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Editorial

ETHICS OF PROSPERITY THEOLOGY

PENTVARS BUSINESS JOURNAL VOL. 4 No. 3, JULY - SEPT. 2010

Prosperity theology has sneaked slowly but forcefully into the fabric of Christianity, and it is so zealously promoted by its leaders worldwide that the Church cannot afford to ignore its effects. This phenomenon that began mainly in America has since its inception been seen as controversial because of what mainstream Christians consider to be this type of gospel's unbalanced biblical teaching. Some Christians go as far as to point out that if care is not taken to check the rate at which this brand of theology is influencing Christians, in particular the youth, its teaching will rock the theological and ethical boat of the African church to the point where it loses its biblical significance completely. On the other hand, many believe that through the influence of this brand of theology, the Christian gospel has, perhaps, reached more places in the world faster than it might otherwise have been possible, even at a cost to what may be considered as genuine Christianity.

The theology of prosperity has become so popular that it has earned various names in different environments. Thus, depending on the geographical location or the particular Charismatic or Pentecostal church that focuses on the this brand of gospel, one comes across such names as health and wealth gospel, word of faith movement, the gospel of success, positive confession theology, and the theology of empowerment, etc. However, no matter what name is used, the teaching appears to be the same even though it may not be taught in the same way and with the same emphasis: God wants believers to be materially wealthy. In other words, the essence of the teaching is that it is God's will for all Christians to enjoy substantial wealth and good health as long as they live on this earth. Hence, while mainstream Christians are generally admonished to strive for a close relationship with God, magnify God, deny themselves the pleasures of this world, repent and confess their sins, and live holy lives separated unto God, these virtues do not appear to be the primary focus of the prosperity gospel's brand of Christianity. This would then make nonsense, if not light, of the lives of those, particularly the martyrs, who in times past gave up everything, including life itself, to serve God. This is why the adherents of prosperity gospel are generally accused of being selfish, pursuing their own self importance, dreams, affluence, success, and aspirations.

One can identify some factors that are probably contributing to the rapid spread of the prosperity gospel. These include: poverty backlash, a phenomenon which involves extreme pre-occupation with a life of poverty. Some Christian leaders do, in fact, subject themselves to poverty by faith and make poverty a mark of piety for ministering the word of God. Biblical ignorance is another factor in that some of the claims of the prosperity gospel reveal total ignorance of the truths stated in biblical texts. Again, lack of response to prosperity resulting from the mainstream Church's preoccupation with poverty has blinded many church leaders from seeing the need to develop a response to the dangers of prosperity. In these days, no one would argue that it is trendy to pursue wealth, pleasure, happiness, good health and longevity, and the so-called cultured civilization. In the main, however, sheer greed could also be taken as one of the key factors fueling the engine that moves the prosperity gospel. The philosophy behind this teaching may be said to be "Get all you can, and Can all you Get." It cannot be ruled out, however, that despite the greed that has enriched many of its key advocates and caused havoc to some African social and cultural values, some aspects of this brand of theology have encouraged economic development in our African environment.

A call is being made here in this volume of the journal for a thorough examination and evaluation of the prosperity gospel. In a sense, some scholars in theology have already made a move to respond to this call. Emmanuel Kwesi Anim's Ph.D. dissertation on "Who Wantsto be a Millionaire? An analysis of Prosperity Teaching in the Charismatic Ministries (Churches) in Ghana and Its Wider Impact" (a copy can be consulted at the library of Pentecost University College, Accra) is one of such excellent efforts. As a result of his extensive study of the subject, he asserts that "Prosperity Teaching in Ghana has enormous appeal because it resonates with the traditional understanding of prosperity and well-being to which people can easily resonate." He is thus convinced that "any analysis of African Christianity must not only take account of the Western influence of Prosperity Gospel, but also the traditional worldview and experiences which inevitably inform peoples' sense of reality and self-expression." We on the Board of this journal are thus of the opinion that one should be cautious about any opinion one may hold about the Prosperity Gospel, and associate ourselves with Anim's sentiments that if the Church is to remain effective in Africa, "it must rethink its theology and mission practice in the light of the human condition in Africa."

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ENLIGHTENED INQUIRY

MANAGING DIVERSITY IN THE WORK PLACE

Ms. Doris Aryee

Diversity is generally defined as acknowledging, understanding, accepting, valuing, and celebrating differences among people with respect to age, class, ethnicity, gender, physical and mental ability, race, sexual orientation, spiritual practice, and public assistance status (Esty, et al., 1995).

Diversity issues are now considered important and are projected to become even more important in the future due to increasing differences in the world's population. Companies need to focus on diversity and look for ways to become totally inclusive organizations because diversity has the potential of yielding greater productivity and competitive advantages. Managing and valuing diversity is a key component of effective people management, which can improve workplace productivity.

Managing diversity means acknowledging people's differences and recognizing these differences as valuable; it enhances good management practices by preventing discrimination and promoting inclusiveness. Good management alone will not necessarily help you work effectively with a diverse workforce. It is often difficult to see what part diversity plays in a specific area of management.

Managing diversity well provides a distinct advantage in an era when flexibility and creativity are keys to competitiveness. An organization needs to be flexible and adaptable to meet new customer needs.

The term diversity often raises controversy, confusion, and tension. What does it mean? Is it the same as affirmative action? Why should you focus on it?

When people think of diversity, they may think first of ethnicity and race, and then gender; however, diversity is much broader than that. Diversity is otherness or those human qualities that are different from our own and outside the groups, to which we belong, yet present in other individuals and groups. Dimensions of diversity include, but are not limited to: age, ethnicity, ancestry, gender, physical abilities/-qualities, race, sexual orientation, educational background, geographic location, income, marital status, military experience, religious beliefs, parental status, and work experience. It is important to understand how these dimensions affect performance, motivation, success, and interactions with others. Institutional structures and practices that have presented barriers to some dimensions of diversity should be examined, challenged, and removed.

To address diversity issues, consider these questions: what policies, practices, and ways of thinking and within our organizational culture have differential impact on different groups? What organizational changes should be made to meet the needs of a diverse workforce as well as to maximize the potential of all workers?

Most people believe in the golden rule: 'treat others as you want to be treated'. The implicit assumption is that how you want to be treated is how others want to be treated. But when you look at this proverb through a diversity perspective, you begin to ask the question: what does respect look like; does it look the same for everyone? Does it mean saying hello in the morning, or leaving someone alone, or making eye contact when you speak?

It depends on the individual. We may share similar values, such as respect or need for recognition, but how we show those values through behavior may be different for different cultures. How do we know what different cultures need? Perhaps instead of using the golden rule, we could use the platinum rule which states: "treat others as *they* want to be treated." Moving our frame of reference from an ethnocentric view ("our way is the best way") to a culturally relative perspective ("let's take the best of a variety of ways") will help us to manage more effectively in a diverse work environment.

Many people think that "fairness" means "treating everyone the same." How well does treating everyone the same work for a diverse staff? For example, when employees have limited English language skills or reading proficiency, even though that limit might not affect their ability to do their jobs, transmitting important information through complicated memos might not be an effective way of communicating with them. While distributing such memos to all staff is "treating everyone the same," this approach may not communicate essential information to everyone. A staff member who missed out on essential information might feel that the communication process was "unfair." A process that takes account of the diverse levels of English language and reading proficiency among the staff might include taking extra time to be sure that information in an important memorandum is understood. Such efforts on the part of supervisors and managers should be supported and rewarded as good management practices for working with a diverse staff.

Managing diversity focuses on maximizing the ability of all employees to contribute to organizational goals. Affirmative action focuses on specific groups such as women because of historical discrimination. Affirmative action emphasizes legal necessity and social responsibility; managing diversity emphasizes business necessity.

Ignoring diversity issues costs time, money, and efficiency. Some of the consequences can include unhealthy tensions between people of differing gender, race, ethnicity, age, abilities, etc.; loss of productivity because of increased conflict; inability to attract and retain talented people of all kinds; complaints and legal actions; and inability to retain women, resulting in lost investments in recruitment and training.

The need to understand diversity is also driven by women in the workplace. Today's workforce has the highest levels of employment participation ever by women. The number of dual income families and single working mothers has increased. Change in the family structure means that there are fewer men and women in traditional family roles (Zweigenhaft and Domhoff, 1998). Therefore, diversity issues cut across both race and gender.

Managing diversity in relation to organizational restructuring when there have been significant changes to organizations as a result of downsizing and outsourcing, which has greatly affected human resource management. Work practices have changed due to the impact of globalization and technology and there is a trend toward longer working hours (Losyk, 1996). Generally speaking, reorganizations usually result in fewer people doing more.

As a manager you have a key role in transforming the organizational culture so that it more closely reflects the values of our diverse workforce. Some of the skills needed are: an understanding and acceptance of managing diversity concepts, recognizing that diversity is threaded through every aspect of management, self-awareness, in terms of understanding your own culture, identity, biases, prejudices, and stereotypes, willingness to challenge and change organizational practices that present barriers to different groups.

It is natural to have a recipe book approach to diversity issues so that one knows exactly what to do. Unfortunately, given the many dimensions of diversity, there is no easy recipe to follow. Advice and strategies given for one situation may not work given the same situation in another context.

To illustrate, the following two examples (issues and strategies) show how diversity is an integral part of management. The first example focuses on the area of selection, the second example looks at communication:

Issues: How do you make the job sound appealing to different types of workers, such as people with disabilities? How can recruitment be effectively targeted to underutilized groups? How do you overcome cultural bias in the interviewing process, questions, and your response?

Strategies: Specify the need for skills to work effectively in a diverse environment in the job, for example: "demonstrated ability to work effectively in a diverse work environment." Also make sure that good faith efforts are made to recruit a diverse applicant pool, particularly underutilized minorities and women. Focus on the job requirements in the interview, and assess experience but also consider transferable skills and demonstrated competencies, such as analytical, organizational, communication, co-ordination. Prior experience does not necessarily mean effectiveness or success on the job. Use a panel interview format. Ensure that the committee is diverse, unit affiliation, job classification, length of service, variety of life experiences, etc. to represent different perspectives and to eliminate bias from the selection process. Run questions and process them to ensure there is no unintentional cultural or institutional bias. Ensure that appropriate accommodations are made for disabled applicants and know your own cultural biases. What stereotypes do you have of people from different groups and how well they may perform on the job? What communication styles do you prefer? Sometimes what we consider to be appropriate or desirable qualities in a candidate may reflect more about our personal preferences than *about the skills needed to perform the job.*

As a Manager How Well Do You Manage Diversity in the Workplace?

- Do you test your assumptions before acting on them?
- Do you believe there is only one right way of doing things, or that there are a number of valid ways that accomplish the same goal? Do you convey that to staff?
- Do you have honest relationships with each staff member you supervise? Are you comfortable with each of them? Do you know what motivates them, what their goals are, how they like to be recognized?
- Are you able to give negative feedback to someone who is culturally different from you?

- When you have open positions, do you insist on a diverse screening committee and make additional outreach efforts to ensure that a diverse pool of candidates has applied?
- When you employ a new employee, do you not only explain job responsibilities and expectations clearly, but orient the person to the organizational culture and unwritten rules?
- Do you rigorously examine your organisation's existing policies, practices, and procedures to ensure that they do not differentially impact different groups? When they do, do you change them?
- Are you willing to listen to constructive feedback from your staff about ways to improve the work environment? Do you implement staff suggestions and acknowledge their contribution?
- Do you take immediate action with people you supervise when they behave in ways that show disrespect for others in the workplace, such as ethnic jokes and offensive terms?
- Do you make good faith efforts to meet your affirmative action goals?
- Do you have a good understanding of organizational "isms" such as racism and sexism and how they manifest themselves in the workplace?
- Do you ensure that assignments and opportunities for advancement are accessible to everyone?

If you were able to answer yes to more than half of the questions stated above, then you are on the right track to managing diversity well.

Benefits of Diversity in the Workplace

Diversity is beneficial to both associates and employers. Although associates are interdependent in the workplace, respecting individual differences can increase productivity. Diversity in the workplace can reduce lawsuits and increase marketing opportunities, recruitment, creativity, and business image (Esty, et al., 1995). In an era when flexibility and creativity are keys to competitiveness, diversity is critical for an organization's success. Also, the consequences (loss of time and money) should not be overlooked.

Challenges of Diversity in the Workplace

There are challenges to managing a diverse work population. Managing diversity is more than simply acknowledging differences in people. It involves recognizing the value of differences, combating discrimination, and promoting inclusiveness. Managers may also be challenged with losses in personnel and work productivity due to prejudice and discrimination and complaints and legal actions against the organization (Devoe, 1999).

Negative attitudes and behaviors can be barriers to organizational diversity because they can harm working relationships and damage morale and work productivity (Esty, et al., 1995).

Negative attitudes and behaviors in the workplace include prejudice, stereotyping, and discrimination, which should never be used by management for employing, retention, and termination practices (which could lead to costly litigation).

Required Tools for Managing Diversity

Effective managers are aware that certain skills are necessary for creating a successful, diverse workforce. First and foremost, managers must understand discrimination and its consequences. Secondly, managers must recognize their own cultural biases and prejudices (Koonce, 2001). Diversity is not about differences among groups, but rather about differences among individuals. Each individual is unique and does not represent or speak for a particular group. Finally, managers must be willing to change the organization if necessary. Organizations need to learn how to manage diversity in the workplace to be successful in the future.

Unfortunately, there is no single recipe for success. It mainly depends on the manager's ability to understand what is best for the organization based on teamwork and the dynamics of the workplace. Managing diversity is a comprehensive process for creating a work environment that includes everyone (Roosevelt, 2001). When creating a successful diverse workforce, an effective manager should focus on personal awareness. Both managers and associates need to be aware of their personal biases. Therefore, organizations need to develop, implement, and maintain ongoing training because a one-day session of training will not change people's behaviors. Managers must also understand that fairness is not necessarily equality. There are always exceptions to the rule.

Managing diversity is about more than equal employment opportunity and affirmative action (Losyk, 1996). Managers should expect change to be slow, while at the same time encouraging change.

Another vital requirement when dealing with diversity is promoting a "safe" place for associates to communicate (Koonce, 2001). Social gatherings and business meetings, where every member must listen and have the chance to speak, are good ways to create dialogues. Managers should implement policies such as mentoring programs to provide associates access to information and opportunities. Also, associates should never be denied necessary, constructive, critical feedback for learning about mistakes and successes (Flagg, 2002).

Finally the manner people are treated on the job must be considered. Sexism, racism, and all forms of discrimination still exist and whether we want to admit this or not it does have an impact on the manner many people are treated on the job. Just consider how many rightful, not frivolous, but rightful lawsuits are filed every year based on improper treatment of employees and this is quite evident. Equality in the workplace goes far beyond just having a representative of each demographic group. That is window dressing. Having that diversity however and giving each person equal pay based on their performance and the ability to rise to equal levels unfettered is equality. Workplace diversity is a good start, but without those components of equal treatment equality has not been achieved.

Conclusion

A diverse workforce is a reflection of a changing world and marketplace. Diverse work teams bring high value to organizations. Respecting individual differences will benefit the workplace by creating a competitive edge and increasing work productivity. Diversity management benefits associates by creating a fair and safe environment where everyone has access to opportunities and challenges. Management tools in a diverse workforce should be used to educate everyone about diversity and its issues, including laws and regulations. Most workplaces are made up of diverse cultures, so organizations need to learn how to adapt to be successful.

A manager can make a difference in handling diversity in the workplace by making time to talk privately with each employee on a regular basis. For example, if you have 5 employees, provide each with 20 minutes every two weeks where they have the opportunity to share with you whatever they wish. They can ask any questions, give you ideas, and you have the opportunity to get to know them personally and coach and counsel them as necessary.

More importantly, ask your staff, individually, how they would prefer to be managed and how they would prefer to be rewarded. Often we assume money is what everyone wants. This is not necessarily true. Using learning assessments such as the Personal

Profile or other tools to better understand communication styles and ingredients for the most motivating environments for different styles can be very helpful for both you and the employee. When you ask an employee how he or she wishes to be rewarded, you may discover personal interests, and professional aspirations that you can be supportive of. For example, perhaps one employee might be most motivated by having the company pay part of his or her child's tuition. A child-free person may be most appreciative if the company provided additional vacation time so that she or he could visit a favorite place.
Also take your staff to lunch at least once a while just to chat. The more actions you take to demonstrate sincere interest in the individual, the more likely your staff will want to "go the extra mile." The challenge is to be able to make the time. However, once you do, you will more likely see the real person, instead of just their "packaging". Their differences will then be an asset instead of a barrier to the organization.

DORIS ARYEE
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THIRTEEN POINTS FOR AN EFFECTIVE COMMUNICATION STRATEGY

Prof. J.B.K Aheto

Effective communication is very complex. The following are suggested as starting points for a communication strategy:

1. Convince top management of the importance of communication.
2. Build alliances across the organisation to support initiatives.
3. Recognise that no single method will be effective.
4. Use a mix of approaches and use all available channels where relevant (written, face-to-face, web-based, moving images).
5. Target the form(s) of communication to the audience; for example, it may well be appropriate to use different methods for shop floor employees and senior managers.
6. Respect cultural diversity and vary approaches accordingly. This is particularly important in a multi-national context, but bear in mind the UK's cultural diversity as well (for more on diversity, see our factsheet on that subject).
7. Make sure that messages are consistent, over time and between audiences.
8. Ensure clarity of message and keep things as simple as possible. For example, in written communications use short, sharp sentences or phrases. Sometimes even without verbs.
9. Train managers in communication skills and ensure that they understand the importance of communication.
10. Seek wherever possible to develop and sustain a two-way communication – dialogue and feedback.
11. Ask yourself whether employees feel that the culture of the organisation is such that they can say what they think without discomfort; and if they can't, think about how that culture can be changed.
12. Consider whether communication is built into the planning stages of all activities.
13. Review communication initiatives to check what has worked, what hasn't, and why.

Prof. J. B. K. Aheto
Charman,
Editorial Board

DEVELOPING A PLATFORM FOR LEADERSHIP- A CRITICAL FACTOR IN NATIONAL DEVELOPMENT

| *Mr. Kofi B. Kukubor* |

All over the world in corporations and government agencies, there are millions of executives who imagine their place on the organization chart has given them a body of followers and of course it hasn't. It has given them subordinates. Whether the subordinates become followers depends on whether the executives act like leaders.
–John Gardner

INTRODUCTION

Leadership is as current as it is timeless. Since the birth of society, leadership has been a critical ingredient in the bowl of human existence, growth, and advancement. Upon every wave of history, has been a Caesar of Rome, a Ramses (Pharaoh) of Egypt, Napoleon of Europe, and Osagyefo Dr. Kwame Nkrumah of Africa. In the stillness of societal growth, leadership has been absent. History holds numerous examples of ideas and acts that have determined human destiny.

Social conscience and principles have been influenced by reformers such as Martin Luther King, and Susan B. Anthony (a passionate advocate for women emancipation and independence).

The fates of nations have been determined by rulers such as Alexander the Great, who led the development of Greek civilization, Mao Zedong (popularly known as Chairman Mao), whose policies laid the economic, technological and cultural foundations of modern China, transforming the country from an agrarian society into a major world power.

Bill Gates through his ideas and actions has effectively influenced how nations across the globe transact businesses and carry out their administrative activities. Bob Marley, Michael Jackson, and Ephraim Amu of Ghana have greatly influenced music and culture of generations.

So also has the progress of nations been nearly stopped by rulers such as Adolf Hitler, and the signing of the Bond of 1844 by Fante Chiefs which led to the greater colonization of the Gold Coast (now Ghana).

It has always been that the weakest link in business, industry, and government today is leadership. It is not necessarily true that the failure of a system or people is lack of technology, facilities, equipment, skills of employees, systems and procedures. It is leadership. It is therefore unpardonable for any nation to ignore the role and importance of leadership in nation building.

WHAT IS LEADERSHIP?

Leadership is social influence conducted through the ability to initiate and guide with the ultimate aim of change. The product of that change is a new character or direction of society that otherwise would never be.

The important function of a leader is to develop a clear and compelling vision or picture of future destination, and to secure commitment to that ideal or to that future destination.

Efficient and effective leadership will elevate current generation and raise the theoretical, economic, aesthetic, social, political, and spiritual/religious standards for succeeding generations.

THE RELEVANCE OF YOUTH LEADERSHIP TO NATIONAL GROWTH & DEVELOPMENT

Historically, the youth have been isolated from mainstream leadership and development programmes. Youth bring creative energy and innovation. Their inclusion will result in increased self-esteem, development of life skills, and decreased youth agitation and reckless behaviour. It will also result in making the workforce development system of a nation more inclusive and responsively dynamic.

Youth leadership and development is a process that prepares young people, to meet the challenges of their future and that of their nations, by building on their capabilities and strengths and by addressing a full range of developmental needs.

Youth leadership activities build skills relevant to both personal and national development. Youth who participate in these leadership trainings and experiences discover who they are and gain insight into themselves. This assists them to undertake SWOT analysis of themselves and set personal and vocational goals. At the community level, the youth discover their role within society by developing the ability to work with others to create a shared vision and to draw on the talents, skills, and energy of others.

The future of any nation is at risk when the youth, who are the 'elements of creative energy and innovation', are not comprehensively developed into a workforce for national development.

BUILDING THE PLATFORM: THE ROLE OF GOVERNMENT

A nation that is very much alive to its future must begin to reconstruct the following factors in building its future leaders. This will also call for a strong national youth policy, and an abundance of well resourced youth centres for the following purposes.

1. **Educating:** Our education must include developing both basic, applied, and academic competencies and skills. Our educational institutions should create learning environments with opportunities to explore and with real world application. This leads to self discovery and creativity.
2. **Thriving:** The physical, mental health, and overall well-being of people prolong efficient leadership. Effective youth leadership and development activities equip, support, and assist young people in making healthy choices in all phases of their lives. The youth must have healthy choices in what they eat and drink, and choices in what they listen to, read, and watch. The mental and physical health of nations has, over the years, worsened as a result of neglect of building youth leadership.
3. **Relating:** The resuscitation of xenophobia and ethnocentricism across the world is an indication of the clear failure of our governments and institutions to develop positive social attitudes, skills, and behaviours in the youth. Lack of these skills and behav-

iours builds insecurity in the youth, and they become easily threatened by what they think is not of their stock. As a consequence, some potential leaders from minority groups who could have made significant impact on their generations have been isolated from national development. Mentoring may be one of the types of activity that can contribute to the feeling of connectedness and oneness.

4. **Working:** Most business people fear handing down their businesses to someone young. This is because occupational and career skills, attitudes, and behaviours that are needed for success in the workplace are most often not developed from the educational institutions. Employment and work-based activities help the youth to validate their self-worth, as well as to explore their abilities and interests. It is therefore unpardonable for governments and businesses to allow young people to loiter about during vacations. Government and businesses should develop vacation-work programmes for young people from Senior High Schools, Senior Technical Schools, and tertiary institutions. These would develop their career skills, attitudes, and behaviours that are needed for success in the workplace.
5. **Leading:** Youth programmes and opportunities help the youth to develop positive civic attitudes, skills, and behaviours. This facilitates their need to contribute to their community, school, and family, and also develop to their full potential.

THE ROLE OF THE YOUTH

Participation

Along with regular attendance, active participation in conferences and forums such as this, it is expected of current future leaders to keep an open mind and listen with respect to different perspectives. Remember that, leadership is not an executive position, but a position of influence.

Develop Your Leadership Platform

As a starting point, the youth need to develop a comprehensive *leadership platform.* This should detail their personal philosophy of leadership. It should serve as a reflective document, which gives a sense of direction and actions that will meet the needs of the people within their communities, schools, companies or areas where they want to provide leadership.

Leadership platform will include:

1. A community profile: this should describe the culture of your community (e.g., community population, language, disability, gender, race, socio-economic status, community demographics, and natural resources). Determine the vision and goals of your community system.

2. Leadership platform should also include:

   a. **Your personal philosophy of leadership** - values, beliefs, and philosophies

   b. Your plan for:

   i. Exercising your influence and authority,

   ii. Demonstrating moral and ethical leadership,

   iii. Sharing your influence in leadership and followship – in other words, how you will work with others to provide for continuous instructional improvement.

   c. you should also determine whether your leadership platform is compatible with the stated vision and goals of your community system. If your platform is compatible, then there is nothing to provide leadership for. If your platform is incompatible, state the proposed normative actions you will take to cause change.
3. The next stage is to hold discussions to determine whether your platform

addresses the individual and collective needs of the communities, and the challenges you will face as a leader in implementing your leadership platform.

The youth must also begin to demand participation in issues that affect their future. This can be through forming advocacy groups to demand political, economic, social, and environmental inclusion at local government and national government levels.

THE ROLE OF OTHER INSTITUTIONS

The chieftaincy institution can provide a good platform for youth leadership. Traditional rulers must change their style of traditional governance to attract the youth in helping achieve local development objectives. The traditions and customs that surround chieftaincy practice should be critically examined and steered to be in harmony and responsive to current and future demands.

Religious bodies should make spirituality socially, politically, and economically relevant. History is replete with how genuine spirituality has advanced the course of generations. Leadership institutes should be established to develop the totality of the youth.

Businesses/companies can collaborate to train future business leaders in all spheres of economic activity. These institutes can help prepare young people take up the business mantle from the older generation.

Political parties provide political administrators for the governance of our countries. It is however alarming and disheartening to know that most political parties do not have political leadership institutes, especially for the youth.

Today, no training requirements are needed to assume political leadership. Age and criminal record checks have become the criteria for this most important area of national development. The health of nations have been battered because, people who are on the threshold of forming their basic life skills, philosophies, and behaviours have had the destiny of nations thrust onto their laps.

THE WAY FORWARD

The existing theory of business leadership misrepresents human beings engaged in business as one-dimensional beings whose only mission is to maximize profit. This is a much distorted picture of a human being. Human beings are not money-making robots. The indispensable fact about human beings is that they are multi-dimensional. Their satisfaction and joy comes from many sources, not just from making money.

Hitherto, economic theory has built the whole theory of business on the assumption that the economic lives of human beings are solely dependent on the pursuit of their selfish interests. This theory concludes that the optimal outcome for society will take place when each individual's search for egoistic benefit is given free rein. This misconception of human beings excludes any role in other aspects of life - political, social, emotional, spiritual, environmental, psychological etc.

This distorted thinking and inaccuracies built overtime in our economic thinking, has helped to create the multiple crises we face today. If we are able to recognize this flaw in our theoretical construction, the solution is obvious. The one-dimensional money robot can be replaced with a multi-dimensional leader - a person who has both selfish and selfless interests at the same time. This understanding will be a fertile ground for genuine leaders to grow and blossom.

It is therefore inappropriate for any institution to presume that the only way a nation can progress is to raise only business leaders. This will result in a chaotic society. We want leaders in all spheres of life. We want leaders who will affect and elevate our emotions to become selfless and seek to do common good. We need leaders who will affect our psyche and provoke us to think, and to achieve heights we have never thought of. Yes, indeed, we need leaders to appeal to our senses of song and dance. We need leaders who will activate our mathematical and scientific faculties and to change our attitudes towards the environment. Of course we need leaders that will appeal to our ego so as to make us selfish and cause us to make money to run our businesses. The world's theatre demands this symphony of leaders. I believe you are the generation of such leaders.

Thank you and GOD bless you all.

AN ADDRESS DELIVERED BY KOFI B. KUKUBOR* AT THE AFRICA GLOBAL SISTER CITIES YOUTH LINK -AGSCYL (GLOBAL SISTER CITIES FOUNDATION 2ND INTERNATIONAL CONFERENCE) IN ACCRA, GHANA. 13TH MAY 2010. VENUE: ACCRA INTERNATIONAL CONFERENCE CENTRE.

OUR JOURNEY THIS IS SO AWESOME!!!

Prof. J.B.K Aheto

Our journey began at **Genesis** through **Exodus**. On the way, we saw **Leviticus** recording the **Numbers** of people at **Deuteronomy**, while **Joshua** was waiting at the beautiful gate for **Judges** to see **Ruth** calling loudly "**Samuel, Samuel**". At a stage, the first and second **Kings** of **Chronicles** were coming to visit **Ezra**, **Nehemiah** and **Esther** for the misfortune of **Job**, their brother. Then they noticed that Mr. **Psalms** was teaching his children **Proverbs** concerning **Ecclesiastes** and **Songs of Solomon**. This coincided with the period that **Isaiah** and **Jeremiah** were engaged in **Lamentation** for **Ezekiel** and **Daniel** their friend. By that time, **Amos** and **Obadiah** were not around. Three days later, **Hosea**, **Joel** and **Jonah** travelled in the same ship with **Micah** and **Nahum** to **Jerusalem**. More also, **Habakkuk** visited **Zephaniah** who introduced him to **Haggai** a friend of **Zechariah** whose cousin is **Malachi**.

Immediately after the old tradition, **Mathew**, **Mark**, **Luke** and **John** got involved in **Acts** with the **Romans** who were behaving like the **Corinthians**, who were also always at loggerheads with the **Galatians**. At that time too, the **Ephesians** realizing that the **Philippians** were close to the **Colossians**, suggested to the **Thessalonians** that they should first of all see **Timothy** who had gone to the house of **Titus** to teach **Philemon** his younger brother how to read and write **Hebrew**. On hearing, **James** asked **Peter** to explain to him how the three **Johns** have disclosed to **Jude** the **Revelation** of **Our Lord Jesus Christ**.

Prof. J. B. K. Aheto - Charman, Editorial Board

INTERNATIONAL HUMAN RESOURCE MANAGEMENT

Mr. Kofi Datsa

Abstract

A good number of companies have resorted to seeking growth through expansion beyond their national borders to take advantage of globalisation and this has resulted in an ever increasing number of large multinational companies (MNCs). These companies however need to adapt to the peculiarities of their new business environments in order to succeed and human resource management is key to their success or otherwise.

This paper draws on International Human Resource Management (IHRM) practices and theories and highlights similarities and differences between the United Kingdom and Ghana as a host country. The article also discusses some of the key issues that MNC human resource managers will have to come to grips with once they locate in Ghana, given the pivotal role that human resource management plays in almost every progressive and successful company.

Introduction

It is axiomatic that human resources are one of the most valuable assets of every human organisation be it public or private, profit or non-profit. The profitability, success or failure of any organization, hinges to a large extent on the quality of its human resources and how well these resources are harnessed towards productivity. Abdulai reinforces the importance of human beings in organisations thus; "Without the meanings that are provided by the human mind, organisations are only piles of stone and metal and blobs of ink on pieces of paper" (Abdulai, 2003:4, Eddy W (1981). The importance of human resources in human endeavour can therefore not be overemphasised, however; human resource management in a multinational company (MNC) presents a different set of challenges because human resource management in a multinational company takes place in an environment created through the interplay of socio-economic, political and legal settings of the host country, often new to the MNC managers.

This article shall examine how different human resource management might be for European MNCs especially those from the United Kingdom seeking to enter the Ghanaian market and also give pointers to human resource practitioners who orientate European expatriates posted to Ghana.

The first part of this report shall deal with both general and specific theories underpinning international human resource management of MNC's. The second part will draw on the theories to discuss the differences and similarities of key factors of human resource management in both Europe (with emphasis on the United Kingdom) and Ghana.

These theories shall cover broadly, the legal, socio-economic, political, industrial relations and issues relating to national culture because the challenges of international human resource management of multinational companies are in the main, situated in an environment created by these factors. Literature on comparisons between the UK and Ghana in terms of human resource management is scanty if any. This article shall therefore rely on information from governmental institutions like the Social Security and National Insurance Trust (SSNIT) and the Ghana Investment Promotion Centre (GIPC) that may affect the implementation of IHRM of an MNC operating in Ghana.

Literature review

According to Joseph Stiglitz, globalisation is the closer integration of the countries and peoples of the world brought about by the enormous reduction of cost of transportation and communication, and the breaking down of artificial barriers to the flow of goods, services, capital, knowledge and people across borders (2003). The artificial barriers have been reduced by the ratification of the World Trade Organisation agreements by most governments across the world vis-à-vis the effects of the United Nations Conference on Trade and Development (UNCTAD). These have made it easier for companies to seek growth markets, world wide branding, cost reduction and profitability as well as synergies across the world. Globalization however does not take away the different legal systems i.e. civil law, common law and Islamic law under which MNC's operate across the world and the cultural difference between country of origin and host country. Trade barriers would have reduced significantly but the challenges of the environment in which multinational companies operate still exist. These factors are the key issues that confront MNC's in host countries in which they operate and are largely socio cultural with a tinge of local politics. Issues of language barriers have not disappeared with globalisation. Language is a crucial factor in communication and effective communication relies upon a shared language (Harzing, 2007:3).

Harzing A., cites language barrier as a source of frustration to UK expatriates working in a foreign country hence she recommends that language is an independent variable having its own specific effect on strategy, structure and management in an MNC. The importance of language has attracted a lot of attention in recent times and Hofstede's work on cultural distance has been criticised for its exclusion of language and the exclusion described as inappropriate (Harzing: 2007:7, Harzig, 2004).

Regardless of recent criticisms of Hofstede's work, his theory of cultural distance is an enduring one. Hofstede's work on cultural distance details four dimensions of culture i.e. individualism, uncertainty avoidance, power distance and masculinity may affect MNC management in a host country. According to Monir Tayeb (2003:53-54), Hofstede defines individualism as the degree to which decision making is accepted and encouraged by society and uncertainty avoidance as the degree to which people feel threatened by ambiguous situations and try to avoid them. Power distance is the degree to which power difference is accepted and sanctioned by society. Some societies like those with the caste system where some are ranked above the other can be seen as high power distance because the high degree of inequality is accepted and well defined. Masculinity is how important things considered traditional masculine values are accepted. Masculine values in this context are considered to be wealth and assertiveness. Tayeb (2003:51) also cites the work of Edward T. Hall on culture that uses context, space and time to compare societies. Context is how detailed and clear a message has to be for communication to be effective while space has to do with how much personal space is required and time as being either polychromic or monochromic. Similar to this concept of time is that of Fon Trompenaars who uses the terms sequential and synchronous to describe the same concept (Tayeb, 2003:59). People from certain cultures concentrate on one activity at a time and strive to attain set goals and generally keep strictly to time while others who are either polychromic or synchronous are more inclined to do more than one activity at a time and are normally not sticklers to time.

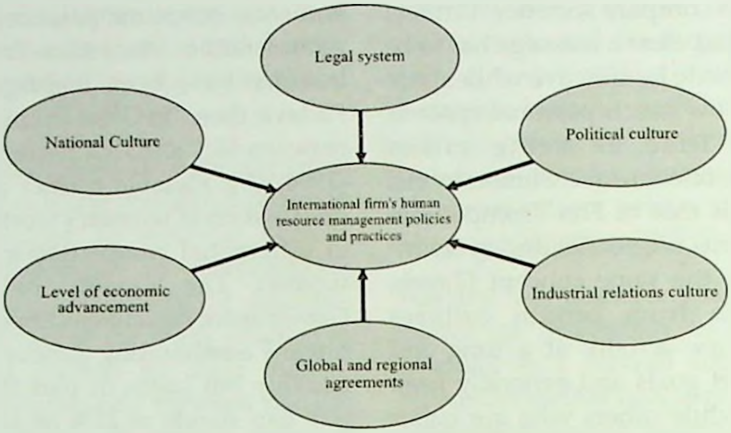
Trompenaars also uses the concept of neutrality versus effectiveness and collectivism versus individualism. These concepts have an effect on the way people behave in an organisation. The United Kingdom for instance has a neutral culture and emotions are held back while English speaking West Africans tend to be on the effective side, loud and easily excited and warm. Achievement based culture as against ascription is also a factor that would come into prominence when an European MNC and in particular one from the UK, opens a branch in Ghana.

Management style of the MNC would also play a key role in success because the social and cultural environment would dictate whether a benevolent autocratic management style for instance has to be adopted. Staffing therefore becomes important at the managerial level. Four main options exist according to Tayeb (2003:253) Ethnocentric, Polycentric, Geocentric and Regiocentric approaches could be adopted but of particular interest to this paper are ethnocentric where managerial positions are filled from the headquarters and polycentric where local mangers are chosen because of their local knowledge i.e. culture and language.

The issue of equal pay for equal work by either sex may be differently treated in different countries according to the culture and socio-economic practices. The issue of remuneration disparities in the UK for instance have been highlighted by Irene Padavic thus: "in Great Britain, women earn between 66% and 76% percent of men's pay (1994:109). Padavic further posits that the devaluation of women's work is a key factor in differential compensation for men and women. The equality bill by the UK Government Equalities Office is a major step toward ameliorating gender pay gap. The equality bill states in part that the gender pay gap stands at 21% as at 2008. Gender pay gap is a critical issue for any MNC because it may create a dysfunction in working teams depending on the cultural and socio-economic environment.

Country-of-origin-effects are a tricky issue to deal with in MNCs. It is a delicate area that needs judicious decision making because an MNC may have a strong inclination to transfer a particular practice deemed excellent to a foreign country but this may not work. A home country model may not be transferable for instance if it is highly dependent on specific national institutional and regulatory infrastructure (Heinz-Josef Tuselmann *et al* 2007; Clark and Almond 2004). Harzing and Noorderhaven attempted to narrow down the concept of country of origin effect by defining it thus; "the country of origin effect consists of that part of the difference in internationalization strategies and international control strategies of MNCs that can be ascribed to the different national origins of these MNCs, rather than to variations in their task environment" (2003;8). Country of origin, Harzing asserts may not necessarily be the location of MNC headquarters as it can be relocated but can be identified by where the MNC "grew up" (2003;9).

Finally, the total effect of the external factors i.e. home country factors that might affect how HR is managed is illustrated in the diagram below.



Source:Tayeb 1996 page 108.[External influences on human resource management]

Discussion

Political / Legal & Labour Issues

Ghana has a hybrid political system with a directly elected President who appoints a cabinet and its parliament membership comes from the four main political parties i.e. The New Patriotic Party (NPP) which is to the right of center, the National Democratic Party (NDC) which brands itself as a social democratic party (debatable though), the Convention Peoples Party (CPP) and Peoples National Convention Party (PNC) which are clearly to the left of center. Since 1992, governance has been by either the NDC or NPP but regardless of which of these parties is in power, labour/unions are not affected as they (unions/labour) enjoy the same support and cooperation from government. In contrast, in the UK workers enjoy more protection under Labour governments (Tayeb, 2000:111,115).

In Ghana the labour act empowers unions and collective bargaining is mandatory but in the UK, (Mayrhofer et al 2004:55) governments approach is a tradition of voluntarism characterised by a "hands off" minimal legislation procedure for collective bargaining. It is noteworthy however that in Ghana, government is the largest employer hence the thriving of labour movements in Ghanaian companies because the private sector take their cue from the public sector in this regard and government is keen not to get bogged down with extended labour disputes which may hurt its electoral chances.

Since every company practices human resource management in a legal environment, we shall look at the rights guaranteed under the labour laws of Ghana vis-à-vis that of the United Kingdom and salary disparities. Even though there are traces of male chauvinism at Ghanaian work environments there is no gender gap in relation to salary as the competence of women is not doubted (Budhwar and Debrah, 2001:198). Women at the same level as men get paid equally unlike in the UK where there is still a marked disparity between remuneration of women and men. The Guardian of September 18th 2008 reported that equal salary for women is several generations away. On November 15th 2008, the Guardian newspaper in the UK again published the research findings of a UK Office of National Statistics indicating a disparity of 17% between men and women of similar designations.

The Ghana Labour Act article 10 (b) and 68 both state clearly that there has to be equal pay for equal work and this is not only in writing but in deed.

The social security system in Ghana is quite different from that of the UK. In Ghana there is only one security system managed by the Social Security and National Insurance Trust (SSNIT). Apart from a group of professionals who by statute are exempted from SSNIT contributions, under the PNDC Social Security Law (PNDC Law 247), each employer is mandated to contribute 13% of salaries of employees while the employee contributes 5.5%. An European multinational company especially one from the UK may find this arrangement different from the situation in the UK even though there are similarities in terms of both employers and employees contributions.

There is a striking difference between the UK and Ghana in terms of both maternity and paternity leave. Thirty nine (39) weeks of maternity leave is the norm in the UK but in Ghana the labour law stipulates only 12 weeks of maternity leave while it makes no provision for paternity leave. The absence of paternity leave in Ghana may be because Ghana is essentially a patriarchal society where the upkeep of infants is considered a feminist job.

Given the exit barriers in Ghana in terms of redundancy payments when a company decides to fold up or exit for whatever reasons, it is certain that it is not as easy to exit or lay-off labour in Ghana as it may be in Europe in general or the UK in particular. It must be stated however that there are differences among the European Union countries when it comes to laying-off workers. In Ghana, the employer is mandated to negotiate with the employees under article 65 of the Labour Act and also inform the Chief Labour Officer and Union concerned. The normal award as has been given in numerous court decisions is for every one year that a person works, he is paid a total of three months salary. It means redundant staff who have worked for 10 years get 30 months salary. Vodafone Ghana for instance did advertise for its workers in Ghana to take such package as voluntary redundancy when it took over Ghana Telecommunications Limited.

There are hurdles with regards to the number of foreign employees an investor in Ghana can appoint. This is defined according to the level of paid up capital of foreign investors. Such MNC also have to sign an undertaking in certain cases to transfer knowledge to the locals within a specific time.

Cultural Effects

<u>Communication and Time Management Style</u>

Applying Fons Trompenaars model of business culture, the United Kingdom according to Tayeb (2003:58) is a high neutral culture meaning, emotions are held back as much as possible, and feelings are not easily expressed explicitly. This is in sharp contrast to the effective culture of Ghana where people are vivacious, talk loudly when excited and hospitable by nature. This may pose problems to a manager from the head office transferred to manage people in Ghana. Ghanaians are synchronous in nature i.e. they tend to do more than one thing at a time and are not normally punctual to meetings. This is in sharp contrast to the UK where people are sequential i.e. sticklers to time and punctuality and keep to schedules as planned. The mangers of MNC would therefore have to make provisions for some of these cultural differences. Communications must be explicit as non verbal communication is not a predominant norm in Ghana especially in formal situations.

Recruitment & Staffing

There is more merit in the recruitment practices in most European countries especially in the UK as adverts are placed, interviews are conducted and references made all with a high level of objectivity to choose the most qualified person even though this method is considered unreliable by some researchers (Mayrhofer *et al* :2004:60). The UK recruitment system is based more on the principle of universalism where objectivity is of importance unlike Ghana which is more of particularism in nature characterised by less objectivity (Budhwar & Debrah, 2001:199).

In recent times however, there are signs of gradual shifts towards objectivity but unhelpful cultural practices are still pervasive; like undue respect for the elderly and prominent people in society which is exploited by some to put undue pressure on managers to employ relatives, friends and acquaintances. Some managers also come under pressure from their relatives to get them employed because of the extended family system in Ghana. Most European countries especially the UK is relatively shielded from such influences because of the prevalence of the nucleus family system.

With certain positions in MNC in Ghana, an ethnocentric approach of recruitment may be the best option but when transfer of tacit knowledge is critical for example in the service industry, a local manager may be the only way of passing on useful experiences. Tacit knowledge can be described as learned skill that stems from experience and not a codified form of knowledge (Vance & Paik, 2006:87).

Discipline at work place/Disruptive Cultural Activities

Discipline is a major challenge in Ghana as prominent and elderly(respected) people in society use their influence to plead for wrongdoers when there is the need for punishment (Budhwar & Debrah 2001:198). Such unhealthy meddling in human resource management, invariably lead to indiscipline and makes management of human resources extremely challenging for HR practitioners in Ghana. The hot-stove-rule of punishment may be a good way out as punishment is quick and leaves little room for interference by outsiders.

Another major challenge for MNC operating in Ghana or intending to come to Ghana is the Ghanaian culture of funerals. The employee would normally take days off when bereaved and by the collective bargaining agreement, the employer is supposed to play defined roles in certain cases. In the case of an employee passing away, the employer in most cases is required to provide a casket, money and transport. Management by tradition is expected to be present at the funeral. This may become disruptive when the burial is in a remote location and happens to be on a week-day.

Conclusion

From the literature review and discussions, it is clear that there are significant differences between the IHRM environment of Europe (UK) and Ghana. The differences range from the legal backing of unions, through the challenges of undue cultural practices which affect quality staff recruitment and discipline at the work places to the inability of the Ghanaian to be punctual either at work or to meetings. Globalisation has bridged all manner of gaps between the developed and the developing world but some enduring barriers do remain with regard to the practice of International Human Resource Management which must be managed with knowledge and skill to create a harmonious working environment in a multicultural work place.

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LEVERAGING SUSTAINABLE COMPETITIVE ADVANTAGE THROUGH EMPLOYEE COMPETENCY IN THE SAWMILL INDUSTRY IN GHANA

Opoku Kwame Felix

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ABSTRACT

The study was carried out to assess the role of organizational competency in leveraging sustainable competitive advantage for firms in the sawmill industry in Ghana. The main objective of the study was to determine whether firms in the sawmill industry can improve their competitive position on the international market by establishing and developing the individual and collective set of competencies available to the organization. A hypothesis test was carried out to examine the influence of organizational competency (the independent variable) on competitive advantage (the dependent variable). The chi-square statistical technique was used for the test at the significance level of 0.05. The result of the test indicated that the observed value of 38.3 was greater than the critical value of 26.3, meaning that competitive advantage varies directly with organizational competency.

Introduction

The study is about organizational competency and whether or not it can make firms distinctive and more competitive in today's fast growing business environment. The term "competency" refers to combinations of knowledge, skills, behaviours, and attitudes that contribute to personal effectiveness (Hellriegel, Jackson and Slocum 2002). People use many types of competencies in their everyday lives, including those they need to be effective in leisure activities, in personal relationships, at school, and in other aspects of their lives. In this study, however, the focus is on employee and managerial competencies - competencies that organizational members will need for effective and efficient performance of their daily duties. The works of Prahalad and Garry Hamel and Peter Drucker have a direct bearing on this study and can be assumed to be the major foundation upon which the study is built.

In the early 1980s, the legitimacy of analyzing an industry's basic attractiveness and a company's competitive position was reinforced and refined through the concepts and frameworks advanced by Porter.

Having spent most of his professional career on issues concerning the nature of competition in industries and the principles of competitive strategy, Michael Porter wrote an impressive book entitled *Competitive Advantage; Creating and Sustaining Superior Performance*. In the book, Porter presented a framework for understanding a company's sources of competitive advantage and how competitive advantage can be enhanced. The central theme of this book is how a firm can actually create and sustain a competitive advantage in its industry (Porter, 1985). According to Porter, there are two basic types of competitive advantage a firm can posses; low cost or differentiation. A combination of the two sources of Porter's competitive advantage and the scope of the firm's activities will result in three generic strategies for achieving above - average performance in an industry: cost leadership, differentiation, and focus.

Each of the generic strategies involves a fundamentally different route to competitive advantage. The cost leadership and differentiation strategies seek competitive advantage in a broad range of industry segments, while focus strategies aim at cost advantage in a narrow segment (Porter, 1985).

Cost leadership measures the degree of success that requires the achievement of a low cost position relative to one's competition. According to Porter (1985), cost leadership is perhaps the clearest of the three generic strategies. Here, a firm sets out to become the low cost producer in its industry. The firm has broad scope and serves many industry segments, and may even operate in related industries. Thus, the firm's breadth is often important to its cost advantage. The sources of cost advantage are varied and depend on the structure of the industry. They may include the pursuit of economies of scale, proprietary technology, access to raw materials as well as labour cost and working practices that deliver the lowest cost in that industry. A low cost producer must find and exploit all sources of cost advantage. Low-cost producers typically sell a standard or no-frills product, and place considerable emphasis on reaping scale or absolute cost advantage from all sources.

In a differentiation strategy, a firm seeks to be unique in its industry along some dimensions that are widely valued by buyers. A differentiator's basis for competitive advantage is a product whose attributes differ significantly from the products of rivals and valuable to customers. He selects one or more attributes that many buyers in an industry perceive as important, and uniquely positions the firm to meet those needs. A firm that can achieve and sustain differentiation will be an above - average performer in its industry if her price premium exceeds the extra cost incurred in being unique.

Porter's third source of competitive advantage is the focus strategy. This strategy is quite different from the others because it rests on the choice of a narrow competitive scope within an industry. The focuser selects a segment or a group of segments in the industry and tailors his strategy to serving them to the exclusion of others. By optimizing its strategy exclusively for the target segments, the focuser seeks to achieve a competitive advantage in its target segments even though it does not possess a competitive advantage overall. The focus strategy has two variants; the cost focus and differentiation focus. In cost focus, a firm seeks a cost advantage in its target segment, while in focus differentiation firms seek differentiation in their target segment (Jeffrey Mello, 2002).

According to Porter, by evaluating the key success factors of each segment of an organization's environment and assessing the current strategic position and intensions of major competitors, companies could decide on the most desirable product - market positioning and the most defensible competitive posture.

In 1990, Prahalad and Garry Hamel published their landmark article, entitled "Core Competence of the Corporation." In this article, they articulated that while product - market positions could be imitated quite easily, by building a firm's competitive advantage on the foundation of a deeply embedded organizational "capability", one could create a sustainable and relatively inimitable advantage. Since then, managers began to understand that the process on which they had built their strategies of customer responsiveness, innovation, flexibility and speed were extremely people dependent".

For Hamel and Prahalad, the central building block of corporate strategy is "Core Competence." According to them, competitive advantage lies today in being able to tap the company's special skills or core competences and in management's ability to consolidate corporate-wide technologies and production skills into competencies that empower individual businesses to adapt quickly to changing opportunities in order to obtain Competitive Advantage. In their article, they indicated that during the 1980s, top executives were judged on their abilities to restructure, declutcher, and delayer their corporations. In the 1990s however, they will have to be judged on their ability to identify, cultivate, and exploit the core competencies that make growth possible. Indeed, they will have to rethink the concept of the corporation itself (Bob de Wit and Meyer, 1994).

Though there is some logic in Porter's argument, it has a lot of limitations that one can write about.

In the first place, technological breakthroughs can open up cost reductions for rivals that can easily nullify a low-cost leader's past investments and hard-won gains in efficiency. A low cost leader's manufacturing equipment could become obsolete because of a competitor's technological innovations. These innovations may allow rivals to produce at costs lower than those of the original cost leader (Hitt et al, 1999).

Furthermore, striving to be the industry's overall low-cost provider is only possible in markets where many buyers are price-sensitive. Cost reductions can lead to competitive advantage only when customers are able to make comparisons. This means that the low-cost leader must also lead price reductions, or competitors will be able to catch up. Permanent price reductions by the cost leader may also have a damaging impact on the market positioning of its product or service, and this will limit its usefulness.

The differentiation-based competitive advantage is probably too simplistic. There are of course no guarantees that differentiation will produce a meaningful competitive advantage. The form of differentiation may not lend itself to higher prices. If buyers see little value in uniqueness (i.e. if a standard item meets their needs), then a low-cost strategy can easily defeat a differentiation strategy. The real problem is not to identify the need for differentiation but to work out what form it will take in order to be attractive to the customer. Generic strategy options throw no light on this issue but they simply assume that once differentiation has been decided and implemented then the problem has been solved.

An opportunity for cost focus may be present in just meeting the needs of such a segment and no more. If a focuser's targeted segment is not different from other segments, then the focus strategy will not succeed. Moreover, a focuser may also be over-performing in meeting the needs of a segment which means that he is bearing higher than necessary cost in serving the segment.

Conceptual framework

The study falls within the framework of five conceptual sub-headings:

(a) The General Concept of Competitive Advantage

A business is said to enjoy competitive advantage whenever it is able to sustain an edge over its competitors by attracting customers and defending itself against competitive forces. (Cook and Hunsaker 2001). Though firms enjoying competitive advantage do not necessarily have to be the highest in terms of performance, they at least must belong to the group of highest performers in their industry, and must do better than the average.

Competitive advantage results from the ability of a firm to utilize the "business system" to provide final customers with the desired perceived value, at the lowest delivered cost.

This implies that firms can build their competitiveness around any organizational resource or processes that are capable of adding more value than competitors in the same market. Thus, firms may achieve competitive advantage through a core of physical assets, business processes or the skills and talents of its people. It is important however, to recognize that not all the sources have the same potentials in building competitive advantage (Mintzberg and Quinn 1991).

Essentially, companies survive and succeed when they have a competitive advantage. They fail when they do not. If the advantage is local or temporary, the prosperity of the business depends on its ability to defend its relative advantage and also on the abilities of its rivals to reduce it. More importantly therefore, competitive advantage or value is rarely absolute or permanent; it applies to a particular segment, or niche or time (Hatten J. K. and Hatten M. L., 1987). The real benefits of competitive advantage comes from those significant advantages that competitors cannot easily imitate, not those that give only temporary relief from the competitive battle. Value is what buyers are willing to pay for, and superior value stems from offering lower prices than competitors for equivalent benefits (Porter 1985). Consequently, if the products or services of different businesses are more or less equally available, customers may choose to purchase from one source rather than another because either:

- The price of the product or source is lower than a competitor's, or
- The product or service is perceived by the customer to provide "added value" than that available elsewhere.

(b) Organizational Resource and Competitive Advantage

If a resource is valuable, unique, hard to imitate, and can be applied to more than one business area, it becomes a core competence (Harrison et al, 1998). Successful companies pay critical attention to developing and applying their core competencies.

From a resource - based perspective, an organization is a bundle of resources, which fall into the general categories of:

- Financial resources, including all the monetary resources from which a firm can draw;
- Physical resources, such as plants, equipment, locations, and access to raw materials;
- Human resources, which pertains to the skills, background, and training of individuals within the firm; and
- General organizational resources, including the formal reporting structure, management techniques, systems

for planning and controlling, culture, reputation, and relationships within the organization as well as relationships with the external stakeholders.

Each of these resources and capabilities is a potential source of sustainable competitive advantage. Even though each of the four resources explained above is a potential for leveraging sustainable competitive advantage, the human Resource aspect of competency is particularly an important area which transcends all (Johnson et al, 1999). Human resources are the most difficult for competitors to imitate. They are often intangible and it is difficult to determine exactly how the sources of human competencies were created. Whereas a new product can be imitated, the collective processes used over time to hire, develop, retain, and build loyalty cannot be replicated so easily. Within the workforce, competencies are difficult to observe and even more difficult to imitate. Furthermore, some of the most important human resources are hard to qualify – e.g. good relationships with external stakeholders, organizational reputation, high-performance and learning culture. Consequently, human resources are often the ones most likely to lead to a long-term competitive advantage (Harrison et al, 1998).

From the above review, it can be held that resources and capabilities that are not valuable obviously cannot be expected to generate any sort of competitive advantage. Similarly, if valuable capabilities are not rare, but are widely available to all firms in a particular market, the best that a firm can hope for is competitive parity with other firms. If resources and capabilities are both valuable and rare, and also difficult for rivals to imitate, then those resources can at least be temporary a source of competitive advantage.

Finally, if resources and capabilities are valuable, rare, and difficult to imitate, and if those resources also lack viable substitutes, then those resources can be the source of sustainable competitive advantages shown in figure 2.4.

Figure 2.4 Criteria for measuring core competencies.

Is a Resource

Valuable	Rare	Difficult To Imitate	Without Substitutes	Competitive Implication
No	—	—	—	Competitive Disadvantage
Yes	No	—	—	Competitive Parity
Yes	Yes	No	—	Temporary Competitive advantage
Yes	Yes	Yes	No	Competitive Parity
Yes	Yes	Yes	Yes	Sustainable Advantage

Source: *L.J. Bourgeois et al, 1999, page 62*

(c) Organizational Competency

Core competencies are those value-building skills which enable a firm to provide goods and services that have unique values to its customers (Hellriegel et al, 1999). Organizational competency as a concept was first popularized by Boyatzis (1982), who defined it as:

A capacity that exists in a person that leads to behaviour that meets the job demands within the parameters of the organisational environment and that, in turn, brings about desired results" (Armstrong, 1998, page 189).

He suggested the following "cluster" of competences:

- goal and action management
- directing subordinates
- human resource management, and
- leadership

Since the contribution of Boyatzis to the subject, there have been many alternative definitions of competence and a number of different views have been expressed about just what the concept means and how it can be applied. Organisational competency has dominated much of personnel thinking and practice in recent years. As Prahalad and Hamel (1990) have stated-"An obsession with competence building will characterize the global winners of the 1990s". Organizational competency has become a unifying concept which influences and integrates personnel processes in the key areas of resourcing, development, maintenance, and reward. Competence is a wide concept, which embodies the ability to transfer skills and knowledge to new situations within the occupational area.

It encompasses the organisation and planning of work, innovation and coping with non-routine activities. It includes those qualities of personal effectiveness that are required in the work place to deal with co-workers, managers and customers.

In the works of Charles Woodruffe, competence was defined as the behavioural dimensions that affect performance. Woodruffe believes that the word competency is being used both to refer to the ability to perform a job or part of a job competently and to the sets of behaviour the person must display in order to perform the task and functions of a job with competence.

To avoid a potential minefield of misunderstanding and complications, Woodruffe suggested that the senses of the concept should be kept quite separate as follows:

- First, it can be used to refer to areas of work at which the person is competent (Area of competency).
- Second, it is used to refer to the dimensions of behaviour lying behind competent performance. This is the person-related sense for which Woodruffe reserves the word competency (Armstrong, 1996).

Competency lies at the very heart of personnel management. It is directly linked with the fundamental aim of strategic HRM – to obtain, develop, and retain highly competent people who can readily achieve organizational objectives and thus maximize their contribution to the attainment of the goals of the Enterprise (Armstrong, 1996). The strategic role of HRM emphasizes that people are valuable resources that represents a significant investment of organizational efforts. Human resources can serve as a source of competitive strength if they are managed effectively.

(d) Sustainability of Competitive Advantage

The sustainability of a firm's competitive advantage demands that the source of the advantage resist erosion by competitor behavior, or industry evolution (Porter, 1985). Sustainable competitive advantage is achieved only when competitors have tried without success to duplicate the benefits of a firm's strategy (Hitt et al, 1999). Although it is easy to identify a wide variety of tangible and intangible resources and competencies that could serve as potential sources of competitive advantage, the resource-based view suggests that any resource or capability will only contribute to the development of a sustainable competitive advantage if it is associated with "barriers" that prevents its acquisition or replication by competitors. If replicated by competitors, then any competitive advantage enjoyed by the firm will soon disappear (Bourgeois et al, 1999).

In essence, where competitive advantage is dependent on the uniqueness of a particular resource, it is important to ensure that this uniqueness is protected. In the case of the industry organization model, the protection may be possible through the legal or regulatory framework (such as patenting of products). It may also involve lobbying to secure protection from competitors who may undermine the uniqueness (for example import restriction by government to protect locally produced goods).

For some organizations however, the uniqueness is difficult to imitate because it lies in the tacit knowledge of a number of individuals or groups working in the organisation. In other words, the capability of the organization is found in personal competence and is not formally owned by the organization. This is true in many knowledge- based organizations such as the software houses. Although the organization may have ensured ownership of current products and developments through patents or copyright, it is impossible to own the tacit-knowledge which underpins the next generation of developments. So the retention of those individuals or groups with this knowledge becomes key to attaining a continued competitive advantage (Garry and Scholes 1999).

To be sustainable, competitive advantage needs to be more embedded in the organization – its resources, skills, culture, and investment over time.

What management can do in the face of the high level of employee turnover is to develop strategies to ensure that employees stay on long enough for the organization to realize an acceptable return on its investment relative to the employee's acquired skills and knowledge. They must device strategies to retain their employees and their knowledge base until the "new knowledge" becomes "owned" by the organization itself. In this way, the programs and values become more firmly entrenched in the organization's culture rather than by the employee.

Statement of the problem

The performance of the sawmill industry in Ghana has been very disappointing in recent times. It has been found in studies of several mills that the recovery reaches only about 20% in some sawmills and even the average recovery is below 30%. This means that about 70% of the valuable raw material is wasted. Successful firms today have the urge to provide customers with the desired perceived value at the lowest delivered cost. The need to attract customers and to defend themselves against competitive forces from border nations like Cote d'Ivoire, Cameroon, Gabon and Nigeria, or countries outside Africa such as Singapore, Taiwan, China, Malaysia, etc, requires that firms in the sawmill industry in Ghana must understand their customer needs, develop and get a new product to the market, respond to special customer concerns, and constantly align their processes with customer needs. In order to address this dismal situation, the Ministry of Lands and Forestry with the assistance of the World bank set up the Wood Industries Training Centre to improve the skills of operatives in the Wood Industry especially at the shop floor and middle management levels in order to maximize returns and open up employment opportunities for many of our unemployed youth. This project is a manifestation of the Government's total commitment to the development of the timber industry as human capital development has been the missing link in the timber development equation. It is against this development that the study was conducted to find out whether the development of human competency has been able to leverage competitive advantage for firms in the sawmill industry in Ghana.

Methodology

Data for the study was obtained from two firms in the sawmill industry in Ghana. A total of 78 respondents made up of 5 Human Resource Managers and 73 employees formed the sample size of the study. All managers of the two firms were selected and surveyed. Due to the huge number of employees in the two firms however, a sample size of forty employees from each firm was selected and studied. This represents 10 percent of the entire employee population of both firms. Ten percent of the population was chosen for the study because if a sample is too large money and time is wasted in collecting and analyzing data. Though larger samples are more likely to yield data that accurately reflects the true population value, with proper probability sampling, a small sample will give a reliable measure of the whole population (Zikmund, 1988).

The data for this study was collected through the face-to-face administration of a two-set-questionnaire for human resource managers and employees of the selected firms. Respondents were provided with standard questionnaires and explicit instructions about its completion. Adopting the simple random technique, the questionnaires were distributed to employees at the gate to the main entrance of each firm. Each question in the questionnaire was clearly phrased and capable of an unambiguous answer.

Hypothesis testing

The chi-square statistical technique was used for the test at the significance level of 0.05. The chi-square statistical technique was used during the test. A chi-square enables a researcher to compare observed frequencies in different categories with the frequencies expected from some theory or hypothesis. In this study, the observed frequency was represented by the symbol (f_o), and an expected frequency by the symbol (f_e). The following was the formula for the chi-square:

$$X^2 = \frac{\sum(f_o - f_e)^2}{Fe}$$

The chi-square was used because the study population was nominal and the number of subjects falls into one of several categories. With nominal data, one is able to collect information on a variable that naturally or by design can be grouped into two or more categories with mutually exclusive and collectively exhaustive characteristics. The observed value was greater than critical value (38.3 > 26.3) after the data was processed, indicating that the null hypothesis was rejected. It was therefore concluded that competitive advantage varies directly with organizational competency.

Measurement of variables

This section presents the results obtained after data has been processed.

Objective 1

This objective seeks to determine the nature of competition among firms in the sawmill industry. All respondents agreed that there was a local competition for labour, contract, and concession, and that these were the major source of rivalry among firms in the any five firms that compete with them in the industry, and to state the nature of the competition. In all, eight firms were mentioned as shown in table 1 below.

Table1: List of rival firms in the industry

ABTS	DYCL
Bondplex Limited Concession	A.G. Timbers Limited Concession
Scantyle Limited Contract / Labour	Omega and Co Limited Market
Oti-Yeboah Limited Labour / Market	A.B.T.S Market / Labour
Ayum Limited Concession	F.E Ghassoub Market / Labour

With respect to the international market respondents mentioned the countries shown in table 2 below: ***Table 2***

Border Nations	The rest of the World
Cote d'Ivoire	Malaysia
Cameroon	Brazil
Nigeria	Colombia
Gabon	Thailand

In a related question, the respondents agreed that the firms in the border nations and those around Africa competed with them in terms of market from France, United Kingdom, Germany and the United States of America.

Their responses are shown in table 3 below:

Table 3

Market Centres	The rest of the World	%
France	2	40
United Kingdom	1	20
Germany	1	20
United States of America	1	20
Total	5	100

In another question, the respondents listed the various types and sources of competitive advantage they have over their rivals. This included product design and engineering, innovation, service delivery, or a combination of all three. Their responses are as shown in table 4.

Table 4: Nature of competitive edge that firms enjoy

Response	Frequency	Percentage
Service delivery	1	20
Innovation	1	20
Product design and engineering	2	40
One-two -three	1	20
Total	5	100

Discussion (Objective 1)

The results suggest that firms in the sawmill industry operate in a highly competitive market. The firms compete over concessions, contracts and labour as shown in table1. Certainly, in a market situation like this, the bargaining power of suppliers tends to be very high. Consequently, the price of supplies escalates with each passage of time. This explains why timber logs are so priced in this country. With regard to contracts, because the products from sawmill firms are much more the same, customers can easily switch from one firm to another without much problems.

Finally, plastic-products which serve as substitutes to timber products are almost rendering the industry redundant. Substitutes do not entirely replace existing products but they do introduce new technology or reduce the cost of producing the same product. Effectively therefore, substitutes may limit the profits in an industry by keeping prices down.

On the international front, the companies compete with others from Cote d'Ivoire, Cameroon, Nigeria, Indonesia, Malaysia, India, Thailand, Brazil, Bolivia, Colombia, etc. for customers from France, UK, Germany and the USA. The timber and allied industries in Ghana have demonstrated little marketing practice. There have been several calls in recent times for the timber industry to do more to save itself from the decline in trade it is facing because of large-scale anti-tropical timber campaigns. The timber trade needs to become more marketing orientated. The trade has to recognize that the industry's existence and future survival and growth, depends on its ability to give its customers what they want. Internal consideration must be subservient to the wider needs of the marketplace. In the marketplace today several issues are at calls for certified timber products. As a result of competition from non timber substitutes such as plastics, steel, aluminum, bricks etc. the consumer is being won over rapidly in some user applications such as PVCu windows and doors, plastic film laminates for wood based boards instead of natural veneers and gradually in others for example outdoor furniture made in PVCu and railway sleepers in concrete.

Many timber firms complain about low profits in the export trade. This may be so because such firms have not accepted that marketing has the responsibility for producing profits. Profits are generated by markets. Profits are not only generated by products, by efficiency, by management or by efficient work forces. It is, however, important not to overplay the role of marketing. A balance must be struck between the customer's need for value against the firm's need to create and maintain a low-cost operation. Profit is a function of the price which the customer is willing to pay, and the cost of production. Marketing's role in the timber trade must not be seen as satisfying customers at any price, but must be seen as satisfying customers at a profit.

Several strategies are available but all may not be applicable in meeting the competition. For example to gain competitive advantage it may be necessary for Ghana's timber firms to adopt a clear positioning strategy. In other words products must be differentiated. Alternatively it may be necessary for some firms to become market niches. This is because the availability of some species may be in such low numbers that only small markets segments can be served profitably.

For the reasons enumerated and many others, the onus is on management to continually carve specific competitive strategies by which they can enjoy some competitive edge over their rivals. Though there may be more than one approach to ensuring this, the researcher believes the best approach is effective management of employees in the organisation. When people are well managed, they acquire knowledge and experience that are required to successfully perform a job. This provides the critical ingredient in developing an organization's competitive position. A firm must recruit talented people at all levels with the proper set of skills and capabilities. Organisational members must be continually developed, strengthened, and reinforced. Each worker must be motivated and his or her efforts focused on organisational goals and objectives.

Objective 2

The second objective was to examine the idea that companies gain sustainable competitive advantage by developing the competencies of their people.

In a question to determine ways in which people provide ingredient in developing an organization's competitive position, respondents indicated that unique talents among employees, including superior performance, high productivity, flexibility, innovation, and the ability to deliver high level of personal customer service were ways in which people can provide the critical ingredient in developing an organization's competitive position. All the managers believed that the source of competitive advantage lies in the organization's resources – human, financial, information and physical. In their opinion, human resources are the most strategic assets that a company can depend on in building sustainable competitive advantage. They agreed that the greatest benefit arising from competitive advantage based on effective management of people is that such advantages are hard to imitate. When asked why they thought so, they explained that core competencies are difficult for competitors to copy because they are based on knowledge, skills and processes developed over time in the context of a particular organisational setting. According to them, for this same reason, core competencies are difficult to change suddenly. This makes it extremely important for a company to clearly identify and understand its core competencies in relation to its market opportunities.

Surprisingly however, during the researcher's interaction with the managers who were interviewed, whilst 80 percent of them agreed that competitive advantage is better built on human resources of the company, 20 percent thought otherwise. The following were their responses.

Table 5: Choice of the most strategic resource of a firm

Response	Frequency	Percentage
On human resources of the company	4	80
On other resources of the company	1	20
Total	5	100

In another question, the HR managers were asked to rate the level of their company's competitiveness with regard to the behaviour of their competency for the last five years.

Table 6: Relationship between organizational competency and competitive advantage

Year	Organisational Competency (marks)	Competitive Advantage (marks)
2000	25	10
2001	30	20
2002	35	30
2003	40	40
2004	45	50

Discussion (Objective 2)

From the responses gathered in table 5, it can be inferred that more than 70 percent of the respondents believed that the most strategic asset of a firm is the human resources. The respondents agreed that though some other resources may be important in leveraging a company's competitive advantage, such advantages have short life spans as they can be copied easily by competitors. In their opinion, sustainable competitive advantage mostly depends on the human resources available to an organisation. Explaining why they think so, they indicated that when competitive advantage is based on human resources, it becomes difficult to imitate. They explained further that core competences that are based on knowledge, skills, and processes developed over time and embedded in organisational members are not easily imitated by rivals.

Findings

The theory of organizational competency has existed for some time now, and writers like Prahalad and Hamel have given a great deal of attention to it. But the application of core competencies as a key component of strategy is relatively new, and there is still much to learn about the process in the sawmill industry. Even though the researcher does not intend to present an exhaustive review of organizational competency, most importantly, by using the study materials, managers will be able to examine how competency can be applied as a valuable strategic thinking tool.

The concept of sustainable competitive advantage as formulated by Porter (1985) arises when a firm creates value for its customers, selects markets in which it can excel and presents a moving target to its competitors by continually improving its position. According to Porter, three of the most important factors in this respect include innovation, quality, and cost leadership. Even in his own words, Porter recognized that all these competitive forces depend on the quality of an organization's human resources (Michael Armstrong, 1996). As he put it:

"The degree of success of each strategic type depends on the amount of commitment organizational members have to the strategy and the effectiveness of managers in implementing the strategy" (Aldag and Stearns, 1987, page 232). By this statement, Porter agrees that organizational success does not only depend on strategy, but the people who will use the strategy. Research conducted recently by the European Association for Personnel Management and the International Institute for Management Development (Brooklyn Derr et al, 1993) revealed that competitive advantage is achieved by developing core competencies in the workforce through traditional services (recruitment, reward, career-pathing, employee development) and by dealing effectively with macro concerns such as corporate culture, management development and organisational structure (Armstrong, 1996).

For most organizations, people are a vital resource. Even in some industries, people are not only important but are the key factor for successful performance. Even in organization's such as the sawmill industry where there are other key success factors, human resources clearly play a major part in the process of achieving competitiveness. On the basis of these results and information gathered from literature, the researcher is convinced that creating value by developing core competencies throughout the value chain and linking it together with more effective processes will greatly leverage the total amount of competitive advantages that can be enjoyed by a firm.

In line with this reasoning, one can argue that organisational competency is the prerequisite for competitive advantage. The relationship between organisational competency and competitive advantage as indicated by respondents in table 5 is a clear confirmation of this. Competitive advantage results from the company's ability to bring unique competencies and market opportunities into balance. By redesigning key business processes and acquiring the skills, knowledge and the technical know-how, one will be able to create a true competitive advantage in whatever domain a company has chosen.

Conclusion

The study was based on the assumption that a high level of organisational competency can leverage sustainable competitive advantage for firms in the sawmill industry.

Competitive advantage is a very important concept in recent times. In the world of business, management is about helping your firm to survive and win in competition with other companies. If your firm is well managed, it is far more likely to be a success and a leader in a highly competitive business world. To survive and win, you have to gain competitive advantage over your competitors. You need to be better than your competitors at doing valuable things for your customers. You gain competitive advantage by adopting management approaches that satisfy customers through cost competitiveness – high quality products, speed, and innovation. The validity of the study depends on the extent to which it is believed that people can create added value and should therefore be treated as the most strategic resource of the enterprise. Although the external environment is very important, the theory does not indicate how the company should develop its own resources and skills to meet the demands of the external environment. In the long run, competitiveness is derived from an ability to build, at lower cost and more speedily than competitors, the core employee competencies that spawn unanticipated products. The real sources of advantage are to be found in management's ability to consolidate corporate-wide technologies and productive skills into competencies that empower individual businesses to adapt quickly to changing opportunities.

The wood industry in Ghana is severely hit by non-availability of professionals, skilled technicians and artisans. Thus, the major problem facing the industry is lack of qualified personnel in all spheres of its operations. As a result, it is very difficult for firms in the industry to obtain competency-based competitive advantage on the international front.

Recommendations

The study raises a number of important issues for the managers of firms in the sawmill industry. Based on the findings, the following are recommended:

1. Sawmill firms must meet customer expectations in order to curb the competition they currently face from firms that produce plastic-products.

2. There is a strategic need for firms in the sawmill industry to be both a learning organisation and a high-involvement organisation.

3. The researcher also recommends that employees in the sawmill industry, especially those with the most essential skills, must be well motivated to stay and to apply their skills for the success of the organisation.

4. Performance appraisal should be regularly carried out in the sawmill industry for the benefit of both employers and employees.

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LOVE AND JUSTICE:
OPPOSED OR COMPLEMENTARY?

| Rev. Dr. Emmanuel Apea |

ABSTRACT

This article was prompted by two incidents; one domestic, the other, political. The domestic one was the concern resulting from diametrically opposing views on "fairness", implicit in the motives underlying behaviours expressed simultaneously by a child and his mother. The political event was the worldwide, diverse reactions that supporters and opponents exhibited in the aftermath of the execution of Iraq's former president, the late Saddam Hussein.

These incidents moved the writer to strive to examine his worldview of love and justice vis a vis God's display of love toward humankind, beginning from Old Testament times, to date. The complexity of the words "love" and "justice", which we use so freely in our day-to-day conversations, is evident. The human virtues, love and justice, appear to represent two sides of a coin; one without the other makes life incomplete. However, it is shown in this article that sometimes love and justice are complementary and at other times, they are not. Justice is more important in organisational matters whereas love operates best in personal relations. Having said this, it is also very evident that in certain unique situations, justice appears to be the tough side of love.

In this essay, the writer begins by exploring the meaning of love, followed by a discussion of what justice is. Next, he discusses possible ways in which the two virtues complement or oppose each other. The writer ends by demonstrating that a definite relationship exists between the two virtues; love and justice do indeed represent the two sides of the same coin.

Introduction

The inspiration to tackle this sensitive subject was provided by the recall of a seemingly unimportant scene a year ago when an angry, five-year old, asthmatic boy was trying to defy his mother's instructions. The asthmatic child was accusing his mother of lack of love and of being unfair to him because his healthy, teenage brother was not being subjected to the same dress code. The mother, full of love, so she felt and thought, was insisting that the unhealthy child could play outside in the wintry cold, only when he was warmly clothed. This was because barely four weeks earlier, the rebellious son had

had an asthmatic crisis and had been compelled to spend nearly twenty-four hours on admission at the local hospital with both parents in attendance. The writer was impressed by the gentle and loving manner which the mother handled the complex issue of 'discipline and love', concepts that she understood well but which no parent would normally expect a child of five to appreciate or to understand. Clearly, this child believed the mother to be 'unjust' and was incapable of seeing that far from being unjustly treated, he was being loved.

I remember vividly that following the execution of Saddam Hussein, the former president of Iraq, a number of people expressed their opinions on how the trial was conducted. Thousands of people around the world, especially the survivors of communities that were decimated by the late president and his regime in the 1980s, received the news of the execution with joy, satisfied that the law had been justly applied. This was summed up in a comment made by Professor Ali Hamza that, "Now all the victims' families will be happy because Saddam got his just sentence." On the other hand, perhaps for ethnic and religious or human rights reasons, some people, notably Christians, showed dissatisfaction with the process and outcome of the trial. In particular, they wondered whether the execution exemplified a situation where justice was in conflict with their belief in the biblical injunction that we love one another, including our enemies.

Through the ages, God's love and justice have been questioned. The history of God's chosen nation, Israel, as revealed in the Bible, is replete with a number of incidents that show the nation's lack of understanding of God's love. During the time of the exodus from Egypt to the 'land flowing with milk and honey', Israel questioned God's love and faithfulness by rising up against Moses on a number of occasions. Then also, on entering and occupying the Promised Land, Israel experienced captivity in the hands of such nations as Assyria and Babylon. Eventually, the Romans destroyed Jerusalem in AD 70, following which the Jews went into exile until 1948 when, under the auspices of the United Nations, the Jews were once more allowed to return to their homeland. How could a loving God allow such a level of suffering to be endured by his chosen people? One might also ask why Jesus, the Messiah for Israel and, indeed, the whole world, had to be subjected to such a cruel and shameful death on the cross? Was this an expression of God's love to His Son?

In the last decade, non-Christians have intensified their questioning as to why a just, loving God could allow such incidents as 9/11(the destruction of the World Trade Centre in New York on September 11, 2001); the Tsunami in South-East Asia in 2004; Katrina, the Atlantic hurricane of 2005; and Tsunami in Hawaii (2010). Moreover, people ask why a nation that has not completely solved its own domestic problems would send its people far away to fight oppression in other lands (e.g., citizens of the United States fighting in Afghanistan), or why African nations like Ghana and Nigeria send missionaries to evangelise nations in Europe and North America, when people on their doorsteps remain under the power of animism and superstition.

What is love?

Love is a household term featuring broadly in everyday conversations, songs, poems, and proverbs in all cultures. Its definitions are as many as the number of people defining the concept. It is said that virtually everyone knows love is there but it is difficult for anyone to place a finger on it.

Smedes notes that love is a virtue that is practised between persons, it tends to be spontaneous and generous, it goes out to people who are unlovable, and gives without counting the costs. Love is frequently mentioned in the Scriptures, as any good Concordance to the Bible would reveal.

In the Old Testament, love is described as "the deepest possible expression of personality and of the closeness of personal relations. "God's love for man is rooted in his personal character and thus it is seen as being far deeper than that of a mother's love for her children. The New Testament Greek refers to this highest and noblest type of love as *agape;* it is the love that "sees something infinitely precious in its object." Paul describes this love vividly, noting it is patient, kind, not envious...always trusts, always hopes, and always perseveres, and never fails. The Apostle John writes about the depth of this love of God for man when he says, "For God so loved the world that he gave his one and only Son that whoever believes in him shall not perish but have eternal life." Jesus Christ tellingly said of this love, "Greater love has no one than this that he lay down his life for his friends."

Interestingly, even though Jesus demands that we love even our enemies, it is paradoxical that his love is selective. This peculiar nature of God's love is revealed in the covenant relationship between God and Israel. It is also evident in God's preference for Jacob over Esau. Appreciating this kind of love does not come by easily or naturally; one arrives at the knowledge of this love through spiritual discernment. Such discernment requires the grace and type of revelation that Peter received from God to enable him to identify Jesus as the "the Christ, the Son of the living God".

As far as man's love for God and for other persons, is concerned, it should be seen as a joyous religious duty that requires that we freely worship God with our heart and soul along with everything in us that has breath. Jesus makes it clear that genuinely loving God and one's neighbor is the greatest commandment; "all the Law and the Prophets hang on these two commandments." Paul indirectly endorses this statement of Jesus Christ when he ends his famous discourse on love by saying that of the three virtues we can possess - faith, hope, and love - and that remain at the end of one's life, love is the greatest of them all.

Lewis, a renowned Christian author and scholar, describes four basic kinds of human love - affection, friendship, erotic love, and charity - in his popular book, *The Four Loves.* He refers to affection as the type of love that is exhibited between children and their parents. This love is paradoxical in nature; it can be described simultaneously as Gift-love as well as Need-love. Gift-love is exemplified by the type of love that causes a man to include in his plans the well-being of his family, knowing well that he may not enjoy the fruit of the efforts he makes in this regard. Similarly, need-love is characterized by the love that makes a child run into the arms of his mother when he feels lonely or is frightened. On friendship, Lewis writes that it is a close relationship based on common interest, which is freely chosen but which only few value because it is few who experience it. It is said to be the "least jealous of loves" because its joy and value increase when friends are able to share their common joy with more and more people. But, surprisingly, Lewis notes, that friendship is rarely the image that Scripture uses to represent the love that exists between God and man. According to Lewis, this is probably because friendship is perhaps "too spiritual to be a good symbol of Spiritual things."

Continuing with his illustration of the four types of love, Lewis explains that Eros is "that kind of love in which lovers are in." Without that type of love, "none of us would have been begotten." Interestingly, Eros is marked by the fact that when it is in us we would rather share unhappiness with the beloved than be happy on any other terms. Thus, it is not surprising that even though a lover's pinch may hurt, both lovers concerned see it as a desirable behaviour. The fourth type of love is embodied in Jesus' statement that "If anyone comes to me and does not hate his father and mother, wife and children, brothers and sisters, yes, and his own life also, he cannot be my disciple." Lewis draws attention to this remarkable saying of Jesus to show how the three natural loves described in the preceding paragraphs rival what the love of God really is. The real love of God is the type of love that compels us "to turn down or disqualify our nearest and dearest when they come between us and our obedience to God." But, would such behaviour be described as just?

The Meaning of Justice

It is not easy to define 'justice' because it means many different things to various people. Every person appears to have a sense of what it means, being God's attribute which all people can possess. However, there are two main schools of thought as to what justice is and how it is done.

From the common sense angle, Smedes provides a number of characteristics, which are a feature of justice. These are described as follows: Justice is a situation in which people expect to receive their due or what they have a right to get. Thus, a society that provides its people their rights would be deemed a just society. Also, if a person has a right, that right becomes an obligation to honour by another person connected with that particular individual. Moreover, justice is impersonal in that it does not depend on one person's attitudes towards another individual, and hence it can be measured, and works best in systems. Further, justice occurs in social settings, making it possible for individuals within a group to respect each other's rights as they become involved in contractual, distributive or retributive arrangements.

In order to have justice done, there ought to be persons who are deemed just. This echoes Plato's words of universal wisdom that "there can be a just society only where just persons live." Even though this statement by Plato raises some questions as to what constitutes a just person and what the just thing to do is in a particular circumstance, it appears the wisdom contained in it contradicts the fallacious idea held by Locke that "there can only be justice where there is property." This is because even though the existence of property may be marked by the presence of people, what makes justice necessary are covetousness and the other ungodly behaviors. Lying and the desire to cheat tend to increase as the number of people in a social grouping grows.

In the days of Aristotle, we are told that the word 'just' was used in a double sense. In the narrow sense, the word related more to retributive and distributive justice. However, when viewed broadly, justice was considered as being tantamount somehow to righteousness. With that broad view in mind, Smedes considers a just person to be one who possesses an inner urge to treat other people - neighbours, strangers, competitors, and the poor - fairly, as a habit, even at a cost to him or herself, and even in private relationships. One can say then that in a comprehensive sense, justice would have much in common with life in the kingdom of God, where people are right in their thoughts as well as actions. In this situation, justice is not merely a case of someone receiving what is due to him by any right he possesses or by any good he does; a person is just by virtue of what Christ has done on the cross for humankind. This type of justice certainly goes beyond what is deemed to be common sense, and may easily be misconstrued as God's justice contradicting ordinary justice. In reality, however, God's justice is not at variance with common sense justice; it recognizes the existence of rights as revealed, particularly in the Fifth to the Ninth Commandments in the Decalogue. Nonetheless, these particular Commandments cited may be interpreted partly in terms of love and partly as laws of justice. Thus the Decalogue cannot serve as a basis for justice in a non-theocratic state. All the same, God's justice is necessarily moral, and goes beyond mere morality, sees beyond what the prophets envisioned, and satisfies the kingdom principle. Equally relevant, it grasps the concept of a recreated human family in which total righteousness and peace reign. Is this then an indication that the two virtues are complementary?

Are love and justice complementary?

"God is love", by his very nature. (1 Jn 4: 8,16). At the same time, "it is from the LORD man gets his attribute of justice" (Pro 29: 26). Therefore, since divine love and justice are from the same source, they cannot but, in principle, be expected to complement each other. Indeed, love and justice are seen to complement each other as Smedes clearly points out. First, love demands that we do whatever is in our power to do to ensure that whatever is due to our neighbor is given to him. Thus, even though love may be unable to tell us exactly what belongs to our neighbor as a right, justice demands that as a minimum requirement on our part, we should support our neighbor in whatever is justly his right. This is why, for instance, those who are, in principle, opposed to abortion, see it as their loving duty to campaign politically, at the risk of losing political votes, to protect unborn defenseless babies, whom they see as having a right to live. This applies also to other issues like active and passive euthanasia, as well as biomedical issues like artificial insemination, organ harvesting, and cloning. Some people may even justify America's intervention in Iraq and Afghanistan on the same grounds. However, in the case of the war in Iraq, public opinion is so sharply divided that one cannot say for sure that it was justice born out of friendship love or agape love that moved America to go to war.

Second, we often find parents who are struggling to make ends meet who, nonetheless, tend to do all they can to reach out to others in need. The people who make donations out of their meagre salaries to help feed the poor in deprived areas of the world provide a good example of love that cooperates closely with justice to make this happen. Another way in which love is seen to complement justice is the way love goes beyond justice by infusing justice into law. In *The Merchant of Venice*, one of William Shakespeare's best-known plays, Portia, one of the characters in the play, pleads with Shylock, on behalf of his client, Antonio, saying, "Earthly power doth then show likest God's when mercy seasons justice." Needless to say, the trial of Antonio ended well as agape love pushed justice beyond the letter of the law to meet an actual human need. The writer also shares Smedes illustration of how love and justice complement each other when love receives directions from justice. In this illustration, if a neighbour ends up deep in debt for living extravagantly, he must be allowed to live with the consequences. Here, Smedes points out how love does not allow us to assume responsibility for other people's mistakes.

A beautiful situation in which love and justice were complementary was the marriage that God ordained in the Garden of Eden. In that monogamous, lifelong union, husband and wife were to recognize absolute equality of worth in each other, and to strive to express that equality in all relationships." In such a marriage, love would manifest itself in a unique form determined by justice in each family member, creating equal relationship with each other. Also, in this kind of family relationship, a father would "know that he must exact obedience from the child; the child would know that it owes that obedience. ...the mother...is the mediator between the justice of paternal authority and the love which springs freely, which is bound by no justice and no law..."

Today, the type of 'Edenic' marriage in which love is complemented by justice is rarely, if ever, practised. The reason is that the present world order is different from that of the original order at the time of Creation. The creation order has been violated by man's original sin, and hence, fallen man cannot exhibit divine love totally. The agape type of love that the Prophet Hosea exhibited by obeying God and taking back his wife in order to love her again "as the LORD loves the Israelites" is practised as a special act of God's grace. Today, divorce is prevalent in many countries. For instance, in 2002 divorce rates per 1000 population were as follows: 54.9 (Sweden), 46 (Australia), 45.8 (United States) 43.3 (Russia). Surely, any justice presently evident in marriages cannot be said to be wholly aligned to God's love!

Considering mankind's current attitude to marriage and other circumstances in life, can one conclude that the two attributes are opposed to each other?

Is love opposed to justice?

Contrary to what has been described in the preceding section, there are a number of other instances where one can say that justice and love are completely different things. A just person normally renders to another person what is his due and deals only with what people merit whereas God's love reaches out to all, including those who are undeserving. The Mosaic Law illustrates this sharp distinction between love and justice; "anyone who strikes a man and kills him shall surely be put to death." Thus, but for the love of God demonstrated in Christ's sacrifice and atonement, humanity would have had no justification to live after the fall.

Again, unlike love, the basis of justice is strictly realistic, rational and sober, with nothing incomprehensible about it. Indeed the incomprehensible nature of love makes it inseparable from faith, a virtue that has nothing in common with justice. This is why whereas justice is made up of obligations that can be measured or calculated and understood, love can only be fully understood, not by those for whom the message of the cross is foolishness, but by those for whom the cross is the power of God to save.

Love is personal, whereas justice is necessarily impersonal. The latter does not regard the person; it recognizes only the lawful right. So, even when it is a question of the right of a person, which is entirely based on the nature and dignity of man that should justifiably be recognized, it remains impersonal and realistic. It refrains from knowing 'thou'; "it knows only the intellectual value, the intellectual thing - the dignity of man." Justice is contrary to love in that the latter is always directed to a concrete, unique person who is loved, not because he is respected in the way justice would look upon him, but because love can say that "for this person also our Lord Jesus Christ died to save."

Unlike love, justice is never concerned with the human being as such. It is concerned with the human being in relationships. Justice belongs to the world of systems; its primary concern is not the world of people. Hence, since the person is higher than all the systems in which he is placed, one could conclude with fairness that love transcends justice. Of course, this does not make justice inferior to love. What this means is that justice is always a pre-condition of love, and consequently, love can never do less than justice demands. As was pointed out earlier, the obligations of justice are distinct and can therefore be fulfilled, whereas, as it were, love is always in debt and it can never be fulfilled in reality. Brunner vividly illustrates this point by saying that the law of justice does not excuse a citizen who defrauds in his income tax returns in order to practice charity. There is no such thing as love at the cost of justice; true love first fulfils the impartial law of actual justice. In other words, love's real work only begins when justice has been done. In the writer's view, love and justice cannot be the same as long as some people believe, and others do not, that the end justifies the means in all aspects of life.

Conclusion

Love and justice are the two absolute mandates that underlie all human relationships. They "speak different languages and work on different premises". It is often not clear whether love and justice complement or oppose one another. What has been shown in this essay is that the two attributes are, in reality, two sides of the same coin; justice is merely the tough side of love. Basically, love seems to operate best in interpersonal relationships, especially where the motives are humanitarian in nature. On the other hand, justice is best revealed in relations in formal organizations, especially in ventures where profit or criminal motives or actions are involved. Thus, in the heterogeneous marriage relationship, for instance, where there is shared intimate knowledge, and where respect for one another is expected, it is love that should dominate. But, as soon as the social grouping becomes larger, as for example, in the case of a complex organization or state, decisions guiding the affairs of that body necessarily have to move from the personal level to a level that is primarily impersonal. This would improve the chances that each person in the relationship can be treated as fairly as possible, and with minimum subjectivity. This is because society is not made up of lovable, friendly and hardworking people who have each other's interests at heart (though this would be desirable on earth as it is in heaven, it would probably make life boring on earth). Rather, society is made up of all sorts of people, including the difficult, the lazy, the opportunist, and the unlovable. So, to make love the basis of all decisions, as Joseph Fletcher's proposition asserts – "Only one thing is intrinsically good; namely, love" - would be simply preposterous. The Westminster Press justifiably remarks that Fletcher's situation ethic that justifies lying, premarital sex, adultery, abortion and murder on the basis of love can only serve as an invitation to anarchy.

In light of the above comparisons and contrasts, we believe that what is perhaps of importance in the issue of love and justice is not whether the two attributes are complementary or opposed. What is important is not a question of definitions, but the waythe two attributes relate to life. These two attributes of God necessarily relate to each other, and therefore, should be kept together in such a way as to help us know how God expects us to behave in a world where conflicts of interests abound.

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GLOBAL ECONOMIC CRISIS
– SURVIVAL STRATEGIES FOR DEVELOPING ECONOMIES

| *Omane-Antwi K. B.* |

PART I

ABSTRACT

From the debacle of America's toxic subprime mortgage portfolios, to the virtual freezing of credit around the world, plunging stock markets and a sustained slowdown in consumer spending, the global financial crisis that took hold in 2008 shows little sign of let up.

The intensification of the global financial crisis, following the bankruptcy of Lehman Brothers in September 2008, has made the current economic and financial environment a very difficult time for world economy, the global financial system and for central banks.

The down turn is not discriminating against industry sectors, making it difficult to identify areas of strength. It looks like the global economic meltdown could create a long, painful quasi-depression, a period of mass unemployment, a calamitous drop in confidence and a continued credit-squeeze. Africa, apparently, is suffering from the global financial crises.

The paper provides an overview of the proximate cause of the financial turbulence and discusses the impact on advanced economies, emerging and developing economies. The role of professional accountants in helping to restore business confidence in the midst of the global economic crisis is also discussed.

(N.B –The paper was presented at the Association of Accountancy Bodies in West Africa (ABWA) international conference on "Global Economic Crisis – Survival Strategies for Developing Economies" held on November 12, 2009; Dakar, Senegal).

Introduction

"The State", wrote John Maynard Keynes in 1936, "will have to exercise a guiding influence on the propensity to consume partly through its scheme of taxation, partly by fixing the rate of interest, and partly, perhaps, in other ways".

The shift in economic thinking in the 1930s had the feeling almost of a religious revival. Keynes had uncovered and remedied a crucial defect of the capitalist economy: that equilibrium might be achieved at a level in which capitalists would refrain from investing.

This liquidity trap was not self-correcting: it would lead the economy into stagnation. Government action was needed to fill the gap and stimulate demand.

Keynes's arguments had enormous political traction, but fell into disfavour in the great inflation of the 1970s. Restrictive monetary policy, monetary targeting, privatization, fiscal retrenchment and curbs on trade union power became part of the programmes of resurgent conservatism - especially in the UK, under Margaret Thatcher, and in the US during the Reagan administration. Quite suddenly, with the financial crisis that turned into full-scale panic in the autumn of 2007, the politics of Keynesianism returned. Governments throughout the advanced industrial economies are mounting big fiscal stimulus packages (bailout packages), aggressive monetary easing - and even nationalization of banks.

To some, this represents a welcome supersession of dogmatic free-market ideas of the type popularly associated with the Reagan and Thatcher governments. Less plausibly - and a view we shall discount - is the notion that the whole crisis has been caused not by an absence of regulation, but by government attempts in the US to direct mortgage lending to higher-risk (or subprime) borrowers . Aside from these ideological theses, it is highly tempting also to infer, from the deep recession and economic damage precipitated by the financial crisis, that economic policy tends to go in cycles. On this argument, there was too much intervention in the Keynesian era culminating in the exercise of power by interest groups in the corporatist 1970s. Inflation and trade union power then had to be tamed in reaction, but the era of deregulation of the markets may be ending. None of these interpretations of the current predicament quite covers it, however.

The explanation that we favour takes something enduring from the shift to economic

"Much more stringent regulation is needed to anticipate and prevent future disasters"

liberalism - among social democratic governments as well as conservative ones - in the 1990s. This is not so much an argument for markets as for transparency, rules, and economic openness.

The limits of these approaches are reached, however, when considering the financial system. Asset prices and exchange rates are not priced like any other. They can overshoot fundamental values, in both directions. There is a strong case - one that is not being observed by today's policymakers - for open-border policies regarding the movement of goods and labour. However, the case for the free movement of capital flows is different and weaker. In principle, financial markets allocate capital to the most productive uses. In practice, capital flows will be disruptive if the banking system is not sufficiently developed to cope. That is what has happened in today's financial crisis.

Comparisons between today's crisis and the Great Depression of the 1930s are misleading and, in any case, there is a common misconception about Keynes's analysis of the causes of the depression. This is not a crisis of capitalism so much as a crisis of one particular segment of the market economy: the financial system. It is true, however, that the crisis was born and amplified in the private sector. Much more stringent regulation is needed to anticipate and prevent, such disasters in the future.

One problem with imagining that there is a Keynesian precedent that augurs now for a Keynesian resurrection is that the "great depression" was not strictly caused by a deficiency of aggregate demand. It was driven rather by an "idee fixe" of adherence to the gold standard. Monetary policy in the 1930s aimed to defend convertibility of the dollar into gold (from 1879 to 1933 there was a fixed price of one ounce of gold for $20.67). Adherence to the gold standard reflected a belief that money had to be backed by some asset, otherwise confidence in the currency and in the solvency of the government would be undermined. It was a bizarre notion and a destructive one. It meant that the Federal Reserve, for instance, could not properly act as lender of last resort to the US banking system, because it had to take account of the demand for gold. If it lent money to banks, then there would be more money in circulation, thereby reducing the credibility of the Central Bank's guarantee to exchange paper currency for gold. Consequently, monetary policy was kept cripplingly tight.

A second problem with the Keynesian parallel is that today's crisis is likewise not a fundamental problem with the real economy. The global economy has been pulled into a deep recession by failings in a dysfunctional global financial system. It is true that financial deregulation was advanced as part of the wider liberalizing impulse of the 1980s. But there were sound reasons for, say, abolishing fixed commissions in the stock market (which reduced the costs of trading) and encouraging financial innovation (which allowed companies to manage their risks better, and investors to diversify their portfolios more efficiently). The real danger was that, as the securities industry devised ever more complex products, the risks to the wider financial system were overlooked.

LESSONS FROM THE ASIAN CRISIS

A better parallel for today's crisis is not the great depression but the Asian currency crisis of 1997-8. That crisis was admittedly on a regional and much smaller scale, but the causes and remedies have similarities. The region had experienced rapid growth through borrowing short-term, in overseas markets, and lending long-term, for capital projects. The crisis had a proximate spark – panic in international markets as Russia defaulted on its sovereign debt. This led to a contagious loss in confidence in the emerging economies. The Asian economies, with underdeveloped banking systems experienced a collapse in their currencies. Their foreign currency liabilities became a crippling burden. Deep recession and intense hardship followed.

Yet the region – with the notable exception of Malaysia, which imposed capital controls and whose political leadership advanced bizarre anti-semitic explanations of the crisis – kept its ties to the global economy and its place in the international trading system. Growth eventually resumed. The determination of Asian leaders – especially in China, which had not been caught up in these ructions – never again to be so vulnerable to turmoil in the foreign exchange markets in fact contributed to the long expansion of the global economy in the 2000s. A huge glut of Asian savings was built up and recycled in the western advanced industrial economies. The US current account deficit was sustained by massive capital flows from Asian into US treasuries. There was so much capital sloshing around the western economies that interest rates were kept below market clearing levels. An unsustainable boom in asset prices and expansion of credit were the consequences.

> ***"The last thing the global economy needs is a resumption of the policies of protectionism"***

This is a simplistic and schematic background, but it is a more convincing explanation for today's economic turmoil than any grandiose ideological theses. This is not a crisis of capitalism or the undermining of the principles of economic liberalism. It is a severe malfunctioning of one part of the capitalist economy, its financial sector. Banking crises are periodic hazards because banks are tied to each other through the wholesale lending market. A combination of factors has caused that market to freeze up. Policymakers kept interest rates too low, and – partly owing to an inflation-targeting approach that made no attempt to prick assets-price bubbles – presided over a massive explosion of credit. Regulation in the banking sector, and especially capital requirements, paid too little attention to the need for liquidity. When a shock occurred in the banking sector, namely a realization that an entire class of asset-backed securities was impossible to value accurately, then banks hoarded cash and refused to lend. Hence the vertiginous collapse in economic activity. Whereas there are numerous historical cases of collapses in the prices of particular assets or asset classes, this is a collapse of a credit bubble – and credit, being the lifeblood of the economy, needs to be restored.

It would be a mistake to interpret the crisis measures undertaken by governments as a refutation of the principles advanced in the preceding two or three decades, precisely because they are limited to repairing the financial system. Keynesian stabilization policy is premised on the idea that capitalism is cyclically unstable and requires the operation of automatic stabilizers – monetary and fiscal policies.

The counter-revolution in economic thought at the end of the 20^{th} century had no difficulty assimilating this insight in practice. Governments are unable to abolish the business cycle, and need to moderate its fluctuations. That does not imply, however, that government has any particular expertise or role in taking command of important segments of the economy.

Finance is different, because it is not an industry that makes products so much as an essential utility that pervades the entire economy. It cannot be left to fail, because it will bring the entire economy down with it. The financial regime failed in recent years because of misalignment of incentives and poor regulation. Bankers had scant conception of the risks they were taking on; and given that finance is above all a discipline of the efficient management of risk, this was a huge systemic failing. The significant but limited sense in which the non-liberal consensus of the late 20^{th} century failed was in its indulgence of perverse incentives in the financial sector.

Economic and political liberalism need to come to terms with these failures rather than reinvent itself wholesale. The system it haltingly replaced in the 1980s and 1990s had misunderstood the limits of human knowledge and wastefulness of attempts at government planning. The poor regulation and misaligned incentives of today's financial system are an indication not of a renewed statism but of the importance of a framework or rules. In macroeconomic policy, the need for transparency and openness remains an important lesson. The last thing the global economy needs at this time is a resumption of the self-defeating policies of protectionism and the imposition of barriers to trade. The worst inference that politics could draw is that the role of the state is to plan and command rather than to stabilize.

There are three huge tasks ahead for policymakers and economic agents. First, monetary easing needs to be radical enough to stem any incipient deflationary pressures.

Secondly, there needs to be a fiscal stimulus on the part of the US that is big enough to fill the gap left by a collapse in private consumption and investment. Thirdly, there needs to be a decisive and painful write down of assets in the banking system; bad debts must be purged from the system, and the bankers who presided over these failures need to be replaced.

As with Asia in the 1990s, adherence to the principles of economic openness is the only long-term solution to catastrophic failures born in the financial system. These are difficult times. The global economy faces its sternest test since the 1970s, and possibly since the 1930s. But the levers of economic policy are now better understood. There will be a swing in the regulatory system, and probably an overreaction. But a rebirth of dirigisme or state control would be neither likely nor desirable.

Rocky moments in history

1720 The 'South Sea' bubble bursts, sparking massive panic and a major financial crash in the City of London.

1873 – 1896 The collapse of the Vienna Stock Exchange caused a depression that spread throughout the world.

1918 – 1921 Severe hyperinflation in Europe was caused by the ending of the Great War, and hence wartime production. There were also problems caused by the influx of labour from returning troops.

1929 – 1939 In the Great Depression, stock markets crashed worldwide and sparked a global downturn. The US witnessed a banking collapse.

1973 – 1975 A quadrupling of oil prices by the Organization of Petroleum Exporting Countries led to an economic crisis, coupled with stagflation.

1987 Shocking borrowing figures in the US brought a crash on Wall Street, which subsequently hit major stock markets around the world.

1991 A recession in Japan rocked property markets and halted country's once astronomical growth.

1992 Black Wednesday occurred when the UK was forced out from the European Exchange Rate Mechanism, and the government failed to prevent a devaluation of the pound.

2001 – 2002 These years saw the bursting of the dotcom bubble, along with the 9/11 attacks on the World Trade Center. There were also a number of accounting scandals, including a major fraud at Enron, which led to the collapse of Andersen.

HUMILIATION OF ORTHODOX ECONOMICS

Arguably the single most telling utterance of this global economic crisis is "shocked disbelief". The phrase is Alan Greenspan's. As the man who once seemed to personify our modern-day understanding of the capitalist economy, Greenspan settled upon those words to describe his mental state as he watched that economy calamitously unravel. Many economists are in shocked disbelief, even if not all of them admit it. Orthodox economics has been humiliated.

Families bought houses they could not pay for, often with drastic consequences. Consumers, egged on by cheap credit, made purchases they would later regret. Sophisticated financial minds hopelessly miscalculated the value of assets. Top investment banks took ruinous commercial decisions. These mistakes were replicated and repeated. Orthodox economics, meanwhile, says economic agents take independent, rational decisions that maximize their own self-interest!

Shocks have the capacity to change beliefs irrevocably and we should hope this one does exactly that. For orthodox economics has acted like a vice on the mind of our political elite. For several decades, the assumption that people behave as rational, self-interested individuals spread and embedded itself in all manners of policies. It became the accepted basis of much consumer and competition policy; a driving force of public service reforms and privatizations; the excuse for skyrocketing executive salaries; a core belief behind the 'flexible' labour market mantra; a conservative influence on taxes, environmental policy and the regulation of business activity.

> ***"Shocks have the capacity to change beliefs irrevocably and we should hope this one does exactly that"***

Textbook economics installed itself in our political operating system. The economic crisis may well be the moment when we finally recognize and decide that our global economic system is overdue for an update.

For economics, the present crisis has shown the old ideas to be scarily unsound and simultaneously provided credibility to new approaches that seem to give a better account of what has occurred. Some of the smartest and most ambitious politicians, Barack Obama included, are hungry for new economic ideas to replace now unpalatable old ones. They are latching on to behavioural economics.

Behavioural economists, like the rest of the profession, did not foresee the scale and severity of the crisis. As a professional accountant, I possessed no alternative model of the economy that began flashing a red alert in 2004. But I do not share Alan Greenspan's feelings of shocked disbelief. By studying real economic behaviour, I have come to believe that markets do not work in the efficient way that the textbooks assert. So when events make that painfully apparent, I am neither shocked nor disbelieving. Knowledge of people's economic instincts helps to understand how this crisis happened.

There are now hundreds of studies showing that people are prone to systematic biases when making economic decisions. They frequently fail to take the option that is apparently most beneficial to themselves. Examples include valuing the same object more highly when it belongs to them, getting disproportionately influenced by the first suggestion they encounter and being very sensitive to seemingly irrelevant contextual details. These biases and mistakes appear to be very deep. They are most likely to crop up when there is doubt about the value of what is being traded, which was probably the norm for economic activity throughout most of human evolution.

One such bias is that when individuals try to decide what something is worth, they tend towards the valuations of everyone else. Marketing professionals know this well, which is why they prize 'testimonial' adverts in which real consumers talk about mundane household products like they have just fallen in love for the first time. It seems almost bizarre to think that supposedly sophisticated traders in the world's largest financial institutions could fall prey to such simple human frailty, but they did. Once some traders enthusiastically led the way in buying up innovative and complicated mortgage-backed securities, the herd followed. More and more bright, numerate financial professionals started buying what appeared, back then, to be financial hot cakes, but what we now refer to as toxic assets.

To a behavioural economist, the cleverest financial professionals in the world behaving as irrationally as consumers hearing stories about the brilliance of the latest washing powder, is not a surprise. Clever people are still instinctively human.

Behavoiural economists are also inclined to distinguish between 'risk' and 'uncertainty', because experiments show that people instinctively react differently to each. The distinction is that when facing risk, you know the odds you are up against, but when facing uncertainty, you do not. A risk is playing roulette; uncertainty is playing roulette without knowing how many red and black numbers are on the wheel. In the build up to the crisis, traders relied on increasingly sophisticated risk management models, which balanced risk across different assets in a mathematically sound manner, but started from the assumption that accurate probabilities could be assigned to returns on each asset. In truth, the probabilities were incalculable. Historical patterns permitted an educated guess, but that was all. This hubris, the belief that the risk models were accurate representations of an uncertain world, was a big factor in the subsequent collapse of these firms of international pedigree (e.g. the collapse of Lehman Brothers on September 15, 2008).

Interestingly, once it became apparent that the calculations of default probabilities were hopeless, perceptions changed. Nobody knew which firms were holding the most toxic assets. Traders suddenly decided that the task of calculating the odds of default for their fellow banks was impossible. Having perceived lending money to poor people to buy houses as a manageable risk, the markets stopped lending to the biggest financial institutions on the world, because they perceived uncertainty. This behaviour is utterly irrational, but quite understandable if you know how people typically perceive and react to risk and uncertainty.

> ***"Hundred of studies show that people are prone to systematic biases when making economic decisions"***

Behavioural economics therefore offers an account of the behaviour of financial market traders that illuminates the cause of the crisis. It also has much to say about the contribution to the crisis of consumers and house buyers.

UNDERSTANDING THE 'TRUST GAME' CONCEPT

There have actually been more than 40 house price bubbles across the OECD countries over the past 50 years. The economic instincts that cause bubbles are quite well understood. Countless studies show that people value the immediate future too highly, and that they are excessively influenced by the most recent trends.

There are many, many more findings that help us to understand why things frequently do not work out as orthodox economics says they should. For instance, after years of policy prioritizing consumer choice and information, behavioural economists have shown that people actually take worse decisions if they have too much choice and information.

Behavioural economists have also shown that lump sum payments are more likely to be saved, while instalments spread more evenly over time are more likely to be spent. The economic climate is so receptive to new thinking that some radical interventionist solutions, unthinkable just two years ago, are being discussed. One idea is to use our bias towards default options to try to prevent credit bubbles. Every company offering mortgages or credit card would be required to offer a standardized default product, clearly identifiable as such, in addition to any more innovative offerings.

Following the work of Richard Thaler and Cass Sunstein, these kind of policy interventions, in which no options are closed off to people, but certain options are presented more favourably, have become known as 'nudges'. In more academic writing, the somewhat less catchy phrase is 'libertarian paternalism'. The idea is that the state does not tell you what you can or cannot do, but rather nudges you in the direction it thinks is best for you, while ultimately leaving you to decide. A whole new policy jargon is emerging, with reference to 'asymmetric choice architecture' and the like.

If the impact of behavioural economics turns out to be not more than a series of polite nudges from the government, then my claim of a revolution in economic thought falls. But, in my view, while nudges may prove very helpful, the notion is but a staging post in an ongoing journey of economic thought. Behavioural economics shows not only that our economic decision-making is apparently irrational, but that it is powerfully influenced by other people. Many of the nudges work not because they suddenly illuminate the rational option, but because they provide information about how our fellow citizens behave in the same situation.

Successful economic transactions are underpinned by mutual trust, cooperation and a sense of fairness. Societies in which transactions work most efficiently are those in which these social forces are strongest.

This may sound like common sense, but it is scientifically revelatory. Since Adam Smith, economists have taught that an economic agent who, as Smith put it, "intends only his own gain" is "led by an invisible hand" to produce what "may be of greatest value". But it is a logical error to confuse the notion that trade between self-interested individuals may nevertheless be socially beneficial, with the claim that trade is most beneficial when conducted between self-interested individuals. What behavioural economics is showing is that the most beneficial trade may occur between mutually supportive and trusting individuals. Suspecting as much, the late American economist, Arthur Okun, rather brilliantly coined the phrase the 'invisible handshake'.

Returning to the current crisis, it is not hard to relate these findings to the unsuccessful transactions between lender and borrowers that have produced such dire consequences. The financial services industry, awash with money from years of continuous growth, became greedy. Selling families mortgages that anyone with a financial training can see they would be better off without, undermines trust between buyer and seller. It destabilizes the economic atom. Little wonder that so many people, on both sides, now regret that such transactions ever took place. It will take time to re-establish that trust and the associated loss of market efficiency will be with us for years. Orthodox economics is not only humiliated by current events, but refuted by current science.

IMPACT OF THE NEW SCIENCE ON CONSUMER POLICY

Governments are opting to go Keynesian, borrowing and pumping money into the economy to raise demand, but we know that doesn't always work either. There are many other policy areas where behavioural thinking can overturn economic orthodoxy. One associated area is the inflation target. Because it is reductions in nominal wages that are perceived as reneging on the deal, a little inflation actually gives companies more flexibility on real wages, which is what affects their profitability. Would a somewhat higher inflation target therefore be good for employment?

> ***"The implications of behavioural economics are presently dawning on consumer agencies. Enlightenment has begun"***

By offering a more sophisticated view of the transaction, behavioural economics also suggests radical new takes on: how organizational pay schemes affect productivity; why globalised transactions across great distances are likely to be less efficient; why profitable companies still appear to discriminate against minorities; and why market mechanisms fails to price environmentally preferable solutions highly enough. As our understanding of the economic atom changes, so does our understanding of every market, because all markets consist of transactions.

The ultimate impact of this new science on consumer policy is therefore likely to be particularly dramatic. The old model dictated that policy should merely ensure that consumers were adequately informed about products and prices – the market would look after the rest. We now know this to be wrong.

Behavioural economics is a revealing phenomena that bias consumer decisions can be exploited by marketing techniques, making everyday markets less efficient; potentially very much so. This knowledge justifies much greater consumer protection. There is a strong case for stricter regulation and for taxes on marketing activities. These implications of behavioural economics are presently dawning on consumer agencies in Europe and America; enlightenment has begun.

The almost two decades of steady economic growth that preceded this crisis were not a period when such radical ideas received much airplay. Even the present turmoil may not be sufficient to sweep away the old thinking and the vested interests that benefit from it. But things really have changed. Back in 1998, one of the pioneers of behavioural economics, Berkeley's Matthew Rabin, wrote in a leading journal that the attitude of some economist colleagues towards his sub-disciplines was one of "aggressive uncuriosity" – a phrase that has stayed with monetarist, which tend to spread the word about the importance of behavioural economics for consumer policy, and where our sub-discipline was swimming in the influential mainstream.

A NEW FINANCIAL SCOURGE – SUBPRIME MORTAGE

The most common type of subprime mortgage in the US is the 2/28 loan, which comes with a low, fixed-interest rate for the first two years and a much higher, adjustable rate for the next 28. In other words, the loan works a lot like a credit card: it lets people get a home for virtually nothing up front, but then hits the borrower with high interest payments at some point in the distant future. By the time the housing market went bust in the summer of 2007, subprime loans like the 2/28 accounted for almost 20% of all mortgages. (Poorer neighbourhoods in the US fared much worse, with more than 60% of all mortgages falling into the subprime category).

Unfortunately, this popularity comes with a steep cost. The structure of the loan ensures that subprime borrowers are five times more likely to default than other borrowers. Once the rates start to rise – and they always do – many people can no longer afford the monthly mortgage payment. By the end of 2007, a whopping 93% of completed foreclosures in USA involved adjustable rate loans that had recently been adjusted. While 2/28 loans tempt consumers with low initial payments, that temptation turns out to be extremely expensive. In fact, subprime loans even proved tempting for people with credit scores that qualified them for conventional loans with far better financial terms. During the peak of the housing boom in the US, 55% of all 2/28 mortgages were sold to homeowners who could have got prime mortgages.

> ***"Even when we are committed to our long-term goals, like saving for retirement, we are led astray by momentary temptation"***

FALLOUT OF THE GLOBAL CRISIS (FOOD FOR THOUGHT)

(I) HOW OUTRAGEOUS RISKS AND ENDLESS GREED LED TO THE CURRENT RECESSION

Every day the media report grim stories about the economy. The news is about spiking unemployment statistics; an unstable, weakening stock market; and rampant fraud.

Many people are now saving their spare change instead of spending it, and some are desperate to find new jobs. Meanwhile, economists venture to explain the causes of this latest recession. Could fraud have been partly to blame? News headlines of corporate corruption innuendo certainly seem to suggest it. In my opinion, fraud was more symptomatic of a larger problem: bad business decisions and poor oversight.

Whether businesses are guilty of fraud, people simply do not trust them with their investments anymore. If one were to list all the factors causing our current economic condition, in my opinion, fraud would be a major factor in each one; fraud is like cancer – once it starts, it grows, spreads, and if left untreated, destroys its host. Because of the way mortgages and bonds are securitized, once the cancer of those frauds began spreading throughout the banking, mortgage, and home-building sectors, those frauds affected us the most.

The exuberance in the marketplace to produce volume was so contagious that lenders did not follow what policies they had in place, There were very few regulations and minimal guidelines for lending during the 1980s. The market was good, the economy was growing, and lenders were making loans betting on the market and economy increasing. But those bets did not pay off in the end. That was the whole problem with the subprime fraud for housing. The markets just got insanely high.

When the default rate started to climb in the subprime without compelling economic reasons to do so, Wall Street investors became nervous and the whole thing fell apart. "Things fall apart, the centre cannot hold" (W.B. YEATS: 1919). Understanding the red flags of fraud are imperative to prevention. Training is essential not just in identifying the red flags, but for explaining what they mean and how they should be addressed.

THE SKY IS FALLING!

So it seems mortgage fraud was a leading cause of the subprime crisis, which led to massive foreclosures. Banks and mortgage lenders could not recoup their losses from homeowners who had been bled dry in the subprime meltdown and simply had no money left to give. That, in turn, staunched the once-fluid cash flow into the economy.

Soon, large corporations like Lehman Brothers and Bear Stearns were filing for bankruptcy or selling shares dirt cheap and transferring ownership. Emotions soared and the stock market took a nosedive right into the hardest crash the United States has experienced in nearly 80 years.

The Bereau of Labour Statistic (BLS) in the USA reported that 598,000 American jobs were lost in January 2008 the worst month for job losses in 35 years. Overall, a total of 11.6 million Americans were unemployed in January, and about 3.6 million of those have been unemployed since the recession began in December 2007. Consumer spending has declined in the world's largest economy, which has decreased demand for imports and thrown global markets into deep financial crises.

When the flow of money circulating around the world began to slow severely in late 2008, long-term frauds were left exposed for all to see. This led to high-profile global fraud examinations. The revelations of significant frauds in trusted companies have shattered the public's confidence and trust in the market, fostering a perception of gambling with cheaters and causing investors to wonder why they should play. Consequently, they bail out of the market at the first sign of trouble.

When financial difficulty strikes, businesses tend to cut back on the fundamentals of fraud prevention - internal audits, internal controls, and other checks and balances, with tremendous pressure to maintain a positive image to customers and investors. Executives are forced to make tough decisions. Unfortunately, some will choose to fraudulently alter their financial statements.

> ***More than two decades after the savings and loan crisis of the 1980s, Americans are suffering yet another mortgage debacle. This crisis apparently led to banks and investment firms going belly-up, which eventually led to the stock market crash of October 2008, which then culminated in a worldwide financial downturn.***

Of course, fraud is not all about executives. Employees are also feeling the economic crunch, many of which will take advantage of their employers to improve their own economic situation. The end result is increased fraud during the economic recession.

(ii) WHAT DO ACCOUNTANTS MAKE OF IT ALL?

The problem, of course, began in the US, where demand for cheap home loans resulted in banks lending money to high-risk borrowers. These so-called subprime mortgages were then repackaged by the banks into securities known as collateralized debt obligations and then sold to other financial institutions.

The subprime borrowers began to default on their debts and the banks, unsure of who was nursing heaving losses, stopped lending to one another. The European central bank injected billions into its money markets, but it was not enough to save even the Northern Rock, which relied on the wholesale markets to raise money for loans.

ONGOING UNCERTAINTY

One year on, and the situation is still fraught with uncertainty. So how do accountants and economists - who have to deal with things as they are, not how they would like them - view the situation? How can they help? Andrew Ratcliffe, an audit partner at Pricewater-house-Coopers in UK, says the issue of 'going concern' reviews are now important, not just the financing of the audit client itself.

From an audit point of view, the important things are the valuation of property and the valuation of receivables - fair value accounting conundrum!

(iii) DOWN BUT NOT OUT- SPORADIC COLLAPSE OF CONFIDENCE

> ***The latest financial crisis is nothing new. Despite the general gloom, there are many upsides, such as new businesses replacing tired institutions. There is probably no answer to boom and bust!***

The lesson of the current economic difficulties is that sporadic collapses of public confidence are natural and inevitable. They force investors to recalibrate their appreciation of risk and regulators to catch up with evolutions in markets, hence, revived interest in Schumpeter and Hayman Minsky, two renowned economist who believed in cycles, Schumpeter theorized that long periods of stability, such as the one that ended in 2006, embolden investors to borrow increasingly heavily to pay for assets of progressively declining value. Financial innovation fuels the speculation. Eventually, the overburdened credit system hits a stumbling block and takes a disastrous tumble, an event referred to as 'a Minsky moment'.

This is what happened in the sub-prime housing market in the US in August 2008. The seeds of the crisis, according to many commentators, were sown long before by the relaxed credit policies that the US Federal Reserve chairman, Alan Greenspan, adopted in the wake of the dotcom crash. Lenders doled out mountains of capital to so-called 'ninja' borrowers - those with no incomes, no jobs or assets. Mortgage salesmen motivated by short-term bonuses connived at fraud with some homebuyers and misled others over repayment terms. Lenders were reassured by the fact that they could package up their risks as tradeable securities and sell them on to other investors. These in turn believed the risks of the securities were reasonable because they had been endorsed by credit-rating agencies whose objectivity may have been compromised by a scramble for new business.

> ***"It's as pointless to bemoan the periodic crises that are part of market capitalism as it is to bewail the weather"***

The pattern is an old one. Fertile conditions for financial crises are often created by low inflation, low interest rates, and steep increases in asset prices. When Bertrand

Russell observed that "since Adam and Eve ate the apple, man has never refrained from any folly of which he was capable", the philosopher could easily have been describing financial speculation. Investors have thrown away their cash on everything from tulip bulbs to ostriches.

According to research by Lehman Brothers, there were 11 banking and financial crises in the 18th century. There were 18 in the 19th century, including the collapse of Overend, Gurney & Co, a bank that had invested in the characteristic Victorian industries of shipbuilding and railways. The total rose to 33 in the 20th century, a period within which the 1929 Wall Street Crash and the ensuing Great Depression were key events. The last 30 years, a brief period in the scale of things – has been punctuated by an emerging markets debt crisis, a US junk-bond debacle, the collapse of Japanese financial engineering, a UK commercial property catastrophe and credit routs in Russia, Asia and Scandinavia.

(iv) DROWNING BY NUMBERS

Was the banking crisis caused by an over-reliance on risk models based on inherently unpredictable or unforecastable future events?

Keynes is best remembered today for the economic policies derived from the General Theory, which are widely regarded as the most relevant to the resolution of our current crisis. Another group of Keynesian ideas are central to understanding the origins of the crisis.

Keynes' fellowship dissertation at King's College, Cambridge, was submitted in 1909 but published as *A Treatise on Probability* only in 1921. Keynes defined an approach to risk and uncertainty that put him in opposition to another, younger Cambridge scholar – Frank Ramsey, whose brilliant career was cut short by his death at the age of 26; Keynes and Ramsey each coincidentally, had seconders from the University of Chicago. The Keynesian position was similar to that taken by Frank Knight in a book that appeared in the same year. Jimmie Savage extensively developed Ramsey's ideas.

Ramsey and Savage won the debate. The structure they proposed, which we would now describe as "the theory of subjective expected utility (SEU)", is the basis of virtually all quantitative modeling in financial markets today. That theory assumes that we can describe uncertainty with the aid of attaching probabilities to all possible outcomes, updated as new information becomes available. We value alternative outcomes by multiplying our subjective assessment of their value by these probabilities. Extended at the University of Chicago in the 1950s, this approach paved the way for a systematic study of financial economics. The growth of markets for derivatives – the first exchanges was established in Chicago – was made possible by the development of scientific models for valuing these new constructs. The same approach informs the risk model used in almost all financial institutions. The most widely used template in the banking industry was elaborated by J.P Morgan, which published the details and subsequently hived off a business Risk Metrics, which still promotes it.

These risk models are based on analyses of the volatility of individual assets or asset classes and – crucially – on correlations, the relationships between the behaviour of different assets. Some risks are inversely related – an umbrella shop makes money if it rains and an ice cream stand makes money if it shines. In these situations, individually risky assets can be combined to create a portfolio with low overall risk. This textbook example is too good to be true, but as long as different risks are less than perfectly correlated, the process of aggregation will reduce the overall risk.

The standard assumption of both valuation and risk models is that the dispersion of returns follows the normal distribution, the bell curve that characterizes so many natural and social phenomena. If so, the whole problem can be encapsulated in what is called the variance-co-variance matrix. Fed with such data, a computer can assess any asset distribution and calculate, day by day, the distribution of expected overall gains and losses.

"Financial risk models are only as good as the correspondence between the model and the world"

But models are only as good as the correspondence between the model and the world. The assumption of normal distribution of returns seems to work well in times that are - well, normal. The question however remains as to what of abnormal times? More sophisticated institutions test their own risk models against their own historic experience. That experience is however necessarily drawn from a time when the institution was not experiencing the problems that the models are meant to anticipate.

Keynes and Knight emphasized the uncertainty that arose from the necessarily imperfect nature of human knowledge. The future was not just unknown, but unknowable (unpredictable). Donald Rumsfeld expressed the difference between risk and uncertainty with uncharacteristic clarity. He famously distinguished "known unknowns' (the things we do not know) from "unknown unknowns" (the things we do not know that we do not know). Risk describes the things we do not know; uncertainty describes things we do not know we do not know. The imperfect state of human knowledge means that widespread uncertainty is inescapable.

"The business and financial environment is vulnerable to fundamental uncertainty"

The common mistake is to believe that the uncertainty described by Keynes and Knight can, through diligent research or analytic sophistication, be transformed into the well-defined quantifiable risk that responds to the techniques developed by the successors of Ramsey and Savage. Keynes correctly observed that the only justified answer to many questions about the future is 'We simply do not know'; but no one is rewarded for saying that. Many people in the financial services sector profess knowledge of the future they do not have, and cannot have.

We need probabilities to help us assess risks and narratives to guide us through uncertainties - and the general knowledge and judgment to know how to approach each particular situation. It is that general knowledge and judgment that has been so lacking in the financial follies of the past decade.

(v) THE SOCIAL AND ECONOMIC CONSEQUENCES OF THE GLOBAL FINANCIAL CRISIS ON THE DEVELOPING COUNTRIES AND EMERGING ECONOMIES: A FOCUS ON AFRICA

What began as an American national prime-mortgage lending crisis has quickly spread to Europe and the emerging markets of Asia, South Asia and Latin America. It became transformed into one of the worst global financial crises since the Great depression. The spectre of global recession and the potential contagion impact on the real economy, not only of the industrialized and emerging economies, but also of the developed world, raises questions about the decoupling thesis that was popularized in the aftermath of the financial crisis that hit emerging markets in the 1990s (see Dieter 2003). Although there are a number of credible pointers to the decline of America's global economic hegemony, the now nearly global reach of what was essentially an American financial crisis suggests that America still remains the most powerful economy in the world, and that the performance of the American economy is still the single most-important barometer of the health of the global economy. Against the background of intimate and complex interdependences in our contemporary era, it would seem that the post-Second World War popular adage that says "when America sniffs, the rest of the world catches a cold" is still very valid.

The developing world in general and **Africa** in particular, has always been most hard hit by almost every other global economic crisis that has occurred in recent history, including the global energy and debt **crunch** of the 1970s. Fears are therefore rife that "when America's sniffing causes a cold in the rest of the world, the developing world generally, and **Africa** in particular, risks finding itself in an intensive care unit".

When America Sniffs, the rest of the World catches a cold

However, the current global financial crisis has so far, not had such an immediate impact on the developing countries, including those in **West Africa and Africa as a whole**. This time around, the industrialized economies of the North, particularly America and Europe appear to have borne the greater brunt of the crisis, followed by the emerging economies like China. This notwithstanding, there is consensus that the global South, and **Africa** more specifically, will not escape the wrath of the current global financial squeeze, particularly in the light of the rather fragile economic, social and political realities that prevail in these countries and their continued dependence on the developed economies of the North for development assistance, technology import, and as the main destination for their exports.

GLOBAL ECONOMIC RECESSION: DANGERS OF A KNOCK-ON EFFECT ON AFRICA?

The impact of the global financial crisis and the ensuing economic recession is not uniform across the continent. Rather it has and will affect various African national economies differently, depending on their respective levels of integration into the global economy and position in the international division of labour. The impact of the recession on various segments of the economy also varies, for example between the financial and banking sectors on the one hand, and the real economy on the other. This gives rise to two major perspectives on the impact of the crisis on the continent: the one is that **Africa**'s marginal or/and peripheral position in the global economy appears to have shielded the continent from the disruptive effects of crisis. The second is that, as has been the case in previous global economic down turns, **Africa** is most likely to receive the most serious knock-on from the current crisis and that the thesis of **Africa**'s marginality in the global economy is not wholly true.

The contention that **Africa** stands a reasonable chance of sailing through the global financial crisis, less bruised than the other regions of the world, is premised on the fact that some of the economic weaknesses that have impeded the continent's development in the past, now appear to serve as a useful shield against the full brunt of the crisis. Key among them is what appeared in the past as excessive regulations and conservatism of a majority of African countries' banking systems including rigid controls on foreign exchange and limited foreign ownership of banks. What appeared as a form of counter-productive financial de-linkage from the western global financial system now, paradoxically, stands out as a useful shield of the continent's banking sector from the ongoing global financial turmoil (see the Economist, 2008: 34). This argument suggests that the thesis of **Africa**'s marginality in the global economy is valid as far as the banking sector is concerned. However, while this could be true of a majority of African economies, it is not true for all of them. South **Africa**, one of the global South's emerging markets for example, is an exception to this rule.

While the thesis of **Africa**'s marginality in the global economy appears to hold true with regard to the shielding of its banking sector from the global financial system, South Africa appears an exception. It may not be valid when it comes to the real economy. This explains why, in the medium and long-term, African countries would not expect to be spared by the global economic recessions.

The continent's integration into the global economy is most visible in the areas of its export markets; import of inputs; development assistance, and foreign direct investment, which together, are the conduits through which the global crisis would impact on the continent's economic and social life.

In Africa, the corporate crunch has culminated in growing unemployment brought about by lay-offs thus aggravating the already sufficiently high levels of criminality in Africa. This is further aggravated by the rural-urban migration, particularly of the youth in search of a better life in the cities. Economic contraction and increasing unemployment only adds to the frustration and social dislocation.

'Overall, reduced remittances will exacerbate foreign exchange shortages'

Remittances have fairly recently emerged as an important element in African countries' foreign exchange earnings and as a critical element in its integration into the global economy. For many African countries, such as Senegal, Somaliland, Ethiopia, Liberia, and Sierra Leone, remittances from their citizens in the diaspora are critical in their development efforts and has served as a critical social support mechanism in the backdrop of the failure of the state to meet many of its obligations. The current **credit crunch** and economic recession and the lay-offs it has engendered in the developed countries have implications for this critical source of foreign exchange earnings. Overall, reduced remittances will exacerbate foreign exchange shortages, dampen domestic growth prospects through reduced consumption, and heighten pressures on government revenue (Draper, 2008: 47).

Securing **credit**/loans, particularly micro-**credit**, for small and medium sized enterprises has always been a challenge in most African countries. The global **credit crunch** is most likely to complicate conditions and procedures for securing bank loans in the continent, further complicating matters for small and medium sized enterprises (SMEs).

To be continued in **PART II**

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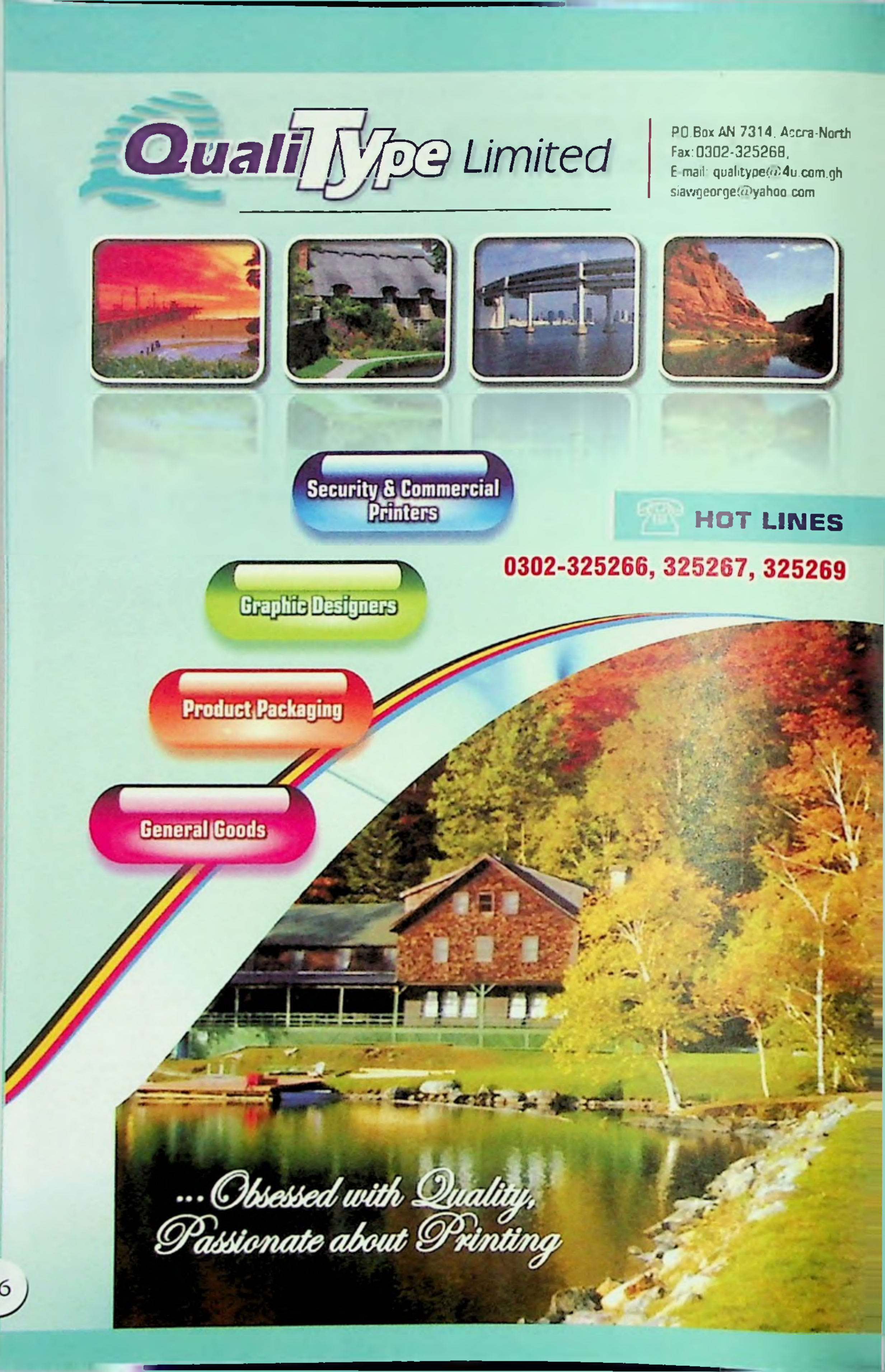
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THE PROSPERITY GOSPEL IN GHANA AND THE PRIMAL IMAGINATION

| *Rev. Dr. Emmanuel K. Anim* |

Abstract

This paper makes the assertion that despite the significant influence of American neo-pentecostalism in shaping prosperity theology in the charismatic churches in Ghana, it is crucial to note that the primal aspirations of prosperity also continue to play a significant role. Second, the thriving prosperity teaching in the charismatic ministries is largely due to the fact that the charismatics have tapped into fertile ground already nurtured by the traditional concept of prosperity, which is to be understood in terms of wealth, longevity and fertility or procreativity. In the African cosmology, the belief and pursuit of prosperity is paramount. Africans do not 'honour' or accept suffering or poverty, it is a battle they have always sought to fight, and the belief in the gods is primarily to ensure prosperity and well-being. Thus the influence of American-type prosperity teaching only served as a catalyst and also reinforced what was already prevailing in the matrix of the primal world-view.

The focus of this prayer is centred on material prosperity, fertility (procreation) and long life (health), which cannot come about without the blessing of the divinities. Harmony with the divinities therefore becomes a prerequisite not only for physical and spiritual protection from evil forces but also for the enjoyment of good health, fertility and longevity.

Introduction

This reflection makes the assertion that despite the significant influence of American neo-pentecostalism in shaping prosperity teaching in the charismatic churches in Ghana, it is important to note that the primal aspirations of prosperity also continue to play a significant role in the shaping of prosperity theology in Ghana. The thriving prosperity teaching in the charismatic ministries is largely due to the fact that the charismatics have tapped into fertile ground already nurtured by the traditional concept of prosperity, which is to be understood in terms of wealth, longevity, and fertility or procreativity. In African cosmology, the belief in and pursuit of prosperity is paramount. Africans do not 'honour' or accept suffering or poverty. It is a battle they have always sought to fight. The belief in the gods is primarily to ensure prosperity and well-being. The influence of American-type prosperity teaching only served as a catalyst and also reinforced what was already prevailing in the matrix of the primal world-view. Thus local primal considerations offer important perspective in interpreting contemporary African Christianity.

Prosperity Gospel, or the Gospel of Prosperity, has traditionally been associated with American neo-pentecostalism. The

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chief proponents include Kenneth Hagin, Fred Price, Kenneth and Gloria Copeland, John Avanzini, Charles Capps and Benny Hinn. The Prosperity Gospel is significantly influenced by the teachings of E.W. Kenyon, Norman Vincent Peale and Robert Schuller. Various terminologies have been used to describe prosperity teaching such as "Abundant Life", "Faith Message", "Faith Gospel", "The Gospel of Health and Wealth", and "Theology of Success", amongst others. Prosperity Gospel has received mixed responses from both Evangelical leaders and scholars.

The impact of the Prosperity Gospel in contemporary African Christianity has been noted by scholars and it has often been associated with the development of new charismatic movements. Although prosperity teaching in Ghana is best understood in the context of the new charismatic ministries or churches, the churches themselves are not the products of the American-type Prosperity Gospel; it is rather the result of an evangelical renewal movement the nation experienced in the late 1960s through to the early 1970s. This absorbed the thinking of American-type Prosperity Gospel. Thus, although the charismatic movements in Ghana had developed locally, their theology has been significantly influenced by the American-type Prosperity Gospel and more importantly, by other local factors such as the primal imagination and socio-economic conditions. One could establish at least three major charismatic expressions in Ghana at the moment: the Word of Faith Charismatic Churches, the Deliverance Charismatic Churches, and the Prophetic Charismatic or Super-charismatic Churches. Each espouses prosperity teaching to different degrees. Characteristic of the theology of the Word of Faith charismatic expression is faith and the use of talents, whilst the 'Word of Knowledge', the understanding of destiny and belief in the role of the divinities in the daily ordering of life constitute a central theme in the theology of the Deliverance and Prophetic charismatic expressions.

The incorporation of deliverance thinking into prosperity teaching in Ghana suggests to us that primal religious beliefs still offer perspectives for the faith of the majority of African Christians, an assertion, which also challenges Horton's thesis that the adoption of a High God in African conversion eventually edges out belief in local gods and spiritual entities. Primal beliefs constitute a fundamental paradigm not only in the development of the charismatic churches but also the way in which prosperity theology is reconstructed. Faith and 'giving' alone was not adequate to engineer the necessary prosperity as people sought deliverance.

The Argument

Some have argued that the Prosperity Gospel is more of an American invention than a traditional experience, which has been exported to the continent of Africa. However, like the argument on the origins of Pentecostalism, evidence suggests that although the American factor is indisputable, the concept of prosperity is neither new nor foreign to the Ghanaian culture. Prosperity is a key concept not only for Pentecostal/Charismatics but also for Africans as a whole. Thus Nyamiti observes, "the driving motive for cultic contact with God is mainly the acquisition of earthly benefits and protection from bodily evils". Therefore, Prosperity Theology in the Ghanaian context can be understood not only in terms of external influences, such as the Prosperity Gospel that emanated from the United States of America and Nigeria, but more importantly in terms of the pre-existing thought patterns and values, which also underpin

African traditional religions and cosmology. Here, Gifford makes the observation:

It is obvious that the faith gospel is an American doctrine, devised by the media evangelists in the 1950s and 1960s; yet much of Africa's traditional religion is concerned with fertility, health and plenty.

The reference to primal aspirations has, therefore, made the Deliverance and the Prophetic Charismatic Churches appeal to a cross section of the Ghanaian society. In asserting this claim, I have sought to use African linguistic and cultural categories, such as popular Akan proverbs, songs and prayers as a springboard to illustrate my argument. In examining the concept of prosperity in the Ghanaian tradition, it is essential that one understands some of the underlying religious beliefs and value systems, which govern the Akan culture. This will be done by looking at the Akan worldview.

The Akan Worldview

The importance of a traditional cosmology or worldview in understanding contemporary religious phenomena has been noted by theologians, missiologists, and anthropologists. Kraft defines worldview as...."the culturally patterned basic understanding (e.g. assumptions, presuppositions, beliefs, etc.) of reality by which the members of a society organise and live their lives". The Akan worldview expresses life in two worlds - the visible and the invisible but the two remain in constant interaction.

Human beings, plants and animals inhabit the visible world, whereas the invisible or spirit world is inhabited by Onyame (God), nananom nsamanfo (the ancestors) and abosom (the gods). Onyame, who is the supreme source of all life and chief of the spirit-world is generally approached through his agents or messengers, abosom (gods). The gods are thought to have been created by God, and constitute a pantheon of divinities through which God manifests Himself. The spirits have responsibility to bring peace and prosperity by protecting crops and domestic animals against enemies. Thus Hackett observes:

In traditional, pre-colonial societies, it was common for people to associate the deities with prosperity [...] it was believed that a harmonious relationship with the spiritual forces was necessary to ensure good health, long life and prosperity and to ensure that one's destiny was not altered for the worse.

Similarly, Bediako has noted that traditional beliefs suggest, ... "the well being of the society depends upon maintaining good relations with the ancestors on whom the living depend for help and protection..." These observations point to the conclusion that religious considerations not only dominate the ordering of daily life among Ghanaians, but also that their shared religious beliefs constitute the fundamental basis of their sense of social identity, values and destiny.

The Akan and Prosperity

There is an Akan saying that, "There is no one who does not like to eat salt"; in other words everybody wants to prosper. All Akan people see themselves as Onyame mma (God's children). Onyame (God) is understood to be Obaatanpa (good parent), who is involved in the daily affairs of his people by providing for their needs. Thus, He is Toturobonsu (The Source and Giver of rain), providing his people with rain and sunshine, which are essential for their livelihood. McCaskie has rightly observed that the name Onyame comprises two words: 'onya', to get, to achieve and 'mee', to be full up, satisfied, or complete. It implies plenitude or a fulfilled state. It is believed that Onyame Obaatanpa, also known as Odomakoma (God of grace), has made available every good thing for the well-being of His children. To be Onyame ba (God's child) suggests that one has the fullness of life and is in a state of plenitude. Therefore, if things are not going as expected, there must be some reason(s) for it, and this is usually taken to mean a particular evil spirit or influence might have been engineered by a relative who might be jealous or envious of the one attacked.

In some cases, misfortunes may also be explained as consequences of a breach of customary regulation. Here, we have the proverb: "Se wotwe ahoma na emba a na biribi de mu" (if you pull a rope and it does not come through, it means there is something holding it at the other end). In an attempt to provide explanations for misfortune and assurances of peace, security and prosperity, anti-witchcraft shrines such as Aberewa, Tongo, Senyakupo, Kwasi Kurkuro, Kune and others were noted to have swept across the Gold Coast from the early part of the 1900s.

Although most of these cultic shrines have become less popular with the passing of years, partly due to their lack of modernisation, new ones of similar nature continue to spring up. At the same time the Spiritual churches (Sunsum sore) such as The Twelve Apostles, Aladura, Cherubim and Seraphim, and Musama Disco Christo Church (MDCC) tended to offer a Christian alternative. In recent times, it is the Deliverance and Prophetic ministries which are the big winners in the prosperity supermarket as their modern approach to dealing with prosperity and well-being attracts a wider following.

Another Akan saying is: "Sika nye aboa, sika na mogya" (money is not a beast or animal, money begets blood [life]). The notion of this saying is captured in a song by Pat Thomas, which has been adopted and is played by the National Weekly Lotto before the winning numbers are drawn. Also synonymous with sika (money) is ahonya (wealth), and its importance is noted by Ackah when he maintains:

A person desires to acquire wealth (ahonya) because it is extremely valuable and guarantees protection against hunger, cold and other privations. Knowing that "ahonya" prevents need is a wonderful feeling and makes its acquisition desirable.

However, unlike in North America and other parts of the West where prosperity is mainly focused on the individual, the Akan concept of prosperity largely focuses on the community or family (clan) and is based on kinship survival, as wealth is considered a common good that must be shared by the community or clan. Thus, prosperity in traditional Akan, is based on the idea of the person reaching beyond himself for the interests of others: "wopere wo man na woanya a wopere wo kurow; wopere wo kurow na woanya a, wopere wo fi; wo perewo fi nso na woanya a, wopere wo nkoara wo ti" (if you strive for your nation without success, strive for your town; if you strive for your town without success, strive for your family; if you strive for your family without success, then strive for your own head)."

In Akan ontology, poverty is regarded as a curse and a disgrace (ohia ye animguase). The extent to which the Akan perceive the seriousness of poverty is expressed in the proverb: obi bo wo dua se, "ma onwu!" a enyeyaw se ose "ma ohia nka no!" (if someone curses you saying, "let this person die!" he is not doing you as much harm as he would if he were to say: "let poverty lay hold on this person!"). The poor person has no friends and could be left destitute: *ohiani nni yonko*. It is also said that, "it is poverty that turned an Akan person into an animal": *ohia na emaa okanni ye aboa*. Thus, people would do all they could to escape poverty of any kind or form. In post-colonial days, young men were noted to have pooled resources together and bought powerful *suman* (talisman) which were "intended to bring prosperity and which people copied and sold at will."

Whereas prosperity teaching as experienced by American neo-pentecostalism may require that the individual has 'faith in faith' and also employs positive thinking and positive confession in order to engineer prosperity, the primal imagination requires that the individual has faith in the prophet or healer. The efficacy of the prophet or healer is judged by how successful he or she is in mediating success and prosperity on behalf of his/her client. As a result, the failure to experience prosperity or blessing amongst traditional healing communities or shrines is not seen as the lack of faith on the part of the client but rather the lack of potency on the part of the spiritual leader. This may in part underscore Gifford's observation:

It is possible to view the rise of deliverance theology as a response to, or mutation, in the face of the shortfall of faith preaching. Faith did not bring about all that was promised. Deliverance still allows the emphasis on success, as long as something more than faith is added.

The Deliverance and Prophetic Churches do not emphasise faith as much as dealing with the spiritual entities that are believed to militate against one's prosperity. Thus, whereas the exercise of faith may be a defining factor in the Word of Faith charismatic churches, manifestations of divine powers (such as prophecy, exorcism, and the Word of Knowledge) characterise the Deliverance and Prophetic charismatic churches. All are directed at diagnosing and solving people's problems in order to bring them prosperity and success in life.

Prosperity understood in terms of Wealth, Long-life and Fertility or Procreativity

John Pobee, an eminent Ghanaian theologian has observed, in traditional Akan society that well-being [prosperity] is outlined in the *nsare-nson*, seven graces for which he prays regularly:

Nkwa, which embraces (life, vitality, good health, longevity); *adom*, God's gifts of food, life, any favour that the spirit world may shower on the living; *asomdwee*, peace of self, (body and spirit), the family, the clan and human kind; *abawotum*, procreativity, potency, fertility of individuals as of clan...; *anihutum*, good and powerful eyesight and perception; *asotatum*, good hearing power; and *amandoree*, rainfall on the tribe as well as the increase and general prosperity of the family; clan and tribe.

Thus, in the popular Akan worldview, prosperity and well-being is not regarded as merely material possession but is also fullness of life and peace. Prosperity in Akan epistemology can therefore be said to embrace three main components: wealth, health and fertility or procreativity. The three concepts are usually illustrated in proverbs and their impact cannot be underestimated. The Akan see health and longevity as an important material possession: *nkwa tenten nti na Odomankoma boo yare no, oboo aduro nsu kaa ho* (it is because of long life that the Creator created medicine when He created diseases). But fertility or procreation occupies the prime locus in the African concept of prosperity. Opoku has rightly noted, "children are highly valued by the Akan. In spite of all the changes introduced into Akan society by modernity, procreation remains the aim of marriage, for without offspring, marriage is incomplete." Opoku's assertion is sustained by Pobee, who maintains that "childlessness is a disaster in so far as it means the dying out of family and incompleteness." Thus, unlike in the West, wealthy persons in Africa are still considered poor if they have no children of their own, here the Akans have the saying: *enye sika nko ne ohia* (poverty is not only the lack of money). Childlessness as ohia (poverty) is considered a curse and humiliation. It is therefore a common feature in traditional African prayers to ask God not only for wealth, good health or long life but also for children as the following prayer on the occasion of a Yam festival of the people of Aburi illustrates:

> Oh Tweaduampon Kwame,
> Toturobonsu, the rain-maker,
> Amaowia- the giver of sunshine,
> Receive drink,
> Yaa, the Earth goddess,
> Receive drink...
> When I call one of you
> I have called all
> Ye departed spirit of the seven Akan clans.
> Receive drink
> Today is your lustral day
> I have brought you sheep, drink
> And new yam.
> Receive these and visit us
> This new year with a good harvest,
> wealth and prosperity, fertility and long life,
> Peace and fame and rain and sunshine
> At the appropriate times
> If ever we are called upon
> To share three things with any other nation
> Let us have two
> Let the evil one that plans evil for us
> Receive evil in return

Property and Ownership in Akan and the Nuisance of Wealth Accumulation.

Most significant to our understanding of prosperity in the Ghanaian context is the Akan attitude to property and ownership. Foster has pointed out in "The Image of the Limited Good", that in peasant societies, wealth is considered a common good that must be shared. To accumulate wealth however is to deprive someone else of his share of the common good. Therefore, conspicuous or hedonistic consumption attracts not only the envy, but also "the suspicion, the enmity, the gossip, the character assassination and perhaps the witchcraft and physical attack of his fellows."

Parish and others have observed in their studies in Ghana that "far from disappearing in the face of post-colonial developments, accusations of witchcraft may provide the medium for exploring a critique of new forms of economic individualism." In Ghana, rich and successful people are sometimes accused of having gone for *sika duro* (money medicine). This is normally taken to mean, exchanging the blood [life] of a family member or relative for potential riches. This accusation of witchcraft is often asserted when there is a tragic death of a close family member or offspring, or any chronic and unexplained sickness in the family.

For fear of character assassination and a diabolic attack on their lives and that of their families, people usually conceal their economic fortunes or wealth. The fear of witchcraft attack therefore becomes a 'traditional barrier' to accumulation of wealth and hedonistic consumption. However, although economic individualism is usually greeted with suspicion, human and supernatural agents from outside the system are acceptable explanations for one's fortune. For example, the wealth of a person can be explained by the finding of buried treasure, making of a pact with the devil, or winning on the lottery. In Ghana, working for wages in the cities or the diaspora is also regarded as tapping outside wealth and other desirable forms of good.

Since the "good" is known to have come from beyond the systems' boundaries, it is acknowledged as not being at the expense of others, it is "safe" and can therefore be displayed."

Breaking the Traditional Barriers: The Charismatics and the Prosperity Gospel, Towards the Global Process?

Prosperity teaching in the Charismatic Churches in Ghana has sought not only to engender belief in the Supreme Being but also to demonize the divinities and denounce the limits they impose on social change such as economic individualism and conspicuous consumption. In the process, the Charismatic Churches, through their prosperity teachings have provided new avenues for expression and action through their teachings on faith and positive confession.

By depending on resources outside the 'system', adherents of the charismatic faith push beyond the boundaries of the 'limited good', whilst at the same time undermining the cosmic microcosm and its constraints on social change. This process of breaking the traditional plausibility structures tends to produce free modern individuals who create their own destiny through their own choices and reflection and without fear of guilt, character assassination, or economic loss through real or imagined chicanery.

However, the Charismatics' approach to prosperity has its own consequences. In modern-day Ghana, economic individualism is still seen as conflicting with the kinship obligations and values of the family. The clash between the traditional African concept of prosperity and the kind propagated by the Charismatic Churches has resulted, in some cases, in tensions between existing relations in the family system as young Charismatic adherents mount assaults on tradition because they consider it diabolical and at odds with the Christian faith.

Kinship commitments begin to crumble as enthusiastic Charismatics in the urban areas focus their resources and energy on the nuclear family, while other Charismatics are determined to remain single or delay their marriages. The Charismatics are not encouraged to participate in family or communal rituals and festivities, or provide resources for them. Even provision of alcoholic drinks as part of the bride price is discouraged by some Pentecostals-/Charismatics as untenable since the drinks would or may be used for pouring libation on behalf of the couple.

The church becomes the believers' new extended family and the source of their new identity. Such a "complete break with the past" often contributes to the creation of free subjects who are able to embrace certain aspects of modernity. As believers are freed from their kinship commitments as well as other community obligations, which impinge on their financial resources and energy, they are enabled to accumulate 'wealth and other material resources for their own benefit. Thus, the Charismatic Ministries, with their prosperity teaching, have succeeded in creating new economic individualism in Ghanaian communities, which though may pose a threat to existing relations and kinship survival, also offers opportunities to those who can take advantage of a changing economic climate and invest in new business opportunities.

The faith and trust in God, rather than in the divinities as providers, creates a sense of assurance and immunity in the event of real or imagined witchcraft attack. Faith in Jesus, rather than traditional divinities, has also meant that one is able to dispel any fear of ancestral judgement on account of economic individualism or greed at the expense of kinship commitment. For those who still do not get answers for their lack of prosperity despite the application of faith and positive confessions, the traditional religious beliefs still provide the paradigm for understanding or solving the problem of poverty or creation of wealth. The key advocates have been the Deliverance and Prophetic Churches or Ministries.

Conclusion

In many respects, the Charismatic Churches or Ministries, particularly the Deliverance and Prophetic, expressions may be said to be phenomenologically similar to the traditional healing communities or the so-called Spiritual churches, as they all pursue prosperity and well-being in reference to the African *Weltanschauung*. The concept of prosperity as we have tried to show, exists in the context of the primal worldview or cosmology of the Ghanaian people. This has become a *praeparatio evangelica* for the nurture and spread of the Prosperity Gospel. The charismatics have shown elements of discontinuity and innovation with respect to the traditional concept of prosperity by providing new perspectives and avenues for expression and action. The American influence is phenomenal in as far as it served as a catalyst and provided a head-way and legitimacy to what already existed within the domain of the African primal cosmology by making it not only popular with the masses but also desirable.

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ORGANISATIONAL POLITICS
– A HUMAN RESOURCE MANAGEMENT FOCUS

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Abstract

Organizational politics is largely portrayed negatively. In the pursuit of one's career in organizations one cannot avoid playing by the rules of this game. Its presence in every facet of corporate life demands that we give keen attention to the concept of organizational politics. This paper looks at organizational politics from ethical and unethical perspectives; what is the impact of organizational politics on human relations and performance? How does it generally manifest itself in Ghanaian organizations, both public and private? Human resource management activities like recruitment and selection, training and development as well as career progression are a few of an organization's life that politics as an organizational phenomenon affects. Leadership's role in energizing organizational politics in a positive direction is crucial for harmonizing individual and organizational goals.

Key words: Organizational politics, political savvy, Nepotism, connection, paternalism

Introduction

In the pursuit of one's career it is impossible to ignore the role of organizational politics. The tremendous impact that the phenomenon called politics exerts on whether one progresses or not in the career path is unimaginable. At the initial stages of one's work life, where the beginnings of a career can be traced, it is very difficult to distinguish between playing the political game and obeying one's superiors. Mid career fully exposes one to the game. Caution is the word, and tread carefully is the process. Does organizational politics exist? If it does, is it obvious? Is it right? Do you need discernment, maturity or just some knowledge in Human Relations in Organizations to play by it? It will be worth the while not to get too academic but get to evaluate best practices that form the backdrop and an enabler to Organizational performance. Believe it or not corporate politicians aim to influence outcomes. This article seeks to give an overview of organizational politics, the extent to which it affects our work lives, and what it takes to play the political game. It will explore a common feature of today's organization, the implementation of strategic change, within the context of politics. What steps should be taken to tackle the dilemma that organizational politics brings up? Two major human resource activities, recruitment and selection, training and development are conducted within the strong back drop of organizational politics. The paper's focus is on the form of politics that occurs during the conduct of these activities.

Politics from Latin "posee" means 'to do', 'to be able to influence'; to have power is to possess the capacity to control (Hartman, 2002). Politics is defined as the process of gaining and using power. Politics is a fact of life and in organizational circles politics can be mind-boggling and energy sapping (Hartman, 2002). Interestingly, politics is not what one does; it is why one thinks one is doing what one does; and it is said to be critical to career success. In such instances it is described as the network of interactions by which power is acquired, transferred and used. There is no gainsaying that, like money in the economy; politics is a medium of exchange in organizations.

A great deal of studies position organizational politics in the negative light. Cox (2006) opines that it is a major downward influence on staff morale, productivity as well as profitability. Unethical or negative political behavior exists and is sometimes encouraged in organizations. The exhibition of this form of political behavior reveals internal competition for resources and recognition. On the other hand, positive politics, a process of influencing people with a motive of moving the organization forward while recognizing personal interest is constructive; it gets things done and makes the individual and the organization both winners.

Unethical politics leans towards lies, cheating and sometimes breaking the rule to gain and use power. A negative connotation of the term politics is exhibited by people who abuse power. Lussier, (2005) makes an observation on the linkage between politics and principle by quoting Mahatma Gandhi, "Politics without principle is sin". The ramifications of such political behavior can be devastating for the victim. Moral uprightness is essential, for education and qualification alone are not enough to realize one's potential. The result of unethical politics is ineffective human relations; for instance in the work setting achievement of departmental objective is hindered by unhealthy inter departmental politics. Examples of such unethical politics, include but are not exclusive, of the following: peddling untruth about someone, presenting falsehood on curriculum vitae, acquiring a vacant office by scheming to deprive a colleague who badly needs it, and a two-face (hypocritical) person.

On the other hand ethical politics takes the form of persuasion by presenting the truth or facts logically and influencing tactics eg. Ingratiation (the act of giving praise and being friendly to get the person into a good mood prior to making a request).The source of the influence is twofold:

One could use one's personal appeal to make a request from another to enable one meet one's objective based on friendship and loyalty.

One can also wield legitimate influence through inspiring others.

The merits of ethical politics include reciprocal results for both parties in getting their desires met. This mutually desirable benefit leads to the possession of group power and ultimately organizational benefits (good business and good benefits are synonymous).

Unethical politics has inherent demerits. The individual benefits at the expense of the organization, a win-lose situation. On the other hand, the practice of unethical politics by management hurts the individual employees and gives short term benefits to the organization. It leads to retaliation, loss of trust and declining productivity. Unethical politics exudes deviant behavior and is closely linked to stress.

From the foregoing, politics whether ethical or unethical has enormous implications for organizations. For business to thrive, the political undertones within which strategic plans are drawn must be given a closer look. As corporate **entities, organizations** are highly political. It is imperative that these business entities take due cognizance of the place of organizational politics especially, in the event of change which affects the organization as an entity and the individual. It has been widely acknowledged that 'political savvy provides a fruitful strategy for survival in a macro cosmic world of never ending change and chaos'.

How do individuals view the political activity around them? To analyze politics from a perception diagnostics would show a 'political animal' in every individual. The individual perceptual differences and varying perspectives about positive and negative politics determines the outcome of the political activity. Those who do self-interest oriented politics and the victims of the politicking interpret the phenomenon differently. Hartman(2002) quotes Norton Juster : " From here that looks like a bucket of water , but from an ant's point of view, it's a vast ocean; from an elephant's point of view it's just a cool drink; and to a fish, of course it's home." Handling organizational politics from whatever perspective requires skills.

"Wisdom is the principal thing; therefore get wisdom, and with all your getting get understanding" (Bible: King James Version. Proverbs 4:7). That's a verse from the good old book; but for our purposes, in all your "**getting get** political skills," to avoid being hurt by organizational politics. In corporate governance, politics in the **board room,** (the highest governance structure) could be delicate. Why? Motives for offering Board service could range from friendships, potential economic gain, networking, learning and exposure etc. Any of the motives listed must be compatible with the corporate objective.

LITERATURE REVIEW

The Theoretical Context of Organizational Politics

Majority of the theories on organizational politics centre on its impact on the organization and the individual employee. In assessing this impact the focus has been how ethical the practice of organizational politics is. Cavanagh, Moberg & Velasquez (1981) developed ethical models on the "explicit consideration of ethical restraints" to analyze the political uses of power. Their assertion is that there is the political and non political use of power in organizations. Normative ethics is used as a framework to test the ethical use of power. Theories considered in this model include utilitarianism, theories of moral rights and justice.

Utilitarianism advocates the 'greatest happiness principle', when the interest of the larger group is served the action is right (Mill, 1806). Utility is the foundation of morals. Happiness is pleasure and the absence of pain. Pleasure and the freedom from pain are the only things desirable as ends. By deduction therefore utility or happiness is the criterion of right and wrong. If the political action brings happiness to majority then it is ethical.

The theory of justice on the other hand supposes a rule of conduct and a sentiment which sanctions the rule. The rule of conduct is common to all mankind and it is for the common good. Sentiment on the other hand is the desire that punishment may be suffered by those who infringe the rule and violate another's right. A right leads to a valid claim on society to protect the violated person, for the purpose of the general good. Rawls (1958) places emphasis on the equitable distribution of goods and services as justice. He argues that if there is unequal distribution of benefits then it should be so because it would benefit all.

There is arguably a meeting point between justice and social utility. The moral rights principle puts emphasis on the universality of a law. Act as if the maxim of your action were to become through your will a universal law of nature (Kant 1724 -1804).

The Political Use of Power Analysis

The political use of power in organizations is described as the ability to mobilize resources, energy and information on behalf of a preferred goal or strategy. Where there are no conflicts over means or ends, power does not exist (Tushman, 1977). This view was reiterated by Drake (1979) and Pfeiffer (1977) it is only when how to get things done and what is done brings about diverse interest that, the use of power comes to play. Management theory focuses on the value of outcomes rather than on the value of the means by which the outcome is reached. Thus people do not estimate the consequences of the manner in which objectives are realized.

The two fundamental propositions on power bases have been identified as the components of organizations i.e. individuals and coalitions; and protection of interest (Hickson, Hinings, Lee, Scheneck & Pennings1971; Thompson 1967, Allen et al 1979). 'Politics is how interest and influence play out in an institution' (Benjamin Franklin). Protection of interests by individuals and coalitions can be viewed as political when unsanctioned means (outside formal organizational policies and procedures) are used to achieve unsanctioned ends (Mayes and Allen, 1977).

Empirical Literature

Decades of research across many industries and countries have shown that to excel in an organization does not mean the possession of special skills, neither does creating a win-win situation for corporation and employees but Political Savvy is the requirement. The operational definition of political savvy is, ethically building a critical mass of support for an idea you care about (DeLuca,1999). The individual frequently touted comments boarder on the perception of the inseparable nature of organizational politics and negative ethics: "how anyone can increase their success with the right techniques and attitude without sacrificing values/ethics". "You don't have to sell your soul to get ahead".

For a leader, however, to act ethically is a way to increase influence, and turn competitive turf wars into collaborative team work.

The focus of investigations into organizational politics carried out over the period 1974 to 2006 was on the nature, structure, dynamics and personal success attributes related to dealing with politics. The findings categorized members of organizations into three structural groupings, with distinct mindset, behavior and success factors of each group. This framework attests to the need for a more functional view of organizational politics.

Structural Grouping	Mindset	Behavior	Success Factor (Performance & Promotion)
Avoidance	Assumes a rational systems mindset	Low networking Risk avoidance	Low innovation success rate Low leadership success
Positive	Human Systems mindset: • Win-win • Ethical • Organizational focus • Enlightened self interest • Best interest of business • Collaborative	High networking Constant small risking	Higher innovation success rate High leadership success
Negative	Human systems mindset: • Win-lose • Non ethical • Upward focus • Self interest & personal gain • Competitive	Low networking Risk avoidance	Low innovation success rate in performance and promotion. Low leadership success

Other factors considered in the study were personality, interpersonal skills and intelligence. The negative structural grouping uses manipulative skill. The negative group's activities thrive on systemic sources that result in functional sub optimization and high internal competition due to inadequacy of resources. The study also identified that like any other politics, people who can be trusted (positive politics group), do better in organizational politics in the long run. Integrity and strong relations feature prominently in the positive politics structured grouping. This semi neutral group will lean more towards positive politics.

The implication of this review is that organizational politics is evidently a phenomenon no one can ignore in organizations. It is a necessary fact in business. Although it is officially considered dysfunctional in many organizations it is expedient for organizations to acknowledge the dynamics between organizational politics and organizational success in terms of growth, realization of objectives and productivity. There is certainly a qualitative return on investment on organizational politics in the context of ethical conduct.

The point being made is that as social structures, organizations cannot do without people, and humans are political in nature. The level of politicking depends on how much is at stake. One must understand this to be able to thrive and achieve both organizational and individual goals. It is best to take a stance based on one's convictions **when caught in the throes of political dilemma**. Aside this one definitely needs political skills.

We have to influence people in some way. How we do it is determined by the underlying intent and motives of our action. The pressure of ethical and unethical politics vis-a-vis one's 'coping' ability determines to a large extent whether one chooses to walk in the corridors of power or not. Politics at the strategic level in corporate entities is very diplomatic. It involves managing a hybrid of interests that demand acting diplomatically to the extent of compromising one's principles every now and then. Leadership success and effectiveness can be greatly undermined or enhanced thereby. In the context of making business decisions there are both subtle internal and external political demands that cannot be evaluated financially, neither do they make business sense. However, where the forces of unethical politics are greater than the ethical forces leadership must choose where to pitch camp. What steps should be taken to tackle the dilemma that organizational politics brings up?

Given that the lack of the positive role of political fluency has not been rooted firmly in our culture, it would not be far from wrong to say that the missing discipline in management is organizational politics; it would not be out of place to propose the need to actively create political awareness. Organizational politics should be taught as a mainstream management discipline. The Ferris et al (2000) and Hartley (2006) competency framework and curriculum content suggests that to gain political skill an individual must have:

Social Astuteness: The skill needed to effectively interact with other humans at a social level. This includes being able to read people well and take notice of how people are affected by one's behavior.

Organizational Astuteness: The ability to read the organization. How it operates and in what context it exists. Who the key players are, how they are connected, and in a sense, how to predict group reactions. Coupled with this is the skill of being able to build effective group influencing strategies.

Interpersonal influence: The set of skills that enable one to effectively persuade, reason, negotiate at both individual and group levels. To be able to counter other moves, build power, network and build coalitions and consensus.

Engendering Trust: It has been identified that engendering trust is the foundation for authentic and sustainable political skill. To be able to display high levels of integrity, to empathize, self disclose and build enduring relationships with human beings.

It will be worth the while to give a thought as to how much knowledge people have about politics.

The Director Magazine (Holbeche & McCartney, 2002) report that research carried out at Roffey Park Institute in Britain concluded that 45% of respondents assign the source of their power to politics, 49% of the study population asserts that organizational politics is on the increase while 70% have been hurt as a result of such political activities. Its impact on profits has been assessed as negative and causes exit from organizations at both the employee and investor level (Cox, 2006). The immense role politics play requires that organizational changes give due consideration to this factor.

Strategic Change and Politics

Strategic changes affect the basis of the organization existence, its structures, objects, core values and employees among others. The wave of strategic change sweeping across the corporate world is largely focused on people. Change in attitude towards work, work ethics that enhances productivity is therefore paramount. Change management has become one of the organizational practices that has attracted a lot of attention lately. It is worth noting that managing is not only an analytical and planning activity but a political process. It is essential that an understanding of the political systems within an organization precedes evaluation of the change implementation plan. Strategic change, in particular, occurs within a political context. This is exhibited in the following ways:

Manipulation of people through the distribution of organizational resources aims at building power bases, overcoming resistance and ultimately achieving compliance.

The relationship of management with powerful groupings in organizations can have a positive or negative impact on the execution of the corporate plan. The group is seen to be sponsoring or resisting a certain course of action; thereby creating subsystems. Through social alliances and a network of contacts a political process is set in motion.

Organizational subsystems and symbolic mechanisms are issues in change management. The symbols are political tools that preserve and reinforce or questions the status quo. It can be deduced therefore that the exhibition of power by individuals and sub groups advance the course of strategic change.

To put it succinctly Jackall (1988) argues that 'What is right in the corporation is not what is right in a man's home or his church. What is right in the corporation is what the guy above wants from you'. The author of this quote compares corporate entities to a fiefdom in the middle ages, the CEO (the Lord) offers protection, prestige and status to managers (vassals) and serfs (workers) in return for homage (commitment) and service (work). In such a system advancement and promotion result from loyalty, trust, politics and personality as much as, if not more from experience, education ability and actual accomplishments'. Central to a successful change implementation from the foregoing is the management of political agendas. The common denominators that underline loyalty, trust, politics and personality are Human relations and performance.

Impact of Politics on Human Relations and Performance.

Politics is not the easiest subject to discuss but attention to managing politics is long overdue. The impact of Politics in Human Relations and Performance can definitely not be ignored. Human Relations (HR) is defined as interactions among people (Lussier, 2005). Truth is the basis of all human interaction. The goal of Human Relations is to create a win-win situation by satisfying employee needs while ensuring organizational performance. It has been observed that politics is important for performance.

Performance is the level at which an objective is achieved. Heads of Departments cannot achieve set goals all alone but through people. Ethical politics uses the concept of reciprocity positively. If my superior offers good leadership it behoves on me to perform my duty as expected. It involves creating obligations and debts, developing alliances and using them to accomplish objectives. In local parlance "one good turn deserves another". The demand for a good turn is moral. But note that behavior does not always beget like behavior on a one-to-one ratio. It just sets the tone, an ambiance of the stage within which options are offered. The network of alliances (political coalitions) is the tool one needs to meet set targets when required. Through this means all members of the organization have a win-win situation. The goal of human relations is met and ultimately organizational targets.

Unethical politics in the short run achieves the level of performance. In the long run however people lose their trust and performance suffers. The Roffey Park

Institute puts it this way, "company politics appear to be rife with too many people concerned more with politics than performance. Hidden agendas, internal rivalry, people maneuvering for power, blame culture and lack of trust in colleagues and in top level management adds to the burdens caused by change" **(Holbeche, & McCartney 2002).**

From the positive angle people can be made to see effective networking through political actions. It is only then that training, education and information as well as good interpersonal relations can facilitate the pursuit of individual and organizational goals in tandem. Organizational politics does not have to be about hidden agendas, internal rivalry, and blame culture. Lack of trust does not foster good human relations; it hinders effective teamwork and ultimately performance. Positive organizational performance is the fertile ground for competitive advantage. Human resource management can therefore set the ball rolling by shifting the focus from unethical politics to ethical politics through political awareness creation.

WHAT IS THE ROLE OF LEADERSHIP IN ORGANIZATIONAL POLITICS?

Leadership in all forms must make use of power. The central issue in leadership is not whether power is used or not, but how wisely leadership uses it. Leadership even in the hands of the strong, confident, or charismatic is basically relational. Human relations are the reason why there is an attraction between a leader and a follower.

'Leadership is the ability to persuade others to seek defined objectives enthusiastically. It is the human factor which binds a group together and motivates it toward goals. Management activities such as planning, organizing and decision making are dormant cocoons until the leader triggers the power of motivation in people and guides them toward goals' (**Donelly, et al, 1992**).

Holbeche & McCartney (2002) argue that people will deploy political skills and use their power and influence to enhance or protect their interests.

Interestingly those constructive protagonists who use politics to achieve a beneficial outcome for others as well as themselves are more likely to be seen to have strategic influence, or leadership skills. Professor Jean Hartley asserted:

'Political skills cannot be viewed as the domain of the specialist, but as a mainstream element of leadership across all sectors.....if you really want an organization to achieve success in today's complex environment, you cannot afford to turn a blind eye to the political dimension of your business or service'.

Leadership obligation in all facets of organizational politics cannot be overemphasized.

The practice of diplomacy in the corporate environment has been named as the face of organizational politics. Let no offence be taken, the head of an organization cannot help but accede to request from above. The use of power then is determined from 'on high'. In a study on Executive behavior this observation was made:

"Before we made the study, I always thought of a chief executive as the conductor of the orchestra standing aloof on his podium. Now I am in some respects inclined to see him as a puppet in a puppet show with hundreds of people pulling the strings and forcing him to act in one way or the other" [Carlson, 1991].

The Ghanaian Chief Executive Officer (CEO) has a responsibility to respond to numerous strings pulled from different quarters. Request for favors from high officials from powerful subgroups is one such string. Leadership should arm themselves with the knowledge of the benefits of ethical politics and the cost of unethical politics to have success.

The Human Resource Management Focus
Human Resource Management is defined as encompassing those activities designed to coordinate human resource of an organization (Byars/Rue, 1987)
The inevitability of politics in organizational circles is captured aptly in the following words:

"In the sense that ways must be found to create order and direct people, organizations are intrinsically political. They are about authority, power, superior-subordinate relationships and conflicting interests. Viewing organizations as political systems helps in an understanding of day-to-day organizational life, the wheeling and dealing, and pursuit of special interest".
[Mullins, 1993]

Organizational politics portrays itself in diverse forms; however in two functional human resource management activities i.e. recruitment and selection, and training and development, nepotism and paternalism are the obvious forms of organizational politics in both the public and private sector.

The move towards human resource strategies as a competitive advantage tool saw many organizations ranking recruitment and selection as major levers in strategic change. Recruitment seeks and attracts a pool of people from which qualified candidates for job vacancies can be chosen. The selection process on the other hand chooses the individual from the pool of qualified applicants, who can most successfully, perform the job. The objective of recruitment and selection is to acquire requisite skills and qualities in the human resource of the organization. Corporate strategy through good people management ensures that organizational outcomes are thus met.

The mode of making vacancies known in a public sector organization could be the beginning of nepotistic tendencies in the recruitment and selection process. A study conducted in Ghana outlined three main avenues for vacancy announcement. Kyei-Darko, (2009) states that out of the ninety (90) staff interviewed fifty eight (58) got to know of the position when it was advertised, employee referral accounted for thirty-two (32) applicants (friends 10, and family 22).

From this study employee referral gives a high possibility of nepotism. The family members and friends who served as leads would strongly advocate for the employment of their contacts. Ultimately there is the development of cliques in organizations.

Nepotism is the tendency of favoring relatives by selecting them as successful employment candidates. Hillstrom (2007) defines nepotism as a variety of practices related to favoritism...hiring one's own family members as well as advancing under qualified family members based simply on the familial relationship. The causes of nepotism are the need to fulfill familial obligations and take care of one's own. Abudulai, (2006) says nepotism tends to meet the personal ethnic racial or gender preference of the individual who perpetrates it. Four types of nepotism have been identified, namely family nepotism, paired nepotism (where a husband shows the favoritism to the wife) and organizational politics.

According to Laker & Williams (2003) nepotism is one of the least studied and most poorly understood Human Resource practice. It is in most cases classified as unethical organizational politics, seeking to satisfy personal gains to the detriment of the organization. Persons in authority are able to get into the employ of their organization family relations, thereby surrounding themselves with people they can trust, to hold out for them based on blood ties. In their sycophantic posture these new hires "brothers", always give their consent to even the worst of decisions taken by their "sponsors" who "connected" them into the job position. Honest and free communication is nonexistent in the organization. Indiscipline becomes one of the results of such a practice; the boss's protegée remains untouchable. An unhealthy organization climate then breeds. Due to the inadequacy of skill and knowledge by such public sector employees who get into organizational membership through family links, competent staff will have to be employed to ensure successful performance on the job. The organization's manpower is thereby bloated. Redundant staff cannot be laid- off because of the 'home- town orientation'. This sequence of outcomes is the result of nepotism.

The private sector is also not immune to the symptoms of nepotism. There have been occasions in private sector organizations when a Chief Executive officer authorizes the Human Resource Manager to appoint a Higher National Diploma (HND) graduate with two months work experience and no management skills into a senior management position. By all standards the candidate cannot successfully perform in that capacity. In some instances HR Managers have lost their jobs for bringing to the attention of the boss the shortfalls in such a selection. The basis for their termination was the refusal to obey 'lawful' instructions. A panel of interviewers decide on a particular candidate to fill a vacancy, and yet when appointments are made they see that the powers that be have made a 'strategic' choice different from the one selected by consensus on the basis of merit.

Indiscipline, feelings of inequity, incompetence, inequitable reward schemes are a few disadvantages of nepotism so far advanced. Nepotism can bring about white collar crimes; it can perpetuate fraud because relatives who are organizational members cover up for other relatives. Family disagreements, feuds and prejudices are publicized through nepotism.

Contrary to all the negative consequences some studies assign some benefits to the practice of nepotism. Are there two sides to every phenomenon? Laker and Williams (2003) "empirical studies show that family nepotism leads to higher performance, lower employee risk and lower turnover'.

Hillstorm (2007) asserts that in some businesses high performance, stability and long term commitment is a result of nepotism. Lower recruiting and training costs, higher levels of loyalty to leadership has been some of the results of nepotism. The strong commitment is due to the realization of long term personal benefit. Appropriate placement of the newly hired is certain, if nepotism is the mode of recruitment and selection, because the candidate's capabilities and shortcomings are known to the highly positioned relative (Jeffry, 2004. Keeping it in the Family: *Special advantages and disadvantages of hiring friends and relatives small business sound off*).

Another interesting observation is that made by Lynn, (2000) in Lawful Wedded Employees - Entrepreneur, "nepotism as a selection policy promotes a balance between professional and personal life". In such instances nepotism is portrayed as an asset and not a liability. In Ghana some family businesses have been run successfully through this recruitment and selection practice. That does not rule out the fact that others have seen their business decline and their fortunes dwindle.

Training, Development and Paternalism

Training is a learning process that involves the acquisition of skills, concepts, rules, attitudes to increase the performance of employees.

Training and development is required in managing successful businesses. Strategic change implementation as earlier mentioned, brings in its wake change in the nature of jobs and hence assessment of individual capability as well as the identification of the individual's role in the change process. Development is gaining the experience, attitude and skill needed to become or remain an effective manager. Career plans and progress on career paths are essential components of development. The choice of one to participate in a training programme or a management development scheme does cause a brush with organizational politics. Paternalism is a noticeable attitude in the selection of staff for training by supervisors.

Ferris (2000) deliberating on the measurement of political skills concluded "we believe that effective use of political skill will become increasingly important to a manager's career". Albeit the objective of these learning activities is to achieve organizational goals, optimal benefits are not reaped if paternalism interferes with objectivity.

Paternalism describes a situation in which people are protected and their needs satisfied but they do not have any freedom. In the Ghanaian context, paternalism is the situation where persons in authority are encouraged to behave like fathers and uncles 'wofa', oldman 'numoe'. One would ask, is there anything wrong with such titles?

The answer is a "yes" and a "no". No, there is nothing wrong with the use of such terms in the work place, because superiors are often elderly people and good interpersonal relations do require that people show respect by using such titles for superiors. Yes, because nepotism creates a situation where blood relations, nephews and nieces are organizational members who place emphasis on family ties rather than corporate titles to their advantage. These uncles and, fathers' real or apparent become autocratic powers patronizing staff. To get in to the top man's good books, you have to kowtow, proffer no contrary view to his decisions, pay homage by passing by his/her office to fraternize etc. in return for nomination for training programs, conferences abroad, vehicle or bungalow allocation. Although there are rules and regulations that govern these privileges, room is made for discretionary use of power. Promotion, career progress and sponsorship for management development programs are then closely tied to playing the political game 'wisely'. Opportunistic tendencies thrive, one gains unfair advantage because of family ties, and not professional requirements.

In some private sector organizations performance appraisal exercises are occasions to display paternalistic tendencies. One has a mentor who pushes for the advancement of the one being mentored by 'hook or crook'. This protegé is tagged a 'high flyer', 'high potential' etc and this category of employee has his career fast-tracked. He is put on international assignment, given a wide exposure and generally pushed into the big circles where the political clout is exhibited. One without such a mentor stagnates and is not even given the opportunity to prove himself.

The solution to these negative tendencies is for the top hierarchy in organizations to lead and manage on the principles of equity and fairness. One would not be far from wrong to view nepotism and paternalism as a negation of the merit and equal opportunity principle which does not advance corporate goals.

It is also expedient to point out that politics and influence are not the same. But there is surely a clear correlation between those who have the most comprehensive network and those who are adjudged the most effective.

Conclusion

This article has presented Organizational Politics as a factor in organizational performance. A closer look needs to be taken at the impact of ethical politics on performance and human relations as competitive strategy. Organizational politics certainly has benefits, and the realization of the benefits of the practice of organizational politics lies with both individual employees and leadership. A human resource management focus, reviews nepotism and paternalism as forms of organizational politics that demands attention. The individual employee therefore assesses the tide of political stakes in their environment; and determines how well they can maneuver the tide. Individuals should however accept that to have political will, in the corporate world, is a must not a choice. It is equally a necessity to acquire political skills to survive and a requirement for a fulfilling work life. Although subtle, as organizational members, we exhibit or respond to politics. Eschewing unethical politics is a way to commit the workforce and ensure the long term success of organizations. The good, the bad and the ugly of the phenomenon named Organizational Politics makes it an attractive focal topic for our time. It is recommended that Human Resource Management practitioners champion organizational politics in a positive direction. Some consideration must be given to studying organizational politics as a mainstream discipline. The acquisition of political savvy is highly recommended to anyone interested in sustained advancement in a business career.

Effective leadership, exhibiting political skills, can get a consensus that transcends impossible personality barriers thereby ensuring achievement of set performance standards.

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Students' Corner

CREDIT CARD FRAUD PREVENTION

Godwin Ntow Danso & Winfred Yaokumah

Abstract

Advancements in mobile technologies have influenced the banking industry through credit card transactions and SMS services. Credit card Internet transactions provide convenience and save time for its users. However, serious security concerns have been raised regarding credit card fraud as millions of dollars is lost to businesses and individuals each year. This paper discusses the current card security measures and proposes an integration of SMS module into the existing credit card authentication techniques. The module generates randomized one-time pin delivered to the card user's cellular phone, prompting the user's authorization for successful transaction through real-time or near real-time SMS alert. The effectiveness of our system is to prevent fraudsters from credit card Internet fraud, and thereby save the card users, financial institutions and credit card merchants huge debts as a result of fraud.

INTRODUCTION

The statistics

E-Banking transactions have become pervasive as they are convenient and time saving. E-Banking services allow customers to conduct financial transactions by the use of credit cards, ATM, and a myriad of other payment services over a secure website. Customers perform financial transactions such as money transfer between accounts, payment of bills, online payment for goods and services, applying for and repayment of loans and opening of new account services. Security for e-banking services, however, leaves much to be desired. Of great importance is security of credit card services. Credit card system has been plagued with series of security breaches of late and critical measures must be taken to arrest the alarming situation. In a recent survey conducted by the Federal Trade Commission (FTC), 8.3 million American adults, representing 3.7 percent of all American adults, were victims of identity theft in 2005. The research further revealed that 3.2 million, representing 1.4 percent of all adults, experienced misuse of their existing credit card accounts

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(FTC, 2007). In a related study, it has been reported that "credit card fraud hit one in twenty users and identity theft affected one in fifty people" (My ID Fix, n.d).

Billions of dollars were lost to businesses and individuals in recent years through credit card fraud. As cited by the Independent (2008) and reported by the Association for Payment Clearing Services (APACS), card fraud in the UK soared by a quarter in 2007. According to the report "in total, some £535m was lost to criminals during the year. Fraud based on stealing and counterfeiting UK cards and then using them abroad accounted for more than £200m of the total and was up 77 per cent on the previous year" (Independent, 2008). The afore-mentioned card security problems emphasize an urgent need to further improve credit card security systems.

The problem/Cause

With over several years of credit card usage, the security breaches are still on the ascendency. Several factors account for this phenomenon. Disloyalty by some of the merchants, ISP and banks' personnel; these personnel could relay customers' account information to the fraudsters. When the card user performs transactions with the credit card, the card number is "protected by Secure Socket Layer (SSL) technology certified by a digital certificate" (Nasa, n.d) and transmitted over to the service provider's network. Even though the credit card transaction is deemed to be secured, the protected files can be read; mainly for billing purposes. These personnel, system administrators and the banks' staff responsible for billing, are not above suspicion; they could relay salient credit card information to the fraudsters and hackers for unauthorized use. Undoubtedly, these companies dealing in credit card payments cannot prevent certain key staff from having access to credit card information. Obviously, a different approach to credit card authentication that would bypass the knowledge of the companies' staff becomes imperative.

Negligence on behalf of the cardholders contributes to the rapid rate of the crime. The thief makes every effort to steal card information. Interestingly, a high proportion of the perpetrators of the crime relate in one way or the other to the cardholders. FTC survey reported that:

Fifty-six percent of all victims were unable to provide any information on how their personal information was stolen. The 44 percent who did provide such information included 16 percent of all victims who said that their information was stolen by someone they knew personally. Victims who reported a personal relationship with the thief mentioned three types of relationships: six percent of all victims cited family members or relatives as the thief; eight percent cited friends, neighbors, or in-home employees; and two percent cited someone with whom they worked. Because most victims do not know how their information was compromised, these numbers may under-represent the actual percentage of victims who had a personal relationship with the individual who stole their information (FTC, 2007).

A major problem faced by credit card merchants is the protection of the cardholders' database against malicious access or corruption. Fronseca, Vieira, & Madeira (2008) stated that traditional database security mechanisms offer basic security features such as authentication, authorization, access control, data encryption, and auditing. However, these mechanisms do not ensure protection against access by hackers. How devastating it would be if the merchants' database falls into the hands of the hackers. The merchant might not notice this early enough to block the card being used. Take for instance, Database

Management Systems (DBMS) auditing. Though required by law in order to ensure that any action in the database can be traced back to an individual user or program if needed, cannot prevent the occurrence of a crime. The audit trail can be used by the DBA (Database Administrator) to perform a post-mortem analysis of the accesses to the data in order to identify potential unauthorised data accesses. Even analysis of the audit trail is a difficult task particularly with hundreds of users performing operations simultaneously. In a nutshell, auditing is only useful for investigation purposes of past security attacks but not a preventive measure.

The Consequences on Victims

The consequences on the victims of credit card fraud are devastating, considering the fact that the crime is most of the time not detected early and the fraudster might use the card to accumulate huge debt for the card owner. According to Abdullah (2004) those who fall victim to identity theft, and for that matter credit card theft, do not find that they are a victim until after months or even years after the crime had been committed. A study has shown that "there was an average of 12.3 months between the initial misuse of the victim's information and when the victim first discovered that their information had been misused" (FTC, 2007). The victims suffer series of hardship recovering from the incident. Apart from monetary loss victims go though mental agony, emotional problems and spend much time trying to redeem their good name. Ultimately, the victims suffer unjustly for a crime they did not commit. A recent study revealed that "thirty-seven percent of victims reported experiencing problems beyond the time they spent recovering and their out-of-pocket expenses. These problems included being harassed by debt collectors, being denied new credit, being unable to use existing credit cards, being unable to get loans, having their utilities cut off, being subject to a criminal investigation or civil suit, being arrested, and having difficulties obtaining or accessing bank accounts" (FTC, 2007).

A mechanism that requires the cardholders to ultimately confirm every transaction they make will provide robust credit card system. The alert and confirmation system will be used as an integral part of the existing authentication and authorization techniques. This paper proposes that real-time SMS alert and confirmation mechanism are suitable for protecting users' cards against unauthorized use.

CURRENT CREDIT CARD SECURITY MEASURES

Since its introduction, various credit card security measures ranging from card verification and authentication, chip and pin technology, fingerprint biometrics identification, radio frequency ID (RFID) credit card, and other identity management techniques have been implemented to curb vulnerabilities inherent in credit card transactions. Current state-of-the art solutions including methods for re-authenticating by the use of out-of-band channels and random numbers for each transaction, new transaction numbers for each purchase, and one-time credit cards have not provided adequate solution. Wang, Huang, and Dodda (2006) suggested that mobile commerce systems should provide total solutions for all kinds of mobile services, guarantee higher levels of security than current systems, and implement convenient mobile application such as short message service (SMS). This section discusses the current credit card security methods and hence evaluates their strengths and weaknesses.

Card Verification and Authentication

Efforts toward reducing credit card fraud in Internet transactions have led to the development of Card Verification Value (CVV or

CV2). Designed to be used for "card not present transactions", such as the Internet transactions, the CVV is intended to solve two problems, namely, that the credit card is in the possession of the user and that the credit card account is legitimate. CVV code has been implemented by credit card companies, each with its own terminology; VISA calls it CVV2 (Card Verification Value 2), MasterCard refers to it as CVC2 (Card Validation Code2) and American Express calls it CID (Card Identification Number). Location and length of CVV on cards differs from one company to the other. The verification number is a 3-digit number on the Visa, MasterCard and Discovery credit cards and appears at the signature area on the back of the credit card. For American Express the card verification number is a 4-digit number that appears on the front of the card but above the credit card number.

Limitations to the above system have been identified. Firstly, the card can fall into the hands of another person who can read both the CVV information with the card number and use them in unauthorized and illegal transactions. Secondly, the use of the CVV cannot protect the card users against phishing scams, where the "cardholder is tricked into entering the CVV among other card details via a fraudulent website. In fact, the increasing rate of phishing has reduced the real-world effectiveness of the CVV as an anti-fraud device" (Wikipedia). Furthermore, a hacker may break into the merchant's database and obtain cardholders information (card number and CVV). In this case the whole system becomes vulnerable.

Biometrics Credit Cards

Biometric identification refers to identifying an individual based on his or her distinguishing physical and /or behavioral characteristics (Jain, Hong, & Pankanti, 2000). Biometric fingerprint identification credit cards, first introduced by the Citybank of Singapore, have eliminated the use of plastic magnetic credit cards. The users are required to use their fingers on scanning devices and then enter a pin number. With this system there is absolutely no need for the use of cards. Citybank (2006) announced that the cardholders need not present credit card and sign for payment or carry cards with them.

Another application of biometric credit card system involves the use of a plastic card in combination with a fingerprint. The card is embedded with a one-time finger print scanning device. When the user obtains a new card, he scans his finger. The print is stored permanently on the card recognising the user as the legal cardholder. To use the card the user swipes his finger at the card, the chip gets activated for a predetermined period of time for the card to be used after which it deactivates. Biometric breakthrough (n.d) explains that the technology avoids "storage of the user's fingerprint anywhere except on the card, to comply with any privacy requirement. And since all the biometric security features are contained solely on the card and not in a central database, the card interacts completely with existing infrastructure: no modifications to software, ATM machines, terminals, or other readers". Supporting privacy issues and avoiding the possibility of the system being circumvented by fraudsters, Bhargav-Spantzel, Squicciarini, Modi, Young, Bertinao, et al (2007) noted that storing biometric information in repositories along with other personally identifiable information raises several security and privacy risks; and there will be severe consequences for the individual when the system is compromised because there is no known revocation mechanism for biometrics.

Biometric credit cards hold the potential for reducing credit card fraud due to its unique user identification, but is not suitable for online transactions. Online usage might require availability of mobile biometric scanners to authenticate users. Besides, there are other concerns regarding various biometric methods. For instance, the fingerprint of those people working in certain types of companies such as chemical industries is often affected. Therefore, using the finger print of these workers would not provide accurate and reliable identification. Moreover, it has been found out that with age, the voice of a person differs, a person's voice changes when the person has throat infection. If voice is used as a unique identifier, authentication may be inaccurate, and more so in environments where there is too much noise. Therefore, these methods of verification are not practicable at all times. Finally, biometric security solution is expensive.

Chip and Pin Technology

Another credit card security measure to further efforts towards reducing fraud is the chip and pin technology. The security system works by asking the user to enter a PIN (Personal Identification Number) during check-out. This is an excellent technology that prevents fraudsters from forging signatures, and therefore, reduces fraud. The card reader compares the PIN (known to the user only) with the one embedded on the chip before providing authentication to the users. This prevents unauthorized users and deters the thieves since they cannot have knowledge of the PIN. An advantage of this system is that when the card is lost or stolen, no one can use it.

Some drawbacks are identified with the chip and pin system. In his article, Lakie (n.d) identifies that "the added security does prevent unauthorised withdrawals at an ATM" and that at the moment "not all retailers have adapted to this new security. The chip and pin security only works with retailers that have the system adapted into their own machines". In addition, the system does not work in online internet purchases since the card must be swiped and read by a scanner, leaving Internet fraud still on the increase. It is alarming that in spite of huge investment in the chip and pin technology, "the sharp rise in fraud is a surprise considering that the banking industry and retailers have spent more than £1bn converting the UK card to chip and pin" (Independent, 2008).

Multi-Channel and Embedded Sensors

AlZomai, AlFayyadh, Josang, and McCullagh (2008) report that as a response to the growing threats to online banking security such as phishing and fraud and to enhance security, online banking systems usually implement special methods for authentication. These methods allow the authentication process at the transaction level by involving the user more in the security system having him/her confirming every transaction. In addition to this message splitting and multi-channel transmission would make it difficult to get access to an entire message, decrypt it and use it. This is because individual packages are transmitted through different channels. Ye, Veitchand and Bolot (2008) claimed that there are about 3.3 billion mobile users across the globe, and provided an interesting but practical approach to strengthening security in the wireless systems. The authors proposed multiplicity of wireless interfaces requiring that the wireless device encrypt its data and then split it into two unequal parts, each of which is transmitted through a separate physical channel. Enhanced data security is achieved under the assumption that it is hard for an eavesdropper to monitor all interfaces simultaneously. The attractive aspect of this work is that it is quite practical; indeed, many mobile devices today possess multiple interfaces, and a simple strategy, such as this, can apply quite well.

In a related study, Ocean and Bestavron (2008) suggested that Embedded Sensor Networks could be used effectively to bridge the gap between digital and physical security planes, and thus could be leveraged to provide reciprocal benefit to surveillance and security tasks on both planes.

The potential use of this system and its integration into the wireless system to provide sensing and response capabilities is not practical considering the nature of the Internet. This is because with thousands of transaction hits from across the world to the credit card merchant's database, sensing and surveillance systems may be costly. Moreover, it will be impossible to respond to the crime since the fraudster may be far away. Furthermore, sensors will introduce overhead into the wireless bandwidth; as such the system will probably depend largely on the particular needs of the given organization, but not a global utilization.

PROPOSED CARD SECURITY SYSTEM

The Underlying Architecture

The mobile space is broadly defined as the technologies designed to support people who are moving from place to place and who need technology to support them in their interactions with work, and or as part of their lives. Mature technologies to support users on-the-move among others include voice telephony and mobile messaging, both text (SMS) and multimedia (MMS), and examples of emerging technologies are location tracking, mobile access to the web and web services, location-based web services and digital signature (Freyne et al, 2007). Mobile phone network infrastructures provide standard ways to pass messages between phones. The best known mobile phone messaging protocols include SMS(Short Message Services), CBS (Cell Broadcast Short Message Service) and MMS (Multimedia Message Service), all of which work on both Global Systems for Mobile Communications (GSM) and Code Division Multiple Access (CDMA) networks.

SMS is a technology that enables the sending and receiving of messages between mobile phones. SMS was included in the GSM standards right at the beginning. Later it was ported to wireless technologies like CDMA and TDMA (developer home.com, 2008). The data that can be held by an SMS message is very limited. One SMS message can contain at most 140 bytes of data, so one SMS message can contain up to 160 characters if 7-bit character encoding is used and 70 characters if 16-bit Unicode UCS2 character encoding is used. Furthermore, SMS text messaging supports languages internationally. Besides text, SMS messages can also carry binary data. It is possible to send ringtones, pictures, operator logos, wallpapers, animations, business cards and WAP configurations to a mobile phone with SMS messages. One other advantage of SMS is that it is supported by 100% GSM mobile phones. Again SMS are inexpensive messaging service (developerhome.com, 2008). Because of limitation in the amount of message that can be sent at any point in time, the sender's mobile phone breaks down a long message into smaller parts and sends each of them as a single SMS message. When these SMS messages reach the destination, the recipient mobile phone will combine them back to one long message.

According mobile-phones-uk.org.uk (2009), MMS is a new standard in mobile messaging. Like SMS, MMS is a way to send a message from one mobile to another but MMS can include in addition to text, audio, images and video. Formats that can be embedded within MMS include text (formatted with fonts, colours, etc), images (JPEG, GIF format), audio (MP3, MP4, MIDI), and video (MPEG). The report further explained that MMS is an extension of the SMS protocol, making its usage familiar to existing SMS users. MMS message has no size limit and could be many Kilobytes in size, or even larger. MMS requires a third generation (3G) network to enable such large messages to be delivered.

Unlike an e-mail or MMS, an SMS is much more likely to be read by a person at any one time, since the majority of people have their mobile phones at arms reach 24 hours a day. Of course the same also applies to a phone call. However, unlike a phone call, an SMS message is automatically stored where it can be re-read. This proves particularly useful in the case of fairly detailed information that might otherwise be forgotten. Furthermore, SMS is the cheapest among telecom services. Above all, all mobile operators support SMS and all mobile phones support SMS. The same cannot be said of other telecom services.

Client Alert and Confirmation Process

The SMS module designed to send and receive should be the last layer to complete the life cycle of the online payment system. Short Message Peer to Peer (SMPP) is the ideal protocol used in this system. The SMPP can handle volumes of transactions without any deterioration of performance to the system in future. With no special equipment required to implement this, acquisition of SMPP connection from a telecom operator is essential. This is integrated with the online system.

Rigorous initial user setup will be required to ascertain that the rightful user has been setup in the system. This requires users' unique global identity such as cellular phone number and email address. This enables the authentication server to communicate these with the SMS module. We have used cellular phone numbers since they provide for convenience. The usual user setup requires username/ password combination. In the proposed system, user account and phone number will form an integral requirement for the setup.

To tighten the security of the system, a randomly generated unique number should be used for each transaction. The generated number is immediately sent to the card owner for confirmation before the transaction goes through, as can be shown in figure 1. This generated number may be a four, five, or six digit-number. As soon as the owner receives the number in a message telling the owner say "payment of $1000 with respect of SMS book bought from Amazon is taking place. Confirm by sending 65387 to the sender". The owner will understand the kind of activity taking place on his account and approve the transaction by replying "65387" to the sender. User confirms message in a real-time for the transaction to complete processing. After certain specified duration, say one (1) hour then the session expires. So if the user fails to reply within an hour, in this case the transaction will not proceed and the account is not affected.

The SMS alert should be a layer on top of the data access layer of the whole system. With this anytime the account is tempered with, especially something that will reduce the amount sitting in a user account, then the owner must be alerted and confirmation received from the owner of the account that the transaction is legitimate and sanctioned by the card owner before transaction is completed. To do this a special code could be generated for each transaction. This code is sent to the card owner who returns that code if the transaction is to be continued, otherwise, it is halted.

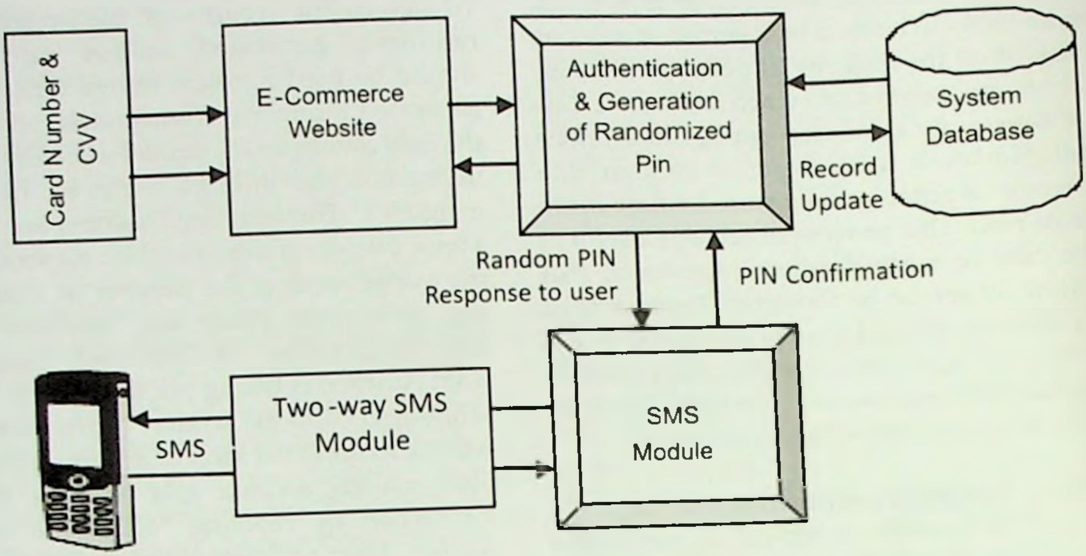

Figure 1: Authentication, Randomized Pin and SMS Integration

Any activity on the account generates alert and is sent to the owner. This will let the owner know the kind of activities affecting his card and if someone has a hold of his PIN he could immediately take the necessary measures.

Discussions

This paper recommends existing credit card authentication, SMS alert system and confirmation integration as an alternate to the current authentication methods to address prevention of the online card crime. It is important to note here that card loss is not a problem anymore. When a card is lost the implication is that someone may have it and may use it. Even if someone has it, the holder can do very little activity since the owner must approve every transaction. Nothing will really happen to an account without the user's concern. Moreover, people notice loss of their mobile phones quicker than loss of credit cards, since mobile phones have become an integral part of people's daily life. When one loses his phone it can immediately be realized, and the necessary corrective measure taken quickly with the service provider. Furthermore, if both the card and the phone are lost then it is the responsibility of the owner to notify the stakeholders, the telecom and the card payment system to block any transactions on both the phone and the card.

As people use two phones simultaneously, SMS transaction hit alert can be delivered on both phones, though this may not necessarily add any substantial security. We have limited this discussion to credit card system, however it can be generalized to include client alert on every transaction hit, allowing the record owner to confirm any modification on his record.

Summary

We have demonstrated in this paper an effective means of curbing online credit card fraudulent activities. Real-time client alert system utilizes SMS services. Transaction hit on the database would trigger an alert to the card owner's mobile device for confirmation. The card owner upon receipt of the randomized pin will send back the pin indicating confirmation of the transaction. Our system builds on the existing card authentication techniques and integrates SMS technology to provide secure online transactions for the user, card merchant, and the financial institution. Our proposal has been supported by Traynor, Enck, McDaniel and Ports (2009). The authors made a convincing remark that no single security mechanism will effectively combat security threats in SMS messaging system and proposed that a robust system which will consist of the integration or the combination of various systems.

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STARTING, DEVELOPING, AND MANAGING A NEW ENTERPRISE.

Prof. J. B. K. Aheto

Abstract

Entrepreneurship has become the "In thing" the world over. To a point, it is becoming an over-used or misused word without any substantial understanding of its true meaning and full implications or essential and necessary conditions. Most users do not even understand the limits of the entrepreneurial spirit when it comes to management of the fruits of the "entrepreneurial mind". Most casual students of entrepreneurship wrongly think that the most renowned entrepreneur is equally the best manager.

Tertiary students think that taking a largely academic three-credit semester course in entrepreneurship makes them automatically entrepreneurs, much more managers. This series of articles meant for the student are designed to inform and educate the students on the nuts and bolts or the practicalities of entrepreneurship. It is designed to get beyond the academics to the ABCs of starting and initially managing and SME by students. The series would cover: Introduction, Business Planning, Marketing Management, Financial Management and Financing, Venture Capital Financing, and Managing Growth of New Ventures.

1. Basis and Challenges of Entrepreneurship

Serious discussions of entrepreneurship often revolve around the following critical issues:

1. The concept of entrepreneurship and its historical development;
2. The entrepreneurial decision process;
3. The basic types of start-up ventures;
4. The financing of a venture;
5. The effective management of a venture;
6. The role of entrepreneurship in national economic development;
7. The role of governments in promoting entrepreneurship; and
8. The future of entrepreneurship.

Entrepreneurship - Nature and the Essentials

Without a doubt, there is an increased national and international interest in the field of entrepreneurship. The starting point of any discussion on entrepreneurship is to critically address or answer the following questions: What is entrepreneurship? Who is an entrepreneur? Can anybody be an entrepreneur? What are the necessary and essential requirements or capabilities needed to become an entrepreneur? What is an entrepreneurial career path? Who is best qualified to manage a new venture? Is an entrepreneur necessarily a good manager

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for his ventures? Is every or any idea necessarily a profitable opportunity? These frequently-asked questions are relevant for a decision on entrepreneurship. In spite of all the global interest in the field, a concise, universally accepted definition has not yet emerged. An overview of the development of the theory of entrepreneurship is illustrated in the development of the term itself. The word entrepreneur is French and, literally translated to mean a "go-between" or "economic adventurer", or "between-taker" or "interceder".

In the colonies or the Far East many "economic adventurers" served the purposes of entrepreneurs. These persons established profitable trade routes to the colonies and the Far East. While a capitalist is a passive risk bearer, the "economic or merchant-adventurer" took a very active role in trading, bearing all the physical and emotional risks. Later, the term entrepreneur was used to describe a person who managed large production projects without taking any risks whatsoever. He merely managed the projects using the resources provided.

The connection between risk-taking and entrepreneurship developed in the 17th century, with an entrepreneur being a person who entered into a contractual arrangement with the government to perform a service or to supply stipulated products at fixed prices which reflected the efforts of the entrepreneurs.

Richard Cantillon, a noted economist and author in the 1700s developed one of the early theories of the entrepreneur and is regarded by some as the founder of the term. He viewed the entrepreneur as "a risk taker". According to him, merchants, farmers, craftsmen, and other sole proprietors "buy at a certain price and sell at an uncertain price, therefore operating at a risk". In the 18th century, the person with capital was differentiated from the one needing capital. With industrialization, the entrepreneur was distinguished from the capital provider or the venture capitalist. Many of the inventions developed during this time were reactions to the changing world. Many business men or those developing new technologies unable to finance their inventions themselves. Entrepreneurs are capital users, not capital providers (venture capitalists). A venture capitalist is a professional money manager who makes risky investments from a pool of equity capital to obtain a high rate of return on the investments.

In the late 19th and early 20th centuries, entrepreneurs were frequently not distinguished from managers and were viewed mostly from an economic perspective. The entrepreneur organizes and operates an enterprise for personal gain. He contributes his own initiative, skill and ingenuity in planning, organizing and administering the enterprise. He also assumes the chance of loss and gain consequent to unforeseen and uncontrollable circumstances. The net residue of the annual receipts of the enterprise after all costs have been paid, he retains for himself.

Some early entrepreneurs were successful by their unremitting competitiveness, rather than their inventiveness or creativity. In the middle of the 20th century, the notion of an entrepreneur as an innovator was established. It was established by then that the entrepreneur is to reform or revolutionize the pattern of production by exploiting an invention or, more generally, an untried technological possibility for producing a new commodity or producing an old one in a new way, opening a new source of supply of materials or a new outlet for products, by reorganizing a new industry and so on.

The concept of innovation and newness is an integral part of entrepreneurship.

Innovation, the act of introducing something new, is one of the most difficult tasks for the entrepreneur. It takes not only the ability to create and conceptualize but also the ability to understand all the forces at work in the environment. The newness can consist of anything from a new product to a new distribution system to a method for developing a new organizational structure. Organizational innovations are frequently as difficult to develop successfully as the more traditional technological innovations (transistors, computers, lasers) that are usually associated with the word.

Entrepreneur Definition

The concept of an entrepreneur is further refined when principles and terms from a business, managerial, and personal perspective are considered. In particular, aspects of entrepreneurship from a personal perspective have been explored in this century. This exploration is reflected in the following three definitions of an entrepreneur:

In almost all of the definitions of entrepreneurship, there is agreement that we are talking about a kind of behaviour that includes: (1) initiative taking, (2) the organizing and reorganizing of social and economic mechanisms to turn resources and situations to practical account, (3) the acceptance of risk or failure.

To an economist, an entrepreneur is one who brings resources, labour, materials, and other assets into combinations that make their value greater than before, and also one who introduces changes, innovations, and a new order. To a psychologist, such a person is typically driven by certain forces - need to obtain or attain something, to experiment, to accomplish or perhaps to escape authority of others. To one businessman, an entrepreneur appears as a threat, an aggressive competitor, whereas to another businessman the same entrepreneur may be an ally, a source of supply, a customer, or someone good to invest in. The same person is seen by a capitalist philosopher as one who creates wealth for others as well, who finds better ways to utilize resources, and reduces waste, and who produces jobs others are glad to get.

Entrepreneurship is the dynamic process of creating incremental wealth. The wealth is created by individuals who assume the major risks in terms of equity, time, and/or career commitment or provide value for some product or service. The product or service may or may not be new or unique but value must somehow be infused into it by the entrepreneur by receiving and locating the necessary skills and resources.

While each of these definitions views entrepreneurs from a slightly different perspective, each contains similar notions, such as newness, organizing, creating, wealth, and risk taking. Each definition is somewhat restrictive since entrepreneurs are found in all professions. Therefore, to include all types of entrepreneurial behaviour, the following definition of entrepreneurship will be the foundation of this article.

"Entrepreneurship is the process of creating something different with value by devoting the necessary time and effort, assuming the accompanying financial, psychic, and social risks, and receiving the resulting rewards of monetary and personal satisfaction and independence."

For the person who actually starts his or her own business, the experience is filled with enthusiasm, frustration, anxiety, and hard work. There is a high failure rate due to such things as poor sales, intense competition, lack of capital, or lack of managerial ability. The financial and emotional risk can also be very high. What, then, causes a person to make this difficult decision to become an entrepreneur? The question can be best explored by looking at the decision process involved in becoming an entrepreneur.

The Entrepreneurial Decision Process

Many individuals have difficulty in bringing their ideas to the market and creating a new venture. Yet, entrepreneurship and the actual entrepreneurial decision have resulted in several million new businesses being started throughout the world, even in previously controlled economies.

Indeed, millions of companies are formed despite recession, inflation, high interest rates, lack of infrastructure, economic uncertainty, and the fear of failure. Each of these companies is formed through a very personal human process that, although unique, has some characteristics common to all. Like all processes, the entrepreneurial decision entails a movement, from something to something—a movement from a present life-style to forming a new enterprise.

Change from Present Life-Style

The decision to leave a career or life-style is not an easy one. It takes a great deal of energy to change and to create something new. While individuals tend to start businesses in areas that are familiar, two work environments tend to be particularly good for spawning new enterprises: research and development, and marketing. While working in technology (research and development), individuals develop new product ideas or processes and often leave to form their own companies when these new ideas are not accepted by their employers. Similarly, individuals in marketing have become familiar with the market and customers' unfilled wants and needs, and they frequently leave to start new enterprises to fill these needs.

Perhaps an even stronger incentive to overcome the inertia and leave a present life-style to create something new comes from a negative force—disruption. A significant number of companies are formed by people who have retired, who are relocated due to a move by the other member in a dual-career family, or who have been fired. There is probably no greater force than personal dislocation to galvanize a person's will to act. Another cause of disruption that can result in company formation is someone's completion of an educational degree. A student who is not promoted after receiving an MBA degree may become frustrated and decide to leave and start a new company.

Desirability of New Venture Formation

The decision to start a new company occurs when an individual perceives that forming a new enterprise is both desirable and possible. The perception that starting a new company is desirable results from an individual's culture, subculture, family, teachers, and peers. A culture that values an individual who successfully creates a new business will spawn more company formations than one that does not. The American culture places a high value on being one's own boss, having individual opportunity, being a success, and making money - all aspects of entrepreneurship. Therefore, it is not surprising to find a high rate of company formation in the United States. On the other hand, in some countries, like Ghana and most other less developed countries, successfully establishing a new business and making money are not as highly valued, and failure may be a disgrace. Countries with cultures that more closely emulate this attitude do not have as high a business formation rate.

No culture is totally for or against entrepreneurship. Many subcultures that shape value systems operate within a cultural framework. There are pockets of entrepreneurial subcultures in various nations of the world, including Ghana. While the more widely recognized ones in Ghana include the celebrated Kwahu and Ashanti some of the less-known but equally important entrepreneurial centres abound in Ghana. These subcultures support and even promote entrepreneurship—forming a new company—as one of the best occupations. No wonder more individuals actively plan new enterprises in these supportive environments.

There are variations within these subcultures caused by family or tribal traits. Studies of companies in a variety of industries throughout the world indicate that 50 to 72 percent of the founders of companies had fathers and/or mothers who valued independence. The independence achieved by company owners, professionals, artists, or farmers permeated their entire family life, giving encouragement and value to their children's company-formation activity.

Encouragement to form a company is further gained from teachers, who can significantly influence individuals regarding entrepreneurship as one possible career path. Schools with exciting and practical courses in entrepreneurship and innovation tend to develop entrepreneurs and can actually drive the entrepreneurial environment in an economic area. For example, the number of entrepreneurship courses a person takes increases the probability of starting a venture. An area having a strong education base is almost always a prerequisite for entrepreneurial activity and company formation.

Finally, peers are very important in the decision to form a company. An area with an entrepreneurial pool and a meeting place where entrepreneurs and potential entrepreneurs can discuss ideas, problems, and solutions spawns more new companies than an area where these are not available.

Possibility of New Venture Formation

While the desire generated from the individual's culture, subculture, family, teachers, and peers needs to be present before any action is taken, the second necessary feature centres around this question: What makes it possible to form a new company? Several factors—govern-ment, background, marketing, role models, and finances—contribute to the creation of a new venture. The government contributes by providing the infrastructure to support a new venture. It is no wonder that more companies are formed in the United States, given the roads, communication and transportation systems, utilities, and economic stability compared with other countries. Even the U.S. tax rate for companies and individuals is better than in countries like Ireland or England. Countries that have a repressive tax rate, particularly for individuals, can suppress company formation since a significant monetary gain cannot be achieved, but the social, psychological, and financial risks are still present. The entrepreneur must also have the necessary background. A formal education and previous business experience give a potential entrepreneur the skills needed in forming and managing a new enterprise. While educational systems are important in providing the needed business knowledge, individuals will tend to be more successful in forming businesses in fields in which they have worked. Entrepreneurs are not born—they develop.

Marketing also plays a critical role in forming a new company. In addition to the presence of a market of sufficient size, there must also be a level of marketing know-how necessary to put together the best total package of product, price, distribution, and promotion needed for successful product launching. A company is more easily formed in an area where there is market demand rather than a push for technology.

A role model can be one of the most powerful influences in making company formation seem possible. To see someone else succeed makes it easier to picture yourself engaged in a similar activity – of course, even more successfully. A frequent comment of entrepreneurs when queried about their motivations for starting their new venture is: "If that person could do it, so can I!"

Finally, financial resources must be readily available. While most of the start-up money for any new company comes from personal savings, credit, friends, and relatives, there is often a need for additional seed (start-up) capital. Each new venture has a common trait – the need for seed and other types of risk capital. Risk-capital investors play an essential role in the development and growth of entrepreneurial activity. More new companies form when seed capital is readily available.

Types of Start-ups

What types of start-ups result from this entrepreneurial decision process? One very useful classification system divides start-ups into three categories: life-style firms, foundation companies, and high-potential ventures.

A life-style firm is privately held and usually achieves only modest growth due to the nature of the business, the objectives of the entrepreneur, and the limited money devoted to research and development. This type of firm may grow after several years to 30 or 40 employees and have annual revenues of about $2 million. A life-style firm exists primarily to support the owners and usually has little opportunity for significant growth and expansion.

The second type of start-up – *the foundation company* – is created from research and development and lays the foundation for a new industry. This firm can grow in 5 to 10 years from 40 to 400 employees and from $10 million to $20 million in yearly revenues. Since this type of start-up rarely goes public, it usually draws the interest of private investors only, not the venture-capital community.

The final type of start-up – *the high-potential venture* – is the one that receives the greatest investment interest and publicity. While the company may start out like a foundation company, its growth is far more rapid. After 5 to 10 years the company could employ around 500 employees with $20 to $30 million in revenue.

Given that the results of the decision-making process need to be perceived as desirable and possible for an individual to change from a present life-style to a radically new one, it is not surprising that the type and number of new business formations vary greatly throughout the world. Some regions of any nation have more support infrastructure and a more positive attitude toward new business creation.

Role of Entrepreneurship in Economic Development

The role of entrepreneurship in economic development involves more than just increasing per capita output and income. It also involves initiating and constituting change in the structure of business and society. This change is accompanied by growth and increased output and productivity, which allows more to be divided by the various participants. One theory of economic growth depicts innovation as developing new products (or services) for the market and also in stimulating investment interest in the new ventures being created. This new capital created expands the capacity for growth (supply side), and the resultant new spending utilizes the new capacity and output (demand side).

In spite of the importance of investment and innovation in the economic development of an area, an adequate understanding of the product-evolution process is still lacking. This is the process through which innovation develops and commercializes through entrepreneurial activity, which in turn stimulates economic growth.

The product-evolution process begins with knowledge in science, thermodynamics, fluid mechanics, electronics, and technology and ends with products or services available for purchase in the marketplace. The critical point in the product-evolution process is the intersection of knowledge and a recognized social need, which begins the product development phase. This point, called iterative synthesis, often fails to evolve into a marketable innovation.

The innovation can, of course, be of varying degrees of uniqueness. Most innovations introduced on the market are ordinary, that is, with little uniqueness or technology. As expected, there are fewer technological and breakthrough innovations, with the number of actual innovations decreasing as the technology involved increases. Regardless of its level of uniqueness or technology, each innovation (particularly the latter two types) evolves and develops to commercialization through one of three mechanisms: the government, intrapreneurship, or entrepreneurship.

Government as an Innovator

The government is one method for commercializing the results of the interaction between a social need and technology. This is frequently called technology transfer and has been the focus of a significant amount of research effort. Despite all the effort, to date few inventions resulting from sound scientific government-sponsored research have reached (been transferred to) the commercial market. While most of the by-products from this scientific research have little application to any social need, the few products that do require significant modification to have market appeal. Though the government has the financial resources to successfully transfer the technology to the marketplace, it lacks the business skills, particularly marketing and distribution, necessary for successful commercialization. In addition, government bureaucracy and red tape often inhibit the necessary strategic business from being formed in a timely manner.

Intrapreneurship

Intrapreneurship (entrepreneurship within an existing business structure) can also bridge the gap between science and the marketplace. Existing businesses have the financial resources, business skills, and frequently the marketing and distribution system to successfully commercialize innovation. Yet, too often, the bureaucratic structure, the emphasis on short-term profits, and a highly structured organization inhibit creativity and prevent new products and businesses from being developed. Corporations recognizing these inhibiting factors and the need for creativity and innovation have attempted to establish an intrapreneurial spirit in their organizations. In the present era of hypercompetition, the need for new products and the intrapreneurial spirit has become so great that more and more companies are developing an intrapreneurial environment, often in the form of strategic business units (SBUs).

Entrepreneurship

Another method for bridging the gap between science and the marketplace is entrepreneurship. Many entrepreneurs have a difficult time bridging this gap and creating new ventures. They frequently lack managerial skills, marketing capability, or finances. Their inventions are frequently unrealistic, needing significant modification to be marketable. In addition, entrepreneurs frequently do not know how to interface with all the necessary entities, such as banks, suppliers, customers, venture capitalists, distributors, and advertising agencies.

Yet, in spite of all these difficulties, entrepreneurship is presently the most effective method for bridging the gap between science and the marketplace; creating new activities significantly affect the economy of an area by building the economic base and providing jobs. Given the significance of the impact on both the overall economy and the employment of an area, it is surprising that entrepreneurship has not become even more of a focal point in economic development.

The Future of Entrepreneurship

As evidenced by the many different definitions, the term entrepreneurship means different things to different people and can be viewed from different conceptual perspectives. However, in spite of the differences, there are some common aspects: risk taking, innovation, creativity, independence, and rewards. These commonalties will continue to be the driving force behind the notion of entrepreneurship in the future. One thing is clear - the future for entrepreneurship appears to be bright. We are living in the age of the entrepreneur, with entrepreneurship endorsed by educational institutions, governmental units, society, and corporations. Entrepreneurial education has never been so important in terms of courses and academic research. All tertiary institutions in Ghana and most less developed nations have at least one course in entrepreneurship, especially in the business schools. There are more courses in entrepreneurship at the undergraduate level than at the graduate level.

This increase in course offerings has been accompanied by an increase in academic research, endowed chairs in the area, entrepreneurship concentrations and majors, and centers of entrepreneurial activity. This trend will continue, supported by an increase in Ph.D. activity, which will in turn provide the needed faculty and research effort to support the future increases in course offerings, endowed positions, centers, and research efforts.

Various governments have also taken an increasing interest in promoting the growth of entrepreneurship. Individuals are encouraged to form new businesses and are provided such government support as tax incentives, buildings, roads, and a communication system—a strong government infrastructure—to facilitate this creation process. The encouragement by governments should continue in the future as more lawmakers understand that new enterprises create jobs and increase the economic output in an area.

Society's support of entrepreneurship will also continue. This support is critical in providing both motivation and public support. Never before have entrepreneurs been so revered by the general populace. Entrepreneurial endeavours anywhere in the world are considered honourable and even, in many cases, prestigious pursuits. A major factor in developing this societal approval is the media. The media has played and will continue to play a powerful and constructive role by reporting extensively on the general entrepreneurial spirit in the nation and highlighting specific success cases of this in operation. General business magazines such as Barron's, Business Week, Forbes, and Fortune have provided similar coverage by adding special columns on entrepreneurship and venturing. New magazines such as Black Enterprise, Entrepreneur, Inc., Journal of Venturing, and Venture, which focus on specific issues of the entrepreneurial process, starting new ventures, and small, growing businesses, have built solid and increasing circulation rates. Television on both a national and a local level has highlighted entrepreneurship by featuring specific individuals and issues involved in the entrepreneurial process. Not only have local stations covered regional occurrences, but nationally syndicated shows such as "Maa asem" have had special segments devoted to the phenomenon. This media coverage uplifts the image of the entrepreneur and growth companies, and focuses on their contributions to society.

Finally, large companies will continue to have an interest in their special form of entrepreneurship - intrapreneurship - in the future. These companies will be increasingly interested in capitalizing on their research and development in the increasingly competitive business environment.

Summary

The definition of an entrepreneur has evolved over time as the world's economic structure has changed and become more complex. From its beginnings in the Middle Ages, where it was used in relation to specific occupations, the notion of the "entrepreneur" has been refined and broadened to include concepts that are related to the person rather than the occupation. Risk taking, innovation, and creation of wealth are examples of the criteria that have been developed as the study of new business creations has evolved. In this work, entrepreneurship is defined as the process of creating something different with value by devoting the necessary time and effort; assuming the accompanying financial, psychic, and social risks; and receiving the resulting rewards of monetary and personal satisfaction and independence.

The decision to start an entrepreneurial venture consists of several sequential subdecisions:

1. The decision to leave a present career or life-style.
2. The decision that an entrepreneurial venture is desirable.
3. The decision that both external and internal factors make new venture creation possible.

While the decision-making process is applicable to each of the three types of start-up companies, the emphasis is certainly different. Because of their nature, a foundation company or a high-potential venture requires a more conscious effort to reach a defensible decision on these points than does a life-style firm.

There are both pushing and pulling influences active in the decision to leave a present career: the "push" of a job dissatisfaction or even a layoff, and the "pull" toward entrepreneurship of seeing an unfilled need in the marketplace. Once the possibility of an entrepreneurial career is acknowledged, it is either accepted or rejected as a valid alternative. The desirability of starting one's own company is strongly influenced by culture, subculture, family, teachers, and peers. Any of these influences can function as a source of encouragement for entrepreneurship, with support ranging from government policies that favour business to strong personal role models of family or friends. Beyond the stage of seeing entrepreneurship as a "good idea" the potential entrepreneur must possess or acquire the necessary education, manage-ment skills, and financial resources for launching the venture.

The study of entrepreneurship has relevance today not only because it helps entrepreneurs better fulfil their personal needs but because of the economic contribution of the new ventures. More than increasing national income by creating new jobs, entreprene-urship acts as a positive force in economic growth by serving as the bridge between innovation and application. While the government gives great support to basic and applied research, it has not had great success in translating the technological innovations to products or services. While intrapreneurship offers the promise of a marriage of those research capabilities and business skills that one expects from a large corporation, the results so far in many companies have not been spectacular. This leaves the entrepreneur, who frequently lacks both technical and business skills, to serve as the major link in the process of innovation development, and economic growth and revitalization. The study of entrepreneurship and the education of potential entrepreneurs are essential parts of any attempt to strengthen this link so essential to a country's economic well-being.

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ECONOMIC AND FINANCIAL REPORT

Databank
Leadership

Ghana: Databank Forecasts Strong Cedi

March 31st, 2010 · by Moses Mozart Dzawu

Databank Economic Research has forecast a strong performance for the cedi; it is expected to appreciate against all major trading partners this year. The Ghana-based Investment and Research Bank has forecast that the cedi will appreciate against the US dollar by 1.5%, against the euro by 11.2% and against the pound sterling by 9.6% in 2010. This is contained in Databank's Ghana Economy Report, released in Accra last in the third week of March, 2010.

The forecast performance would represent a marked turnaround for the local currency, having depreciated consistently against these trading partners over the past many years.
It should be good news for exporters, and people who want inflation checked, like bank borrowers. It also brings real insurance to foreign investors' profiting, in all sectors of the economy.

Tracing over the last five years, the cedi depreciated against the US dollar by 0.6% in 2005; by 1.3% in 2006 and by 4.1% in 2007. The depreciation rate galloped, amid the global financial and economic crunch, and unmatched electioneering spending in 2008 to 20.9%, and just slipped slightly to a depreciation rate of 15.9% in 2009.

The story was similar in the case of the euro and the pound sterling over the period.

Just as in 2008, the depreciation in 2009 was caused by the heat of inflation and food crisis which saw inflation rise consecutively every month, reaching 20.7% peak in June 2009.

According to a Ghana Economy Report, released by Databank last week, the average cedi-dollar exchange rate which deteriorated the whole of last year and into the beginning of this year is expected to stabilize around GHC1.4120 per dollar in 2010.

The average cedi-dollar exchange rate was GHC0.9599 per dollar in 2007, the year the cedi was redenominated. The average exchange rate deteriorated to GHC1.2134 per dollar in 2008 and further to GHC1.430 per dollar in 2009.

While these developments in the exchange rate is expected to provide the platform for the attraction of long-term foreign portfolio investment for the country, the Researchers warned that currency managers must watch to ensure that the expected oil revenue the country is bound to make does not lead to over valuation of the local currency.

"Characteristically, the major threat of the oil sector to the structure of the economy will be to effect a change in the currency dynamics in a way that will hurt the country's traditional exports," the Researchers observed.

In a jurisdiction where the local currency is overvalued, exports of the economy may suffer, as they become dearer to importing countries. Where the export products are not competitive enough, the local economy stands to lose export revenue caused by falling volumes.

The Economic Researchers said crude oil production is likely to result in significant structural changes for Ghana over the medium to long term. They estimate that the oil revenue inflows will account for close to 15% of total government revenue by 2015.

"After 2010, we expect gross domestic product growth (GDP) to increase above 8.0% mainly on the back of commercial production of crude oil. The revenue from the oil and gas sector is likely to hasten infrastructural projects which are critical for the development of the services and the industrial sectors".

"In our view, Ghana's relatively small (but efficient) private sector could expand significantly on the back of the oil and gas industry. Our average GDP growth forecast for the next five years to 2015 is within the range of 9.5% and 10.5%," the Ghana Economic Report says.

The Economic Researchers were optimistic that oil production could also improve the present fiscal situation of government. They observed that domestic tax revenue at present accounts for over half the total planned expenditure of government with an estimated 52% of tax revenue spent on financing public sector wage bill. With the projected annual average oil revenue inflow of US$1.0 billion between 2011 and 2012 (and projection of US$3.0 billion by 2015), the Researchers said fiscal space will likely improve over the medium term.

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