Pay for Participatory Poultry Research*

Willingness to pay for PPR		Frequency	Percentage
	Willing	66	64.71
	Not willing	36	35.29
	Total	102	

Source: Field Survey 2014.

Willingness of farmers to pay for participatory poultry production research is assumed to be one of the key factors which may determine the progress needed to be achieved in the field of poultry participatory research. Table 3 shows that majority (66%) of the farmers are willing to pay for participatory poultry research while the percentage of the unwilling farmers is 36%. Despite that larger percentage of unaware farmers, majority of the farmers are still willing to pay for participatory research. This indicates that people may be willing to participate well and to pay for participatory research, if more awareness carried out among the farmers. This indicates that farmers in the study area will embrace and be ready to pay for participatory poultry research if it is brought to them. This calls for government agencies, the extension agents and researchers to come together and work on the initiation of participatory poultry research.

Table 4. Average Price Willing to Pay for Poultry Research

Amount (₦)/month	Willing respondents					Unwilling respondents
	Number of respondent	Percentage	Min (₦)	Max (₦)	Mean (₦)	36
≤2,000	42	41.18	2,000	2,000	2,000	
2,001–4,000	18	17.65	2,001	4,000	3,000.5	
4,001–6,000	4	3.921	4,001	6,000	5,000.5	
≥6,000	2	1.961	6,000	6,000	6,000	
Average WTP= ₦2,576 per month						

Source: Field Survey, 2014.

Table 4 shows the prices which the farmers are willing to offer for participatory poultry research. This is considered as one of the important factor which determines the farmers' readiness to participate in participatory poultry research. It was observed that the average price that farmers are willing to pay is ₦2,576. This average WTP is the amount which the farmers will be willing to pay for participatory poultry research in a month. This amount is recommended and it should not be exceeded if farmers will be encouraged to participate in this type of research in the study area. It could also deduced that the maximum price which a farmer is willing to pay is ₦2,910, while the minimum price is ₦2,243.

Table 5. Probit Regression of Factors Influencing the Farmers Willingness to Pay for Participatory Poultry Research

Variables	Coefficient	Standard error	Z-value
Household head age (years)	-0.0423182**	0.0147375	-2.87
Farm size	0.0000572	0.0063529	0.01
Household size	0.4024504***	0.123371	3.26
Education	0.7166374***	0.1984981	3.61
Access to extension services	0.2851119	0.304 9458	0.93
Membership of cooperative	0.5966463*	0.3184842	1.87
Poultry farm income (₦)	8.17e-08	2.02e-06	0.04
Farming experience	-0.0278451	0.0360943	-0.77
Constant	-1.232387	0.8625035	-1.43
LR chi square (8) = 32.95			
Prob> chi square = 0.0001			
Pseudo R ² = 0.2512			
Log likelihood = -49.120944			

Source: Field Survey 2014.

Note: *, **, *** indicate variable significant at 10%, 5%, 1% respectively.

Several factors influence farmers' willingness to participate in poultry research. The probit regression analysis shown in Table 5 demonstrated a significant ($p < 0.01$, $p < 0.05$ or $p < 0.10$) relationship between socio-economic characteristics and WTP. From the result, the age of the poultry farmers was found to be

significant at 5%, the household size and level of education were found to be significant at 1% and membership of cooperative societies was found to be significant at 10% level statistically. The age of the poultry farmers varies negatively to farmers' willingness to participate in poultry production research. This is logical because there is tendency that the older you are the lesser you become more curious about new things and change, especially the usual practice of your management methods.

The household size of poultry farmers in the study area was found to be positively related to farmers' willingness. This may be because the farmers with large family size have more needs to be met than others and due to this fact; they may be willing to support any practice that will improve their farm income and profit. Also, the educational level varied positively as the farmers' willingness with a t-value of 3.61. This could be because education exposes human mentality to embrace the benefits which may include trying new ways of doing things, and more so more than 89.2% of the farmers in the study area are educated.

Membership of cooperative societies is also positively related to farmers' willingness with a t-value of 1.87. This could mean that the inclusion of members in cooperative societies can poised them to be exposed to information, access to extension services and innovations. This may be resulted in their willingness to participate in poultry research because other farmers which have benefited from research before could enlighten other members and this will lead them to follow suit.

Conclusion and Recommendations

The findings from this study revealed despite that a good number of the farmers were unaware of participatory research, majority of the farmers were still willing to pay for participatory research. This indicates that people may be willing to participate well and to pay for participatory research, if more awareness carried out among the farmers. This indicates that farmers in the study area will embrace and be ready to pay for participatory poultry research if it is brought to them. The results of the study also showed that age of the poultry farmers, the household size, level of education and membership of cooperative societies were significant factors influencing farmers decision to pay for participatory poultry research. The study concluded that both the governments and non-governmental organization should create awareness and develop strategies that will encourage participation and willingness to pay for participatory poultry research. Policy makers and other relevant stakeholders should take advantage of the significant socio-economic factors influencing the decision to participate in poultry research initiatives when formulating policies. This will help improve poultry production, thus helping to bridge the gap in protein shortfall been experienced in the country while the poultry product will be more available.

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A Review of Main Strands on the Flow-Performance Relationship of Mutual Funds

By Dariusz Filip *

This paper is a review of literature for findings on the flow–performance relationship of mutual funds. It is noted that the discussed issue has been examined virtually exclusively in developed countries. There are no or only fragmentary findings of this kind in developing economies. Based on a survey of empirical findings, it is possible to outline the main directions of research within the strands examined by contemporary researchers and explain the basic assumptions when formulating hypotheses. Moreover, the evaluation of the existing literature lets to offer several propositions for future research. It is a preliminary paper that systematises the analysed subject matter and an introduction to an empirical study dedicated to small European mutual fund markets.

Keywords: *mutual funds, performance, net flows, individual investors, behavioral finance*

Introduction

Activities performed by various types of financial intermediaries have captured the attention of business analysts, investors and academics for many years now. Early studies of mutual funds (e.g. Treynor 1965, Horowitz 1965, Sharpe 1966, Jensen 1968) analyzed fund managers' skills of generating superior returns. By and large, the obtained results showed that active asset managers were unable to add value to investors and outperform the market portfolio, which was supported by the later efficient market hypothesis.

However, some more recent studies provided more ambiguous findings. For instance, Ippolito (1989), Grinblatt and Titman (1993), and Goetzmann and Ibbotson (1994) showed that some mutual funds were able to achieve superior risk-adjusted returns. The research discussion led to subsequent conclusions providing that net returns proved to be lower than the rate of return on the market portfolio if management fees were taken into account (Grinblatt et al. 1995, Daniel et al. 1997).

On the other hand, the occurrence of performance persistence, which might have resulted from managerial skills or utilization of market factors, began to be noticed in the relevant literature (Grinblatt and Titman 1992, Hendricks et al. 1993, Carhart 1997, Du et al. 2009). If managers are skilled in stock selection or market timing, it can be expected that they will be able to maintain investment results at similar levels in successive periods. Given the issues that are significant

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to investors, that is the assumption that past performance might not be random and could be persistent, predicting future rates of return based on past results seems interesting.

Although the U.S. Securities and Exchange Commission (SEC) states that "past performance is not indicative of future results", earlier returns might be one of the most common reasons for investing new money on capital markets (e.g., Lakonishok et al. 1992). Empirical investigations on the Flow-Performance Relationship (FPR) have earned a place in the history of research on mutual fund performance.

The main aim of this paper is to provide a critical review of the main strands of literature on the flow–performance relationship of mutual funds measures. By reviewing more than 60 references, the authors intend to present the justification for studies dedicated to the analysed relationship (FPR), indicate the domiciliation where the discussed subject matter was analysed, and signalise the need of further research in emerging markets, such as small European economies. It is an introductory study that synthetises certain issues, which will make it possible to clarify the basic assumptions when formulating the main theses in successive works. Although it is difficult to provide new knowledge at this stage, the paper describes the research gaps and raises several research questions that will be filled during the future research.

Apart from the introduction, this paper is composed of four major sections. First of all, studies of the main strand of literature concerning sensitivity of fund flows to past performance are discussed. Based on the findings to date, the direction for further research related to the existence of the convexity of the flow–performance relationship is identified in part three. The next section presents two opposing hypotheses as part of performance anticipation and findings in this area to date, i.e., the "smart money" effect and the "dumb money" effect. The review is conducted on the basis of the most popular and cited articles. The text is closed with a brief summary of the literature findings and indicating needs for additional research and propositions.

Main Strand in the Literature Concerning Sensitivity of Fund Flows to Past Performance

Mutual funds have become an important part of financial markets over the past few decades, from the perspective of both individual clients who invest their money and companies in which the entrusted assets are put. Due to the growing number of entities in the market of mutual funds, their clients have an increasingly wider array of collective investment institutions and services. Despite such a diversity of products, the factors by which investors are guided when selecting funds have not been fully described yet.

The discussed issue refers to the above-mentioned strand in the literature, namely one concerned with performance persistence, which was concentrated mainly in low-liquidity sectors or at shorter horizons. It is the results obtained there (e.g., Brown et al. 1992, Brown and Goetzmann 1995, Malkiel 1995, Elton et

al. 1996) that sparked the investigations on the flow–performance relationship. As a rule, the performance generated by fund managers does not result from earlier investment returns, i.e., it is hard to predict them relying on historical data only. Nonetheless, investors might chase performance when making their investment decisions.

At the end of the 1970s and the beginning of the 1980s, it was noticed that flows into and out of financial markets were strongly correlated with past performance (Spitz 1970, Smith 1978, De Bondt and Thaler 1985). One of the first studies showing that mutual fund investors tend to base their purchase decisions on prior risk-adjusted returns were, among others, Kane et al. (1991), Patel et al. (1994) and Roston (1996). They revealed that the aggregate pattern of consumer investing behavior seemed rational. Sirri and Tufano (1998) defined performance as a factor with the greatest impact on investment decisions, where advertisement or search costs were less significant for investors. The above gave rise to a popular belief that funds with superior performance would attract more new assets, while those with inferior performance would experience more outflows. The issue was named the FPR. However, in the first half of the 1990s, some researchers started to notice that a status-quo bias made investors ignore information about bad fund performance (see Zeckhauser et al., 1991).

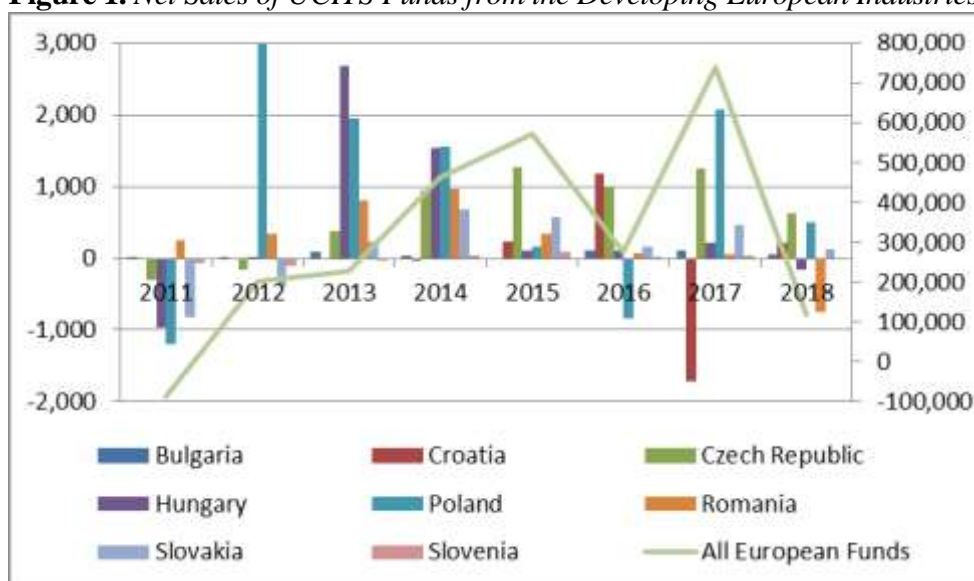
The relationship was examined in many studies from developed markets, in particular from the U.S.A. (Ippolito 1992, Chevalier and Ellison 1997, Christoffersen 2001), and in much fewer works from developing economies (cf., Steinberg and Porath 2013, Lemeshko 2016). In general, the obtained results have encouraged the conclusions that capital flows are sensitive to past performance, which means that flows into a fund are higher when the prior returns of the fund were better.

For instance, Wilcox (2003) signaled that prior returns, especially in the long run, were a factor that was most frequently analyzed by investors when selecting a fund. As a result of intensified current market information, some studies indicated, in turn, that the present fund performance was more important in shaping clients' decisions than long-term returns (Levy and Levy 2003). Gorjaev et al. (2002) found evidence that individual investors responded to results with a certain lag. As was shown, the returns from the previous 2–3 quarters had a substantially stronger impact on net flows than the performance of the last quarter for investors in the U.S. market. Moreover, taking risk into account in returns translates into capital flows to a small extent, which implies that some investors are style timers and choose funds mainly on the basis of raw returns rather than risk-adjusted returns.

Berk and Xu (2004) made an observation that when a fund underperformed, only responsive investors were able to react by withdrawing money. Less responsive investors seemed to be more indulgent to inferior returns. Where poor performance persisted for two years in a row, capital outflows were statistically insignificant. Coval and Stafford (2007) and Zhang (2009) noted, however, that funds with large outflows faced poorer performance, which was attributed to price pressure in the stocks they sold.

As regards small markets, e.g., the Iberian Peninsula, results indicate that inflows do not respond to the rates of return achieved in the previous calendar year (Alves and Mendes 2007). For retail and wholesale segments, in turn, Gupta and Jithendranathan (2012) noticed, on the example of Australian mutual funds, that investors based their investment choices on past performance. When making their investment decisions, clients were guided by a fund's past performance with the retail segment being more sensitive to that indicator than the wholesale segment. Ferreira et al. (2012), in turn, pointed to differences in the FPR across countries. It was determined that investors from more developed countries sold loser funds more often than bought winner funds. This is because investors in these countries were more sophisticated and were able to face lower costs of participation in mutual funds. Moreover, Alves and Mendes (2011) noticed that no response to past returns could result from lower complexity of the discussed financial market or existence of search costs involved, among others, with limited dissemination of information about fund performance. In general, the achieved results and failure to associate performance with asset flows in the next period might indicate lower responsiveness or unsophisticated knowledge of economics among investors from developing markets. The case of differences in popularity, and therefore net sales, in developing European markets could be considered as an example (e.g., Trzebiński 2018). Figure 1 presents values of net sales of small mutual fund industries (the left scale) plotted with value of total European net sales (the right scale).

Figure 1. Net Sales of UCITS Funds from the Developing European Industries



Source: Own compilation on the basis of Quarterly Statistical Releases (2011–2018) of the European Fund and Asset Management Association (EFAMA).

Note: data presented in millions of euro.

Capon et al. (1996) noticed that investors could be characterized by different levels of informational engagement in a given investment depending on the decision criteria they applied. A vast majority of them focused primarily on past

performance, while others – on issues related to participation costs – they were the so-called price-sensitive investors. A significant minority, in turn, concentrated mainly on the quality of the service provided by a fund – they were the so-called non-price sensitive investors. The mentioned authors pointed also to the fact that certain investors were remarkably uninformed, even as regards the entities they had chosen. This was manifested in some of them being unaware even of whether the fund they selected was a load fund or what the fund's investment objectives were.

As evidenced in many studies, institutional investors are more sophisticated and have a better understanding of fund attributes (Evans and Fahlenbrach 2012, Akbas et al. 2015), while retail investors are viewed to exhibit various behavioral biases, such as the disposition effect (Odean 1998). Del Guercio and Tkac (2002), in turn, pointed to the diversity of the FPR. In comparison to mutual fund participants, clients of pension funds punish poorly performing ones by withdrawing assets under management but, on the other hand, they do not automatically flock to recent winners. Mutual fund investors, in turn, tend to direct their cash flows to recent winners disregarding risk-adjusted performance measures. Therefore, it is possible to formulate first research question: *Is there a tendency to observe the higher the past performance of a fund in regard to the higher its net flows of mutual funds in developing markets.*

Capital flow data reveal direct investor preferences when selecting a fund. As was indicated above, a majority of them might chase the returns generated to date. The results described in the finance literature show that both raw returns and risk-adjusted returns can affect flows in successive periods. There are studies showing that several performance measurement methods could simultaneously influence net flows (e.g., Ippolito 1992, Gruber 1996, Chevalier and Ellison 1997). Nevertheless, Sirri and Tufano (1992) demonstrated that it was chiefly raw returns that were a driver of assets from retail clients to mutual funds. They interpreted this phenomenon as "naive trend chasers", who made their investment decisions based on noisier measures of performance. Patel et al. (1994), in turn, reported that prior risk-adjusted performance could be related to capital flows. A different view can be found in the study by Ivkovic and Weisbenner (2009). They distinguished the sensitivity of inflows and outflows to relative and absolute performance, respectively.

Del Guercio and Tkac (2002), who were mentioned above, showed that mutual fund investors used less sophisticated measures of returns than pension fund clients. As regards the former market, it is noticeable that less sophisticated investors are less responsive to multifactor models explaining mutual fund performance, which means that they chase only raw returns (see Bailey et al. 2011). In fact, however, investors should allow also for alpha estimates from asset pricing models when intending to allocate capital to funds. For instance, Huang et al. (2012) agreed that a more precise assessment of fund performance was more appropriate for sophisticated investors and could considerably impact net flows. Similarly, Barber et al. (2016) noticed that CAPM alphas were the best predictor of flow among a set of various available measures. They established that greater net flows to mutual funds were related to a higher rank based on alphas rather than

to comparative analysis employing different measures. In connection with the said results, Arbaa et al. (2017) showed, for a small market, that clients of mutual funds were more sensitive to risk-adjusted returns than absolute ones. They noticed that investors from developed countries in the Middle East appreciated performance measured with Sharpe ratios and alphas more than raw returns. This leads us to rise second research question considered in developing countries: *Do risk-adjusted past returns influence net flows more than raw returns.*

In the studies dedicated to the FPR, more sophisticated measures of returns, such as the Carhart ratio or market timing measures, are rarely applied. Therefore, the investigations engaging a set of extensive ratios seem desirable in the context of analyzing sensitivity and robustness of the obtained results to the applied measurement procedures.

Convexity of the Flow–Performance Relationship

Early studies established that past performance was an important factor determining net flows into funds. However, the issues that intrigued academics included the diversity of client reactions to higher and lower performance. A large number of researches have shown that the FPR is nonlinear, thus providing evidence that investors buy funds with good past performance but at the same time do not leave funds with poor returns (e.g., Ippolito 1992, Chevalier and Ellison 1997, Christoffersen 2001). For instance, Sirri and Tufano (1998), by means of a piecewise linear specification, found some convexity, where the relationship between flows and past performance was concentrated mainly on the highest performing funds. In other words, funds with superior recent performance experienced disproportionately greater inflows, while funds with poor performance suffered smaller outflows. Also Chevalier and Ellison (1997), who employed semi-parametric specification, proved that mutual fund investors made unit purchase decisions based on prior returns but do it asymmetrically, investing more in top performing funds, while showing little or no response to lower performing funds. Many other researchers, including ones examining less developed markets, drew similar conclusions (e.g., Arbaa et al. 2017).

In accordance with the previously documented findings, Pagani et al. (2011) indicated that, apart from the FPR convexity, looking at mutual funds from the viewpoint of their managers' skills could also be convex with respect to new asset inflows. Huang et al. (2007), in turn, applied the Fama-MacBeth procedure to show that the convexity of the FPR declined over time for U.S. mutual funds. They argued this was a result of a decrease in participation costs due to investors becoming increasingly better informed.

The causes of the phenomenon consisting in rewarding better performing mutual funds by increasing net flows into those funds and at the same time not punishing past losers with outflows can be attributed to the existence of numerous institutional and behavioral factors, which reduce such flows out of funds. Moreover, market considerations, such as the presence of search costs, load charges, or tax patterns, increase the transaction costs of withdrawing money from

poorly performing funds (cf., Sirri and Tufano 1998). Goetzmann and Peles (1997), who found a substantial relationship between flows and past returns, albeit only for the top quartile of past performance, pointed to the existence of a cognitive dissonance bias, which makes investors ignore the information about bad fund performance. They showed that investors were positively biased in remembering the past performance of the fund they chose. Lynch and Musto (2003) looked for arguments in favor of the existence of the FPR convexity in the relative expectation theory. According to them, investors might be unwilling to sell poorly performing funds because they expect underperforming funds to radically modify their investment strategies or change managers soon.

It should also be noted that the hump-shaped relationship was observed in both developed and smaller, less sophisticated, markets. As was showed by Ferreira et al. (2012), analyzing the relationship between flows and performance in 28 countries, the convexity of the relationship was discerned in the world, yet its degree of flatness is different across countries. Therefore, it was possible to establish third research question: *Is there a non-linear relationship between past performance and fund flows.*

Performance Anticipation Hypothesis

The finance literature documents a significantly positive relationship between mutual fund flow and future performance. One of the first authors to discern this phenomenon was Gruber (1996), who noticed that investors had the ability to select funds which would be able to achieve superior performance in the next period. It means that mutual funds with net inflows outperform those with net outflows. As regards investors themselves, it was suggested that there might be informed investors capable of forecasting future investment results based on the information about past returns, who put their savings in funds with better future performance. Similarly, Zheng (1999) confirmed the relation and indicated that funds which received greater net flows outperform their less popular peers in the next period. Apart from confirming the Gruber's pattern, she also found the existence of a short-term information effect, which means that an aggregate new money flow had the information that could be used to generate superior returns. Both these studies introduced the term "smart-money" effect to the relevant literature and defined it as mutual fund investors' ability to predict short-term performance and invest by moving money from underperformers to funds with better investment results.

Later studies pondered on the question whether the captured "smart money" effect was an outcome of a manager's talent or a momentum in rates of return. For instance, Sapp and Tiwari (2004) established that subsequent fund performance was adjusted to the momentum factor in stock returns and higher net flows stopped leading to better results. The finding refers to the observation of Jegadeesh and Titman (1993), who noticed that the stocks that performed well tended to continue doing well. Hence, investors were inclined to put their money into past winners. Therefore, after buying past winning funds, investors unwittingly benefit

from momentum returns on winning stocks. The presence of momentum trading by mutual funds means that investors have no fund selection ability. Wermers (2003) noticed that fund managers who had recently performed well tried to perpetuate this performance by investing a large proportion of the new money they received in the stocks that had lately generated good returns.

Wermers's observation that clients heavily invest in the last year's winning funds, and the managers of such winners invest the received inflows in momentum stocks in order to continue superior performance, was broadly discussed. The literature concerning anomalies in financial markets (e.g., Dacey and Zielonka 2013, Bóta and Ormos 2017) notices that managers of losing portfolios seem reluctant to sell their losing stocks and to purchase the new momentum stocks probably due to the disposition effect. Normally, the effect consists in investors' tendency to sell winning stocks too soon and hold losing stocks too long.

However further researches (e.g., Frazzini and Lamont 2006, Friesen and Sapp 2007) noticed, contrary to what Gruber and Zheng argued, that a large group of investors were less informed and less sophisticated than it would seem. Their activities in the form of investments in funds generated poor performance in the long run. The mentioned authors stated that fund net flows resulted in the so-called "dumb money" effect and investors themselves had low timing abilities, i.e., an average individual investor made wrong investment decisions most of the time. Teo and Woo (2004) also obtained evidence of the "dumb money" effect, which was reflected in high inflow funds underperforming low inflow funds over multi-year time periods. Similarly, Edelen (1999) documented that the results achieved by a fund deteriorated when a massive inflow of new capital forced managers to engage in liquidity-motivated trading.

The verification of the hypothesis on performance reaction was conducted also in non-U.S. markets. For example, Keswani and Stolin (2008) decided to investigate monthly capital inflows and outflows among UK mutual funds. They pointed to the existence of a robust "smart money" effect. It was caused by unit buying rather than selling decisions. Nonetheless, for a less developed industry, such as the Portugal market, Alves and Mendes (2011) rejected the smart and the dumb money hypotheses. They showed that capital flows in one period were independent of the fund performance in the following period. Given the above, the next research question risen in small European market is: *Do fund net flows influence subsequent performance.*

Conclusion

The contemporary international finance literature on the broadly defined FPR comprises dozens, if not hundreds, of titles. The set of findings in this stream is being expanded by recent studies, which introduce improvements in the applied research methods. The analysis of mutual fund investors' reaction to performance has been an object of investigation in large and developed markets, especially in the U.S.A. However, there are some reasons to assume that clients of collective investment institutions in small markets, such as chosen European mutual fund

industries, might respond differently than investors in bigger, developed and more complex ones.

The conducted review is an attempt to describe this gap. Moreover, there is a need to offer several propositions for future studies from developing markets. The FPR issues raise several research questions. Is there a tendency to observe the higher the past performance of a fund in regard to the higher its net flows? Do risk-adjusted past returns influence net flows more than raw returns? Is there a non-linear relationship between past performance and fund flows? Do fund net flows influence subsequent performance? Taking the above into account, there is a preliminary paper that systematises the analysed subject matter and an introduction to an empirical study dedicated to small European mutual fund markets.

As shown in the literature review, large and small markets vary in terms of the complexity and sensitivity of investors, which in turn could result in diverse client behaviors. In small markets with considerably lower complexity, a smoothed FPR can be noticed as fund clients can classify funds as outperformers and underperformers much more easily when using the search cost criterion. On the other hand, it could be also hypothesized that in small, less complex and less competitive markets, where conflicts of interests (investor vs. fund manager) might be stronger, the presence of unsophisticated investors can result in a lower convexity of the market or absence of any reaction of investors.

To conclude, the analysis of the FPR resulted in noticing many effects which, in broad terms, are regarded as market anomalies (cf., Brown and Wu 2016, Kamstra et al. 2017). The emerging research perspective for small European financial markets, which is dynamically developing yet is still associated with e.g. a low value of assets under management and a limited number of financial intermediaries, makes the issue of chasing performance by investors and the verification of any spillover effects seem cognitively and socially justified.

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Job Crafting and Employees' Performance in MTN Nigeria PLC

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This study examines the relationship between job crafting (task crafting and relational crafting) and employees' performance (employees' task performance and organizational citizen behavior) amongst staff of MTN Nigeria PLC. This research makes use of a survey design and analysis was based on primary data generated through a structured questionnaire. Two research hypotheses were formulated and tested at 0.05 levels of significance. The findings revealed that there was a statistically significant influence of task crafting on employees' task performance in MTN Nigeria, PLC ($R^2=0.088$, $F=17.844$, $p<0.050$). Similarly, there is a significant positive relationship between relational crafting and organizational citizenship behavior ($r_p=0.331$, $n=187$, $p<0.050$). From the study, it was concluded that workers require a high degree of autonomy and independence on their jobs to perform more efficiently and effectively in order to improve their performance. It was recommended amongst others that organization should provide a flexible job design and structure as well as interpersonal relationship for its employees' so as to enable them to better perform on the task and create organizational citizen behavior among the employees.

Keywords: *employees' performance, job crafting, relational crafting, organizational citizen behavior*

Introduction

It is still unknown whether employees' performance is a determinant of job crafting or vice-versa but Sun et al. (2020) posited that employees are the most valuable asset and key source of competitive advantage of an enterprise. Therefore, employees' working status and innovation activities are the employees' quality that affects financial performance (Sun et al. 2020).

Theoretically speaking, job design clearly spells out the roles and duties of individual employees and work groups in the organization in relation to the whole organizational goals and objectives. In addition, employee job crafting behavior differs due to personal factors and environmental factors (Peng 2018), this invariably have an implication on employee performance.

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The challenging economic situation has put increased pressure on organizations in recent years. Most organizations are relying on their internal resources to achieve higher levels of performance and productivity rather than rely on favorable external factors (Buchner 2007). The practice of Human Resource has shifted away from the employer-focused notion to the employee-oriented practice, in order to increase the employees' level of intrinsic motivation. Due to this change, the proactive behavior of the employee which contributes to the level of performance could be beneficial to the employee as well as the organization.

One of the most critical factors of an organization with respect to its output and profitability are its employees. That is, how competitive an organization will be is largely depends on the total sum of its work-related activities especially the way job are design and structure among its employees (Casio and Aguinis 2014). Employees will commit themselves to their tasks when they perform their preferred tasks, and the tasks are well matched to the needs of the employees. Therefore, to find maximum performance, an organization must make an effort towards finding the most suitable employees for a specific task. However, it is not easy to match the optimum employee with their ideal tasks through employment and human resource management. Thus, job crafting becomes imperative.

Although almost all employers have something in common towards goal accomplishment but they look for ways to promote a healthy and engaged workforce. This is because a healthy and engaged workforce tends to perform better, have higher levels of productivity and they are generally happier in their roles as well as get committed to the organization. Employees with negative feelings of well-being and low engagement tend to bring down company culture and profitability, counterproductive work behavior, and lack of organizational citizenship behaviour (Peral and Geldenhuys 2020). However, most employers are faced with the challenge of getting the ideal person to perform the required tasks within the organization. Often times, certain individuals are saddled with responsibilities which they consider too difficult to undertake thereby leading to poor and inefficient performance. Such employees are considered misfits for such jobs due to the skills gap.

Therefore, there is need to either replace the individual or redesign the job characteristics. Replacing the individual might be quite unachievable because of social, demographic, legal as well as economic constraints. Generally speaking, there is a need to create an environment for the employee to better adjust to his roles and duties without deviating from the organization's set goals and objectives through task and relational crafting.

Hence, the question of whether job crafting improves or worsen employees performance is still worthy of further research. It is against this backdrop that this study attempts to access the influence of job crafting vis-à-vis employees' performance in the Nigerian telecommunication industry.

However, the specific objectives of the study were to evaluate the influence of task crafting on employees' task performance and to determine the relationship between relational crafting and organizational citizenship behavior drawing insights from workers of MTN Nigeria PLC.

Literature Review

This section examines the works of authors and scholars that are related to the study. The review of these works is therefore presented under the following sub-headings: Conceptual review, theoretical review and empirical review of previous studies.

Conceptual Review

Job Crafting

Wrzesniewski and Dutton (2001) refer to job crafting as "the actions, employees take to shape, mold, and redefine their jobs" (p. 180). It is often believed that employees can be motivated through the design of their job but since employees working in contemporary organizations likely has at least some latitude to modify their jobs (Oldham and Hackman 2010). Therefore, there is increasing interest in the way employees influence or shape their own jobs. The process of shaping jobs so that tasks and social interactions better suit an individual's needs, abilities, and preferences has been called job crafting (Wrzesniewski and Dutton 2001).

Job crafting is conceptualized as the changes employees make to balance their job demands and job resources with their personal abilities and needs (Tims et al. 2012). Job crafting is a proactive behavior, in that individuals take an active role in their approach towards their work, initiate future-oriented actions, and create favorable conditions (Li et al. 2018, Bindl and Parker 2011, Crant 2000, Grant and Ashford 2008). Employees can change previously constructed job roles by changing their tasks and social interaction on the job so as to change work meaning and work identity (Bohnlein and Baum 2020, Wrzesniewski and Dutton 2001).

Wrzesniewski and Dutton (2001) identified three key job crafting activities namely; task crafting, relational crafting, and cognitive crafting.

Task crafting: Task crafting is concerned with how employees actively mould their job tasks, changing the scope of the tasks, and by changing the means being used in the accomplishment of tasks. According to Peral and Baum (2020) task crafting is the process of making work more meaningful by employees through the changing of the amount or type of work that employees do.

Relational crafting: Relational crafting has to do with the change in the quality and quantity of social interaction at work, interpersonal relationship and teamwork among others. This is when an employee change work situation or structure as a result of deciding how he or she interacts with colleagues (Peral and Geldenhuys 2020).

Cognitive crafting: Cognitive crafting centers on reframing the employee's perception of their job and changing the employee's cognitive representation of the job. That is, this occurs as a result of workers changing personal perspective about their work.

In line with Wrzesniewski and Dutton (2001), Tims et al. (2012), emphasized that job holders initiate a bottom-up redesign. This implies that the crafting behavior of changing job demands can be linked to task crafting while changing

job resources can be linked to relational crafting (Demerouti 2014). Although these two approaches seem similar, but both conceptualizations view job crafting from varying perspectives. Tims et al. (2012) built their conceptualization on the job demand-resources model (JD-R) and propose that individuals strive for a more meaningful, suitable, engaging, and satisfying job, but also for the protection of their own health, that is, actively coping with job stress.

To Wrzesniewski and Dutton (2001), job crafting is conceptualized as individuals aligning their work with their individual needs and values to find personal meaning that is the main target of job crafting is one self. It is worthy to mention at this juncture that the term job crafting emerged from job design theory. The traditional form of job design is the prerogative of the manager who designs jobs for employees in a top-down manner. However, the contemporary worker initiates proactive changes to their jobs rather than remain as passive recipients of job functions.

Employee Performance

Employee performance is highly valuable because it contributes to the organization's technical core (Borman and Motowidlo 1997). Employees' performances have usually been measured in terms of job performance which is multi-dimensional (Austin and Vilanova 1992). Several behaviors of the employees have an impact on their performance. These behaviors include organizational citizenship or altruism as well as counterproductive work behavior (CWB) (Dalal 2005, Staufenbiel and Hartz 2000). These behaviors are very important as they serve as catalysts for tasks activities and processes.

Rotundo and Sackett (2002) have suggested that there are three broad performance domains; task performance, organizational citizenship behavior or altruism and counterproductive work behavior (CWB).

Task performance: These are all behaviors and outcomes that directly serve the purpose of the organization.

Organizational citizen behavior or altruism: This is a discretionary behavior on the part of an employee that is believed to directly promote the effective functioning of an organization without necessarily directly influencing an employees' productivity (Genty et al. 2017, Staufenbiel and Hartz 2000, MacKenzie et al. 1991). Altruism goes beyond the content of the formal job description which improves organizational effectiveness.

Counterproductive work behavior (CWB): This is an intentional employee's behavior that is harmful to the legitimate interest of an organization (Gruys and Sackett 2003).

In essence, the general contribution of an employee to the organization can be assessed using the above three instruments.

Theoretical Review

Wrzesniewski (2016) claimed that "the three types of job crafting are not mutually exclusive, and job crafters may exercise any combination of the three". Wrzesniewski and Dutton (2001) illustrated the phenomenon of job crafting and

built their theoretical framework mainly on the basis of qualitative studies. In alignment with the position of Wrzesniewski and Dutton (2001), Tims et al. (2012) emphasized that job holders initiate a bottom-up redesign.

Demerouti (2014) therefore stated that the crafting behavior of changing job demands can be linked to task crafting while the changing of job resources can be linked to relational crafting. For clarity seek, this study adopted job demands resource theory developed by Bakker and Demerouti (2007). This is because job resources refer to physical, psychological, social or organizational aspects of the job that are either/or stimulate personal growth, learning and development. This in turn will transcend to employees performance.

Due to the diverse end products of modern labour, it is obvious that working conditions can differ from one organization to the other. In spite of these organizational differences, Job-demands Resources theory according to Bakker and Demerouti (2007) proposes that all job resources characteristics can be classified into two main categories, i.e., job demands and job resources which have been described to have unique properties and predictive value.

Job -demands are the aspects of work that require physical and cognitive efforts of the job holder. It involves the categories of jobs that cost energy like workload, complex tasks and conflicts. However, job demands can be sub-divided into challenge demands (which entail workload and complexity) and hindrance demands (which involve conflict). While challenge demands help workers to perform well, hindrance demands on the other hand undermine performance.

Job resources are the aspects of work that help employees to deal with job demands and achieve their goals. Job resources include such elements as social support, performance feedback, etc. Both job demands and job resources have unique and independent effects on employee well-being, which in turn reflects on job performance. Employees' exposure to daily workload may transform into chronic overload over a long time period, which often leads to physical health problems while job resources initiates a motivational process.

Thus, job resources influences motivation when job demands are high. Job holders often rely on autonomy, skill variety, performance feedback and task identity when the job demands become challenging. Therefore, job resources are particularly useful and motivating when needed. Job characteristics are distinguished in demands and resources (Bakker and Demerouti 2007). In order word job demands refers to "physical, psychological, social, or organizational aspects of the job that require sustained physical and/or psychological (Cognitive and emotional) effort or skills and are therefore associated with certain physiological and/or psychological costs."

Review of Previous Empirical Studies

The relationship between job crafting and job performance has been examined in several studies ranging from qualitative studies to quantitative studies. From these studies, it appears that job crafting mainly has a positive relationship with job performance based on the arguments that crafting one's job demands and job resources may lead to work engagement and job performance. It is expected that

work engagement may mediate the relationship between job crafting and job performance (Demerouti et al. 2014). In previous numerous empirical studies, some researchers have been able to identify that employee job crafting behavior differs due to personal factors and environmental factors (Bohnelein and Baum, 2020, Peral and Geldenhuys 2020, Li et al. 2018, Peng 2018, Ogbuanya and Chukwuedo 2017, Niessen et al. 2016, Vogt et al. 2015, Wrzesniewski and Dutton 2001).

Wrzesniewski and Dutton (2001) argue that discretion, decision latitude and job autonomy in work has strong predictive effect on job crafting, but tight job monitoring may hinder job crafting. In essence, they concluded that a supportive organizational climate helps employees to generate positive working attitude and behavior. Therefore, Wrzesniewski and Dutton established that reasonable degree of job autonomy and independence is required to enhance job crafting behaviour.

Niessen et al. (2016) focus on antecedents of job crafting, the development and validation of a job crafting scale. In the first study (N=466), an exploratory factor analysis with one half of the sample (n=233) and a confirmatory factor analysis with the other half (n=233) supported a three-dimensional structure of job crafting (task crafting, relational crafting and cognitive crafting), and convergent as well as discriminant validity of job crafting in relation to personal initiative and organizational citizenship behavior. In Study 2 (N=118), Niessen et al. (2016) cross-validated the measure and demonstrated that job crafting was related to, yet distinct from taking charge. It was discovered that an increase in job crafting at Time 2 was predicted by need for positive self-image (Time 1), as well as by work experience (Time 1).

The most recent work in Nigeria on job crafting and performance was the study conducted by Ogbuanya and Chukwuedo (2017). The study investigated the multiple mediating roles of work engagement and work commitment in the job crafting-job satisfaction relationship. Using bootstrap method for 247 electrical/electronic technology education lecturers' participants in Nigeria universities, the study found that job crafting has positive significant prediction of work engagement, work commitment and job satisfaction. Similarly, the path analysis results revealed that work engagement and work commitment has full mediation on the job crafting-satisfaction relationship.

Li et al. (2018) examined the relationship between proactive personality and creative performance using job crafting as a mediator. The study adopted longitudinal research design with 346 employees and their supervisors in 27 high technology firms in China. In the study it was found that proactive personality was positively related to creative performance while job crafting mediated this relationship. However, an indirect effect of proactive personality on creative performance through job crafting was significant when high-involvement work system was low but not high.

In a study conducted by Bohnelein and Baum (2020) using meta-analytic technique, 20,547 participants were used to measure the effects of job crafting on individual in-role and extra-role performance of worker. The study found that promotion-oriented job crafting associated with increase well-being and both in-

role and extra-role performance. Meanwhile prevention-oriented crafting yielded partially non-significant relationships with both performance outcomes.

Peral and Geldenhuys (2020) examined the indirect relationship between personality and performance through job crafting. Using Structural Equation Modelling (SEM) to investigate 580 sample of South African working individuals found that the 'Big five' personality traits indirectly influenced job performance such as in-role behavior, organizational citizenship behavior through job crafting as a mediator.

Methodology

This research makes use of a survey design and analysis based on primary data generated through a structured questionnaire administered to the respondents. The survey research method was most appropriate because the researcher has no control of the variables as well as the outcome. In addition, questionnaire was chosen over other method of data collection due to the fact that it is a group of scales put together in order to generate responses to questions pertaining to every aspect of the entire research problem. Thus, the survey objective of this study is that it was pre-planned and structured.

The targeted population of this study is three hundred and fifty (350) employees which consist of both temporary and permanent staff of MTN Nigeria PLC, Lagos. Taro Yamane's statistical formula was applied to get a sample size of 187 participants use in the study.

The sampling technique used in this study is the simple random sampling as there is no discrimination between senior and junior staff of the organization. Simple random sampling refers to a variety of selection techniques in which sample members are selected by chance, but with a known probability of selection. Therefore, all employees of the organization have equal chance of participating in the process. In order to get better and relevant data, structured questionnaire was constructed to provide answers to the research questions raised in the study. The study adopted instrument developed by Niessen et al. (2016) to measure the independent variables while research instrument designed by Li et al. (2018) as well as Peral and Geldenhuys (2020) were adapted with little modification to measure the dependent variables. The questionnaire was divided into two sections which consist of section A that are Bio- data of the question and section B which is the operational data. The questionnaire made up of twenty (20) items from which the respondent is expected to choose the option he/she consider suitable for him by ticking appropriately using 5-likert scale.

The questionnaire was validated through a critical review by expert in psychometric while a pilot study was conducted on 20 employees of Global telecommunication as respondents. This is to know their understanding and interpretation of the questions in order to ensure that such questions bear some meaning. The comments and/or queries raised by those respondents were used to fine-tune the questionnaires. The instrument was further tested using Statistical Package for Social Science (SPSS) to establish its reliability. The reported

Cronbach Alpha is more than 0.7 benchmark thresholds indicating that there was a high level of internal consistency for the questions in the questionnaires (Li 2015). This implies that the instrument is reliable, therefore, can be used for further analysis.

Data Analysis and Interpretation

This part presents the descriptive statistics of data used for the study. The data table used here is to present the data and analyses it by using frequencies and percentages. Pearson product moment correlation and regression analysis was adopted to examine the degree of the relationship that exist between two variables and to explain the data in relation to the effect of independent variables on the dependent variables.

Demographic Characteristics of Respondents

This section provides demographic information of the respondents of the study. The characteristics include; age, gender, level of educational qualifications, years of working experience and marital status.

Table 1. *Respondents Demographic Characteristics*

Variables	Frequency	Percentage
Age Group		
Below 20 years	9	4.8
20–30 years	81	43.3
31–40 years	77	41.2
41 years & above	20	10.7
Gender		
Male	102	54.5
Female	85	45.5
Level of Education		
Primary School	2	1.1
Secondary School Certificate	20	10.7
Vocational Education	49	26.2
Bachelor's Degree/HND	114	61.0
Others	2	1.1
Working Experience		
Below 5 years	79	42.2
5–10 years	79	42.2
11–20 years	20	10.7
20 years & above	9	4.8
Marital Status		
Single	66	35.3
Married	102	54.5
Divorced	13	7.0
Widow/widower	6	3.2

Source: Author 2020.

Employees were asked to indicate their gender. Table 1 revealed that 54.5% of the respondents were male while 45.5% of the respondents were female. The findings indicated that there is a gradual paradigm shift from the concentration of females in the telecommunications industry to create a balance between the two genders and this made the number of male respondents to exceed their female counterparts by 9%.

Similarly, 9 (4.8%) of the respondents falls within the age bracket of less than 20years, while 81 (43.3%) of the respondents falls within the age bracket of 20–30years, 77 (41.2%) of the respondents falls within the 31–40years and 20 (10.7%) of the respondents falls within the age bracket of 41years and above. This analysis revealed that most of the respondents were within the age bracket of 20–30years. MTN Nigeria PLC adopts the recruitment of young graduates due to the flexibility of the job tasks. Majority of the respondents who are less than 30years of age are more likely to perform actively than the older counterparts.

Two (1.1%) of the respondents falls within the Primary Education category, 20 (10.7%) of the respondents had Secondary Education, 49 (26.2%) had vocational education, 114 (61%) were BSc/HND holders and 2 (1.1%) had either OND or PhD. Majority of the respondents are BSc/HND holders as this is the benchmark for most job positions in the organization. Similarly, Table 1 shows that 79 (42.2%) of the respondents had less than 5 years of working experience, 79 (42.2%) had 5–10years working experience, 20 (10.7%) had 11–20years working experience and 9 (4.8%) of the respondents had 21years and above working experience. This states that majority of our respondents have been working with MTN Nigeria, Lagos for less than ten years. Due to the high concentration of the respondents who are between 20–30years of age in the organization, many of them have less than ten years of working experience in the organization.

Finally, sixty-six (35.3%) of the respondents were single, 102 (54.5%) of our respondents were married, 13 (7%) of our respondents were divorced and 6 (3.2%) of our respondents are widowed. About 102 out of the total 187 respondents are married; these are very young employees of the organization who are just forming their own families.

Hypotheses Testing

To test the hypothesis, the Pearson's Product Moment Correlation and the regression model were adopted. The reason is that the Pearson's Correlation coefficient is used to test the relationship between variables and it also helps to show the strength and direction of the correlation while regression analysis helps to explain the proportion of the influence of independent variable on the dependent variable.

Testing of Hypothesis 1

H_0 = There is no significant influence of task crafting on employees' task performance in MTN Nigeria, PLC

H₁= There is a significant influence of task crafting on employees' task performance in MTN Nigeria, PLC.

Table 2. Regression Model Summary for Influence of Task Crafting on Employees' Task Performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.297 ^a	0.088	0.083	0.64230

a. Predictors: (Constant), Task Crafting

The model summary in Table 2 depicts the R-square value of the coefficient of determination, indicating a very low predictive power of 8.8%. This implies that the task crafting has the ability to determine the employees' task performance at the rate of 8.8%.

Table 3. ANOVA^a

	Model	Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	7.362	1	7.362	17.844	0.000 ^b
	Residual	76.322	185	0.413		
	Total	83.684	186			

a. Dependent Variable: Employees' Task Performance

b. Predictors: (Constant), Task Crafting

In the Analysis of Variance (ANOVA) in Table 3, it also shows statistical significance at 5% confidence interval, with the p-value less than 0.05. The superscript *b* reports significant predictors of the Task Crafting and the constant. Therefore, the null hypothesis of having the predictors not different from zero or being insignificant is rejected at 0.05 levels of significance.

Table 4. Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.850	0.260		10.954	0.000
	Task Crafting	0.273	0.065	0.297	4.224	0.000

a. Dependent Variable: Employees' Task Performance

The abelled Coefficients in Table 4, checks the relevance of the independent variable (Task Crafting) on the employees' task performance in MTN Nigeria PLC. The B values represent the estimates of the model while the Beta value is used to check the predictive power of the model. From the above, the Beta value for the Task Crafting is relatively low (i.e., 29.7%), indicating a low influence on the Employees' Task Performance, with p-value less than 0.05.

The model for the influence of Task Crafting on Employees' Task Performance can be seen as:

$$Y_{\text{employees' task performance}} = \beta_0 + \beta_1 X_{\text{Task crafting}}$$

$$Y_{\text{employees' task performance}} = 2.850 + 0.273X_{\text{Task crafting}}$$

Testing of Hypothesis 2

H₀=There is no significant relationship between relational crafting and organizational citizenship behavior in MTN Nigeria, PLC

H₂= There is a significant relationship between relational crafting and organizational citizenship behavior in MTN Nigeria, PLC

Table 5. Correlation Coefficient for Relational Crafting and Organizational Citizenship Behavior

		Relational Crafting	Organizational Citizenship Behavior
Relational Crafting	Pearson Correlation	1	0.331**
	Sig. (2-tailed)		0.000
	N	187	187
Organizational Citizenship Behavior	Pearson Correlation	0.331**	1
	Sig. (2-tailed)	0.000	
	N	0.187	187

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

Table 5 shows that relational crafting has a 0.331 correlation with organizational citizen behavior. Based on the Pearson product moment correlation coefficient, there is a significant positive relationship between relational crafting and organizational citizen behavior [Pearson's $r_p=0.331$, $n=187$, $p=0.000$]

R-value shows the direction and the strength of the correlation. The bigger the value, the more significant it is. The sign (**) indicates that there is a correlation between the variables. In this case, the Pearson product moment correlation shows a small but definite positive correlation between the variables under investigation. This means that the null hypothesis can be rejected since $p=0.000^*$. The decision criteria here is to reject null hypothesis if $p \leq 0.05$, this implies that the null hypothesis is rejected at a 95% confidence interval.

The correlation 0.331 between relational crafting and organizational citizen behavior is significant at 0.05 levels. As such, we reject the null hypothesis and accept the alternative hypothesis. This indicates that there is a significant positive relationship between relational crafting and organizational citizen behavior in MTN Nigeria PLC.

Discussion

Summary of objective 1: The summary is to prove if the research question one was answered. Research question one was to find out if there was a significant influence of task crafting on employees' task performance. The result of objective one confirms that there is a low but positive significant influence of task crafting on employees' task performance at MTN Nigeria PLC.

This finding corroborates the work of Bohnlein and Baum (2020) on the effects of job crafting on individual in-role and extra-role performance. The findings in the present study revealed that some of the employees depend on the organization's job design as a source of task performance. Therefore the research findings gave answer to the research question and the alternative hypothesis one which stated that there is a significant influence of task crafting on employees' task performance was accepted.

The result of objective two also ascertains that there is a low significant positive relationship between relational crafting and organizational citizenship behavior in MTN Nigeria PLC. This finding is in tandem with the work of Peral and Geldenhuys (2020) on the relationship between personality traits and organisation citizenship behavior through job crafting. The present findings show that employees are more productive and committed to the organization when they are working with relevant individuals on the job that allows for collaboration. Therefore, the finding gave answer to the research question and the alternative hypothesis which stated that "there is a significant relationship between relational crafting and organizational citizenship behavior" was accepted.

Conclusion

In conclusion, it is hoped that this research study would provide guidance to MTN Head Office, Falomo, Lagos to improve its job crafting on employees' job performance. This is because majority of workers in MTN Head Office, Falomo, Lagos rely on the job crafting of the organization to improve their performance. From the study, it can be concluded that workers require a high degree of autonomy and independence on their jobs to perform more efficiently and effectively. Thus, other organizations can take a clue from this study finding to design job using the crafting ideology of the studied organization to enhance their employees' task performance.

Similarly, the findings indicate that most workers in MTN also depend on the interpersonal relationship as a basis for further improving their productivity. Meanwhile, workers in the organization often perform better when exposed to new individuals who can provide them with necessary skills on the job through collaboration or working as a team. In addition workers depend on their social interaction with their colleagues for effective job performance in the organization.

This study should be seen as a key step in the formulation of a transformative guide for MTN and every other organizations as well as individuals who have access to this study to indicate problematic areas in working life at their respective organizations. It is hoped that the findings of this study will aid every organization but most especially MTN, Head Office, Falomo, Lagos to continually improve their employees' job performance by providing job crafting opportunities to them especially through the provision of suitable task crafting (i.e., job design and structure) as well as relational crafting (i.e., interpersonal relationship).

Recommendations

Based on the findings of this study, the following recommendations were made by the researchers:

1. The organization should provide a flexible job structure for its employees so as to enable them to better perform on the job. The work schedule should not be too rigid so as to enable the employees to perform their tasks more conveniently, thereby increasing effective performance.
2. Employees should be granted with a high level of autonomy, authority and independence in performing their tasks. This in turn, will boost employees' morale thereby increasing their commitment and sense of belongingness.
3. The organization should also promote team building among the employees so that ideas and skills can be shared within the organization. Through this, the workers are able to acquire further information and knowledge that are pivotal to their task performance from their co-workers.

Finally, this study recognizes the fact that there are limitations as to the number of respondents and scope of study. Therefore, it is suggested that further studies should be conducted with a larger sample and wider scope. Furthermore, since the research study was focused on a private sector, it is also recommended that a replicated studies can also be carried out in the government/public sector as well as conducting a comparative analysis of the same topic from both sectors.

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Transnational Entrepreneurship: A New Perspective on a Cooperative Approach towards Cross-border Entrepreneurship

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Cross-border cooperation in the early stages of a start-up might be one way of developing a sustainable and scalable business model for young enterprises. Thus, this paper is anchored at the intersection of the research areas of international Entrepreneurship and business model innovation. Its intention is to open up diverse perspectives for researchers in the field of cross-border Entrepreneurship. For this complex approach of cross-national cooperation, a theoretical framework with helpful knowledge has been developed. This work is considered relevant in view of the possible future developments in the fields of Innovation and Entrepreneurship. Global developments, such as the rapid growth of digitization, have a strong impact on the global economic situation as well as the field of Entrepreneurship (Kollmann et al. 2017). While on the one hand many people in Europe fear falling behind China and the USA when it comes to innovation, the associated potential for new, globally applicable business models is often neglected even though start-ups might have the courage to address them. However, they usually lack the resources and market access they need to implement their objectives. Therefore, this paper offers a new perspective on Transnational Entrepreneurship (TE) and demonstrates an approach for a cooperative possibility, how young companies can successfully discover cross-border market opportunities together with other start-ups and implement new business models successfully, providing a new perspective and first practical implications from action research-based pilot projects for Transnational Entrepreneurship. Furthermore, first practical implications were implemented through a university project in the challenging environment of resource constraints and cross-border communication.

Keywords: *transnational, entrepreneurship, cooperation, business model, innovation*

Introduction

In recent years, different patterns have emerged in the field of Entrepreneurship research. While an increasing number of business models had a digital background, the existence of information technology (IT) resources for start-ups seemed to stagnate. (Bundesministerium für Wirtschaft und Energie 2017) Even though the access to IT resources, whether in the autodidactic area or as an acquirable market-traded resource, has been considerably simplified in

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recent years, there is an increasing proportion of skilled workers from abroad in start-ups (Bitkom 2019). Moreover, the autodidactic acquisition of such skills takes an enormous amount of time; time that founders usually do not have. This may be one of the reasons why more and more development capacity is being sought abroad. The number of services in the IT sector has also grown strongly in recent years in the context of start-ups. However, these service relationships often do not deliver the desired output. Many start-ups fail to realize their digital opportunities. Especially in the scaling phase of a business model, which is needed by many digitally driven companies to generate a critical mass of users for their product, these IT resources can become vital (Kollmann 2019). Often service relationships are already being sought with developers around the world, for example India. One hopes for quick pragmatic and above all cheap solutions. However, these cooperations often fail due to various obstacles, not least cultural differences, communication obstacles and different expectations (Bitkom 2019). On the other hand, for many companies from outside Europe, Germany offers a strong and central and large market in the heart of Europe and is therefore often the first point of contact for international start-ups. But even these companies often have a number of similar obstacles that they face. For example, registering a business or establishing a business address is already a difficult undertaking. In general, not all companies are directly open to foreign products and services, which is why there are additional hurdles to successful expansion in the German market (Sternad et al. 2018) In the following, an approach is described that could help to jointly exploit the disadvantages described to your advantage. Therefore, in the first part, the existing literature in the field of Transnational Entrepreneurship will be examined more closely (Bailetti 2018, Gangadhar and Manohar 2015).

Literature Review

This chapter aims to provide a short overview regarding the differing research streams in cross-border Entrepreneurship and the underlying different perspectives for the concept of Transnational Entrepreneurship in the literature.

The Term Transnational

The prefix *trans* stems from Latin. In the context of Transnationalism, it means *across* or *beyond*. The term *natio* is based in the latin language as well and refers to a nation or state. As a result, *trans-national* describes processes and characteristics that take place across national borders. These are regarded as intensive and complex. The term transnational contains subnational, national and international components. The notion is used in different areas such as economy, sociology, cultural studies, historiography and many more (Gangadhar and Manohar 2015).

The terms international, global and transnational are often used synonymously for *extending across national borders*. In a way, one can say that the term transnational resembles a further development of the other terms or describes kind

of a vision for the future. It is usually referred to as an intensive relationship between partners, which seems to make the concept of nations with borders almost redundant (Gangadhar and Manohar 2015). Thus, the term *transnational* refers to complex processes beyond national borders, which are strongly rooted in the individual nations, without identifying a single nation as point of origin.

Transnationalism

Transnationalism is a continuously growing social phenomenon (Gangadhar and Manohar 2015). The fact that the phenomenon is developing further, and the weak boundaries to other concepts like *internationalism*, *supranationalism*, *immigration* and *assimilation* lead to different research directions, studies and various definitions of the term. An important distinction from the concepts of internationalism and supranationalism is that transnationalism, in contrast to these two concepts, refers to non-state actors (UNESCO 2017). While some researchers argue that Transnationalism has existed for ages, a recognizable pattern was only established because of global factors during globalization like reduced transportation and communication costs. Portes et al. are describing the technological development as one of the main drivers for the establishment of Transnationalism. The existence of networks between the countries of origin and settlement as well as in each of them is another necessary condition (Kollmann et al. 2017). These technological developments simplified this process noticeably, as communication technologies have developed. Despite the numerous ongoing debates facing the nature of the concept and the newness of the concept researchers recognized a growing consensus of the social ties between the societies of origin and settlement. (Engbersen et al. 2014) According to Wenhong, Tan and Portes, Transnationalism from a theoretical perspective is different from conventional theories, in which immigration is displayed as a one-way linear process. In Transnationalism migrants rather maintain intensive relationships to their home country (Brzozowski et al. 2017, Ojo 2017, Wenhong and Tan 2009).

While the connection to the home country was previously regarded as irrelevant, these very structures proved to be a competitive advantage in transnational activities (Lundberg and Rehnfors 2018, Wenhong and Tan 2009). Transnationalism is considered a novelty, especially regarding classical immigration, as it includes networks and continuous relationships to the home country (Gangadhar and Manohar 2015, Zapata-Barrero and Rezaei 2020). Consequently, *Transnationalism* describes a comparatively close cross-border exchange to a certain extent, the concept strives for a holistic system that regards state borders as obsolete.

Entrepreneurship as a Field of Research

Entrepreneurship as a field of research has been attracting increased attention for years, both theoretically and practically. This gets visible by observing the number of publications in various research areas, as well as the increasing establishment of chairs and contents in universities. Furthermore, policy makers

show great interest in the further development of this area. Additionally, Entrepreneurship is regarded as an important economic element and a major source of new employment (Kollmann et al. 2017). Its diversity of research areas and the tremendous number of authors from a rising number of disciplines might be one reason for the non-existence of a generally valid definition. For the further course and the later development of a definition for the concept of Transnational Entrepreneurship, a separate definition is derived from the preceding definitions and core contents.

Considering the different existing definitions, some core contents of Entrepreneurship can be outlined. It should be noted that not every definition sets the same priorities. However, there are repeated occurrences of these elements including the identification and exploitation of entrepreneurial opportunities, innovation and novelty, resource constraints, risks and uncertainties, value creation, problem solving, customer orientation and individual and dynamic processes (Fritsch 2016, Fueglistaller et al. 2016, Schumpeter et al. 1912, Scott and Venkatarman 2000, Stevenson 2006). For the further course and the later development of a definition for the new perspective on Transnational Entrepreneurship, an interpretation for Entrepreneurship will be introduced. As a result, in the context of this paper *Entrepreneurship* is referred to as a proactive, opportunity-driven and customer-orientated process of identifying market opportunities, developing business ideas and implementing them, usually accompanied by uncertainty, resource constraints and individual influences.

Start-ups and their Motivation to Access Foreign Markets

Technology-oriented start-ups in particular have an increased urge to internationalize their activities at an early stage and often seek to expand in an early-stage. In such situations the domestic market may have limited size and potential for their business model. In such situations, the early internationalization can be an important success factor (Sternad et al. 2018). Studies show that start-ups that carry out internationalization do not fail more often than Startups that stay on the local market (Sleuwegen and Onkelinx 2014). Furthermore, there are various factors fueling the internationalization of start-ups. These include external factors such as industry characteristics, such as highly internationalized or technologized industries, or market factors, such as limited opportunities or size. Internal factors such as an international composition of the founders' team and related know-how or experience in international business as well as a large international network can also favor this orientation. Besides the chances for a higher turnover there can occur several other positive effects for start-ups in the context of internationalization. Engaging in foreign countries may gain access to new resources, collaboration partners and can strengthen the ability to innovate within the company (Sternad et al. 2018). However, cooperation is widely regarded as helpful for young companies in view of scarce resources and lack of skills in various areas (Becker et al. 2011).

Cooperation within start-ups indeed is described as helpful for innovation regrading research and development (R&D) and the innovation business models in

the literature (Becker 2012, Egge and Müller 2014, Herstatt et al. 2007, Sternad et al. 2018). The challenges associated with internationalization for start-ups in connection with their characteristics and the need to cooperate enables them as an interesting potential target group for Transnational Entrepreneurship. Due to their characteristics, these companies could have an enhanced potential to benefit from Transnational Entrepreneurship.

Previous Research on Transnational Entrepreneurship and Transnational Entrepreneurs

Table 1. *Definitions of Transnational Entrepreneurs and Transnational Entrepreneurship in the Literature (own presentation)*

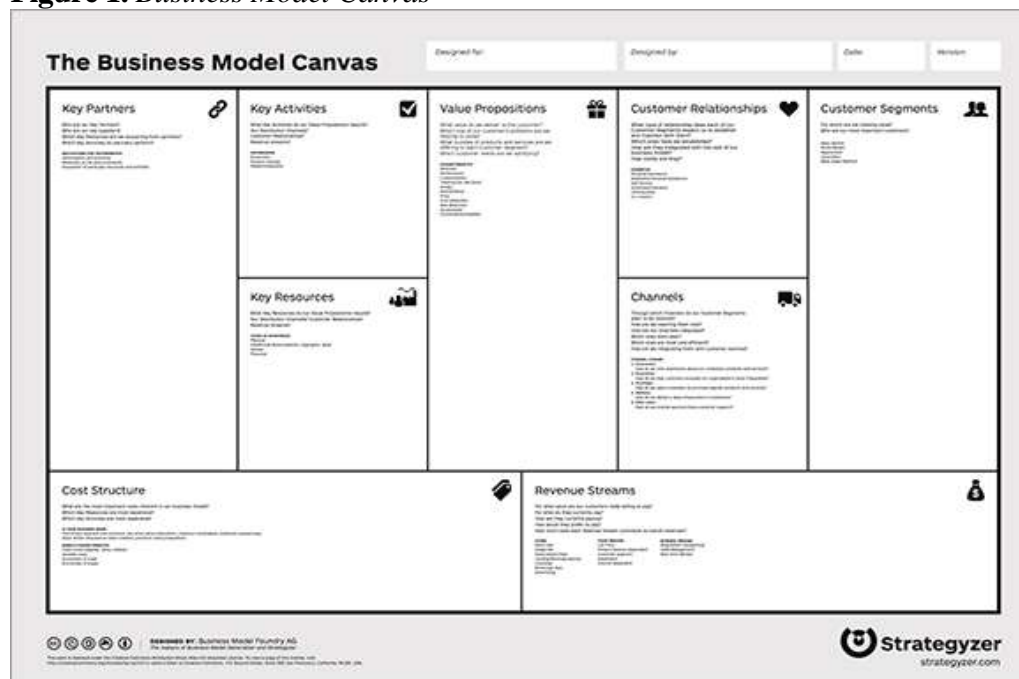
Transnational Entrepreneur	Transnational Entrepreneurship
(1) "[...] self-employed immigrants whose business activities require frequent travel abroad and who depend for the success of their firms on their contacts and associates in another country, primarily their country of origin"(Portes et al. 2002).	(5) "[...] is a multi-faceted process, in which immigrant entrepreneurs discover and enact business opportunities across national borders"(Drori et al. 2009).
(2) "Transnational entrepreneurs are immigrant entrepreneurs who perform border crossing business activities across national borders"(Wenhong and Tan 2009).	(6) "[...] implies immigrant business engagement not only in the host country, but also in the country of origin"(Brzozowski et al. 2014).
(3) "[...] transnational entrepreneurs are individuals who migrate from one country to another, concurrently maintaining business-related linkages with their countries of origin [...]"(Drori et al. 2010).	(7) "[...] the process of transnational entrepreneurship involves entrepreneurial activities that are carried out in a cross-national context and initiated by actors who are embedded in at least two different social and economic arenas" (Wenhong and Tan 2009).
(4) "Transnational Entrepreneurs are individuals that have ties to both existing organizations in industry and geographic regions distant from these organizations might have the ability to translate these positions into particularly promising entrepreneurial opportunities" (Flores et al. 2010).	(8) "[...] individuals who migrate to another country while maintaining business linkages with both the country of origin and the country of destination"(Santamaria-Alvarez et al. 2018).

Transnational Entrepreneurship as a field of research is relatively recent and has gained increased attention in the literature in the past two to three decades (Drori et al. 2009). Gangadhar and Manohar (2015) argue that the view in which an entrepreneur only uses entrepreneurial opportunities in a single institutional environment is obsolete. The main reasons in for this are factors such as low transport and communication costs, the removal of trade barriers and the increasing individualized lifestyles. At the same time, these are drivers of transnationalism (Gangadhar and Manohar 2015). Transnational Entrepreneurs might have the ability to create greater value and act more effectively than their counterparts

operating in a single country (Flores et al. 2010). These result from the individual abilities of the Transnational Entrepreneurs. Which include the possibility to use resources from two different areas, intercultural understanding and knowledge as well as a large personal network (Gangadhar and Manohar 2015) In summary it can be said that, the literature regarding Transnational Entrepreneurship, focuses primarily on the individual, so far. The Transnational Entrepreneur, who is often referred to as an immigrant and his individual capabilities, resources and environment, is mainly the center of attention in research (Gangadhar and Manohar 2015). In 2018, Bailetti published a definition with a new perspective, after having analyzed many other definitions. He focuses on the transnational entrepreneurs enterprise, rather than the entrepreneur (Bailetti 2018). In summary, it can be said that research is limited primarily to the intersections of the themes of immigration, ethnic Entrepreneurship and transnationalism. The research emphasizes on the links between individuals and their countries of origin and the integration of immigrants into their countries of destination (Gangadhar and Manohar 2015). Recently, the company in the transnational context was analyzed more closely in the literature (Bailetti 2018), due to the individual Entrepreneur being at the center of attention so far. Most publications derive from human-centered research directions like sociology and its related disciplines. This changes within the new approach of this work. The focus is on the entrepreneurial component including business model emphasis.

Business Model Innovation and Motivation

Figure 1. Business Model Canvas



Source: Osterwalder and Pigneur (2015).

There are several ways to illustrate a business model. The *Business Model Canvas (BMC)* by Osterwalder and Pigneur is an appropriate tool to illustrate the initial situation and the business models of the two young companies (Osterwalder et al. 2015, Osterwalder and Pigneur 2013). The value proposition of the business model is expressed in coloration in the middle of the BMC. This describes the value for the customer and is therefore a central component of the business model. A convincing value proposition adapted to the customer is created by a complete business model. It is therefore the basic motivation to optimize the business model on both sides (Osterwalder et al. 2015). The six fields to the right and left of the value proposition are especially important for this work. On the left-hand side key partners, key resources and key activities are displayed. On the other side, there are customer relationships, channels and customer segments. These two groups of fields thus can be roughly divided into the two areas of resource-related (left) and market-related (right hand side). Following this idea, the motivation for Transnational Entrepreneurship has two main causes.

- **resource-based-motivation** (e.g., to gather competences or partners, that are not sufficiently available in the home country).
- **market-based-motivation** (e.g., to gain market access or access to specific channels or customer segments within a market).

As a result, one possibility for bringing partners together could be to have both motivations represented in the process.

Methodology

Summarizing the literature to date, the entrepreneurial activities of immigrant individuals have been examined within the fairly young researched area of Transnational Entrepreneurship (Drori et al. 2009, Gangadhar and Manohar 2015). The study of literature has confirmed that many start-ups, especially for reasons of resource constraints, seek and appreciate cooperation (Becker 2012). An urge for internationalization can be observed as well. Particularly, in the development and activities on new markets, local and internationally, the cooperation with partners is regarded as meaningful instrument and can increase the chances of success of the project. Digitally affine companies are often the focus of these studies. They are attributed with a strong urge for internationalization (Kollmann et al. 2017, Sternad et al. 2018).

Action Research is used as the main research methodology for this research project. Action research has the objective to contribute to the practical concerns of people in an immediate problematic situation and to the goals of social science by joint collaboration within a reciprocal acceptable ethical framing (Rapoport 1970). This methodology has two main objectives. It aims to contribute to both practice and theory. The origin of action research stems from Kurt Lewin (Adelman 1993). There are five principles that have to be noted using this method (Davison et al., 2004), including the principles of (1) *researcher client-agreement*, (2) *cyclical*

process model, (3) theory, (4) change through action and (5) learning through reflection.

These principles are usually applied using in an iterative process model which starts with the diagnosis of a practical problem which shall be solved. Figure 2 illustrates the action research cyclic model in which consists of five steps by Susman and Everett (1978).

Live-Labs are validation environments that are used by researchers to investigate processes, methods and tools under realistic conditions (Albers et al. 2016). For the initial application in the field of Transnational Entrepreneurship and the first integration of the theoretical concept this method is useful and offers possibilities for a fast adaptation of the assumptions and learning.

Figure 2. Action Research Cyclical Process Model



Source: Susman and Evered (1978).

In the study course *start-up-semester*, students of the University of Applied Sciences Karlsruhe are working jointly with students from other faculties for one semester on a real entrepreneurial problem as part of their regular courses. The students learn to think and act like an entrepreneur for one semester. The aim is to confront students with entrepreneurial tasks and challenges (G-Lab One 2020). It additionally offers the valuable opportunity of a living experimental environment in the research field of entrepreneurship which was used during this project. Summarizing, this project focuses on giving a new perspective on Transnational Entrepreneurship and their first practical implications by referring to the following questions:

1. Which dimensions and focal points should be considered for a new perspective on Transnational Entrepreneurship oriented towards business model innovating start-ups?
2. How can first practical experiences be generated by applying them and what do these experiences indicate?

Results

A New Perspective on Transnational Entrepreneurship

Global developments and growing phenomenon like transnationalism are having impact on business models, which are becoming increasingly international. In order to take advantage of these opportunities, a new approach has been developed to investigate this process. In practice, various models have already been successfully tested at the university. This initial paper is a basic work, which offers possibilities for further research directions and profound research, as well as for practical projects. In addition to the validation of hypotheses in the context of this work, interesting starting points are offered. One possibility would be to accompany the transnational start-up-semester project.

One of the key results is the development of a new perspective on Transnational Entrepreneurship: While conventional research in this field has focused on the origins of individual entrepreneurs, the presented approach emphasizes the area of business model innovation and Entrepreneurship. Therefore, a new definition is presented below. A definition is a precise exposition of a term, by breaking it down and explaining its contents. The definition is important in order to be able to convey a topic quickly and uniformly (Rickert 1929). In this way, it can be defined whether or not a certain activity belongs to the defined process. It can be viewed critically that a definition can entail restrictions. In the following, the developed interpretations including the term (1) *transnational*, (2) *transnationalism* and (3) *Entrepreneurship* are summarized. They form the basis for the new perspective on (4) *Transnational Entrepreneurship*.

- (1) The term *transnational* describes complex processes beyond national borders, which are strongly rooted in the individual nations, without identifying with a single nation as point of origin.
- (2) *Transnationalism* describes a comparatively close cross-border exchange. To a certain extent, the concept strives for a holistic system that regards state borders as obsolete.
- (3) *Entrepreneurship* is a proactive, opportunity-driven and customer-orientated process of identifying market opportunities, developing business ideas and implementing them, usually accompanied by uncertainty, resource constraints and individual influences.

Based on these derivations, the following definition for the concept of Transnational Entrepreneurship emerges:

Transnational Entrepreneurship refers to complex, cross-border, cooperative processes of identifying market opportunities, developing business ideas and their implementation, which are accompanied by uncertainty and individual influences

Initial Practical Approaches

In the following, the first application of the developed approach will be examined as an example for Transnational Entrepreneurship in detail. These are outlined using the action research methodology and the corresponding cycle model.

Diagnosing the Problem

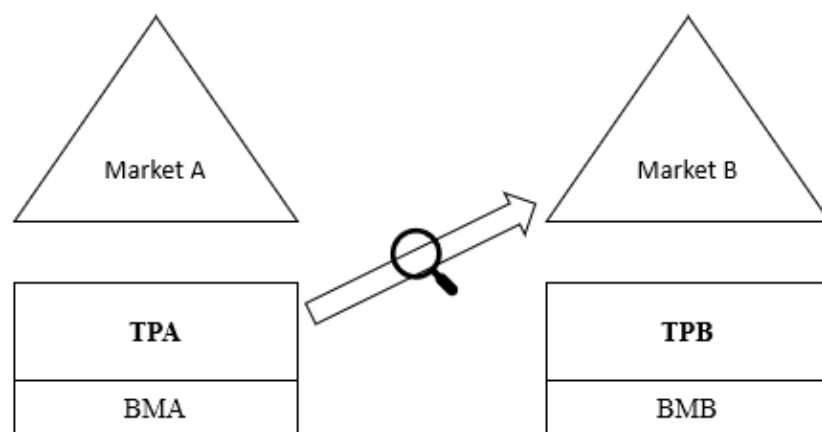
The initial situation is illustrated using two start-ups and a short description of their business models and motives from India (A) and Germany (B). Transnational partner A (TPA) with business model A (BMA) from India offers a software solution for predictive analytics based on sensor-based Internet of Things (IoT). The technologies TPA provides a solution that is flexible applicable. This means it is helpful for companies to reduce downtimes of machines, to optimize maintenance and reduce the energy consumption. The solution collects data with the help of various sensors. A dashboard including different and many optional widgets offer an overall view of production, machines, fleet and assets. Recommended actions to avoid downtimes or production loss will be provided based on the collected data of the sensor system. An algorithm detects mechanical changes reflected by electrical signals. So that downtimes or necessary machine checks can be predicted in an early stage and continued along with recommended actions to avoid failure. It is a proven solution with more than four thousand successful installations, established partners and customers throughout the Indian market. The company has identified the German market as valuable for itself and would like to approach small and medium-sized companies in the German market to sell its software solution. Germany is an interesting market because Germany and the surrounding part of Western Europe is predicted to see major growth in the area of IoT-based technologies. Growth potential is forecasted especially in mechanical and plant engineering. The start-up is facing difficulties during entering the market, as German companies are often very traditional and are reluctant to trust in resources from abroad, especially when it comes to information technology. The resulting challenge is to enter the German market in the area of plant-engineering and manufacturing to sell IoT-based predictive maintenance software.

Transnational partner B (TPB) has a business model B (BMB). It could have its core competencies in the field of hardware technology and might be working on special sensor solutions for the acquisition of data that machines provide and which are becoming increasingly important today (see Figure 3). The objective is to make the usefulness of this data available and transparent for medium-sized companies in Germany. The start-up, which was represented by a student group could generate data better and more effectively than other competitors. However, the interpretation and preparation of this data is a problem, as it usually must be tailored to the customer's specific needs, since not all machine owners need and want the same data. In addition, the founders are particularly strong in the fields of sensor technology and electronics, while information technology and competencies in the area of networking technical systems are rather weakly represented in the

team. The challenge of partner B was to understand customers and find out what is important to them. Improve the communication of one's own customer value and check whether it is available. Furthermore, resources are needed in the area of Information Technologies. Consequently, TPB has a resource-based motivation for Transnational Entrepreneurship and the related business model innovation.

The aim of the project was to evaluate the possibilities for TPA on the German market (B) and to work out which adjustments to the existing business model are necessary and how mutual benefits can be created here in cooperation with TPB.

Figure 3. *Initial Situation and Problem Diagnosis*



Action Planning

As already mentioned, an existing concept, the *start-up-semester* was newly established on the German side with a special focus. In this way, an interdisciplinary team was put together to work out the diagnosed problem. A member of the team, who was serving as a coach as well, was stationed on site in Bangalore to improve communication and reduce cultural and language barriers. This should ensure that the project is focused on the contained component of the cooperative entrepreneurship approach.

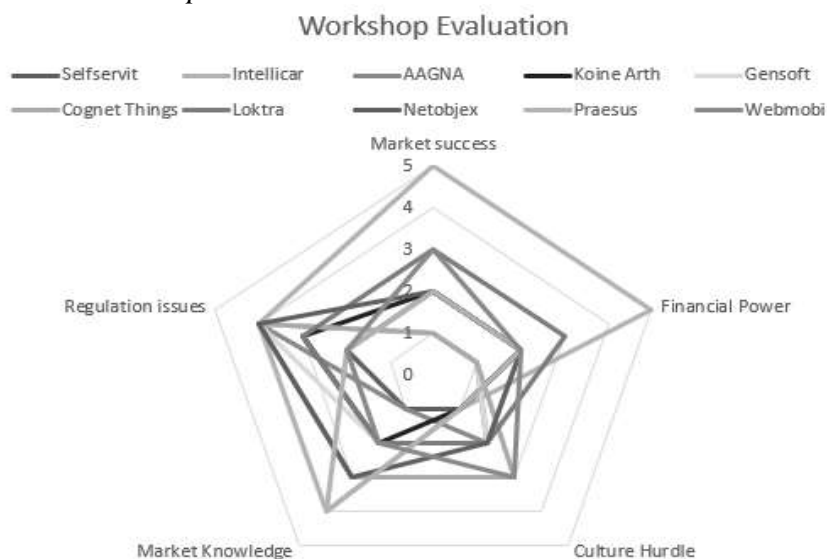
Action Taking

In the course of this project, the first step was a fundamental analysis of the initial situation by the student team (Partner B). In this way, the applicability of BM-B to market A was to be roughly assessed for the first time. The focus was on existing competitors and the analysis of potential target customers for A on the German market. The most valuable learning from this is that a market and customer analysis by the partner can bring great advantages for the other company. Based on this mutual analysis and the resulting overview, proposals for new sales strategies, access to potential valuable partners in the target market and interesting niche markets and business model adjustments can be developed. The resources of both partners can be integrated simultaneously.

Evaluating and Specifying Learning

Due to the great interest in the research project and the start of the transnational start, further findings were gathered at a workshop in Bangalore, India to evaluate potential start-ups for Transnational Entrepreneurship. Together with one of the largest Indian incubators, the National Association of Software and Service Companies (NASSCOM) and the German-Indian start-up Exchange Program (GINSEP) supported by the Ministry of Economics, the research team from the University of Applied Sciences Karlsruhe conducted a workshop for Indian technology start-ups. Together, opportunities and challenges of the individual business models were evaluated with regard to an expansion into the German and European market. All start-ups had gone through an application process beforehand, as the demand was very high. Only a certain number of start-ups could be processed per coach in order to provide enough support for the individual teams. Thus, certain criteria were communicated in advance to make it more realistic for applicants to expand into the German market. Criteria such as a minimum number of employees of twenty, \$100,000 annual turnover and more than ten customers on the domestic market were considered prerequisites the will and motivation for market expansion into the German market was examined. During the workshop the participants assessed their own start-up based on five criteria and discussed this with other entrepreneurs and the coaches from Germany and India. The five criteria were market success in the Indian market, the financial strength of the company, expected cultural barriers in the German market with regard to the company's own business model, market knowledge of the German market and expected regulatory barriers to expansion. Figure 4 shows the collected answers of the ten participating companies.

Figure 4. *Workshop Evaluation*

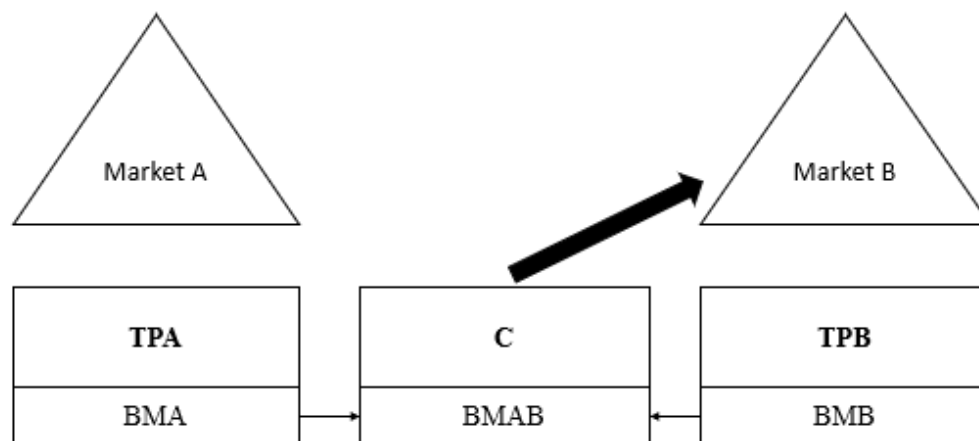


The evaluation of the workshop also shows that precisely these general hurdles are often underestimated. Market knowledge and associated risks, such as regulatory conditions, are often not considered sufficient. An initial investigation

shows that a mere copy of the existing business model in the new market is not promising. Some of the biggest challenges are cultural differences and the perception of services from abroad. For example, medium-sized companies are often sensitive regarding information technology products and still may associate products from abroad with poor quality (Tödtmann 2018). Moreover, market niches that work in one market are either already occupied by other market players in other markets or do not exist at all. Therefore, a reorientation of the business model is necessary. It is therefore advisable, presumably, to unite both existing formally separate organizations, at least with regard to customer contact.

Consequently, the partner companies should place particular emphasis on using the complementary resources of their business models in such a way that an *improved value proposition*, adapted to the respective market, results with the highest benefit for the specific customer. This is illustrated in Figure 5 by the *cooperative business model C*. Simplified, the following scenario illustrates a joint cooperation as peer partners within the framework of Transnational Entrepreneurship.

Figure 5. Cooperative Business Model as Peer-Partners



Discussion and Limitations

Within the framework of the research project some limitations have to be considered. This paper refers to a live lab, which is still in the test phase. Even if first results are not ambiguous, they still provide important insights for a positive implementation. Due to limited available resources for the university project the project is built up gradually and iteratively. Future research focus could, for example, be the design of joint business models. Further research topics result from the practical implementation of the concept. For long-term partnerships in the field of Transnational Entrepreneurship many more things have to be observed and considered. Especially the acquisition of suitable start-ups in both countries is an enormous challenge. In addition, there are further open questions as to how a

legally binding cooperation can and should be concluded, if necessary. In addition, there are well-known challenges regarding international cooperation like communication and cultural dares. In the course of the paper it should be considered that especially the practical knowledge gained in the field will only be increasingly available in the future, if more pilot projects are going to be initiated, which can build up on the theoretical knowledge base gained.

With regard to the strong existing literature flow, which highlights increasingly migrated entrepreneurs and their connections and actions, this paper can be seen as a practical and business model related addition (Bailetti 2018, Gangadhar and Manohar 2015, Ojo 2017, Zapata-Barrero and Rezaei 2020). It is clear, however, that other disciplines are at the centre of attention here. It would be desirable to have more researchers to take up the subject from this perspective and thus also pay more attention to the respective business models.

Conclusion

In summary, most importantly this paper offers a new perspective on the research field of cross-border entrepreneurship. It focuses on the creation of a joint customer-oriented value proposition of two start-ups as peer partners. The methodology of the *Business Model Canvas* is used as the basis for the theoretical framework describing the innovative cooperation model of young companies. The development of a cooperative business model has been a core element of the action-based research approach, which unites various elements of the cooperation partners and thus creates valuable synergies. Furthermore, first practical insights were gained from the living lab and a subsequent workshop. These indicate that it is by far not enough to simply copy a business model in order to be successful in a new market across borders. A close cooperation as peer-partners and a cooperative adaption of the business models seems to be a possible success factor. However, the new perspective on Transnational Entrepreneurship is primarily intended to provide a basis for a number of further theoretical and applied research projects.

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An Overview of Corporate Governance Practice in Companies Listed on the Libyan Stock Market

*By Salem Amara**

The corporate governance concept has recently become a major issue in the corporate practices of both developed and developing countries alike. Corporate governance is considered to be a tremendously important topic in many countries around the world; specifically within the emerging stock markets in order to protect the minority of shareholders. The aim of this research is to investigate corporate governance practices in companies listed on the Libyan stock exchange. In particular, to investigate whether corporate governance practices in these companies meet international standards of corporate governance and to identify the main obstacles to implementing them. The concept of corporate governance, corporate governance practices in developing countries, the Libyan stock market and OECD principles of corporate governance were discussed. A close-ended questionnaire was the main method for data collection. 100 questionnaires were distributed to the participants of the study, and only 76 questionnaires usable for analysis were received. Several issues related to corporate governance, depending on OCED principles, were investigated. The results revealed that corporate governance practice in the companies under investigation fit with OCED principles of corporate governance in some aspects and do not fit in others. Furthermore, the most important obstacles were perceived impeding corporate governance practice in companies listed in the Libyan stock market are "lack of compliance with the laws governing the work of companies" and "high cost of applying corporate governance rules". (JEL G30)

Keywords: *Corporate governance, the Libyan stock exchange, developing countries, OCED principles of corporate governance*

Introduction

Corporate governance is not merely the governing of a certain form of organization "a corporation", but also has a broader meaning. The concept has been used by different scholars differently and still there is no a universally accepted definition of corporate governance (Rezaee 2009). Corporate governance has gained attention of governments since 1990 after the financial scandals witnessed by western economies such as Enron, WorldCom and Paramalat which were facilitated by wrongdoings on the part of the management, auditors and financial market operatives. This paper is organized as follows: reviews of existing studies, study questions, study objectives, the concept of corporate governance, corporate governance practices in developing countries, the Libyan stock market,

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OECD principles of corporate governance, research methodology, findings and discussion; and lastly the study's conclusion.

Review of Existing Studies

For the protection of shareholders, corporate governance has been the main area of research during the last three decades. During 1970s, scholars discussed and debated the role of government in promoting managers and board's responsibility. In the 1980s, the best methods of corporate governance were market control mechanisms. Later in the 1990s, the activism of institutional investors emerged as a way to hold managers and boards responsible. Ultimately, recent discussions have focused on the convergence of a global corporate governance regime (Al-Wasmi 2011, p.10). The available literature on corporate governance in developing countries is little compared with the existing literature in developed countries (Charles and Oludele 2003, p.2). In this regard, some studies related to corporate governance will be mentioned in section No .6 (corporate governance in developing countries). In Libya, according to the researcher's knowledge, the studies regarding corporate governance practices were limited. Accordingly, this study covers one aspect of corporate governance concerning companies listed on the Libyan Stock Market.

Study Questions

In relating to the study problem, study present the following questions:

1. What is the nature of corporate governance practices of the companies listed on the Libyan Stock Market?
2. What are the main obstacles that face corporate governance practices of these companies?

Study Objectives

The above questions indicate that the study is twofold. Firstly, to explore the nature of corporate governance practices of the companies listed on the Libyan Stock Market. Several issues will be investigated depending on OCED principles. Secondly, to investigate obstacles associated with the corporate governance practices of the target companies.

The Concept of Corporate Governance

The concept or the definition of corporate governance differs from country to another and from study to another, as each corporate system or theory has its own definition (Solomon and Solomon 2004, p.13). Du Plessis et al. (2005) stated that there is no universally accepted or definite meaning of corporate governance. Many scholars and organizations have their own definitions. Each such definition

has been founded according to the understanding or the interests of the person provided the definition. The differences among the definitions of the concept of corporate governance can be slight or fundamental. In contrast, some observers find the concept of corporate governance difficult to define. Keasey et al. (1997, p.22) have identified the inconsistent use of the term 'corporate governance' by different authors and were unable to find any real consensus among scholars about the definition of the concept. Mehran (2003, p.1), for example, illustrated that "The term 'corporate governance' essentially refers to the relationships among management, the board of directors, shareholders, and other stakeholders in a company. These relationships provide a framework within which corporate objectives are set and performance is monitored ". Rezaee (2009, p.29) provided a comprehensive definition of corporate governance, where it is looked at as "the process affected by a set of legislative, regulatory, legal, market mechanisms, listing standards, best practices, and efforts of all corporate governance participants, including the company's directors, managers, auditors, legal counsel, and financial advisors, which creates a system of checks and balances with the goal of creating and enhancing enduring and sustainable shareholder value, while protecting the interests of other stakeholders". Corporate governance has also been defined as: "The system of checks and balances, both internal and external to companies, which ensures that companies discharge their accountability to all their stakeholders and act in a socially responsible way in all aspects of their business activity" (Solomon 2010, p.14). The Cadbury Report of the Financial Aspects of Corporate governance, December 1, 1992, defined corporate governance as "The system by which companies are directed and controlled" (Al-Wasmi 2011, p.16). The Organization for Economic Co-Operation and Development (OECD) has provided a practical definition of corporate governance, that is: "Corporate governance involves a set of relationships between a company's management, its board, its shareholders and other stakeholders. Corporate governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined" (Clarke 2004, p.1).

According to the definitions mentioned above, the concept of corporate governance ranges between narrow and wide concepts. The narrow approach concerns the relationships between corporate managers, boards of directors and shareholders; for example, Sternberg (2004, p.28) stated that: "Corporate governance describes ways of ensuring that corporate actions, agents and assets are directed at achieving the corporate objective established by the corporation's shareholders". A narrow view of corporate governance restricts the concept merely to the relationship between the business corporation's management and its owners, the shareholders. This view is reflected in the Agency Theory (Solomon and Solomon 2004). Baklouti et al. (2016) observed that the agency theory is an analytical expression of the contractual relationship existing between two parties. On the other hand, the wide definition of corporate governance imposes upon the business corporation responsibility for its shareholders, stakeholders and its entire community (Solomon and Solomon 2004). In this regard, a broader view includes the stakeholders of the business corporation such as employees, suppliers,

creditors, customers, in addition to the corporation management and shareholders (Solomon and Solomon 2004, p.12). Accordingly, this definition reflects the Stakeholder Theory. Therefore, the current theorising on corporate governance has been polarised between a shareholder perspective "narrow view" and a stakeholder perspective "broad view" (Letza et al. 2004). Consequently, we can summaries that when defining corporate governance, the definition must include the best practices of corporate governance, in addition to every constituent with a stake in the corporation's business, and the policy and decision making procedures.

Corporate Governance Practices in Developing Countries

Corporate governance can be defined as a complex system consisting of laws, regulations, politics, public institutions, professional associations and codes of ethics (Aldabbous 2012). Although, it has been built gradually over centuries in developed countries, a lot of the details of this system, in developing countries, are still missing. Aldabbous (2012) stated that developing corporate governance practice in developing countries is difficult due to a variety of problems such as complex corporate ownership structures, unclear and confusing relationships between the stakeholders, weak legal and judicial systems, absent or underdeveloped institutions and limited human resource capabilities. Much research has recently examined the corporate governance practices in developing countries. For example, Da Silveira et al. (2007) analyzed the firm-level corporate governance practices in Brazil and found no clear evidence that ownership structure, growth opportunity, company size, and company value influence corporate governance practices (except for the fact that ownership structure itself can be regarded as a governance mechanism). Lazarides et al. (2009) analyzed corporate governance practices in Greece and examined the relationship between ownership structure and corporate governance practices in Greece. The results showed that ownership structure is affected by the balance of power and control within the firm. Corporate governance does not seem to have any significant effect on ownership structure. Alas et al. (2010) illustrated that the corporate governance practices enabled decision-makers in Estonia to discuss different mechanisms of owner influence and to define the owner's position in the organizational change. They conclude that the role of management and supervisory boards in the corporate governance model adopted in Estonia led to the influence of ownership on organizational change. In Malaysia, Liew's study showed that Malaysia's corporate governance practices have been developed on the Western model. However, the majority of the interviewees of the study placed emphasis on the social characteristics of corporate governance, in contrast to the usual idea of shareholder accountability. Furthermore, the study explained that, without changes in the corporate culture, it is doubtful whether good corporate governance practices will be achieved (Liew 2007). In Bangladesh, some projects have been undertaken to develop corporate governance practices but many of these are inadequate. The corporate infrastructure is dysfunctional in most, if not all, aspects. Whilst the legal system appeared to be weak, a general ineffectiveness, political and other socio-economic factors are also working as major obstacles for

the development of corporate governance standards in Bangladesh (Chowdhury Saima 2013). In 2009 a study was conducted by Andreasson to explore the current corporate governance practices in South Africa. He found that the lack of institutional capacity plays an important role in shaping corporate governance structure in South Africa. The study, also, clarified the fact that the problems associated with the lack of institutional capacity lie behind the weak corporate governance practices in their country (Andreasson 2009). In addition, Wanyama et al. (2009) investigated the corporate governance practices in the developing African nation of Uganda. Their results show that the simple emergence of detailed governance codes in developing countries does not necessarily mean improvement in real practices will improve. The Ugandan corporate governance framework has not been strong enough to support "good" practice. They conclude that improving governance practices requires more than publishing of codes. Therefore, root changes should be made in the contextual factors, including at the political and cultural levels. In Nigeria, the findings of a study was undertaken by Okpara (2011) provide important information on corporate governance and reveal a number of constraints that are delaying its implementation. These constraints include weak or non-existent law enforcement mechanisms, the abuse of shareholders' rights, a lack of commitment on the part of boards of directors, a lack of adherence to the regulatory framework, weak enforcement and monitoring systems, and a lack of transparency and disclosure. As for Arabic countries, Bahrain for instance, the Bahraini companies had adopted some of the features of corporate governance best practice, such as boards dominated by non-executive directors and the separation of the roles of chair and chief executive officer. Yet, none of the Bahraini companies had a nominations committee, and, therefore, non-executive directors were usually nominated by major shareholders. Furthermore, the non-executive directors in the majority of companies were not former executive board members. In general, Bahraini companies had a number of key corporate governance structural features, but further progress still needs to be made (Hussain and Mallin 2002).

The Libyan Stock Market

According to Singh (2003), most developing countries do not have active corporate control markets in the Western. These markets are likely to suffer from more informational deficits than markets in countries such as the US and the UK. It has been widely acknowledged that the weakness of corporate governance is one of the most important reasons for the economic crisis in developing markets. The Libyan Stock Market (LSM) was established by Decision No. (134) of the General People's Committee, on June 3, 2006, to form a joint stock company with a capital of 20 million Libyan dinars, divided into 2 million shares with a nominal value of 10 LD per share¹. The first phase focused on introducing financial definitions and rules, the addition of several workshop courses, and a series of agreements with the Amman Stock Exchange, Cairo & Alexandria Stock Exchange and the Egyptian Company for Clearance and deposit. Listed companies include Sahara

¹<https://cbl.gov.ly/wp-content/uploads/2016/03>.

Bank, Wahda Bank, Commerce and Development Bank, Assaray Bank, the Libyan Insurance Company, the United Insurance Company, Sahara Insurance Company, the Libyan Stock Market, the Libyan Tobacco Company Contribution, and the Development Company for Medicine Manufacturing and Medical products². IN 18th of October 2007, a cooperation agreement was signed in London between the Libyan Stock Exchange Market and London Stock Exchange. The agreement provides for training teams of the Libyan Stock Exchange in Tripoli and in London to enable them to run the stock market operations. In addition, there will be regular reviews of the Libyan regulations and systems to update them, and for seminars and conferences organized by the London Stock Exchange. The Libyan Stock Market was closed following the eruption of the events took place in Libya in 2011, until it has been reopened on 15 march 2012. However, LSM recently Joining the membership of the following: Arab Securities Exchange Association (ASEA), African and Middle East Depository Agency (AMEDA), Association of Numbering Agencies (ANN), Association of African Exchange (AAE), and World Federation of Exchanges (WFE) (Aljbiri 2012)³.

OECD Principles of Corporate Governance

For the best practice of corporate governance, a set of principles and guidelines have been introduced by some international organizations. The Organization for Economic Co-operation and Development (OECD), for instance, introduced principles of corporate governance in 1999. These principles were revised in 2004 to be compatible with financial and economic developments and since then they have become a benchmark for corporate governance in many countries of the world (Al-Wasmi 2011). In this regard, the International Association of Insurance Supervisors (IAIS) uses the OECD principles of corporate governance as a benchmark; hence all member countries must implement these principles (Tosuni 2013). The first set of OECD corporate governance principles consisted of only five subheadings, whereas the final version (2004) has the following six subheadings⁴:

1. Ensuring the Basis for an Effective Corporate Governance Framework.
2. The Rights of Shareholders and Key Ownership Functions.
3. The Equitable Treatment of Shareholders.
4. The Role of Stakeholders in Corporate Governance.
5. Disclosure and Transparency.
6. The Responsibilities of the Board.

Each of the principles listed above is supported by additional sub-principles which are intended to clarify the purpose of the principle and help the interested parties with the implementation in practice. These principles are updated with experiences from OECD area and non OECD countries to accommodate the legal

²<http://www.lsm.ly/English/Inclusion/Page/IncludedCompanies.aspx>.

³<http://www.lsm.ly/Arabic/managment/Pages/History.aspx>.

⁴The OECD Principles of Corporate Governance (1999) and (2004), available at: www.oecd.org.

and cultural circumstances and differences. Furthermore, the principles are designed to provide guidance for stock exchanges, corporations, investors and other parties of interest with a role in the building good corporate governance (OECD 2004). Lastly, for the purpose of this study, the questionnaire was designed according to these principles.

Research Methodology

A close-ended questionnaire was the primary technique for collecting data from the sample of the study about their attitudes and perceptions about the nature and obstacles of corporate governance practice. Executive company chairmen, non-executive company chairmen, chief executive officers, executive directors, non-executive directors, company managers, financial managers and financial officers were the population of the study⁵. 100 questionnaires were distributed to the participants of the study (10 for each company). 76 questionnaires usable for analysis were received with percentage of 76%. Most of the questions were constructed on a five-point rating scale (Likert scale) format, and the Statistical Package for Social Sciences (SPSS) was utilized for data analysis. Descriptive statistics included the frequencies; mean and standard deviation were computed for the statements that included in the questionnaire.

Findings and Discussion

The first part of this section presents the participants' information followed by the questionnaire analysis.

General Information of Participants

A number of questions were included in the questionnaire in order to obtain general information about each respondent which could provide some indications as the reliability of the responses given. This information includes age, job titles and academic qualifications as shown in table 1 below.

Participants' Age

As shown in Table 1, only 3 (3.9%) of the individual respondents being younger aged 30, while 18 (23.7%) were in the 30–40 age group, with 55 (72.4%) being in the over 50 age group, which indicating they were likely to be more experienced.

⁵The questionnaire survey was distributed to companies' top management and key personnel positions because they are all involved in managing and/or controlling companies; they are also responsible for setting out a practical methodology for implementing and monitoring corporate governance systems in their companies.

Participants' Job Title

Table 1 below, stated that all participants are associated with the subject of corporate governance, whereas 29 (38.1%) of them were at companies' top management and key personnel positions, while the other 47 (61.9%) were financial officers. Accordingly, one can expected the data provided by such participants to be highly relevant to the issues raised in this study.

Participants' Academic Qualifications

As can be seen from the table below, the majority (48.7%) of the respondents held higher degrees (34.2% held a Master's degree and 14.5% held PhDs degree), while (44.7%) held a Bachelor's degree and only (6.6) held a Diploma's degree. In this regard, the participants seem to be objectively and effectively serve the study aims and provide support for it.

Table 1. *Participants' Age, Job Title and Academic Qualification*

Age	no	% rate	Job title	No	% rate	Academic qualification	no	% rate
20–30	3	3.9	Executive Company Chairman	2	2.6	PhD	11	14.5
30–40	18	23.7	non-executive company chairman	2	2.6	Master	26	34.2
40–50	37	48.7	chief executive officers	4	5.3	Bachelor	34	44.7
50–60	14	18.4	executive directors	3	3.9	Diploma	5	6.6
Age > 60	4	5.3	non-executive directors	5	6.6	-----	---	---
-----	---	---	company managers	3	3.9	-----	---	---
-----	---	---	financial managers	10	13.2	-----	---	---
-----	---	---	financial officers	47	61.9	-----	---	---
Total	76	%100	Total	76	%100	Total	76	%100

Source: Researcher's Design.

Nature of Corporate Governance in Companies Listed on the Libyan Stock Market

Six elements (OECD Principles) related to the nature of corporate governance were examined. These elements are: (1) ensuring the basis for an effective corporate governance framework (ownership structure and control); (2) the rights of shareholders and key ownership functions (shareholders rights); (3) the equitable treatment of shareholders (accountability); (4) the role of stakeholders in corporate governance (stakeholders role); (5) disclosure and transparency; (6) the responsibilities of the board (the board of director)⁶. As for data analysis, measure of central tendency (mean), which was computed for all statements included in the questionnaire are interpreted according to the range of each scale. Hence, the extension of Likert scale is determined by 5-1=4, and in order to identify the

⁶Note: Respondents were asked to indicate their opinion on a five-point scale ranging from strongly disagree to strongly agree (1=strongly disagree; 2=disagree; 3=undecided; 4=agree; 5=strongly agree).

length of each scale "b" was computed ($b = 4/5 = 0.80$). Accordingly, the range of each scale used in this study was: 1 to 1.80 represents "strongly disagree", 1.81 to 2.60 represents "disagree", 2.61 to 3.40 represents "undecided", 3.41 to 4.20 represents "agree" and 4.21 to 5 represents "strongly agree".

Ownership Structure and Control

A list of six statements was provided to participants who were asked to indicate the extent to which they agreed with each of these statements (see Table 2).

Table 2. *Respondents' Opinion about Ownership Structure and Control*

N	Statements	No. of cases	Mean	Rank	Std. Deviation
1	There are so-called major shareholders in my company.	76	4	2	1.095
2	Major shareholders control and have a direct influence over company's activities.	76	4.368	1	0.846
3	One or two large shareholders collectively control the company.	76	3.816	4	1.016
4	Ownership is dispersed In my company with no controlling shareholder, and the management is not directly controlled by shareholders.	76	1.592	6	0.836
5	CEO has a great deal of power in my company.	76	3.974	3	0.993
6	CEO ⁷ does not participate much in making fundamental decisions pertaining to the company.	76	2.368	5	1.056

Source: Researcher's Design.

As can be seen through Table 2, respondents indicated with "strongly agree" that major shareholders have control and a direct influence over companies'

⁷CEO=Chief Executive Officer.

activities (mean score and standard deviation are 4.368, 0.846); and that attributed to the fact that there are so-called major shareholders in my company, as respondents illustrated with "agree" (mean score and standard deviation are 4, 1.095). In addition, statements (5, 3) "CEO has a great deal of power in my company" and "One or two large shareholders collectively control the company" received an agreement "agree" (mean score are 3.974, 3.816 respectively); while statements (4, 6) received an agreement "strongly disagree" and "disagree" (mean score 1.592, 2.368 respectively). Accordingly, the ownership structure in companies listed on the Libyan stock market is concentrated. Hence, these norms fit poorly with the principles of OCED corporate governance standards, which stress the equal rights of all shareholders.

Shareholders Rights

In this section participants were asked to give their opinions about eight statements which represent shareholders rights.

Table 3. Respondents' Opinion about Shareholders Rights

N	Statements	No. of cases	Mean	Rank	Std. Deviation
1	Shareholders obtain relevant information about the company on a timely and regular basis.	76	3.961	6	0.840
2	Shareholders elect members of the board.	76	4.487	2	0.643
3	Shareholders share in the profits of the company.	76	4.566	1	0.549
4	All shareholders are treated equally.	76	4.224	3	0.842
5	All shareholders have the same voting rights.	76	3.789	8	0.928
6	Process and procedures for general shareholder meetings allow for equitable treatment of all shareholders.	76	4.223	4	0.645
7	Shareholders are provided with adequate information on the agenda items of the shareholders' meeting.	76	4.039	5	0.701
8	It is not difficult to discover how much equity ownership the major shareholders control.	76	3.908	7	0.636

Source: Researcher's Design.

Table 3 indicates a high level of the participants' agreement "strongly agree" for some shareholders rights represented in statements (2, 3, 4, 6), "Shareholders elect members of the board", " Shareholders share in the profits of the company", "All shareholders are treated equally" and "Process and procedures for general shareholder meetings allow for equitable treatment of all shareholders" with mean scores greater than 4.20. As for the other four statements related to shareholders rights which listed in Table 3, "Shareholders obtain relevant information about the company on a timely and regular basis", "All shareholders have the same voting

rights", "Shareholders are provided with adequate information on the agenda items of the shareholders' meeting" and "It is not difficult to discover how much equity ownership the major shareholders control" received an agreement "agree" (mean= 3.961, 3.789, 4.039 and 3.908 respectively). According to the above discussion, companies listed on the Libyan stock market protect shareholders rights. Hence, these norms fit with the principles of OCED corporate governance standards, which stress the protection of shareholders rights.

Accountability

Respondents, in this question, were asked "To what extent do you agree that your company's Board is accountable for the following?" Table 4 below illustrates respondents' perceptions about this issue.

Table 4. *Respondents' Opinion about Accountability*

N	Statements	No. of cases	Mean	Rank	Std. Deviation
1	Shareholders	76	4.605	1	0.492
2	Auditors	76	4.539	2	0.502
3	Customers	76	4.039	4	0.791
4	Suppliers	76	4.013	5	0.757
5	Employees	76	4.513	3	0.577
6	The regulatory and monitoring bodies	76	3.671	7	0.958
7	Financial Institutions	76	2.895	10	1.001
8	Media	76	2.987	9	0.945
9	Policy makers (including the Members of Parliament)	76	3.921	6	0.762
10	Environmental groups	76	2.844	11	0.967
11	Society as a whole	76	3.513	8	1.039

Source: Researcher's Design.

Table 4 shows the level of agreement which is categorized based on the mean score, into three groups. The first group, which consists of stakeholders (1, 2 and 5) were received high level of agreement "strongly agree" on the company's Board is accountable to them, with a mean score of 4.605, 4.539 and 4.513 respectively. The second group of stakeholders (3, 4, 6, 9 and 11) were received a level of agreement on the company's Board is accountable to them, less than the first group "agree" (mean score = 4.039, 4.013, 3.671, 3.921 and 3.513 respectively), while the third group (7, 8 and 10) were received a level of agreement "undecided" with mean score 2.895, 2.987 and 2.844 respectively. According to this discussion, principles of corporate governance fit to some extent with the principles of OCED corporate governance standards, which stress the accountability of a company's Board towards stakeholders.

Stakeholders Role

In this part of the questionnaire, the participants were asked "To what extent do you agree with the following statements about your company?" The answer is shown in Table 5.

Table 5. *Respondents' Opinion about Stakeholders Role*

N	Statements	No. of cases	Mean	Rank	Std. Deviation
1	The only real goal of your company is making profit for shareholders.	76	4.184	1	0.725
2	Your company, besides making profit for shareholders, also has the goal of attaining the well-being of other stakeholders.	76	2.75	4	0.896
3	Responsibility to other stakeholders is only a concern if it is a legal requirement.	76	2.158	6	0.910
4	Responsibility to other stakeholders is a concern because it's company policy.	76	4.132	2	0.680
5	Your company provides equal, timely and cost-efficient access to relevant information for all its stakeholders	76	2.329	5	0.999
6	The stakeholders have the opportunity to obtain effective redress for violation of their rights.	76	3.329	3	0.661

Source: Researcher's Design.

Different levels of agreement, as appears in Table 5, were reported for the statements related to stakeholders role. Statements 1 and 4 "The only real goal of your company is making profit for shareholders", and "Responsibility to other stakeholders is a concern because it's company policy" were ranked first and second with nearly the same high level of agreement "agree" (mean=4.184 and 4.132). Statements number 6 and 2 "The stakeholders have the opportunity to obtain effective redress for violation of their rights", and "Your company, besides making profit for shareholders, also has the goal of attaining the well-being of other stakeholders" were ranked third and fourth with no agreement "undecided" (mean=3.329 and 2.75 respectively). As for the other two statements (5 and 3) "Your company provides equal, timely and cost-efficient access to relevant information for all its stakeholders", and "Responsibility to other stakeholders is only a concern if it is a legal requirement" were ranked fifth and sixth with a low level of agreement "disagree" (mean=2.329 and 2.158 respectively). Accordingly, statements 1 and 4 fit with the principles of OCED corporate governance standards, which stress the role of stakeholders in corporate governance. Statement number 3, although received a low agreement level "disagree", but it also, fits with the principles of OCED corporate governance standard. On the other hand, statements 2 and 6 which received no agreement "undecided", and statement 5 that reported with disagree are not fit with OCED principles. Overall, we can summary that the principle of stakeholders role, to extremely extent, do not fit with OCED principles of corporate governance.

Disclosure and Transparency

The question related to disclosure and transparency was "To what extent does your company disclose the following information?" and the result is presented in Table 6.

Table 6. *Respondents' Opinion about Disclosure and Transparency*

N	Statements	No. of cases	Mean	Rank	Std. Deviation
1	The financial and operating results of the company.	76	4.632	1	0.486
2	Company objectives.	76	4.342	2	0.601
3	Major share ownership and voting rights.	76	4.145	3	0.687
4	Information about board members, including their qualifications, the selection process, other company directorships and whether they are regarded as independent by the board.	76	2.829	7	0.900
5	Remuneration policy for members of the board and key executives.	76	2.632	8	0.814
6	Predictable risk factors	76	3.053	5	0.671
7	Governance structures and policies.	76	3.934	4	0.914
8	The impact of the company's activities on society and the environment.	76	2.842	6	0.731

Source: Researcher's Design.

The results related to the principle "disclosure and transparency" can be divided into two groups. The first group which consists of statements (1, 2, 3 and 7) were received high level of agreement "strongly agree" and "agree". Statements 1 and 2 "The financial and operating results of the company" and "Company objectives" were received an agreement of "strongly agree" (mean score > 4.20), while statements (3 and 7) "Major share ownership and voting rights" and "Governance structures and policies" were received an agreement of "agree" (mean score between 3.40–4.20). These statements of this principle do strongly fit with the OCED principles of corporate governance. The second group which consists of statements (4, 5, 6, and 8) were received no agreement "undecided". Statements of the second group, in contrast with statements of the first group, don't fit with the OCED principles of corporate governance. Accordingly, this principle, to some extent, does not fit with OCED principles of corporate governance.

The Board of Director

This part of the questionnaire consists of five questions. The first question was "To what extent do you agree that the following factors impact the selection process of directors in your company?" The participants' responses are presented in Table 7.

Table 7. *Respondents' Opinion about the Selection of Company Directors*

N	Statements	No. of cases	Mean	Rank	Std. Deviation
1	Shareholders	76	4.421	1	0.497
2	Kinship	76	1.816	7	0.668
3	Favoritism and Nepotism	76	2.053	6	0.826
4	Personal compatibility with board members	76	3.118	4	0.765
5	Advice from consultants	76	2.184	5	0.934
6	Experience and qualifications	76	4.026	2	0.783
7	Business relationship	76	3.211	3	0.618
8	Reputation	76	4.026	2	0.730

Source: Researcher's Design.

The survey results show that shareholders were considered to have the most significant factor in the selection of a company directors, with a high level of agreement "strongly agree" (mean score=4.421). Selection of company directors by "Experience and qualifications" and "Reputation" came second, with a high level of agreement "agree" (with the same mean score 4.026). Factors (4 and 7) "Personal compatibility with board members" and "Business relationship" received no agreement "undecided" with mean score (3.118 and 3.211 respectively), while factors (2, 3 and 5) "Kinship", "Favoritism and nepotism" and "Advice from consultants" received an agreement of disagree (mean score= 1.816, 2.053 and 2.184 respectively). Accordingly, this result to extremely extent fit with OCED principles of corporate governance.

The second question of this part was "Does the CEO of your company also serve as Board Chairman?" The answer of this question was (No) from all respondents. This result reflects a good corporate governance practice, as the most advanced corporate governance codes of conduct (e.g., UK Combined Code on Corporate Governance and US Sarbanes-Oxley legislation) recommend separating the roles of chair and chief executive officer.

The third question was "How is your board composed and how frequently does the Board of Directors meet?" All respondents indicated that the board is composed only from non-executive members (this result strongly fit with the previously result). 34 respondents (44.74%) stated that the Board of Directors meet every three months, 32 respondents (42.11%) perceived that the Board of Directors meet every month, while the rest of respondents (13.15%) reported that the Board of Directors meet every six months.

The fourth question was "In your company, how are the executive directors selected? Most of respondents 85.53% (65) illustrated that the executive directors are selected by board of directors, while the other perceived that the selection is by major shareholders. This result reflects that the executive directors are more independent rather than selected by major shareholders. According to the argument of the last three questions, it appears clearly that these results fit with the OCED principles of corporate governance.

The last question of this part was "To what extent do you agree that your company's board is doing the following? This question was set to elicit data about the nature of the board work.

Table 8. *Respondents' Opinion about the Nature of the Board Work*

N	Statements	No. of cases	Mean	Rank	Std. Deviation
1	Reviews corporate strategy, major plans of action, risk policy, and annual budgets.	76	4.381	1	0.489
2	Sets the corporate objectives.	76	4.197	5	0.589
3	Monitors the corporate performance.	76	4.263	2	0.526
4	Exercises objective independent judgment on corporate affairs.	76	4.224	4	0.532
5	Selects, compensates, monitors and, when necessary, replaces key executives.	76	4.184	6	0.605
6	Treats all shareholders fairly.	76	3.724	8	0.776
7	Discloses any material interests in transactions or matters affecting the corporation.	76	3.395	9	0.953
8	Acts on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company and the shareholders.	76	4.158	7	0.567
9	Ensures compliance with relevant law and takes into account the interests of all stakeholders.	76	4.237	3	0.513

Source: Researcher's Design.

As can be seen in Table 8, all statements related to the nature of the board directors work (except number 7) received a high level of agreement "strongly agree" and "agree" (mean score > 3.4). As for statement 7 "Discloses any material interests in transactions or matters affecting the corporation" received no agreement "undecided" with mean score=3.395 (nearly of the range "agree"). To summary the result of sixth principle of corporate governance "the Board of Directors", we can say, depending on the discussion of these five questions, this principle fit with the OCED principle of corporate governance.

The Main Obstacles Associated with Corporate Governance Practice

The participants were given several possible obstacles that might impede corporate governance practice (with option of others), and were asked to indicate the extent to which they agreed that these obstacles limiting the application of corporate governance in companies listed on the Libyan stock market. The results of the perceptions of the participants about these obstacles are presented in Table 9.

Table 9. Respondents' Opinion about the Obstacles Associated with Corporate Governance Practice

N	Statements	No. of cases	Mean	Rank	Std. Deviation
1	Weakness of using modern management methods.	76	3.092	8	0.926
2	Weakness of focus on specialization in corporate management.	76	3.447	6	0.885
3	Insufficient laws and procedures governing the work of companies.	76	2.118	10	0.864
4	Shortage of knowledge of the concept and requirements of corporate governance.	76	3.868	4	0.869
5	Lack of educational programs on corporate governance.	76	3.974	3	0.673
6	The negative impact of some aspects of culture and social relations in Libyan society on the performance of companies.	76	3.671	5	0.806
7	Lack of compliance with the laws governing the work of companies.	76	4.382	1	0.765
8	High cost of applying corporate governance rules.	76	4.276	2	0.665
9	Lack of clear policy emphasizes adherence to moral conduct.	76	3.289	7	0.780
10	Weakness of incentives and rewards system for boards of directors.	76	2.276	9	0.918

Source: Researcher's Design.

As can be seen in Table 9, statements number 7 "Lack of compliance with the laws governing the work of companies" and number 8 "High cost of applying corporate governance rules" were perceived to be the most important obstacles impeding corporate governance practice in companies listed in the Libyan stock market with high level of agreement "strongly agree" (mean score=4.382 and 4.276 respectively). Statements 2, 4, 5 and 6, also, received high level of agreement "agree" with mean score between 3.40 to 4.20. As for other obstacles listed in this table, statements number 1 "Weakness of using modern management methods" and number 9 "Lack of clear policy emphasizes adherence to moral conduct" received no agreement "undecided" to be obstacles for corporate governance practice in these companies (mean=3.092 and 3.289, respectively), while statements number 3 "Insufficient laws and procedures governing the work of companies" and number 10 "Weakness of incentives and rewards system for boards of directors" were perceived to be no obstacles impeding corporate governance practice in the companies under investigation (mean score less than 2.60). Accordingly, we can conclude that statements 2, 4, 5, 6, 7, and 8 are the main obstacles that impede corporate governance practice in companies listed in the Libyan stock market (mean score greater than 3.40).

Conclusion

Corporate governance has been the main area of research during the last three decades, but the available literature on corporate governance in developing countries is little compared with the existing literature in developed countries. This study tried to cover one aspect of corporate governance in Libya. The study investigated the nature of corporate governance practice in companies Listed on the Libyan stock market, and the obstacles impeding its application. The findings of the questionnaire related to the nature of corporate governance practice showed that (1) the ownership structure in companies listed on the Libyan stock market is concentrated. Hence, this fits poorly with the principles of OCED corporate governance standards; (2) companies under investigation protect shareholders rights. Hence, this fits with the principles of OCED corporate governance standards; (3) the accountability of these companies' board to some extent fits with the principles of OCED corporate governance standards; (4) the stakeholders role, to extremely extent, do not fit with OCED principles of corporate governance; (5) the disclosure and transparency of these companies, to some extent, does not fit with OCED principles of corporate governance; and (6) the responsibilities of the Board fit with the OCED principle of corporate governance. The findings about the obstacles associated with corporate governance practice showed that "weakness of focus on specialization in corporate management", "shortage of knowledge of the concept and requirements of corporate governance", "lack of educational programs on corporate governance", "the negative impact of some aspects of culture and social relations in Libyan society on the performance of companies", "lack of compliance with the laws governing the work of companies" and "high cost of applying corporate governance rules" are the main obstacles that impede corporate governance practice in companies listed in the Libyan stock market.

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