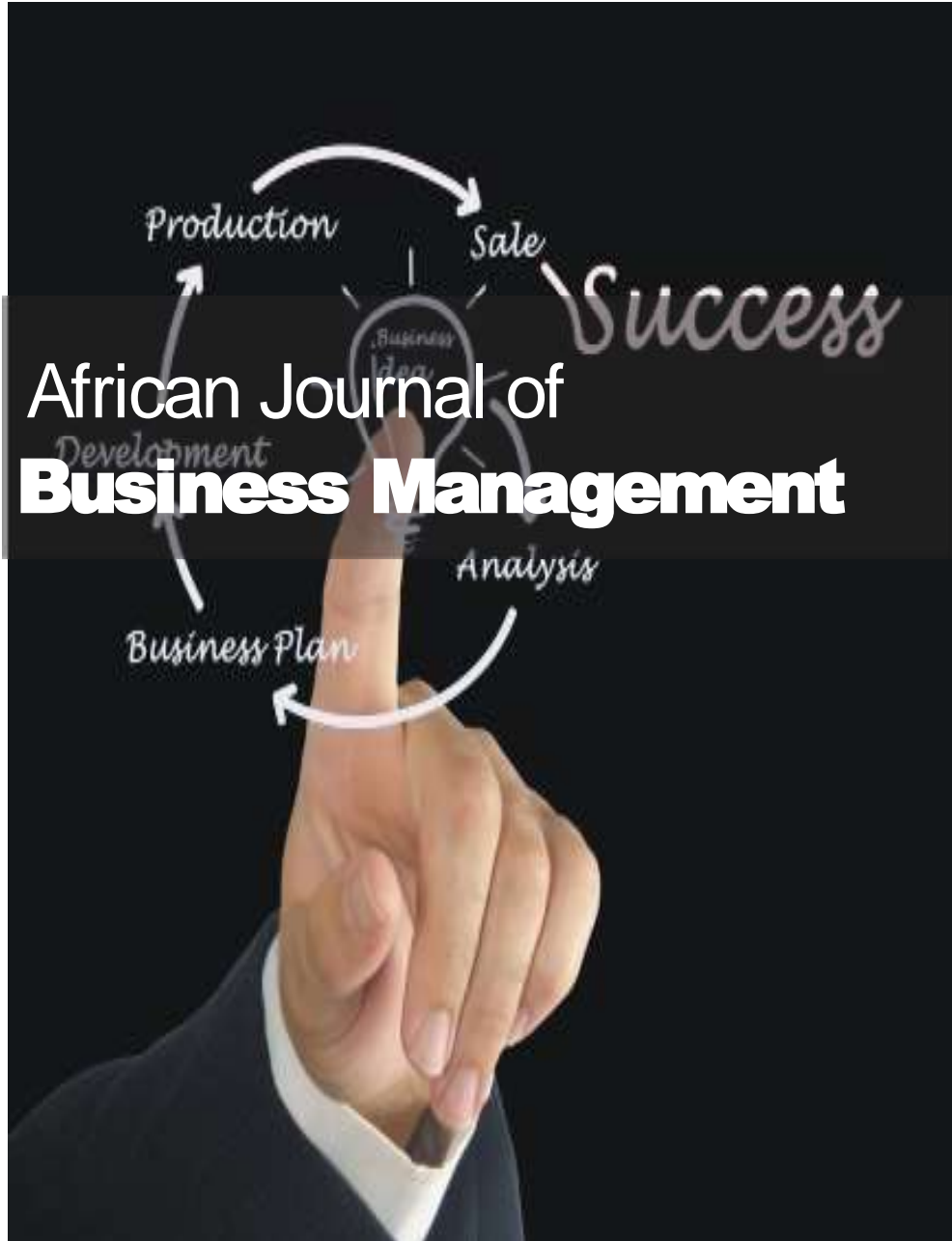


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# How do teams become effective? A literature review and implication for Ethiopia

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Teams have been recognized as the heart of organizations in previous decades and proved to be so in the current situation. However, in recent years different global forces have pushed organizations to their limit and forced them to restructure work and teams. Thus, this paper reviews articles on team effectiveness from 2000 to 2017 with the help of Google Scholar Search Engine using key words “teamwork” and “teamwork effectiveness” and suggests strategy for teamwork effectiveness. The reviewer found that most studies focused on the input-process-output framework. However, recent studies improved the linear relationship found in input-process-output framework and introduced the advanced input-mediator-output framework. Based on this framework, organizational and team context factors were categorized under the input side. Whereas, processes and emergent states were considered as part of mediators and finally multiple criteria (performance, viability, and satisfaction) were used for explaining outcomes. Therefore, the reviewer concluded that organizations and their teams are dynamic that need more explanation through complex frameworks. The reviewer also suggested common clear goal, indoctrinating teamwork ideology, rewarding hard working teams, using diversity as an opportunity, and inform leaders and team members about team effectiveness frameworks as a strategy for teamwork effectiveness. Additionally, the reviewer recommended for future researchers, to come up with mixed (qualitative and quantitative) studies concerning teams in dynamic organizations. Finally, organizations in Ethiopia are advised to exercise current knowledge of team effectiveness that focuses on systems and team design, training and development, and leadership.

**Key words:** Inputs, mediators, outputs, team, team effectiveness.

## INTRODUCTION

Teams and teamwork are the most influential terms in the life of human beings starting from the time where our ancestors came together to search for their food, to lead their families, and to protect their community (Kozlowski

and Ilgen, 2006). Over the last four decades, teams have come to be considered as not only a basis for social organization but also a hub in the functioning of organizations (Gibson et al., 2007).

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An organization refers to an entity that is systematically arranged to perform tasks with the help of group of people who have specialization and intention to achieve a common goal (Schermerhorn et al., 2010). During the past 30 years, different forces shaped the nature of work in organizations. According to Bell and Kozlowski (2010), strategic, technological, and economic forces have obliged organizations to focus on team oriented structures. Similarly, given the understanding of the importance of teamwork, substantial research works during the past few decades have been done to understand team work effectiveness. According to Schermerhorn et al. (2002), teams can be defined as groups of people who work actively, jointly and holding accountability to achieve a common purpose.

Despite all the trends during the past decades, there is a debate over which framework to use while assessing team effectiveness. The input-process-output (IPO) framework has been criticized for not including variables that can mediate the complex relation between input and outcome (Rico, et al., 2011). On the contrary, input-mediator-output (IMO) framework is widely used to represent the dynamic work environment.

In Ethiopian context, growth and transformation plan (GTP II) government has given much emphasis to reform tools (like 1 to 5, Balanced Score Card System, Kaizen...) to enhance capacity and good governance (Ethiopian Ministry of Finance and Economic Development [MoFED], 2010). However, without understanding the environment in which teams work effectively in organizations it is difficult to implement those reform tools. Thus, this review provides a strategy in which teams operate effectively in Ethiopian organizations through review of various articles.

## Research questions

The reviewer developed the following research questions:

- (1) What strategies should be developed to make teams effective in Ethiopia?
- (2) What is the implication of IMO framework for Ethiopian organizations?

## LITERATURE REVIEW

### Teams and team effectiveness

Various definitions of teams were forwarded by different scholars and most of the definitions are similar having slight differences. Teams are groups of two or more individuals who interact socially, possess one or more common goals, and are brought together to perform organizationally relevant tasks by exhibiting

interdependencies with respect to workflow, goals, and outcomes by having different roles and responsibilities, and are together embedded in an encompassing organizational system with boundaries and linkages to the broader context and task environment (Kozlowski and Ilgen, 2006 cited in Kozlowski and Bell, 2003).

Following organizations' developed experience and appreciation to teams, methodological and theoretical researches in measuring the team work effectiveness were the leading themes (Goodwin et al., 2009). Team effectiveness, thus, refers to the coordination of team members' work activities for the sake of accomplishment of common goals or objectives (Irving and Longbotham, 2007).

### Team effectiveness framework

Teams are sources for accomplishing important tasks and bringing satisfaction among members in the organization. Being aware of the all-encompassing importance of teams in organizations, it should also be noted that teams are not always in a perfect track and team members are not always satisfied (Schermerhorn et al., 2010).

In order to put teams in the right track, it is important to have some criteria so that they will be effective. Accordingly, effective team is one that performs tasks with high quantity, quality and within the schedule; whose members' are satisfied and have a common intention to work together on sustainable basis (Schermerhorn et al., 2010).

Despite some differences among researchers (Goodwin et al., 2009; Kozlowski and Bell, 2003; Kozlowski and Ilgen, 2006; Mathieu et al., 2008; Sundstrom et al., 2000) in the usage of models, they can all be considered to have been based on IPO model, which was advanced by McGrath (1964).

### The input-process-output (IPO) model

The IPO model is one of the dominant frameworks during the past forty years (Kozlowski and Ilgen, 2006) that explains teamwork effectiveness framework by explaining the composition, structure and processes of teams. Besides, the IPO model dictates that team structure is influenced by organizational and situational factors and this in turn affect input, process, and output (Rico et al., 2011).

### The input-mediator-output (IMO) model

The IPO models have been considered as deficient in differentiating various types of "processes" and outcomes (Ilgen et al., 2005). As stated by Rico et al. (2011) "the IPO model has received substantial criticism because of

**Table 1.** IMO framework definitions and components.

Variable	Definition	Components	Source
Input	Teams external and internal set of resources.	Rewards, organizational culture, team composition, knowledge and skills of its members, group structure, and task design.	Rico et al. (2011)
Mediator	“Mediators consist a set of psychosocial mechanisms that permit team members to combine the available resources for performing the work assigned by the organization, overcoming the difficulties involved in the coordination and motivation of their members”.	processes, emerging states and mixed mediators (like team confidence, empowerment, team climate, cohesion, trust, and collective cognition, team learning, behavioral integration, transactive memory)	Rico et al. (2011) and Mathieu et al. (2008)
Output/outcome	End results achieved by the team	Objectively assessed performance, member satisfaction, viability (degree to which team members want to stay together) and innovation	Mathieu et al. (2008) cited in Gil et al. (2008)

Source: Reviewer's Compilation (2016).

its inability to incorporate the temporal and recursive aspects imposed on teams by development and feedback as well as its unitary, simplified and opaque treatment of team processes. Thus, such criticism has led to the development of alternative models that can describe the complex team functioning in modern organizations”.

### Social loafing and team problems

Teams are not always effective as they may encounter failures that can hinder their potential to productive performance. People may tend to refrain from working hard in a group whereas the same people exhibit better performance when they work individually. Such poor tendency is referred to as social loafing or the Ringlemann effect. Most of the time, leaders are advised to establish/keep small sized groups and redefine individual employees' share of duty. By doing so free-riders will be vulnerable and peer pressures to perform are more likely. It is also important to increase accountability by making individual performance expectations clear and specific and making rewards directly contingent on an individual's performance contributions (Schermerhorn et al., 2010).

### METHODOLOGY

The reviewer has selected teamwork effectiveness as a review area as it is a critical concept in Ethiopian reform tools implementation process. Besides, the reviewer discussed the issue with experts working in the area and mapped the entire review activity. Following this, the reviewer set few criteria to collect research papers conducted in the topic of interest. The criteria are journal articles

published with ISSN or DOI, articles published between 2000 and 2017, and articles published in indexed journals. With regard to the search engine, Google Scholar Search Engine was used using search words “team work” and “team work effectiveness”. In addition to the aforementioned process, the reviewer screened titles and abstracts of 49 journal articles and came up with 37 relevant articles using aforementioned criteria. Besides this, the reviewer brought different findings in team effectiveness and tried to narrate the team effectiveness framework findings focusing on IMO model (Table 1). Finally, the reviewer forwarded teamwork effectiveness strategies for Ethiopian organizations, recommended for future research and showed the implication of IMO model for Ethiopian private and public organizations (Figure 1).

### REVIEW OF FINDINGS

Considering the IMO model for team effectiveness as an advanced and multi-dimensional one, the reviewer has collected various research articles and came up with the review of findings within the IMO framework. Accordingly, the findings are presented with inputs, mediators, and outcome headings.

#### Inputs

Training and training policies are part of the input side that have impact on team effectiveness. Supporting this, a recent meta-analysis confirmed that teamwork training has a positive effect on teamwork behavior and team performance (McEwan et al., 2017). Besides, training can improve teams' objective performance and supervisors rating for the team (Salas et al., 2007). Additionally, organizational design has been found to have influence on work teams in an environment where there is system



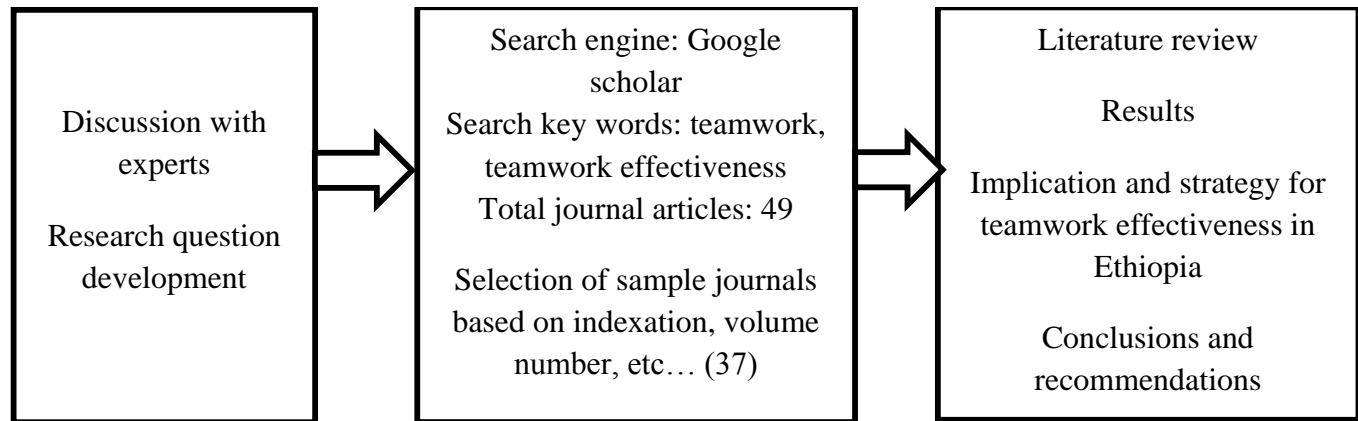


Figure 1. Processes of the review activity.

of high involvement and coordination between teams (Rico et al., 2011). Cummings and Haas (2012) also stated that high involvement in the team leads to higher team performance.

On the other hand, teams' productivity was affected by high-involvement systems (Spreitzer et al., 1999). Group processes and participation in decision-making processes were found to be facilitated by climate of openness (Mathieu et al., 2007). The positive relationship between members' perception of organizational support and team potency is mediated by group processes with the former having positive impact on the later (Kennedy et al., 2009).

The relationship between cultural context and organizations as a whole is developing but few studies explain how quality of culture and service quality provided by teams in organizations are affected by national cultural differences (Gibson, 2003).

Teams design (autonomy and coordination) and performance were found to be associated in previous studies and it was reported that presence of higher autonomy and coordination in the team were related to better performances. However, the effect in the association changes in magnitude based on the type of task performed (Stewart, 2006).

Team processes nowadays can be expressed from dynamic communication pattern perspective (Gorman et al., 2010) as having effect on organizational outcomes like helping behavior, trust, communication, and conflict. In the meantime, task interdependence was found to have positive modulating effect on the relationship between team processes and organizational outcomes (Bachrach et al., 2005; Rico et al., 2009; Stewart and Barrick, 2000). Besides, De Dreu (2007) reported that improved learning, quantity of information shared and team effectiveness have positive relationship with goal interdependence. With regard to conflict, De Dreu and Weingart (2003) in their meta-analysis reported that team performance was negatively related to relationship and task conflict. Additionally, Scott and Wildman (2015) in

their review assumed that dysfunctional conflict in virtual teams can be considered as an emergent state as it brings chaos. On the contrary, constructive/functional conflict is part of the process that supports virtual team effectiveness. According to Zoogah et al. (2015) there is a strong positive association between communication and team performance given that there is top management involvement.

Virtuality in organizations emphasizes on the absence of traditional organizational structure and this has led to the development of research results that explain virtuality in comparative terms. Supporting this, Martins et al. (2004) stated that many researchers brought results focusing on comparative explanations like traditional team versus virtual teams and they managed to show how virtual structures/teams modify the relationship among team participants. Though virtuality increases level of empowerment among team participants (Kirkman et al., 2004), it is criticized for lack of physical communication and social interaction. In highly developed countries, new technologies and strategies can be used to reduce the restraining effect of virtuality. However, in countries like Ethiopia, the idea of virtuality by itself is not promising given the current ICT infrastructures.

Leaders may have relation-oriented and/or task oriented behavior and a meta-analysis by Burke et al. (2006) showed that teams' performance as measured by perceived team effectiveness is positively associated with relation-oriented behavior and task oriented behaviors. Additionally, Stewart (2006) explained how team performance can be increased using transformational and empowering leadership. Similarly, recent study by Wang et al. (2014) proved the presence of positive association between team performance and shared leadership.

Team size decision (small or big) highly depends on the work environment. Supporting this, Kozlowski and Bell (2003) stated that when there is a need for mutual support among the team members and the team external

environment is variant, smaller teams are recommended. In another study by Wheelan (2009), the effective team size was explained implying the productivity of small teams over the bigger teams. Accordingly, teams having 3 to 6 members were considered to be more productive than teams having 7 to 10 and 11 or more members.

The time team members spend together will help them know each other and to work friendly. With this regard, Lewis et al. (2007) stated that if team members spend long time together they are more likely to have knowledge about each other's abilities and they will coordinate their actions in a better way. Diversity is considered as a better way to exchange ideas, improve commitment, and bring satisfaction in some studies and other studies considered it as just a distraction for team effectiveness (Jackson and Joshi, 2004). Finally, Bjornali et al. (2016) forwarded that diversity is related with top management team effectiveness and diversity along with cohesion directly and positively affect top management team effectiveness given that board service involvement mediates the relationship between diversity and top management team effectiveness.

### Mediators

Recent studies have shown up to replace the IPO framework with IMO with the understanding that today's teams in organizations are dynamic. In the same token, authors like Cooke et al. (2013) and Kozlowski et al. (2013) suggested research attention to the team dynamics and research design, respectively. Accordingly, findings of mediators (processes and emergent states) are explained.

Coordination activity within the team affects team performance and the effect is positively significant when team members are stressed (Rothrock et al., 2009). Relationship conflict on the other hand, is considered to have negative effect on performance (De Dreu and Weingart, 2003).

A relatively recent meta-analysis showed how potency and team efficacy are positively related to performance with team interdependence having positive and augmentative modulating effect (Gully et al., 2002). Team identity mediates the relationship between diversity and social loafing given that members work in distant places (Shapiro et al., 2002). Other results also showed how team identity help members' to develop sense of belongingness and to reduce social loafing behaviors compared to that of teams with low team identity (Eckel and Grossman, 2004).

Organizational climate has relation with accident rate of the group and it predicts safety motivation. Supporting this, Zohar (2000) stated that safety climate is significantly related to group accident rate. On the other hand, Neal and Griffin (2006) indicated that safety climate can predict safety motivation of individuals in the group.

Additionally, Colquitt et al. (2002) described the relationship between team performance and justice climate as direct and significant. Absenteeism, on the contrary was reported to have inverse relationship with justice climate.

With regard to the relationship between the components of team cohesion and team performance all of the cohesion components were significantly related to team performance at the team level of analysis, with task commitment and group pride exhibiting the strongest relations (Beal et al., 2003).

### Outcomes

Various studies revealed the multiple criteria that explain outcomes in different organizations. These outcomes show how much of the planned activities were accomplished and some of the studies carrying these multiple criteria are as follows. Langfred (2000) in his study of social services and military teams reported supervisors' ratings of the accuracy and quality of the work performed as measure of performance. Mathieu and Schulze (2006), on the other hand, employed a composite measure of archival indices like parts expenditure and machine breakdown times that was sensitive to differences across teams. Additionally, Kirkman et al. (2004) took satisfaction with team service as a measure of performance. Mathieu and Schulze (2006) used measures of external customer satisfaction.

Thus, whether a combination of the aforementioned criteria or all of them is used, organizations' should properly define set of criteria to be used and they should appreciate team efforts using those criteria.

### Implications of IMO framework and strategy for teamwork effectiveness in Ethiopia

The existence of plenty studies that have been done over the past decade was quite interesting as they show the "what" and "how" of team effectiveness by using IPO and its improved version IMO frameworks. The studies expressed the nature of the team effectiveness components that fuel team and organizational performance.

Thus, the selected sample articles imply that organizations in Ethiopia have to adapt team-oriented policies to catalyze team processes. It is also important to review design of organizations and the justice climate so that they motivate organizations to establish high involvement system, autonomy and team cohesion by having manageable team size. Additionally, climate of openness has to be created in organizations to enable group decision making and team spirit.

On the other hand, organizations need to provide adequate facilities for organizational members so that

members' will develop positive perception of organizational support. Besides, cultural differences need to be recognized and accommodated in organizations to bring service quality provided by its teams. Additionally, helping behaviors, trust, communication, and flexibility among team members needs to be developed for the betterment of organizational outcomes given that the task at hand and goal are interdependent.

Even though virtuality brings empowerment on the members' side, it is difficult to attain the social values that arise as a result of face-to-face communication. Virtuality is also possible when the technology infrastructures are highly developed. Thus, in Ethiopian organizations context, virtuality is not as such a priority but it can be used by few high tech companies.

As far as leadership is concerned, transformational leadership and empowering leadership along with relations-oriented behaviors and task oriented behaviors need to be developed in organizations to bring teamwork effectiveness. Organizations also need to establish small teams (consisting of as few as 3 and as much as 10 members) and team members need to spend longer working time.

Finally yet importantly, performance evaluation rated by supervisors (including peer and self-evaluation), evaluation of the team service satisfaction level and external customer satisfaction could be used as measures of organizational outcome. However, to make teamwork effective, the responsibility of implementing the aforementioned directions lies jointly on the shoulder of leaders, team members, and stakeholders of the organizations.

In brief the reviewer provided the following strategies to make teamwork effective in Ethiopia:

(1) Teams in organizations should be directed toward common clear goal to make sure that they are working for the common goal rather than their personal goal. To facilitate this strong leadership and good communication is necessary. Hence, leaders and managers in Ethiopia should influence teams in their organizations and motivate them to achieve common organizational goal.

(2) Teamwork ideology should properly be indoctrinated to employees in isolation from politics. This is because most people perceive teamwork as a new government political tool to bring them to the political circle. Thus, leaders should prepare on-the job training on the importance and scientific side of teamwork and teamwork effectiveness.

(3) Hard working teams should be rewarded and free riders should be educated so that social loafing will be discouraged and hardworking teams will consider themselves as worthy to the organization. Besides, the team will develop commitment as a result of the recognition.

(4) Leaders and managers should use diversity as an opportunity as it brings diversified skills to the team. However, organizations should give due care for

communication barriers among diverse team members. (5) Organizations' should also inform leaders and team members about team effectiveness frameworks like input, process, mediators, and outcome as they give a look into team effectiveness from its complex perspective.

## CONCLUSION AND RECOMMENDATIONS FOR FUTURE RESEARCH

In Ethiopia the teamwork environment can be explained, among other ways, from the government reform process perspective. During the past 5 to 10 years, the Ethiopian government enforced the implementation of reform tools that are highly dependent on teamwork. However, the current practice is lagging from what has been planned. Thus, this review summarizes the work of different authors with regard to teamwork effectiveness and provides strategies to bring teamwork effectiveness along with the implication of IMO framework for teamwork effectiveness.

As far as future research recommendation is concerned, researchers need to face the complexity of current team arrangements by conducting dynamic researches that rely on mixed approach (both qualitative and quantitative approaches).

Finally, yet importantly, there is ample research ground carrying a wealth of actionable knowledge on how teams function and become effective. Thus, both public and private organizations in Ethiopia need to put the actionable knowledge into practice so that they can enhance team effectiveness and speed up the implementation of reform tools. Organizations in Ethiopia are recommended to focus on current team effectiveness theories and practices. Additionally, leaders need to have influencing capacity over the team so that the team will be effective. Thus, this review proposes the development of team based policies and the assignment of effective leaders to help implement those policies in Ethiopian context.

## CONFLICTS OF INTERESTS

The authors have not declared any conflict of interests.

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*Full Length Research Paper*

# Measuring employee performance in Gweru and Kwekwe city councils in midlands province, Zimbabwe

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For organizations to measure the performance of its employees there is a need to have key performance indicators and performance standards set. The current study at Gweru and Kwekwe City Councils in Zimbabwe assessed eight (8) performance aspects, which are quality work, employee output, communication and dependability (customer), controlling of costs (financial), planning, team working, problem solving and technical understanding (internal methods/organization procedure) and leadership management (learning and growth potential). The study was a quantitative descriptive survey that allowed managers to appraise employee performance. All 32 line managers participated in the research, and 400 employees were selected using stratified random sampling by departments, as employees reported to the same managers. The constructs that measured employee performance were reliable with Cronbach's Alpha reliability coefficients ranging from problem analysis and resolution (0.734), employee controlling costs (0.794), planning and organizing (0.796), employee output (0.778), employee communication (0.823), employee leadership (0.8333) and employee dependability (0.861). Generally, employee performance with regard to quality service for customer needs, financials, internal procedures and learning and growth was low. The technical understanding attribute of performance among employees as determined by managers had the least mean score (12.4%), indicating that public sector organizations like city councils in Zimbabwe, may still engage 'Rocks' kind of employees. Rocks are the kind of employees who are incompetent because they do not have the technical understanding to do the job and they seem not to care. It is recommended that managers in Gweru and Kwekwe city councils should come up with rigorous training and development policies and practices that help employees acquire relevant skills. Performance indicators should be clearly communicated to all employees. The Gweru and Kwekwe city councils should develop a performance management system that is linked to their performance goals. Constant performance feedback should be given to both managers and employees.

**Key words:** Employee performance indicators, employee appraisal, Cronbach's Alpha reliability coefficients, technical understanding, rocks, relevant skills.

## INTRODUCTION

Employee performance in organizations of the 21<sup>st</sup> century has been an important factor in pushing the economic growth of a country and delivering quality

services to citizens. Municipalities in Zimbabwe have been found wanting on the quality of service needed by the stakeholders which include government, residents,

customers and vendors. This has necessitated an investigation into levels of employee performance in city councils to deliver services to the satisfaction of stakeholders. Employees are primary sources of competitive advantage in every organization, and their performance plays a vital role in achieving organizational goals. Deadrick (2014) views, performance as a distribution of outcomes achieved, and performance can be measured by a variety of parameters which describe an employee's pattern of performance over time. Most organizations in this global world are believed to depend on employee performance to survive (Kahtani, 2013). City councils are also participating in the competitive environment of globalization. There are a number of performance indicators which may gauge the performance of employees. For the organization to measure the performance of its employees, there is a need to have key performance indicators and performance standards set against the performance of each individual employee. Key performance indicators help to develop measurable objectives (Synovia and Burchel, 2017). Employee performance indicators are employee competence, planning and organizing, dependability and controlling of costs, among others (Deadrick, 2014).

### **Structures of the Gweru and Kwekwe City councils**

Organizational structure is a system that is used to define a hierarchy within an organization. It identifies each job, its function and where it reports to within the organization. This structure is developed to give a framework of how an organization operates and assists an organization to achieve its goals. The structure of municipalities in Zimbabwe is defined by an Act. The Urban Councils Act Chapter 29 Section 15 governs the 32 Urban Councils which have been established throughout Zimbabwe. Urban councils, which are established under the same act, have, however, been accorded a different status, and these include the Local Boards, which are the lowest in the hierarchy, Town Councils, Municipal Councils and City Councils. The City Councils, which have the highest status in the country, are run by a policy-making body consisting of elected councillors and a Mayor. The Council is mainly responsible for legislative, financial and governance issues. Figure 1 highlights the organogram of a city council. In the organogram, the Council is the executive management, which is a team of full-time professional officers who are responsible for the implementation of Council decisions and the day to day running of Council affairs.

### **Executive management**

The city council executive management is headed by the Town Clerk and supported by five departments, which are Engineering, Housing, Health, Chamber Secretary and Finance. The Town Clerk is responsible for all actions by officials under his/her supervision and should ensure that the departments operate effectively (Commonwealth Report, 2017). Line managers assist heads of departments in city councils that are seen as team leaders and coordinators of council policies responsible for delivering efficient service to the community. In the Town Clerk department there is a manager who heads the auditing unit, chamber secretary has legal services, human resource and security, housing department has a housing and parks unit, engineering has town planning, water sewage, valuation, roads and projects and workshop, health department has clinical and environmental units and treasury has information and technology, revenue and cost control cutting units. All these units are housed by the six main departments and headed by city directors with the assistance of line managers. Thus, the Town Clerk, directors of departments and heads of units lead city councils towards the achievement of their goals. Managers in this study are defined as council employees who occupy management positions and have subordinate staff that receive instructions and report to them.

### **The non-executive managers**

The non-executive managers are managers elected by residents and these consist of the Mayor and councillors. The Mayor is elected by the council to chair council meetings. While Zimbabwean city councils have executive mayors, these have remained accountable to full council. The city council is the city's legislative body, comprising of elected and appointed councillors and chaired by a mayor. The councillors are elected by residents and responsible as well as accountable to the residents. It should be noted that council decisions are made by the council and a full council is made up of both executive and non-executive managers. According to Roberts et al. (2017), once decisions are made in council, city managers have to implement them regardless of whether they are agreeable or not.

### **Performance of Gweru and Kwekwe city councils**

The Gweru and Kwekwe City Councils are the major

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municipal cities in the Midlands Province of Zimbabwe, with Gweru being the capital city for the Midlands. Both city councils are expected to play a leading role in their cities' and province's socio and economic development. According to Mamboko et al. (2013), the expenditure pattern for both the Gweru and Kwekwe City Councils has been negative, with more income being spent on operating expenditure than capital expenditure. The expenditure pattern for three years from 2009 to 2011 shows that for the year 2009, 42 and 58% were used for capital and operating expenditure respectively. In 2010, 40 and 60% were allocated to capital and operating expenditure respectively. As for the year 2011, capital expenditure accounted for 38% and operating expenditure used 62% of the total revenue. The pattern clearly shows that more income is spent on operating expenditure than capital expenditure. The authors explain that much of the operating expenditure was spent on payroll expenses, with managers taking a significantly high portion of the city's income, and the capital expenditure for both councils was dominated by purchases of motor vehicles for top management. These expenditure patterns in the Gweru and Kwekwe city councils may have engendered employees' mistrust of their managers which may have affected their performance. This may also have a negative effect on the overall organization's performance (Synovia and Burchel, 2017). The Zimbabwe Report of Auditor General (2013; 2016) highlighted issues of poor planning in the Gweru City Council's Human Resources department where the council had no authorized establishment in the departments of Housing and Health and the Town Clerk's office. This could possibly have led to problems such as overstaffing, which would then support Mamboko et al. (2013) findings that most revenue expenses were spent on the payroll. Planning is a management task, and when there is no planning done, this may affect performance negatively. Employees look up to managers to plan, implement, control and evaluate organizational tasks.

### **Performance of employees in Gweru and Kwekwe city councils**

The Gweru and Kwekwe City Councils are the major municipal cities in the Midlands Province of Zimbabwe, with Gweru being the capital city for the Midlands. Both city councils are expected to play a leading role in their cities' and province's socio and economic development. According to the Herald (2013), the city fathers in the Midlands province have been found wanting with performance indicators showing poor employee competence, planning and organizing, dependability and controlling of costs, among others. Employee competence, concentrate on the employee's capacity to handle the job-related tasks such as patching potholes for roads in the cities of Gweru and Kwekwe, as well as

the time frame in which employees react or complete tasks delegated to them (Chigumwe et al., 2016). To illustrate this lack of competency among the employees, Gweru and Kwekwe city residents have been complaining about nonattendance of sewer systems, non-attendance to recreational facilities and burst pipes among others (Gweru Times, 2013).

Regarding planning, Gweru and Kwekwe city councils have been accused of failing to plan to enable the municipalities to provide adequate service to the expanding population (The Chronicle, 2013). To illustrate this lack of poor planning, residents in Mkoba villages of 15, 18 and 19 have been subjected to erratic water supplies. The reasons for inadequate water supply have been said to be the three water pumps the city has, instead of the required six water pumps (The Newsday, 2013). Another shortcoming which exposes the municipalities of poor planning is the unpreparedness to tackle a fire in case of an emergency. One senior officer in the fire brigade in Gweru was quoted saying that

'.....the city has only two fire tenders both which unfortunately have broken down.....'.

To substantiate this poor planning, an incident that occurred in Gweru in 2013, where 21 vehicles at a garage, in the city's industrial area, were burnt beyond recognition as the city council could not respond in time. In Kwekwe city, a fire destroyed a hotel building and the catering equipment inside. Protecting residents' properties is one of the critical functions of city councils, but due to poor planning, residents are exposed to high risks of losing their property. The shortcomings of Gweru and Kwekwe city councils discussed above brings the challenge of employee dependability in providing the requisite service.

To further illustrate the challenge of employee performance in the two cities, research by Chigumwe et al. (2016) attributed reasons for poor service delivery in the municipalities to, among other reasons, incompetent personnel, poor leadership, insensitivity to residents' needs, demoralized personnel and lack of supervision. One of the employees in Kwekwe City Council was quoted saying that 'The management of the city is not being done properly ...there is no water, no refuse collection but we receive bills which are based on estimates....' (The Newsday, 2013). This has triggered the need to measure levels of employee performance in the two city councils.

Zimbabwean city councils have been struggling financially in the past years. City councils, which generally receive some funding from the government, have indeed been forced to rely on revenue from local ratepayers, service charges and rentals from leased property. The local newspaper, *Gweru Times* (March, 2013), reported that the Gweru City Council had been cited as the leading government debtor after the Ministry



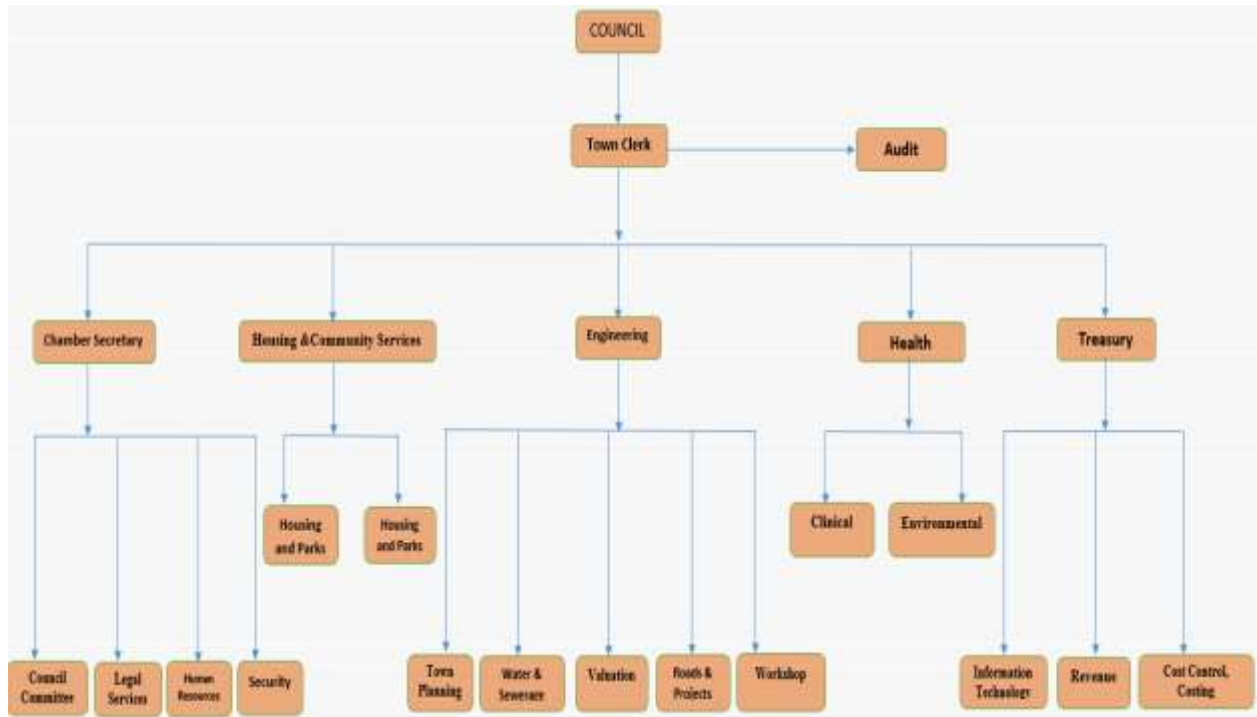


Figure 1: Modified Organogram for urban local authorities

of Local Government and Public Works failed to remit funds to the council. The Town Council was quoted by the newspaper stating that 'we have problems recovering money from the buildings owned by the Ministry...' and the amount was around US\$8 million. This requires the city council to devise dynamic systems to collect revenue and establish more income generating projects. However, city councils can only achieve this if they are able to attract and retain hardworking, innovative and results-oriented employees.

### Employee performance indicators

Deadrick (2014) summarizes performance indicators as enthusiasm among employees for better performance, loyalty to management, willing cooperation towards organizational goals, team building, and reduction in grievances, reduction in conflict, reduction in absenteeism and reduction in labour turnover among others. According to Synovia and Burchel (2017) managers must consider the customer service features of services like issues of dependability, quality work, problem solving and effective communication among others, when creating metrics and performance indicators. The performance indicators for city councils may, therefore, include several organizational outcomes among which are quality service, customer attraction and satisfaction and resource mobilization. Franceschini et al. (2013) support this by arguing that whether performance indicators are employed to view a

procedure or improve an organization's performance, there is a need for key performance indicators to connect to a concise strategic goal. According to Synovia and Burchel (2017), there are four concepts which should be considered when developing key performance indicators which are a customer, financials, internal methods including an organization's operation procedures, and learning and growth potential. Performance indicators should be integrated and interdependent to provide an overall perspective on the company's goals, business strategies and specific objectives, as well as on the company performance (Tesci et al., 2014). In this paper, performance indicators for employees were the employees' productivity tendencies (customer) of quality work, employee output, communication and dependability, (financial) controlling of costs (internal methods/ organization procedure) planning, team working, problem solving and technical understanding and (learning and growth potential) leadership management. The performance indicators used in this study are already being used by the two city councils in their performance appraisals. The current study had to measure the validity and reliability of these performance indicators in measuring employee performance by calculating the Cronbach's alpha. Good performance is when an employee performs according to the expected standard while poor performance will be when employees fail to perform as expected.

Employee performance assessment is critical for the identification of both strong and weak service areas

(Zamani and Esfahani, 2014).

## METHODOLOGY

The research was a descriptive quantitative survey. In total 32 line managers representing management participated in the research. Stratified random sampling was used to select 400 employees as guided by the Sekaran table. About 24 line managers were able to rate 274 employees whom they supervised. Employee performance in this study was measured using performance questionnaires divided into eight components which are planning, control of costs, employee output, communication, technical understanding, dependability, leadership management, problem analysis and resolution. Managers in this study assessed the performance of employees. To measure employee performance, the research made use of a 5 point Likert scale again, moving from strongly disagree to agree strongly. The performance measurement objectives were guided by the eight performance activities which are  $Y_1$ , planning and organizing (initiative and creativity, set clear goals and plan solutions),  $Y_2$ , utilization of resources (avoid being wasteful, positive attitude towards work and good work practices),  $Y_3$  work output (volume of work, quality of work and multiple skilling),  $Y_4$ , communication,  $Y_5$ , technical understanding (specialized skills),  $Y_6$ , dependability (loyalty, level of co-operation and active team member),  $Y_7$  leadership (able to motivate, guide and develop others and ability to delegate) and  $Y_8$  problem solving (able to identify work related problems and give solutions). For each individual performance, low performance was anything below 2 ( $\leq 2$ ), moderate performance was =3, while the high performance was in the range of 4 and above ( $\geq 4$ ). The performance for a department was the average scores of employees appraised.

## PRESENTATION OF FINDINGS

The constructs that measured employee performance were reliable with Cronbach's Alpha reliability coefficients ranging from problem analysis and resolution (0.734), employee controlling costs (0.794), planning and organizing (0.796), employee output (0.778), employee communication (0.823), employee leadership (0.8333) and employee dependability 0.861. Employees who performed above average or outstanding as rated by managers scored the following: technical understanding 12.4%, leadership 13.5%, planning and organizing and communication both at 13.9%, problem analysis and resolution 15.3%, dependability 15.8%, controlling costs 16.8% and employee output 17.2%. The results in the levels of employees' performance indicated low levels of performance. The technical understanding attribute of performance among employees as determined by managers' appraisal had the least mean score (12.4%).

About 40.9% claim that in as far as volume of work relative to employee experience is concerned their employees meet minimal requirements with 33.2% deeming them to be satisfactory and only 17.2% claimed that they were above average/clearly exceeds outstanding. Most of the participants (41.6%) claim that in as far as standard of work is concerned their employees meet minimal requirements with only 13.9% believing them to be above average/clearly exceed. 42% of the

participants also believe that their employee's multiple tasking capabilities meet minimal requirements and 34.7% deem them to be satisfactory with only 15.3% rating them to be above average/clearly exceeding outstanding. The overall measure of employee output (EO) is calculated as  $EO=0.813C8 + 0.820 \times C9 + 0.864 \times C10$ . The weights show that the three items that make up the construct are all reasonably equally crucial in the determination of the overall measure of the construct (coefficients ranging from 0.813 to 0.864). The latent variable of EO makes use of 69.33% of the information contained in the three questionnaire items that make up the construct and is very reliable (Chronbach's Alpha=0.778).

As shown in Table 1, the majority of the participants (73.4%) claimed that their employee's effectiveness in conveying information meets minimal requirements and 20% claimed that theirs were above average/clearly exceed expectation. 70% claimed that their employee's ability to share information meets minimum requirements/satisfactory and 13.9% claimed that their ability was above average/clearly exceeds expectation. The overall measure of employee communication (EC) is calculated as  $EC=0.924C11 + 0.924 \times C12$ . The latent variable of EC makes use of 85.43% of the information contained in the two questionnaire items that make up the construct and is very reliable (Chronbach's Alpha=0.823).

With regard to employee dependability, about 11% of the participants believed that their employees fail to meet required levels of loyalty, 46.2% deemed their employees to meet minimal requirements, and 27.1% claimed that they were satisfactory. The majority of the respondents (73.8%) felt that their employees' level of cooperation meets minimal requirements/satisfactory and only 15.8% are of the opinion that they are above average/clearly exceeds outstanding. About 43.4% of the participants view their employee involvement as team members as meeting minimal requirements, and only 17.2% believed they were above average/ clearly exceeding outstanding. The overall measure of employee dependability (ED) is calculated as  $ED=0.919C14 + 0.869 \times C15 + 0.890 \times C16$ . The weights show that the three items that make up the construct are all fairly equally important in the determination of the overall measure of the construct (coefficients ranging from 0.869 to 0.919). The latent variable of ED makes use of 79.73% of the information contained in the three questionnaire items that make up the construct with very high reliability (Chronbach's Alpha=0.861).

For the financial managers' scored employee controlling costs and the results showed that in terms of avoiding being wasteful 42.0% of the respondents claimed that their employees meet minimal requirements and 36.9% were satisfactory. In as far as positive attitude towards work is concerned only 5.5% of the participants view their employees to fail to meet requirements with 41.2% (meeting requirements) and 34.3% being rating them as satisfactory. About 75.2% of the participants are

of the opinion that their employee's good work practices meet basic requirements/ satisfactory. Only 16.8% deem them to be above average or clearly exceeds outstanding. The overall measure of employee control of costs (ECC) is calculated as  $ECC=0.819C5 + 0.880 \times C6 + 0.825 \times C7$ . The weights show that the three items that make up the construct are all important in the determination of the overall measure of the construct (coefficients ranging from 0.819 to 0.880). The latent variable of ECC makes use of 70.86% of the information contained in the three questionnaire items that make up the construct and is very reliable (Chronbach's Alpha=0.794).

Only 13.9% believe that their employees' initiative is above average/clearly exceeds outstanding. Most of the respondents believe that their employees' ability to set clear goals is satisfactory (44.9%) while 36.1% claim it to meet minimum requirements. Only 4% fail to meet requirements with 15% above average/clearly exceeds outstanding. 40.9% of the respondents claim that their employees' ability to plan solutions meets minimal requirements with 20.1% claiming that it was above average/exceeds outstanding. The overall measure of employee planning and organizing (EPO) is calculated as  $EPO=0.682 \times C1 + 0.846 \times C2 + 0.826 \times C3 + 0.791 \times C4$ . The weights show that the four items that make up the construct EPO are all important in the determination of the overall measure of the construct (coefficients ranging from 0.682 to 0.846). The most important contributor to the construct is "set clear goals" (coefficient=0.846) with "initiative and creativity" contributing the least (coefficient=0.682). The latent variable of EPO makes use of 62.63% of the information contained in the four questionnaire items that make up the construct and is very reliable (Chronbach's Alpha=0.796).

On technical understanding, the results show that the majority of the participants (42.7%) believed that their employee's ability to understand specialized task of the job meet minimal requirements. These were followed by 32.5% who deemed their employee's ability to understand specialized task of the job to be satisfactory. About 12.4% claim that their employees fail to meet specific requirements with the same percentage deeming them to be above average/ clearly exceed outstanding. Technical understanding is made up of only one item and will thus be represented by this single item. There is no need of a latent variable to represent technical understanding. The results also show the employee level of identifying work related problems and providing solutions. The results show that 41.6% of the respondents deemed employees as meeting minimum requirements, with only 16.4% claiming that their employees were above average/clearly exceed expectation. 48.9% claimed that their employees' promptness in producing work solutions meets minimal requirements. However, only 15.3% claimed that their employees were above average/clearly exceeds expectation. The latent variable of EPAR makes use of 79.14% of the information

contained in the two questionnaire items that make up the construct, and it has high internal consistency (Chronbach's Alpha=0.734).

For learning and growth, the results show that the majority of the managers (46.7%) believed that employees' ability to motivate, coordinate, guide and develop others only met minimal requirements and 7.7% failed to meet requirements at all. Very few (13.5%) felt that their employees did the tasks mentioned earlier above average/ clearly exceeding outstanding. Most of the participants (47.8%) also felt that their employees' ability to assign tasks to their subordinates only met minimum requirements. The overall measure of employee leadership (EL) is calculated as  $EL=0.926C17 + 0.926 \times C18$ . The latent variable of EL makes use of 85.71% of the information contained in the two questionnaire items that make up the construct with very high reliability (Chronbach's Alpha=0.833).

The results also show the employee level of identifying work related problems and providing solutions. The results deemed employees as meeting minimum requirements by 41.6% of with only 16.4% claiming that their employees were above average/clearly exceeds expectation. 48.9% claimed that their employee's promptness in coming up work solutions meets minimal requirements, but only 15.3% claimed that their employees were above average/clearly exceeds expectation. The overall measure of employee dependability (ED) is calculated as  $ED=0.89019 + 0.890 \times C20$ . The latent variable of ED makes use of 79.14% of the information contained in the two questionnaire items that make up the construct, and it has high internal consistency (Chronbach's Alpha=0.734).

## DISCUSSION

The results in the levels of employees' performance indicated low levels of performance. With regards to employee performance attributes that help provides quality service to customers, the results in Table 1 show that in terms of employee output most of the participants believe that their employees meet minimal requirements.

According to Tomic et al. (2014), multitasking and greater involvement of lower-level employees in decision-making are critical for employee output. Good performance is when an employee performs according to the expected standard while poor performance will be when employees fail to perform as expected (Gerber, 2017). Levels of performance in effective communication indicated that the majority of the participants claimed that their employee's effectiveness in conveying information meets minimal requirements. The finding is supported by Chigumwe et al. (2016) who attributed reasons for poor service delivery in the municipalities to demoralised personnel, among other reasons. Employees in Gweru and Kwekwe city councils seem to have challenges in

**Table 1.** Employee performance

<b>Employee planning and organising (EPO)</b>	<b>Low/very low</b>	<b>Satisfactory</b>	<b>High/ very high</b>	<b>Mean</b>	<b>St Dev</b>	<b>Latent factor (principal component) coefficient</b>	<b>% of total variation</b>	<b>Reliability-Cronbach'alpha</b>
C1. Initiative & Creativity	45.3	40.9	13.9	2.69	0.77	0.682	62.63	0.796
C2. Set clear goals	40.1	44.9	15.0	2.72	0.80	0.846		
C3. Plans Solutions	44.5	35.4	20.1	2.74	0.86	0.826		
C4. Utilises resources effectively	46.0	38.3	15.7	2.67	0.84	0.791		
<b>Employee Control of Costs(ECC)</b>								
C5. Avoids being wasteful	46.0	36.9	17.2	2.69	0.85	0.819	70.86	0.794
C6. Positive attitude towards work	46.7	34.3	19.0	2.70	0.91	0.880		
C7. Good work practices	48.5	37.4	16.8	2.62	0.91	0.825		
<b>Employee Output (EO)</b>								
C8. Volume of work relative to employee's experience	49.7	33.2	17.2	2.60	0.90	0.813	69.33	0.778
C9. Work produced of required standard	50.7	35.4	13.9	2.56	0.89	0.820		
C10. Multiple skilling	50.0	34.7	15.3	2.59	0.88	0.864		
<b>Employee Communication (EC)</b>								
C11. Effective in conveying information	43.1	36.5	20.4	2.76	0.96	0.924	85.43	0.823
C12. Good at sharing information with others	58.3	27.8	13.9	2.47	0.96	0.924		
<b>Employee Technical Understanding (TU)</b>								
C13. Understand the specialised task of the job	55.1	32.5	12.4	2.49	0.95			
<b>Employee Dependability (ED)</b>								
C14. Loyalty	57.2	27.1	15.8	2.52	0.98	0.919	79.73	0.861
C15. Level of co-operation	47.5	34.7	17.9	2.64	0.92	0.869		
C16. Active team member	53.3	29.6	17.2	2.57	0.95	0.890		
<b>Employee Leadership (EL)</b>								
C17. Motivates, co-ordinates ,guide and develops other	54.4	32.1	13.5	2.54	0.89	0.926	85.71	0.833
C18. Ability to assign tasks to subordinates	57.7	26.6	15.7	2.51	0.93	0.926		
<b>Employee Problem Analysis &amp; Resolution (EPAR)</b>								
C19. Level of identifying work related problems	52.2	31.4	16.4	2.56	0.94	0.890	79.14%	0.734
C20. Promptness in coming up with work solutions	52.2	32.5	15.3	2.63	0.85	0.890		
C19. Level of identifying work related problems	52.2	31.4	16.4	2.56	0.94	0.890	79.14%	0.734
C20. Promptness in coming up with work solutions	52.2	32.5	15.3	2.63	0.85	0.890		

relating well to others through effective communication hence relationship building could be a challenge as well. Poor communication skills reflect low interpersonal skills which help people to listen to others and appreciate what others want. Listening to others is one powerful way of dealing with communication barriers (Gerber, 2017). With regard to employee dependability, again the majority of participants believed that their employees fail to meet required levels of loyalty. Most employees were also rated low in the level of cooperation. It is possible that while some employees may have useful attributes in performance and ability to do the task but the same may have the poor attitude hence they may not take responsibility to get things done and be depended upon to deliver results (Deadrick, 2014). Employees in Gweru and Kwekwe city councils were found low in performance attributes that help satisfy the customer which are quality work, employee output, communication and dependability.

For the financial managers' scored employee controlling costs and the results showed that in terms of avoiding being wasteful most managers claimed that their employees meet minimal requirements. Employee scores indicated an average level in resource utilization. Franceschini et al. (2013) stipulate that a manager has to facilitate performance by providing the necessary resources, and effective utilization of resources is an indicator of good performance. Geber (2017) postulates that employees who are good in resource utilization are able to contain costs. Cost reduction has an influence on performance, as lower costs have a direct influence on higher income and better company performance (Tomic et al., 2014). However, it may be possible that with the bureaucratic structures in city councils, few resources could be at the disposal of employees.

For internal methods/organization procedure, the results show that the majority of managers believe that their employees' initiative and creativity meets minimal requirements and satisfactory. Managers in Gweru and Kwekwe city councils seem not to give room to employees to try new ideas. The work environment where creativity and innovation are encouraged may help employees to try the best ideas that may help in improving performance. Gerber (2017) postulates that the level of creativity involves an employee questioning basic assumptions about a problem and help in planning and providing solutions. Most of the respondents believe that their employees' ability to set clear goals is satisfactory while the ability to plan solutions was minimal. Planning and work schedule has been found to be important factors in influencing work performance (Hiemae, 2013). On technical understanding, the results show that the majority of the participants believe that their employee's ability to understand specialized task of the job meet minimal requirements. The low scores in a technical understanding attribute of performance among employees may indicate that public sector organizations like city councils in Zimbabwe, may still engage 'Rocks' kind of employees (Tomic et al., 2014; Grobler, 2010).

Rocks are the kind of employees who are incompetent because they may not have the technical understanding to do the job and they seem not to care. This may be an indicator that plenty of 'Rocks' may have found their way into the organizations because some managers did them a favour or for political reasons. There is, therefore, need to continually monitor and provide feedback on employee performance so as to get the tasks done.

For learning and growth, the results show that the majority of the managers believed that employees' ability to motivate, coordinate, guide and develop others only met minimal requirements. Individual performance determinants as alluded by Hiemann (2013) include the way tasks are designed to strengthen employees' abilities and the organizational leadership. Organizational leadership is the capability of managers to show the collective approach in meeting organizational goals. The results also show the employee level of identifying work related problems and providing solutions. The results deemed employees as meeting minimum requirements. Tomic et al. (2014) summarise performance indicators as enthusiasm among employees for better performance, loyalty to management, willing cooperation towards organizational goals, team building, and reduction in conflict among others. Gerber (2017) on the other hand summarizes performance indicators as enthusiasm for better performance among employees, the percentage of tasks completed, output and being on time and within budget, level of creativity, and responsiveness to feedback among others. All these help employees in providing solutions to organizational problems and ultimately organizational performance.

### **Contribution to the study and future research**

The study enriches the theoretical understanding of the concept of employee performance. There is a need to redirect mind-sets towards human resource capabilities that generate commitment, which is key to individual performance (Gerber, 2017). It has done so in applying it for the first time in the municipal context in Zimbabwe through explaining how employee performance indicators already in use can be categorized as attributes that help satisfy customers, financials, internal methods/organization procedure and learning and growth. The Gweru and Kwekwe City Councils are encouraged to implement performance management systems for all employees, including line managers, so that they may see the need for addressing performance issues in employees. When line managers know that they are assessed in performance, they may see the need to address performance in employees and ultimately, the need to acquire HR skills that help influence performance. Future research may look at factors that influence employee performance in city councils in Zimbabwe.

The result of the study indicates that Gweru and

Kwekwe city councils may have incompetent employees. Such employees can be referred to as rocks. Rocks are the kind of employees who are incompetent because they do not have the technical understanding to do the job and they seem not to care. Findings seem to support the performance challenges currently faced by the two city councils in the Midlands province in Zimbabwe such as non-attendance sewer systems, non-attendance to recreational facilities and burst pipes among others. To cope with the global pressures and compete in the global market Gweru and Kwekwe city, councils are encouraged to recruit employees with the requisite skills, define and facilitate employee performance. Future research may look at HR policies and practices found in Gweru and Kwekwe city council and how they are influencing performance.

## CONFLICT OF INTERESTS

The authors have not declared any conflict of interests.

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*Full Length Research Paper*

# **Chinese Investment in Bangladeshi RMG Sector: Challenges and Opportunities**

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**Ready Made Garments (RMG) sector is one of the most potential sectors of earning foreign capital to improve economic growth. Bangladesh is the great place for Chinese investors to invest in RMG sector as its export trend is increasing day by day. The main objective of this research paper was to find out opportunities and challenges of Chinese investment in Bangladesh. Data were collected from different secondary sources. Low labor rate, labor availability, low government debt, huge gross national savings etc. influenced Chinese investors to invest. Besides, political instability, infrastructural factory premises, low lead time hampers the flow of Chinese investments. If necessary remedies are taken to mitigate the problems including training the labor force, Chinese investment in Bangladesh is going to be enhanced at a large scale.**

**Key words:** Chinese investment, foreign direct invest, readymade garments, labor.

## **INTRODUCTION**

Investment helps to increase the surplus of capital account, improving balance of payment and macro-economic stability of the country. Bangladesh received investment of \$424 million last year compared to \$366 million in 2016. (Bangladesh Bank, 2017). This increase of about 25% is higher than the average 23% worldwide growth of investment (Bangladesh Bank, 2016). By the late 1980s, China not only opened up its economy welcoming foreign capital, technology and expertise but also encouraged its own enterprises to invest abroad. The Chinese investors, who have moved out of RMG sector in their own country because of high labor costs and higher tariff slapped on their products by the developed countries, are particularly interested investing in the Bangladesh RMG sector.

The main objective of this study was to describe the present condition of Chinese investment in RMG sector in Bangladesh. The secondary objectives were to identify the reasons of Chinese investment, to describe the problems and opportunities as well as government rules and regulations of Chinese investment in Bangladeshi RMG sector.

## **LITERATURE REVIEW**

Mottaleb (2007) studied the determinants of foreign investment and their effect on economic growth in developing countries. He studied panel data of foreign investment flows of 60 low-income and lower-middle

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income countries and found that foreign investment has an important effect on economic growth of third world countries by creating bridge between the gap of domestic savings and investment and familiarizing the up to date technology and management skills from developed countries. Lee et al. (2008) analyzed the correlation between foreign investment inflows, exchange rate, and economic growth of Kazakhstan by a multivariate regression model with weighted least squares estimates. The results revealed the minimum significant impact of foreign investment on GDP growth of Kazakhstan. According to Chowdhury (2012), Foreign Direct Investment has been an important part of the economic transition, business liberalization and macro-economic growth story in Bangladesh over the last decade. Furthermore, these results indicate that market size, trade openness/access to international market and quality of labor are the major determinants that have significant effect on the foreign investment inflow. The study also found no effect of market potential and communication facility on the attraction of investment inflow in Pakistan. Quader (2009) applied extreme bounds analysis to the data of the various catalyst variables of FDI inflows in Bangladesh. He found foreign investment and domestic investment have a positive effect on economic growth. Misztal (2010) examined the influence of foreign investment on the economic growth in the Romania in period of 2000 to 2009 using the Vector Auto regression Model (VAR) and found linear relationship between foreign investment and economic growth.

Azam and Lukman (2010) examined the impacts of exports and foreign investment on economic growth of South Asian countries namely India, Indonesia and Pakistan with simple log linear regression model using secondary data ranging from 1971 to 2005 and found that due to promotion of exports, economic growth of each country would increase. Islam et al. (2013) stated that Greenfield investment encourage more Chinese companies to invest in Bangladesh in textile sector; to relocate outward investment and joint venture with Bangladeshi companies could achieve gainful strategies. To capitalize on the comparative advantages, substantial foreign investment from China is highly encouraged. Ahmed and Hossain (2009) suggested that if Bangladesh cannot ensure the safety of the employees at the working place, it will impact severely at one point of time because the international buyers like to purchase products from the company complying with the safety of employees. Ahmed and Nathan (2014) found that after the Rana Plaza disaster, a number of global buyers have come forward to put up some money to improve factory safety conditions. Abdin (2015) stated that absence of efficient physical infrastructure, lack of professional and sector wise trained man power and bureaucratic complexity can hamper the Chinese and overall investment trend in Bangladesh. To get satisfactory amount of foreign

investment in Chinese firms in RMG sector, Bangladesh has to complete its home work like identifying potential sectors, preparing specific project proposal, approaching potential investor companies etc. Clark and Kanter (2010) analysed the efficiency level and it was judged that the productivity of Bangladeshi workers is not up to date or in accordance to international level. Empirical study found that it is just one-fourth of that of Chinese workers. Low literacy rate is the main reason for that. Chowdhury et al. (2014) upon analyzing different management level of Bangladeshi garments factory, identified that the majority portion of the managers pointed out utility crisis such as oil and gas shortage, too much dependency on imported raw material and suppliers' inefficiency.

## METHODOLOGY

All types of data were collected from secondary sources. Different years of investment reports from 2013 to 2017 were collected from annual reports of Bangladesh Bank. The number of employees, labour rate etc. were sourced from 2016 and 2017 BGMEA report. Tax rate, export trend, infrastructure report, government debt etc. were sourced from Global Competitiveness Report 2017 to 2018. The nature of the study was quantitative research. On the basis of research design method, it is descriptive research because no hypothetical analysis was used to describe the present condition of Chinese firms in RMG sector in this research. Different types of tabular and graphical presentation were made by using data over the period of 2013 to 2017 where all the analysis are taken through Microsoft excel and Microsoft word document to interpret the investment inflows of the Chinese firms in RMG sector in Bangladesh.

## Analysis

### *Present condition of chinese investment in RMG Sector*

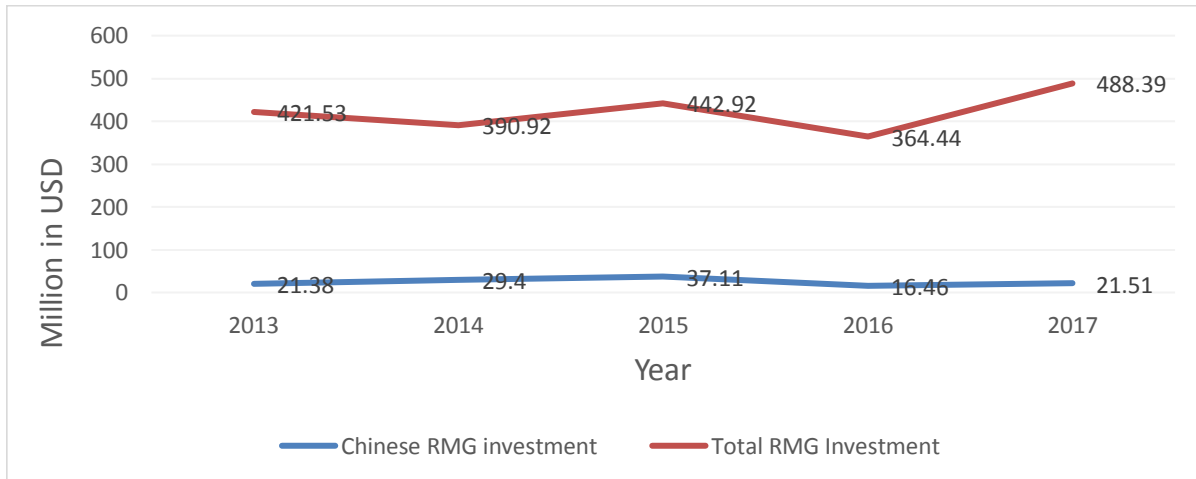
There is a great opportunity to invest in Bangladesh, but the investment inflow from China to Bangladesh is increasing slowly due to many reasons. Compared to the other Asian countries, the growth rate of inward investment in Bangladesh is comparatively slow.

Figure 1 shows that Chinese investment in Bangladesh garment sector was 21.38 million USD in 2013 and it increased (35.82%) in 2014 to reach 29.40 million USD. It also increased in 2015 reaching 37.11 million USD which was 26.22% higher than 2014 but unfortunately it declined in 2016 to 16.46 million USD which was 55.64% lower than 2015. In 2017 it increased again to 30.68% than 2016 but not higher than 2015. Chinese investment in the RMG sector increased day by day though in 2016 it declined but the total Chinese investment was still increasing. In 2014, the total investment of China in all sectors was 5.07% higher than 2013 followed by 7.52% in 2015, 8.38% in 2016 and 4.52% in 2017, whereas RMG investment of China declined by 55.54% as compared to 2015. In that year, RMG raw materials price was increased rapidly so that many firms of China owning RMG decreased its production however; other sectors were still operating in a high speed than before.

### *Reasons of Chinese investment in Bangladeshi RMG sector*

Table 1 shows that the number of garments factories in Bangladesh



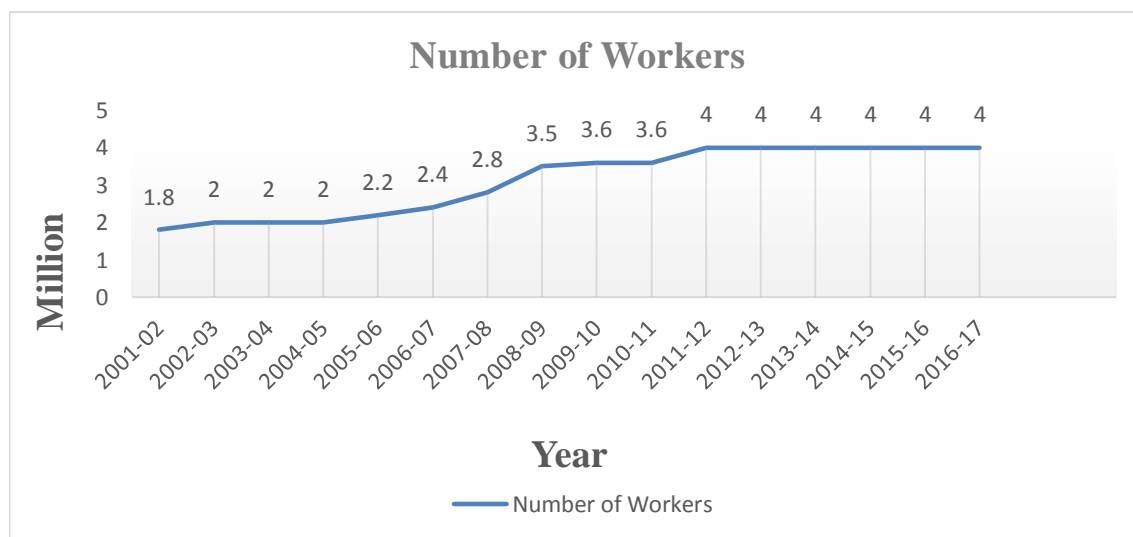


**Figure 1.** Chinese RMG versus local RMG investments.  
Source: Bangladesh Bank Investment Survey 2013-2017.

**Table 1.** Number of garments factories and workers.

Year	Number Of Garment Factories	Employment in Million Workers
2010-2011	5150	3.60
2011-2012	5400	4.00
2012-2013	5876	4.00
2013-2014	4222	4.00
2014-2015	4296	4.00
2015-2016	4328	4.00
2016-2017	4482	4.00

Labor Availability  
Source: BGMEA 2017.



**Figure 2.** Labour availability.  
Source: BGMEA 2017.

**Table 2.** Different countries labour rate in yearly and per hour basis.

Countries Name	Yearly payment (USD)	Hourly payment (USD)
Bangladesh	1,262	0.51
Afghanistan	884	0.43
China	1,806	0.87
Democratic Republic of the Congo	432	0.18
Azerbaijan	978	0.47

Source: BGMEA 2016.

**Table 3.** Different countries hours of labour in a week.

Countries Name	Hour of work in a week
Bangladesh	48
Bahrain	48
Kenya	52
India	48
China	40
Argentina	48

Source: BGMEA 2017.

**Table 4.** Different countries gross national savings rate.

Countries Name	Gross national savings rate (%)
Bangladesh	28.8
China	45.8
India	30.5
Pakistan	14.1

Source: The Global Competitiveness Report 2017–2018..

was stable from the years 2013 to 2017 after a decline observed since 2011, however the number of workers remained constant at 4 million workers in the industry.

#### Labor availability

Several reasons are identified which encourage the Chinese investments in Bangladeshi RMG sector. These are as follows:

**Low labour rate:** Factories in China are not competitive anymore because of increasing wages of labourers and a sharp hike in overall production costs. Bangladesh has comparatively lower rates than China. But China did not choose Afghanistan, Azerbaijan or Democratic Republic of Congo because of their political dispute though their labor rate is lower than Bangladesh. So, Chinese firms are more interested to invest in Bangladesh (Table 2).

**Labor hour:** Most of the country's labour hours are set at 40 h in a week and some countries like Bangladesh work for 48 h per week. The highest working labor in the world is Kenya with 52 h per week but its labour rate per hour is 0.53 in a week in USD. In China, it is 40 h in a week, and so China has great opportunity to invest in Bangladesh especially in the Garment sector (Table 3).

**Table 5.** Different years exports in Bangladesh.

Fiscal year	RMG	Growth
2016-2017	34,846.84	1.72
2015-2016	34,257.18	9.77
2014-2015	25491	4.08
2013-2014	24491.88	13.83
2012-2013	17914.46	12.71

Source: BGMEA 2017.

**Table 6.** Different countries government debt.

Countries name	Government debt (%)
Bangladesh	33.33
China	46.20
India	69.50
Pakistan	66.90

Source: The Global Competitiveness Report 2017–2018.

**Gross National Savings on GDP:** It indicates the profit and savings condition of any investor or firm. Bangladesh has less national savings (28.8%) than China (45.8%) but it is not worst among the total countries. It is very important in the RMG sector in Bangladesh and for this purpose Chinese investment is enlarging day by day because savings rate is also in the increasing trend (Table 4).

**Export trend:** In FY 2015-16, the country's total exports amounted to US\$34,257.18 million, which was 9.77% higher than the previous year's export earnings. In FY2016-17, total export earnings moderated at US\$34,846.84 million, up by 1.72% from the previous fiscal year. Presently Bangladesh is exporting RMG to around 151 countries in the world which include USA, Germany, United Kingdom (U.K), Spain, France, Japan, Netherlands and Australia (Table 5).

**Government debt:** Bangladesh (33.33%) has much more efficient and capable debt position than many other countries especially in the sub-continent. China invests in garments sector without hesitation and it also increases the investment because different financial organization can help Bangladesh if any difficulties may occur as Bangladesh has low government debt and it can repay the loan if needed (Table 6).

**Tax system:** Tax rate position of Bangladesh (4.5) is lower than

**Table 7.** Tax rate score of different countries.

Country Name	Tax rate score
Bangladesh	4.5
China	7.8
India	7.9
Pakistan	10.5

Source: The Global Competitiveness Report 2017–2018.

**Table 8.** Different countries lending interest rate in different years.

Country	2010	2011	2012	2013	2014
Bangladesh	13.0	13.3	13.0	13.0	13.0
China	5.8	6.6	6.0	6.0	5.6
India	8.3	10.2	10.6	10.3	10.3
Japan	1.6	1.5	1.4	1.3	1.2
Myanmar	17.0	16.3	13.0	13.0	13.0
Pakistan	14.0	14.4	13.5	12.0	11.7

**Table 9.** Different Countries Corruption Score.

Country	Score
Bangladesh	15.7
China	8.2
India	9.2
Pakistan	17.0

Source: The Global Competitiveness Report 2017–2018.

China (7.8) and many other Asian Countries and for this reason, China is more interested to invest in Bangladesh (Table 7).

#### **Problems of Chinese investment in bangladeshi rmg sector**

**Lending interest rate:** Lending interest rate in Bangladesh is higher than China and many other countries. In 2014, Chinese interest rate was 5.6% where Bangladeshi interest rate was 13% that means double to the Chinese investment. But for labor availability and labor rate, China has keen interest to invest in Bangladesh and it is increasing but high interest rate hampers the Chinese rapid investment growth (Table 8).

**Working position:** Women work mainly as helpers, mechanists and less frequently, as line supervisors and quality controllers. There are no female cutting masters. Men dominate the administrative and management level jobs.

**Corruption:** Few years ago, Bangladesh was the number one position in corruption but now-a-days it is improving and people of Bangladesh have changed their habits for being corrupted. But this improvement is not so good as compared to China and some other sub-continent countries. Chinese corruption position is lower than

**Table 10.** Inadequate supply of infrastructure with its world position.

Country	Inadequacy of Infrastructure	World Position
Bangladesh	14.4	111
China	7.3	46
India	7.0	60
Pakistan	4.4	110

Source: The Global Competitiveness Report 2017–2018.

Bangladesh and so China has faced some problems in RMG sector for investment (Table 9).

**Factory Premises Infrastructure:** As the RMG sector holds major portion in Export earnings and shares a handsome contribution of GDP, infrastructure development is the major challenge in the way of developing safe factories and workplace for workers. The consequences of those unplanned issues are showing off now looking into the happening of destructive disasters like Rana plaza and Tazrin garments which killed almost 2000 people and injured another thousand (Table10).

**Unskilled workforce:** In Bangladesh, the garment workers are mostly women with little education and training. The employment of an uneven number of unskilled labours by the garment factories results in low productivity and comparatively more expensive apparels.

**Lead time:** Now-a-days, the lead time has normally 30 to 40 days in the current decade where average lead time of Bangladesh for Woven Garments is 90 to 120 days and 60 to 80 days for Knitwear Garments while in China the lead time for Woven Garments are 40 to 60 days and 50 to 60 days for Knitwear Garments (Table 11).

**Inflation rate:** Inflation rate hampers the trend of investment to the foreign countries. Chinese inflation rate is so low that it cannot bear so much inflation rate in any country where China invests. So, Chinese investment of RMG sector is impeded for higher inflation rate of Bangladesh (Table 12).

#### **Facilities of Chinese investment in RMG sector of Bangladesh**

**Quota- free Market:** The greatest opportunities lie in the apparently unlimited market outside of Bangladesh. In a quota-free world, the United Nations Commission for Trade and Development (1999) estimated that removal of the Multi-Fibre Agreement (MFA) and tariffs by developed countries will expand exports of clothing by 135% and textiles by 78%. In the knitting sector, Bangladesh gained substantial competitive advantage over her competitors.

**Duty advantages in export industries:** Bangladesh is getting GSP facilities in 38 countries including EU (28 countries) and some other (10 countries) selected countries. EU countries are importing 90% of garments from Bangladesh, so if China increases more RMG industries in Bangladesh or increases its investment in Bangladesh then it captures the EU countries market more and more.

**Geographic and demographic advantages:** Bangladesh has very convenient access to international seaports, air routes and others. It has 3 seaports (Chittagong, Mongla and Payra), 3 international airports (Dhaka, Chittagong and Sylhet) and 22 land ports. The port

**Table 11.** Lead time of Bangladesh and Chinese garments industries.

Average lead time	Woven Garments (Days)	Knitwear Garments (Days)
Bangladesh	90-120 days	60-80 days
China	40-60 days	50-60 days

**Table 12.** Distribution of Inflation rates versus world scores.

Country	Inflation rate (%)	World Score
Bangladesh	6.40	1.6
China	2.0	8.5
India	4.9	6.4
Germany	4.0	4.5
Pakistan	2.9	2.5

Source: Sala – I –Martin 2017 – 2018.

**Table 13.** Total GDP and GDP Per Capita in Different Years.

Year	Total GDP (USD in Billion)	GDP Per Capita (USD)
2017-2018	227.9	1,411.0
2016-2017	221.42	1029.60
2015-2016	195.08	971.60
2014-2015	174.50	922.20
2013-2014	165.45	879.60

Source: BGMEA (2017).

**Table 14.** Different Countries GDP in 2017-2018.

Country	Total GDP (USD in Billion)
China	11218.30
India	2256.40
Pakistan	284.20
Bangladesh	227.90

Source: Sala – I –Martin 2017 – 2018.

**Table 15.** Distribution of trade tariffs.

Country	Trade tariffs (%)
Bangladesh	13.10
China	11.60
India	12.90
USA	1.6
Belgium	1.1

Source: Sala – I –Martin 2017 – 2018.

of Chittagong in Bangladesh will be handed over to the foreign operator including China which will reduce lead-time as well as total cost will be decreased.

**Growth rate acceleration:** Gross domestic product (GDP) is a monetary measure of the market value of all final goods and services produced in a period of time. GDP rate in Bangladesh is increasing and therefore investment rate is also increasing. Chinese RMG firms get these facilities to invest in Bangladesh though Bangladeshi GDP rate is lower than China and India but it is higher than many other countries (Tables 13 and 14).

**Trade tariffs facilities:** Bangladesh provides 13.10% trade tariffs that can't provide any developing and developed countries even China or India or USA (Table 15).

**Strong Forward and Backward Linkage:** Now-a-days maximum raw materials are available in the local market. 85% of knitted fabrics demand met by locally. Over last few years Bangladesh's strength in producing cotton based yarn and fabric has increased significantly. China also gets these opportunities for investing the

**Table 16.** Tax exemption on Mongla, Ishwardi and Uttara EPZ.

Duration of tax exemption	Rate of tax exemption (%)
First 03 years (1st , 2nd and 3rd year)	100
Next 03 years (4th , 5th and 6th year)	50
Next 01 year (7th year)	25

**Table 17.** Tax exemption on Chittagong, Dhaka, Adamjee, and Karnaphuli EPZ.

Duration of Tax Exemption	Rate of tax exemption (%)
First 02 years (1st and 2nd year)	100
Next 02 years (3rd and 4th year)	50
Next 01 year (5th year)	25

**Table 18.** Strength.

Headings	Description
Labor Availability	Labor forces are available in Bangladesh than China still 4 million from 2011 to 2017 and number of garments factories are also increasing.
Low Labor Rate	Labor rate of Bangladesh (\$1262) is comparatively low than China (\$1806)
Gross National Savings on GDP	Bangladesh has less national savings than China but it is not worst among the total countries.
Labor Hour	In China it is 40 hours in a week, and so it has great opportunity to invest in Bangladesh where labour works for 48 hours especially in Garment sector
Government Debt	Lower rate than China (46.20%) where Bangladesh has 33.33%.

RMG sector in Bangladesh in local raw material facilities at lower price and more export capability.

#### **Government rules and regulations for Chinese investment**

**Infrastructure:** BSCIC provides infrastructural facilities by establishing 79 industrial estates throughout the country: Barisal- 4, Chittagong- 16, Dhaka- 26, Khulna- 11, Rajshahi- 17 and Sylhet- 5 which were scheduled to complete by March 2014.

**Machineries and equipment's:** Depreciation rates are determined by the legislation and vary from 10% for buildings to 30% for aircraft and computers. Depreciation at the rate of 2% is available for physical infrastructure undertakings (bridges, roads or flyovers) from the tax year 2011/2012 (previously 1%). The cost of replacement of plant with a useful life of not more than a year is immediately deductible. According to the Income Tax Ordinance, 1984 the govt. for the purpose of computation of tax, is pleased to allow accelerated depreciation to any machinery or plant, other than office appliances and road transport vehicles, which have not being previously used in Bangladesh, has been or is being used in such hi- tech electronics industries as may be specified by the board and set up in any export processing zone declared under section 10 of BEPZ Authority Act.

**Tax exemption:** 10 years tax holiday for the Industries to be established before 1st January, 2012 and Duration and rate of tax exemption for Mongla, Ishwardi and Uttara EPZ for the industries set up after January 01, 2012 are 100% for first 03 years and 50% for next 03 years where tax exemption for Chittagong, Dhaka,

Comilla, Adamjee, and Karnaphuli EPZ are 100% for first 02 years and 50% for next 02 years (Tables16 and 17).

**Raw materials:** Prices of cotton and other raw material used in textile industry fluctuate rapidly in Bangladesh. According to the report of BEPZA in 2016, import of construction materials are duty free for Chinese investors and import of machineries, office equipment and spare parts are also duty free.

#### **DISCUSSION**

The next set of Tables (Tables 18 to 21) provide a realistic view of the opportunity to invest in Bangladesh whereby a SWOT analysis is performed offering first-hand view of all possible facilitations accompanied by the different performance evaluations expectations to investors from China.

#### **SWOT analysis**

The SWOT analysis is shown in Tables 18 to 21.

#### **Conclusion**

Bangladesh is the second largest garments producer and

**Table 19.** Weakness.

Headings	Description
Unskilled Workforce	The garment workers are mostly women with little education and training.
Working Position	Male dominated administration
Lead Time	Lower lead time from China to Bangladesh.
Factory Premises Infrastructure	Higher inadequacy of infrastructure than China.
Lack of Workers Safety	Some tragic accidents in recent years raise concern about safety issues where less than 12 years old children have worked in RMG sector.

**Table 20.** Opportunities.

Headings	Description
Facilities of Labor Force	Almost 4 million workers work 48 hours in a week where labor rate per hour is 0.51 USD but China provides 0.87 USD per hour in RMG industries.
Infrastructural Advantages	Duty free import of construction and factory setup materials, duty free import and export of raw materials and finished goods and duty free import of machineries, office equipment and spare parts get Chinese investors attracted more to invest in RMG sector.
Geographic and Demographic Advantages	Bangladesh has very convenient access to 3 international seaports, 3 international air routes and others to move easily.
Trade Tariffs Facilities	Bangladesh provides 13.10% trade tariffs that can't provide any developed countries even China or India or USA.
Market Competitors	Top readymade garment exporter in the world, Bangladesh will beat India and China in near future because of its low labor rate and high labor availability.
Bargaining Power of Buyers	Quota system, GSP system and low labor cost are making balances in the market for Bangladeshi Chinese firms to do business and invest more in future in Bangladesh.
Bargaining Power of Suppliers	Due to cheap labor, Bangladeshi factories provide the shipment of products timely and use the cheap labor as overtime and produce more goods in time.

**Table 21.** Threats.

Headings	Description
Political Instability	The political unrest, complicated policies, backed by corrupted administration is badly damaging the productivity and goodwill of the RMG industry.
Environmental Factor	Recent fire accident in Rana Plaza and Tazrin Fashion Garments which killed almost 2000 workers and injured another 1000 people is the main headache of Chinese investors of garments industries
Lack of Social Responsibilities	In the corporate world in Bangladesh the social responsibilities are not yet so widespread and Chinese companies are not so interested in emphasizing on commercial, technical and corporate social responsibilities in the local market as well.
High Rate of Interest and Inflation	Lending interest rate in Bangladesh (13%) is higher than China (5.6%) where Chinese inflation rate (2%) is so low than Bangladesh (6.4%).
Imbalance Workforce	Uneducated or somehow educated and not much more trained workers work through imitating others for the first few days and then do their own way.
Corruption	Improved position but not equal or lower than China.

exporter in the world while China is the first position in this field. Bangladesh is the target place of Chinese investors as Bangladesh has a huge amount of labor availability and low labor cost though workers are not properly educated, trained and skilled. For investing and

doing business in Bangladesh, Chinese investors get quota free market, tax exemption facilities, tariffs advantages etc. for RMG sector investment. Lending interest rate should be reduced through diversification of investment, to make digitalization of all official documents

and data to reduce corruption and poor infrastructure system should be changed and developed by improving government infrastructural system for better investment in RMG sector in Bangladesh.

## CONFLICT OF INTERESTS

The authors have not declared any conflict of interests.

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