

# EDITORIAL

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**Martinette Kruger, Armand Viljoen** and **Melville Saayman** conducted a research project to investigate the visitors to Africa Bike Week, considered South Africa's premier biking event. Motorcycle tourism has received international research attention, especially in the US, but to date has been neglected in South Africa. From their results it is noted that more behavioural than socio-demographic variables influenced spending at this event. Visitors' motorcycle behaviour and group composition had a significant effect on higher spending. The analysis identified three new determinants of spending: the travel motives lifestyle, event attractiveness and event novelty.

The South African Institute of Chartered Accountants (SAICA) developed the Academic Traineeship Programme (ATP) to give trainee chartered accountants (CAs) the opportunity to complete one of their three training years in an academic environment. The structure and guidelines of the ATP should be reconsidered given changes in the overall CA (SA) Training Programme (e.g. increased focus on the development of the prescribed competencies, especially pervasive skills) and in the academic environment (e.g. increased emphasis on research). **Petra Warffemius, Lukas Kruger** and **Gretha Steenkamp** present the findings of a study that surveyed current academic trainees and found that they spend most of their time on the presentation of tutorials, marking of assessments and student consultation. The surveyed academic trainees believe that stricter guidelines for how they spend their time would be beneficial; also, they would prefer to do more lecturing and research. Guidelines are then proposed based on an inclusive stakeholder model and on SAICA's Competency Framework, which shows increased focus on research and the setting of assessments.

In her article **Monique Keevy** investigated whether collaborative learning exercises can effectively develop SAICA's pervasive skills and provide evidence on the extent to which SAICA-accredited academics use collaborative learning exercises and how effective they view this method to be in transferring pervasive skills to students. Her literature review found strong support for collaborative learning exercises being effective in the development of all pervasive skills. However, the empirical work provided evidence that not all academics employ collaborative learning exercises in their academic programmes and not all consider this method effective in attaining SAICA's pervasive skills. While this apparent shortcoming may exist, there is potential for academics to work in collaboration with each other and SAICA on methods that can result in the transfer of pervasive skills to students.

In their article **Sybil Smit** and **Gretha Steenkamp** determined the extent that an academic programme at a university (before the effective date of the guidance) had developed the compulsory skills and then to proposed changes to the academic programme in underdeveloped areas. It was found that most skills were addressed in the academic programme but certain

pervasive skills (leadership, innovation, understanding the environment, teamwork and communication) had not been well developed.

Recent research has shown that in both developed and emerging market economies, the labour share of national income has exhibited a declining trend since the 1980s. Research investigating the problem of high unemployment in the South African economy has inferred that this problem arises partly because of past and current socio-political conditions, low rates of economic growth, labour market rigidities, globalisation and institutional arrangements. As the labour absorption capacity is rather low, many people are unable to earn an income from an engagement in the formal labour market. With no recent published research investigating this phenomenon in the South African context, **Irrshad Kaseeram** and **Darma Mahadea** conducted research in an attempt to shed some light on the problem. Using yearly data from 1946 to 2013, the study employs the Kalman filter methodology within the standard Cobb-Douglas production function framework to investigate how labour and capital shares as well as total factor productivity have been behaving in this period. The results indicate that the share of total income going to labour has decreased over the long run, while that of capital has increased.

The issue of board diversity has been widely debated. Given the lack of conclusive empirical evidence, **Nadia Mans-Kemp** and **Suzette Viviers** investigated the relationship between gender and race board diversity and the financial performance of South African companies. Their sample covered 1 542 annual observations over the period 2002 to 2012. The percentage of female and black directors of JSE-listed companies increased significantly over the research period and a statistically significant positive relationship existed between the percentage of both female and black directors and earnings per share. In contrast, a statistically significant negative relationship was found between the percentage of both female and black directors and total shareholder return. Given the lack of a clear business case, the question arises as to how board diversity on the JSE can be encouraged. T

The merchant cash advance is an emerging lending product designed to address the need to maintain cash flows and is essentially the business equivalent of a “payday” loan. **Eduard Kilian** and **Rudie Nel** investigated the taxation consequences of merchant cash advance transactions in South Africa, in an attempt to provide guidance which is currently lacking. Although it is posited that a merchant cash advance is a form of debt factoring, the income tax treatment of the initial advance and the resulting discount reflect that of a loan. Through the investigation it was determined that merchants will be able to deduct the discount and processing fees from income. The merchant cash advance service provider will include such discount and processing fee in ‘gross income’. The initial advance and any resulting discount are held to be a ‘financial service’ and therefore an exempt supply for VAT purposes, with the processing fee constituting a taxable supply.

Local economic development (LED) is a process encompassing mobilisation of resources for competitive advantage by locally-owned or managed courses of action, identified through participation and social dialogue, in a strategically defined territory. LED based on sound business principles can contribute to economic growth, job creation and poverty alleviation. Agriculture remains one of the most labour-intensive goods-production sectors with substantial employment linkages. **Claudia Ariatti** and **Mihalis Chasomeris** investigated whether agriculture can provide an effective strategy for LED in uMshwathi Local Municipality, District Municipality of uMgungundlovu, KwaZulu-Natal, using case study approach. LED theories applied embody the principle of value-adding risk management. Locational development-inducing factors and high

potential agricultural land for smallholder and organic farming provide comparative and competitive advantage.

Due to South Africa's high unemployment rate and large uneducated population, consumers' low savings levels and high debt levels are of concern. Previous South African research in the domain of financial behaviour focused only on the population's debt and savings behaviour and the statistics thereof. **Chantal Rootman** and **Xolile Antoni** conducted an exploratory study investigating aspects relating to financial literacy, financial inclusion and financial behaviour, specifically among black consumers in Nelson Mandela Bay. A total of 335 black consumers were respondents in an empirical investigation. The main results showed that saving and responsible spending behaviours can be improved as consumers' financial knowledge and inclusion increase. Based on the results, the article presents conclusions and recommendations regarding the financial education necessary to improve aspects relating to financial literacy, financial inclusion and financial behaviour.

Gauteng, the economic centre of South Africa, attracts many migrants from across the African continent and other regions in South Africa. **Talita Greyling** constructed a composite index comparing the quality of life of cross-border, internal migrants and the native population of Gauteng. The results of the study showed that, although there are statistically significant differences between the mean quality of life scores of the groups, the effect size approaches zero. This suggests that migrants and non-migrants experience almost equal levels of quality of life in Gauteng. This result contradicts findings in existing literature that measures well-being.

The private health care industry is facing uncertainty and change as a result of the market inquiry being undertaken by the Competition Commission into the private health care industry, the introduction of the National Health Insurance and the possibility of fee regulation. **Gideon Botha** and **Frans Vermaak** conducted a study to determine the extent to which activity-based costing is used within the operations of private health care facilities in South Africa. A structured online questionnaire was used to collect the primary data. This study found that the level of activity-based costing adoption at a health care facility level increased from 1.2% in 1994 to 31% in 2013. This increase in the level of activity-based costing adoption indicates that the private health care facilities are willing to adopt and use innovative management tools and techniques to face their current challenges.

**Peter Baur** and **Gideon Els** endeavoured to construct a model that links the gap between returns to an investment in 'Fine Art' and the 'real' price of the 'Fine Art' being traded. Art prices are usually set in the primary market through the auction process, which should also typically reflect an efficient way of creating shared value. As the auction process in the primary art market is not efficient; it does not create shared value as would occur in a typical free market structure. Artificial rigidities exist within the primary art market; thus the links between the primary art market and the secondary art market are shown by incorporating the concepts of the 'Value of Information' and 'Strategic Uncertainty' into the transmission mechanism.

**Chiedza Ndlovu** and **Paul Alagidede** examined the factors that determine the return on equity (ROE) of financial companies listed on the Johannesburg Securities Exchange (JSE). Two empirical strategies were adopted: the DuPont model and a multifactor Arbitrage Pricing Theory (APT). Using the financial data of 73 companies and macro-economic indicators from 2002 to 2012, the study found that there was a positive relationship between profit margin and ROE, which can be enhanced if managers employ cost leadership strategies. Companies with predictable cash flows can afford high levels of debt and therefore high ROE, while companies

characterised by unpredictable market conditions should use debt with caution. They found a positive relationship between interest rates and ROE for banks, insurance and real estate companies, which may suggest that managers employ short-term duration gap strategies in managing assets and liabilities mismatch rather than relying on long-term strategies. Inflation for banks, insurance and real estate companies is inversely related to ROE, and financial firms are better off immunising their portfolios against revenue erosion.

The difficulties of exporting require immense commitment on the part of owner-managers of SMEs. **Zuko April** and **Colin Reddy** sought to investigate how the commitment of owner-managers to the export market influences the export capacity of SMEs in a developing country context such as South Africa. It found that export commitment influences export capacity indirectly by means of the SME's export capabilities and confirms the importance of an experiential learning process in the case of SME exporters within developing countries. The article emphasises the importance of the SME owner-manager's commitment to set upon the often difficult and energy sapping experiential learning process for developing export capacity. Up to now, much of the literature on SME internationalisation from developing countries addresses what factors contribute towards their internationalisation but not how they internationalise.

In their article **Jonathan Muchnick** and **Umakrishnan Kollamparambil** looked at the determinants of joint-liability lending repayment performance among the two largest microfinance group-lending organisations in South Africa. Most empirical work on repayment performance does not focus on the characteristics of group-based lending methodologies. This study is an attempt to fill this gap in South African microfinance literature. The results of the logit analysis uncover interesting findings. The study uses the Poverty Wealth Ranking score variable to show the ability of individuals with little or no collateral to be good borrowers. Smaller loan sizes are found to perform better than larger loans. An important contribution of the article is analysing the impact of group homogeneity on repayment performance. It was found that large group sizes and groups made up of male and female (as opposed to groups with only females) can have a negative impact on repayment performance. The findings also indicate that the more homogeneous a group in industry type the better the repayment performance.

Understanding the key elements of the drivers of strategic innovation remains elusive. Limited research has been conducted on these drivers in a South African context. In this study, **Lelani Maree** and **Kieran McKenzie** conducted semi-structured interviews with innovation specialists of five participating banks to explore the key elements that constitute the drivers of strategic innovation in South African banks. The findings indicate that the elements of the drivers of strategic innovation, as outlined in the literature, were evident in the participating banks and that the exploration of these elements provides a good starting point for South African financial service companies to build innovation capacity.

In their article **Elmar Gräter** and **Jean Struweg** furthers the work on efficiency of developing markets with specific focus on the JSE Limited. Empirical work on the efficiency of the JSE has been mixed; evidence both in favour of and against weak form efficiency is prominent. If markets are efficient new information immediately influences market prices; accordingly, prices follow a random walk and investors will not be able to continuously earn abnormal returns. Both the Augmented Dickey-Fuller and Phillips-Perron tests were employed to test whether the JSE followed a random walk between 1999 and 2014. The null hypothesis ( $H_0$ ) for both tests is that the series of logarithmic returns has a unit root and is therefore weak form efficient. In both tests this  $H_0$  is rejected, which proves that for the period under analysis the JSE was not weak

form efficient. The influence of factors such as market size and liquidity on efficiency is also discussed.

In his article, **Hardus van Zyl** wanted to determine the impact that various incentive schemes have on employee productivity in the South African workplace. A firm-based model was used to estimate the dimensional relationships (different skill levels, gender-mix, firm size, firm-sponsored training incentives) of the incentive scheme-employee productivity link. The main conclusions of the study are, that finance-based incentive schemes (especially performance-linked bonus schemes) have a greater positive impact on employee productivity for the higher-skilled segment and that non-financial incentives (especially consultative committee incentive schemes) have a greater positive impact on employee productivity for the lower-skilled segment.

Section 11(bA) was recently deleted and replaced by section 11A in the Income Tax Act No. 58 of 1962. Section 11(bA) and section 11A determined the income tax treatment of qualifying pre-production interest incurred. **Gerhard Barkhuizen** and **Leonard Willemsse** focused on whether or not pre-production raising fees incurred by the taxpayer during the expanding of an existing trade will be deductible in terms of section 11(bA) or section 11A. This article investigates the interaction between sections 11(bA), 11A and 24J of the Act in order to determine the difference in the income tax treatment between these sections for the pre-production raising fees incurred.

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