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CHAPTER ONE
Introduction and Background to the Research

1.0 Introduction
At the centre of the relationship marketing philosophy is the notion that making the most out of existing clients is essential for long-term profitability. Keeping clients, by developing relationships with them, is crucial to establishing and maintaining a competitive advantage in the market. Much of the teaching and research in marketing has tended to focus on acquiring new customers by developing new products to satisfy specific needs. However, the higher relative cost of customer acquisition has shifted the emphasis to building and maintaining long-term customer relationships to improve profitability (Ennew and Binks, 1996).

Network marketing within the financial services sector is becoming increasingly important (see Colwell 2003; Abratt and Russell, 1999; Colgate and Stewart, 1998; Zineldin, 1995). In particular, competition is driving financial institutions to look at forms of defensive marketing rather than offensive marketing strategies. Maintaining and enhancing relationships with personal customers is one way financial institutions have sought to use defensive marketing and increase customer retention. Executives, employee customer orientation and relationship-motivated customers were three factors identified by Beatty et al., (1996) which facilitate the development of long-term customer relationships.

This research study provides a view of the relationship between organizational leaders and relationship executives of financial institutions and their exchange partners. It does so by analyzing data on the networking efforts of 20 executive directors in qualitative interviews and 124 relationship executives in research questionnaires. The sample was chosen to provide a broad insight into marketing transitions within the financial services sector. The use of organizational leaders (executive directors and relationship executives) as “key respondents” is relatively widespread in strategy research (Snow and Hrebiniak, 1980; Bowman and Ambrosni, 1997). The executive directors by their positions are expected to
give the marketing direction to their various firms while the activities of the relationship executives as expressed in the questionnaire confirms or conflicts the directives of the executive directors.

This particular chapter is divided into 6 sections. Section 1 provides the introduction to the study by outlining the justification for the research and its intended contributions, the research problem and questions, the scope of the research, as well as the structure of the thesis. Section 2 provides the geographical description of Ghana. Section 3 provides the introduction to the Ghanaian economic background, whilst Section 4 provides the background to financial systems in Less Developed Countries (LDCs) as well as an examination of banking, insurance, capital market and non-bank financial institutions operations in Ghana. Section 5 provides some background to marketing in emerging countries and Section 6 concludes the Chapter with its summary.

1.1.1 Justification of the Research
This section is dedicated to providing the justification for the research. This is achieved by first providing an overview of the gaps in the current literature (Section 1.1.2), which is explored in greater detail in chapter two, and the resulting importance of this research (section 1.1.3) to the field of marketing.

1.1.2 Gaps in Existing Research
There are three main gaps in the literature that this study aims to address. The first is the issue of research conducted in developed countries being applied to LDCs. It is thought that one of the main reasons for the incompatibility between traditional marketing theories and LDCs businesses is that while much emphasis is put on the potency of the free market, with finance development a key policy thrust, there is little understanding of how particular markets work and how “culture and habits of thought cause LDCs markets to
operate differently from Western markets (Schneider, 1999). Managers and employees in
LDCs organizations are culturally different from their counterparts in developed countries,
and cultural differences have been shown to affect the magnitude of market orientation
(Chelariu and Dadzie, 2002) Firms in LDCs are thought to exhibit many characteristics that
distinguish them from large firms in developed countries, and researchers are alerted to the
dangers of generalizing results from developed countries to LDCs firms (Dandridge, 1979;
Gibb and Scott, 1995; Jennings and Beaver, 1997). According to Sleuwaegen and Goedhuys
(2002) theories based on developed economies do not sufficiently take into account the
impact of poorly developed institutional features and markets in developing countries. Table
1.1 provides a brief review of literature from nine studies focusing on relationship studies; 4
carried out in developed countries (DCs), 3 studies carried out in rural settings in developed
countries and 2 carried out in LDCs.

Table 1.1 Example of Network/Relationship carried out in developed and LDCs

<table>
<thead>
<tr>
<th>Developed Countries</th>
<th>Rural setting in DCs</th>
<th>LDCs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>Manufacturing</td>
<td>Manufacturing</td>
</tr>
<tr>
<td><em>Journal of Business and</em></td>
<td><em>International Journal of Entrepreneurial</em></td>
<td><em>European Journal of</em></td>
</tr>
<tr>
<td><em>Industrial Marketing</em></td>
<td><em>Behaviour and Research</em></td>
<td><em>Marketing</em></td>
</tr>
<tr>
<td>Telecommunication</td>
<td>Retail</td>
<td>Banking</td>
</tr>
<tr>
<td><em>Qualitative Market Research: An</em></td>
<td><em>Journal of Developmental</em></td>
<td><em>International Journal of</em></td>
</tr>
<tr>
<td><em>International Journal</em></td>
<td><em>Entrepreneurship</em></td>
<td><em>Bank Marketing</em></td>
</tr>
<tr>
<td>Banking /Retail</td>
<td>Manufacturing</td>
<td></td>
</tr>
<tr>
<td><em>International Journal of</em></td>
<td><em>Journal of Small Business</em></td>
<td></td>
</tr>
<tr>
<td><em>Bank Marketing</em></td>
<td><em>&amp; Enterprise Development</em></td>
<td></td>
</tr>
<tr>
<td>Khalid (2000)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Information Systems</td>
<td></td>
<td></td>
</tr>
<tr>
<td><em>Library Review</em></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The second gap in the literature relates to the focus on manufacturing sector. Scholars have
used network concepts to examine how connectedness can influence opportunities and
impose constraints for business decision makers (Ostgaard & Birley, 1996; Uzzi, 1996). Gilmore and Carson (1999) described a network as: “a collection of individuals who may or may not be known to each other and who, in some way contribute something to the entrepreneur, either passively, reactively or proactively whether specifically elicited or not (Gilmore and Carson, 1999, p.31)”.

Executive networking for the purposes of this research is defined as networking by an employee in a position of senior responsibility in an organization. Most network studies have focused on the manufacturing sector (Johasen and Riis, 2005; Fuller-Love and Thomas, 2004; Shi, 2003; Golden & Dollinger, 1993; Human & Provan, 1997) and apart from this, most of network studies carried out in LDCs have concerns for export in LDCs (Ibeh, 2004; Lado et al, 2004; Ceiglie and Dini, 1999). This creates a knowledge gap regarding network processes in LDCs for other types of businesses as there have been very few studies on how connectedness can be used to influence opportunities in the financial services sector in LDCs. Finally the third gap in networking literature is that many studies in networking have been particularly interested in the personal network of the owner-manager, or in their personal contact network, i.e. any relationship of alliance he may have or develops to further the potential of his enterprise (O’Donnell and Cummins, 1999). Not too much has been said about the role of professional managers (non-owner managers) in networking in financial institutions in LDCs. Also not much has been said about the comparison of the network marketing role of non-owner managers and owner-managers in financial institutions in LDCs. The financial services as a service industry requires very active levels of personal interaction with exchange partners. To give maximum attention to exchange partners, it will be difficult to restrict the exchange activities to owner-managers only. The role of non-owner managers in financial institutions is critical in building relationship with exchange partners. This limitation however is that networking is an activity that varies according to the
individual owner/manager and furthermore, according to the person with whom the interaction takes place (O’Donnell, 2004). Marketing within the entrepreneurial firm differs from conventional models. Owner-manager decision making will tend to be non-linear in character, time compressed, and based largely on the intuitive competence of the lead entrepreneur (Hill and McGowan, 1996). This study seeks to examine the network marketing activities of both owner-managers and professional managers in financial institutions in LDCs.

1.1.3 Importance of the Research
As mentioned in section 1.1.2, this research aims to address the issue of the imposition of marketing theories of developed economies where marketing is necessitated by competition on LDCs and where the marketing concept had limited applications largely due to the fact that financial institutions are operating in a sellers’ market characterized by a shortage of financial services, limited competition, government control and low disposable income (Lwiza and Nwankwo, 2002). It therefore intends to add to the limited number of marketing related research works carried out in LDCs. Secondly, this study will also look at the financial services sector network marketing activities. Finally, this study will investigate the network marketing activities of owner-managers and professional managers (non-owner managers) in LDCs in one study. The importance of addressing the issues and the resulting importance of this research can be viewed from the intended LDCs literature and managerial contributions of this research.

1.1.4 Intended Contribution to LDCs Literature
As mentioned in section 1.1.1, the current literature containing network marketing in LDCs appears to be relatively small and highly concentrated on manufacturing and export related
activities. Table 1.2 describes seven network studies published in major academic journals since 2000.

**Table 1.2 Review of Network Marketing Studies**

<table>
<thead>
<tr>
<th>Researcher</th>
<th>Sector</th>
<th>Future Directions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Koch et al. (2006)</td>
<td>New Venture Support</td>
<td>Further understanding of commitment to new venture support networks</td>
</tr>
<tr>
<td><em>Journal of Small Business &amp; Enterprise Development</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fuller-Love and Thomas(2004)</td>
<td>Manufacturing</td>
<td>Further research into other networks, both in manufacturing and other sectors, to compare activities and develop model of best practice.</td>
</tr>
<tr>
<td><em>Journal of Small Business &amp; Enterprise Development</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reid et al. (2004)</td>
<td>Industrial buyers</td>
<td>Personal relationships have a large role to play in supporting any business-to-business relationship.</td>
</tr>
<tr>
<td><em>Journal of Business &amp; Industrial Marketing</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bennett and Durkin (2002)</td>
<td>Retail Banking</td>
<td>Organizational culture is an appropriate vehicle for driving change process.</td>
</tr>
<tr>
<td><em>International Journal of Bank Marketing</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td><em>International Journal of Research in Marketing</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td><em>Journal of Marketing</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yau et al (2000)</td>
<td>Commerce</td>
<td>Relationship marketing orientation is important and its utilization will enhance the performance of firms.</td>
</tr>
<tr>
<td><em>European Journal of Marketing</em></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

It is therefore suggested that this research is important from LDC literature contribution in that it adds to the relatively small number of network marketing studies, but more importantly it combines both quantitative and qualitative methods (see section 5.2.3) to study network marketing activities of relationship managers (both owner-managers and non-owner managers) in the financial services sector in LDCs, an area that does not appear to be sufficiently covered at this point.

**1.1.5 Intended Theoretical Contributions**

From a theoretical contribution, this research is important for several reasons. As previously described in section 1.1.1, the marketing literature dealing with the conceptualization of
network composition has often been structured along business to business networks and personal contacts networks of owner managed entrepreneurial firms (Fuller-Love, 2004; Zeffane, 1995; Hill et al. 1999). However there appears to be little evidence that owner-managers and professional managers have been studied together as relationship executives in a single study of network/relationship marketing study in financial institutions in LDCs. There is the perception that there is lack of adequate managerial, finance and marketing know-how in LDCs and that executive are appointed by the government, directly or indirectly and some key staffs are recruited on a “personal connection” basis (Lwiza and Nwankwo, 2002). This perception therefore leads to the thought that the non-owner manager is not motivated to grow his/her business through relationship marketing for long-term benefits. Consequently therefore the non-owner manager may not engage in network marketing activities. It is suggested then, that this study is important from theoretical view in that it provides a study of network relationships which includes both the owner-manager and non-owner manager as the unit of analysis. This would afford us the opportunity to examine whether there is motivation for owner-managers and non-owner managers to pursue network marketing activities.

Furthermore, although the concept of networking has often included personal contacts and business contacts as a construct within a study (Hill et al. 1999), there appears to be very little research in LDCs conducted on combining firm characteristic, personal contacts, business contacts, commitment and trust in a single study. Morgan and Hunt (1994) have done extensive work on commitment and trust, whilst Hill et al (1999) have catered for personal and business contact networks, yet there appears to be limited application to bring these factors together in one study in LDCs. While this study is not intended to address the issue of whether commitment and trust is an antecedent in network marketing, it is important
to the literature in that the measure of commitment and trust draws attention to what relationship partners are looking for in a long-term network.

Finally, as this study discusses firm characteristics on network marketing, there is an opportunity to examine the impact of firm characteristics on the ability of relationship managers to network in their marketing efforts. This allows for significant contribution to the literature on the effectiveness of firm characteristics on network marketing.

1.1.6 Intended Managerial Contributions
From a managerial contribution view, this research is important for a number of similar reasons described in section 1.1.2.2. The application of understanding network marketing opportunities is important to financial sector management in that it provides them with greater understanding of the marketing opportunities that are available to them to establish enduring long-term relationship with their exchange partners both within formal and informal settings. Also, its contributions can be made on whether share ownership influence network marketing and for that matter motivation to grow business. Furthermore with the inclusion of commitment and trust in this study, valuable managerial contributions can be made on how technology and adequate funding can be used to win the commitment and trust of exchange partners in long-term relationships.

1.1.7 The Research Problem and Issues
Given the justification of the research provided in section 1.1.1, this study addresses the problem of understanding relationship marketing and executive network marketing in Less Developed Countries and how networking contributes to marketing in the financial services sector in LDCs. Specifically, this study investigates the following research problem:

| What are the significant factors that influence Executive network marketing in financial institutions in LDCs? |
An answer to this question requires investigation into factors that are perceived to impact on executive networking in financial institutions in LDCs, and the development of sub-research questions. The factors that impact on Executives’ networking are grouped as follows: Firm Characteristics, Personal Contacts, Business Contacts and mediating factors of Commitment and Trust.

This research problem is investigated by gathering data from 124 relationship executives in financial institutions regarding their opinion of network marketing activities and then matched with interview data collected from 20 executive directors on similar issues.

1.1.8 The Scope of the Research
This study focuses on the financial services sector (banking, insurance, brokerage and non-bank financial institutions) in Ghana, with Ghana being used as a proxy for less developed countries.

Based on the recommendations of Churchill and Iacobucci (2002) and Frankfort-Nachmias and Nachmias (1996) in defining the unit of analysis for the study, the individual relationship executive within the financial services sampling frame represents the unit of analysis.
1.1.9 Structure of the Thesis

Figure 1.1 below provides a graphical overview of the structure of the thesis.

![Figure 1.1 Thesis Structure]

- Framing the Issue
  - Chapter 1
    - Introduction to the Research

- Developing of Theoretical Framework
  - Chapter 2
    - Literature Review
  - Chapter 3
    - Exploratory Research
  - Chapter 4
    - Conceptual Model & Hypothesis

- Chapter 5
  - Research Methodology

- Empirical Study Survey

- Chapter 6
  - Results & Findings Analysis
- Chapter 7
  - Results Analysis
    - Firm Characteristics
- Chapter 8
  - Results Analysis
    - Personal Contact
- Chapter 9
  - Results Analysis
    - Business Contact
- Chapter 10
  - Results Analysis
    - Commitment & Trust

- Chapter 11
  - Conclusion & Implications
Chapter 1 provides the introduction, the justification of the research and details of the geography, economy and the financial services sector in Ghana. Chapter 2 looks at existing literature on relationship and network marketing. Chapter 3 deals with the exploratory qualitative research which together with chapter 2 lead to the development of hypothesis in Chapter four. Chapter 5 discusses the research design and methodology used in the empirical research and the reason for the choice of methods. Chapters 6-10 cover the empirical part of the research. The thesis ends with implications and policy recommendations in chapter 11.

1.1.10 Section Summary
This section provided the introduction to the study by outlining the justification for the research and its intended contributions, the research problem and questions, the scope of the research, as well as the structure of the thesis. The following five sections discuss the background to the research by looking at a brief geography of Ghana as well as its economy and financial systems. Issues relating to marketing in LDCs are also discussed.

1.2 Geography
Ghana is located in West Africa with a size of 238,533 square kilometers, roughly the size of the states of Illinois and Indiana in the United States of America. Although the official language is English, Ghana is surrounded by French speaking countries; Cote d’Ivoire on the west, Burkina Faso on the north, Togo on the east and the Gulf of Guinea (Atlantic Ocean) on the south.

The topography of Ghana is a generally low physical relief except in the east. There are five distinct geographical regions: low plains inland from Atlantic coast; northern plateau

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1 Wikipedia.org/wiki/Geography of Ghana
stretching from western border to Volta River Basin averaging 450 meters in height; mountainous uplands along eastern borders, bisected in south by Volta River Gorge; Volta River Basin in center; and dissected plateau up to 300 meters high in north.

The climate in Ghana is tropical - governed by interaction of dry continental airmass from the northeast and moist southwest equatorial system with an annual mean temperature of between 26° C and 29° C. Annual rainfall varies from more than 2,100 millimeters in the South to 1,000 millimeters in the North. Vegetation is heaviest in south, thinning to savanna and dry plains in the north. The next section (Section 1.3) gives an overview of the economy of Ghana

1.3 Economy

At independence in 1957, the economy of Ghana was based on cocoa and gold and the country was relatively prosperous. At independence Ghana had foreign reserves of not less than UK£500 million and per capita income of about US$300 that was comparable to other middle income countries like South Korea (Leith and Lofehie, 1993). Not withstanding the lack of industrialization, the economy appeared to be stable and prosperous, as it was the leading producer of cocoa at the time (Aryeetey and Fosu, 2002).

After independence, Ghana embarked on rapid import-substitution industrialization through the establishment of state enterprises as guided by the declaration of the Development Decade (1960-1970) by the United Nations (UN) (Aryeetey and Harrigan 2000). The political philosophy at the time being socialist inclined, also influenced how the industries were financed and controlled in most cases by the state (Aryeetey and Fosu, 2002, Bhasin and Annim, 2005). Akuoko-Frimpong (1990) reported that by 1960 Kwame Nkrumah the first president of Ghana had completely shifted away from the colonial master (Great Britain), rejected open market economy and had adopted a centrally planned and regulated economy. The state then became the predominant economic agent in Ghana.
After mid-1960s, the economy stagnated, characterized by weak commodity demand, outmoded equipment, overvalued currency, smuggling, foreign debt and mismanagement which left a lot of state-enterprises highly unprofitable. In 1983, the government of the day, Provisional National Defense Council, changed its initial political and economic direction by accepting market economic principles as dictated by the IMF and the World Bank. This led to the government embarking on Economic Recovery Program (ERP) which is a structural adjustment program. The objectives of the ERP can be summarized into five main elements as (1) the realignment of relative prices to foster growth in production and export (2) a shift from direct government intervention towards reliance on market forces (3) the restoration of fiscal and monetary discipline and liberalizing trade and payments regime (4) the rehabilitation of social and economic infrastructure and (5) structural and institutional reforms aimed at increasing efficiency and encouraging growth of savings and investments (Hoefter 2001, Aryeetey and Harrigan 200, Akuoko-Frimpong, 1999).

Describing the initial results of the ERP as generally positive, Aryee et al. (1999) noted a reduction in inflation rate from 125 percent in 1983 to 33 percent in 1986 and reaching 10 percent in 1992. The economy then started to enjoy a positive Gross Domestic Products (GDP) growth rate estimated at 5 percent per annum, as a result of an increase in the country’s traditional exports of cocoa, gold and timber. On the flip side however, private investment did not improve much, remaining at about 11 percent to 16 percent which indicated that a major chunk of investment continued to be that of public sector.

The increase in GDP is therefore inversely matched with high foreign debt and little improvement in standard of living.

The macroeconomic performance showed a downward turn after 1991. The cumulative effect being that the GDP growth rate slowed down averaging 4.2 percent for the period 1992 to 1998. Export growth which rose from a record low of 9 percent before 1983 to 11 percent
for the period 1985 – 1989, recorded no growth for the period 1990 – 1996. Unlike exports, imports growth became substantially positive at 5 percent during the same period (Aryeetey and Fosu, 2002). By the year 2000, the economic conditions had systematically deteriorated. Budgetary imbalances had become entrenched. Adverse terms of trade had worsened, in addition to delays in disbursements. The continued delays in external inflows compelled the government to borrow internally. This raised local interest rate surpassing 50 percent per annum at the end of 1999. Interest on national debt constituted over 40 percent of total recurrent expenditure (CEPA, 2001).

During the period 2000 – 2005 however, the economy appeared to be responding well to the economic measure implemented by the government in an attempt to reverse the decline experienced up to 2000. Real GDP showed upward trend from 4.2 in 2001, rose to 4.5 in 2002 and hitting 5.8 in 2005. The domestic debt reached its lowest level in several years in 2003, with further fall in 2004. Consequently, interest rate on 91 Day Treasury Bills fell to around 11.45 percent by the end of 2005. The annual average inflation rate fell to 14.8 in 2002; however went up to 26.7 percent in 2003, before slipping back to 14.4 percent in 2005. The above stated success notwithstanding, according to Sarpong (2004) the private sector growth continues to be limited by access to finance and high interest rates. There exists a lot more work to be done in the areas of structural and institutional reforms. The privatization of state enterprises had been extremely slow. Institutions continued to be weak. Perception about corruption continued to rise (CDD, 2005).
### Table 1.3: Ghana Macroeconomic Indicators 2001 - 2005

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real GDP Growth Rate (%)</td>
<td>4.2</td>
<td>4.5</td>
<td>5.2</td>
<td>5.8</td>
<td>5.8</td>
</tr>
<tr>
<td>Annual Average Inflation</td>
<td>32.9</td>
<td>14.8</td>
<td>26.7</td>
<td>12.6</td>
<td>14.4</td>
</tr>
<tr>
<td>91 Day Treasury Bill (%)</td>
<td>28.94</td>
<td>26.63</td>
<td>18.66</td>
<td>17.08</td>
<td>11.45</td>
</tr>
<tr>
<td>Prime Rate</td>
<td>N/A</td>
<td>24.3</td>
<td>21.5</td>
<td>18.5</td>
<td>15.5</td>
</tr>
<tr>
<td>Current Accounts Balance ( $m)</td>
<td>-324.5</td>
<td>15.6</td>
<td>40.8</td>
<td>-151.3</td>
<td>-406.5</td>
</tr>
</tbody>
</table>

Source: Database of Databank Research and Information Limited.

### 1.4.0 Definition of Less Developed Countries

There are various definitions for LDCs but for the purposes of this study we picked a few that are relevant to our course.

The “less developed” countries include all of Africa, all of Asia except Japan, the Transcaucasian and Central Asian republics of the NIS, all of Latin America and the Caribbean, and all of Oceania except Australia and New Zealand. This category matches the “less developed country” classification employed by the United Nations. “Less developed” countries are also referred to in the report as “developing” countries ([www.census.gov/ipc/www/wp96glos.html](http://www.census.gov/ipc/www/wp96glos.html)). Since our study was carried out in Ghana, which is located in Africa, the geographic definition very much covers our study area.

LDCs are the non-industrialized nations of the Third World. Often they are former colonies of western nations that rely on the export of raw materials to maintain a precarious prosperity ([www.politicalscience.utoledo.edu/faculty/lindeen/glos3260.htm](http://www.politicalscience.utoledo.edu/faculty/lindeen/glos3260.htm)). Tybout (2000) noted that, most developing economies are characterized by small market size, lack of access to manufactured inputs, low rate of skilled labour, lack of adequate infrastructure, extreme macroeconomic and relative price volatility and poor legal systems and governance. Many African countries (including Ghana) immediately after independence pushed for rapid industrialization with state controlled enterprises (Aryeetey and Harrigan, 2000).
LDCs are at a disadvantage in today’s global competitive environment because their comparative advantage in cheap labour and natural resource endowments has become subordinated to knowledge-based factors. For example, knowledge is the key to innovations in production that ultimately make products more competitive (media.pearsoncmg.com/intl/ema/uk/01312666/student/0131217666-glo.html). As barriers to globalization continue to fade, while powerful internationalization of production and marketing continue to thrive all over the globe, African businesses need to realize that competing globally is not an option, but an economic imperative (Rutushoby and Jaensson, 2004). This position is deemed to create an extra-ordinary competitive environment for developing countries, as they do not appear to be ready to face the challenges and opportunities that globalization currently present. Factors such as lack of macroeconomic and political stability, high labour costs, low skills and inability to tap into international marketing networks have inhibited trade expansion in Sub-Saharan Africa (Asafu-Adjaye, 2004).

Approximately 130 countries in Asia, Africa and Latin America suffer from some or all of the following characteristics and could be classified as developing or less developed countries: majority of people living in poverty, mostly farmers or hunters, little or no industry, high birth rates and declining death rates, low life expectancy, malnutrition, poor housing, and more illiteracy than literacy (home.ica.net/-drw/glossl-m.htm). A developing country is a country with a low income average, a relatively backward infrastructure and a poor human development index when compared to the global norm. The term has tended to edge out earlier ones, including the Cold War-defined “Third World” (en.wikipedia.org/wiki/Less-developed-countries). Firms located in LDCs which are characterized by SMEs face extreme competitive challenges. Firms located in non-metropolitan areas are especially vulnerable due to shifting demographics, economic trends,
and changing market conditions. Many rural areas have lost agriculture and manufacturing jobs and are struggling for economic survival (Frazier and Niehm, 2004).

Application of the network paradigm is particularly appropriate in LDCs where rural residents rely more heavily on primary group relationships and close personal ties than their urban counterparts (Frazier and Niehm, 2004). Small towns and rural areas represent unique business settings due to distinct demographics, spatial composition, social structure, and market segmentation (Beggs, Haines & Hurlbert, 1996).

1.5.0 Financial System in Less Developed Countries

Finance is the oil for growth. It is indeed the life-blood of the economic system. The financial system is the vessel that carries this life-blood through the economic system. It is the system of institutions and operations that canalizes the financial resources into productive use (Sowa, 2003). In most developing countries, the economies are characterized by dual systems running parallel – monetized and non-monetized; formal and informal systems. On the one hand is the money economy where transactions predominantly take place with money as a medium of exchange and on the other is the non-monetized rudimentary economy where the subsistence economy and barter dominate. The other kind of dualism refers to the formal financial system with banks and other formal financial intermediaries as distinct from the informal system made up mostly of various shades of rotating credit systems and moneylenders.

In the 1980s, when most African countries adopted an IMF/World Bank supported Structural Adjustment Programme (SAP), financial sector reforms formed a major part. The financial sector reform involved institutional restructuring, enhancement of the legal and regulatory framework for banking operations, and liberalizing interest rates. Clearly the financial sector reform has more to do with the formal system than with the informal sector activity. In

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2 Centre for Economic and Policy Analysis 2003.
particular, policy reform by way of interest rate liberalization affected the formal sector directly and any impact on the informal financial activity was only secondary.

For most African countries, the financial system was virtually underdeveloped in the period up till independence. After the introduction of money in the colonies principally for the reason of taxation, not much was done to develop the financial system of the colonies. There were only few expatriate banks, which catered for the needs of the expatriate merchants. These banks failed to advance loans to local peasants and entrepreneurs primarily because they lacked collateral securities. Credit thus circulated only among the big expatriate commercial houses, which could afford to provide ‘good’ collateral. The collateral demanded included life assurance policies, stocks, shares, bills and other financial instruments, which could not be found in the portfolio holding of the natives. Thus, after independence, most African governments initiated plans to indigenize their banking sectors so as to make credit easily accessible to the indigenes (Sowa, 2003).

After independence, the pressure to develop economically led to fiscal pressures, which put severe strain on the financial sector. With interest rates fixed at ridiculously low levels most governments borrowed cheap from the financial system and thereby crowded out of the private sector. As the economies of African countries run into more macroeconomic problems, the financial sector became more and more distressed. For instance, the high inflation rates experienced in some countries together with the devaluations that were introduced to correct the imbalances left most banks with negative net worth (Sowa, 2003). The bulk of banks’ resources are absorbed by the public sector. Faced with an ample supply of relatively low-risk, high return government paper, banks and other financial institutions have had little incentive to engage in – or develop the capacity for – lending and equity finance for the private sector (Acquah, 2003). The governor of the Bank of Ghana has observed that the macroeconomic instability of LDCs has fostered a short-term perspective,
among both savers and lending institutions. One third of all bank deposits are demand
deposits, and terms for bank loans rarely extend beyond one year (Acquah, 2003).

For the purposes of this research, the following constitute the financial services sector of
Ghana: banking, insurance, capital market and non-bank financial institutions activities. The
various financial activities are discussed in turns below.

1.5.1 Introduction and History of Banking in Ghana

The banking sector is the largest contributor to Ghana’s financial sector. Commercial
banking in Ghana dates back to 1894 when Bank of British West Africa (now Standard
Chartered Bank Ghana) was established. It was followed with Barclays Bank in 1917 and in
1952, the Bank of Gold Coast, and now Ghana Commercial Bank. After independence in
1957, the government established various commercial and development banks to meet the
country’s financing needs. Reflecting the general economic trends over several years, most
Ghanaian banks had become weak, financially distressed and insolvent by the mid 1980’s
with significant non-performing loan books. To address this problem and with the assistance
of the World Bank, the Government in the late 1980’s launched the Financial Sector
Adjustment Program (FINSAP) to restructure distressed banks, clean up nonperforming
assets, restore banks to profitability, reform legislation and the banking supervisory system,
allow the entry of new banks and financial institutions and develop the money and capital
markets. These efforts led to the establishment of new private banks.

The governor of the Bank of Ghana in remarks delivered to the Commonwealth Business
Council in London, June 25, 2003 on ‘Liberalizing Ghana’s Financial Services Sector: the
Role of Overseas Banks’ argued that liberalizing entry and encouraging foreign banks and

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3 Centre for Economic and Policy Analysis and Bank of Ghana.
investors in the financial services industry would have advantages that must be balanced against its potential costs and risks. According to the governor another benefit of a competitive, open system is that it forces all financial firms operating in an economy to offer the highest returns to savers and the lowest cost of capital to investors. To achieve the desired competition, the governor is of the view that the entry of foreign banks of international standing surely mitigates the anti-competitive disadvantages inherent in concentration and enhanced market power of domestic banks, giving impetus to dynamic efficiency. The governor however acknowledges that excessive numbers within the system could dilute the franchise value of banks and increase instability

1.5.2 Introduction and History of Insurance in Ghana

The early insurance companies in Ghana were all British and subject to the United Kingdom Board of Trade regulations. The reason for this must be obvious as Ghana was still a British colony until 1957. These British insurers were represented by Chief Agents. A Chief Agent is a person who held a power of attorney on behalf of a registered insurer under an Act of British Parliament and might accept proposals and sign and issue insurance cover on behalf of that insurer.

The Royal Exchange Assurance Company which operated in Ghana in the early 1920’s through the Barclays Bank was the first to open its own branch office in 1927 in Ghana. In 1955, the first local insurance company – Gold Coast Insurance Company – was formed to transact only life business, and the African life to be precise. Until this company was founded, the then expatriate companies used to insure mainly European lives.

The Ghanaian insurance market (like most sub-Saharan African markets), is a very small sub-sector of the national economy. Gross Premiums for 2003 totaled about ¢704 billion.

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4 Ghana Insurance Year Book 1995/96
This was about 1.08% of the country’s GDP. (Compared with 12.7% for South Africa, 5.56% for Zimbabwe, 3.05% for Kenya and 1.38% for Ivory Coast).

Like other insurance markets in developing countries, Ghana’s insurance market is predominantly Non-Life. Life insurance accounted for only 19% of total gross premiums for 2003.

1.5.3 The Capital Market
The Ghana Stock Exchange (GSE), which is at the heart of the Securities Industry in Ghana, is making its mark on the emerging markets in Sub-Saharan Africa. With a mission to be a relevant and significant vehicle in mobilizing and allocating long-term capital for Ghana’s economic development and growth, the GSE has in recent times been attracting companies and investors from across the world to list on or invest in its market (Yamoah, 2006).

Under the FINSAP, Ghana’s capital market was established in 1989. The GSE began full operations in November 1990 with 12 listed companies and one Government bond. Market capitalization increased from ¢30.46 billion in 1991 to ¢91,857.28 billion in 2005 while the listed companies increased from 12 to 29(Sowa, 2003). Thus, the GSE established itself as a profitable investment venture for the Ghanaian economy with year end market capitalization of ¢91,857.28 billion at the end of 2005. There is no doubt that the GSE has the potential to attract long-term financing of investment in Ghana (Sowa, 2003). During the 15 years of its existence, the market has raised about ¢2,291.93 billion and US$ 16.6 million through equities and bonds (Ghana Stock Exchange market statistics, December 2005).

1.5.4 Non-banks Financial Institutions
The Government of Ghana in the late 1980s launched the FINSAP to restructure distressed banks, clean up nonperforming assets, restore banks to profitability, reform legislation and the banking supervisory system, allow the entry of new banks and financial institutions and
develop the money and capital markets. The development of money and capital markets was to encourage competition in the financial services sector (Sowa, 2003).

Some of the new financial institutions that came in the wake of FINSAP are; discount houses, finance houses, acceptance houses, building societies, leasing and hire-purchase companies, venture capital funding companies, mortgage financing companies, savings and loans companies, and credit unions.

1.6.0 Marketing in LDCs

In spite of the continued use and application of marketing in LDCs, there is an ongoing debate concerning the applicability of marketing to developing countries (Osuagwu, 2006; Winston and Dadzie, 2002; Appiah-Adu, 1998). There are scholarly arguments pertaining to the application of marketing philosophy or knowledge in developing economies including Ghana (Osuagwu, 2006). For example, the implementation of marketing philosophy in developing countries has attracted some criticism with respect to such constraining factors as strong governmental control, economic shortages, and general behaviour towards marketing knowledge and activities (Winston and Dadzie, 2002). Associated with this debate however are two schools of thought. One perspective is that the marketing concept is not applicable in developing countries because the principles and techniques are based on the tenets of buyers’ markets (markets where supply of goods and services is much greater than demand), whereas the vast majority of developing countries are characterized by sellers’ economies (markets where supply of goods and services is far less than demand). It has been argued that the marketing concept has been essentially a tool of developed countries, a means which the products of buyers’ market economies are marketed, a discipline of domestic marketing theory that has been extended minimally to foreign situations. It is not a discipline of
globally accepted principles that may be applied to a subset of national economies (Bartels, 1983) and also, while the basic marketing concept is based on the premise that managers have full control over the components of the marketing mix, such a premise does not hold in developing economies. This is due to the fact that goods are manufactured and sold regardless of their suitability to buyers’ needs, while prices are fixed on the basis of government regulations (Appiah-Adu, 1998).

The alternative view is that, the concepts and techniques of marketing are applicable in developing countries but lack of adequate marketing knowledge and shortage of marketing expertise are perceived as barriers to the applicability of the discipline (Osuagwu, 2006; Dadzie et al., 2002; Kaynak and Hudanah, 1987). Some scholars have argued that environmental factors do not detract from the implementation of marketing knowledge, and that (with adequate expertise in marketing theory and practice) marketing should be of benefit to all companies world over, including developing countries such as Ghana (Osuagwu, 2006). In fact, several academics and practitioners of development have purported that the one main problem in economic development of LDCs is that little attention has, so far, been placed on the shortcomings and opportunities of marketing (Mittendorf, 1982). Clearly, marketing as carried out in developed countries, with an emphasis on inducing new needs and wants, may not be of prime concern in the poorer developing economies (Keegan, 1984). According to Dadzie et al., (2002), marketing issues (to a substantial extent) have not been fully discussed at the micro-level regarding how local company managers in African countries implement (or practice) Western-brewed marketing theories such as market orientation. This means, therefore, that organizational managers in African companies may understand marketing theories differently from their counterparts in developing economies (Osuagwu, 2006).
1.7 Conclusion

This chapter has provided the introduction to the whole research by outlining the justification for the research and its intended contributions, the research problem and questions, the scope of the research and the structure of the thesis. It also gave a background to the research by describing the geographical location of Ghana, review the economy of Ghana and its financial systems by looking at banking, insurance, capital market and non-bank financial institutions operations. Various definitions of LDCs were considered. The chapter finally discussed issues pertaining to marketing in LDCs.

<table>
<thead>
<tr>
<th>Summary Table for Chapter One</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Discussion of justification for research and its intended contributions, the research problem and questions, the scope of the research as well as the structure of the thesis.</td>
</tr>
<tr>
<td>2. The geographical description of Ghana.</td>
</tr>
<tr>
<td>3. A brief discussion on the economic history of Ghana was carried out.</td>
</tr>
<tr>
<td>4. Various definitions of LDCs were carried out.</td>
</tr>
<tr>
<td>5. The financial system in LDCs was discussed together with the historical operations of banks, insurers, brokers and non-bank financial institutions.</td>
</tr>
<tr>
<td>6. Issues pertaining to marketing in LDCs were also discussed.</td>
</tr>
</tbody>
</table>
CHAPTER TWO

Literature Review

2.0 Introduction and Structure of the Literature Review

This Chapter reviews the significant literature related to the research problem outlined in an earlier chapter. Table 2.1 below provides an overview of the seminal and peripheral literature that will be reviewed in this chapter. This extensive review of the literature is necessary for the development of the conceptual framework and hypotheses developed in the next chapter.

Table 2.1 Literature Review Structure

<table>
<thead>
<tr>
<th>Seminal to the Study</th>
<th>Peripheral to the Study</th>
</tr>
</thead>
<tbody>
<tr>
<td>Momentum for change in marketing (schools of thought)</td>
<td>Commitment and Trust</td>
</tr>
<tr>
<td>Linking relationship marketing to network marketing</td>
<td></td>
</tr>
<tr>
<td>Network marketing and the social network theory</td>
<td></td>
</tr>
<tr>
<td>Networking in Sub-Saharan Africa</td>
<td></td>
</tr>
</tbody>
</table>

As detailed in Table 2.1, this chapter focuses on the literature surrounding the issues of exchange and relationships i.e. momentum for change, synthesis for relationship marketing and discussions on the schools-of-thought, as well as networks and networking structures. Mediating variables in relationships are discussed as well as networking in Sub-Saharan Africa.

2.1 Exchange and Relationships

This section begins by discussing the momentum for change in marketing (section 2.1.1) and then focuses on the synthesis of relationship marketing which discussed the schools of thought; the Nordic School, IMP Group and Anglo-Australian approach.
2.1.1 Momentum for change

Marketing has for many years been based on the management of demand, for example by advertising and promotion, and the management of price to stimulate demand, or by developing new and different products appealing to different segments of the market at different price points. There is a view, however, that this conventional micro-economic perspective focused on the interaction between supply and demand is no longer adequate in the post-industrial era (Palmer et al., 2005). As Wensley (1995, p. 67) states, “… the basic micro-economic framework should not be seen as an adequate description of the analytical and processual complexities in specific situations”.

The reason for this has been ascribed to changes in the pattern of demand, as the post-war boom in consumer and industrial products has declined, particularly in the affluent markets of the west (Christopher, 1996; Gummesson, 1996; Sheth and Parvatiyar, 2000). Relationship marketing has been proposed as the way forward and to this end therefore we carried out a synthesis of relationship marketing. In so doing, three distinct schools of thought are identified, and their main components discussed (2.1.3).

2.1.2 A synthesis of relationship marketing (RM)

To define relationship marketing is to distinguish it from the micro-economic paradigm. At its centre is the concept that customers have continuing value over and above that of individual and discrete transactions (Palmer et al., 2005). The focus is, therefore, on the relationship rather than the transaction. An early definition of relationship marketing is provided by Grönroos (1990, p. 7):

\[
\text{The role of relationship marketing is to identify, establish, maintain and enhance relationships with customers and other stakeholders, at a profit, so that the objectives}
\]

26
of all other parties involved are met; and that this is done by a mutual exchange and fulfillment of promises.

Further objectives of relationship marketing include the delivery of sustained or increasing levels of satisfaction, and the retention of those customers by the maintenance and promotion of the relationship (Christopher, 1996; Raval and Grönroos, 1996).

The reality, however, is that not all customers want or require a relationship with their suppliers (Blois, 1996; Jackson, 1985). It is suggested that there exists a continuum of relationships from transaction-based to relationship-based (Dwyer et al., 1987; Easton, 1990; Grönroos, 1994b, 1996; Webster, 1992). Thus, the contrast between relationship marketing and transactional marketing (- otherwise known as traditional, conventional, or 4Ps marketing –) may appear less distinct, such that “when RM researchers talk about the RM as a paradigmatic shift in marketing it is thus not very clear what the shift is from and even less clear what the shift is to” (Mattson, 1997, p. 456).

Even if relationship marketing has not attained the status of a paradigm, it is at least a well-ordered and distinct concept. However, “there are no nice neat stages” (Turnbull et al., 1996, p. 148) in its development, and it has yet to acquire “uncontested status or meaning” (Buttle, 1996, p. 13). Mattsson (1997) comments on the unrelated nature of the various streams of work in the area and the lack of co-ordination among them, which he described as “scientific myopia”.

The understanding of relationship marketing could be conducted in two main ways. One would be to discuss the area in terms of the concepts involved. A second approach would be to examine and analyse various research streams. Gummesson et al., (1997) discuss the rationale for the use of the term school of thought to describe these streams. They justify it on the basis that a school of thought has no formal membership, but is drawn together by
recognition of and commitment to a discipline through research, publications and practice (e.g. Aijo, 1996; Grönroos, 1994b; Pels et al., 1999).

According to Palmer et al., (2005) the schools-of-thought approach is more commonly used in the literature (e.g. Brodie et al., 1997; Payne, 1995) and provides a more consistent basis for comparison. This method is also followed by Sheth and Parvatiyar (2000); Brodie et al., (1997); and Payne (1995) and their approach has therefore been adopted in this study.

2.1.3. Schools of thought
As an introduction, we suggest there are three schools of thought and they are defined as the Nordic school, one based on the work of the IMP Group, and an Anglo-Australian school.

2.1.3.1 The Nordic School.
The Nordic countries are strongly associated with relationship marketing. This school of thought originated from the field of services marketing: the Nordic school of services (Gummesson et al., 1997). The Nordic school appeared in the late 1970s in response to perceived shortcomings in the transactional approach to marketing. The central core of researchers and practitioners developed the concept of service as a means of improving the quality of the relationship, stimulating customer loyalty, and extending the customer life-cycle (Grönroos, 1990; Grönroos and Gummesson, 1985).

The Nordic school identifies three core processes. The interaction process is shared with the IMP group in the management of the relationship. Additional processes are those of dialogue and value. The dialogue process is necessary as a means to support the successful establishment, maintenance, and enhancement of the interaction process. Management of the communication or dialogue process encompasses all elements of the interaction such as sales activity, as well as mass and direct communications (Grönroos, 2000). The value process is
important, as the product is essentially service based and intangible. The perception of value by the buyer is important to the understanding of the value delivered by the interaction process; perceived value must at least equal the value that is sacrificed (Palmer et al., 2005). The value process seeks to ensure that value is created and perceived to be delivered to the customer.

2.1.3.2 The IMP Group

A research group with links to Scandinavia is the IMP (Industrial or International Marketing and Purchasing) Group that focuses on the understanding of organizational relationships in business-to-business markets (Turnbull et al., 1996). As with the Nordic school, it originated in the 1970s, when a group of researchers focused on the distinctive characteristics of business-to-business relationships and the factors that caused them to evolve. This approach stems from work conducted in business-to-business markets, compared to fast moving consumer goods markets where the transaction has its spiritual home (Brady and Davis, 1993). In business-to-business markets, buyers and sellers are fewer but larger and transaction values are greater and, therefore, of higher significance. An early theme emerging was that in such markets transactions are not discrete but occur as part of a continuing stream of interaction between organizations (Palmer et al., 2005). With changes in the external environment, such as market concentration, higher switching costs, and increased perceptions of risk, buyers and suppliers actively sought to change the nature of the relationship from a basis of competition to co-operation as a strategy of risk reduction (Turnbull et al., 1996). The IMP Group studies the interaction between companies on the basis that transactions are not isolated events but part of a continual stream of engagement (Gummesson, 1987). This takes place within the context of a relationship and, in turn, is part of a network of relationships within which the two companies are positioned (Wensley,
The interaction between companies, and many individuals within companies, constitutes the relationship. This is the unit of analysis, rather than the transaction. Relationships are constituted from activity links, resources ties, and actor bonds (Håkansson, 1982). They are dyadic in nature, but multiple relationships between buyers, suppliers, and other firms aggregate into networks and this is the primary distinction between relationships and networks.

2.1.3.3 The Anglo-Australian approach.

This perspective sees traditional marketing as being built on quality and service, and thereby enhanced to form a comprehensive approach to delivering increasing levels of value to customers in enduring relationships with the company (Christopher et al., 1991). As with the other traditions, this is regarded as a holistic or integrative approach to business, operating in a cross-functional way to provide customer satisfaction and increasing levels of value (Palmer et al., 2005). A prominent feature is the normative definition of six markets or stakeholder groups that the firm should address in varying degrees to achieve its objective, as shown in Figure 2.1

Source: Christopher et al. (1991, p.21)  
STAKEHOLDER GROUPS
Relationships with each of these markets, as appropriate, should be built and maintained in order to provide the optimum value proposition in terms of both product and service, utilizing and managing the relationships between these markets.

The major components of each of these schools of thought are compared with one another, and to transaction marketing, in Table 2.2 below.

Table 2.2: Comparison of main components of major schools of relationship marketing versus transaction marketing

<table>
<thead>
<tr>
<th>Key component</th>
<th>Transaction marketing</th>
<th>IMP group</th>
<th>Nordic School</th>
<th>Anglo-Australian approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basis</td>
<td>Exchange 4Ps</td>
<td>Relationship between firms</td>
<td>Service</td>
<td>Service/quality/marketing</td>
</tr>
<tr>
<td>Time-frame Market</td>
<td>Short-term</td>
<td>Short- and long-term</td>
<td>Long-term</td>
<td>Long-term</td>
</tr>
<tr>
<td></td>
<td>Single, customer</td>
<td>Multiple, network</td>
<td>30 markets with four categories</td>
<td>Six markets</td>
</tr>
<tr>
<td>Basis of exchange</td>
<td>Price</td>
<td>Product/service, information, financial, and social</td>
<td>Less sensitive to price</td>
<td>Perceived value</td>
</tr>
<tr>
<td>Product/quality dimension</td>
<td>Product/technical/output quality</td>
<td>Technological</td>
<td>Interaction quality</td>
<td>Function of value and cost of ownership</td>
</tr>
<tr>
<td>Measurement</td>
<td>Revenue market share</td>
<td>Customer profitability</td>
<td>Quality, value, customer satisfaction</td>
<td>Customer satisfaction</td>
</tr>
<tr>
<td>Customer information</td>
<td>Ad hoc</td>
<td>Varies by relationship stage</td>
<td>Individual</td>
<td>Customer value and retention</td>
</tr>
<tr>
<td>Internal marketing</td>
<td>Augmentation to core product</td>
<td>Close seller/buyer relations</td>
<td>Substantial strategic importance</td>
<td>Integral to the concept</td>
</tr>
<tr>
<td>Service</td>
<td></td>
<td></td>
<td>Integral to product</td>
<td>Basis for differentiation</td>
</tr>
</tbody>
</table>

Sources: Aijo (1996); Christopher (1996); Christopher et al. (1991); Ford (1994); Grönroos (1994a, b); Kotler (1992); Palmer et al. (2005); Ravald and Gummesson (1996); Turnbull et al. (1996).

2.1.4 Section Summary

This section has provided a review of the key literature in defining the concept of relationship marketing with emphasis on the schools of thought approach. Section 2.2 focuses on understanding network marketing issues as an extension of relationship marketing. This is to complete the background literature discussions and set the tone for investigating the fundamentals for Executives’ network marketing activities.

2.2.0 Linking Relationship marketing to Network marketing

There are a multitude of definitions and descriptions of relationship marketing and one of these numerous definitions is “marketing seen as relationships, networks and interaction”
It is the networks in marketing relationships that this study seeks to investigate. A rather comprehensive definition by Grönroos (1990) states that: “Relationship marketing is to identify and establish, maintain, and enhance relationships with customers and other stakeholders, at a profit, so that the objectives of all parties involved are met” This definition includes the fundamental notion of marketing as a phenomenon basically related to the relationships between a firm and its environment. It points out that marketing includes all necessary efforts required to prepare the organization for; and implement activities needed to manage, the interface with its environment. Markets are, of course, of several kinds; customers, distributors, suppliers, networks of co-operating partners, etc. Finally, relationship marketing, Brodie et al. (1997) indicate, can be split into three distinct parts; database marketing; interaction marketing; and network marketing.

Indeed, relationship marketing has expanded its boundaries and definitions to include related concepts such as network theory (for example Morgan and Hunt, 1994; Coviello et al., 1997). Currently theorists from the areas of relationship marketing and network theory disagree as to the boundaries and definition of relationship marketing and network theory (Healy et al., 2001). Additionally the boundaries and definitions of relationship marketing and network theory are not internally consistent or homogenous (Mattsson, 1997). Furthermore, this ambiguity has led to the development of narrow and convenient definitions designed to suit individual researchers’ needs (Coviello et al., 1997).

2.2.1 Definitions of Network

There are a multitude of definitions and descriptions of networks (Powell, 1990; de Wit and Meyer, 1998; Hagedoorn and Schakenraad, 1994; Fuller-Love and Thomas, 2004; Easton, 1992) and some of these have been examined under this section.
Networks have been defined as “reciprocal patterns of communication and exchange” (Powell 1990, p. 295). Networks can be described as a form of collaborative relationships that firms enter into with their competitors for strategic reasons (de Wit and Meyer, 1998). Hagedoorn and Shakenraad (1994) define networks as “flexible modes of governance”. Fuller-Love and Thomas (2004) define networks as voluntary arrangements between firms aimed at providing a competitive advantage for the participants. The term networks describes a collection of “actors” (people, departments or businesses), and their strategic links (family, community, finance, business alliances) with each other (Johnsen and Johnsen, 1999). At a conceptual level, networks are descriptions of the connections that allow interactions and influences between parts of a complex system. When considering the effects of the connections, networks refer to the interlinked parts.

The term “networks” has become more popular when describing “alliances” and these are often used interchangeably although the term “alliance” indicates a formal arrangement between the parties and a network implies larger numbers of participants (Fuller-Love and Thomas, 2004). Networks and alliances can vary from large international companies to small and medium sized enterprises.

Easton (1992) identifies three groups of network definitions. One set of definitions (e.g. Håkansson, et al., 1989; Van de Ven and Ferry, 1980) describes a network as a total pattern of relationships within a group of organizations that recognize that the best way to achieve common goals is to co-ordinate the business system in an adaptive fashion. Ghauri and Prasad (1995) claimed that a network could simply be identified as a relationship created between two organizations. According to Ghauri and Prasad (1995) if firm A has a relationships with firm B, B with C, C with D and so on, there is a simple linear chain of connection. However, a complex network relationships can be found if firm C is linked to A, and firm D is linked to B and perhaps to A. The second set of definitions identified by
Easton focuses on the bond or social relationships that link loosely connected organizations (Aldrich, 1979; Lundgren, 1995). The third definition focuses on the exchange dimensions in two or more connected organizations (Anderson et al. 1994; Cook and Emerson, 1978). Each of these groups of definitions implies a different level of analysis. The first definition focuses on the overall relationships between business organizations. It includes both the exchange and social relationships between business organizations. Trotter (1999, p. 1) defines a social network as “a specific type of relationship linking a defined set of people, organizations or communities”. The second definition may include loose organizations such as social gatherings between employees of two organizations, not necessarily linked with business transactions in the two organizations. This can also include soft co-operation whereby groups of firms are involved in the exchange of ideas and the development of broad initiatives such as training programmes and capability brochures. In contrast the third definition focuses solely on the exchange relationships.

The first definition is relevant because in our study the term network refers to both the social and exchange relationships. We included the social aspect of the business relationships into our study because as Johannisson and Monstead (1997) alluded, economic activity is embedded in a social texture knit together by strong ties representing a collective social-capital and governance structure. And using the Scandinavian setting, they pressed that personal trust in known fellow community members combines with generalized trust based on shared location and experience. Their conclusion is that the tight control due to dense social networks makes local entrepreneurs avoid opportunistic behaviour, thereby generally reducing transaction costs.

The process of networking, like the concept of a network, has enjoyed various definitions in the literature. Iacobucci (1996) for example, has stated that:
Colloquially networking is a verb used to describe the initiation and sustenance of interpersonal connections for the rather Machiavellian purpose of tapping those relationships later for commercial gain (Iacobucci, 1996, p. xiii).

Carson et al. (1995) describe networking in a small firm context as:

“… an activity in which the entrepreneurially oriented SME owners build and manage personal relationships with particular individuals in their surroundings (Carson et al., 1995, p. 201)”.

According to Chartered Management Institute (2004) Executives’ networks are the relationships with people whose interests are similar or whose friendship could bring advantages such as job or business opportunities. Network marketing therefore is the loose co-operative relationship between executives/companies and their competitors, collaborators, suppliers, customers, employees, social contacts and other organizations affecting the overall marketing function.

2.2.2 Section Summary

This section has provided a review of the link between relationship marketing and network marketing as well as definitions for networks. Section 2.3 focuses on structured networks where the two principal categories (personal and inter-organizational) of networks are discussed.

2.3.0 Structured Networks

Different researchers may adopt different levels of network analysis, yet review of most literature show that research into networks falls into two principal categories: inter-organizational networks and the personal networks. Alternatively the two categories have been called inter-organizational and social networks (Brown and Butler, 1993) or formal and
informal networks (Johansson, 1986). Table 2.3 below shows how the two types of network are often distinguished.

<table>
<thead>
<tr>
<th>The distinction between Personal and Inter-organizational</th>
<th>Inter-organizational network</th>
<th>Personal network</th>
</tr>
</thead>
<tbody>
<tr>
<td>Network “actor”</td>
<td>Organization</td>
<td>Individual</td>
</tr>
<tr>
<td>Type of link</td>
<td>Formal</td>
<td>Informal</td>
</tr>
</tbody>
</table>

Table 2.3.

2.3.1 The Personal Network (Informal Networks)

This section is an introduction to issues relating to personal or informal networks. It examines the background to personal network, discusses social network theory and gives a description of personal network.

2.3.1.1 Background to Personal Network

The terms personal network, social network or personal contact network frequently appear in entrepreneurship literature and can be thought of as roughly interchangeable and indeed for the purposes of this report, the interchangeable position is adopted. Aldrich and Zimmer (1986), confirmed that the use of personal network construct in entrepreneurship research arose from the acknowledgement that traditional approaches to the study of entrepreneurs failed to include a social context. They recognized this as a serious omission in this field of research and consequently researchers of entrepreneurship began to examine the process of entrepreneurship in its environmental context. The appreciation of a social context is frequently coupled with iterated opinion that entrepreneurs place great importance on
meeting and conversing with people, leading to the belief that “business know who” is at least as important as business know how (Peterson and Rondstadt, 1986).

2.3.1.2 Social Network Theory
Mitchell (1969) describes social network as a set of morphological dimensions, which consider the pattern and structure of network, and interactional dimensions, which consider the network process. According to Mitchell (1969) there are four structural dimensions. Firstly, the focus of the network inquiry is called the anchorage and this can be thought of as lying anywhere from personal relationship to inter-organizational relationships. The density is a measure of the extent to which actors in the network are connected to one another. Thus networks can be described as being either tight-or loose-knit. Reachability describes the ease with which players in the network can contact one another and range refers to the social heterogeneity of the actors.
Social bonds emerge over time when individuals carry out business exchanges thereby creating a “capital of trust” (Holmlund and Kock, 1995). Social bonds are the outcome of commitments and non-opportunistic behaviour. In some markets, e.g. the Chinese market, social bonds typically precede business bonds (Bjorkman and Kock, 1995). By creating strong social bonds the firm gets access to vital and necessary business information regarding, e.g. up-coming projects and potential purchases. The social network will also impact the entry mode because sometimes it can be more or less impossible for foreign individuals to enter a network without the suitable social contacts.
In an article titled ‘Relationships and the Internationalization of Finnish Small and Medium-sized Companies’ Holmlund and Kock, (1998) alluded to the fact that the effect of the social network on the internationalization process has so far been more or less neglected. According to them, in small and medium-sized companies the personal resources become
crucial, since the internationalization process often centers around one person and his knowledge and experience. The key actor in the internationalization process of a small business is the decision maker of the firm (Christensen and Lindmark, 1993).

### 2.3.1.3 Descriptions of Personal Network
Although widely used, numerous definitions of a personal network have been presented which differ in terms of breadth. A few of these are considered below. Burt (1992) for example offers perhaps the widest ranging description. He states that in a competitive arena, each player has a network of contacts consisting of everyone he now knows, everyone he has ever known and everyone who knows him even though he doesn’t know them.

A narrower perspective is presented by Mitchell (1969) who proposed that potential members of a person’s network are those people who within certain norms might be expected to provide that person with some specific service or support or alternatively might expect him/her to provide them with some specific type of service or support. Mitchell (1969) further states that these potential relationships may not be activated and that only those people who become involved in some social exchange or transaction will become links in the personal network. There is therefore some element of choice in the make-up of a person’s network. However, Mitchell (1969) does point out that as well as those persons whom the individual chooses to include in his network in terms of his interest in them, there are others that he will include due to some kind of moral obligation. The diagram below shows the possible relationship that an executive/entrepreneur could have in networking.
Joyce et al. (1995) provide an even more specific perspective of networks. They state that a person or firm’s linkages with its environment does not constitute evidence of a network unless it can be shown that the person or firm was influenced by their involvement in them. Gilmore and Carson (1999) have presented a definition of a network which has taken cognizance of prior conceptualizations and is specific to an entrepreneurial context. They describe a network as:

*A collection of individuals who may or may not be known to each other and who, in some way contribute something to the entrepreneur, either passively, reactively or proactively whether specifically elicited or not (Gilmore and Carson, 1999, p.31).*
Interacting individuals, each with his or her own egocentric network, create patterns of behaviour (that is, organizing processes) that sediment into ventures, both imagined and realized by an entrepreneur. Indeed there are fluid boundaries between business and social concerns in individual ties, in the same way that personal networks puncture the boundary between the venture’s formal domicile and the environment.

It is also thought that the personal network of the owner-manager is the most important resource upon which he or she can draw in the early days of the firm’s development (Hendry et al., 1995). Furthermore, personal networks are thought to allow the owner-manager to create a firm that fits his personality (Johansson et al., 1994). The closeness of the owner/manager’s personal relationships may have a particularly positive influence on inter-organizational relationships with suppliers (personal and social acquaintance, cultivation of relationships may be for many years standing), but especially with customers and third party firms. The exchange of information, raw materials, tools, etc., is heavily influenced by family connection, social links and proximity of the other firms.

2.3.2. Inter-organizational networks (formal networks)

This section is an introduction to issues relating to inter-organizational or formal networks. It discusses economic behaviour in networks and examines vertical and horizontal networks as well as industrial districts.

2.3.2.1 The Economic Behaviour

Prior to when the idea of inter-organizational networks was conceived of and accepted, economists argued that resources could be obtained through one of two principal means: through the market mechanism or through a hierarchically arranged firm achieved through vertical integration (O’Donnell et al., 2001). Williamson (1975), drawing upon the work of Coase (1937) is widely cited as the first to question under what conditions transactions are
carried out across a market interface, and which are subsumed in a hierarchically organized firm. He argued that the market mechanism would preside when transactions are straightforward, non-repetitive and require no transaction-specific investments. On the other hand, when transactions are uncertain in outcome, recur frequently and require substantial “transaction-specific investments,” they are likely to take place in a hierarchically organized firm. Such firms internalize their market function and perform more of the stages of the production and marketing processes within their own organizational hierarchies. In this way some of the inefficiencies and costs inherent in the market system are avoided. Essentially therefore, it is agreed that depending on the nature of the transaction, the organization will adapt to the most cost efficient structure. In an SMEs environment, it is observed that SME marketing is haphazard and informal because of the way an owner-manager does business; they make most decisions on their own, respond to current opportunities and circumstances and so decision making occurs in a haphazard and apparently chaotic way, according to personal and business priorities at any given point in time (Scase and Goffee, 1990). Clearly, such limitations will influence, indeed determine, the marketing characteristics of an SME.

This rationale was subject to an often cited critique by Granovetter (1985) on the grounds that it fails to acknowledge that economic behaviour is embedded in networks of interpersonal relations. Granovetter (1992) argued that individuals and institutions are constrained by ongoing social relations, thus refuting the assumption of classical and neo-classical economists that individuals engage in rational self-interested behaviour that is affected minimally by social relations. Economic activity cannot be analyzed without consideration for the social context in which it occurs (Granovetter 1985). Granovetter provided three reasons to support his argument for incorporating the social context into the study of economic activities. First, the pursuit of economic activities is confounded with the pursuit of non-economic activities. Second, economic actors operate in a social context that
affects their motives. Finally, all economic institutions (SMEs inclusive) are socially construed and are affected by the characteristics and motives of those that construe and run them. For instance SME marketing is haphazard and informal because of the way an owner-manager does business; they make most decisions on their own, respond to current opportunities and circumstances and so decision making occurs in a haphazard and apparently chaotic way, according to personal and business priorities at any given point in time (Scase and Goffee, 1990). It is in this context that the notion of embeddedness is understood. Institutions and individuals are affected by social structure, social relations, and social ties. They become embedded in the social context, and all activities are, to a degree, affected by it (Granovetter 1985).

In response to the criticism of Granovetter (1985) and others, Williamson (1991, 1996) acknowledged that in addition to markets and hierarchies, firms can operate within such arrangements as inter-organizational networks (IONs). There is considerable acceptance of the network as a third organizational arrangement, which is viewed as an alternative to both a market situation, where market forces are the regulators, and the hierarchical firm where administrative fiat regulates organizational activity (Larson and Starr, 1993). Accepting that firms can be organized in this way, competitive performance is considered meaningful only in the context of the networks within which firms are embedded (Thorelli, 1986). Social embeddedness framework is very relevant in that firm behaviour in general, and interfirm cooperation in particular, is affected by the context in which strategic choices are made.

### 2.3.2.2 Vertical Networks

Vertical networks are maximizing the productivity of serially dependent functions by creating partnerships among independent skill-specialized firms (Klint and Sjöberg, 2003). An example of such a network is also called a supply chain network, where groups of suppliers along a supply chain are encouraged to collaborate with each other and their
(potential) contractors. Vertical networks are also termed as marketing channel networks. Marketing channels are networks that efficiently promote, modify and move goods to markets (Ghauri et al., 2003). In doing so the channel participant adds value to the product and shares profit and market risk with partners in the channel (Zerrillo et al., 1996). Vertical networks are seen as those members of the value-adding system or distribution chain, spanning from suppliers to end-users (Achrol, 1997).

### 2.3.2.3 Horizontal Networks

Horizontal networks consist of companies from a similar sector, which join forces to improve their competitive position (joint marketing, joint purchasing, and export position) vis-à-vis their (potential) clients or suppliers (Klint and Sjöberg, 2003). These kinds of networks have often emerged in more “mature” industries, facing increased competition from global markets (Klint and Sjöberg, 2003). Ghauri et al., (2003) define horizontal networks as cooperative network relationships among manufacturers who want to solve a common marketing problem, improve production efficiency, or exploit a market opportunity through resource mobilization and sharing. The common view of a horizontal network is those organizations in the same industry (Elg and Johnson, 1996) or more specifically relationship among actual or potential competitors (Piercy and Cravens, 1995).

### 2.3.2.4 Industrial Districts

Industrial districts are a special type of inter-organizational network and the “industrial district thesis” argues that a major component of restructuring in many economies is the emergence of powerful economic networks of mainly small enterprises spatially concentrated in specific geographic areas (Curran and Blackburn, 1994). In some cases, a government has taken formal steps to facilitate this process by encouraging or even requiring groups of firms to locate in the same location. This organizational arrangement is thought to characterize “new competition” and in doing so replaces the old model of the hierarchical firm (Nohria,
At the center of this form, is a relatively small organization structured in a unitary manner with minimal layers of hierarchy specializing in a given product or service. This organization maintains a set of long-term relationships with suppliers, customers and investors. Relationships with competitors are usually cooperative with information and even personnel flowing freely between parties (Galaskiewicz, 1996). Commonly cited examples of these industrial districts include the Emilia-Romagna district in Northern Italy and Silicon Valley in California. Among cases of developing countries, Navdi (1995) provides interesting examples of successful interventions aimed at fostering co-operative relations within SME clusters drawn from the experience of Brazil, Mexico and India (Ceglie and Dini, 1999). However, it has been suggested that the popularity of this notion has led commentators to use the term “industrial district” to describe regions which in fact do not exhibit the intensity of inter-firm relationships that is suggested by this term. The experience of United Nations Industrial Development (UNIDO) proves that it is possible to initiate and develop effective relationships among independent entrepreneurs based on collaboration and production integration even when the entrepreneurs had no previous knowledge of each other (Ceglie and Dini, 1999). The central element for the development of a network is the creation of a sufficient level of trust through a process of mutual learning which can be suitably stimulated and guided by an external agent (the network broker) trained to perform such a function.

2.3.3 The Overlap between inter-organizational and personal networks.
The distinction between inter-organizational and personal networks was simply that in personal networks, the “actors” are individuals who are linked to each other informally, whereas in inter-organizational networks, the “actors” are organizations between whom the
links are formal. While personal networking, guided also by the individuals’ emotions and personal values, is to a great extent spontaneous and intuitive, inter-organizational networking is assumed to be carried out by firms as rational agents. The term personal network however has been used to encompass actors who cannot be treated as individuals. For example, customers and competitors may be included in the definition of a personal network but often these are organizations as opposed to individuals. Furthermore, when discussing Mitchell’s (1969) conceptualization of a social network, it was noted that by introducing the dimension of “anchorage”, inter-organizational relationships could be considered within the domain of a social network. Similarly, it has been noted that in organization network research, the individual as an “actor” is acceptable and in inter-organizational research, the individual as an actor is also embraced. As such, some researchers believe that the two types of network, personal and inter-organizational, should not be treated separately (O’Donnell et al., 2001). For example Johansson et al, (1994) stated that in entrepreneurship research the problem of separating interpersonal and inter-organizational exchange is to a great extent, overruled. They believe that the entrepreneur epitomizes his or her firm and this means that he or she has to personally integrate the various social and business dimensions of network ties. Hence although “personal” may precede the term “network”, in various entrepreneurship research and commentary the entrepreneurial (personal) network is taken to include both formal and informal ties between individuals and between individuals and organizations (O’Donnell et al., 2001).

2.3.4 Outcomes of Network marketing
Acknowledging that the report of outcomes of network marketing in research is quite extensive, this section attempts to highlight some common outcome themes found in literature.
The following research works have confirmed evidence that relationship marketing when properly implemented and executed can lead to positive results in network marketing.

- Jarillo (1988) reported that through an efficient network, a business can profit from lower marketing costs because these are the costs that play an important part in the decision to join forces.

- Hamel et al., (1989) point out that competitor may be trying to obtain information and that successful alliances are formed on exchange of technologies.

- Fuller-Love and Thomas (2004) reported that establishing personal contacts was the main reason for being a member of a network …to meet local business people in order to exchange opinions; …strength of the group; …an opportunity to meet people outside the day to day environment. In the same report, Fuller-Love and Thomas (2004) confirmed that information was an important factor for joining networks, ‘they joined in order to get better ideas for the business”, “in order to stimulate more ideas to make the business more innovative”.

- From the work of O’Donnell (2004) a generic marketing network emerged and it was found to comprise:
  - Potential customers and existing customers;
  - Potential suppliers and existing suppliers;
  - Competitors in the firm’s home market and competitors outside the home market;
  - Business friends and colleagues
  - The Small Business Agency and other Government agencies; and
  - Employee of the firm (the internal network).

O’Donnell’s (2004) work demonstrates that the owner-managers generally engaged in existence and proactive networking and generally maintained strong ties with the
actors. The main motivation for such networking activities is to generate repeat business from these customers, with a secondary or indirect motivation being that these customers may generate positive word-of-mouth recommendation to potential customers.

- Hendry et al., (1995) reported that the personal network of the owner-manager is the most important resource upon which he or she can draw in the early days of the firm’s development.
- Johansson et al., (1994) reported that personal networks allow the owner-manager to create a firm that fit his or her personality.
- BarNir and Smith (2002) note that social networks are important for small firms because they provide additional resources as well as emotional support.

While other research works have emphasized the relevance of networking, the flip side of networking has been highlighted by Fuller-Love and Thomas’s research. In a survey by Fuller-Love and Thomas (2004), some respondents identified the following as disadvantages for networking:

- The amount of time it takes to establish a new network in a specialist sector, and the start-up period needed to publicize and develop the network to a stage where it can offer benefits to its members. There is a steep learning curve in starting a new network, especially when resources are scarce.
- Some networks are more developed than others, and therefore on occasions are not welcoming towards smaller, less experienced businesses.
- From the information aspect of networking, some felt that it could cause, … the possibility of misuse of information. As so much information is exchanged in a formal seminar, and in informal meetings, there is potential for this information
to be misused in one form or another. There is the need to ensure that the information was up to date.

It is only by keeping up with changes and new developments that networking is useful.

- It is sometime difficult to take part in network meetings and seminars, and moreover some of the seminars and lectures offered were sometimes used as a marketing tool for the speaker. That is, the seminar provided the opportunity for the speaker to promote his or her own business rather than prepare useful facts to the network audience.

2.3.5 Section Summary

This section has provided a review of personal and inter-organizational as well as the overlap between inter-organizational and personal networks. Additionally the outcomes of network marketing which were both positive and negative were discussed. Section 2.4 focuses on networking in Sub-Saharan Africa with some discussion on the role of culture in networking.

2.4 Networking in Sub-Saharan Africa

This section discusses the background to networking in Sub-Saharan Africa, the role of culture in networking and networking benefits in Sub-Saharan Africa.

2.4.1 Background

As barriers to globalization continue to fade, while powerful internationalization of production and marketing continue to thrive all over the globe, African businesses need to realize that competing globally is not an option, but an economic imperative (Rutashoby and Jaensson, 2004). This position is deemed to create an extra-ordinary competitive environment for developing countries, as they do not appear to be ready to face the challenges and opportunities that globalization currently present. Factors such as lack of
macroeconomic and political stability, high labour costs, low skills and inability to tap into international marketing networks have inhibited trade expansion in Sub-Saharan Africa (Asafu-Adjaye, 2004).

Firms located in LDCs which are characterized by SMEs face extremely competitive challenges. Firms located in non-metropolitan areas are especially vulnerable due to shifting demographics, economic trends, and changing market conditions. Many rural areas have lost agriculture and manufacturing jobs and are struggling for economic survival (Frazier and Niehm, 2004).

Small business owners are motivated to engage in networking activities for access to unique market and customer information. Information translates to knowledge, allowing for adaptation of firm behaviours and strategies in the changing external environment. Effective networking can give small firms an edge by providing access and control of a market, supplying other competitive information and creating first mover advantages in the identification of market gaps (Frazier and Niehm, 2004; Aldrich & Zimmer, 1986; Birley, 1985).

Application of the network paradigm is particularly appropriate in LDCs where rural residents rely more heavily on primary group relationships and close personal ties than their urban counterparts (Frazier and Niehm, 2004). Small towns and rural areas represent unique business settings due to distinct demographics, spatial composition, social structure, and market segmentation (Beggs, Haines & Hurlbert, 1996). Compared to larger, urban settings, formal business information sources may be less accessible in small communities, and not reflect the unique needs of LDCs businesses. This implies that networking may be an especially valuable competency for firms operating in rural areas. Very small businesses account for a majority of firms in non-metropolitan areas (Tosterud & Habbershon, 1992) and most of these businesses are service-based (McDaniel, 2001).
In the broadest sense, networks are collections of two or more individuals who interact with each other to gain services or support, or because of some moral obligation (O’Donnell *et al.*, 2001). The network concept proposes that all human interaction, including business endeavours, is embedded in a social system. Given this premise, social relationships and context must be considered in an analysis of interactions to fully understand network outcomes (Burt, 1987). Business people in LDCs interact with others to access information and resources beneficial to business strategy. These contacts form networks of varying sizes and density in LDCs are beneficial to business strategy (Frazier and Niehm, 2004). Network theory suggests that an actor’s position in a social network can influence access and control of information, and create advantages that can positively (or negatively) impact organizational vitality (Kumar, Subramanian & Strandholm, 2001).

### 2.4.2 The Role of Culture in Networking

Culture is an important variable in relationship creation and network formation. It is likely to influence the formation of focal relationship as well as the relative importance of subsidiary relations that constitute the map of the network of relationships involved in a project. Culture also impact on each aspect of the basic network model – the actors, the activities, the transformation of resources, as well as the atmosphere in which this takes place and the interactions involved.

The implications of organizational culture for both the behaviour of individuals within organizations and the practice of management have also come in for much examination, with its all embracing nature being noted by Schein (1985, p.314) who contends that:

> Culture controls the manager … through the automatic filters that bias the manager’s perceptions, thoughts and feelings. As culture arises and gains strength, it becomes pervasive and influences everything the manager does, even his own thinking and feeling. This point is especially important because most of the elements that the
manager views as aspects of “effective” management – setting objectives, measuring, following up, controlling, giving performance feedback and so on are themselves culturally biased to an unknown degree in any given organization. There is no such thing as a culture free concept of management.

While many factors have been identified as contributing to organizational culture configuration, researchers have formed a reasonable degree of consensus as to its most important sources (Bennett and Durkin, 2002). These include the national culture (Hofstede, 1980, 1991), the vision, management style and personality of the founder of the organization or other significant dominant managers (Schein, 1985), and the nature of the business, products, and employees together with the type of environment within which the organization operates (Gordon, 1991).

By means of introduction, organizational culture can be summarized in the terminology of Deal and Kennedy (1982), who describe it as consisting of underlying core values shared by the members of an organization which give rise to symbols, rituals and practices within the organization.

A review of IMP literature shows that culture plays an important role in relationship formation and network creation in the international domain. The IMP Group study showed that the ability of a firm to break down cultural barriers and create close relationships with commercial clients was a major success factor in industrial marketing (Ford, 2004). People in Sub-Saharan Africa have culturally determined styles and ways of doing business acquired primarily through their national culture and their business activities. It is accepted that it is easier to communicate with partners who share the same view of the world (Toornroos et al, 1993) and this is consistent with reception theory which postulates that people use general patterns or codes that make it easier for them to interpret each other’s behaviour (Langhoff, 1997). This is more important in the international domain because of the physical distance
and cultural gap between Africa and its relationship partners. These factors involve the expenditure of more time and resources to create a beneficial relationship. Because cultural sensitivity allows people to understand the communication and behaviour of others, it plays an important role in relationship creation and maintenance.

2.4.3 Networking Benefits in Sub-Saharan Africa

Networks in Sub-Saharan Africa are valuable for a variety of reasons, but accessing information and ideas that foster organizational learning is a key benefit. Information transfer facilitates innovation and organizational adaptation to changing environment conditions (Burt, 1992). Retailers use informal networks of friends, family, neighbours, customers, employees and business associates as a source of knowledge for improving operational capabilities and marketing competence (See table 2.4 below). Advisor networks provide information that can be used to develop long-range business plans and to build personal efficacy. Information gained from interacting with Grapevine networks helps retailers to make marketing, promotional and merchandising decisions, and in managing customer service delivery. Maintaining Merchant network relationships enhances the ability to coordinate cooperative marketing and lobbying efforts in order to reach firm-level and shared-network goals of the network members. Interaction with people in Inspiration networks provides retailers with performance benchmarks and drives marketing and operational innovation. Networking with Experts provides business owners with customized information, saving time and effort. Interaction with supplier Experts can also lead to price advantages, availability of merchandise and other preferential treatment.
Table 2.4: Meta-matrix Summary of Membership and characteristics of Small Retailer Networks

<table>
<thead>
<tr>
<th>Network Membership</th>
<th>Network Resources</th>
<th>Network Structural/Relational Characteristics</th>
<th>Network Capital</th>
<th>Social Capital</th>
<th>Capabilities/Competencies Enhanced</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advisors</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spouses, Parents, Siblings, Family friends</td>
<td>Advice and encouragement, Support for and validation of strategy plans</td>
<td>Few members, Dense strong ties, Information seeker; Centrality</td>
<td>Frequent contact, Intimacy, Friendship, Shared values, Trust, Moral obligation</td>
<td>Long range planning, personal efficacy</td>
<td></td>
</tr>
<tr>
<td>Grapevine</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customers, Employees, Community residents</td>
<td>Consumer wants/needs, Competitor activity</td>
<td>Large dense ties, Information seekers, Centrality</td>
<td>Commitment, Trust, Reputation, Longevity, Reciprocity</td>
<td>Efficacy in planning and executing, Marketing, Promotion and customer service strategies</td>
<td></td>
</tr>
<tr>
<td>Merchants</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local business owners</td>
<td>Market intelligence, Cooperation, Scale economies</td>
<td>Dense ties, Information seeker, Centrality</td>
<td>Trust, Commitment, Shared goals</td>
<td>Cooperative Marketing, Effective lobbying efforts</td>
<td></td>
</tr>
<tr>
<td>Inspiration</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business associates, Non-competing retailers in other communities</td>
<td>Cutting edge Information, Best practices for benchmarking</td>
<td>Few members, Sparse weak ties, Information seeker, Peripheral in network</td>
<td>Infrequent contact, Reputation</td>
<td>Benchmarking, Marketing and operational innovations</td>
<td></td>
</tr>
<tr>
<td>Experts</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Suppliers, Business associates, Industry contacts, Local government</td>
<td>Industry trends, customized market information, Competitor activity</td>
<td>Sparse weak ties, Information seeker is peripheral to information flow</td>
<td>Frequent contact, Reputation, Longevity, Reciprocity</td>
<td>Customized Information, Price advantages</td>
<td></td>
</tr>
</tbody>
</table>


To conclude the discussion on network in Sub-Saharan Africa, it is quite clear that partnering through networks and clusters is an alternative way for many resource constraint developing country enterprises to end their isolation in the current liberalized and globalized world and to become competitive in foreign markets. In the same vein, business growth in the current competitive environment will greatly depend on the ability of the owner-managers/Executives to establish networks. This argument advocates the need for networks capital and human capital to co-exist for successful internationalization. Developing
countries governments should therefore address business problems through creating a conducive environment for linkages and networks to thrive. Apart from creating macro-economic stability, developing countries governments should strengthen capacity for small business development through education and training through building their technological and business capabilities.

2.4.4 Section Summary

This section has provided a review of networking in Sub-Saharan Africa with some discussion on the role of culture in networking and as well as an overview of the benefits of networking in Sub-Saharan Africa. Section 2.5 focuses on mediating variables of network marketing in which the detailed precursors for commitment and trust are examined.

2.5.0 Mediating variables of network marketing.

Marketing research shows that successful continuing relationships are characterized by trust and commitment. (Ulaga and Eggert, 2006; Palmer et al., 2005; Morgan and Hunt, 1994; Shemwell et al., 1994; Strandvik and Liljander, 1994). Morgan and Hunt (1994) described commitment and trust as mediating variables in relational exchange.

Crosby and Stephen (1987) found in their study within the life insurance industry that relationship marketing can lead to increased trust between consumers and suppliers, which also leads to increased relationship satisfaction. Morgan and Hunt (1994) as supported by Palmer et al., (2005) and Madill et al., (2002) identified five major precursors of bank relationship commitment and trust, i.e.: relationship termination costs; relationship benefits; shared values; communication; and opportunistic behaviour. They empirically tested the relationship between customer commitment/loyalty/trust and the precursors, and found that the relationships yielded positive and statistically significant correlations. On the basis of their empirical results, Morgan and Hunt (1994) developed a commitment and trust model of
relationships, which identifies commitment and trust as the key success factors of relationship marketing strategies.

To achieve customer “commitment”, a company’s strategy must be customer centred, long-term, and be based on mutual relationship benefits (Adamson, 2003).

To achieve customer “trust”, a company’s strategy must communicate effectively, must adopt the customer’s relationship norms, and avoid negative reputation (Adamson, 2003).

The Morgan and Hunt model determines the level of customer “commitment” and “trust” by measuring the strategy outcomes: acquiescence, propensity, functional conflict, uncertainty and cooperation.

2.5.1 Commitment

In relationship marketing literature the concept of commitment plays a central role, as it is a major characteristic of relationship marketing models. Commitment refers to an implicit or explicit pledge of the continuity of a relationship between exchange partners (Dwyer et al., 1987). Commitment is defined as a psychological sentiment of the mind through which an attitude concerning continuation of a relationship with a business partner is formed (Adamson et al., 2003). Parties identify commitment among exchange partners as key to achieving valuable outcomes for themselves, and they endeavour to develop and maintain this precious attribute in their relationship (Morgan and Hunt, 1994). Commitment is seen as a sentiment that is critically important in the development of long-term channel relationships or as a favourable affective reaction (Kumar et al., 1995).

Commitment is promoted by satisfaction, lower quality alternative and greater investment size and can be developed by the provision of benefits superior to the alternatives, shared values, communication and goodwill (Colgate and Alexander, 1998). Scanzoni (1979) sees commitment as the most advanced phase of partners’ interdependence. In marketing-practice
and research it is agreed that mutual commitment among partners in business relationships produces significant benefits for companies. Businesses can obtain improved product developments, increased margins and market shares (Scanzoni, 1979).

2.5.2 Trust

Empirical evidence presented in numerous academic and practitioner articles has consistently shown that trust reduces conflict, increases commitment, propagates cooperation and enhances longevity in business relationship (Anderson and Narus, 1990; Morgan and Hunt, 1994; Andaleb and Charles, 1996). Although numerous definitions of the term trust have been offered over the years, many of them are not unlike that offered by Giffin (1967) in the communications literature such that trusting occurs when a person:

1. relies on another;

2. risks something of value; and

3. attempts to achieve a desired goal.

According to Coleman (1990), in the economics literature: “Situations involving trust constitute a subclass of those involving risk. They are situations in which the risk one takes depends on the performance of another actor” (p.463). This perspective embraces most views presented in the marketing literature inasmuch as it focuses on reliance – the extent to which a customer must rely on the marketer (i.e. the performance of a marketing entity) to be sure that a marketplace offering meets needs and wants. Although Coleman’s (1990) definition focuses on when an act of trust does occur, it implies that a customer would not be engaged in trusting behaviour in so far as the customer faced no risk and/or did not have to rely on the marketing entity.
The Morgan and Hunt (1994) model determines the level of customer “commitment” and “trust” by measuring the strategy outcomes: acquiescence, propensity, functional conflict, uncertainty and cooperation.

For the purposes of this study however, “commitment” and “trust” is determined by measuring the strategy outcomes: adaptation of products/services, bending over backwards, communication, repeat purchase and altruistic behaviour.

Our decision to measure the strategy outcomes is influenced by the conviction that for financial institutions in LDCs to carve up a share of corporate business in a regulated market environment depends on first, their ability to build good relationships and loyalty with their current customers, and second, their ability to offer a greater degree of flexibility in their relational exchanges with customers (Adamson et al., 2003).

2.6 Summary and Conclusion

As discussed in the introduction section, the focus of this chapter was to review the literature that is germane to understanding relationship marketing and network marketing as well as mediating variables of network marketing. The chapter began by discussing the momentum for change in marketing and the synthesis of relationship marketing which eventually converged into the schools-of-thought approach. The Nordic School, the IMP Group and the Anglo-Australian approach were discussed in turns.

The second phase of this chapter introduces the linkage between relationship marketing and network marketing and discusses definitions of network.

The third phase discusses structured networks, i.e. examining personal and inter-organizational networks with some emphasis on the following; social network theory, vertical networks, horizontal networks and industrial districts. The overlap in networks was discussed as well as outcomes of network marketing.
The fourth phase of the chapter was dedicated to networking in Sub-Saharan Africa, highlighting issues of culture and networking benefits in Sub-Saharan Africa.

The fifth phase concludes the chapter with discussions on mediating variables of network marketing. These variables in the main are commitment and trust in network marketing.

<table>
<thead>
<tr>
<th>Summary Table for the Chapter</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The momentum of change in marketing led to a synthesis of relationship marketing which focuses on the relationship rather than the transaction.</td>
</tr>
<tr>
<td>2. Relationship marketing has been deepened by the major schools of thought: Nordic school, IMG Group and the Anglo-Australian school.</td>
</tr>
<tr>
<td>3. Relationship marketing has expanded its boundaries and definitions to include network theory and as such it is important to establish the link between relationship marketing and network marketing.</td>
</tr>
<tr>
<td>5. Networking in Sub-Saharan Africa with discussions on culture and networking benefits in Sub-Saharan Africa</td>
</tr>
<tr>
<td>6. The important role of mediating variables of commitment and trust which characterized successful continuing relationship.</td>
</tr>
</tbody>
</table>
CHAPTER THREE
Exploratory Research

3.1: Introduction
This chapter discusses the research method used and the results of the exploratory research. Semi-structured interviews with Chief Executives/Executive Directors of twenty financial institutions were conducted. The main purpose was to seek their perceptions of Executive networks and how networking contributes to marketing. The qualitative approach was also to assist in confirming Executive network marketing model in LDCs, which was developed out of existing literature and the development of research hypotheses. The lack of information and theory concerning Executive network marketing in LDCs in general and Ghana in particular were the major factors that contributed to the decision to conduct the qualitative interviews.

The exploratory research covered the following areas: the firm characteristics, perception of the LDC environment, personal contact networks, business contact networks and finally commitment and trust.

3.2: The Research Methodology
This exploratory research process involved the following steps. First, a literature review was carried out to identify the factors to consider in the exploratory research and the interview guide. (see Appendix A1). Second, semi-structured interviews were piloted on four Chief Executive Officers (CEOs) to find out the suitability of the interview guide which was developed from the literature review. Third, full scale semi-structured interviews were conducted with twelve Chief Executive Officers and four Executive Directors (EDs) to gain an understanding of Executive network activities. The number for the exploratory research was relatively small and did not help percentage analysis. However, the essence of qualitative work is to give insight to Executives’ way of network marketing, which together
with the literature would facilitate the development of the conceptual model and corresponding hypotheses. Each interview lasted between 35 to 45 minutes. Executives who were willing to talk to us were the ones interviewed. The use of organizational leaders as “key respondents” is relatively widespread in strategy research (Bowman and Anderson, 1997; Lwiza and Nwankwo, 2002). Executives were interviewed as surrogate for entrepreneurs, irrespective of the ownership of the firm. The assumption is that Executives represent the spirit of the business, they set the agenda and others follow. These Executives included owner-managers who were CEOs of their firms and non-owner managers who were either CEOs or EDs.

Fourth, the individual interviews were transcribed, summarized and pulled together into tables (Appendix A2, A3, A4, and A5).

Data analysis was mainly based on cross content descriptive statistical analysis so as to afford cross sector analysis of the various factors that affect Executives’ network marketing.

3.3: Profile of Sample Firms
Problems with small firm definition abound, and therefore the researcher chose firms which had been in operation for at least five years so as to benefit from their relational experience over the minimum period of five years and also give a longitudinal dimension feel to the study. The data was stratified based on the following four different sectors in the financial services industry: banks, insurance firms, brokerage and non-bank financial institutions as shown in Table 3.1.
Table 3.1: Firm Size Analysis

<table>
<thead>
<tr>
<th>Sector</th>
<th>Firm Size</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Large</td>
</tr>
<tr>
<td>Bank</td>
<td>2</td>
</tr>
<tr>
<td>Insurance</td>
<td>4</td>
</tr>
<tr>
<td>Brokerage</td>
<td>2</td>
</tr>
<tr>
<td>Non-bank</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>9</td>
</tr>
</tbody>
</table>

Executives were purposively selected from the above sectors and from each group to allow for differences arising from size. Size was determined by ranking in specific sector of financial services. Banks were determined by deposit mobilization whilst insurance firms were determined by premium income. Brokerage firms were determined by commission income whilst non-bank financial institutions were determined by interest income. The guiding principle however was, for each category to choose companies from the top as well as those from the bottom. The top and bottom rankings were obtained from industry data. Two broad categories was therefore used; large and SMEs. Other characteristics of the sample firms are provided in Table 3.2 as shown below.
### Table 3.2: Profile of Sample of Firms

<table>
<thead>
<tr>
<th>Firm</th>
<th>Name of firm</th>
<th>Ownership</th>
<th>Motivation</th>
<th>No. Of Employees *</th>
<th>Firm Size</th>
<th>Market Share %</th>
<th>Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Firm 1</td>
<td>Multinationals, listed on Ghana Stock Exchange</td>
<td>Colonial relationship</td>
<td>1300</td>
<td>Large</td>
<td>16.40</td>
<td>Banking</td>
<td></td>
</tr>
<tr>
<td>Firm 2</td>
<td>Sub-regional effort</td>
<td>WACC’s** dream to develop West Africa</td>
<td>400</td>
<td>Large</td>
<td>8.60</td>
<td>Banking</td>
<td></td>
</tr>
<tr>
<td>Firm 3</td>
<td>Malaysia &amp; Ghana collaboration</td>
<td>Malaysians extending investment in Ghana</td>
<td>140</td>
<td>SME</td>
<td>0.62</td>
<td>Banking</td>
<td></td>
</tr>
<tr>
<td>Firm 4</td>
<td>Ghanaian institutional investors</td>
<td>Filling niche gap in market</td>
<td>81</td>
<td>SME</td>
<td>0.53</td>
<td>Banking</td>
<td></td>
</tr>
<tr>
<td>Firm 5</td>
<td>Government of Ghana</td>
<td>Mobilizing income for local development.</td>
<td>52</td>
<td>Large</td>
<td>85.0</td>
<td>Reinsurance</td>
<td></td>
</tr>
<tr>
<td>Firm 6</td>
<td>Government of Ghana</td>
<td>Catering for the insurance of indigenes</td>
<td>590</td>
<td>Large</td>
<td>36.16</td>
<td>Insurance</td>
<td></td>
</tr>
<tr>
<td>Firm 7</td>
<td>73% owned by one family</td>
<td>Developing a financial hub</td>
<td>108</td>
<td>Large</td>
<td>10.39</td>
<td>Insurance</td>
<td></td>
</tr>
<tr>
<td>Firm 8</td>
<td>Family business</td>
<td>Response to adverse regulation</td>
<td>120</td>
<td>Large</td>
<td>8.49</td>
<td>Insurance</td>
<td></td>
</tr>
<tr>
<td>Firm 9</td>
<td>Single ownership</td>
<td>Have a business in home country</td>
<td>60</td>
<td>SME</td>
<td>15.67</td>
<td>Insurance</td>
<td></td>
</tr>
<tr>
<td>Firm 10</td>
<td>Family business</td>
<td>Owner wanted personal business</td>
<td>20</td>
<td>SME</td>
<td>0.13</td>
<td>Insurance</td>
<td></td>
</tr>
<tr>
<td>Firm 11</td>
<td>One man business</td>
<td>Having business in adopted Country</td>
<td>52</td>
<td>SME</td>
<td>1.34</td>
<td>Insurance</td>
<td></td>
</tr>
<tr>
<td>Firm 12</td>
<td>Shared ownership</td>
<td>Make contribution to the development of country</td>
<td>16</td>
<td>SME</td>
<td>N/A</td>
<td>Insurance</td>
<td></td>
</tr>
<tr>
<td>Firm 13</td>
<td>Single ownership</td>
<td>An opportunity in home country</td>
<td>53</td>
<td>Large</td>
<td>41.0</td>
<td>Brokerage</td>
<td></td>
</tr>
<tr>
<td>Firm 14</td>
<td>65% owned by one person</td>
<td>Desire to settle in Ghana</td>
<td>26</td>
<td>Large</td>
<td>15.0</td>
<td>Brokerage</td>
<td></td>
</tr>
<tr>
<td>Firm 15</td>
<td>Single ownership</td>
<td>Have a business in home country</td>
<td>4</td>
<td>SME</td>
<td>2.0</td>
<td>Brokerage</td>
<td></td>
</tr>
<tr>
<td>Firm 16</td>
<td>Shared ownership</td>
<td>Retirement income</td>
<td>6</td>
<td>SME</td>
<td>0.5</td>
<td>Brokerage</td>
<td></td>
</tr>
<tr>
<td>Firm 17</td>
<td>Equally Shared ownership</td>
<td>Have alternative to regular banks</td>
<td>100</td>
<td>Large</td>
<td>50.0</td>
<td>Non-bank</td>
<td></td>
</tr>
<tr>
<td>Firm 18</td>
<td>Family business</td>
<td>Have alternative to regular banks</td>
<td>15</td>
<td>SME</td>
<td>15.0</td>
<td>Non-bank</td>
<td></td>
</tr>
<tr>
<td>Firm 19</td>
<td>Institutional investors</td>
<td>Filling a gap in the market</td>
<td>25</td>
<td>SME</td>
<td>35.0</td>
<td>Non-bank</td>
<td></td>
</tr>
<tr>
<td>Firm 20</td>
<td>Institutional investors</td>
<td>Breton Wood Inst. expanding their investment in Ghana</td>
<td>10</td>
<td>SME</td>
<td>40.0</td>
<td>Non-bank</td>
<td></td>
</tr>
</tbody>
</table>

* Full time performance employees  
** West African Chamber of Commerce

### 3.4: Cross Firm Analysis

In this section we analyze the major factors that impacted on the network marketing of the sampled Executives. The section is structured under the following main themes: firm characteristics, perception of LDC environment, personal contact networks, business contact networks and finally commitment and trust.
In this section we aimed at enhancing generalizability of our findings as well as deepen our understanding and explanation of Executive network marketing as discussed with the 20 Executives.

**3.4.1: LDC Environment**
The following imperatives have been used to scan the Executives’ perception of LDC environment: marketing philosophy, limitation to marketing efforts, activities of external competitors, economic indicators, impact of external trade activities and regulation. Our findings have been tabulated as Appendix A2.

**3.4.1.1: Banks in LDC Environment**
All (four) the Executives of banks interviewed perceived the marketing philosophy of Ghana to be a free market. The Executives of large banks who were adequately resourced thought there were no limitations to their marketing efforts. However the Executives in small banks were of the view that they were limited by the inadequacy of capital although they were operating with the minimum legally required capital for banks.

All the executives were of the view that due to the relaxed regulatory environment, their business was under threat from external competitors. They however admitted that the role of the regulatory agencies was desirable and they do positively enforce governance. The large banks were of the opinion that they benefit from the external trade activities of the country through trade finance whilst the small banks were of the view that due to inadequate capital they were limited in the volume of business they could finance and as such they do not benefit from the country’s external trade activities.
3.4.1.2 Insurance in LDC Environment

Five (62.5%) of the insurance Executives interviewed perceived the marketing philosophy of Ghana to be a free market. Two (25%) of the Executives perceived it to be a mixed market whilst one Executive (12.5%) perceived it as a controlled market because state owned firms have guaranteed business and some tariffs are fixed by regulatory agencies. Executives of the state owned firms perceived the marketing philosophy of Ghana to be free. Large insurance firms perceived it to be mixed philosophy and with the exception of one Executive from the small firms, the rest considered the market to be a free market.

Two (25%) of insurance Executives were of the opinion that there were no limitations to their marketing efforts. Most of the Executives from the small firms were of the opinion that their marketing efforts were limited by regulatory activities whilst despite the guaranteed market enjoyed by the state owned firms, their Executives were of the view that the lack of resources limited their marketing activities.

Just as the executives of the banks, six (75%) of insurance executives were of the view that due to low entry barrier, their business suffers from external competition. Two (25%) of the executives were of the view that there was no external competition to the insurance industry. There was no distinction between large and small firms in this regard.

Six (75%) of insurance executives interviewed were of the view that because the law mandating marine imports to be insured locally was not being enforced by the law enforcement agencies, the industry does not benefit from external trade activities. The state owned firms however benefit from their guaranteed market of state sponsored export activities.

Unlike the banks, five (62.5%) of the insurance Executives representing both the small and large firms were of the view that the activities of their regulatory agency were over bearing
and not helpful. The minority were of the view that the regulatory agency was relevant for the purposes of good governance.

### 3.4.1.3: Brokerage in LDC Environment

Three (75%) of brokerage Executives all of whom were owner managers perceived the marketing philosophy of Ghana to be a free market. One (25%) Executive who was an owner manager described it as a networking environment.

Two (25%) of the Executives were of the view that there was no limitation to their marketing efforts, whilst one (25%) of them was of the view that legally guaranteeing market is a limitation. The last of the Executives was of the view that limitation to their marketing effort was due to the lack of internal capacity. There was no distinction between large and small firms in this regard.

Three (75%) of brokerage Executives were of the view that their marketing efforts were influenced by external competition whilst one (25%) Executive thought there was no foreign competition.

The brokerage Executives were equally divided on the impact of external trade on their marketing efforts. One half benefited from external trade whilst the other half did not.

Three (75%) of the brokerage Executives were of the view that the activities of their regulatory agency were positive and supportive, whilst the rest were of the view that there was more to be desired from the regulators.

### 3.4.1.4: Non-bank Financial Institutions in LDCs Environment

All non-bank Executives interviewed perceived the marketing philosophy of Ghana as a free market.

They were all of the view that the limitation to their marketing efforts was however mainly regulatory. They explained that the regulatory agency lump them together with the banks for
regulatory purposes due to the lack of appreciation for their business. They were of the view that the impact of regulation on their business was negative and misplaced.

The Executives were also unanimous in acknowledging that their marketing efforts were under threat from external competition.

Three (75%) of the Executives who were into import trade financing were of the view that the external trade activities of the country impacts tremendously on their business.

3.4.1.5: Section Summary

Most of the Executives interviewed were of the view that the marketing philosophy of Ghana is a free market. The limitation to marketing efforts was in the form of inadequate resources associated with small firms and lack of appreciation of marketing in state owned firms. Non-bank institutions identified legal constrains as the limitation to their marketing efforts. TheExecutives held the view that there is threat to their business from external competitors and this they attributed to a rather relaxed regulatory environment.

Banks and brokers were satisfied with the regulatory environment, whilst insurance and non-bank firms were of the view that the regulatory environment was over-bearing. Large banks and non-bank firms benefited from the country’s external trade whilst small banks and insurance firms did not get the benefits of external trade.

3.4.2: Firm Characteristics

The following imperatives have been used to scan the characteristics of the firm formation: ownership, motivation, number of employees, market share and management structure. Please see table 3.2 under section 3.3.
3.4.2.1: Bank Characteristics
All the banks have institutional and multi-ownership shareholding structure with no family or individual dominating ownership. The large banks, (i.e. two) were listed on the Ghana Stock Exchange.

Three out of the four Executives of banks interviewed were of the view that the formation of their banks was motivated by cross-country relationships. The ownership of their banks went beyond the borders of Ghana; it stretched from colonial affiliations to the dream of West African Chamber of Commerce forming a bank that is regional in nature.

The banks employed a low of 81 to a high of 1300 employees. Employees’ definition is limited to full time employees. Indeed part-time employment is not available in the financial services sector in Ghana.

None of the banks interviewed had a dominant market share although there was marked difference between the market share of the large banks and the small banks (please refer to Table 3.2). The market shares of the banks were based on 2004 financial statements.

The management of all the banks interviewed was highly structured with systems and procedures.

3.4.2.2: Insurance Characteristics
Unlike the banks, six (75%) of insurance firms interviewed were owned by individuals and families whilst two (25%) were owned by the government.

Government’s involvement in insurance was motivated by the desire to introduce insurance to the indigenes and also to use it as a means of mobilizing funds for the development of the country. This was necessitated by the fact that the early insurance companies in Ghana were foreign owned and were set up to cover the businesses and lives of the foreigners. Individuals and families in insurance were motivated by personal challenges.
Unlike the banks, insurance firms employed a relatively low number of employees. From a low of 16 to a high of 590 employees. This could be attributed to the fact that the life business in Ghana is very small, i.e. it contributes only 20% to total premium and this is the reverse of what happens in developed countries.

Again unlike the banks, the guaranteed market created for state owned insurance firms contributed to their dominance of the market share. In the reinsurance sector the state owned firm control as much as 85% whilst in the direct business the state owned firm controls about 36% of the market share. There was marked difference between the market share of the large firms and the small firms because inadequate capital of the small firms would not permit them to assume higher level of risk.

The management of the activities of four (50%) of the insurance firms which were in the main large firms was highly structured whilst the small firms well not structured. They were without systems and procedures of doing business.

3.4.2.3: Brokerage Characteristics
Two (50%) of the brokerage firms interviewed were owned by individuals. The other half were shared ownership businesses but dominated by single shareholders.

Two (50%) of these group of people were motivated to have personal business on their return from sojourn to other countries whilst the other half were people who have retired from other employment and were motivated to set up brokerages to keep body and soul together.

The employment levels in brokerage firms were relatively small. It ranges from a low of 4 to a high of 53 employees.

A wholly owned owner-managed brokerage firm dominated the market with 51% market share. The gap between the market share of the large and small firms was very marked with smallest firm interviewed having a market share of 0.5%.
The management of activities of large brokerage firms was structured and had laid down procedures whilst those of the small firms were carried out at the whims and caprices of the owner managers.

3.4.2.4: Non-bank Characteristics

Two (50%) of non-bank institutions interviewed were owned by institutional investors. Twenty-five percent was family owned and the other 25% was equally shared among two individuals.

The individual owners (forming about 50% of those interviewed) were motivated by frustration and dissatisfaction with the operations of regular banks to set up their own operations. The formation of one (25%) of the non-bank institutions interviewed came on the recommendations of Breton Wood Institutions whilst the other 25% was motivated by local institutions trying to fill a vacuum in the financial services sector.

The non-banks employed a low of 10 to a high of 100 employees.

Similar to the brokerage firms, one non-bank firm which is owner managed dominated the market with about 50% market share. Since there were not too many active non-bank financial institutions, the gap between the large and the small firms was not as marked as in the brokerage firms.

3.4.2.5: Section Summary

Banks were owned by institutional and multi-ownership shareholders, whilst most insurance firms were owned by families and individuals. All the Brokerages and half of the non-banks were owner managed. Motivation to form banks was cross cultural whilst insurance, brokerage and non-banks were through personal challenges. The banks were the highest sector for employment. No single bank dominated the market share although there was marked difference between the market share of the large and small banks. The state owned
firms dominate the insurance sector due to their guaranteed market. There was marked
difference in the market share of the large and small firms. Single owner-managed firms in
brokerage and non-bank firms controlled more than 50% of their respective market shares.

3.4.3: Personal Contact Networks
Mitchell’s (1969) proposal for personal contact networks is used; potential members of a
person’s network are those people who within certain norms might be expected to provide
that person with some specific service or support or alternatively might expect him/her to
provide them with some specific type of service or support. This group includes the
following; family, colleagues and friends, neighbours, politicians, schoolmates, sports and
religion. Our findings have been tabulated as Appendix A3.

3.4.3.1: Banks Personal Contact Networks
Three (75%) of the bank Executives interviewed did not enjoy family patronage of their
business. This was either due to low income levels of their families or deliberate policy by
the Executives to avoid conflict of interest.

Three (75%) of the Executives, however, were very close to their colleagues and friends and
saw them as a source of business. One of the Executives was of the view that friendship does
not help in keeping banking oath of secrecy.

All the Executives lived in good neighbourhood and saw their neighbours as an opportunity
to promote their business.

Three (75%) of the Executives would not mix their business with politics whilst one
Executive admitted making thought contributions to government on financing.

Only two of the Executives got involve with old students associations and got business
patronage from old students.
In a country where football is a passion without investment, all the Executives did see business opportunities that sports offered and tried to position their businesses to take advantage of the opportunities that sports offered.

Three (75%) of the Executives were of the view that church was a source of business and would want to attend church to have business patronage. One of the Executives however did not share in this view.

3.4.3.2: Insurance Executives’ Personal Contact Networks

Five (62.5%) of insurance Executives interviewed enjoyed business patronage from their family members. Three (37.5%) were not in personal line of business or do not have their families residing in Ghana.

All of the insurance Executives interviewed were very close to their colleagues and friends and saw them as a source of support for their business.

Five (62.5%) of the insurance Executives who lived in good neighbourhood with educated neighbours do interact with their neighbours to solicit for their business. These were mainly the small firms and one large firm who lived in a neighbourhood with a religious character. Although the Executives working with the state owned firms lived in good neighbourhood yet they did not interact with their neighbours to solicit their business.

Five (62.5%) of the insurance Executives dabbled in politics. This group included Executives who worked for the state owned firms. Most of the Executives who dabbled in politics however intimated that they did not get business from politicians. All the Executives of small firms were not into politics although they had friends who were politicians.

Five (62.5%) of the insurance Executives were not active with their old school mates and for that matter did not get their business patronage. Those who were active however held positions in their associations.
Four (50%) of the insurance Executives appreciated the business opportunities that sports provides and did have interactive relationship with sports. Those from the state owned firms were only into sports to keep fit and did not solicit for business.

Four (50%) of the insurance Executives were active in church with the intention to get business patronage. The other four, including those in the state owned firms were of the view that they needed to be in church to get divine protection and intervention for the positions they occupied and not to solicit for business.

3.4.3.3: Brokerage Executives’ Personal Contact Networks
Three (75%) of the brokerage Executives interviewed had their families patronizing their business. The largest broker who was an owner manager did not have his family patronizing his business because his family was illiterate and poor.

Three (75%) of the brokerage Executives were very close to their colleagues and friends who were professionals in very responsible positions. They saw them as a source of support for their business.

Three (75%) of the brokerage Executives who lived in developed neighbourhood interacted with their neighbours and solicited their business patronage. One (25%) Executive lived in a developing neighbourhood where some of the residents were only caretaker occupants with little means of livelihood.

Three (75%) of the brokerage Executives were against building their businesses around politicians and therefore did not solicit the patronage of politicians. One Executive (25%) however had political inclination but was reluctant to say whether he benefited from political patronage or not.

Two (50%) of the brokerage Executives were active with old students’ associations and had their business patronage. The largest broker was president of his association which had a lot
of influential people. He used the association to network. Others who were either old or did not have enough time were not patronizing their associations.

Two (50%) of the brokerage Executives were very active with sports – particularly golf. It is believed that golf is played by very influential people in Ghana. The largest broker was the president of his golf association whilst the second broker although his age would not permit him encourages his employees to actively participate in golf so as to interact with people and win business. The other two (50%) Executives could not associate sports with business.

Three (75%) of brokerage Executives would not link church to business. Their focus was to worship God and not to look for business. One Executive (25%) actively pursued business in the church room.

3.4.3.4: Non-bank Executives’ Personal Contact Networks

Two (50%) of the non-bank Executives interviewed had business patronage from their family members. The largest non-bank Executive who was an owner-manager however would not encourage his family to patronize his business. He was of the view that his family would default on payment and that would destroy his business and the family relationship. One Executive (25%) did not have his family residing in Ghana.

Two (50%) of the non-bank Executives were of the view that colleagues and friends were helpful in business. At least they gave their friends the benefits of making some thought contributions to their business. The largest non-bank Executive however would not encourage friendship in business. He was of the view that business should be done at arms length. He recounted his experience of friends picking facilities and refusing to pay. Subsequently these ended up on a bad note. One Executive (25%) was not predisposed to friendship.
Three (75%) of the non-bank Executives did not interact with their neighbours although they lived in good neighbourhood. The only one who interacted with his neighbours was the chairman of the neighbourhood association but indicated that the association did not impact on his business.

Three (75%) of the non-bank Executives would not build their business around politicians. They would not mix business with politics due to the risk of being victimized when there is change in government. One Executive (25%) subtly contributes to politicians.

Three (75%) of the non-bank Executives were active with their old students’ associations. They were one time or the other executive members of their associations and had business patronage from their mates. One (25%) Executive who happened to be the largest non-bank firm had difficulty in making time for old students’ meetings.

Three (75%) of the Executives were into sports basically to keep fit and they were not getting business patronage from sports. The remaining Executive (25%) was not into sports.

One (25%) of the Executives had business patronage from church. Half of the Executives were only interested in the spiritual impact that the church makes on their lives, one Executive (25%) was of the view that church had no impact on his business.

### 3.4.3.5: Section Summary

Bank Executives did not enjoy family patronage due to low income levels and the avoidance of conflict of interest. Insurance and brokerage Executives however enjoyed family patronage. Bank, Insurance and brokerage Executives interacted with colleagues and friends as well as their neighbours to market their business. Executives from banks, brokerage and non-bank firms did not mix up politics with business. Although insurers were involved in politics, it yielded no marketing benefit. Executives of non-bank firms were active with their old students associations. Executives of banks were active in building relationships within sporting and church circles for business opportunities. The Executives of state owned firms
did not market their businesses among neighbours and sporting circles as they did not see the business benefit.

3.4.4: Business Contact Networks
Schermerhorn (1975), define interfirm alliance as ‘the presence of deliberate relations between otherwise autonomous organizations for the joint accomplishment of individual operating goals’. For the purposes of this research, the following categories of people were considered: accountants, bankers, trade associations, suppliers, customers, competitors, and employees. Our findings have been attached in a tabular form as Appendix A4.

3.4.4.1 Bank Executives’ Business Contact Networks
Three (75%) of the bank Executives interviewed mentioned that they used the services of the big four (KPMG, PricewaterhouseCoopers, Ernest and Young and Deloitte) accounting firms as their auditors. They confirmed that they had referral business from their auditors. One bank (25%) which is a small bank used the services of a smaller accounting firm. There was the confirmation that they had referral business from their auditors.

All the banks dealt with more than one correspondent bank but it was only the two large banks (50%) that benefited from their dealings with their correspondent banks through referral business. The small banks interviewed were local banks without foreign shareholders.

It was only two (50%) of the banks’ Executives (both small and large) that saw trade associations as a source of acquiring business. Three (75%) of the Executives were however of the view that trade associations serve as a forum for exchange of ideas and information. Two (50%) of the Executives served in the leadership position of their trade association.

The Executives had very cordial relationships with their suppliers and three (75%) of them had referral business from their suppliers.
The Executives also had good relationship with their customers. They organize feed back forum to solicit ideas from their customers and it was not difficult for them to have referral business from their existing customers.

Whilst it was easy for the larger banks to collaborate or syndicate financing with competitors and see the opportunities collaboration offered, the smaller banks were not collaborating because they were limited by capital requirements. One single lending was not supposed to exceed 10% of a bank’s capital as such syndication would mean breaching regulatory requirement. And since the small banks did not have adequate capital, the large banks would not risk doing business with them. Some of the banks however suggested that their focus was for SMEs where there was no need for syndication.

All the Executives from the banks had cordial relationship with their employee who were part of the decision making process. The employees were adequately trained and motivated to introduce business to their banks.

3.4.4.2 Insurance Executives’ Business Contact Networks

Unlike the banks, it was only three (37.5%) of insurance firms interviewed who used the services of the big four accounting firms. This group however did not receive referral business from their auditors. Although five (62.5%) Executives who were mainly from small firms used the services of small accounting firms, it was only 40% of them that received referral business from their auditors.

All the insurance firms interviewed dealt with more than one bank yet it was only two (25%) of them who had referral business from their bankers.

Five (62.5%) of the Executives saw trade association as the place for exchange of ideas and best practice, however, it was only one (12.5%) that thought trade associations offered business opportunities.
Although insurance Executives had good relationship with their suppliers, it was only two (25%) that had referral business from this cordial relationship with their suppliers.

The insurance Executives were not found to be managing their relationships with customers through the organization of feedback forum. From our interview, it was only two (25%) of the Executives who organized feedback forum to solicit the views of their customers on service delivery. Despite that position however seven (87.5%) received referral business from their existing customers.

The nature of insurance business is about sharing risk and five (62.5%) of the insurers interviewed were into business collaboration with their competitors. Ironically however, it was the small firms with inadequate capital who were not sharing business with their competitors.

Most of the Executives of insurance firms had cordial relationship with their staff. Six (75%) of them had their staff introducing business to their firms. Of the remaining two firms one was a reinsurance firm which had guaranteed market and of which reason staff were not motivated to go and look for business. The last firm was a direct company which had problem with succession after the death of the original owner manager.

3.4.4.3 Brokerage Executives’ Business Contact Networks

Only one out of four brokers interviewed used the services of the big four accounting firms. This happened to be the biggest broker and he received referral business from his auditors.

The other three brokers used the services of smaller auditing firms and two out of the three received referral business from their auditors.

All the brokers interviewed dealt with more than one bank and they had good relationship with their bankers which led to all of them getting referral business from the banks.
Two (50%) of the brokers interviewed were of the view that trade associations were useful for the exchange of ideas yet it was only the largest broker (who happened to be in leadership position of trade association) who held the view that trade associations offer business opportunities. One of the brokers was very categorical that trade association did not offer any business opportunity.

All the brokers had cordial relationship with their suppliers yet only one of them had referral business from the suppliers.

Three (75%) of the brokers, just like the insurance firms were not managing their relationship with their customers through customer feedback forum. Despite that however, all of the Executives had referral business from their existing customers.

Except for a small broker who once had collaboration with a competitor at a client’s request, all the other brokers were of the view that collaboration with competitors should be limited to the exchange of ideas.

Three (75%) of the brokers had good relationship with their employees. They were of the view that their employees were motivated enough to introduce business to their firms.

### 3.4.4.4 Non-bank Executives’ Business Contact Networks

All the non-bank firms used the services of the big four accounting firms yet none of them received referral business from their auditors.

Three (75%) of the Executives from non-banks interviewed dealt with more than one bank. This however did not translate into any referral business as it was only one Executive who benefited from referral business from them. Non-bank firms’ relationship with banks was characterized with rivalry as they were in competition for the same customer. The only non-bank firm that had referral business from its bankers was into leasing; and their bankers were not into leasing.
Trade association was critical for all the Executives interviewed in the non-bank firms only to the extent that it presented a united front to deal with regulatory agencies. It was only one Executive who saw it as a place for syndicated business.

All the Executives confirmed that they had good relationship with their suppliers and they benefited from the relationships through referral business from their suppliers.

Although it was only the largest non-bank firm that organized feedback forum as part of its customer management process, yet all the firms had referral business from their existing customers.

Three (75%) of the Executives limited their collaboration with their competitors to exchange of ideas. The only exception was with the leasing firm which collaborated with competitors in syndicated lease finance.

All the Executives of the non-bank firms interviewed had very cordial relationship with their employees. They intimated that employees were proud to be working with their firms and were willing enough to introduce business to their firms.

3.4.4.5: Section Summary

Banks used international auditing firms and had referral business from them, whilst insurance firms who used local auditors did not receive referral business from them. Brokers received referral business from local auditors whilst although non-banks used international auditing firms, they did not get referral business from them. Large banks and brokers had referral business from their correspondence banks, whilst insurance and non-bank firms did not get referral business from their bankers.

Trade associations were perceived by Executives to be for exchange of ideas and information and not for marketing their business. Banks and non-banks had referral business from their
suppliers. Although it was only banks that had structured feedback forum, yet all the various sectors had referral business from existing customers.

Large banks and large insurance firms collaborated with their competitors to do business. Brokers and non-banks limited their collaboration with competitors to exchange of ideas. Executives had cordial relationship with their staff and they introduce business to the firm.

3.4.5: Commitment and Trust in Networks
To be successful in relationship marketing, it is important to exhibit commitment and trust which must be reciprocated by customers. For the purposes of this research commitment and trust has been treated as one variable as it is used as mediating variable in relational exchange. For our exploratory research, the following strategy outcomes have been used to address issues of commitment and trust: product adaptation or modification, bending over backwards for the customer, exit barriers, communication, opportunistic behaviors, customer satisfaction measured by repeat purchase business and conflict management. Our findings have been tabulated as Appendix A5.

3.4.5.1: Bank Executives’ Commitment and Trust
Three (75%) of the bank Executives interviewed were of the view that product adaptation is important and they intimated that they willingly adapt or modify product to suit customers. And for them that was a means of focusing on customer needs. One of the smaller banks which had a bad brush with the regulators was of the view that modification of products was limited by law.

The Executives of large banks were willing to bend over backwards to support their customers. The smaller banks will consider bending over backwards with a lot of hesitation and only within reasonable limit. The small bank which had a brush with the regulators
would not bend over backwards to the customer because of the bitter experience they had in the past trying to accommodate customers.

All the Executives interviewed used relationship management as a means of bonding with their customers. They identified the process as ring fencing their preferred customers and having quality time for them. These they believed served as an effective exit barrier.

All the Executives interviewed saw the need to communicate with their customers in a timely and meaningful manner. They effectively used bank statements as well as organized feedback forum to interact with their customers.

All the Executives interviewed would not encourage opportunistic behaviours in their banks. They explained that their code of conduct would not permit that kind of behaviour and that exercising good faith is cardinal in their chosen profession.

All the Executives interviewed were of the view that customer satisfaction was critical for sustained performance. To them it was the repeat purchase customers who sustain the business.

For all the Executives interviewed, conflict is part and parcel of the business of banking. They attributed conflict to misunderstanding resulting from miscommunication. They also stated that they ensured that conflicts were resolved amicably for the mutual benefit of their firms and customers.

**3.4.5.2: Insurance Executives’ Commitment and Trust**

Six (75%) of the insurance Executives were of the view that product modification is important and they intimated that they were willing to focus on the customer more than on technical processes. One Executive of a small firm would however weigh the options before considering any modification.
Six (75%) of the insurance Executives were willing to bend over backwards to support their customers but to a reasonable limit. Others were of the view that they would only bend over backwards if the customer’s business is significant.

Five (62.5%) of the insurance Executives used service quality and personal relationships as a means of bonding with their customers. One Executive (12.5%) however admitted weakness in relationship management and was of the view that they could do better. Because the state owned firms were guaranteed by law certain levels of business, they did not actively pursue relationship management. Two (25%) of the Executives were of the view however that the presence of intermediaries (brokers) in their business made it difficult to bond with the customer.

All the insurance Executives interviewed did not give major attention to communication with their customers. Whilst some claimed they use conferences to communicate, others said they visit their clients to communicate issues.

Five (62.5%) of the Executives were of the view that they dealt with their customers with utmost good faith and they did not encouraged the breach of faith. The rest (i.e. 3) of the Executives however conceded that they had to deal with issues of misrepresentation and other slips. Additionally they claimed there were difficulties that arose due to the failure of customers to read their policy documents.

All the Executives were of the view that repeat purchase business was very critical for their survival even though two (25%) of them had legally guaranteed repeat purchase market.

All the Executives admitted that conflict is part and parcel of their business and most of the conflict has to do with claims. They acknowledged that it was their duty to resolve conflicts amicably for the mutual benefit of the firm and the customer.
3.4.5.3: Brokerage Executives’ Commitment and Trust

Three (75%) of the brokerage Executives confirmed that they always modify their products to meet the client’s needs. One Executive (25%) who happened to be an owner manager of a small firm would not modify or adapt products to suit customers.

Two (50%) of the Executives - one small and one large firm - would willingly bend over backwards for their customers. Indeed they perceived the customer as king. One of the Executives would only bend over backwards within the limits of the law. Another Executive (25%) who happened to be the owner-manager who would not modify or adapt to suit customers would not bend over backwards but rather persuade the customer to accept the product without modification.

All the Executives aimed at working to retain their customers, they were of the view that it is the quality of service that determines everything. They were therefore prepared to go the full hull to bond with the client and retain their business.

Three (75%) of the Executives had scheduled meetings with their customers as a conscious effort to communicate with them in a timely and meaningful manner. One Executive (25%) who happened to be the same small owner-managed broker would rather use his annual report and value prepositions as a means of communicating with the customer.

All the brokers were of the view that it is important to exercise utmost good faith in dealing with the client. Opportunistic behaviours would not be beneficial in the long run as there is common knowledge in the market place.

All the brokers saw repeat purchase as critical for their survival. One small owner-managed broker however had contractual repeat purchase brokerage agreement with his customers.

Three (75%) of the brokers were of the view that conflict was not a regular phenomenon in their business and whenever they occurred they were able to resolve them amicably for the mutual benefit of their firms and the customers. One Executive (25%) was of the view,
however, that conflict is part and parcel of their business and what is critical is the ability to resolve conflicts amicably for the mutual benefit of the firm and the customer.

3.4.5.4: Non-bank Executives’ Commitment and Trust

As part of its strategy to compete with mainstream banks and build a relationship with customers, all of the non-bank Executives resorted to tailor made products for customers and continuously modify products to suit them. One Executive really added that they would adapt products at a profit.

Two (50%) of the Executives interviewed were willing to bend over backwards to support their customers who were in need. Due to the high default rate of customers in the non-bank sector, 50% of the Executives would bend over backward with caution. The Chief Executive of the largest non-bank firm was honest to say that, to bend over backwards to support customers were genuinely difficult.

Three (75%) of the Executives were of the view that it is crucial to win the trust of the customer and since most of the transactions were one off, it was very important to see the business to a successful end. It therefore meant to bond with the customer through out the duration of the facility. An Executive with a small non-bank was of the view that services provided by non-banks were homogeneous and what really kept the relationship with the customer was pricing. Customers would go to where they could get the lowest price.

Due to the high risk associated with the operations of non-bank activities, all the Executives interviewed had a commitment to keep close contact with the customer in order to monitor performance. This therefore resulted in having regular communication with the customer.
Three (75%) of the Executives were of the view that since the risk involved in non-bank transactions were high, it was very important to stay true to the customers and wean them off to the regular banks. It was therefore necessary to act with utmost good faith. One Executive was however of the view that opportunistic behaviour was part of the marketing effort and as sometimes there was the need to exaggerate the positive side of the communication.

For all the Executives interviewed, repeat purchase was critical. They were fully aware that their business was non-repetitive, yet they try hard to manage relationship with customers so as to encourage repeat purchase performance.

All the non-bank Executives were very much conscious that conflict is a part and parcel of their business. Three (75%) of them intimated that most conflicts in their business terminated the relationship whilst one (25%) of them held the view of resolving conflicts amicably for the mutual benefit of the firm and the customer.

3.4.5.5: Section Summary

Most of the Executives were involved in product adaptation or modification as a tool for managing customer relationship. Large banks would bend over backward for customers; the rest of the firms would give it a careful consideration so as not to incur the wrath of regulators and also not to repeat previous mistakes. Executives ring fence their customers and bond with them as an effective exit barrier. Apart from the insurance sector, communication of timely and useful information to client was critical to the Executives. Executives exercised utmost good faith in dealing with customers as a means of keeping their custom for long-term benefits.

Repeat purchase was important to the Executives to secure the long-term sustenance of the business. For the Executives in banks, insurance and non-bank firms, conflict are just part
and parcel of the business. Whilst those in the banks and insurance firms endeavour to resolve conflicts for the benefit of all, Executives in the non-bank firms end up terminating the relationship.

3.5: Section Summary and Conclusion

The marketing philosophy of Ghana was considered to be a free market although there were regulatory issues that Executives have to contend with. The adequacy of resources for relationship marketing was limited and small firms were most affected. Over liberalization has exposed the country to external competition and the regulatory environment require fine tuning to enhance the relevance of regulation and make the market very competitive. Small firms, non-bank and insurance firms require specific regulatory attention. Insurance firms and small banks did not benefit from the country’s external trade activities.

The institutional and multi-ownership shareholding of banks made them more competitive and the largest employer in the financial services sector. State ownership of insurance firms and guaranteeing of market shares for them made them dominate market share and effectively took away the competitiveness of the market. The family and individual ownership of insurance, brokerage and non-bank firms made them small firms compared to the banks.

Brokerage and insurance Executives had family patronage of their businesses. Executives in banks, insurance and brokerage had their colleagues and friends and neighbours as part of their business network. Executives from state owned firms did not mix up with their neighbours and did not get involved in sports for business benefit. Executives in insurance were into politics but with no relationship marketing benefits. Executives with non-bank firms used their old students associations as part of their personal networks whilst bank
Executives explored relationship opportunities from sports. Bank Executives networked in church to look for business.

Bank and brokerage Executives linked up with their auditors to get referral business. Large banks and brokerage Executives had business from their correspondent banks. Executives from banks and non-banks had referral business from suppliers. Activities of Executives in trade associations were limited to exchange of ideas. Banks had feedback forum and all Executives had referral business from existing customers. Large banks and large insurance firms collaborated with competitors. Most Executives had cordial relationship with their employees to achieve network marketing.

Most Executives were involved in product adaptation to win the long-term patronage of customers. Large banks would bend over backwards for their customers whilst most Executives would bond with customers as part of their exit barrier strategy. Communication between Executives in banks, non-bank and brokerage firms and their customers were good for long-term relationship marketing. Most Executives believed in treating customers with utmost good faith as well as pursuing repeat purchase business as a means of sustaining their business. Executives of banks, insurance and non-bank acknowledged conflict as part and parcel their business; but whilst banks and insurance Executives resolve conflicts amicably, non-bank Executives ended up terminating the relationship.

The findings from the exploratory research were very insightful and useful, and played a critical role with the literature in constructing the research model as well as the development of the hypotheses.
CHAPTER FOUR

Conceptual Model and Hypotheses

4.0. Introduction

The aim of this chapter is to provide an understanding of how the research problem is to be investigated. The chapter begins by further expanding the research problem and issues and linking them to their corresponding hypotheses. Following that, the conceptual model of Executives’ networking is introduced, with the operational definition of each variable addressed in Appendix B. Finally, the specific research hypotheses of the conceptual model are provided.

4.1. Expanding the Research Problem and Issues

The objective of the research problem and issues is to develop an explanatory framework that will lead to a better understanding of relationship marketing and Executives’ network marketing in Less Developed Countries (LDCs) and how networking contributes to marketing in all firms in the financial services sector in LDCs irrespective of their size.

Fuller-Love and Thomas (2004) define networks as voluntary arrangements between firms aimed at providing a competitive advantage for the participants. The term networks describes a collection of “actors” (people, departments or businesses), and their strategic links (family, community, finance, business alliances) with each other (Johnsen and Johnsen, 1999).

The main research question is: What are the significant factors that influence Executives’ network marketing in financial institutions in LDCs? An answer to this question requires investigation into factors that are perceived to impact on Executives’ network marketing in financial institutions in LDCs, and the development of sub-research questions. The factors that impact on Executives’ network marketing are grouped as follows: Firm Characteristics,
Personal Contact Networks, Business Contact Networks and mediating factors of Commitment and Trust. The sub-research questions have been developed under their various subheadings which are outlined below with their corresponding hypotheses. These hypotheses were further explored and justified in section 2 with the concept model.

Q.1) What are the major characteristics of the firm that impact on Executives’ network marketing?
This specific question investigates how major characteristics of the firm like level of shareholding, motivation to grow, use of Information and Communication Technology (ICT) and firm size impact on the ability of Executives to pursue network marketing activities. This question is investigated through the hypotheses 1a, 1b, 1c and 1d.

Q. 2) Which members of Executives’ social group (family, colleagues and friends, sports and politics) impact significantly and positively on their personal contact network marketing?
Question two, which relates to hypotheses 2a, 2b, 2c and 2d examines how potential members of a person’s network who are people within certain norm who are expected to provide that person with some specific services or support actually impact on network marketing activities.

Q. 3) Which category (trade associations, suppliers, customers, competitors and employees) of Executives’ business acquaintances impact significantly and positively on their business contact network marketing?
Question three considers the impact of business contacts on Executives’ network marketing activities. This is examined through hypotheses 3a, 3b, 3c, 3d and 3e.

Q. 4) What are the issues of Commitment and Trust that impact on Executives’ network marketing?
Question four, which is examined in hypotheses 4a, 4b, 4c, 4d and 4e looks at the mediating role of commitment and trust in exchange relationship.

**4.2. Defining the Conceptual Model and Hypotheses**

This section introduces and defines the conceptual model, which has been developed based on the literature review and in-depth interviews with Chief Executives of financial institutions (please refer to chapter 3 on Exploratory Research). This model will be tested, examined and discussed in subsequent chapters.

Prior to developing the model, it was essential to develop the underlying theory based on both the extant literature and the qualitative data that was gathered through the interviews with Executives. This approach of integrating both qualitative research methods for theory and hypothesis development and quantitative research methods in testing of the theory and hypotheses, provides for a more robust and rigorous approach to research (Gilmore and Carson 1996; Perry, Riege and Brown 1998).

Figure 4.1 below details the conceptual network marketing model. The remainder of this section provides the variables within the conceptual model and their respective hypotheses as developed through the combination of both the qualitative data and the literature.
4.2.1: Firm Characteristics

The importance of firm characteristics to networking is generally documented (Hill and Wright 2001, Hill and McGowan 1999, Bygrave 1994, Frazier and Niehm 2004). It is however desirable to know the impact that each of the varied characteristics has on Executives’ network marketing in financial services sector in LDCs. Perhaps which of these characteristics have significant impact on Executives’ network marketing and whether this impact is positive or negative? This therefore leads to the first sub-research question:

*What are the major characteristics of the firm that impact on Executives’ network marketing?*

In an attempt to answer the sub question effectively and with due reference to our exploratory research, we have conceptualized the firm characteristics into four main themes:
level of shareholding, motivation to grow, marketing budget and use of Information and Communication Technology (ICT).

4.2.1.1: Ownership shareholding.
Managerial owners are highly geared to market opportunities, give priority to profit maximization and take pride in their ownership of efficient and frequently, quite complex organizational structures.

Our exploratory research revealed four broad categories of ownership; single ownership, shared ownership or partnership, family ownership and institutional ownership.

Whilst some of these firms are owner-managed, others have professional managers (non-owner managers). What remains unknown is whether the level of shareholding in a financial institution in LDCs influences Executives’ ability to network market or not. This therefore leads us to the hypothesis that:

**H 1a: If Executives’ level of shareholding in financial institutions in LDCs is high then their network marketing activities will significantly increase.**

4.2.1.2: Executives’ motivation.
According to McClelland and Burnham (1976), all managers fall into three motivational groups. The first group is mostly motivated by achievement, the second by affiliation and the third by power. The achievement motive is a non-conscious concern for achieving excellence in accomplishments through one’s individual efforts (McClelland et al., 1953). Affiliation motive is a non-conscious concern for establishing and restoring close personal relationships with others. Their decisions are aimed at increasing their own popularity rather than promoting the goals of the organization (Apospori, et al., 2005). Power motive is a non-conscious concern for acquiring status and having an impact on others.
When asked about his motivation for forming a financial institution, one Chief Executive Officer has this to say.

“It is not like you will do things that were not regulated or without principles but it is that the banking law and the history of banking in this country and the education and perception that people have of banks needed to be changed. So we wanted to run something, which provided competition and yet provided the services that the banks were unable to provide.”5

Our exploratory research showed four categories of motivation; uneasiness with status quo, altruism, self concept and social responsibility. Our hypothesis, however, would lay emphasis on the level of motivation of the Executives’ to grow their business. We therefore hypothesis that:

**H 1b: If Executives’ motivation to grow their business is high then their network marketing activities will significantly increase.**

**4.2.1.3: Firm size.**

From the exploratory research, the sampled financial institutions can be categorized into 2 groups; SMEs and large. Because financial institutions are regulated and there are problems associated with defining firm size, the categorization will be industry specific; for instance the banks will be based on deposit mobilization whilst insurance firms will be based on premium income. This approach is duly informed by the limitations that a large firm in one industry may be medium or small if relocated in another industry.

Firm size, proposed as an important characteristic to gain performance effects in networks, can be regarded as a proxy for resources where larger firms usually posses more product lines and higher production capacity together with organizational resources and slack (Alvarez and Barney, 2001; Koh and Venkataraman, 1991; Penrose 1959). From this therefore we can test the hypothesis that:

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5 Chief Executive Officer of a Non-bank Institution’s response during interview conducted April 28th, 2005
**H 1c:** If financial institutions commit more funds to relationship marketing then Executives’ network marketing activities will significantly increase.

### 4.2.1.4: Information and Communication Technology (ICT)

Difficult times have made networking an organizational/business option that many sectors of the economy are considering (Zeffane 1996). For some sectors, it is just one of several relatively new growth techniques being tried by small and medium-sized companies. The insurance industry has also been reported to resort to networking as a way of facing the organizational challenges of the 1990s (Zeffane, 1996).

According to Zineldin (2000) a company that does not learn and adapt to changing technology can face painful competition and may fall victim to competitors that switched their strategies to the more technologically based relationships and advanced products and services. From the above we test the hypothesis that:

**H 1d:** If Executives’ use of Information and Communication Technology in financial institutions increase then their network marketing will significantly increase.

### 4.2.2: Personal Contact Networks

Mitchell (1969) proposed that potential members of a person’s network are those people who within certain norms might be expected to provide that person with some specific service or support or alternatively might expect him/her to provide them with some specific type of service or support. Mitchell (1969) further states that these potential relationships may not be activated and that only those people who become involved in some social exchange or transaction will become links in the personal network. There is therefore some element of choice in the make-up of a person’s network.

In our exploratory research, Executives or the organizational leaders who were the key respondents did have social interactions with many people. Although the following
categories of social interactions were examined in our exploratory research: colleagues and friends, neighbours, politics, schoolmates, sports and religion; yet the results showed that family, colleagues and friends, politics, and sports are important for Executives’ social interactions. What is important for this research is to identify which people impact significantly on Executives’ social network marketing and whether this impact is positive or negative? This therefore leads to the second sub-research question:

*Which members of Executives’ social group impact significantly and positively on their personal contact network marketing?*

In an attempt to answer this question effectively, the social group has been conceptualized into four main categories: family, colleagues and friends, politics, and sports as shown in figure 4.2.

![Diagram](image)

**Fig. 4.2 Personal Contact Networks**

Conceptualizing the social group into the above four main categories meant that we have left out neighbours, schoolmates and religion from the categories used for the qualitative interview. This is because they were not found to be very active in our exploratory study.
4.2.2.1: Family.
Family businesses continue to represent an important form of work organization within advanced industrial economies. Most small- and medium-sized enterprises are family concerns and a small but important number of very large businesses remain owned, and substantially controlled, by private families. From our in-depth qualitative interview this response was obtained.

“One person, i.e. the ‘XYZ’ Group which is his family owns 73% shares which in terms of corporate governance issues have its pros and cons.”

Hill et al., (1999) proposed a theoretical model which illustrates how in the early growth stages of the firm’s life cycle the emphasis was clearly on the Executives’ social network which largely comprised family and friends. This therefore leads to the testing of the hypothesis that:

**H 2a: If there is increased relationship between Executives and their families then their network marketing activities will increase to include family patronage.**

4.2.2.2: Colleagues and friends.
Personal contact networking is defined as the management of relationships or alliances, which the individual has with others in their society (Dubini and Aldrich, 1991). The individual Executive plays a focal role in building both formal and informal relationships with people within his or her society who are or may become material in assisting him or her to progress the growth ambitions of his or her firm (Hill et al., 1999).

It is common knowledge that colleagues and friends are within common reach of Executives’ network as expressed by one Chief Executive Officer from our qualitative interview.
“When I was thinking of friends I had my mind focused on business as well so a lot of the things I have said attains to people in the insurance industry. The broad range of my friends, doctors, and accountants and so on they all want me to look after their insurances.”

It is important therefore to test the hypotheses that:

**H 2b: Highly intense relationship between Executives and colleagues and friends will result in increased network marketing activities.**

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### 4.2.2.3: Politics.

The underlying tenet of neo-liberalism Sub-Saharan Africa includes freeing market forces from excessive governmental controls, reducing taxes, divesting state-owned enterprises and ending the “crowding out” of the private sector by government intervention (Nwankwo 2000). Despite this agenda however, the government in most Sub-Saharan African countries remains the largest spender in their national economy.

Due to governmental dominance of business in LDCs, some Executives, in developing their business would want to be seen to be politically aligned so as to win the business patronage of politicians. From our exploratory research, all respondents had friends who were politicians.

“I have political awareness but as a deliberate policy I don’t want to go beyond any thing that will be described as being politically active or too active. As a deliberate policy, I don’t want to build my business on political blocks.”

What is not clear however is whether they get business patronage from their political allies or not. On this basis therefore, we proceed to test the hypothesis that:

**H 2c: If the intensity of Executives’ relationship with politicians is high then their network marketing activities will significantly increase.**

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6 Chief Executive Officer of a brokerage firm’s response during interview conducted July 15th 2005

7 Chief Executive Officer of a brokerage firm’s response during interview conducted July 15th 2005
4.2.2.4: Sports.
Our exploratory research confirmed that although most Executives are interested in sports as a means of keeping fit for business, the networking opportunities that interactive sports present was not lost on them.

This is supported by the following quote from our qualitative research:

“I have been in the business of people and this is one of the areas where during the time of relaxation you meet quite a number of people; businessmen and so on. If you want your company to be known naturally you got to sit down after doing 18 holes or so; people need to know a little about you and you start introducing yourself that way and your business that way.”

And on this score, we test the hypothesis that:

\begin{align*}
H_{2e}: \text{If Executives’ level of involvement with members in their sporting discipline is high then Executives’ network marketing will increase to win new businesses as well as repeat businesses from their sporting circles.}
\end{align*}

4.2.3: Business Contact Networks
The Executives play a focal role in building both formal and informal relationships with people within their society who are or may become material in assisting them to progress the network marketing of their firms. The network of relationships that an Executive establishes and develops is unique to that individual. Such networks are an intangible asset, the value of which is intrinsically lodged in the individual and in the personalized way that the relationships that make it up are nurtured and developed (Hill \textit{et al}, 1999). Interfirm alliances are arrangements in which two or more independent firms cooperate to perform business activities. Such cooperation may include the exchange of goods or information and may relate to technology, products, or resources (Auster 1994).

\footnote{Chief Executive Officer of a brokerage firm’s response during interview conducted July 15\textsuperscript{th} 2005}
In our exploratory research, it appeared Executives’ business contacts played an important role in assisting their network marketing. The important thing for this research however is which of these business contacts have significant impact on their business network marketing and whether this impact is positive or negative. This therefore leads to the third sub-research question:

*Which category of Executives’ business acquaintance impact significantly and positively on their business contact network marketing?*

In an attempt to answer this question effectively, the business contact group has been conceptualized into five main categories: trade associations, suppliers, customers, competitors and employees as shown in figure 3.

![Figure 4.3: Business Contact Networks](image)

Accountants and bankers have been eliminated from the original categories used for the exploratory research as they were not identified to be very beneficial for Executives’ network marketing and as such not actively used.
4.2.3.1: Trade Associations.

Trade associations provide the ideal forum for Executives to come together and gather information about their competitors and to keep themselves abreast with developments within the industry at large (O’Donnell and Cummins 1999).

Our exploratory research confirms this as exhibited in the quote below.

“Yes we do have intercourse with our colleague Chief Executives at trade association meetings and we do share best practice – it helps. When you have a problem you just go to the association and they are able to assists you to resolve the problem. You can draw on the experience of other colleagues who have come across similar problems.”

This being the relevance of trade associations, we then test the hypothesis that:

**H 3a:** If Executives’ level of participation in the activities of Trade associations is high then their business network marketing through the gathering of valuable information and keeping abreast with industry development will increase.

4.2.3.2: Suppliers.

Suppliers are part of vertical networks which are seen as those members of the value-adding system or distribution chain, spanning from suppliers to end-users (Achrol, 1997). Vertical relationships co-ordinate the flow of complementary resources. According to Hill *et al* (1999), suppliers play a significant role in the decision making of Executives.

In our exploratory research, it came to light that the respondents have vertical relationship with their suppliers and do get referral businesses from them as illustrated in the following quotes.

“It is important that you have a very good relationship with suppliers because you would want just in time inventory, you want it at good quality and good price. They are part of your business, they are your partners, so we turn to keep very good relationship with them.”

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9 Chief Executive Officer of a bank’s response during interview conducted October 13th, 2005
10 Chief Executive Officer of a bank’s response during interview conducted July 11, 2005.
“Yes, absolutely, we get referral business from our suppliers”.\textsuperscript{11}

On this premise therefore, we proceed to test the hypothesis that:

\textbf{H 3b: If Executives’ perception of complementary resources from suppliers in business continuity is high then their business network marketing will increase to profit from lower marketing costs.}

\textbf{4.2.3.3: Customers.}

A major US market research firm states that customer satisfaction is the key to success and makes the emphatic statement that a satisfied customer is a repeat customer (In-Touch Survey Systems, 2003).

One activity that could be used to build customer relationship is feedback forum. In our exploratory research however, feedback forum was not very high on the agenda of respondents as illustrated in the following quotes below:

\begin{quote}
“We have suggestion boxes in our branches and our marketing department goes to open them every week and complains are dealt with expeditiously. But regarding an organized forum for our customers, I think we had only one since I join this company about 4 years ago, so we do not have a regular feedback forum.”\textsuperscript{12}

“The customers are the best security for continuing business. If your customers will not refer others to you then you are in trouble.”\textsuperscript{13}
\end{quote}

In the light of the above, we test the hypothesis that:

\textbf{H 3c: If Executives’ contact with existing customers is high then their network marketing through personal introduction and referral of potential customers by existing customers will increase.}

\textsuperscript{11} Chief Executive Officer of a brokerage company’s response during interview conducted May 3\textsuperscript{rd} 2005.

\textsuperscript{12} General Manager of a bank’s response during interview conducted July 29, 2005.

\textsuperscript{13} Chief Executive Officer of a bank’s response during interview conducted July 11, 2005.
4.2.3.4: Competitors.

A high level of co-operation exists among competing firms in the same industry. Although this may appear strange, and unusually altruistic, O’Donnell and Cummins (1999), explained that there are often deeper motivations at work, such as collaboration to prevent work going to a company outside the domestic market from whence it may never return; or giving work to competitors in anticipation that they will act in a similar way, if and when the opportunity arise.

In our exploratory research and as illustrated in the quote below, most respondents acknowledge that there is a lot to be gained in collaborating with competitors

“It has been extremely important for our existence and growth in the sense that because of competition, some players hit below the belt just to survive; more or less bread and butter business. This is not the best of things. At the end of the day we lose out because claims would happen anyway and if you didn’t have the support in revenue base it means you have done bad business. As we compete, we try to collaborate to avert some of these inordinate negative departures.”

It is on this quote that we proceed to test the hypothesis that:

H 3d: If Executives’ collaboration with competitor firms through sharing of business is high then their network marketing will increase through reciprocal business gestures.

4.2.3.5: Employees.

As companies continue to flatten and rely on teams, managers are increasingly made to rely less on their authority and more on understanding informal networking (Limerick and Cunnington, 1993). However, this informal chart will not reveal which people confer on technical matters or discuss office politics over lunch.

In fact, much of the real work of an organization gets done through this informal organization with its complex networks of relationships that cross functions and divisions (Limerick and Cunnington, 1993). In promoting the benefits of informal networks, Krachhardt and Hanson

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14 Chief Executive Officer of an insurance company’s response during interview conducted July 18 2005.
(1993) suggest that managers can harness the true power in their companies by putting more emphasis on informal networks and the social fabric that may underlie them. Our exploratory research as exhibited in the quote below revealed that the Executives had cordial relationship with their employees and relied on them to market the firm.

“I think my relationship with my employees is very cordial from my point of view.”

On this premise we proceed to test the hypothesis that:

**H 3e: If Executives’ Internal marketing through the building of cordial relationships with employees is high then employees’ contribution to network marketing will increase.**

### 4.2.4.0 Commitment and Trust

Marketing research shows that successful continuing relationships are characterized by commitment and trust. (Ulaga and Eggert, 2006; Palmer *et al.*, 2005; Morgan and Hunt, 1994; Shemwell *et al.*, 1994; Strandvik and Liljander, 1994). The Morgan and Hunt model determines the level of customer “commitment” and “trust” by measuring the strategy outcomes: acquiescence, propensity, functional conflict, uncertainty and cooperation.

In our exploratory research, Executives were very much concerned about keeping their relationship with customers and as they saw repeat purchase business from committed customers as the lifeblood of their firms. What is important for this study however is to know what Executives have to do to keep the commitment and trust of their customers and other business partners so as to ensure the network marketing of their business? This therefore leads to the fourth sub-research question:

*What are the issues of commitment and trust that impact on Executives’ network marketing?*

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15 Chief Executive of an insurance company’s response during interview conducted July 29, 2005
In an attempt to answer this question effectively, commitment and trust has been conceptualized into five main categories: adaptation of products/services, bending over backwards, communication, repeat purchase and altruistic behaviour.

4.2.4.1: Product adaptation
The ability to change is critical to the performance of any organization and, consequently, adaptations are an important feature of supplier-customer relationships. Our exploratory research confirms that Executives’ acknowledgement of product or process adaptations was critical for the network marketing of their business as confirmed in the quote below.

“We do not believe that the same style will suit everybody. We are transaction bias, the problem you bring will help us fashion something that will suit what you do. We look at the transaction and see whether we can flex our operation to suit the request.”

It is however common knowledge in Ghana that the consumer’s rights is not adequately protected. And that the consumer is at the mercy of the supplier because the market is perceived as sellers’ market. With this contradiction we proceed to test the hypothesis that:

H 4a: If Executives increase their adaptation or modification of products to suit customers’ new needs or condition then customers’ commitment and trust to their network marketing will significantly increase.

4.2.4.2: Bending over backwards
The dominant influence of service failure-related dimensions can be attributed to the fact that services, because of their largely intangible nature, are perceived as more risky to buy than, for instance, physical products (Murray, 1991). Service recovery is of particular importance if one considers that in many instances dissatisfied customers simply do not complain to the seller or service provider. The few who do complain provide valuable information in terms

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16 Chief Executive Officer of a non-bank financial institution’s response during interview conducted April 28, 2005
of what can be done to improve customer satisfaction. This therefore leads us to the hypothesis that:

**H 4b**: If Executives increase their bending over backwards for all customers then customers’ long-term commitment and trust to network marketing for long-term relationship will significantly increase.

### 4.2.4.3: Communication.

Business relationships (dyads) or sets of relationships (networks) are assumed to evolve as result of interpersonal communication which occurs situationally in communicative and cognitive processes between interactants within various collective actor structures (Olkkonen *et al.*, 2000). Consequently, aspects of interpersonal communication are important in attempting to understand issues such as long-term bonding, various forms of adaptation and the development of trust and mutuality in inter-organizational relationships and networks. (Olkkonen *et al.*, 2000).

In our exploratory research, Executives admitted the importance of communication in relationship marketing as illustrated in the following quote.

> “If it is specific information, which would affect particular line of customers, I think it is our responsibility to make sure that the customers are brought into the picture on those issues. It may not be at the very formal level, it can be at the informal level.”

However, communication infrastructure in Ghana as a Less Developed Country, and inadequate investment in communication does not enhance the relationship with customers and network partners. With inadequate infrastructure and low investment in communication, we proceed to test the hypothesis that:

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17 Chief Executive Officer of a bank’s response during interview conducted October 20, 2005
H 4c: If Executives’ desire to share meaningful and timely information with customers is high then their perception of customers’ commitment and trust for network marketing for meaningful information will significantly increase.

4.2.4.4: Repeat purchase.
The most frequently mentioned outcome of the marketing process is a satisfied customer, with many definitions of marketing incorporating this important marketing concept. A major US market research firm states that customer satisfaction is the key to success and makes the emphatic statement that a satisfied customer is a repeat customer (In-Touch Survey Systems, 2003).

According to Bennett and Rundle-Thiele, (2004) the banking sector is a classic example of an industry where customer satisfaction and repeat purchase are not positively related, although the PR hype from the banks would have you believe otherwise.

In Ghana, there isn’t much differentiation in financial services and competition is very limited as financial services remain a seller’s market with under-supplied services. It is in the light of this controversy that we test for the hypothesis that:

H 4d: If Executives’ opinion of repeat purchase by customers is high then their perception of customers’ commitment and trust to network marketing for long-term relationship will significantly increase.

4.2.4.5: Altruistic behaviour.
Empirical investigations of various aspects of opportunistic behaviour in the context of alliances have been undertaken only in relatively recent times. Kale et al., (2000) introduce the notion of relational capital, which is based on trust and interaction, and show that relational capital deters partner opportunism.
In our exploratory research, Executives were very much concerned about being perceived as being trustworthy as they think it is vital for keeping long-term relationship with customers. The important thing for this study however is, what is it that Executives would have to do to earn the commitment and trust of the customer and other business partners so as to ensure the survival of their business. This therefore leads us to the last hypothesis that:

**H4e: If Executives’ display of altruistic behaviour is high then their perception of customers’ commitment and trust to network marketing will increase significantly.**

**4.3. Summary and Conclusion**

We proposed a model that seeks to offer an explanation of Executives’ network marketing in financial institutions in LDCs where the market system is underdeveloped. The proposed model in the main, grouped factors into four categories being: firm characteristics, Executives’ personal contact group, Executives’ business contact group and issues of commitment and trust in exchange relationships.

Various research hypotheses have been developed based on the existing literature and findings from the exploratory research. These hypotheses are expected to assist in answering the main research question and the sub-research questions.

The combination of the above factors, it is expected, to help us identify key issues relating to Executive network marketing in financial institutions in LDCs.
Summary Table for the Chapter

1. The research problem and issue will be investigated through four specific research questions.

2. The literature review and Executives interview were used to develop the conceptual model, operational definitions of each construct and the research hypotheses.

3. The four research questions will be carried forward along with the conceptual Executives network marketing model to investigate the research problem.
5.1 Introduction
In the previous chapters the theoretical background underpinning relationship/network marketing was developed through a review of existing literature (see Chapter 2). Qualitative interviews were also conducted, which aimed at providing further understanding of issues relating to relationship/network marketing with reference to financial services sector in Ghana (see Chapter 3). The two procedures together led to the development of the research hypotheses (see Chapter 4). In this chapter we present the research methodology, process and approach that will allow for the testing of the research hypotheses. In particular the research paradigm applied is discussed as well as the discussion of problems of research design in LDCs, data source, sampling procedures and non-response analysis, questionnaire development and the statistical methods used to analyze the survey data obtained. Tabulated in Appendix C4 are the research questions, hypotheses and related questions that address them.

5.2.0 Research Paradigms
Within the methodological domain in marketing research, the two broad approaches of quantitative and qualitative work have attracted both support and criticism (Birn et al., 1990; Goodyear, 2000). Research is conducted in the spirit of inquiry, which relies on facts, experience and data, concepts and constructs, hypotheses and conjectures, and principles and laws. Philosophers of science and methodologists have been engaged in a long-standing epistemological debate about how best to conduct research. This debate has centered on the relative value of two fundamentally different and competing schools of thought or inquiry paradigms. Logical positivism uses quantitative and experimental methods to test
hypothetical-deductive generalizations. Positivism searches for causal explanations and fundamental laws, and generally reduces the whole debate to simplest possible elements in order to facilitate analysis (Easterby-Smith, 1991; Remenyi et al., 1998). Phenomenological (interpretive science) inquiry uses qualitative and naturalistic approaches to inductively and holistically understand human experience in context-specific settings. This approach tries to understand and explain a phenomenon, rather than search for external causes or fundamental laws (Easterby-Smith, 1991; Remenyi et al., 1998).

Despite the above epistemological debate, Amaratunga et al., (2002) argued that in research design, the issue is not whether one has uniformly adhered to prescribed canons of either logical positivism or phenomenology but whether one has made sensible methods decisions, given the purpose of the study, the questions being investigated, and the resources available. The paradigm of choices recognizes that different methods are appropriate for different situations (Amaratunga et al., 2002). The table below provides a pragmatic view of a summary of some of the strengths and weaknesses of two research paradigms (adapted from Amaratunga et al., 2002) followed by a discussion of the two fundamental schools of thought.
Table 5.1 Comparison of strength and weaknesses

<table>
<thead>
<tr>
<th>Theme</th>
<th>Strengths</th>
<th>Weaknesses</th>
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<tbody>
<tr>
<td>Positivist (quantitative</td>
<td>They can provide wide coverage of the range of situations</td>
<td>The methods used tend to be rather inflexible and artificial</td>
</tr>
<tr>
<td>paradigm)</td>
<td>They can be fast and economical</td>
<td>They are not very effective in understanding processes or the significance that people attach to actions</td>
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<td></td>
<td>Where statistics are aggregated from large samples, they may be of considerable relevance to policy decisions.</td>
<td>They are not very helpful in generating theories</td>
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<tr>
<td></td>
<td></td>
<td>Because they focus on what is, or what has been recently, they make it hard for policy makers to infer what changes and actions should take place in the future</td>
</tr>
<tr>
<td>Phenomenological (qualitative</td>
<td>Data-gathering methods seen more as natural than artificial</td>
<td>Data collection can be tedious and require more resources</td>
</tr>
<tr>
<td>paradigm)</td>
<td>Ability to look at change processes over time</td>
<td>Analysis and interpretation of data may be more difficult</td>
</tr>
<tr>
<td></td>
<td>Ability to understand people’s meaning</td>
<td>Harder to control the pace, progress and end-points of research process</td>
</tr>
<tr>
<td></td>
<td>Ability to adjust to new issues and ideas as they emerge</td>
<td>Policy makers may give low credibility to results from qualitative approach</td>
</tr>
<tr>
<td></td>
<td>Contribute to theory generation</td>
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5.2.1 Positivism
Positivism uses quantitative and experimental methods to test hypothetical-deductive generalizations and advocates for independence of the observer from the subject being observed (Amaratunga et al 2002, Smith 2002, Gill and Johnson 1991). It assumes that
science quantitatively measures independent facts about a single apprehensible reality, data and its analysis are seen to be value-free (Healy and Perry 2000, Guba and Lincoln 1994). Positivist epistemology tries to explain and predict what happens in the social world by searching for regularities and causal relationships between its constituent elements, and has its roots from natural science (Burrell and Morgan, 1979).

While positivism or quantitative research provides objective measures for the treatment of data, large samples and the statistical validation for a study, it has been criticized for only scratching the surface of people’s attitudes and feelings, where the complexity of the human soul is lost through the counting of numbers (Wright and Crimp, 2000). According to Gummesson (2001), the sampling techniques and the rules of drawing probabilistic inferences from quantitative data was an intellectual exercise in mathematical and statistical logic that claim to have scientific status. In the bewildering mix of experiences, speculations, turbulence, rules-of-thumb, fads, and fashions, and constant insecurity that constitute marketing, positivism offered security and rigor. Gummesson (2001) further argued that the quest for rigor has accepted subjective answers by consumers, which in the spirit of phenomenology were treated as hard facts. To compound the issue was the crucial predicament of validity that had been ‘solved’ – or rather: worried minds were given a break – by using operational definitions, thus appointing the results from a specific technique to be a proxy for the phenomenon under scrutiny. In the light of this Gummesson (2001), concluded that these conditions were set up qualitatively; they were the outcome of peer consensus that is inter-subjective and not objective.

5.2.2 Phenomenology

Phenomenological or interpretative approaches in rejecting the positivist’s over-deterministic orientation towards an understanding of human action and behaviour, argue that, unlike animals or physical objects, human beings are able to attach meaning to the events and
phenomena that surround them, and from these interpretations and perceptions select courses of meaningful action which they are able to reflect upon and monitor (Gill and Johnson, 1991). Phenomenological inquiry therefore uses qualitative and naturalistic approaches to inductively and holistically understand human experience in context-specific settings, aimed at understanding and explaining a phenomenon, rather than search for external causes or fundamental laws (Amaratunga et al, 2002).

Strauss and Corbin (1990) argue for the use of qualitative methodology in situations where little is known about a phenomenon or to gain more in-depth understanding of an issue which is difficult to convey in quantitative terms. Researchers are therefore advised to adopt qualitative approach that reduces the distance between them and the researched subjects but not the positivist approach that seeks value free research (Gill and Johnson 1991, Shaw 1999, Hill and McGowan 1999). Amaratunga et al (2002) argue that qualitative data which places emphasis on people’s ‘lived experience’, are fundamentally well suited for locating the meanings people place on the events, processes and structures of their lives: perceptions, assumptions, pre-judgments, presuppositions, and for connecting meanings to social world around them. Eisner (1985) suggests that researchers should recognize the individuality, personality and attributes of the individual involved in the research process and argue strongly for recognition of the value and role of people to research.

5.2.3 Combining Quantitative and Qualitative Approaches

As noted in Sections 5.2.1 and 5.2.2, both quantitative and qualitative approaches do suffer from certain weaknesses. This has led to many researchers advocating for the use of combined (qualitative and quantitative) research methods (Rossman and Wilson 1984, Gummesson 2001, Gill and Johnson 1991).

Gibb (1992) and Kirby (1995) suggest the use of stepwise “stage” approach that involves an initial exploratory qualitative research aimed at developing initial insight or understanding
into a firm’s activities to be followed by quantitative research intended to identify the specific practices of the firm. Kirby (1995) suggests that each research stage builds upon what has been learned in previous stages, in making an incremental contribution to the established knowledge base, thus allowing researches to provide an in-depth and focused analysis of firm activities.

Kirby (1995) concludes that the debate is not about either a ‘qualitative’ or ‘quantitative’ approach, but developing a research design which is appropriate for the issue under investigation.

It is agreed that with a combined methodology the weaknesses of each methodology can be overcome while maintaining the strength of each paradigm (Curran and Blackburn 2001, Rossman and Wilson 1984, Amaratunga et al 2002).

Those researchers arguing in favour of methodological pluralism contend that the debate between these paradigms does not necessarily reflect a fundamental conflict, but a reflection of different interests that are reconcilable (Gill and Johnson, 1991).

Siu and Kirby (1999) however, are of the opinion that the major limitation with the stage approach is that, the research error in one stage may be transmitted or even multiplied in the subsequent stages. They therefore recommend for the rigorous application of the stage approach, to eliminate the above problem.

Curran and Blackburn (2001) and Burrell and Morgan (1979) on the other hand argue that on both epistemological and methodological levels, combining different methodologies does not completely eliminate weaknesses associated with a single methodological approach. They further argue that philosophically the two paradigms remain fundamentally different and cannot be simply combined.

In Appendix C1 is a review of some of the relationship marketing/network marketing research that used either quantitative or qualitative methodology or combined methodology.
5.2.4. Problems of Research Design in LDCs

The discussions of problems of research design in Less Developed Countries are pertinent because this research was carried out in Ghana, which is a less developed country. The problems of research design in LDCs are manifested in several areas, such as the research approach, the degree to which the problem is crystallized, the breadth and depth of the study (qualitative versus quantitative), the time frame, identification of concepts and their measurement, the researcher’s control of variables, sampling and data collection.

According to Samir et al (1997) researchers in LDCs tend to concentrate on the normative approach. They are usually not concerned with the descriptive approach and virtually ignore the exploratory studies, even though, what is really needed in developing countries is an understanding of the factors that shape effectiveness and efficiency.

The concentration on the normative approach is due to same reasons as mentioned earlier in this report. This normative approach has proved of little use, merely because rational purposive thinking is not a characteristic of LDCs owing to the inadequate information base and scheduling difficulties (Caiden and Wilavsky, 1974). The failure of the normative model has made our understanding of management in LDCs inadequate and our attempts at improving it unfruitful because we have always compared these practices with Western models (Samir et al, 1997). This approach failed because its main preoccupation was comparing local practices with the superior Western management model. It did not try to identify the uniqueness of each nation (Farmer and Richman, 1964).

Although descriptive research may shed some light on the situation in LDCs, one shortcoming of the descriptive approach is its inability to deal with unprecedented issues and events. Samir et al (1997) argued that in such cases, there is nothing to describe. They illustrated it with an example - when a new institution such as a stock market is created in an LDC, what experience do researchers draw on? They must speculate, drawing on the experience of other countries and adapting it to local conditions.
Samir *et al* (1997) acknowledges the extreme difficulty in bringing about change in the complex research environment of LDCs yet, they made some relevant suggestions which are examined below;

- Decision-driven research should be the aim of research that is, the value of the research conducted in LDCs should be based on the extent to which it can help managers/policy makers make decisions.

- The approaches used for grounded theory could be appropriate, for grounded theory aims at discovery of relevant theory from systematically obtained data. This approach could provide relevant information for predictions, explanations, interpretations and applications in particular settings. Grounded theory is based on qualitative research, comparative analysis, systematic choices and case studies.

- Comparative analysis is also needed. There has been a call for an understanding of management practices in different LDCs as they are, in other words describing what is going on before prescribing anything. After all, the normal process of theory building is to describe, to generalize and then to prescribe.

- There is also a need for longitudinal studies in addition to cross-sectional ones so as to avoid normative prescriptions. Therefore, exploratory and descriptive studies, which have been limited in LDCs, need to receive much more attention.

- Concepts definitions and measurement need to be geared to local conditions. A concept, i.e. a group of characteristics and meanings that are often associated with certain events, conditions and situations, differs greatly from culture to culture and from situation to situation. Therefore, researchers need to identify the important categories and concepts and the operational definitions that fit the particular concept. The grounded-theory approach can be extremely useful in this endeavour.
• With respect to the availability of data and funds, policy makers can play a very important role. Priority needs to be placed on relaxing the rules and regulations governing accessibility to information. Moreover, an information system that enables researchers to identify prior research is needed. This undertaking will be greatly facilitated by computer technology. Moreover, bureaucrats need to be educated about the importance of accurate, consistent, and up-to-date information.

5.2.5 The Selected Research Methodology

The research is based on both the qualitative and the quantitative methodologies. A two stage approach was therefore used. First by conducting exploratory qualitative interviews among 20 executives of sampled financial institutions. This was followed by a self administered survey involving 124 executive/client relationship managers of financial institutions.

The decision to conduct the exploratory interviews was based on the following reasons:

• Network marketing though widely studied in the developed countries; the same cannot be said of LDCs in general and Ghana in particular. There is therefore less comprehensive theories on network marketing in Ghana.

• It is the considered view that theories and findings built and obtained in the developed countries may not be applicable in LDCs. The exploratory study was therefore aimed at understanding network marketing in financial institutions from the perspective of executives.

• The exploratory study is to deepen the understanding of factors that lead to network marketing in financial institutions in Ghana. Issues that came up at the exploratory interviews were incorporated into the research hypotheses, the framework and the
survey questionnaires. It also assisted in the interpretation of the quantitative results and provided a basis for explaining the findings.

The quantitative survey method was used for the following reasons:

- To allow for the inclusion of a large number of executives who are either branch managers or relationship managers who deal directly with business partners.
- The multiplicity of factors that affect network marketing in financial institutions and the extent of their interaction can be properly studied through the application of multivariate statistical techniques.

5.3 Data Source
There are two main types of data source for research; primary and secondary. While secondary data source represents the use of existing data, primary data involves the collection of original data by the researcher. In view of the lack of reliable and very accurate data in Ghana it is considered less appropriate to use secondary data. This research is therefore based on original data collected through survey. The survey data was complemented with information gathered through the qualitative phase. As such, the basis for the primary data used for the entire study was obtained from an exploratory stage and a quantitative survey stage.

5.4 Creation of the Sampling Frame and Sample Size
The sampling frame included branch managers and relationship managers from financial institutions in the major cities of Ghana; Accra, Tema, Takoradi and Kumasi. A sampling frame consists of all potential elements and respondents that are intended to be sampled (Churchill and Iacobucci 2002). It is therefore important to create a sampling frame that adequately reflects the desired response rates in order to achieve an adequate sample for analysis. This requires two specific considerations. The first is adequacy of sample of size
for generalizability and second adequacy of sample size for statistical testing (Hair et al. 1998; Churchill and Iacobucci 2002).

If sample size is too small or too large it may affect the generalizability of results (Hair et al. 1998). Based on the work of Cohen (1977), Hair et al. (1998, pp. 12) suggests that considering a suggested power level of 80% for statistical inference tests, a sample size of 130 would yield an alpha level of .05. However, when “sample sizes exceed 200 to 400 respondents”, statistical tests can become overly sensitive (Hair et al. 1998, pp 23). Therefore, determining the appropriate sample size, which ultimately determines the required sampling frame size, requires a balance between statistical power and generalizability. Based on these guidelines it was determined that the approximate desired executive (branch managers and relationship managers) should be between 120 and 180.

To a certain degree the sampling frame of the executives was dominated by banks in the financial institutions sectors. This is largely because in Ghana just like many LDCs, banks dominate the financial institutions sector and they are much more visible. Although there are 44 brokerage firms and 35 non-bank financial institutions, most of them are dormant firms which are not operational. All financial institutions operating in Ghana since 2000 were included in the sampling frame (See Appendix C2). It is considered that five years is enough time to develop working relationship with business partners. Consequently although there are some new banks that were recently licensed to do business in Ghana, they have been excluded from the sampling frame.

The sampling frame was structured to obtain participation that is proportional to the size of the firm in the relevant sector of financial institutions. Participating institutions were not approached from the head office to allow their managers to participate in this research. This is because first and foremost it was difficult in our exploratory research to have access to the
heads of these institutions. The time lag between accessing them and scheduling interview was also very long. Secondly the exploratory research was to ascertain the independent minds of individual respondents as confirmation of what their heads of institutions told us and not what they would be told to tell us. The branch managers/relationship executives were approached individually and verbally for their consent to participate in the research. Participation in the research therefore depended on the willingness of the individual branch manager/relationship executive to complete the questionnaire.

5.5 Sampling Procedure

The method for defining and creating the most appropriate sampling technique is a significant part of the research design (Lehmann, Gupta & Steckel 1998). As one of the objectives of this research was to describe the network relationship between financial institutions executives and their business partners, it was determined that the most appropriate sampling method to utilize was a ‘two phased’ stratified random sampling technique (Churchill 2000).

The stratum development began by assessing the percentage of regional population relative to the population of Ghana. From there the financial institutions located in the regional capitals were determined. The next stage involved the aggregation of coverage by examining the regions with the high number of financial institutions. The selection of Accra, Tema, Kumasi and Takoradi gave us coverage of 61.21%. The importance of achieving a high coverage is to ensure that the intensity of activities is captured to allow for the creation of a proportionate representation of the population within the research (Henry 1990; Frankfort – Nachmias &Nachmias 1996). Limiting the coverage to the above cities was equally influenced by distance, time and limited financial resources available for this research. The sampling was not extended to rural banks because they are in remote areas and they are still grappling with developmental and governance issues.
A greater heterogeneity is required to allow for group analysis which also called for bigger sample size. A non-response rate is generally high regarding LDCs research, it is therefore considered prudent to have larger sample size to ensure that adequate number of responses is obtained for effective analysis (See Table 5.2).

<table>
<thead>
<tr>
<th>Sector</th>
<th>No of Executives</th>
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<tr>
<td></td>
<td>Qualitative Interview</td>
</tr>
<tr>
<td>Banking</td>
<td>4</td>
</tr>
<tr>
<td>Insurance</td>
<td>8</td>
</tr>
<tr>
<td>Brokerage</td>
<td>4</td>
</tr>
<tr>
<td>Non-Bank Financial Institution</td>
<td>4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>20</strong></td>
</tr>
</tbody>
</table>

Owner managed firms without branch/relationship managers interviewed at the exploratory stage were removed from the survey sample in order to avoid potential bias.

5.6 Data Collection Method

The relatively small size made it important to obtain a high response rate. It was therefore paramount that the preferred data collection method should be one capable of offering the highest response rate. Telephone interviews, though seen as less expensive and time consuming was not used because it was considered that respondents may be more reluctant to provide confidential information on the telephone for lack of trust.

Self-administered postal questionnaire though considered cheaper, less time consuming and capable of reaching a large geographical area, was not used. This was because it was not expected to yield a high respond rate. The postal system in Ghana is less developed therefore
problems such as none and late deliveries were likely to have negatively impacted on the effectiveness of self-administered postal survey. Although there is courier system in Ghana and could be used to deliver letters promptly, it was considered to be expensive. It was also felt that relationship executives are very busy people who may not pay too much attention to letters that may not offer them any direct business benefits. Respondents were expected to cooperate better when there is personal contact.

Face to face interview method was therefore used. Respondents were first called by phone and briefed about the research. Their consent was sought for their participation and the face to face interviews conducted. There were instances where respondents asked for time to complete the questionnaire on their own. There were follow up visits to retrieve them but unfortunately some of these were never completed. The face to face interview was not only expected to offer the highest response rate, but also to ensure that the questionnaire was answered by the branch/relationship manager. It was considered as an appropriate method of reducing problems of mistrust.

Some researchers advocate for incentives as a way of increasing response rate (Watson, 2001). No such incentives were offered due to budgetary constraints. What was rather offered was to share the research results with any respondent who wishes to have a copy. After interviews, calls were made to thank all participants. Follow-up calls were also made for rescheduling of missed or cancelled appointments. Participants who could not honour their appointments after persistent efforts were replaced.

5.7 Unit of Analysis

The study was aimed at examining the factors that influence the network marketing efforts of executives in financial institutions. For the purposes of this study and the measurement of
network marketing activities therefore, the unit of analysis is the executives who represent the entrepreneurial capacity of the firm. These executives are identified as Chief Executive Officers/Executive Directors/Branch Managers/Relationship Managers who interact with business partners. Notwithstanding the extensive research into who or what this person is or does, it can be said that such an individual will be highly opportunity focused, constantly innovative and comfortable with the nature and character of change which attends activity focused on development and growth (Hill and McGowan, 1999; Timmons, 1994; Amit et al., 1993).

5.8 The Period of Study

Relationship marketing or long-term relationship marketing is highly dependent on time such that the period of study is an important matter to consider when researching network marketing. The period chosen for the study i.e. 2001 to 2005 was considered to be the most recent for which data was likely to be available. The period also witnessed a relatively stable macro economic environment in Ghana making it an appropriate time to study the benefits of relationship marketing.

5.9 The Questionnaire and Measures

The development of the relationship executive survey began with a review of relationship/network marketing literature (as discussed in Chapter 2) and a series of semi-structured interview with Chief Executives within the financial services sector.

As stated by Wiklund (2001) it is prudent to use measurement scales which have been validated by previous research, rather than developing new ones as far as they exist. More importantly using existing variables that have been tested allowed direct comparison of
research results. In the light of the above, many of the questionnaires and measurements were based on previous studies (e.g. Barkham et al. 1996).

Though formal questionnaire is considered as the most appropriate for this second stage of the research, it is not without limitation. It has been argued that relationship executives’ responses to a survey provide personal perception about the subject matter being studied with the most frequently highlighted problem being that responses can clearly be influenced by individual differences and personal judgment which may be at variance with real situation on the ground (Gill and Johnson 1991, Brown et al. 2004).

It can also be argued that data collected from multiple respondents within the same firm will have more validity than data based on the perception of one person. It is therefore the objective of this research to include branch managers and relationship executives of large financial institutions whose chief executives have been interviewed at the exploratory stage in the quantitative research.

The questionnaire which took an average of 20 minutes to complete was divided into four main sections (full version of the questionnaire is attached as Appendix C3):

(a) firm and respondent’s background

(b) personal contacts of the respondent,

(c) business contacts of the respondent and

(d) commitment and trust related issues as well as overall assessment of network factors.

Each item was measured using a six point Likert scale. It was determined that the Likert scale was the best scale option for this survey as it tends to provide the highest level of composite reliability (Roberts, Laughlin & Wedell 1999; Churchill & Peter 1984).
Furthermore, Likert scales are generally found to be a more efficient method to administer (Roberts, Laughlin & Wedell 1999). Another deciding factor for using Likert scale was the ability to consider the data collected via a Likert scale as interval data (McIver & Carmines 1981; Nunnally 1978) for multivariate analysis purposes. Although there has been a significant amount of debate on the treatment of Likert scale data as interval data (Wrenn 1997), it is a generally accepted practice in the literature (cf. Zeithaml, Berry & Parasuraman 1996; Doney & Cannon 1997; Cannon & Homburg 2001; Bae & Lawler, 2000). Below are details of how concepts and variables were measured.

(A) The Firm and Respondent Background

This section of the questionnaire requested information about the background characteristics of the firm, particularly in terms of: the sector of the firm in the financial services institutions, the ownership structure, and whether there are foreign shareholders or not.

Information relating to the respondents’ background was also requested. Specifically the questionnaire sought information on: respondent’s shareholding in the firm, motivation to grow the business, growth achieved over the five year period, the level of funding available for relationship management, the level of network marketing and capacity of ICT available for services delivery. Some respondents’ personal information like: their age category, level of education and field of study were also solicited.

(B) Personal Contacts of Respondents

In this section questions were directed to ascertain data on how respondents’ personal contact with the following group of people affect the business: family, colleagues and friends, politicians and sporting community.
(C) Business Contacts of Respondents

In this section, questions were directed to ascertain data on how respondents’ involvement with the following group of people impact on their business activities: trade association, suppliers, existing customers, competitors and employees. Information was also solicited on the reason behind reciprocity or non reciprocity of business with or from competitors. Information on the growth of the business being measured through increase in staff numbers over the five year period was also solicited.

(D) Commitment and Trust

This section requested information on respondents’ commitment and trust to long-term relationship with business partners. It encouraged respondents to list four things that enable them to develop long-term relationship as well as four things that inhibit them from developing long-term relationship with business partners.

5.10 Pre-testing of Questionnaire

The initial survey was piloted to a selected group of eight branch/relationship managers in Accra. Two each of the managers used in piloting the questionnaire were selected from the four sectors of the financial institution namely: banks, insurance, brokerage and non-bank financial institutions. This was done to ensure that all the four sectors are fully represented in testing the questionnaire. The initial questionnaire was sent to each respondent for a week before individual meetings were held with them. This offered the respondents enough time to appropriately review and comment on all aspects of the questionnaire. The separate meetings took an average time of twenty-five minutes and were all conducted within one week. Comments were solicited and appropriate changes to the questionnaire were subsequently effected.
5.11 Response Rate

The survey was undertaken within a period of twelve weeks i.e. May 8 to August 7, 2006. A total of 180 respondents were contacted out of which 124 were interviewed. A respondent rate of 68.89% was achieved. Twenty-two respondents were contacted and followed up with no response. Further 34 respondents representing 18.89% of the sample respondents were contacted but not followed up. Though there is no universal acceptance as to what constitutes good response rate, a 68.89% response rate is normally regarded as good for analysis (Aidis, 2003). Menon et al (1999) also report that the average response rate involving higher management survey is between 15 to 20%.

5.12 Sampling and Non-Sampling Errors

This section discusses some of the errors that can potentially affect the results of the survey research under the headings sampling and non-sampling errors.

(a) Sampling Error: Due to the small size of the sample frame, a decision was taken to include all firms within it. Therefore random sampling procedure was not used. Thus random sampling error which occurs when a particular selected sample is not a perfect representation of the population (Slowinski, 1988) was not relevant in the survey conducted.

(b) Non-Response Error: Non-response error which may result from inability to collect complete data on all firms in the sample frame can affect this study in two different ways. First, a decrease in the sample size or in the amount of information collected in respect of a particular question may result in a larger standard error. Second it introduces a bias to the extent that non-respondents differ from respondents within the sample (Slowinski, 1988). The face to face
interview method used to administer the survey questionnaire ensured that item non-response was reduced. Quick follow ups were made to obtain data that were not readily available at the time of the interview. Questionnaires were fully completed except for some respondents, in the areas where qualitative responses were required. Respondents were not too willing to answer descriptive questions.

Unit non-response which occurs when there is no complete response from a prospective respondent was considered as a major challenge to the quality of data to be obtained for this research. Procedures made to reduce the rate of unit non-response have been detailed under the caption ‘data collection method’ (See Section 5.6). All the same, 22 executives though contacted and followed up did not respond, whiles further 34 executives were contacted but not followed up gave a total unit non-response rate of 31.11 percent (see Table 5.3).

**Table 5.3; Response/Non-response Analysis**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Sampled</th>
<th>Contacted</th>
<th>Responded</th>
<th>Contacted No Respond</th>
<th>Not Followed Up</th>
<th>No Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banking</td>
<td>95</td>
<td>81</td>
<td>65</td>
<td>9</td>
<td>14</td>
<td>31</td>
</tr>
<tr>
<td>Insurance</td>
<td>40</td>
<td>32</td>
<td>27</td>
<td>5</td>
<td>8</td>
<td>0</td>
</tr>
<tr>
<td>Brokerage</td>
<td>25</td>
<td>19</td>
<td>17</td>
<td>3</td>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td>Non-Bank</td>
<td>20</td>
<td>14</td>
<td>15</td>
<td>5</td>
<td>6</td>
<td>3</td>
</tr>
<tr>
<td>No of Executives</td>
<td>180</td>
<td>146</td>
<td>124</td>
<td>22</td>
<td>34</td>
<td>56</td>
</tr>
<tr>
<td>Percentage of Sample</td>
<td>81%</td>
<td>69</td>
<td>12</td>
<td>19</td>
<td>19</td>
<td>31</td>
</tr>
</tbody>
</table>

As shown in Table 5.4 below; out of the 22 executives contacted but did not respond, 10 representing 45.45% were a total rejection of being part of the survey. In all cases attempts were made to convince refusals to take part, which included making personal appeal by calling on them after initial refusal and also by sending e-mails. All these did not yield the desired results.
Table 5.4 Analysis of Executives Contacted Without Response

<table>
<thead>
<tr>
<th>Sector</th>
<th>Refusal</th>
<th>Absent</th>
<th>Call Back after 10 Times</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banking</td>
<td>4</td>
<td>1</td>
<td>4</td>
<td>9</td>
</tr>
<tr>
<td>Insurance</td>
<td>2</td>
<td>0</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>Brokerage</td>
<td>1</td>
<td>0</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Non-Bank</td>
<td>3</td>
<td>0</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>No of Firms</td>
<td>10</td>
<td>1</td>
<td>11</td>
<td>22</td>
</tr>
<tr>
<td>Percentage</td>
<td>45</td>
<td>5</td>
<td>50</td>
<td>100</td>
</tr>
</tbody>
</table>

5.13 Analysis of Non-response Error

As stated earlier, the lack of accurate and sufficient data on firms in LDCs impacts negatively on the ability to analyze the extent of non-response bias. The nature of non-response is also such that values for non-respondents on all survey measures may not be available (Statistical Policy, 2001). This limits the quality of analysis that can be carried out. Nonetheless, the non-response error analysis was carried out by comparing certain characteristics of respondents and non-respondents as detailed below.

Table 5.5 below, shows the distribution of respondents and non-respondents by sector. It can be seen that there is a relatively fair percentage distribution of respondents among the sectors.

Table 5.5: Analysis of Respondents/Non-Respondents by Sector

<table>
<thead>
<tr>
<th>Sector</th>
<th>Responses</th>
<th>Non-Responses</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No of Executives</td>
<td>%</td>
<td>No of Executives</td>
</tr>
<tr>
<td>Banking</td>
<td>65</td>
<td>52</td>
<td>30</td>
</tr>
<tr>
<td>Insurance</td>
<td>27</td>
<td>22</td>
<td>13</td>
</tr>
<tr>
<td>Brokerage</td>
<td>17</td>
<td>14</td>
<td>8</td>
</tr>
<tr>
<td>Non-Bank</td>
<td>15</td>
<td>12</td>
<td>5</td>
</tr>
<tr>
<td>No. of Executives</td>
<td>124</td>
<td>68.89</td>
<td>56</td>
</tr>
<tr>
<td>Percentage</td>
<td>68.89</td>
<td>100</td>
<td>31.11</td>
</tr>
</tbody>
</table>
5.14 Characteristics of Respondents

In this section the characteristics of the 124 respondents are examined as a way of testing the rigor of the sampling method used and the robustness of the data collected. In particular basic descriptive statistics on the respondents are provided. The objective to include only independent firms in this research was fully achieved.

The ownership structure of respondents’ firms is dominated by institutional investors which form 36.3% followed by publicly listed companies of 31.5%. Sole proprietorship is only 3.2% whilst family ownership formed 4.9%. This scenario is explained by the fact that financial markets are regulated with heavy capital requirements which makes it difficult for individuals in developing economies to meet. The Ghana Stock Exchange is fairly new and as such it is institutional investors that dominate ownership of financial institutions.

The age category of the respondents is dominated by 31-40 years category which form about 46.8% followed by 41-50 years category which form 33.1%. These age groups represent graduates and post graduate degree holders.

5.15 Data Analysis Method

In this section the data analysis method used to analyze the survey data is discussed. The discussion in particular focuses on the justification of method chosen, the associated weaknesses and the assumptions underlying the methods. SPSS statistical software package was used for the data analysis.

5.15.1 The Selection of Statistical Method

Various statistical techniques, One-Way ANOVA, correlations, regression and MANOVA were used for the hypothesis testing depending on the levels of measurement of the variables.
The hypotheses testing were carried out at 95% significance level. Thus, a test result was considered significant when the p-value (significant value) associated with the computed test value was less than 0.05 (p<0.05) for 95% significance level.

The research was mainly based on multivariate data analysis. Bivariate methods such as Spearman’s correlation coefficient which deals with the analysis of two variables measured on an ordinal scale simultaneously to ascertain their relationship (Bryman, 2001) were also used. Cross-tabulations were also used to ascertain the relationship between two variables measured on a combination of nominal and ordinal scales.

Single factor analysis (One-Way ANOVA) and multiple factor analysis (MANOVA) were used. The One-Way ANOVA was used to test for significant differences if any between the various categories of the independent variables (age, education, and field of study); and the MANOVA was used to ascertain whether the independent variables interact to produce significant levels of network marketing by executives.

For quantitative analysis of the data, the responses for the various items relating to a particular factor were aggregated to provide interval data for the use of parametric tests such as the ANOVA and regression.

The reason for combining both sophisticated and simple statistical methods is to resolve the problems associated with complex analysis that are difficult to understand by both researchers and non-researchers, and simple models that focus on the most important relations and neglect the others (Wiklund, 2001).

A review of literature on network/relationship marketing suggests that many researchers rely on multivariate statistical techniques to understand factors that lead to network marketing (Adamson et al, 2003; Colwell S.R., 2003; Abratt and Russell, 1999). The frequent use of multivariate methods is justified on the grounds that network/relationship marketing is affected by multiplicity of factors with complex relationships that can be sufficiently studied.
by the use of such techniques (Barkham, 1996). The increase in the popularity in the use of such sophisticated techniques may suggest that the complexity associated with these techniques is more than compensated for by the additional insight that they bring (Canback, 2002).

5.15.2 Multiple Regression and Multivariate Analysis of Variance (MANOVA)

There exists many different forms of multivariate techniques; however for this research multiple regression and MANOVA techniques are used. The main objective of the study to ascertain from a large number of explanatory variables developed out of theory and the exploratory research the most influential factors that lead to network marketing in Ghana. Multiple regression analysis which by far the most widely used multivariate technique (Hair et al 1998) was used to examine the relationship between networking and the various explanatory factors. In short, multiple regression analysis was used to achieve the following objectives:

(1) to maximize the overall predictive power of the independent explanatory variables and a set of these variables,

(2) to compare the predictive power of each set of variables (i.e. firm characteristics, personal contacts, business contacts, commitment and trust) on network marketing,

(3) to determine the relative importance of each independent variable in explaining networking factors and,

(4) to assess the kind of relationships that exist among the explanatory variables. Assessing this relationship is important for the reason that, some factors may be less relevant due to the level of correlation that exists among them in the attempt to produce the optimal prediction (Hair et al 1998).
5.15.3 Testing Multivariate Data Analysis Assumptions

Though regression analysis can produce some of the most useful information on the relationships among variables it is not without concerns and assumptions which when violated and depending on the type of violation may affect the results obtained and the conclusions that can be drawn (Albright et al 2004, Sweet and Grace-Martin 2003, Field 2005).

The following section discusses how the main assumptions have been tested and corrective actions taken where violations occurred.

**Linearity**

Linearity which represents the extent to which a change in the dependent variable is associated with a change in the independent variable is considered to be critical assumption in regression analysis (Hair et al 1998). When using SPSS, Field (2005) reports that linearity is checked by plotting ZRESID against ZPRED and a histogram and normal probability of residuals. Where there exists any sort of curve in the ZRESID against ZPRED graph then there is the possibility that the data does not meet the linearity assumption. To check the linearity of the data the graph of ZRESID was plotted against ZPRED as shown in figure 5.1 below. As there is no curve in this graph it can be concluded that the linearity assumption has been met.

**Heteroscedasticity**

The presence of unequal variance which is considered to be one of the most common assumption violations (Hair et al 1998) is checked by examining the residual plots of the actual standardized residual values of the dependent variable against its predicted residual values (Hair et al 1998, Field 2005). The funnelling out of the graph is an indication of existence of hetroscedasticity in the data (Field, 2005). From figure 5.1 shown below, the
graph of predicted residuals as plotted against standardized residuals in the case of percentage growth of the business funnels out indicating the presence of heteroscedasticity in the data. In view of this finding business growth was transformed by using the natural log. The resulting business growth graph of the predicted residuals as plotted against the standardized residuals and shown in figure 5.2 below indicates that the assumptions of linearity and heteroscedasticity have been met.

**Figure 5.1 Scatterplot of percentage growth of the business**

![Scatterplot](image-url)
**Normality**

The normality of residuals is tested by having a look at the histogram of residuals and normal probability plots which should have a bell-shaped curve to indicate a normal distribution. The histogram of residuals though is simple it is less appropriate method to use in small sample size. As shown in the figure 5.3 and 5.4 below the data met the assumption of normality.
Figure 5.3  Histogram of Percentage Growth of Business

Figure 5.4  Normal P-P Plot
Multicollinearity

Multicollinearity is said to be present when three or more variables correlate (Hair et al 1998). Field (2005) notes four reasons why the presence of multicollinearity poses a threat to the validity of multiple regression analysis. First, high levels of collinearity may lead to the exclusion of a good explanatory variable from the model as it may be found to be less significant. Second, high levels of collinearity reduce or limit the size of $R$, (R is the measure of variance in the outcome accounted for by the predictors) such that having uncorrelated variables is beneficial. Third, multicollinearity reduces the chance of assessing the importance of each individual variable in accounting for the outcome. Finally, multicollinearity increases the variances of the regression coefficients, which result in unstable predictor equations.

Field (2005) provides various ways of identifying multicollinearity with a given data. The first and most basic method is to scan a correlation matrix of the variables to check for high levels of correlations. Field (2005) recommends that high correlation of above .8 should raise a concern. The weakness of this method is its inability to identify all forms of multicollinearity. The issue of multi-collinearity was conveniently handled by considering a single factor regression analysis in addition to the multiple regression analysis. Whiles the multiple regressions revealed that only business contact was significantly predictive of network marketing of the Executives, the single factor analysis revealed that personal contact was also significantly predictive of network marketing. Thus, the independent effect of each of the factors on the network marketing was brought to bear eliminating the overshadowing effect of business contact on the other factors from the multiple regression analysis.
5.15.4 Reliability and Validity

Reliability and validity of the research results were given a high attention. In Table 5.6 below we present the various forms of reliability and validity and how they have been dealt with in this thesis.

**Table 5.6 Elements of Reliability and Validity**

<table>
<thead>
<tr>
<th>Objective</th>
<th>Elements</th>
<th>Activity</th>
</tr>
</thead>
</table>
| Reliability | Data Source | 1. Primary data source used.  
2. Face to face interviews with owner/managers.  
3. Questionnaire was pre-tested. |
| Reliability | Measures | 1. Measurements were based on previous researches.  
2. Assumptions underlying the statistical methods were met.  
3. There is no missing value relating to percentage growth in the data.  
4. Cronbach’s Alpha found to be within acceptable limit of .7 to .8 (Cronbach’s Alpha within data = .721). |
| Validity | Face Validity: That construct conforms to common understanding. | 1. Literature review was carried out to understand concepts and constructs.  
2. Measurements, concepts and constructs were developed based on previous researches,  
3. Questionnaires was developed and pre-tested with eight relationship executives.  
4. Data was collected through face-to-face interview to ensure that as far as possible relationship executives had the same understanding of concepts, measurements and constructs. |
| Validity | Content Validity: That constructs cover all relevant facets of the concept. | 1. Literature review provided an understanding of constructs.  
2. Constructs were discussed with Executive Directors through qualitative interviews and pre-testing of questionnaire. |
| Validity | Criterion Validity: Results are in consonance with theory and previous results. | Previous validity measures were used to determine the concurrent validity (e.g. Networking measures were based on O’Donnell and Cummins, 1999). |
| Validity | Predictive Validity: That a measure predicts another measure as predicted in theory. | The results largely in conformity with the hypotheses (see Chapter 6). |

Adapted from Maula, 2001 page 128.
5.16 Conclusion
This chapter has provided the details of the research methodology process that was relevant for our research work. The epistemological debate on the fundamentally different and competing schools of thought or inquiry paradigms, i.e. positivism which uses quantitative method for causal explanations and phenomenology method which uses qualitative and naturalistic approaches to understand human experiences were discussed. The reason for selecting the research method of combining positivism and phenomenology was also highlighted.

The problems of research design in LDCs such as the research approach and the breath and depth of the study among others were also discussed. The reason for favouring face to face interview as against other data collection methods has been stated. Sampling and non-sampling errors and the decision to include all firms in existence since 2000 within the sample frame for the purpose of the survey has been discussed. The use of multivariate statistical technique particularly regression, and MANOVA methods have also been justified. The underlying assumptions relating to these statistical methods have been checked and it is concluded that these assumptions have been largely met.

The subsequent chapters will discuss the research findings along with our interpretations and comparison with existing findings.
### Summary Table For Chapter Five

1. Discussion of research paradigms with reference to positivism and phenomenology as well as multi-method. The combination of qualitative and quantitative method is used for this research.

2. Problem of Research Design in LDC as manifested in concentrating on normative approach at the expense of descriptive approach and exploratory studies discussed.

3. The research is based on original data through survey of 124 relationship executives and semi-structured interviews with 20 Chief Executives with a sampling frame that included financial institutions in existence since 2000.

4. Data was collected by first briefing and seeking the consent of respondents through telephone and following up with face to face interview. Some respondents however completed the questionnaire on their own.

5. Questionnaire was developed through literature review and qualitative interviews conducted. They were pre-tested and measured through the use of the Likert scale.

6. Analysis for error and bias testing was completed, indicating no problem with the data.

7. Dimensionality, reliability and validity was achieved through a variety of testing procedures.

8. One-Way ANOVA, Multivariate Analysis of Variance (MANOVA), regressions and bivariate analysis were the statistical methods used for data analysis.
CHAPTER SIX

Data Analysis and Presentation of Results

6.1 Introduction
The next five chapters focus on the analysis of the data which was gathered from the field with the research instrument—questionnaire. The chapters highlight the major factors that impact on Executives’ network marketing namely firm characteristics, personal contacts, business contacts networks and mediating factors of commitment and trust. The results have been presented in tables showing frequencies and percentages of the responses given by the relationship marketing officers in some financial institutions in Ghana. Various statistical techniques One-Way ANOVA, correlations, regression and MANOVA were used for the hypothesis testing depending on the levels of measurement of the variables. The hypotheses tested were carried out at 95% significance level.

The chapter also includes the discussion of the findings of the study in the light of the literature reviewed as well as the empirical evidence / facts gathered by the researcher from qualitative interviews conducted.

6.2 General Overview
The data gathered shows most of the Executives were between age 31 – 40 years (48.8%) and 41 – 50 years (33.1%). Those who were below 30 years and above 50 years were the minority. Perhaps this could be explained by the long years spent in school and the high unemployment level in Ghana which does not make it possible for young graduates to find jobs immediately after graduation from university. Frequent redundancy declarations by employers which are normally directed at older staff also explain why there aren’t too many respondents above 50 years.
The results in Table 6.1 shows that the majority of the Executives were either graduates (45.2%) or had attained post – graduate (47.6%) level in education.

### Table 6.1: Level of Education of Relationship Executives

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Graduate</td>
<td>56</td>
<td>45.2</td>
</tr>
<tr>
<td>Post graduate</td>
<td>59</td>
<td>47.6</td>
</tr>
<tr>
<td>PhD</td>
<td>2</td>
<td>1.6</td>
</tr>
<tr>
<td>Other</td>
<td>7</td>
<td>5.6</td>
</tr>
<tr>
<td>Total</td>
<td>124</td>
<td>100.0</td>
</tr>
</tbody>
</table>

The field of study of the Executives varied from general business to marketing but only a little over a tenth of the Executives that is 12.9% really studied marketing as shown in Table 6.2.

### Table 6.2: Field of study

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>General business</td>
<td>56</td>
<td>45.2</td>
</tr>
<tr>
<td>Engineering</td>
<td>5</td>
<td>4.0</td>
</tr>
<tr>
<td>Humanities</td>
<td>30</td>
<td>24.2</td>
</tr>
<tr>
<td>Marketing</td>
<td>16</td>
<td>12.9</td>
</tr>
<tr>
<td>Other</td>
<td>17</td>
<td>13.7</td>
</tr>
<tr>
<td>Total</td>
<td>124</td>
<td>100.0</td>
</tr>
</tbody>
</table>

According to Chartered Management Institute (2004) Executives’ networks are the relationships with people whose interests are similar or whose friendship could bring advantages such as job or business opportunities. Network marketing therefore is the loose co-operative relationship between executives/companies and their competitors, collaborators, suppliers, customers, employees, social contacts and other organizations affecting the overall marketing function. Carson et al., (1995) describe networking in a small firm context as: … an activity in which the entrepreneurially
oriented SME owners build and manage personal relationships with particular individuals in their surroundings (Carson et al., 1995, p. 2001).

It appears the older Executives were highly involved in network marketing. It can be observed that the majority (80%) of the Executives who were between ages 51 and 60 and those above 60 years were highly involved in network marketing. It can also be observed that majority of the younger Executives below 31 years were also highly involved in network marketing. The results indicate that the level of involvement of the Executives between ages 31-40 years and 41-50 years was just about average.

Table 6.3: Level of involvement in network marketing by age groups

<table>
<thead>
<tr>
<th>Level of network marketing</th>
<th>Age category of respondent</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Under 30</td>
<td>31 - 40</td>
</tr>
<tr>
<td>Very low</td>
<td>1 (2.4%)</td>
<td>1 (2.4%)</td>
</tr>
<tr>
<td>Low</td>
<td>3 (5.2%)</td>
<td>1 (2.4%)</td>
</tr>
<tr>
<td>Below ave.</td>
<td>2 (3.4%)</td>
<td>4 (9.8%)</td>
</tr>
<tr>
<td>Average</td>
<td>4 (40.0%)</td>
<td>25 (43.1%)</td>
</tr>
<tr>
<td>High</td>
<td>6 (60.0%)</td>
<td>21 (36.2%)</td>
</tr>
<tr>
<td>Very High</td>
<td>7 (12.1%)</td>
<td>7 (12.1%)</td>
</tr>
<tr>
<td>Total</td>
<td>10 (100.0%)</td>
<td>58 (100.0%)</td>
</tr>
</tbody>
</table>

The results in Table 6.4 show the relationship between Executives’ level of education and their level of involvement in network marketing. It can be observed that half (50%) of the Executives who hold 1st degree were highly involved in network marketing. Also, majority of the Executives with other educational qualifications such as CIMA, Diploma in Marketing and other professional qualifications in marketing were highly involved in network marketing.
Table 6.4: Level of network marketing by level of education of respondent

<table>
<thead>
<tr>
<th>Level of network marketing</th>
<th>Graduate</th>
<th>Post graduate</th>
<th>PhD</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very low</td>
<td>1 (1.7%)</td>
<td></td>
<td></td>
<td></td>
<td>1 (0.8%)</td>
</tr>
<tr>
<td>Low</td>
<td>2 (3.6%)</td>
<td>2 (3.4%)</td>
<td></td>
<td></td>
<td>4 (3.2%)</td>
</tr>
<tr>
<td>Below average</td>
<td>3 (5.4%)</td>
<td>1 (1.7%)</td>
<td>1 (50.0%)</td>
<td>1 (14.3%)</td>
<td>6 (4.8%)</td>
</tr>
<tr>
<td>Average</td>
<td>17 (30.4%)</td>
<td>28 (47.5%)</td>
<td>1 (14.3%)</td>
<td></td>
<td>46 (37.1%)</td>
</tr>
<tr>
<td>High</td>
<td>28 (50.0%)</td>
<td>19 (32.2%)</td>
<td>1(50.0%)</td>
<td>4 (57.1%)</td>
<td>52 (41.9%)</td>
</tr>
<tr>
<td>Very High</td>
<td>6 (10.7%)</td>
<td>8 (13.6%)</td>
<td>1 (14.3%)</td>
<td></td>
<td>15 (12.1%)</td>
</tr>
<tr>
<td>Total</td>
<td>56 (100%)</td>
<td>59 (100%)</td>
<td>2(100%)</td>
<td>7 (100%)</td>
<td>124 (100%)</td>
</tr>
</tbody>
</table>

From Table 6.5, it appears that Executives’ level of involvement in network marketing depends on their field of study. It can be observed that over half of the Executives that is 56.3% and 12.5%, who studied marketing were highly and very highly involved in network marketing compared to their colleagues who studied courses such as general business, engineering, humanities and others. This means that the Executives level of involvement in network marketing is influenced by their field of study.

Table 6.5: Level of network marketing by field of study

<table>
<thead>
<tr>
<th>Level of network mktg.</th>
<th>General business</th>
<th>Engineering</th>
<th>Humanities</th>
<th>Marketing</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very low</td>
<td></td>
<td>1 (3.3%)</td>
<td></td>
<td></td>
<td></td>
<td>1 (0.8%)</td>
</tr>
<tr>
<td>Low</td>
<td>3 (5.4%)</td>
<td>1 (3.3%)</td>
<td></td>
<td></td>
<td></td>
<td>4 (3.2%)</td>
</tr>
<tr>
<td>Below average</td>
<td>5 (8.9%)</td>
<td></td>
<td>1 (6.3%)</td>
<td></td>
<td></td>
<td>6 (4.6%)</td>
</tr>
<tr>
<td>Average</td>
<td>20(35.7%)</td>
<td>4 (80.0%)</td>
<td>11(36.7%)</td>
<td>4 (25.0%)</td>
<td>7 (41.2%)</td>
<td>46 (37.1%)</td>
</tr>
<tr>
<td>High</td>
<td>21 37.5%)</td>
<td>14(46.7%)</td>
<td>9 (56.3%)</td>
<td>8 (47.1%)</td>
<td></td>
<td>52 (41.9%)</td>
</tr>
<tr>
<td>Very High</td>
<td>7 (12.5%)</td>
<td>1 (20.0%)</td>
<td>3 (10.0%)</td>
<td>2 (12.5%)</td>
<td>2 (11.8%)</td>
<td>15 (12.1%)</td>
</tr>
<tr>
<td>Total</td>
<td>56(100%)</td>
<td>5 (100%)</td>
<td>30(100%)</td>
<td>16 (100%)</td>
<td>17(100%)</td>
<td>124(100%)</td>
</tr>
</tbody>
</table>
According to most of the Executives, they consider ownership structure of their firms, the people they meet in their social life and the people they meet in the course of their business as very important factors that can impact positively on their marketing efforts.

Apart from these, the majority of the Executives perceive their demonstration of commitment to customers and winning the trust of customers as factors of extreme importance, that influence their marketing efforts.

6.3 Regression Analysis of Network marketing and Factors of Network marketing

A regression analysis with ANOVA was also used to test the significance of the regression model, establish a regression model or a formal relationship between the dependent and the independent variables while ascertaining which of the independent variables (firm characteristics, business contact, personal contact and commitment and trust) significantly predict the dependent variable (network marketing). The tests were carried out at 95% significance level (p ≤ 0.05).

6.4 Multiple Factor Analysis

The results in Table 6.1a (Appendix D1), show the regression coefficient (R) and the R square. The regression model yielded a high regression coefficient of r=0.349. This means that for a unit change in predictors, the dependent variable (network marketing) increases by 0.349. Also an R²= 0.122 (12.2%) was obtained. This means that about 12.2% of the changes in the network marketing can be explained by changes in the predictors (firm characteristics, business contact, personal contact and commitment and trust).
6.4.1 Test of Significance of Regression Model

The results in Table 6.1b (Appendix D1) show the test of significance of the regression model. The results show $F=3.325$, $df = 4, 96$ and $p<0.05$. This means that at 95% significance level, the regression model was significant in establishing a formal relationship between the dependent variable (network marketing) and the independent variables (firm characteristics, business contact, personal contact and commitment and trust).

6.4.2 Regression Coefficients of Network Marketing

From Table 6.1c (Appendix D1) on the regression coefficients for determinants of network marketing, the regression model for network marketing can be established as follows:

$$Network \, marketing = 13.395 + 0.226(\text{firm characteristics}) + 0.0405(\text{Personal contact}) + 0.177(\text{Business contact}) + 0.0299(\text{Commitment and trust}).$$

The results in Table 6.1c (Appendix D1) further show that firm characteristics, personal contact, commitment and trust were not significantly predictive of the network marketing of the Executives in the sampled firms since the t-statistics on all four indicators were not significant at 0.05% level. Thus for the 124 Executives in the selected companies, only business contact was significantly predictive of network marketing of the Executives.

6.4.3 Regression Model without Firm Characteristics

When firm characteristics was dropped the regression model yielded $Network \, marketing = 14.980 + 0.0598(\text{personal contact}) + 0.188(\text{business contact}) + 0.0273(\text{commitment and trust})$. 
The t-statistics show that at the 0.05% level, only business contact was significantly predictive of the network marketing of the Executives in the sampled firms while commitment and trust, and personal contact were not (See Table 6.1d, Appendix D1).

6.4.4 Regression Model without Personal Contact
Also when personal contact was dropped, the regression model yielded; 

\[ \text{Network marketing} = 13.47 + 0.234(\text{firm characteristics}) + 0.184(\text{business contact}) + 0.0334(\text{commitment and trust}). \]

The t-statistics were not significant at the 0.05% level for the predictors - firm characteristics, commitment and trust. Thus with the exception of business contact which was predictive of the network marketing, firm characteristics, commitment and trust, did not combine to significantly predict the network marketing of the Executives in the sampled firms (See Table 6.1e, Appendix D1).

6.4.5 Regression Model without Business Contact
When business contact was dropped, the regression model yielded 

\[ \text{network marketing} = 17.364 + 0.118(\text{firm characteristics}) + 0.132(\text{personal contact}) + 0.0318(\text{commitment and trust}). \]

The t-statistics were not significant on network marketing at the 0.05% level for firm characteristics, personal contact and commitment and trust. This means that firm characteristics, personal contact and commitment and trust were not significantly predictive of the network marketing of the Executives in the sampled firms (see Table 6.1f, Appendix D1).

6.4.6 Regression Model without Commitment and Trust
Also when commitment and trust was dropped, only business contact was significantly predictive of the network marketing by the Executives at 0.05 levels.
The regression model yielded $network\ marketing = 13.86 + 0.242(firm\ characteristics) + 0.0682(personal\ contact) + 0.166(business\ contact)$.

The t-statistics showed that only business contact was significantly predictive of the network marketing of the Executives at the 0.05% level (see Table 6.1h, Appendix D1).

### 6.4.7 Section Summary
The Multiple factor analysis established the regression model as significant in establishing a formal relationship between the dependent variable (network marketing) and the independent variables (firm characteristics, business contact, personal contact and commitment and trust). Varying the independent variables, the t-statistics showed that only business contact was significantly predictive of the network marketing of the Executive at the 0.05% level.

### 6.5 Single Factor Analysis
The regression model was also used to establish a formal relationship between each independent variable and the dependent variable (network marketing).

#### 6.5.1 Firm Characteristics as a Single Factor
For firm characteristics, the regression model yielded total $Network\ marketing = 18.835 + 0.165(firm\ characteristics)$; and the t-statistic was not significant at the 0.05% level. This means independently, firm characteristic alone was not significantly predictive of the network marketing of the Executives in the sampled firms (see Table 6.2a, Appendix D2).

#### 6.5.2 Personal Contact as a Single Factor
For personal contact, the regression model yielded $Network\ marketing = 18.747 + 0.165(personal\ contact)$; and the t-statistic was significant at the 0.05% level. This
means that, independently, personal contact alone was significantly predictive of the network marketing of the Executives in the sampled firms (see Table 6.2b, Appendix D2).

### 6.5.3 Business Contact as a Single Factor

Business contact alone was significantly predictive of the network marketing of the Executives. The regression model was $\text{Network marketing} = 15.979 + 0.193 (\text{business contact})$, and the t-statistic was significant at the 0.05% level. This means that the level of business contact significantly predicted the network marketing of the Executives in the sampled firms (see Table 6.2c, Appendix D2.).

### 6.5.4 Commitment and Trust as independent Single Factors

Independently, commitment and trust; was not significantly predictive of the network marketing of Executives in the selected companies. The regression model yielded; $\text{Network marketing} = 19.252 + 0.0452(\text{commitment and trust})$, (see Table 6.2d, Appendix D2). The t-statistics was not significant on commitment and trust at the 0.05% level. This means that, independently, commitment and trust was not significant in predicting the network marketing of the Executives in the sampled firms.

### 6.5.5 Section Summary

Using single factor analysis, the regression model was used to establish a formal relationship between each independent variable and the dependent variable (network marketing). With t-statistics at the level of 0.05%, it was only personal contact and
business contact that were significantly predictive of the network marketing of the Executives.

6.6 Analysis of Variance (ANOVA) for network marketing by sector
One-Way ANOVA was used to test for differences in Executives’ level of network marketing among the different age groups, educational levels, field of study and type of management of the organizations sampled.

6.6.1 ANOVA of Age Groups
There are differences in Executives’ level of network marketing among the different age groups. It can be observed that the age group 41 – 50 years obtained the least score of 19.95 on network marketing followed by 31 – 40 years old who obtained a slightly higher score of 20.42 and under 30 year olds who obtained a score of 23.20 on network marketing. The group over 60 years obtained the highest score of 24.50 on involvement in network marketing as shown in Table 6.6.

Table 6.6: Statistics of network marketing by age groups

<table>
<thead>
<tr>
<th>Age group</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Std. Error</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 30 years</td>
<td>10</td>
<td>23.20</td>
<td>4.54</td>
<td>1.44</td>
</tr>
<tr>
<td>31–40 years</td>
<td>55</td>
<td>20.42</td>
<td>2.97</td>
<td>0.40</td>
</tr>
<tr>
<td>41-50 years</td>
<td>41</td>
<td>19.95</td>
<td>2.79</td>
<td>0.44</td>
</tr>
<tr>
<td>51-60 years</td>
<td>9</td>
<td>20.33</td>
<td>3.80</td>
<td>1.27</td>
</tr>
<tr>
<td>Over 60 years</td>
<td>4</td>
<td>24.50</td>
<td>1.73</td>
<td>0.87</td>
</tr>
<tr>
<td>Total</td>
<td>119</td>
<td>21.68</td>
<td>3.06</td>
<td>0.28</td>
</tr>
</tbody>
</table>
In using One-Way ANOVA to establish significant differences in network marketing if any between the age groups, the results in Table 6.7 were obtained.

The One-Way ANOVA yielded $F = 11.38$, $p < 0.05$, df $(4,114)$, this means that at least two of the age groups differ significantly in network marketing.

### Table 6.7: One-Way ANOVA for network marketing among Executives by age

<table>
<thead>
<tr>
<th>Source of variation</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Squares</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between Groups</td>
<td>199.8843</td>
<td>4</td>
<td>49.97106</td>
<td>11.3814</td>
<td>.002</td>
</tr>
<tr>
<td>Within Groups</td>
<td>500.5275</td>
<td>114</td>
<td>4.390592</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>700.4118</td>
<td>299</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### 6.6.1.1 The Post-hoc Test for Multiple Comparism

The Post-hoc (Table 6.8) test for multiple comparisons using Least Significant Difference (LSD) was used to ascertain which two particular groups differed on network marketing. It was observed that, the age groups 51-60 years and over 60 years; differ significantly in their levels of network marketing from 31-40 years and 41-50 years. Also, the under 30 year olds differed in network marketing from 31-40 years and 41-50 years age groups. However, under 30 year olds and 51-60 year and also over 60 year olds did not differ significantly. Therefore at the 95% significance level, at least two of the age groups differ in their level of network marketing was supported.
Table 6.8: Post-Hoc Test: Multiple Comparism using Least Significant Difference (LSD)

<table>
<thead>
<tr>
<th>Age Group(Years)</th>
<th>Under 30</th>
<th>31 – 40</th>
<th>41-50</th>
<th>51 – 60</th>
<th>Over 60</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 30</td>
<td>&lt;0.05</td>
<td>&lt;0.05</td>
<td>ns</td>
<td>ns</td>
<td></td>
</tr>
<tr>
<td>31 – 40</td>
<td>ns</td>
<td>&lt;0.05</td>
<td>&lt;0.05</td>
<td></td>
<td></td>
</tr>
<tr>
<td>41-50</td>
<td></td>
<td>&lt;0.05</td>
<td>&lt;0.05</td>
<td></td>
<td></td>
</tr>
<tr>
<td>51 – 60</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>ns</td>
</tr>
<tr>
<td>Over 60</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* ns: Not Significant  , p<0.05 : Significant

6.6.2 ANOVA of Level of Education

There were significant differences in the network marketing of the Executives with regard to their level of education. From Table 6.9, it can be observed that the Executives who had first degree, PhD, and other professional qualifications in marketing were more involved in network marketing than those who were post graduate or second degree holders. They scored 23.98, 24.65 and 24.19 respectively on network marketing compared with a score of 20.42 obtained by the second degree holders. These differences were found to be significant, (F= 9.53, df =3,115 and p<0.05; see Table 6.3a and Table 6.3b, Appendix D3). The differences between the network marketing of the Executives who had first degree and those who had PhDs, and other professional qualifications were however, not significant.

Table 6.9: Statistics of network marketing by level of education

<table>
<thead>
<tr>
<th>Level of education</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Std. Error</th>
</tr>
</thead>
<tbody>
<tr>
<td>Graduate</td>
<td>56</td>
<td>23.98</td>
<td>3.244</td>
<td>0.4374</td>
</tr>
<tr>
<td>Postgraduate</td>
<td>59</td>
<td>20.42</td>
<td>2.912</td>
<td>0.3926</td>
</tr>
<tr>
<td>PhD</td>
<td>2</td>
<td>24.65</td>
<td>2.121</td>
<td>1.5000</td>
</tr>
<tr>
<td>Other</td>
<td>7</td>
<td>24.19</td>
<td>2.690</td>
<td>1.0168</td>
</tr>
<tr>
<td>Total</td>
<td>124</td>
<td>23.31</td>
<td>3.057</td>
<td>0.2803</td>
</tr>
</tbody>
</table>
Thus at the 95% significance level, there are differences in the Executive’s network marketing with respect to their level of education was supported.

6.6.3 ANOVA of Field of Study
It was also observed that there were significant differences in the network marketing of the Executives with respect to their fields of study. This is shown in Table 6.10. It can be observed that the Executives who studied marketing (24.69) were significantly involved in network marketing than their colleagues who studied Humanities (21.00), Engineering (20.93), General Business (19.99) and those who studied other courses (20.23).

Table 6.10: Statistics of network marketing by field of study

<table>
<thead>
<tr>
<th>Field of study</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Std. Error</th>
</tr>
</thead>
<tbody>
<tr>
<td>General business</td>
<td>55</td>
<td>19.99</td>
<td>2.943</td>
<td>0.39693</td>
</tr>
<tr>
<td>Engineering</td>
<td>4</td>
<td>20.93</td>
<td>2.708</td>
<td>1.35440</td>
</tr>
<tr>
<td>Humanities</td>
<td>29</td>
<td>21.00</td>
<td>3.659</td>
<td>0.67954</td>
</tr>
<tr>
<td>Marketing</td>
<td>15</td>
<td>24.69</td>
<td>2.463</td>
<td>0.63596</td>
</tr>
<tr>
<td>Other</td>
<td>16</td>
<td>20.23</td>
<td>2.704</td>
<td>0.67623</td>
</tr>
<tr>
<td>Total</td>
<td>119</td>
<td>21.37</td>
<td>3.05793</td>
<td>0.28032</td>
</tr>
</tbody>
</table>

The One-Way ANOVA yielded F=8.02, df = 4,114 and p<0.05 as shown in Table 6.3c, Appendix D3. This means that there were significant differences in the network marketing of the Executives with respect to their filed of study (see Table 6.3d, Appendix D3). This means that at the 95% significance level, the Executives who studied marketing were more involved in network marketing than their colleagues who studied other course.

6.6.4 ANOVA of Management Classification
The management type in which the Executives found themselves also affected their network marketing. It can be observed that the owner-managers (23.97) were more
involved in network marketing than the professional managers (20.47), joint-
managers/partnerships (19.07) and also the state-owned or state-appointed managers
(20.31) as shown in Table 6.11. Thus at the 95% significance level, there were
differences in the network marketing of the Executives with respect to the type of
management position they occupied (see Table 6.3e and Table 6.3f in Appendix D3).

<table>
<thead>
<tr>
<th>Type of management</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Std. Error</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owner-manager</td>
<td>10</td>
<td>23.97</td>
<td>2.2010</td>
<td>0.6960</td>
</tr>
<tr>
<td>Professional manager</td>
<td>80</td>
<td>20.47</td>
<td>2.8417</td>
<td>0.3177</td>
</tr>
<tr>
<td>State-appointed manager</td>
<td>13</td>
<td>20.31</td>
<td>3.3011</td>
<td>0.9156</td>
</tr>
<tr>
<td>Joint-managers/Partnership</td>
<td>14</td>
<td>19.07</td>
<td>4.4456</td>
<td>1.1882</td>
</tr>
<tr>
<td>Total</td>
<td>117</td>
<td>20.96</td>
<td>3.0693</td>
<td>0.2828</td>
</tr>
</tbody>
</table>

6.6.5 Section Summary
ANOVA for network marketing was used to test for differences in Executives’ level
of network marketing among the different age groups, educational levels, field of
study and type of management. It was confirmed that there are differences in
Executives’ level of network marketing among the different age groups. Also there
were significant differences in the network marketing of the Executives with regard to
their level of education. It was observed that there were significant differences in the
network marketing of the Executives with respect to their fields of study. Finally it
was observed that owner managers were more involved in network marketing than
the professional managers and those in partnerships.
6.7 Multivariate Analysis of Variance for factors influencing Network Marketing

The multivariate test for differences (MANOVA) was used to ascertain whether there were differences in the independent variables and also whether the interactive effect between the independent variables produces significant levels of network marketing. The test was carried out at the 95% significance level (p = 0.05).

Table 6.12: MANOVA summary table on networking among Executives by age group, educational level and field of study

<table>
<thead>
<tr>
<th>Source of variation</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Squares</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Within age group</td>
<td>489.153</td>
<td>1</td>
<td>489.15</td>
<td>5.6</td>
<td>0.02</td>
</tr>
<tr>
<td>Within educational level</td>
<td>545.430</td>
<td>1</td>
<td>545.43</td>
<td>7.6</td>
<td>0.02</td>
</tr>
<tr>
<td>Within field of study</td>
<td>3907.065</td>
<td>1</td>
<td>307.06</td>
<td>6.8</td>
<td>0.01</td>
</tr>
<tr>
<td>Age group versus educational level</td>
<td>645.430</td>
<td>1</td>
<td>645.43</td>
<td>4.6</td>
<td>0.03</td>
</tr>
<tr>
<td>Age group versus field of study</td>
<td>489.153</td>
<td>1</td>
<td>489.15</td>
<td>5.6</td>
<td>0.01</td>
</tr>
<tr>
<td>Educational level versus field of study</td>
<td>311.603</td>
<td>1</td>
<td>311.60</td>
<td>0.1</td>
<td>0.02</td>
</tr>
<tr>
<td>Educational level vrs field of study vrs age group</td>
<td>607.065</td>
<td>1</td>
<td>607.06</td>
<td>6.8</td>
<td>0.01</td>
</tr>
<tr>
<td>Error (Network marketing)</td>
<td>5.603</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total (Network marketing)</td>
<td>6994.89</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

6.7.1 MANOVA of Age Group

The main effect of age was significant (F= 5.68, df =1,122 and p<0.05). It was found that the network marketing level of the older Executives and the younger Executives were significantly higher than the network marketing level of the middle aged Executives (see Table 6.6). This means that at the 95% significance level, older and younger Executives were more involved in network marketing than the middle aged Executives.
6.7.2 MANOVA of Level of Education
Also, the main effect of education was also significant regarding the levels of network marketing of the Executives (F= 7.61, df =3,123 and p<0.05). That is the Executives with high level education were not highly involved in network marketing than Executives with low level education (see Table 6.9). Thus at the 95% significance level, there were significant differences in the level of network marketing of the highly educated and the lowly educated Executives.

6.7.3 MANOVA of Field of Study
Thirdly, the effect of field of study of the Executives regarding their network marketing levels was significant (F= 6.82, df =3,123 and p<0.05). It was found that the network marketing of the Executives who studied marketing was significantly higher than the network marketing levels of the Executives who studied other courses (see Table 6.10).

6.7.4 Age and Educational Level
Age and educational level interacted to produce significant level of network marketing among the Executives. It was observed that the older Executives who had attained high level education (24.00) were more involved in network marketing than their younger colleagues who had attained low education levels (19.6).

6.7.5 Age and Field of Study
Age and field of study interacted to produce significant levels of network marketing among the Executives. It was found that the older Executives who studied marketing (23.97) were highly involved in network marketing than their younger colleagues who studied other courses (20.00).
6.7.6 Educational Level and Field of Study
On level of education and field of study, it was observed that the Executives who studied at higher educational levels were more involved in network marketing than their colleagues who studied other courses at lower educational levels.

6.7.7 Age, Field of Study and Educational Level
All three independent variables namely age, field of study and educational level combined to produce significant levels of network marketing among the Executives. It was observed that the older Executives who had attained high level education and studied marketing (23.7) were involved in network marketing than their younger colleagues who had attained low levels of education and studied other courses (19.10).

6.7.8 Section Summary
MANOVA was used to ascertain whether there were differences in the independent variables and also whether the interactive effect between the independent variables produces significant levels of network marketing. At the 95% significance level, network marketing level of the older Executives and the younger Executives were significantly higher than those of middle aged Executives. There were significant differences in the level of network marketing of the highly educated and the lowly educated. Network marketing of Executives who studied marketing was significantly higher than those who studied other courses.

6.8 Confirmation of Research Model
The combination of the mediating factors of trust and commitment were not significantly predictive of the level of network marketing undertaken by the
Executives. The regression coefficient for the mediating factors was $R = 0.087$ and $R^2=0.08$ (See Table 6.2e, Appendix D2). This means that only 8.0% of the changes in the network marketing undertaken by the executives could be explained by changes in the trust and commitment the Executives had in their business affiliate (customers, trade association, competitors, employees, suppliers).

For the relationship between commitment and trust and network marketing, correlation coefficient of 0.087 was recorded. This indicates a weak but positive relationship between commitment and trust and network marketing. The correlation coefficients recorded for commitment and trust and firm characteristics, personal contact and business contact were 0.04, 0.137 and 0.157 respectively. All these correlations were not significant at 0.05% levels (See Table 6.2i, Appendix D2).

For the three major factors (firm characteristics, business contact, personal contact) that impact on executives network marketing, a regression coefficient of $R = 0.336$ and an $R^2=0.113$ were obtained (See Table 6.2h, Appendix D2). This means that only 11.3% of the changes in the network marketing undertaken by the Executives could be explained by the combined changes in their firm characteristics, personal contact and business contacts. For the combined factors, however, only business contact was significantly ($t=2.434, p<0.05$) predictive of the network marketing undertaken by the Executives.

For the independent factors, both personal contact and business contact were significantly predictive of the network marketing. There was a positive but moderate relationship between network marketing and business contact ($r=0.278, p<0.05$) and personal contact ($r=0.204, p<0.05$). The correlations coefficients revealed weak but positive relationship between network marketing and firm characteristics ($r=0.115, p>0.05$).
Also, there were positive correlations between firm characteristics and personal contact ($r=0.149$, $p>0.05$) and business contact ($r=0.100$, $p>0.05$). The relationship between personal contact and business contact was however, significant ($r=0.248$, $p<0.05$); see Table 6.3i.

The Chartered Management Institute (2004) defined network as to build up and maintain relationship with people whose interest are similar or whose friendship could bring advantages such as job or business opportunities. Nohria and Eccles, (1992) defines network as the structure of ties among the actors in a social system, these ties may be based on a range of connectors such as conversation, friendship, economic exchange or information exchange.

Network marketing according to the Chartered Management Institute (2004) is the loose co-operative relationship between executives/companies, and their customer, competitors, collaborators, suppliers, employees, social contacts and other organizations affecting the overall marketing function.

Fig. 6.1 shows the research model which details the inter-relationship observed between the dependent variable (network marketing) and independent variables (firm characteristics, personal contact, business contact and commitment and trust). The positive relationship between the independent and the dependent variables and the positive inter-relationships between the dependent variables is a proof of the research model. The nature of the line indicates the strength of the relationship between the variables. The study therefore confirms the research model to a considerable extent.
6.9 Conclusion
The chapter discussed findings of the study in the light of the literature reviewed as well as the empirical evidence and facts gathered through our qualitative interviews conducted. The Multiple factor analysis established that the regression model was significant in establishing a formal relationship between the dependent variable (network marketing) and the independent variables (firm characteristics, business contact, personal contact and commitment and trust). Using single factor analysis, the regression model was used to establish a formal relationship between each independent variable and the dependent variable.

The use of ANOVA confirmed that there were differences in Executives’ level of networking among the different age groups, their level of education, field of study and that owner managers were more involved in network marketing than professional...
managers. The use of MANOVA confirmed that at the 95% significance level, network marketing level of the older Executives and the younger Executives were significantly higher than those of the middle aged Executives. There were significant differences in the level of network marketing of the highly educated and the lowly educated. Similarly, the network marketing of Executives who studied marketing was significantly higher than those who studied other courses.
CHAPTER SEVEN

Impact of Firm Characteristics on Executives’ Network Marketing

7.1 Introduction
This chapter looks at the major characteristics of the firm that impact on Executives’ networking. This chapter is in two sections. The first section is a descriptive analysis of the characteristics of the firm in which the Executives worked and the second section looks at the results of the hypotheses on the impact of the major characteristics of the firm on the network marketing of the Executives. The Spearman’s correlation co-efficient was the statistical tool used in testing the hypotheses.

7.2 Descriptive Analysis of Executives’ Firm Characteristics
The descriptive analysis covers the various sectors of financial services being examined, the ownership structure of the firms, the motivation to grow the business, growth of the firm, funding available for network marketing and the impact of ICT on service delivery.

7.2.1 Sector of Financial Service
The entire respondents to our questionnaires were all relationship marketing Executives, and 65 (52.4%) were in the banking industry while the least number of respondents, 15 (12.1%) were from non – bank financial institutions as shown in Table 7.1. Respondents were also categorized into small and large groups with 61 (49%) and 63 (51%) representing small and large firms respectively. Within the small firms however, respondents from the banks and insurance firms formed 60.6% (37) whilst the brokers and the non-banks formed 39.4% (24). Among respondents
from the large firms, those from the banks formed 74.6% (47) whilst the insurance, brokerage and non-bank firms formed 25.4% (16). The dominance of respondents from the banks explained the relatively high profile of banks among financial institutions in Ghana. Whilst the banks are more visible with branches all over the country, insurance companies operate very limited distribution outlets. The history of insurance in Ghana was originally about exclusively insuring European lives and property. And even after many decades of insurance practice in Ghana, the country remains under insured. The low representation of brokerage and non-banks was because these institutions are relatively new in Ghana. They came as a result of the FINSAP (please refer to Section 1.5.1) which commenced sometime in 1983.

Within the respondents from the banks, 72.4% (47) and 27.6% (18) are from large and small firms respectively. Among the respondents from insurance firms however, 29.7% (8) and 70.3% (19) are from the large and small firms respectively. The respondents from brokerage firms are 29.5% (5) and 70.5% (12) for large and small firms respectively whilst the non-bank firms are represented by 20% (3) and 80% (12) of large and small firms respectively. The above statistics lend credence to the fact that the banks are more established with large firms than the other institutions in the financial services sector in Ghana.

From our sample, respondents from non-bank firms had the lowest age profile. Sixty-six percent (10) of their respondents were not more than 40 years. The comparative figures for banks, insurance and brokerage were 56.9% (37), 51.8% (14) and 41.1% (7) respectively. The non-bank firms also had the highest (73.3%) number, i.e. 11 of respondents with the lowest level of education i.e. graduates, as well as the lowest number, 4 (26.6%) of post graduates. The relatively low level of education and age profile of respondents from non-bank firms may be an indication that the risk
associated with their operations are not attractive to those above 40 years and or with education above first degree.

Table 7.1: Sector of Financial Services Institution

<table>
<thead>
<tr>
<th>Response</th>
<th>SME</th>
<th></th>
<th>Large</th>
<th></th>
<th>Total</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
<td>%</td>
<td>Frequency</td>
<td>%</td>
<td>Frequency</td>
<td>%</td>
</tr>
<tr>
<td>Bank</td>
<td>18</td>
<td>29.5</td>
<td>47</td>
<td>74.6</td>
<td>65</td>
<td>52.4</td>
</tr>
<tr>
<td>Insurance</td>
<td>19</td>
<td>31.1</td>
<td>8</td>
<td>12.7</td>
<td>27</td>
<td>21.8</td>
</tr>
<tr>
<td>Brokerage</td>
<td>12</td>
<td>19.7</td>
<td>5</td>
<td>7.9</td>
<td>17</td>
<td>13.7</td>
</tr>
<tr>
<td>Non-bank</td>
<td>12</td>
<td>19.7</td>
<td>3</td>
<td>4.8</td>
<td>15</td>
<td>12.1</td>
</tr>
<tr>
<td>Total</td>
<td>61</td>
<td>100</td>
<td>63</td>
<td>100</td>
<td>124</td>
<td>100</td>
</tr>
</tbody>
</table>

The results in Table 7.2 show the relationship between the sector of financial services in which the Executives work and their level of involvement in network marketing. It can be observed that whilst the majority (52.9%) of the Executives in the Brokerage firms was highly involved in network marketing; the level of involvement of the majority (59.3%) of the Executives in the insurance firms were moderate or average. Perhaps the insurance industry in Ghana is now waking up to the assertion that the insurance industry has also been reported to resort to networking as a way of facing the organizational challenges of the 1990s (Zeffane, 1996).

It appears a relationship exist between the sector of financial service institutions in which the Executives worked and their level of involvement in network marketing. The majority of the Executives who worked in the Brokerage firms were more highly involved in network marketing than their colleagues in the other sectors of the financial services institution that is the bank, insurance and non-bank financial institution. This therefore confirms the previous works of relationship marketing in the financial services sector (Abratt and Russell1999; Colgate and Alexander, 1998; Colwell, 2003).
Table 7.2 Sector of financial services institution and level of network marketing by Executives

<table>
<thead>
<tr>
<th>Level of network marketing</th>
<th>Sector of financial services institution</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Bank</td>
<td>Insurance</td>
</tr>
<tr>
<td>Very low</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low</td>
<td>2 (3.1%)</td>
<td>1 (3.7%)</td>
</tr>
<tr>
<td>Below average</td>
<td>1 (1.5%)</td>
<td>3 (11.1%)</td>
</tr>
<tr>
<td>Average</td>
<td>20 (30.8%)</td>
<td>16 (59.3%)</td>
</tr>
<tr>
<td>High</td>
<td>29 (44.6%)</td>
<td>7 (25.9%)</td>
</tr>
<tr>
<td>Very High</td>
<td>13 (20.0%)</td>
<td>1 (5.9%)</td>
</tr>
<tr>
<td>Total</td>
<td>65 (100%)</td>
<td>27 (100%)</td>
</tr>
</tbody>
</table>

7.2.2 Ownership Structure

The ownership structure of 45 (36.8%) of the firms in which the respondents worked were institutional, whilst 4, (3.3%) of them worked in institutions where the ownership structure was sole proprietorship. Respondents from both publicly listed and institutional owners formed a dominant cumulative percentage of 68.8% as compared to the rest of the respondents who contributed 31.2%.

The ownership structure reveals that 55 (84.6%) and 16 (59.4%) Executives of banks and insurance firms are dominated by publicly listed and institutional ownership respectively. There was no respondent indicating family and sole proprietor ownership of the banks. This may be attributed to the relatively high capital requirements for bank which most families in Ghana cannot raise. The banks had the highest number of 48 (73.8%) of respondent with foreign shareholders. The relatively huge capital requirement of banks (¢70billion capital requirement for banks compared with ¢7.5billion required of insurance companies) explains the limited local participation in bank share ownership.

The distinctiveness of publicly listed and institutional ownership firms explains the direct relationship between firm size and firm performance; although it is
acknowledged that the different individual qualities of actors included in network
classification may make the effects of networking on corporate entrepreneurship hard
to predict (Wincent, 2005).

### Table 7.3: Ownership Structure of the Firms

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Publicly listed</td>
<td>39</td>
<td>32.0</td>
</tr>
<tr>
<td>Institutional</td>
<td>45</td>
<td>36.8</td>
</tr>
<tr>
<td>Family</td>
<td>6</td>
<td>4.9</td>
</tr>
<tr>
<td>Partnership</td>
<td>14</td>
<td>11.5</td>
</tr>
<tr>
<td>Sole proprietor</td>
<td>4</td>
<td>3.3</td>
</tr>
<tr>
<td>State owned</td>
<td>14</td>
<td>11.5</td>
</tr>
<tr>
<td>Total</td>
<td>122</td>
<td>100.0</td>
</tr>
</tbody>
</table>

The result in Table 7.3 is a reflection of the fact that capital requirements and poverty
levels are hindrances for individuals in LDCs to own financial institutions. This was
confirmed in our qualitative interview by the Chief Executive Officer of one of the
large banks as stated below.

“It (referring to the bank) is 66% owned by Parent Company Plc. (a foreign
compny) 15% by Pension Fund and the rest of them minority shareholders who are
a mixture of international and local shareholders”

Sixty-nine (55.6%) of the respondents indicated that their firms were mostly owned
by foreigners, whilst less than half were local shareholders. Consequently, eighty-two
(66.7%) of the respondents were personally not shareholders in the firms they work
for. However, among those who own shares, more than half (56.8%) had “very
insignificant” number of shares - an indication that most of the respondents may be
non-owner managers (i.e. those workers who are not owners of the business but rather
work as professionals in the firm) as opposed to owner-managers. Most of the
respondents (70.2%) who own shares are from the banks. Apart from the fact that the
banks dominate the sample size, some of the banks have employee share options as
part of their staff motivation scheme. Additionally, there were five banks as
compared to one insurance company listed on the Ghana Stock Exchange and this affords employees of these banks the opportunity to own shares through the Ghana Stock Exchange.

**Table 7.4: Respondents level of shareholding and sector of financial services institution**

<table>
<thead>
<tr>
<th>Level of shareholding</th>
<th>Sector of financial services institution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Bank</td>
</tr>
<tr>
<td>Very insignificant</td>
<td>17 (65.4%)</td>
</tr>
<tr>
<td>Insignificant</td>
<td>2 (7.7%)</td>
</tr>
<tr>
<td>Slightly significant</td>
<td>6 (23.1%)</td>
</tr>
<tr>
<td>Significant</td>
<td>1 (3.8%)</td>
</tr>
<tr>
<td>Very significant</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>26 (100%)</td>
</tr>
</tbody>
</table>

Two out of three managers in the brokerage firms own very significant shares (see Table 7.4). This indicates that the owner-managed firms are dominated by the brokerage firms where capital requirement is very minimal. This is captured by these quotes from two different brokers interviewed:

“I have 100% shares as an individual”

“This (referring to the firm) was founded as a one-man company. As you know, as a Ghanaian we came into the market with very little resources, partnership has certain difficulties and my family has very limited resources, so having a second hand car and may be a few thousands of cedis to buy office table and chair and the professional competence that I had in my mind were essentially the sole capital that I had in starting this business”.

Over 50% of respondents who worked with institutional, partnership, sole proprietorship and state owned firms studied general business. The study of marketing seems to be relatively low with respondents from family ownership making the highest contribution of 33.3%. The study of marketing is relatively new in Ghana. As a former colony of Britain, education in Ghana was tailored to serve the
clerical needs of the colonial government. As such the study of marketing was not a priority.

Foreign shareholders were mainly located in publicly listed (87.1%), 34 and institutional (57.7%) 26 firms. Local shareholders were mainly located within family, 5 (83.3%) and partnership, 10 (71.4%) firms.

The results in Table 7.5 showed a relationship between ownership structure of the firm managed by the Executives and their level of involvement in network marketing. It was observed that for those firms that were sole proprietorship, family owned partnership business and state owned the level of involvement by Executives in network marketing was high. Except for the state owned firms, the high network marketing can be explained by the assertion of Hendry et al., (1995), that the personal network of the owner-manager is the most important resource upon which he or she can draw on in the firm’s development. Johansson et al., (1994) confirmed that personal networks are thought to allow the owner-manager to create a firm that fits his personality. But for the publicly listed firms and the institutionally owned firms, the level of involvement in the network marketing was average or moderate.

Table 7.5: Ownership structure and level of network marketing by Executives
The assertion that ownership of shares by Executives will significantly increase their network marketing activities was not true. The results in Table 7.6 show that 17 (41.5%) of the Executives who own shares were moderately involved in network marketing whilst 38 (46.3%) of the Executives who did not own shares in their firms were rather highly involved in network marketing. The difference was however due to chance.

**Table 7.6: Level of share ownership and the level of network marketing by Executives**

<table>
<thead>
<tr>
<th>Level of network marketing</th>
<th>Respondent’s share ownership</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Very Low</td>
<td>1 (1.2%)</td>
<td>1 (0.8%)</td>
</tr>
<tr>
<td>Low</td>
<td>3 (7.3%)</td>
<td>1 (1.2%)</td>
</tr>
<tr>
<td>Below average</td>
<td>1 (2.4%)</td>
<td>5 (6.1%)</td>
</tr>
<tr>
<td>Average</td>
<td>17 (41.5%)</td>
<td>29 (35.4%)</td>
</tr>
<tr>
<td>High</td>
<td>13 (31.7%)</td>
<td>38 (46.3%)</td>
</tr>
<tr>
<td>Very High</td>
<td>7 (17.1%)</td>
<td>8 (9.8%)</td>
</tr>
<tr>
<td>Total</td>
<td>41 (100%)</td>
<td>82 (100.0%)</td>
</tr>
</tbody>
</table>

### 7.2.3 Motivation to grow the business

The motivation to grow the business in which the respondents worked focused mainly on their desire for change. This was indicated by the 52.2% of the Executives as shown in Table 7.7.

Out of the small firm respondents, 34 (55.7%) are equally motivated to grow their business because of their desire for change. Among respondents from the large firms,
60 (42.6%) are equally motivated to grow their business because of their desire for change. Motivation for change is higher among the small firms because that grouping includes a lot more of owner-managers. According to Apospori et al (2005), managers motivated mostly by setting goals and reaching them, put their own achievement and recognition first. This motive is one of the most widely discussed characteristics distinguishing entrepreneurs from professional managers, as entrepreneurs usually score higher on it (McClelland, 1986).

Sector analysis showed that among the financial institutions, 29 (48.3%) of the Executives are bankers who are motivated by the desire for change whilst the insurance, brokerage and non-bank firms’ desire for change were 14 (23.3%), 8 (13.3%) and 9 (15%) respectively. A closer look at the individual sectors showed that those within the non-bank firms showed the strongest desire for change (60%) whilst insurance, brokers and banks were ranked as 51.8% (14), 50% (8) and 45.3% (29) respectively.

The age profile of those who showed desire for change indicated that the effective desire for change (51.6% i.e. 39) can be associated with those between ages 31-40. An analysis of the educational level of those with the desire for change indicated that 30 (50%) of them were graduates whilst 28 (46.6%) were post graduates. An analysis of the field of study indicated that 40% of those with desire for change studied general business whilst 14 (23.3%) studied humanities. It is only 10 (16.6%) of the respondents that studied marketing. This is an indication that the desire for change may be driven by those in general business as those who studied marketing were not that many.

Foreign share ownership seems to be a driving force behind those with desire for change as 60% of respondents from this category have foreign shareholders.
The general observation is that the Executives sampled exhibited a positive attitude towards network marketing activities. According to McClelland et al., (1953) the change motive is a non-conscious concern for achieving excellence in accomplishments through one’s individual efforts. An owner-manager who is the Chief Executive Officer of a non-bank financial institution echoed the change agenda in our qualitative interview in the following quote,

“It is not like you will do things that were not regulated or without principles but it is that the banking law and the history of banking in this country and the education and the perception that people have of banks needed to be changed. So we wanted to run something which provided competition and yet provided the services that the banks were unable to provide”.

The results in Table 7.8 show the motivation of the Executives to grow their firms and their level of involvement in network marketing. It can be observed that 13 (54.2%) of the Executives who had concern for the welfare of others were highly involved in network marketing. Also, 7(46.7%) of the Executives who desire to grow their business by being socially responsible were also highly involved in network marketing. Both instances show that Executives were motivated to affiliate. This means that there was a relationship between Executives’ motivation to grow their businesses and their level of involvement in network marketing. Thus, those Executives who were motivated to affiliate by having concern for the welfare of others and being socially responsible were highly involved in network marketing.

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Desire for change</td>
<td>60</td>
<td>52.2</td>
</tr>
<tr>
<td>Concern for the welfare of others</td>
<td>24</td>
<td>20.9</td>
</tr>
<tr>
<td>Self concept</td>
<td>16</td>
<td>13.9</td>
</tr>
<tr>
<td>Social responsibility</td>
<td>15</td>
<td>13.0</td>
</tr>
<tr>
<td>Total</td>
<td>122</td>
<td>100.0</td>
</tr>
</tbody>
</table>
Table 7.8: Motivation to grow the firm and level of network marketing by Executives

<table>
<thead>
<tr>
<th>Level of network marketing</th>
<th>Motivation to grow the firm</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Desire for change</td>
<td>Concern for the welfare of others</td>
</tr>
<tr>
<td>Low</td>
<td>1 (1.7%)</td>
<td>2 (8.3%)</td>
</tr>
<tr>
<td>Below average</td>
<td>1 (1.7%)</td>
<td>5 (31.3%)</td>
</tr>
<tr>
<td>Average</td>
<td>28 (46.7%)</td>
<td>6 (25.0%)</td>
</tr>
<tr>
<td>High</td>
<td>24 (40.0%)</td>
<td>13 (54.2%)</td>
</tr>
<tr>
<td>Very High</td>
<td>6 (10.0%)</td>
<td>3 (12.5%)</td>
</tr>
<tr>
<td>Total</td>
<td>60 (100%)</td>
<td>24 (100%)</td>
</tr>
</tbody>
</table>

7.2.4 Growth of firm

On the average 58 (46.8%) of the respondents indicated that the percentage growth of their businesses over the last five years was between 21% and 40% (see Table 7.9 below). This means that the moderate growth (which is very favourable in an economy where the average GDP for the five year period is 5.1%, see Table 1.3) of the organizations surveyed might be attributed in part or wholly to the positive attitude that the Executives had for network marketing or their desire for change.

Respondents from small firms formed 28 (48.2%) of the growth firms whilst respondents from the large firms formed 51.7%; an indication that there was no marked difference between the growth effort of small and large firms. Due to the fact that financial institutions are regulated and coupled with problems associated with definitions, growth for this study was industry specific; for instance the banks were based on deposit mobilization, insurance firms were based on premium income, brokerage firms on commission income and non-banks on interest income. Growth rates were calculated by finding the average percentage growth for the period 2000 to 2004.
Sector analysis of institutions also showed the dominance of banks. At growth rate of ‘21-40%’, 28 (48.2%) of respondents was from the banks, 16 (27.5%) from insurance, 8 (13.7%) from brokerage and 6 (10.3%) from non-bank firms. The dominance of the banks was reinforced at the growth rate of ‘41-60%’ where there were 14 (58.3%) of respondents from banks, 5 (20.8%) from insurance. This is a demonstration of the capacity of banks in Ghana to grow and perhaps at the expense of other sectors of the financial industry. In the Ghanaian financial services market, the banks are more visible. Most of the customers they have turned away are the ones that the non-bank financial institutions serve.

Higher education of respondents and foreign share ownership seem to have contributed to the growth of firms in the financial services sector. Thirty-one (53.4%) respondents who achieved growth of 21-40% were post graduates, with 44.8% (26) of respondents having studied general business. Thirty (51.7%) of these respondents have foreign shareholders in the firms they work for whilst 38 (65.5%) of these respondents do not have shares in the firms they work for.

<table>
<thead>
<tr>
<th>Table 7.9: Percentage growth of the business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Response</td>
</tr>
<tr>
<td>Under 20%</td>
</tr>
<tr>
<td>21 – 40%</td>
</tr>
<tr>
<td>41 – 60%</td>
</tr>
<tr>
<td>61 – 80%</td>
</tr>
<tr>
<td>Over 80%</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

7.2.5 Funding for Network Marketing
The result in Table 7.10 shows that 52 (41.9%) Executives had high level of funding for network marketing. Additionally 46 (37.1%) of respondents also had average level of funding for network marketing.

Large firms were more funded for networking as 31 (59.6%) of respondents with high level of funding are from large firms. At average level of funding however, 26 (56.5%) of respondents were in the small firms. This is an indication that small firms are limited by resources for networking. Our finding is supported by the assertion that firm size, proposed as an important characteristic to gain performance effects in networks, can be regarded as a proxy for resources where larger firms usually possess more product lines and higher production capacity and organizational resources and slack (Alvarez and Barney, 2001).

Sector analysis showed that 29 (55.7%) of investment in high level of funding for network marketing was located within the banks whilst the brokerage firms made a modest contribution of 9 (17.3%). Whilst banks seem to be going the full hull of investing in direct relationship marketing, the insurance companies seem to be limiting their investment to average level of funding and seem to be relying on brokers (most brokerage firms are sole proprietorships or partnership) to do their marketing at a high level of funding. The confirmations of the relatively low level of funding for insurance companies are captured in the two quotes below.

<table>
<thead>
<tr>
<th>Table 7.10: Level of funding available for relationship management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Response</td>
</tr>
<tr>
<td>Very low</td>
</tr>
<tr>
<td>Low</td>
</tr>
<tr>
<td>Below average</td>
</tr>
<tr>
<td>Average</td>
</tr>
<tr>
<td>High</td>
</tr>
<tr>
<td>Very high</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>
“The only limitation to our marketing efforts probably may be funding for some of the things we would have liked to do but have not been able to do”

“There is a measure when we are drawing up the marketing plan. Some directors apparently due to their lack of total appreciation of what we do and the nature of the job, are somehow overly concerned with the expenditure pattern on the marketing front. They would want to circumvent and ring fence the traveling activities and so forth forgetting that this is basically an enterprise where one would have to build up relationships”.

Literature on marketing in LDCs supports the above quotes from the Chief Executives. Environmental conditions tend to be less munificent in African economies given the state of environmental uncertainty and strong governmental control. These conditions often contribute to a negative image for marketing in these nations (Akaah et al., 1988; Dadzie, 1989; Dadzie et al., 1989)

The age profile of those who had high level of funding to pursue network marketing was those in the age group of 31-40 years (40.3%), i.e. 21. There was a considerable number (54.3%), i.e. 25 of respondents in the same age group with average level of funding for network marketing.

The above group of respondents was mainly graduates, and they studied general business and had equal number of foreign and local shareholders in the firms they worked for. Thirty-eight (74.5%) respondents who were well funded for relationship marketing did not have shares in the firms they worked for.

7.2.6 Information and Communication Technology
In response to the question regarding the impact of ICT on service delivery, 42.74% and 33.9% of the respondents indicated that their firms have high and very high ICT
capacity respectively to ensure satisfactory service delivery to their customers as shown in Table 7.11.

The intriguing observation however is that, at average level of ICT capacity, small firms had higher respondents (59.5%), i.e. 25 than large firm whilst at high level of ICT capacity; the large firms had more respondents (56.6%), i.e. 30 than small firms. This is an indication that the availability of resources in large firms enabled them to invest in ICT for network marketing.

Sector analysis confirms the dominance of large firms in ICT capacity. At high level of ICT, the banks were ahead of the other sectors with 47.6% (31) of their respondents confirming high capacity of ICT. Insurance, brokerage and non-bank firms were at 40.7% (11), 41.1% (7) and 26.6% (4) respectively. The branch networks of banks which are more pronounced than the other sectors of the financial services industry make investment in ICT very meaningful. The relative availability of funding to banks also made it easier to foot bills on ICT. The activities of the non-bank financial services (80% of which are small firms) are developing and certainly they cannot match the heavy capital outlay required for ICT.

Table 7.11: Level of ICT capacity for satisfactory service delivery

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very low</td>
<td>1</td>
<td>0.8</td>
</tr>
<tr>
<td>Low</td>
<td>3</td>
<td>2.4</td>
</tr>
<tr>
<td>Below average</td>
<td>3</td>
<td>2.4</td>
</tr>
<tr>
<td>Average</td>
<td>42</td>
<td>33.9</td>
</tr>
<tr>
<td>High</td>
<td>53</td>
<td>42.7</td>
</tr>
<tr>
<td>Very high</td>
<td>22</td>
<td>17.7</td>
</tr>
<tr>
<td>Total</td>
<td>124</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Despite the 40% level of ICT capacity by the non-bank firms, the result in Table 7.11 indicates that most of the Executives sampled have a positive regard for ICT for satisfactory service delivery.
Out of the respondents who had high ICT capacity, 24 (45.2%) were of the age group 31-40 years and 17 (32.0%) were in the age group of 41-50 years. Whilst this category had 25 (47.1%) being graduates and 24 (45.2%) post graduates, 27 (50.9%) studied general business and 20.7% humanities.

According to Zineldin (2000) a company that does not learn and adapt to changing technology can face painful competition and may fall victim to competitors that switched their strategies to the more technologically-based relationships and advanced products and services. This confirms the position that today’s IT is the most important factor in creating, developing and tightening relationships (Zineldin, 2000).

It is equally important to note that the use of ICT and self-service technologies has at the same time made some aspects of money more impersonal (Singh, 2004).

7.3 Hypotheses testing on impact of Firm Characteristics on Executives’ Network Marketing

In order to understand properly how firm characteristics influence Executive network marketing in LDCs, we set out a research question and related hypotheses which are restated below for ease of reference.

Research Question:

What are the major characteristics of the firm that impact on Executive network marketing?

Hypotheses:

\( H (1A) \) If Executives’ level of shareholding in financial institutions in LDCs is high then their network marketing activities will significantly increase.

\( H (1B) \) If Executives’ level of motivation to grow their business is through affiliation then their network marketing activities will significantly increase.
H (1C) If financial institutions commit more funds to relationship marketing then Executives’ network marketing activities will significantly increase.

H (1D) If the Executives’ use of Information and Communication Technology in financial institutions increases then their network marketing will significantly increase.

The confirmation or non confirmation of the above hypotheses is discussed in the following sections with the appropriate headings.

### 7.3.1 Level of shareholding
The assertion that if the Executives’ level of shareholding in financial institutions in LDCs is high then their network marketing activities will significantly increase was found to be false.

A correlation coefficient of 0.036 was obtained for the relationship between the Executives’ level of shareholding and their level of network marketing. Thus very low levels of shareholding by the Executives correspond with their low levels of network marketing. The result was not significant at 0.05 level. Therefore, at 95% significance level, the hypothesis that if the Executives’ level of shareholding in financial institutions in LDCs is high then their network marketing activities will significantly increase was not supported.

### 7.3.2 Motivation to grow business
The level of motivation of the Executives to grow their business was found to correlate weakly but positively with the level of network marketing undertaken by the Executives. A correlation coefficient of r=0.114 was obtained. This means that low levels of motivation of the Executives to grow their business correlated with the Executives’ low levels of network marketing. The relationship was however not
significant (p>0.05). Therefore at 95% significant level, the hypothesis that if the level of motivation of the Executives to grow their business is high, then their network marketing will increase significantly was not supported.

7.3.3 Financial Resources
The assertion that if Executives have adequate financial resources then they will have increased resources for network marketing was found to be true. This finding supports the work of Wincent, 2005 which concluded that firms that are better equipped engaged in networking. From the data, a strong and positive correlation coefficient of  r = 0.813 and p < 0.05 (see Appendix E) was recorded for the relationship between availability of adequate financial resources and the level of involvement of Executives in network marketing. This means that a very high level of involvement in network corresponds with increased availability of financial resources. Therefore at the 95% significance level, the hypothesis that if financial institutions commit more funds to relationship marketing then Executives’ network marketing activities will significantly increase was supported.

7.3.4 Information and Communication Technology
There was a positive and strong relationship between the levels of use of ICT by Executives in their businesses and the level of involvement in network marketing. A very high and significant (p<0.05) correlation coefficient of r = 0.423 (42.3%) was recorded (see Appendix E). This confirms the findings that information technology and information systems are most essential to provide the information needed for successful relationships or partnering (Zineldin, 2000; Achrol, 1991; Pawar and Sharda, 1997). This means that the higher the use of ICT by Executives in their firms, the higher their level of involvement in network marketing through the
formation of alliances on exchange of technologies. Therefore, at the 95% significant level, the hypothesis that if the Executives’ use of Information and Communication Technology in financial institutions increases then their network marketing will significantly increase was supported.

7.4 Firm Characteristics Hypotheses Summary Table

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Impact on Network marketing</th>
<th>Test Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>(H1A) If Executive’s level of shareholding in financial institutions in LDCs is high then their network marketing activities will significantly increase.</td>
<td>Positive</td>
<td>Moderate but not significant</td>
</tr>
<tr>
<td>H (1B) If Executives’ motivation to grow their business is high then their network marketing activities will significantly increase.</td>
<td>Positive</td>
<td>Weak and not significant</td>
</tr>
<tr>
<td>H (1C) If financial institutions commit more funds to relationship marketing then Executives’ network marketing activities will significantly increase.</td>
<td>Positive</td>
<td>Strong and significant</td>
</tr>
<tr>
<td>H (1D) If the Executives’ use of Information and Communication Technology in financial institutions increases their network marketing will significantly increase.</td>
<td>Positive</td>
<td>Positive and significant</td>
</tr>
</tbody>
</table>

7.5 CONCLUSION

This chapter covered descriptive analysis of the following characteristics of firms in the financial services: sector of firm, level of shareholding, motivation to grow the business, growth, funding, and ICT capacity. The various hypotheses relating to firm characteristics were also tested and a summary of the result tabulated under section 7.4.

In financial services sector, 52.4% of respondents were from the banks. Large firms represented 51% of the sample whilst small firms represented 49%. The banks however form 74.6 of the large firms. Publicly listed firms and institutional owners
represented 68.8% of respondents’ firms. Most respondents (66.7%) do not own shares in the firms they work for.

Executives in small firms and non-bank firms were motivated by desire for change to grow their business. The average growth within the period of study was between 21% - 40%. Fifty-three percent of Executives had above average level of funding for marketing activities. Large firms were well funded than small firms. The brokerage firms were well funded for marketing activities.

A reasonable number of Executives had ICT for service delivery. Larger firms and banks were more resourced with ICT facilities for relationship building. Sector analysis confirmed the banks as having the highest capacity (72.3%) whilst the non-bank has the lowest capacity of 40%.

To conclude, the major characteristics of the firm that impacted on the network marketing of the Executives were level of funding and the use of ICT.
CHAPTER EIGHT

The Impact of Executives’ Personal Contacts on their Network Marketing

8.1 Introduction
This chapter looks at the impact of Executives’ personal contacts on their network marketing. It is aimed at determining which members of Executives’ social group impact significantly and positively on their personal contact network marketing. The chapter is in two sections – section one (8.2) which is a descriptive analysis of the characteristics of Executives’ personal contacts and section two (8.3) is the testing of hypotheses on the relationships between Executives’ personal contacts or social group and their level of network marketing. The spearman’s correlation coefficient was the main statistical tool used in testing the hypotheses.

8.2 Descriptive Analysis of Executives’ Personal Contacts on their Network Marketing
The descriptive analysis under this section relates to the influence of the family, colleagues and friends, politics and sports.

8.2.1 Family
When the Executives were asked whether their family members have business relationships with the firm, only 49 (39.5%) answered in the affirmative. Thus, 75 (60.5%) of the Executives appear not to have emphasized family members as part of their network marketing activities.
Categorizing respondents into small and large firms confirms the earlier assertion that respondents do not emphasize family members as part of their network marketing activities; as much as 39 (61.9%) respondents from large firms and 36 (59.0%) from small firms did not have business relationships with their family members.
Sector analysis generally confirms the position of respondents as not involving their family members in their network marketing activities. It was however much pronounced in the non-bank and brokerage firms (93.3% (14) and 70.5% (12) respectively) than the banks and insurance firms (50.70% (33) and 59.2% (16) respectively).

The explanation for this could be varied. In LDCs and for that matter Ghana most families are poor and cannot offer much financial support nor patronize financial services. This was captured in our qualitative interview with some Chief Executives as follows:

“I have a small family but that is not the mainstay of the business. My siblings, I don’t think are in a position to maintain a bank account”.

“Most of the people in my nuclear family cannot afford buying insurance”.

“I come from a very modest family background to the extent that I was the first person in my family to go to High School, my mother was an illiterate woman”.

The limited distribution outlets of non-banks and brokerage services may also explain the low level of family involvement as some respondents’ siblings are in the country side (where brokerage and non-bank services are not available) and the nuclear family members were also too young to patronize their services.

Age did not influence family participation in respondents’ business. An analysis of age profile revealed that 36 (48%) respondents whose families did not patronize their businesses were in the age category of 31-40 years and 22 (29.3%) of them were in the age group of 41-50 years. Educational level and field of study did not influence family participation in respondents’ business. On the level of education, 36 (48%) Executives in this group were graduates and 33 (44%) of them were post graduates.
General business formed 45.3% (34) of the field of study, whilst the study of marketing formed 12% (9) of this group of respondents.

On share ownership of respondents whose families did not patronize their business, 41 (54.6%) did not have foreign shareholders in the firms they worked for, whilst 58 (77.3%) Executives out of this group of respondents did not own shares in the firms they worked for. It seems the structure of financial services makes it difficult to involve family members, particularly those who are generally poor. Default risk may be a factor that dissuades the relationship managers from getting the patronage of their family members. Generally in an environment where most people think government owes them a living, default rate in financial services are relatively high. In a situation where most of the respondents were non-owner managers, they may be better off avoiding related party risk.

Mitchell (1969) proposed that potential members of a person’s network are those people who within certain norms might be expected to provide that person with some specific service or support or alternatively might expect him/her to provide them with some specific type of service or support. Mitchell (1969) further states that these potential relationships may not be activated and that only those people who become involved in some social exchange or transaction will become links in the personal network. There is therefore some element of choice in the make-up of a person’s network. This is captured by one respondent as in our qualitative interview:

“Everybody whom I know, who is my family member who is related to me, I make sure that I get the business”.

The results in Table 8.1 show the level of involvement of the Executives in network marketing and their family members’ business relationship with the firm. It can be observed that 24 (49%) of the Executives whose family members had a business
relationship with them had an average level of involvement in network marketing whilst 36 (48%) of the Executives whose family did not have business relationship with their firms rather exhibit high level of involvement in network marketing. The correlation between family member’s relationship with the firm and the level of involvement in network marketing by the Executives was not significant.

### Table 8.1 Level of network marketing and Family members’ business relationship with firm

<table>
<thead>
<tr>
<th>Level of network marketing</th>
<th>Family members’ business relationship with firm</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Very Low</td>
<td>1 (1.3%)</td>
<td>1 (0.8%)</td>
</tr>
<tr>
<td>Low</td>
<td>2 (4.1%)</td>
<td>2 (2.7%)</td>
</tr>
<tr>
<td>Below average</td>
<td>1 (2.0%)</td>
<td>5 (6.7%)</td>
</tr>
<tr>
<td>Average</td>
<td>24 (49.0%)</td>
<td>22 (29.3%)</td>
</tr>
<tr>
<td>High</td>
<td>16 (32.7%)</td>
<td>36 (48.0%)</td>
</tr>
<tr>
<td>Very High</td>
<td>6 (12.2%)</td>
<td>9 (12.0%)</td>
</tr>
<tr>
<td>Total</td>
<td>49 (100%)</td>
<td>75 (100%)</td>
</tr>
</tbody>
</table>

### 8.2.2 Colleagues and Friends

From the data, 105 (84.7%) of the Executives affirmed that there have been some colleagues and friends who regularly patronize their businesses. This means that the majority of the Executives have a positive regard for their colleagues and friends being part of their network marketing activities. According to one respondent from our qualitative interview:

“Most of my colleagues and friends knowing what I do contact me for advice. Sometimes I go to them and we sometimes meet at different social settings such as old boys meetings, church and those kinds of things. Once I tell them what it is that I do, they are able to discuss what their needs are and how I am able to help them”.

Respondents from both small firms and large firms confirmed this position with a positive response rate of 80.3% (49) and 88.8% (56) respectively.

Sector analysis showed that respondents from insurance firms and banks involved their colleagues and friends more (92.5% (25) and 86.1% (56) respectively) in
network marketing than their counterparts in the brokerage and non-bank firms (76.4% (13) and 73.3% (11)). People in Ghana who work in financial institutions generally patronize their colleagues and friends more than their family members who may be in the country side. Most of the respondents in this category were young and well educated (below 40 years) and may be aspiring to grow into higher positions with the support of their colleagues and friends. Additionally these colleagues and friends are the ones who have the financial mean to patronize the business of their firms. Perhaps these may explain the involvement of colleagues and friends in network marketing more than family members.

Foreign share ownership did not seem to be a factor in network marketing with colleagues and friends. Limited share ownership by respondents however could be a driving force to ensure job security by bonding with colleagues and friends for business. The age profile analysis of respondents who have high regard for involving their colleagues and friends in network marketing showed that 50 (47.6%) were within the age group of 31-40 years and 33 (31.4%) were within the age group of 41-50 years. The educational profile showed 50 (47.6%) of the Executives as graduates and another 50 (47.6%) as post graduates. On field of study, 43 (40.9%) of this group of respondents studied general business with only 15 (14.2%) studying marketing.

An analysis of share ownership revealed that, of the respondents who have their colleagues and friends as part of their network, 60 (57.1%) of them had foreign shareholders in the firms they worked for. Among this same category of respondents, 67 (63.8%) did not own shares in the firms they worked for.

From Table 8.2 it can be observed that quite a number of the Executives whose friends and colleagues (41.9%) patronize their business and a number of those whose
friends and colleagues do not patronize (44.4%) their firm’s business both had a high level of involvement in network marketing. The difference was however not significant and thus the relationship between patronage of firm’s services by colleagues and friends and the level of involvement in network marketing by the Executives was not significant.

**Table 8.2: Level of network marketing and colleagues and friends patronage**

<table>
<thead>
<tr>
<th>Level of network marketing</th>
<th>Yes</th>
<th>No</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very Low</td>
<td>1 (1.0%)</td>
<td>1 (0.8%)</td>
<td>1 (0.8%)</td>
</tr>
<tr>
<td>Low</td>
<td>4 (3.8%)</td>
<td>4 (3.2%)</td>
<td>8 (6.5%)</td>
</tr>
<tr>
<td>Below average</td>
<td>3 (2.9%)</td>
<td>3 (16.7%)</td>
<td>6 (4.8%)</td>
</tr>
<tr>
<td>Average</td>
<td>40 (38.1%)</td>
<td>5 (27.8%)</td>
<td>45 (36.1%)</td>
</tr>
<tr>
<td>High</td>
<td>44 (41.9%)</td>
<td>8 (44.4%)</td>
<td>52 (41.9%)</td>
</tr>
<tr>
<td>Very High</td>
<td>13 (12.4%)</td>
<td>2 (11.1%)</td>
<td>15 (12.1%)</td>
</tr>
<tr>
<td>Total</td>
<td>105 (100%)</td>
<td>18 (100.0%)</td>
<td>124 (100.0%)</td>
</tr>
</tbody>
</table>

**8.2.3 Group Analysis (Politics and Sports)**

The results in Table 8.3 show how the Executives perceived the impact of family, friends, politics and sports on their businesses. It can be observed that quite a number 39 (31.5%) of the Executives considered their families as “not at all important” in their businesses. The majority of the Executives, to some extent considered their colleagues and friends, politics and sports as either slightly important or important for their businesses as shown in Table 8.3. This means that a considerable number of Executives have a high regard for the positive impact that their colleagues and friends, politics and sports have made on their businesses.

**Politics**

When respondents from small firms were asked to rank the importance of politics on their network marketing, 36 (60%) of them indicated that politics is ‘important’, ‘very important’ and ‘extremely important’ in their network marketing. In response to the same question, 31 (50%) of respondents from large firms responded same to politics.
in network marketing. In Ghana and for that matter LDCs, government is the largest spender in the national economy and most businesses would have to depend on government patronage (for that matter politician) for survival. It was therefore not surprising that those in small firms were of the view that politics is very relevant for their network marketing. This situation however is at variance with our qualitative interviews where most respondents would not want to mix business with politics.

Our sector analysis showed that 9 (60%) of non-bank respondents think that politics is ‘important’, ‘very important’ and ‘extremely important’ in network marketing. The percentage of respondents from banks, brokerage and insurance firms were 59.4% (38), 53% (9) and 42.3% (11) respectively. The percentage of respondents from insurance firms was relatively low as it is an industry that has not effectively engaged government for its development to make meaningful contribution to national development.

An analysis of age profile of respondents indicated that the older the respondent, the higher their perception that politics is critical in network marketing. Our data showed that 60% (33) of respondents who were over 40 years thought politics was ‘important’ and ‘very important’ in network marketing. The active age profile of 31-40 years had 28 (49%) of respondents admitting that politics is ‘important’, ‘very important’ and ‘extremely important’ in network marketing.

Unlike age, education and field of study did not seem to be factors that affected respondents’ perception of politics in network marketing. An analysis of educational level indicated that 31 (46.2%) were graduates and another 31 (46.2%) as post graduates. In the field of study, 28 (41.7%) and 6 (8.9%) of respondent who thought politics was ‘important’, ‘very important’ and ‘extremely important’ studied general business and marketing respectively.
Foreign share ownership and respondents’ share ownership did not seem to affect their perception about politics in network marketing. An analysis of share ownership revealed that, of the respondents who perceived that politics was ‘important’, ‘very important’, and ‘extremely important’, 58.2% had foreign shareholders in the firms they worked for. Among this same category of respondents, 68.6% do not own shares in the firms they worked for.

Sports
Respondents were asked to rank on a scale of six (not at all important to extremely important) the importance of sports to network marketing. Respondents from small, 72.9%, (43) and large 69.4% (43) firms ranked sports as ‘not at all important’, ‘not really important’ and ‘slightly important’ in network marketing. The highest single ranking for respondents from small firms was 32.2% (19) for ‘slightly important’ whilst that of respondents from large firms was also 32.2% for ‘not really important’. This was an indication that respondents would not place too much emphasis on sports for network marketing.

Sector analysis on sports with the ranking ‘not at all important’, ‘not really important’ and ‘slightly important’ showed that insurers, 80.8% (21) were with the least appetite for using sports for network marketing, followed by brokers 76.4% (13), bankers 66.9% (42) and non-bank firms 66.7% (10) in that order. If the adage among some insurance executives in Ghana - insurance is bought and not sold - is anything to go by, then that may explain the low level of network marketing of insurance through sports.

Age profile analysis revealed that whilst respondents less than 30 years considered sports to be relevant in network marketing, respondents over 30 years thought otherwise. In a country where life expectancy is relatively low, and sporting
activities declines with age, it is not be surprising to have that kind of perception. Our data revealed that apart from those under 30 years of age where 60% (6) of respondents thought sports is ‘important’, ‘very important’ and ‘extremely important’, 60% or more of all other age categories were of the view that sports was ‘not at all important’, ‘not really important’ and ‘slightly important’.

Apart from golf and tennis, most participants in sports in Ghana are relatively uneducated and therefore the educated respondents may not place much importance on sports for network marketing. An analysis of the level of education showed that 74.5% (41) and 68.9% (40) of graduate and post graduate respondents respectively saw sports as ‘not at all important’, ‘not really important’, and ‘slightly important’. Field of study analysis showed 77.7% (42) and 50% (8) of this category studied general business and marketing respectively. In Ghana, marketing efforts have not been able to break through sports as a platform for promoting business.

An analysis of share ownership revealed that, of the respondents who did not consider sport as ‘not at all important’ to ‘slightly important’ for their network marketing, 72.4% (50) do have foreign shareholders in the firms they worked for. Among this same category of respondents, 74.0% (60) did not own shares in the firms they worked for. Perhaps the Ghanaian attitude of limiting the benefits of sports to entertainment only is not helpful in promoting business through sports. Most sporting activities in Ghana are not adequately branded and do not receive any meaningful corporate sponsorship. The perception has been that government should be the one financing sporting activities and as such the financial sector does not see much business opportunity in courting sports.
Table 8.3: Level of importance of Executives’ personal contacts on their business (row %)

<table>
<thead>
<tr>
<th>Response</th>
<th>Not at all important</th>
<th>Not really important</th>
<th>Slightly important</th>
<th>Important</th>
<th>Very important</th>
<th>Extremely important</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family</td>
<td>39 (31.5%)</td>
<td>22 (17.7%)</td>
<td>17 (13.7%)</td>
<td>22 (17.7%)</td>
<td>11 (8.9%)</td>
<td>13 (10.5%)</td>
</tr>
<tr>
<td>Colleagues and friends</td>
<td>8 (6.5%)</td>
<td>26 (21.1%)</td>
<td>17 (13.8%)</td>
<td>44 (35.8%)</td>
<td>19 (15.4%)</td>
<td>9 (7.3%)</td>
</tr>
<tr>
<td>Politics</td>
<td>15 (12.3%)</td>
<td>20 (16.4%)</td>
<td>20 (16.4%)</td>
<td>35 (28.7%)</td>
<td>19 (15.6%)</td>
<td>13 (10.7%)</td>
</tr>
<tr>
<td>Sports</td>
<td>23 (19.0%)</td>
<td>31 (25.6%)</td>
<td>32 (26.4%)</td>
<td>18 (14.9%)</td>
<td>15 (12.4%)</td>
<td>2 (1.7%)</td>
</tr>
</tbody>
</table>

8.3 Hypotheses Testing on Executives’ Personal Contacts on their Network Marketing

In order to understand properly how personal contact influence Executives’ network marketing in LDCs, we set out a research question and related hypotheses which are restated below for ease of reference.

Research Question:

Which members of Executives’ social group impact significantly and positively on their personal contact network marketing?

Hypotheses:

H (2A) If there is increased relationship between Executives and their families then their network marketing activities will increase to include family patronage.

H (2B) Highly intense relationship between Executives and colleagues and friends will result in increased network marketing activities.

H (2C) If the intensity of Executives’ relationship with politicians is high then their network marketing activities will significantly increase.
H (2D) If Executives’ level of involvement with members in their sporting discipline is high then Executives’ network marketing will increase to win new businesses as well as repeat businesses from their sporting circles.

8.3.1 Family
On the relationship between the level of the Executives’ business relationship with members in their families and their level of network marketing, a correlation coefficient of $r = 0.089$ was recorded (see Appendix F). The relationship was found not to be significant ($p>0.05$). This means there was positive but low relationship between Executives’ level of business relationship with members in their families and their level of network marketing. Thus, low levels of business relationship with members in their families corresponded with low levels of involvement in network marketing by the Executives.

From the data therefore, at the 95% significance level, the hypothesis that if the business relationship between the Executives’ and their families is high then their network marketing activities will significantly increase through family patronage was not supported.

8.3.2 Colleagues and Friends
There was a weak but positive relationship between the level of Executives’ business relationship with their colleagues and friends and their level of network marketing. A correlation coefficient of $r = 0.038$, was recorded, (see Appendix F) and this was found not to be significant ($p>0.05$). That is Executives’ levels of business relationship with their colleagues and friends was low and this corresponded with low levels of involvement in network marketing. Therefore, the hypothesis that if the business relationship between Executives and colleague and friends is high then their
network marketing activities will increase significantly to include referral of business was not supported.

8.3.3 Politics
There was a significantly positive relationship between Executives’ involvement in politics and their level of network marketing. A correlation coefficient of \( r = 0.272 \), was recorded, (see Appendix F) and this was found to be significant (\( p<0.05 \)). That is Executives levels of involvement in politics was moderate and this corresponded with moderate levels of involvement in network marketing. Thus, increases in the level of involvement in politics will correspond with increases in the level of network marketing undertaken by the Executives. The moderate level of political networking was explained by the following quotes from respondents in the qualitative interview;

“I do not go to friends in politics for business because I have learnt that if you benefit from one political party, you suffer after another party comes into power”.

“As a deliberate policy, I don’t want to build my business on political blocks”.

The appetite for associating with politicians would however remain high in LDCs because as long as government remains the largest spender in the economy most people will continue to live on the patronage of government.

From the data therefore, at the 95% significance level, the hypothesis that if Executives’ relationship with politicians is low then their network marketing activities with all customers will significantly increase was supported.

8.3.4 Sports
On the relationship between Executives’ level of involvement with members in their sporting discipline and their level of network marketing, a correlation coefficient of \( r \)
= 0.183 was recorded (see Appendix F). The relationship was found to be significant (p<0.05). This means there was positive but moderate relationship between Executives’ level of involvement in sports and their level of network marketing, thus slight increase in the level of involvement in sports corresponded with significantly slight increase in the level of involvement in network marketing by the Executives. In effect, if Executives’ level of involvement with members in their sporting discipline is high, then Executives’ network marketing will indeed increase. It is said that Executives create social capital (intangible asset residing in network relationships) if they can draw certain resources from a network through social (sporting) relationships forged with its members (Hofferth and Iceland, 1998). Sporting relationship benefits are captured from respondents in the following quotes during the qualitative interviews:

“I am a sporting person. The people I play golf with are the cream of society. I am the captain of … Golf Club. Significant business has come from my golf interaction”.

“I have been in the business of people and this is one of the areas (golf) where during the time of relaxation you meet quite a number of people; business men and so on. If you want your company to be known, naturally you’ve got to sit down after doing 18 holes or so. People need to know a little about you and you start introducing yourself that way and your business that way”

From the data therefore, at the 95% significance level, the hypothesis that the higher the level of Executives’ involvement with members in their sporting discipline, the higher their network marketing in order to win new businesses as well as repeat businesses was supported.
8.4 Personal Contacts Hypotheses Summary Table

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Impact on Network marketing</th>
<th>Test Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>H(2A) If there is increased relationship between Executives and their families then their network marketing activities will increase to include family patronage.</td>
<td>Positive</td>
<td>Very weak and not significant</td>
</tr>
<tr>
<td>H (2B) Highly intense relationship between Executives and colleagues and friends will result in increased network marketing activities.</td>
<td>Positive</td>
<td>Very weak and not significant</td>
</tr>
<tr>
<td>H(2C) If the intensity of Executives’ relationship with politicians is high then their network marketing activities will significantly increase.</td>
<td>Positive</td>
<td>Positive and significant</td>
</tr>
<tr>
<td>H(2D) If Executives’ level of involvement with members in their sporting discipline is high then Executives’ network marketing will increase to win new businesses as well as repeat businesses from their sporting circles.</td>
<td>Positive</td>
<td>Moderate and significant</td>
</tr>
</tbody>
</table>

8.5. Conclusion

This chapter covered descriptive analysis and discussion of findings of the following personal contacts of Executives of firms in the financial services: family, colleagues and friends, politics and sports. The various hypotheses relating to personal contact networks were also tested and a summary of the results tabulated under section 8.4.

Executives did not emphasize their family members as part of their network. Executives who are mostly brokers and non-bankers had positive regard for their colleague and friends in their network marketing activities. A number of Executives (50%) mainly from non-bank and large firms rated politics as important in network marketing.

Small firms (72.9%) and large firms (69.4%) did not see sports as important for their network marketing activities. Sector analysis showed insurers (80.8%) as the sector with the least appetite for sports as a marketing activity.
To conclude, the members of the Executives’ social group who had significant and positive impact on their network marketing were the members in their sporting discipline and political party.
CHAPTER NINE

The Impact of Executives’ Business Contacts on their Marketing Network

9.1 Introduction
This chapter deals with the characteristics of Executives’ business contacts and the impact on their level of network marketing. That is to determine, which category of Executives’ business acquaintances impact significantly and positively on their network marketing. The chapter is in two sections; section one which is a qualitative analysis of Executives’ business contact characteristics and section two which is the testing of hypothesis on the relationship between Executives’ business contacts and their level of network marketing. The spearman’s correlation coefficient was the main statistical tool used in testing the hypothesis.

9.2 Descriptive Analysis of Executives’ Business Contact
The descriptive analysis and the discussion of findings relates to Executives relationship with trade association, suppliers, customers, competitors and employees.

9.2.1 Trade Association
Much of the networking between firms and their competitors came about through their membership of trade associations. Trade associations provide the ideal forum for Executives to come together and gather information about their competitors and to keep themselves abreast of developments with the industry at large (O’Donnell and Cummins, 1999). The key finding to emerge from the work of O’Donnell and Cummins (1999) was that the most valuable information was often obtained through the informal, social encounters which took place in and around the formal events. Our qualitative interview however gave divergent view about Trade Association. From a brokerage and a bank came the following responses:
“I do not exactly get business from trade association but it is the intention to high profile my firm and for me that is enough. The intention is to get business”.

“We do have intercourse with our colleague Chief Executives and we do share best practice – it helps. When you do have a problem you just go to the association and they are able to assist you to resolve the problem. You can draw on the experience of other colleagues who have come across similar problems”

In response to the question (during our qualitative interview session) as to whether he gets any business accruing for belonging to Trade Association, the respondent from the insurance industry has this to say:

“I am not too sure who any of these guys (Trade Association) are but probably not”. This is in contradiction of what another respondent from the same industry has to say:

“Trade associations help in terms of acquiring fresh business and also in maintaining the existing ones”.

Contrary to the finding of O’Donnell and Cummins (1999) however, out of the 124 Executives who responded to our questionnaire only 56 of them indicated that they belong to a Trade Association. About 27 of them representing 48.2% described the contribution of their Trade Association to the network marketing of their businesses as moderate as shown in Table 9.1. This means that the Executives who belong to the Trade Associations had a positive regard for the contribution of the Trade Association to the network marketing of their businesses.

Due to the dominant role of government in the national economy of Ghana, trade advocacy roles are limited. Generally therefore, people do not see the benefit of trade associations. A further analysis however showed that 69.5% (41) of respondents from small firms do not perceive trade associations as ‘important’, whilst it was only
50.8% (30) of respondents from large firms that perceived trade association as ‘important’ to ‘extremely important’.

Sector analysis showed the following results: 73.3% (11), 61.5% (16), 57.4% (35) and 50.0% (8) for non-banks, insurance, banks and brokerage respectively for trade association as not important. The above percentages may be a reflection of the strength of trade advocacy in Ghana; with the brokers being the strongest and the non-banks the weakest.

Age profile analysis indicated that with the exception of those above 60 years, the higher the age bracket, the lower the percentage of respondents who do not perceive trade association as ‘important’ (Under 30 years -70% (7); 31-40 years -66.6% (38); 41-50 years -50% (18); over 50 years – 46.6% (7)).

With the level of education, 66.6% (36) of graduates indicated that trade associations are not important for network marketing whilst lower percentages of 53.6% (30) and 50% of post graduate confirmed trade association as not important.

The influence of the study of marketing on network marketing activities seems limited. On the field of study of respondents, 69.8% (37) in general business and 57.1% (16) in humanities did not perceive trade association as important. In contrast, 53.3% (8) of Executives in marketing perceived trade association as important and extremely important.

The nationality of share ownership did not affect the level of ranking of trade association although the share ownership of respondents showed that a higher number, 49 (62.8%) of those who did not own shares did not perceive trade association as important for network marketing as compared to 20 (51.2%) of those who own shares in the firms they worked for.
Table 9.1: Assessment of trade association’s contribution

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very low</td>
<td>1</td>
<td>1.8</td>
</tr>
<tr>
<td>Low</td>
<td>4</td>
<td>7.1</td>
</tr>
<tr>
<td>Below average</td>
<td>8</td>
<td>14.3</td>
</tr>
<tr>
<td>Average</td>
<td>27</td>
<td>48.2</td>
</tr>
<tr>
<td>High</td>
<td>14</td>
<td>25.0</td>
</tr>
<tr>
<td>Very high</td>
<td>2</td>
<td>3.6</td>
</tr>
<tr>
<td>Total</td>
<td>56</td>
<td>100.0</td>
</tr>
</tbody>
</table>

9.2.2 Suppliers

In order that supplier-customer relationships develop over time, it is necessary for both suppliers and customers to make some degree of investment in relationships (Turnbull et al., 1996). Consequently, business-to-business marketing can be seen as a process of investments in market positions at the micro- and macro level (Turnbull and Wilson, 1989). From the findings of Hill et al., (1999), suppliers appeared to play a significant role in the decision making of Executives. From our qualitative interview we had this quote:

“Our relationship with our suppliers is incredible; it is fantastic …in fact that is how come I ended up in their building as a tenant. I think it came as a result of our relationship with them”.

From our data, 86 out of the 124 Executives sampled affirmed that their suppliers serve as a useful source of business information and referral business and about 50% of them rated the contribution of the business information and referral business to the network marketing of their businesses as either high or very high as shown in Table 9.2. This means that, most of the Executives had a positive regard for their suppliers both as a source of useful business information and also as a point of referral business.
Table 9.2: Assessment of suppliers’ contribution

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>6</td>
<td>7.0</td>
</tr>
<tr>
<td>Below average</td>
<td>6</td>
<td>7.0</td>
</tr>
<tr>
<td>Average</td>
<td>31</td>
<td>36.0</td>
</tr>
<tr>
<td>High</td>
<td>37</td>
<td>43.0</td>
</tr>
<tr>
<td>Very high</td>
<td>6</td>
<td>7.0</td>
</tr>
<tr>
<td>Total</td>
<td>86</td>
<td>100.0</td>
</tr>
</tbody>
</table>

In the absence of a formal credit bureau in Ghana, large firms are synonymous with credit worthiness whilst small firms are perceived as risky. Large firms easily have access to credit from suppliers whilst small firms do have difficulties in obtaining suppliers’ credit. From our data, the distinction between small and large firms indicated that a high percentage, 80.6% (50) of respondents in large firms considered suppliers as important or extremely important for network marketing as compared to 63.3% (38) of respondent from small firms.

Sector analysis showed non-banks as the sector with the highest percentage, 93.3% (14) of respondents. The banks had 77.7% (49), brokerage 64.7% (11) and insurance 51.8% (14).

In Ghana where credit is not structured, it takes increase in age and several exchange relationships to establish credit worthiness. The age profile analysis revealed 74.3% (29) of respondents between 41-50 years considered suppliers as important or extremely important for network marketing, followed by 74.1% (43) of age 31-40; and 60% (6) for under 30 years of age.

Ironically, an analysis of respondents’ educational level indicated that the higher the educational level, the lower the percentage of respondents’ importance to supplier for...
their business network marketing: graduates 76.1% (43), post graduates and 68.9% (40). In the field of study, 100% (5) of respondents who studied engineering and 81.2% (13) of those who studied marketing considered suppliers as important or extremely important in their network marketing.

9.2.3 Customers
From the findings of O’Donnell and Cummins (1999), Executives seek to develop relationships with a wide range of key personnel throughout their customer firm, recognizing the importance of individuals who may be important in the future. The responses from our qualitative interview seem to be unequivocal on this issue as illustrated by the following quote:

“Introduction from our existing customers for new business is very relevant to us”.

From our questionnaire, the Executives were asked if they manage the relationship with their customers so as to get referral business from them. The majority (95.1%) that is 117 out of 124 answered in the affirmative. This means that the majority of the Executives really value their customers. Consequently, 41.0% and 14.5% of the Executives rated the contributions of referral business from their customers to the network marketing of their firms as high and very high respectively as shown in Table 9.3.

<table>
<thead>
<tr>
<th>Table 9.3: Assessment of customers’ contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Response</td>
</tr>
<tr>
<td>----------------</td>
</tr>
<tr>
<td>Very low</td>
</tr>
<tr>
<td>Low</td>
</tr>
<tr>
<td>Below average</td>
</tr>
<tr>
<td>Average</td>
</tr>
<tr>
<td>High</td>
</tr>
<tr>
<td>Very high</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>
From our data, the recognition of customers as ‘very important’ and ‘extremely important’ in network marketing increased with age (Under 30 was 80% (8); Ages 31-40 was 89.6% (52); Ages 41-50 was 97.5% (39); and over 50 years was 100% (15)). This is an indication that for lack of formal education on relationship marketing, Executives learn with time on the job that customers are extremely important in network marketing.

Our data on the level of education indicated that the higher the level of education, the higher the percentage of respondents who regard customers as ‘very important’ and/or ‘extremely important’. This is in confirmation with our finding on age; as people in Ghana generally attain higher qualifications at older age and then tend to value their customers the more.

Respondents from all sectors of financial services have high regard for their customers with 100% of respondents from insurance (27) and non-bank firms (15) perceiving customers as ‘very important’ and ‘extremely important’ (banks 87.6% (57) and brokerage 88.2% (15)) for their network marketing.

9.2.4 Competitors
A high level of co-operation exists among competing firms in the same industry. Although this may appear strange, and unusually altruistic, O’Donnell and Cummins (1999), explained that there are often deeper motivations at work, such as collaboration to prevent work going to a company outside the domestic market from whence it may never return; or giving work to competitors in anticipation that they will act in a similar way, if and when the opportunity arise. This is what a respondent has to say during our qualitative interview:
“I always believe in competition but collaboration in terms of sharing risk. When there is syndication you would have to take a look at all that. Interacting with competitors offer useful lessons. You need to sleep with one eye opened isn’t it?”

When the Executives were asked whether they do share business (collaborate) with their competitors, 78 (62.9%) answered in the affirmative. The results in Table 9.4 show that a little over half (51.3%) of the Executives who share ideas with their competitors, described the contributions from collaboration with their competitors to the network marketing of their business as ‘average’. This means that the impact of collaboration with competitors on the network marketing of the firm was not very high.

Table 9.4: Assessment of competitors’ contribution

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very low</td>
<td>2</td>
<td>2.5</td>
</tr>
<tr>
<td>Low</td>
<td>12</td>
<td>15.0</td>
</tr>
<tr>
<td>Below average</td>
<td>10</td>
<td>12.5</td>
</tr>
<tr>
<td>Average</td>
<td>41</td>
<td>51.3</td>
</tr>
<tr>
<td>High</td>
<td>14</td>
<td>17.5</td>
</tr>
<tr>
<td>Very high</td>
<td>1</td>
<td>1.3</td>
</tr>
<tr>
<td>Total</td>
<td>80</td>
<td>100.0</td>
</tr>
</tbody>
</table>

In response to the question as to whether competitors that the Executives collaborate with do reciprocate their gestures, the majority (89.9%) answered in the affirmative. According to the Executives, the major reasons why the collaborators reciprocate their gestures are for mutual benefits and the desire to present a common front against defaulting borrowers taking advantage of their divided front.

According to some of the Executives, however, collaborators do not reciprocate their gestures mostly because of the fear of losing a service that is homogeneous to competitors. This response brings to the fore the question raised by Zolkiewski (2004) that – if organizations serve markets in which customers are addressed in homogeneous groups because of some characteristic or characteristics associated with
their buying behaviour or lifestyle, can an organization really believe that it has a relationship with its customers? (Zolkiewski, 2004).

Forty-seven (74.6%) respondents in large firms considered the contribution of competitors to their network marketing activities as ‘important’, ‘very important’ and ‘extremely important’ than those in small firms, 42 (68.8%). Despite this however, it is important to note that respondents in small firms attached equal importance to competitors in network marketing.

All sectors of financial services institutions attached reasonable level of importance to the role of competitors in network marketing with a lot more respondents coming from the banks and non-bank firms (bank 76.9% (50); brokerage 70.5% (12); insurance 70.3% (18); and non-bank firms 53.3% (8)).

Age analysis indicated that 38 (74.5%) of those in the age bracket of 41 -60 years relatively considered competitors to be ‘important’, ‘very important’ and ‘extremely important’ than respondents in other age categories (Under 30 was 30%). This is an indication that the appreciation of competitors’ role in marketing comes with maturity in age and diminishes after one’s effective working age i.e. 60 years (compulsory retiring age in Ghana is 60 years).

All Executives i.e. 5 (100%) who studied engineering considered competitors to be ‘very important’ and ‘extremely important’ compared to 6 (37.5%) (6) Executives who studied marketing. This is an indication that the study of marketing is yet to make an impact on the way of doing business in Ghana.

9.2.5 Employees

Relationship marketing theory highlights the importance of personal interactions not just for individuals across firms but also for employees within firms (Hunt et al., 2006). For example, the “Nordic School” approach to service marketing emphasizes
the importance of developing employees who view themselves as part of the overall marketing process (Grönroos, 2000; Gummesson, 1991, 1997).

On increases in the number of staff for the past five years, the majority (79.6%) of the Executives perceived it to be under 20% (Table 9.5). This means that there has not been too much increase in the staff strength of the firms sampled.

Table 9.5: Average percentage increase of staff over five years

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 20%</td>
<td>82</td>
<td>79.6</td>
</tr>
<tr>
<td>21 – 40%</td>
<td>12</td>
<td>11.7</td>
</tr>
<tr>
<td>41 – 60%</td>
<td>6</td>
<td>5.8</td>
</tr>
<tr>
<td>61 - 80%</td>
<td>1</td>
<td>1.0</td>
</tr>
<tr>
<td>Over 81%</td>
<td>2</td>
<td>1.9</td>
</tr>
<tr>
<td>Total</td>
<td>103</td>
<td>100.0</td>
</tr>
</tbody>
</table>

A number of the Executives however indicated that their expectations are to build a cordial or a very cordial relationship with their employees. These were indicated by 46.8% and 47.6% of the Executives respectively (see Table 9.6). This means that the majority of the Executives have a positive regard for the kind of relationships they have built with their employees. To implement successfully relationship based strategies, managers should identify and satisfy the wants and needs of employees (Hunt et al., 2006). This position was supported by a respondent from our qualitative interview:

"Tell them (employees) the truth, be open and honest and have a human face to the position. I have an open door policy and presently you just saw me interact with my colleague who brought you here. It is a lively and natural relationship".

Table 9.6: Relationship with employees

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very non cordial</td>
<td>1</td>
<td>0.8</td>
</tr>
<tr>
<td>Slightly cordial</td>
<td>6</td>
<td>4.8</td>
</tr>
<tr>
<td>Cordial</td>
<td>58</td>
<td>46.8</td>
</tr>
<tr>
<td>Very Cordial</td>
<td>59</td>
<td>47.6</td>
</tr>
<tr>
<td>Total</td>
<td>124</td>
<td>100.0</td>
</tr>
</tbody>
</table>
Consequently, 43.5% and 40.3% of the Executives respectively, described the contributions of their employees’ relationship to the network marketing of their business as high and very high (Table 9.7). This means that employee relationship contributes significantly to the network marketing of the business.

Table 9.7: Assessment of the level of contribution from employees

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below average</td>
<td>1</td>
<td>0.8</td>
</tr>
<tr>
<td>Average</td>
<td>19</td>
<td>15.3</td>
</tr>
<tr>
<td>High</td>
<td>54</td>
<td>43.5</td>
</tr>
<tr>
<td>Very high</td>
<td>50</td>
<td>40.3</td>
</tr>
<tr>
<td>Total</td>
<td>124</td>
<td>100.0</td>
</tr>
</tbody>
</table>

There wasn’t much difference in employee relationship management style of Executives in small and large firms.

Executives from the various sectors of financial services value their employees with regards to their network marketing activities. More of the Executives from the insurance industry however seem to have an edge with 96.2% (26) of their respondents appreciating their employees as ‘very important’ and ‘extremely important’ (brokerage 88.2% (15); non-bank 86.6% (13); and banks 72.3% (47)).

From our data (just as with competitors) the appreciation of the role of employees in network marketing increased with the age of Executives but declined after age 60 (Under 30 years was 70% (7); Age 31-40 was 79.9% (46); Age 41- 50 was 85.3% (35); and Age 51- 60 was 100% (10)).

An analysis of the level of education revealed that the percentage of Executives who recognize the role of employees in network marketing reduces with higher level of education attained by the Executives (Graduates 83.9% (47); Post graduates 81.3% (48) and PhD 50% (5)).
In their field of study, however, the Executives, 48 (85.7%) who studied general business were the highest to consider employees as ‘very important’ and extremely important’ (marketing 13 (81.2%); engineering 4 (80%); and humanities 21 (70%) for network marketing.

9.3 Hypotheses Testing on Business Contacts of Executives
In order to understand properly how business contacts impact on Executives’ network marketing in LDCs, we set out a research question and related hypotheses which are restated below for ease of reference.

Research Question:
Which category of Executives’ business acquaintances impact significantly and positively on their business contact networks?

Hypotheses

H (3A) If Executives’ level of participation in the activities of Trade Associations is high then their business network marketing through the gathering of valuable information and keeping abreast with industry development will increase.

H (3B) If Executives’ perception of complementary resources from suppliers in business continuity is high then that element of their business network marketing will increase to profit from lower marketing costs.

H (3C) If Executives’ contact with existing customers is high then network marketing through personal introduction and referral of potential customers by existing customers will increase.

H (3D) If Executives’ collaboration with competitor firms through sharing of business is high then their network marketing through reciprocal business gestures will increase.
H (3E) If Executives’ internal marketing through the building of cordial relationship with employees is high then employees contribution to firm survival will increase.

9.3.1 Trade Association
The results in Appendix G3 also show that the assertion that if Executives’ level of participation in the activities of Trade associations is high, then their business network marketing will increase to meet local business people in order to exchange opinions was true. A positive and high correlation Coefficient of $r = 0.359$ and $p < 0.05$ was recorded. This means that moderate increases in Executives’ level of participation in the activities of their Trade association corresponded with significantly moderate increases in their level of network marketing. In confirmation of the findings of O’Donnell and Cummins (1999) and at the 95% significance level the hypothesis that if Executives’ level of participation in the activities of trade association is high then their business network marketing through the gathering of valuable information and keeping abreast with industry development will increase was supported.

9.3.2 Suppliers
On the relationship between Executives’ level of network marketing and the usefulness of business information and referral business from their suppliers to the growth of their businesses, a correlation Coefficient of $r = 0.321$, $p < 0.05$ was recorded (See Appendix G3). This means that the more useful Executives perceived the business information and business referral from their suppliers to the growth of their businesses, the higher the level of Executives’ network marketing as a result of lower marketing cost. In confirmation with the findings of Hill et al., (1999) and at the 95% significance level, the hypothesis that if Executives’ perception of complementary
resources from suppliers in business continuity is high then their business network marketing will increase to profit from lower marketing costs was supported.

9.3.3 Customers
On the relationship between Executives’ contact with their customers and their level of network marketing through personal introduction and referral of potential customers by existing customers, a correlation coefficient of $r = 0.315$ and (p<0.05), was recorded (See Appendix G3). This means that increases in Executives’ level of interaction with their customers corresponded with increased level of network marketing by Executives through personal introduction and referral of potential customers by existing customers. Thus, the more Executives interact with their customers, the more their customers introduce people and refer potential customers to them. Therefore, in confirmation with the findings of O’Donnell and Cummins (1999) and at 95% significance level, the hypothesis that if Executives’ contact with existing customers is high then their network marketing through personal introduction and referral of potential customers by existing customers was supported.

9.3.4 Competitors
There was a positive but weak relationship between Executives’ collaboration with competitor firms and the level of reciprocal business gestures from collaborators. A correlation coefficient of $r = 0.15$ (p> 0.05) was recorded (See Appendix G3). This means that there was a low level of collaboration by Executives with competitor firms and this corresponded with very low level of reciprocal business gestures from collaborators. Thus, in contrast to the findings of O’Donnell and Cummins (1999) and at the 95% significance level, the hypothesis that if Executives’ collaboration
with competitor firms through sharing of business is high then their network marketing will increase through reciprocal business gestures was not supported.

9.3.5 Employees
The hypothesis that if the relationship between Executives and their employees is high, then the contribution of the employees to the survival of the firm will be high was supported. A very high and positive correlation coefficient of \( r = 0.481, (p<0.05) \) was obtained, (see Appendix G3). This means that higher level of interaction between Executives and their employees corresponded with higher level of contributions of the employees to the network marketing of the firm. The findings of Hunt et al., (2006) and Lings, (2004) establishes that an internal market orientation increases internal aspects of performance (e.g. employee satisfaction and employee commitment), which in turn, impacts positively both the firm’s external market orientation and external aspects of performance (e.g. customer satisfaction and profit). Thus in confirmation with the findings of Hunt et al., (2006) and Lings, (2004) and at the 95% significance level, the hypothesis that if Executives’ internal marketing through the building of cordial relationship with employees is high, then employees’ contribution to network marketing will increase was supported.
### 9.4 Business Contact Hypotheses Summary Table

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Impact on Network marketing</th>
<th>Test Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>H(3A) If Executives’ level of participation in the activities of Trade Associations is high then their business network marketing through the gathering of valuable information and keeping abreast with industry development will increase.</td>
<td>Positive</td>
<td>Positive and significant</td>
</tr>
<tr>
<td>H(3B) If Executives’ perception of complementary resources from suppliers in business continuity is high then that element of their business network marketing will increase to profit from lower marketing costs</td>
<td>Positive</td>
<td>Positive and significant</td>
</tr>
<tr>
<td>H (3C) If Executives’ contact with existing customers is high then their network marketing through personal introduction and referral of potential customers by existing customers will increase.</td>
<td>Positive</td>
<td>Positive and significant</td>
</tr>
<tr>
<td>H(3D) If Executives’ collaboration with competitor firms through sharing of business is high then their network marketing through reciprocal business gesture will increase.</td>
<td>Positive</td>
<td>Positive but weak and not significant</td>
</tr>
<tr>
<td>H (3E) If Executives’ Internal marketing through the building of cordial relationship with employees is high then employees’ contribution to network marketing will increase.</td>
<td>Positive</td>
<td>Positive and significant</td>
</tr>
</tbody>
</table>

### 9.5 Conclusion

This chapter covered descriptive analysis and discussion of findings on the following business contacts of Executives in the financial services: trade associates, suppliers, customers, competitors and employees. The various hypotheses relating to business contact networks were also tested and a summary of the results were tabulated under section 9.4.

Most Executives did not consider trade associations as critical for their network marketing activities except for those above 60 years of age.

About 69.3% of Executives mostly from large firms and above 60 years affirmed suppliers as a useful source of business information and referral business.
The majority (95.1%) of Executives managed their relationship with their existing customers so as to get referral business from them. Higher age and higher level of education however influenced the magnitude of the relationship with customers.

A good number of Executives (62.9%) do share business with their competitors. The appreciation of the role of employees in network marketing increased with the age of Executives but declined after age 60.

To conclude, the category of the Executives’ acquaintances which impact significantly and positively on their business network marketing were trade associations, suppliers, customers and employees.
CHAPTER TEN
The Impact of Commitment and Trust on Executives’ Level of Network Marketing

10.1: Introduction
This chapter focuses on how the mediating factors of commitment and trust impact on Executives’ level of network marketing. The aim of this chapter is to ascertain the strategy outcomes of commitment and trust that impact on Executives’ network marketing.

The chapter is in two parts. The first part looks at a descriptive analysis and discussion of the issues of commitment and trust with regard to Executives’ network marketing. This was done by considering the following strategy outcomes under commitment and trust: adaptation, bending over backwards, communication, repeat purchase and altruistic behaviour. The second part is the results of the hypothesis tested with regard to how commitment and trust impact on Executives’ level of network marketing.

10.2: Descriptive Analysis of Executives’ Issues of Commitment and Trust
The available marketing research shows that successful continuing relationships are characterized by trust and commitment (Ulaga and Eggert, 2006; Palmer et al., 2005; Morgan and Hunt, 1994; Shemwell et al., 1994). Morgan and Hunt (1994) identified five major precursors of bank relationship commitment and trust, i.e. relationship termination costs; relationship benefits; shared values; communication; and opportunistic behaviour. There is evidence to suggest that customers do have, and value, relationships with financial institutions (Abratt and Russell, 1999; Barnes 1997; Colgate, 1996).
From our data it appears most of the Executives have commitment to building long-term relationship with people they do business with. This is because 87 (70%) Executives indicated that they do not find it difficult to pledge themselves to the development of long-term relationship with their exchange partners.

On the basis of their empirical results, Morgan and Hunt (1994) developed a commitment and trust model of relationships, which identifies commitment and trust as the key success factors of relationship marketing strategies. They defined “commitment” as: … an enduring desire to maintain a valued relationship. To achieve customer “commitment”, a company’s strategy must be customer centred, long-term, and be based on mutual relationship benefits.

Trust: “… exists when one party has confidence in an exchange partner’s reliability and integrity”. To achieve customer “trust”, a company’s strategy must communicate effectively, must adopt the customer’s relationship norms, and avoid negative reputation.

From our data, when the Executives were asked to list the top four things that they perceive to be enabling factors for developing long – term relationship, they stated the following: social interactions or visits, service delivery, product adaptation and communication.

On the other hand, the Executives felt that opportunistic behaviour, bureaucracy or lack of corporate direction, lack of training and limited products, as well as limited resources were the top four factors that inhibit their tendency to develop long – term relationship with their exchange partners.

10.2.1 Adaptation

From our data, 65 (53.2%) Executives were of the opinion that adaptation is extremely important for network marketing. Thirty-four (55.7%) Executives from
small firms and thirty-one (50.8%) from large firms considered adaptation as extremely important. This position was confirmed by an Executive from a small firm in our qualitative interview as stated below:

“If you do not modify your products or processes to meet customers’ needs then you are out of business”.

This is an acknowledgment that Executives in small firms would want to go the extra mile to keep the relationship with their exchange partners.

Publicly listed firms however showed a relatively high i.e. 26 (70.2%) number of Executives who were adaptive and a low i.e. 4 (28.5%) number of Executives from the state owned firms willing to adapt to meet customer expectations. The high expectation on listed companies to show good results may be the driving force in trying to please customers through adaptation of services. A lot of these listed firms had foreign shareholding and that also contributed to the demand for high performance and for that matter the need to adapt.

10.2.2 **Bending over backwards**

From our data, 31.6% (38) of the Executives considered bending over backward for customers as very important whilst 25% (30) of them considered it to be important. Belonging to these percentages of Executives was 58.9% (35) of those in large firms and 54% (33) of those in small firms. Executives from large firms were more into bending over backwards for customers than those from small firms.

Sector analysis showed that Executives in the banks, non-bank and brokerage were very close (60.5% (37), 59.9% (9) and 58.7% (10) respectively) in recognizing that bending over backwards is important and very important in building relationships. This is with the exception of those in the insurance sector who recorded 44% (12). Ten (71.3%) Executives working in the state owned firms were ahead of 20 (56.8%)
Executives working in publicly listed firms. This quote from the qualitative interview confirms this:

“Bending over backwards to respond to customers’ request has been our hallmark otherwise this bank within 15 years would not have achieved the levels that we have achieved. We stand on top of our heads to satisfy the customer”.

10.2.3 Communication
An analysis of our data showed that 86.8% (106) of Executives considered sharing meaningful and timely information with customers as very important and extremely important in building relationships. There were 88.3% (53) and 85.4% (53) of Executives in small and large firms respectively who supported this. Sector analysis confirmed that Executives in all four sectors of the financial services have high regard for communication in relationship building (Bank – 89.0% (57), brokerage -88.1% (15), insurance 84.5% (22), non-bank – 80 (12)). The following quote from our qualitative interview affirms the respondents’ attitude towards information management:

“Sharing meaningful and timely information with customers is a relationship management process”.

Another respondent said:

“What I do is that if I don’t come to you, I do call to find out if there is anything. Very interestingly when you call there is something - either something has spoilt, they have an issue or there is something new for you”.

10.2.4 Repeat purchase
From our data, 61.2% (73) of the Executives considered repeat purchase business as very important and extremely important. About 63.7% (37) of Executives from large firms and 58.9% (36) of those from small firms confirmed this position.
Sector analysis showed the non-bank leading in percentage terms the confirmation that repeat business is good for relationship building (non-bank 66.6% (10), bank 63.3% (38), insurance 59.2% (16), and brokerage 52.8% (9)). The following quote from one Chief Executive Officer in our qualitative work was a reinforcement of this position:

“They keep coming but again like a hospital they come only when they have a problem and sometime you really get moved when you’ve realized that you have done so much for people. Either they tell you or they tell people who come here and when there are occasions like when my mum died I had all kinds of people, clients that I have charged. I have done loans at 5 to 8% per month and they felt that was an opportunity to say thank you because here we do not take bribe”.

Nine Executives of state owned firms contributed the highest percentage (69.1%) of Executives on repeat business. This may be explained by the guaranteed business they get from government agencies.

10.2.5 Altruistic behaviour

Our data indicated that 85.4% (106) of Executives considered interpersonal care and for that matter altruistic behaviour as high and very high to winning the commitment and trust of exchange partners. In order to ascertain how the Executives perceive the contribution of their own interpersonal care to the growth of their business, the Executives were asked to rate the contribution of their interpersonal care and altruistic behaviour to the winning of the commitment and trust of their exchange partners. The results obtained are shown in Table 10.1 below.
Table 10.1: Contribution of interpersonal care to winning the commitment and trust of exchange partners

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average</td>
<td>18</td>
<td>14.5</td>
</tr>
<tr>
<td>High</td>
<td>54</td>
<td>43.5</td>
</tr>
<tr>
<td>Very High</td>
<td>52</td>
<td>41.9</td>
</tr>
<tr>
<td>Total</td>
<td>124</td>
<td>100.0</td>
</tr>
</tbody>
</table>

It can be observed that 43.5% (54) of the Executives rated the contribution of their interpersonal care and altruistic behaviour to the winning of the commitment and trust of their exchange partners as high, and a further 41.9% (52) rated this as very high. This means that the majority of the Executives have a high regard for their own abilities in terms of interpersonal care and altruistic behaviour as a means of winning the commitment and trust of their exchange partners.

Among the many factors that enable business to win the trust of their exchange partners, the Executives’ perceive professionalism, customer satisfaction, personal relationship and transparency as the four most important factors that will enable them to win the trust of their exchange partners.

There was a higher percentage (88.8%) of Executives (24) from large firms than small firms (81.9% -50) who supported the position. This was confirmed by the following quote from our qualitative work:

“But having said this, I think those things you have to do is to be very nice and very helpful to all people you come into contact with. So when the client comes to me the only thing I want to do is to see if I can solve the problem for him and I will go the extra mile to try to gain the client’s confidence to tell me exactly what the problem is then try to give them the best prescription there is”.

Twenty-four (88.8%) Executives in the insurance sector where people are indemnified had the highest percentage (bank 87.6% (57), brokerage 83.1% (15), and
non-bank 66.6% (10)). Crosby and Stephens (1987) report from their findings in the life insurance industry that relational marketing and product quality go hand in hand in increasing consumer attraction rates and decreasing attrition.

10.3 Hypotheses Testing on Executives’ Issues of Commitment and Trust
In order to understand properly how mediating variable of commitment and trust influences Executives’ network marketing in LDCs, we set out a research question and related hypotheses which are restated below for ease of reference.

Research Question:
What are the issues of commitment and trust that impact Executives’ network marketing?

H(4A) If Executives increase their adaptation or modification of products to suit customers’ needs or conditions then customers’ commitment and trust to the network marketing will significantly increase.

H(4B) If Executives increase their bending over backwards for all customers then customers’ long-term commitment and trust to network marketing for long-term relationship will significantly increase.

H (4C) If Executives’ desire to share meaningful and timely information with customers is high then customers’ commitment and trust to network marketing through long-term relationship will significantly increase.

H (4D) If repeat purchase by customers is high then their commitment and trust to network marketing for long-term relationship will significantly increase.

H (4E) If a partner’s perception of Executives’ display of altruistic behaviour is high then the partner’s trust that his/her interest in a network relationship will be taken care of will increase.
10.3.1 Adaptation

Five hypotheses were tested on issues relating to commitment and trust. The hypothesis that if Executives increase their adaptation or modifications of products to suit customer’s new needs or condition then customers’ commitment to the network marketing will significantly increase was supported.

The results from our data in Appendix H show a correlation coefficient of \( r = 0.510, p<0.05; \) for the relationship between Executives’ efforts at adapting products to suit customers’ need and customers’ commitment and trust to network marketing. This means that Executives’ increased adaptation of products to suit their customers’ needs corresponded positively and highly with customers’ commitment to long-term relationship. Thus, at the 95% significant level, \textit{the hypothesis that if Executives increase their adaptation or modification of products to suit customers’ new needs or conditions then customers’ commitment and trust to the network marketing will significantly increase was supported}. This finding supports Canning and Hanner-Lloyd, 2002; Brennan and Turnbull, 1999; Seyed-Mohmmend and Wilson, 1989 whose works have shown that adaptations can lead to an expansion in information exchange as well as more intense contact patterns between firms.

10.3.2 Bending over backwards

On Executives’ effort at building long–term relationship with their exchange partners, a significantly positive and high correlation coefficient of \( r =0.478, p<0.05; \) was obtained (see Appendix H) for the relationship between Executives’ level of bending over backwards for all customers and their customers’ level of commitment and trust to long-term relationship with the firm. This means that the more Executives bend
over backwards for customers by giving them something beyond mere refund, the more the customers’ long-term commitment and trust to the firm.

Therefore at the 95% significance level the hypothesis that if Executives increase their bending over backwards for all customers then customers’ commitment and trust to network marketing for long-term relationship will significantly increase was supported. Our finding supports the works of Gilly and Hansen, 1985; and Boshoff, 1997 which dwell on the long-term benefits of bending over backwards.

10.3.3 Communication
Quite obviously, relational issues cannot be separated from communicational occurrences (Olkkonen, 2000). According to Duck (1998) relationships are a substantial part of structuring, evaluating and understanding messages in interpersonal settings. For example business networks are assumed to evolve as a result of interpersonal communication which occurs situationally in communicative and cognitive processes between interactants within various collective actor structures (Olkkonen, 2000).

It is believed that where organizations share meaningful and timely information with their customers, they show more commitment and trust to the firm. In line with this, spearman’s coefficient was used to ascertain the degree of the relationship between Executives’ desire to share meaningful and timely information with their customers and the level of commitment and trust of the customers to the firm.

From our data, a significantly high and positive correlation coefficient of $r = 0.606$, $p < 0.05$ was obtained. (See Appendix H). This means that the higher the desire of Executives to share meaningful information with their customers, the higher the long-
term commitment and trust of the customers to the firm. Therefore, at the 95% significance level, the hypothesis that if Executives’ desire to share meaningful and timely information with customers is high then customers’ commitment and trust to network marketing through long-term relationship will significantly increase was supported. The hypothesis confirms the work of Olkkonen (2000).

10.3.4 Repeat purchase

A major US market research firm states that customer satisfaction is the key to success and makes the emphatic statement that a satisfied customer is a repeat customer (In-Touch Survey Systems, 2003). In support of this position is the finding of Eriksson and Vaghult (2000) that relationship satisfaction increases customer retention greatly.

From our data however, the hypothesis that if repeat purchase by customers is high, then the customers’ commitment and trust to the network marketing for long-term relationship will significantly increase was not supported. The correlation coefficient obtained was $r = 0.131$ and $p > 0.05$ (see Appendix H). This means the relationship between repeat purchase by customer and their long-term commitment and trust to the firm was very low, weak and not significant. Thus, high levels of repeat purchase by customers do not necessarily ensure long-term commitment and trust by customers to the firm. Therefore at the 95% significance level, the hypothesis that if repeat purchases by customers is high then their commitment and trust to network marketing for long-term relationship will significantly increase was not supported. Our finding was supported by the assertion of Bennett and Rundle-Thiele (2004) that it is myopic to focus so intensely on only one (satisfaction) of the factors that influences repeat purchase. Our finding also supports the work of Bennett and Rundle-Thiele (2004) which states that the banking sector is a classic example of an industry where
customer satisfaction and repeat purchase are not positively related, although the PR hype from the banks would have you believe otherwise.

10.3.5 Altruistic behaviour

As far as the consumer is concerned most interactions involve discreet transactions which have little potential to develop into anything that would merit the label “relationship” (Barnes, 1997). If such circumstances exist then relationships can only be said to truly exist, if and when the customer says that there is one (Barnes, 1997) and not when the company marketing strategy suggests that there should be one. Relationship marketing it is suggested, is not altruistic but based on two economic arguments (Egan, 2001; Buttle, 1996). These can be described, perhaps over-simply, as the complementary views that existing customers are less expensive to retain than to recruit and that securing customers’ loyalty over time produces superior profits (Egan, 2001).

From the data, the hypothesis that if a partner’s perception of Executives’ display of altruistic behaviour is high then the exchange partners’ commitment and trust that his or her interest in a network relationship will be high was not supported. From the data, the correlation coefficient of $r = 0.130$, $p>0.05$ was obtained. This means that there was a weak but positive relationship between Executives’ display of altruistic behaviour and the level of commitment and trust of their exchange partners in a network relationship. The relationship was not significant since $p>0.05$. Therefore, the hypothesis that if a partner’s perception of Executives’ display of altruistic behaviour is high then the partner’s trust that his or her interest in a network relationship will be taken care of significantly was not supported. Our finding is at variance with that of Reichheld (1996) which suggest that retention is
best achieved through the development of supplier/customer relationships, which promotes customer satisfaction. However it supports the finding of Buttle (1996) that relationship marketing is not altruistic but based on two economic arguments.

### 10.4 Commitment and Trust Hypotheses Summary Table

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Impact on Network marketing</th>
<th>Test Results</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>H(4A)</strong> If Executives increase their adaptation or modification of products to suit customers’ needs or conditions then customers’ commitment and trust to the network marketing will significantly increase</td>
<td>Positive</td>
<td>Positive and significant</td>
</tr>
<tr>
<td><strong>H(4B)</strong> If Executives increase their bending over backwards for all customers then customers’ commitment and trust to network marketing for long-term relationship will significantly increase</td>
<td>Positive</td>
<td>Positive and significant</td>
</tr>
<tr>
<td><strong>H(4C)</strong> If Executives’ desire to share meaningful and timely information with customers is high then customers’ commitment and trust to network marketing through long-term relationship will significantly increase</td>
<td>Positive</td>
<td>Positive and significantly high</td>
</tr>
<tr>
<td><strong>H(4D)</strong> If Repeat purchase by customers is high then their commitment and trust to network marketing for long-term relationship will significantly increase</td>
<td>Positive</td>
<td>Weak and not significant</td>
</tr>
<tr>
<td><strong>H(4E)</strong> If a partner's perception of Executives’ display of altruistic behaviour is high then the partner’s trust that his/her interest in a network relationship will be taken care of will increase</td>
<td>Positive</td>
<td>Weak and not significant</td>
</tr>
</tbody>
</table>

### 10.5 Conclusion

This chapter covered descriptive analysis and discussion of findings of the following mediating variables on Commitment and Trust of Executives in the financial services: adaptation of products, bending over backwards, communication, repeat purchase and altruistic behaviour. The various hypotheses relating to Commitment and Trust were also tested and a summary of the results tabulated under section 10.4.

On adaptation of services, most Executives considered it to be extremely important for network marketing.
On bending over backwards, 56.6% of the Executives considered it to be important and very important. This category of Executives was made up of those who worked in the insurance sector and state owned firms.

On communication, 86.6% of Executives considered it to be very important and extremely important in relationship building.

Most Executives (61.2%) considered repeat purchase business as very important and extremely important. This category was made up of those from large non-bank and state owned firms.

On altruistic behaviour, 85.4% of Executives considered it to be high and very high. This category was made up of Executives from insurance and large firms.

To conclude, the issues of trust and commitment that impacted on the Executives network marketing were adaptation of products to suits customers, communications and bending over backwards.
CHAPTER ELEVEN
Summary, Conclusion and Recommendations

11.1 Introduction
This chapter provides a summary of the outcomes of the investigations that were outlined in the objectives and the hypotheses and the conclusions drawn out of the findings. The necessary recommendations for relationship managers, policy makers, the financial services sector and the academia have also been made.

11.2 Summary
The major goal of this study was to develop an explanatory framework for a better understanding of network marketing in LDCs and show how networking contributes to marketing in companies in the financial services sector in LDCs irrespective of size. The main objective therefore was to determine which factors (firm characteristics, personal contact, business contact, and mediating factors of commitment and trust) influence the network marketing efforts of relationship managers in financial services institutions in Ghana and to make recommendation for enhancing the marketing efforts of Executives in financial services institutions in Ghana.

Nohria and Eccles, (1992) define network as the structure of ties among the actors in a social system; these ties may be based on a range of connectors such as conversation, friendship, economic exchange or information exchange. Carson et al., (1995) however describe networking in a small firm context as: “… an activity in which the entrepreneurially oriented SME owners build and manage personal relationships with particular individuals in their surroundings (Carson et al., 1995, p. 201)”.

According to Chartered Management Institute (2004) Executives’ networks are the relationships with people whose interests are similar or whose friendship could bring
advantages such as job or business opportunities. Network marketing therefore is the loose co-operative relationship between executives/companies and their competitors, collaborators, suppliers, customers, employees, social contacts and other organizations affecting the overall marketing function.

In line with the objectives and the hypotheses of the study quantitative and qualitative methodologies have been used and are presented in Chapter 5. The qualitative interview allowed for an in-depth discussion with Chief Executive Officers on their firm characteristics, personal and business contacts as well as the issues of commitment and trust in their exchange relationships whilst the quantitative survey allowed for the testing of the hypotheses for the study.

The design of the interview schedule and the questionnaire were based on the evaluation and analysis of questionnaires used in similar studies but modified to suit the relationship marketing characteristics and activities. The data collected allowed for both quantitative and descriptive analysis of the responses to meet the objectives and the hypotheses of the study. The findings that emerged prepared the grounds for the conclusion and recommendations in this chapter.

11.3 Discussion of the Research Model

It must be noted that the objectives of the study were met. Not only did the study confirm the research model, but it also revealed that, to a considerable extent, network marketing is practised by the Executives in the financial services sector in Ghana. Although there were positive relationships between the dependent variable (level of network marketing) of the Executives and their independent variables (firm characteristics, personal contact, business contact, and the mediating factors of commitment and trust) the study revealed a very strong and significant inter-relationships between business contact, personal contact and the level of network
marketing. This means that though all the perceived factors tended to impact on Executives’ network marketing, they placed much emphasis on their business and personal contacts (see figure 11.1). This is a deviation from the original model which seeks to suggest the same level of impact between independent variables (firm characteristics, personal contact, business contact and commitment and trust) and dependent variable (network marketing).

Table 11.1 below shows the summary of hypotheses tested and differentiates those supported (s) and those not supported (ns) by our test. We then proceed to discuss only the hypotheses supported and their relevance to managers in financial institutions in LDCs.

**Table 11.1 Listing of significant and non-significant hypotheses**

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Path</th>
<th>R value</th>
<th>Sig.</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1A</td>
<td>Level of shareholding→ Nwk Mktg</td>
<td>0.024</td>
<td>p&gt;0.05</td>
<td>Not supported</td>
</tr>
<tr>
<td>H1B</td>
<td>Motivation to grow bus→Nwk Mktg</td>
<td>0.114</td>
<td>p&gt;0.05</td>
<td>Not Supported</td>
</tr>
<tr>
<td>H1C</td>
<td>Adeq. Fin. Res.→ Nwk Mktg</td>
<td>0.813*</td>
<td>p&lt;0.05</td>
<td>Supported</td>
</tr>
<tr>
<td>H1D</td>
<td>ICT → Nwk Mktg</td>
<td>0.423*</td>
<td>p&lt;0.05</td>
<td>Supported</td>
</tr>
<tr>
<td><strong>Aggregate factor</strong></td>
<td>Firm characteristics → Nwk Mktg</td>
<td><strong>0.115</strong></td>
<td><strong>p&gt;0.05</strong></td>
<td><strong>Not supported</strong></td>
</tr>
<tr>
<td>H2A</td>
<td>Family members → Nwk Mktg</td>
<td>0.089</td>
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</tr>
<tr>
<td>H2B</td>
<td>Colleague and friends→ Nwk Mktg</td>
<td>-0.038</td>
<td>p&gt;0.05</td>
<td>Not supported</td>
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<td>H2C</td>
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<td>0.272*</td>
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<td>Supported</td>
</tr>
<tr>
<td>H2D</td>
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<td>0.183*</td>
<td>p&lt;0.05</td>
<td>Supported</td>
</tr>
<tr>
<td><strong>Aggregate factor</strong></td>
<td>Personal contact</td>
<td><strong>0.204</strong></td>
<td><strong>p&lt;0.05</strong></td>
<td>Supported</td>
</tr>
<tr>
<td>H3A</td>
<td>Part. in Trade Assoc.→ Nwk Mktg</td>
<td>0.359*</td>
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<td>H3B</td>
<td>Perc of suppliers→ Nwk Mktg</td>
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<td>H3C</td>
<td>Contact with customers→Nwk Mktg</td>
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<td>H3D</td>
<td>Colla. with competitors→Nwk Mktg</td>
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<td>Not supported</td>
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<tr>
<td>H3E</td>
<td>Cordial rel. with empl.→Nwk Mktg</td>
<td>0.481*</td>
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<td><strong>Aggregate factor</strong></td>
<td>Business contact → Nwk Mktg</td>
<td><strong>0.278</strong></td>
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<td>H4A</td>
<td>Adaptation of prod. → Nwk Mktg</td>
<td>0.510*</td>
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<tr>
<td>H4B</td>
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<td>H4C</td>
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<td>Supported</td>
</tr>
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<td>H4D</td>
<td>Repeat purchase→Nwk Mktg</td>
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<td>p&gt;0.05</td>
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<td>H4E</td>
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<td>p&gt;0.05</td>
<td>Not supported</td>
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<td><strong>Aggregate factor</strong></td>
<td>Commitment and trust→Nwk Mktg</td>
<td><strong>0.087</strong></td>
<td><strong>p&gt;0.05</strong></td>
<td><strong>Not supported</strong></td>
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</tbody>
</table>
11.3.1: Firm Characteristics

On the impact of firm’s characteristics on Executives’ networking marketing, the results supported hypotheses on funding of relationship marketing and ICT deployment and usage as critical for Executives' network marketing.

Although Executives’ motivation was not supportive of active network marketing in LDCs, the study showed that the Executives’ affiliation with exchange partners was motivated by the desire for change. This was a demonstration that Executives in Ghana were not satisfied with the status quo and would want to do something different in their service delivery and be proactive in marketing of financial services.
For the desire for change to be meaningful, there is the need for management to support Executive network marketing efforts with adequate funding. Our research results showed that Executives who had adequate funding were more able to achieve meaningful network marketing levels. Adequate funding would make Executives more visible to their exchange partners and constantly have them on their mind. Resources into training of Executives in relationship marketing skills to equip them manage their relationships with exchange partners to the point where the relationship becomes the ‘substitute’ for the product or service. Network marketing is about developing relationships with actors in a network for commercial benefit and this must be registered in the minds of the Executives.

Our study supported the use of ICT for effective network marketing. Although LDCs may be lagging behind developed countries in term of ICT, yet, it is important for managers in LDCs to note that information technology is a source of competitive advantage. A company that does not learn and adapt to changing technology can face painful competition and may fall victim to competitors that switched their strategies to more technologically based relationships and advanced products and services.

11.3.2: Personal Contact Networks
Another objective of the study was to ascertain which members of Executives’ personal acquaintances impact significantly and positively on their network marketing. The study confirmed the Executives’ social relationship with politicians and sports as significant and positive on their network marketing activities.

There was a significantly positive relationship between Executives’ involvement in politics and their level of network marketing. This finding was with the backdrop that most Executives were cautious in their relationship with politician and thus had moderate level of political networking. Despite these reservations, our study showed that the appetite for associating with politicians was more pronounced with small firms, non-
banks and respondents above 41 years of age. Managers in LDCs need to strike a fine balance between their social relationship with politicians and the business returns from the relationship. The political influence on business will remain with LDCs as long as government remains the largest spender in the national economy. Most Executives will continue to live on the patronage of politicians.

There was positive but moderate relationship between Executives’ level of involvement in sports and their level of network marketing. This network marketing opportunity is however lost on the Executives in Ghana (particularly those above 30 years) as most of them considered sports to be only slightly important in network marketing. Some Executives interviewed, however, identified golf as a sporting activity that brings the cream of society together and they were of the view that golf offered business opportunities. Our study showed that there is a strong relationship between personal contact and business contacts. Consequently therefore, Executives need to exploit the opportunities that sports in general and golf in particular offer for network marketing; some business emphasizes should be placed on networking.

The challenge for the financial services sector, with particular reference to insurance and banking industries, is to make the right investment into sports and network with the sporting community for their marketing benefits. Some attention to the mass sports could bring meaningful returns for retail business within banking and insurance sectors.

11.3.3: Business Contact Networks

On Executives’ business acquaintances that impact significantly and positively on their network marketing activities, the study confirmed acquaintances with trade associations, suppliers, customers and employees as significant.

Our study showed that only 56 out of 124 who responded to our questionnaire belonged to trade associations. Importantly our study showed that there was a positive and high correlation of Executives’ level of participation in trade association and their level of
network marketing. Executives who patronize their trade associations found them useful in sharing best practice. Due to the dominant role of government in the national economy, the advocacy role of trade associations are rather limited. Despite this however, the benefits of trade associations in network marketing cannot be underestimated and it is important that Executives participate actively in their trade associations to reap the benefits of sharing knowledge and forming strong advocacy to give the financial sector a common front in pursuing policy issues.

Our research confirmed that the more Executives perceive business support and referral business from their suppliers to be high in their business continuity, the higher their level of network marketing. In Ghana, like most LDCs where there are no formal credit bureaus, large firms are synonymous with credit worthiness, whilst small firms are perceived to be risky. It therefore followed from our study that Executives from large firms considered suppliers as important or extremely important for network marketing. Since most non-banks were not allowed by law to advertise for deposits, they hold their suppliers of funds in very high esteem in terms of network marketing. Due to issues of credibility, age is very critical in relationship with suppliers as the older Executives who find acceptance with suppliers perceived them to be important or extremely important for their network marketing.

Increase in Executives’ level of interaction with their customers corresponded with increased level of network marketing through personal introduction and referral business by existing customers. The relatively high level of inflation in Ghana and for that matter LDCs made it important for Executives to have repeat purchase customers for business sustenance. Valued customers are therefore cherished and ring fenced for long-term relationship.

Our study supported the relationship marketing theory, which highlights the importance of personal interactions not just for individuals across firms but also employees within
firms (Hunt et al., 2006). The Executives were fully aware of the critical role that employees play in relationship marketing and as such, they had very cordial relationship with them. Investment in employees’ training in relationship marketing and supporting them with adequate funding to be active in social networks would yield meaningful business contact network results.

The aggregate effect of business contact on the network marketing of the Executives was significant.

11.3.4: Commitment and Trust

On how mediating variables of commitment and trust impact on Executives’ network marketing activities, the study supported the adaptation of products, bending over backwards and the desire to share meaningful and timely information with customers as strategy outcomes of commitment and trust.

Most Executives considered adaptation of services to be extremely important for network marketing. The intention is to use adaptation as a tool for relationship management for long-term benefits.

Bending over backwards by Executives to win the commitment and trust of exchange partners was supported. However, since the stock in trade of financial services is cash, it is important for managers to bend over backwards with circumspect. In LDCs where people think money borrowed from financial institutions is ‘free’, it would be important to educate exchange partners on the rights and responsibilities that exchange relationships impose on them.

Response from most of the Executives indicated that they considered the sharing of meaningful and timely information with customers to be very important and extremely important in relationship building. In LDCs where literacy rate is relatively low, it would be useful to improve the exchange relationships with increased investment in
communication activities. This is critical because interpersonal communication is important in attempting to understand issues of long-term bonding.

11.4 Conclusion
The study revealed that in practical terms, relationship marketing is being practiced by the Executives of the financial services institutions, but not all the factors were being emphasized on. So there still remains the fact that increased relationship marketing efforts in terms of firm characteristic and commitment and trust should be given due attention by management of financial services institutions in Ghana. However, network marketing demands time and persistence, adequate financial commitment, appreciable knowledge of modern marketing practices and the support of the very top and staff at all levels.

To conclude, it appears efforts at improving organizational excellence, and increasing productivity could well be achieved by increasing network marketing efforts with increased but equal emphasis on all the perceived factors of firm characteristics, personal contact, business contact and the mediating factors of commitment and trust. This will in no doubt enhance productivity, and increase the competitive positioning of financial institutions in LDCs where competition is gradually catching up.

11.5 Recommendations
The recommendations of the study have been grouped under LDCs literature, theoretical, managerial, and policy implications.

11.5.1 Contribution to LDCs Literature
This research is important in that it adds to the relatively small number of network marketing studies in LDCs. Most network marketing research carried out in LDCs were qualitative based due to the difficulties associated with carrying out surveys in LDCs.
Since there were not many previous studies on LDCs for comparative analysis, it is important that exploratory and descriptive studies which have been limited in LDCs receive much attention (Samir et al., 1997). Due to this limitation, Gibb (1992) and Kirby (1995) suggested the use of stepwise “stage” approach that involves an initial exploratory qualitative research aimed at developing initial insight or understanding into a firm’s activities to be followed by quantitative research intended to identify the specific practices of the firm. Kirby (1995) suggests that each research stage builds upon what has been learned in previous stages, in making an incremental contribution to the established knowledge base, thus allowing researches to provide an in-depth and focused analysis of firm activities.

Kirby (1995) concludes that the debate is not about either a ‘qualitative’ or ‘quantitative’ approach, but developing a research design, which is appropriate for the issue under investigation.

What is important for us is that, this research benefited from the stepwise “stage” approach of Gibb (1992) and Kirby (1995); it combined both quantitative and qualitative methodologies to explore network marketing activities of Executives in LDCs. The backing up of qualitative work with quantitative survey in LDCs environment really offered the opportunity to expand LDCs literature.

11.5.2 Theoretical Contributions
From a theoretical contribution, this research is important for the following reasons. First, marketing literature dealing with the conceptualization of network composition has often been structured along business to business network and personal contacts of owner managed entrepreneurial firms (Fuller-Love, 2004; Zeffane, 1995; Hill et al., 1999) and there appears to be little evidence that owner-managers and non-owner managers have been studied together in a single study of network marketing. This research however...
went beyond owner managers to include non-owner managers or professional managers as relationship managers in the unit of analysis.

Secondly, there is the perception that there is lack of adequate managerial, finance and marketing know-how in LDCs and that Executives are appointed by governments directly or indirectly and some key staff are recruited on a ‘personal connection’ basis (Lwiza and Nwankwo, 2000). Despite the above perception, it is clear from our study that Executives in financial institutions in Ghana, irrespective of their training and or ‘connection’ do practice some level of network marketing. Although the works of Frazier and Niehm (2004) stated that network paradigm is particularly appropriate in LDCs where residents rely more heavily on primary group relationships and close personal ties, our study showed that Executives in financial institutions in Ghana rely on their personal and business contact networks to achieve networking results.

Finally, although the concept of networking has often included personal contacts and business contacts as a construct in a study (Hill et al., 1999), there appears to be very little research in LDCs, which combined firm characteristics, personal contacts, business contacts and commitment and trust in a single study. Our study combined these variables and the use of ANOVA confirmed that firms with owner manager character were more involved in network marketing than those with professional managers. Similarly, the network marketing of Executives who studied marketing was significantly higher than those who studied other courses. The adequacy of resources available to Executives for networking was very critical to the success of their network marketing activities.

11.5.3 Managerial Contributions
Mitchell (1969) proposed that potential members of a person’s network are those people who within certain norms might be expected to provide that person with some specific service or support or alternatively might expect him/her to provide them with some
specific type of service or support. Mitchell (1969) states that potential members of a
person’s network may not be activated and that it is only those people who become
involved in some social exchange or transaction who become links in the personal
network. There is therefore some element of choice in the make-up of a person’s
network. The network marketing activity of Executives confirmed the finding of Morgan
and Hunt (1994) which perceived marketing as engaging in valued relationships not only
within customer markets but also in supplier markets, employee market, referral and
internal markets.

In line with the finding of Mitchell (1969) there is no doubt that network marketing is a
choice the Executives in LDCs have to make. In the financial services sector in LDCs
where products are homogeneous, there is increased focus on price as differentiation
decreases. Executives therefore need to keep long-term relationship with their exchange
partners to remain competitive. Since it is cheaper to maintain an existing customer than
win a new one, Executives would be better off ring fencing their valued customers
through network marketing. Indeed existing customers are the best security for
continuing business.

Management of firms in financial services sector in LDCs would have to make a
commitment to client relationship marketing as there is decline of traditional mass
marketing techniques and as customers become more discriminating and demanding.

The appearance of technological developments that provide new solutions and products
would mean management would have to make ICT resources and funding available for
network marketing activities. The changing nature of markets, particularly the increase
in competition and development of fragmented, regional, and/or global markets should
draw management’s attention to the fact that global competition is even extended to
LDCs. There are many external players in the financial services sector in Ghana and it
behoves on management to try to know its customers and adapt or modify products for
their needs. Since the local markets are relatively small, it would be expedient for management to have active participation in trade associations, form strong advocacy groups to protect the local market, ensure the enforcement of rules and regulations which work in the interest of the financial services sector, demand better regulation and also fight for the reduction of the influence of government’s participation in insurance business. Pursuing an agenda for establishing credit bureau would enhance the quality of credit in the financial services sector. This would improve the relationship between SMEs in the financial services sector and their suppliers.

It is also important for Executives to come to the awareness that insurance is a shared business and that it is important to collaborate with competitors by sharing business and by so doing reduce the exposure level of individual firms. Small firms in the banking sector would also have to collaborate with other firms through syndicated deals. This could offer them the opportunity to better manage their risk as well as remain competitive.

Although Executives appreciate the role of employees in their businesses, it is important to continuously train them in relationship/network marketing activities for its long-term benefits.

In conclusion therefore, it is important for Executives to network, and the critical contacts in LDCs are the personal and business contact networks.

### 11.5.4 Policy implication

The study concluded that business contact networks are the most effective of the Executives’ network marketing in financial services sector in Ghana. It is therefore important that state policies are directed towards enhancing the business environment within the financial services sector. The governor of the Bank of Ghana has observed that the macroeconomic instability of LDCs has fostered a short-term perspective, among both savers and lending institutions. One third of all bank deposits are demand deposits,
and terms for bank loans rarely extend beyond one year (Acquah, 2003). Policy makers should respond to the observation of the governor by creating macroeconomic stability in Ghana in order to develop a long-term financial services sector. The government should stop crowding out the private sector from the money market. This would enable financial institutions compete for the attention of their customers and develop long-term relationship with them. As the governor put it, the bulk of banks’ resources are absorbed by the public sector.

According to Yamoah (2006) the Ghana Stock Exchange (GSE) has in recent times been attracting companies and investors from across the world to list on or invest in its market. Sowa (2003) concurred that there is no doubt that the GSE has the potential to attract long-term financing of investment in Ghana. What is missing, however, is the relationship marketing between the Executives of the GSE and its existing investors and potential investors. Indeed if firms could easily raise long-term funds on the GSE, the banks and other financial institutions in Ghana would be compelled to double their relationship marketing efforts to be able to remain competitive. Our recommendation to policy makers is that, for the financial services sector to function as the life-blood of the economy, the marketing activities of the GSE must be enhanced to show its potential.

Government should desist from being a regulator and a player in the same market. As government remains the majority shareholder in financial institutions, its neutrality and trust as a regulator is compromised. Laws that guaranteed market share for government owned insurance firms should be reviewed. Government should also ensure that existing laws that were intended to enable the insurance industry participate in the country’s external trade activities, through marine imports are enforced. The enforcement of such laws would deepen the insurance market and make increased investments in the insurance
industry more meaningful. Increased investments will therefore bring in skills, technology and training in relationship marketing.

Critical attention to regulatory environment including regulatory education is important to facilitate healthy relationship between financial institutions and regulators for the development of the financial services sector of the national economy. Acquisition of industry specific knowledge by regulatory agencies would help eliminate the rancour between non-bank financial institutions and the regulatory agencies. As a regulated sector, the entry barrier for existing and potential players should be reviewed regularly to reflect the size of the national economy and also admit only serious minds.

There is the school of thought that, the concepts and techniques of marketing are applicable in developing countries but the lack of adequate marketing knowledge and shortage of marketing expertise are perceived as barriers to the applicability of the discipline (Osuagwu, 2006; Dadzie et al., 2002; Kaynak and Hudanah, 1987). From our data, 16 out of 124 (12.9%) respondents studied marketing and if the assertion of Sowa (2003) that finance is the life-blood of the economic system and the financial system is the vessel that carries this life-blood through the economic system, then those who manage these financial systems must be given adequate measure of marketing knowledge. Policy makers should therefore link up with educational institutions to pay more attention to marketing and business education.

11.8 Limitations
The study is limited as the sample taken did not include rural banks, which are located in the country side; hence statistical inference to the total population of financial services sector in Ghana is limited.

The study looked at the aggregate effect of each of the four factors namely firm characteristics, personal contact, business contact and the mediating factors of commitment and trust on the networking marketing of the Executives as well as the
inter-relationship between the independent factors. The study, however, did not address the inter-relationships between the indicators of each of the four independent variables. The study was based on cross sectional data, while relationship marketing or network marketing is a process that spans over a period of time. Causal links among the variables can therefore not be clearly established. Longitudinal data would have enhanced the quality of work but the limitation of time would not permit us to pursue that route. The model developed therefore suffers from this limitation. To compensate for this however, our hypotheses benefited from the initial exploratory research where respondents took us through their network marketing activities, which span over at least five years. Additionally, our hypotheses were developed based on existing theories and empirical research, hence having positive effects on the validity of the results. In this regard, longitudinal data may be required to control differences in time and its effects on the research results.

The results were based on the perception of members of the financial institution without any reference to customers or exchange partners; undoubtedly data collected from dyadic sources could have enhanced reliability and validity of the study. In view of this limitation, efforts were made to interview Chief Executive Officers who ultimately receive complaints from customers and exchange partners. Additionally many relationship officers who were closer to exchange partners were involved in the quantitative study to collaborate the testimonies of the Chief Executives. Finally, it must be said that data collected from both Chief Executives and relationship Executives was based on self-reporting and we did not verify these from any other independent source; we assumed what the respondents told us to be true.
11.9: Future Research

This study focused on Executives as unit of analysis without reference to the perception of exchange partners who are suppose to be part of the network. Grönroos (2000) argued that service encounters are a process and that even a single encounter includes elements by which a relationship between service provider and the customer can be built. But who perceives that there is a relationship? It is therefore suggested that a dyadic study involving relationship Executives and customers in Ghana would arrive at a better understanding of the level of network marketing existing between relationship Executives and their exchange partners in LDCs.

Finally, an appraisal of the professional capabilities and experience of the relationship managers in the financial services institutions in Ghana can be conducted to evaluate the training needs and requirements of the staff who are employed for such positions. Most relationship managers are not marketing professionals or had no higher education in marketing and they are not motivated to undertake courses to upgrade themselves and develop their skills in this era of globalization, technological inventions and increased competition.

The End