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**Mainstreaming Public Expenditure Budgetary Control Connectivity With  
Economic Growth of Nigeria**

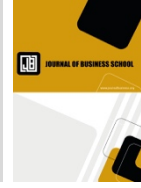
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## Mainstreaming Public Expenditure Budgetary Control Connectivity With Economic Growth of Nigeria

**Nnenna Victoria Ohiaeri, Ph.D**

University of Lagos, Faculty of Management Science, Department of Finance  
Akoka- Lagos. [nnenna\\_ohiaeri1960@yahoo.com](mailto:nnenna_ohiaeri1960@yahoo.com)

### Abstract

The failure of budgetary control system in measuring public expenditure performance that could drive the economic growth process despite huge sums of money being budgeted annually by the federal government, necessitates an urgent reappraisal of the impact of budgetary system on the economy of Nigeria. This study therefore examines the relationship between public expenditure budgetary control and economic growth in Nigeria by employing descriptive and ex-post-facto research designs, the study utilized secondary time series data sourced from various publications of central bank of Nigeria statistical bulletin and debt management board covering the period between 1980 and 2018. Multi-regression models and Ordinary least square estimation approaches are adopted to subject the series to econometric assumptions compliance and hypotheses tests respectively to evaluate relationship among government capital and recurrent budgets, external debts and gross domestic product. Findings revealed significant connection existing among the focused variables respectively hence the study recommends, based on the findings, that adequate budgetary control policies matched with strong budget monitoring and implementation strategies be created by the federal government to ensure an inclusive and balanced sectorial contributions to economic growth and development devoid of undeserved sentiments.

**Keywords:** Budget, capital expenditure, external debt, and Nigeria

### Introduction

#### *Background to the study :*

The launching of the recent (2017-2020) economic recovery and growth plan by the federal government as a medium term plan for the purpose of restoring economic growth while leveraging the ingenuity and resilience of Nigerian could amount to zero in the absence of an inclusive national resource distribution to the various sectors of the economy which would ensure sustainable and rapid economic progression. It is instructive to note that inequitable resource and income allocation resulting from budget implementation gaps could endanger economic growth process while widening socioeconomic gaps disenchantment among the citizens. The failure of budgetary control system in measuring public expenditure budget performance that could drive the economic growth process despite huge sums of money

budgeted annually by the federal government necessitates a reappraisal of the impact of budgetary system on the economy of Nigeria .

Cornia and Stewart ,(1993) documents that the cost-benefit analysis and distributional impact analysis used to evaluate the impact of public spending on equity have failed to provide an all-embracing budgetary implementation framework with multi-dimensional problems deserving simultaneous resolution from various perspectives . Similarly , institutionalized approaches , demonstrate the importance of transparency in the budgeting process using budgetary control as evidenced by various studies highlighting institutional roles and politics in determining resource allocations which have failed to resolve these problems . Financial analysts, have also resorted to income redistribution as measured by the net-impact of taxation and expenditure on household income and consumption amongst different social groups to achieve efficiency in resource allocation to no avail. According to Tanzi et al , (1999) , while, there is a tendency for economy to regard the existence of market failures as the fundamental rationale for poor public expenditure implementation , it is now accepted that the reduction of social inequalities and poverty is also a legitimate concern of government and its economic policy goals . Cornia et al (1993) notes that government narrowly targeted programmes , suffer from errors of exclusion, whereby the intended beneficiaries are unable to benefit from them , as a result difficulties in substantiating claims or participation costs. Above all , costs of exclusion are rarely considered in the design of targeted interventions, which generally seek to reduce leakages and thereby reduce the total cost to public sector .

According to Dalton's Principle of Maximum Social Advantage , maximum satisfaction should be attained by striking a balance between public revenue and expenditure by the government an economic welfare is achieved when marginal utility of expenditure and marginal disutility of taxation equate with the application of appropriate budgetary control system of an economic unit.

Kwanashie, (2003) describes budgetary system as a key instrument for macroeconomic management in most economies and its efficacy determines the success of governments in meeting societal goals. He sees public budgeting as means for promoting economic growth, employment, income distribution, has so far been considered as a part of development economics in general, and more specifically, as instrument of modern governance that has the potential of aiding economic planning and contributing to development. He noted that although, budget is shrouded in a lot of myths and illusions, which essentially excludes citizens from participation and promote secrecy, corruption and underdevelopment thus necessitates urgent need to interrogate the reality of budgeting with a view to transforming it in such a way that it will not only become participatory, transparent and accountable but also lead to sustainable development the regions. It is important to stress that government fiscal policies in terms of external debts and budgets affect aggregate demand through changes in government spending and taxation. Those factors influence employment and household income, which then impact consumer spending and investment that contribute to economic growth and development.

Public expenditure describes spending made by government on common needs of a country in terms of pension, provision of infrastructure and lots of other economic issues. Until the 19th century, public expenditure according to Adam Smith (1776) stated that " national wealth should be restricted to defense against foreign assault, protection of home peace and order, public development work". He further noted that any addition to these were seen as beyond the ability of the state and expenses on them were treated as unjust and wasteful. However, there had been a startling growth in the activities of state and this resulted in incomparable boost in public spending. Keynes (1930) , argued that the role of public expenditure in determining levels of income and distribution in the economy should be complimented by . government

should borrowing money to spend on public works; and deficit spending which would create jobs and enhance purchasing power in the economy so as to achieve balance in the government's budget during a depression .

Musgrave ( 1959, 1973 ) observes that at the high levels of per capita income, typical of developed economics, the rate of **public** sector growth tends to fall as the more basic wants are being satisfied.

However ,it has been observed that there is a correlation between government expenditure and government debt in the economy and that increase in deficit spending by government will also bring an increase in the amount of debt. Government borrowing shrinks accessible funds and increases the cost of capital, thereby causing businesses to abandon investment projects in the economy. Similarly, if government spends more than her receipts (deficit), her decision to borrow funds to finance that deficit will in most cases result to crowding out of private investments and deadweight loss on future taxation. The multiplier effect of government spending has not helped out in counterbalance of impact of public debt in the economy which necessitates further increase in taxes and places burden on current and future generations.

*Statement of research problem:*

General macroeconomic assumptions hold that market perfections normally could ensure efficiency in resource allocation possibility within the threshold of market forces through price mechanism resources without the need for public intervention (Fozzard (2001). However, public intervention may be justified in cases of market failure, where the price mechanism results in misallocation of resources that diverges from the social optimum. Accordingly , Babatunde ( 2018) concluded that there appears to be a consensus in the research that for a country to progress in its sustainable development goals, as advanced by the United Nations Development Programme (U.N.D.P 2015), improvements in infrastructure quality and economic growth are also necessary because, clearly, economic growth will affect citizens' lives positively, such as in the area of poverty reduction . On the contrary however, Aregbeyeni and Kolawole (2015) held that there is no causality between government spending and economic growth, but the question is; whether there will be any economic growth if the government fails to budget and spend ? To this extent therefore , budgetary implementation challenges in relation to economic growth has continued to generate serious controversies among scholars, politicians and economists at various levels of governance . As government expenditure budget figures continues to trend upwardly without corresponding growth in the economy as well as infrastructure development available statistics suggest that the annual budgets have not been able to improve the lots of an average Nigerian over the years . because of the weak link between capital budget implementation and poverty reduction, as indicated by the prevailing low index of public expenditures for instance in 2012 2013 and 2014 capital expenditure budget implementation gap which stood at 44.4%, 46% and 65% the implementation of the capital budgets during the period under review was also poor presenting 51%, 58% and 34% . Although non-release of capital expenditure could have contributed to this trend but critical factors could be traced to the dwindling government revenue and administrative bottlenecks during the period coupled with poor conceptualization of budget. The failure of budgetary control system in measuring public expenditure performance that could drive the economic growth process despite the huge sums of money being budgeted annually by the federal government necessitates a reappraisal of the impact of budgetary system on the economy of Nigeria . As Momoh, (2017) rightly observed, in most developed nations , planned government expenditure are rigorously and strictly implemented to the extent that such budgets have played tremendous roles in reducing disparities, creation of infrastructure for economic growth in the area of communication, transportation increased production of goods and services, employment creation and poverty

reduction. Lawal and Aduku, (2017) pointed out that while most Sub-Saharan African economies like Ghana, Rwanda and South Africa have been recorded positive Gross Domestic Product (GDP) growth on account of their budget implementation efforts translating to positive changes especially in their productive sectors respectively sadly enough, the reverse is the case in Nigeria with stunted gross domestic growth figure despite the huge amount revealed in Nigeria's annual budgets. Nigerian government budgetary system tend to ignore the stricter and thorough budget implementation performance policies which are fundamentals in targeting economic growth as well as socioeconomic burden alleviation of citizens. The system's failures in curtailing widening budget implementation gaps coupled with the complexities of the fiscal policy procedures which lack of adequate theories to proffer economic planning resolutions and their suitability of economic growth presents this investigation more compelling area of study. This study aim at re-appraising the relationship subsisting among public expenditure budgetary control, public debt and economic growth of Nigeria. Thus, in an effort to actualize aforementioned objectives of this study solutions to the following research questions need to be sorted out:

- i. How have government capital expenditure budgets over the years affected the economic growth of Nigeria?
- ii. To what extent does government recurrent expenditure impact on the economic growth of Nigeria?
- iii. What is the impact of domestic debt on the economic growth of Nigerian?
- iv. What is the connection between government external debt and the economic growth of Nigerian?

*Hypotheses:*

Drawing from the objectives research questions above, these study hypothesis are hereby formulated as stated:

**H01:** Government capital expenditure has no significant impact on the growth of Nigerian economy.

**H02:** There is no significant relationship between government recurrent expenditure budget has and economic growth of Nigerian.

**H03:** Government domestic debt has no significant relationship with the growth of Nigerian economy

**H04:** There is no significant linkage between government external debt and economic growth of Nigeria.

**Delimitation of the study:** This study rely heavily on the use of secondary sources of data as well as published works information whose authenticity may be difficult to confirm due to paucity of data and absence of information management technology in most public sectors of Nigerian economy.

*Significance of the study*

While boosting the strength of commented knowledge in this field, the findings of this study forms working paper to the federal ministries of finance and budgets in formulating public expenditure policies concerning government spending and its implementation in Nigeria. Scholars, authors and researchers analysts in the related public and private sectors would find the work highly relying point of reference in their studies.

## **Literature review**

*Conceptual framework:* The concept of government budget from layman's perspective can be described as an estimate of income and expenditure for a given period of time .. Samuel and Wilfred (2009) provides a broader view of budget from economic and business perspectives, describing budget as a comprehensive document that outlines economic and non-economic activities which a government would want to undertake with special focus on policies, objectives and strategies for accomplishment that are substantiated with revenue and expenditure projections. Thus, the economic activities of government which defines the criteria for government budget need to be a major focus when budget is being implemented. Therefore, the gross domestic product (GDP) provides a viable monetary measurement tool of government economic activities for which government budget is being targeted . It is important statistics that indicate whether an economy is growing or contracting.

Omolehinwa (1989), Kwanashie, (2003) and Smith and Thomas (2004) in the same vein, have defined budget as a plan aimed at the accomplishment of program of organization, expressed in monetary terms and subject to the constraints imposed by the participants and the environments in line with entity's objectives and goals within a defined time period .

CIMA defines budget as a plan stated in quantitative monetary terms which is prepared and approved prior to a defined period of time usually showing planned income to be generated and, or expenditure to be incurred during that period and capital to be employed to attain a given objective. At the national level government objectives target improvement in macroeconomic economic performances in terms of gdp growth ,per capita income and industrial production output Budget as a policy statement tends to address various sectors in an economy including the primary sector.

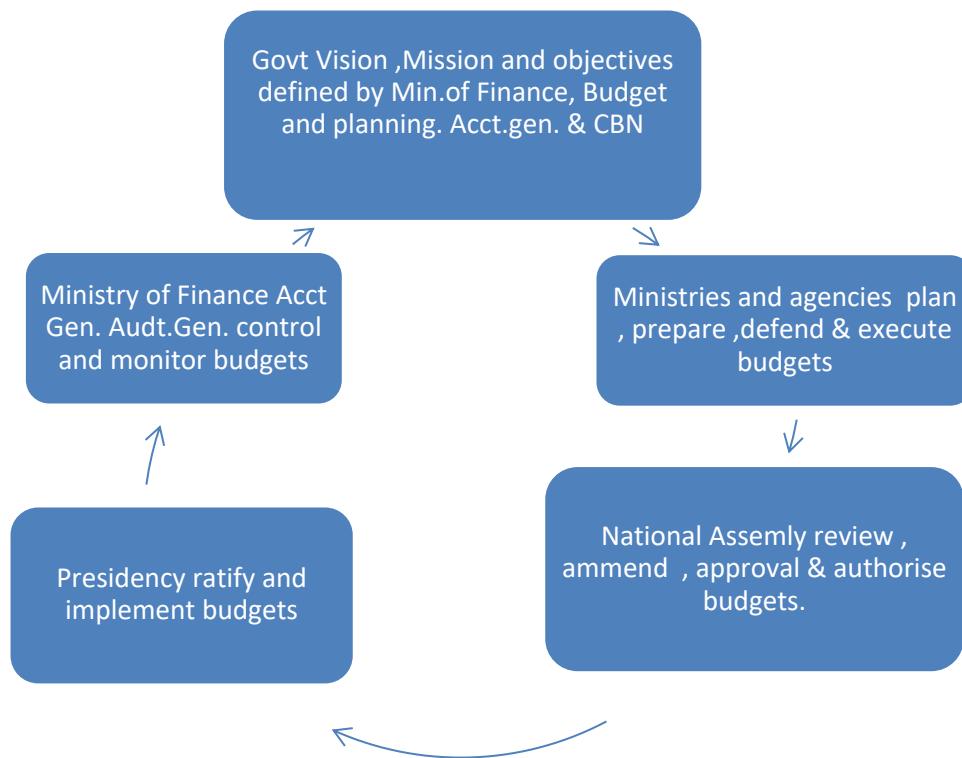
In the public sector, it is perceived as a collection of documents that relate to the financial conditions of the government including its expected inflows and outflows for year (Turns, 2006). Budgets represent official recommendations of the president to the legislation to be approved for future implementation in an effort to achieve for a responsible governance within the budgeting cycle.

The budget cycle allows for the system to absorb and respond to new information and in doing so the government is held accountable for its action though it should be recognized that many factors curtail the extent to which the president can make major changes in the budget.

*Budgeting and budgetary control:* While budgeting is view as a tool of authorizing of actions and for explaining the original purpose of financial planning needed to finance government projects, budgetary control on the other hand is a system involving scientific future planning and control strategy used to compare the actual state of affairs with the proposed expected future economic state such that appropriate actions may be taken with regards to any deviations before it is too late. Budgetary control entails compilation of comprehensive details of performance report on a particular budget circle or period.. The essence of control action is to correct divergences so that efforts of executives are therefore concentrated on the significant deviations from expected results.

Budget cycle is used as an instrument for implementing development plans in regulating economics and therefore influencing the market in predetermined manner. Planning and control systems operate in a circle of which budgeting is an important point. Budget cycles and control flow in tandem with the overall corporate vision, mission and objectives collectively as depicted below





*Fig 1 : Institutional Budgetary control , Responsibility and Activity Flow.*

*Source: Authors creation (2019)*

The activity flow above can be used to explain the modern budgetary process and related responsibility areas . were developed in the late 19th and early 20th centuries as a means of exerting legislative control over resource allocation decisions by the executive. This was achieved by separating responsibility and authority over the resource allocation process between institutions whose competencies and relations were defined in law, supplemented by exhaustive rules and procedures (Fozzard , 2001) A clear distinction was maintained between policy and administrative functions: the former was regarded as the exclusive preserve of politicians in cabinet and the legislature and the latter the responsibility of bureaucrats within the Ministry of Finance and spending agencies Government Budgeting process is a connectivity of various institutional responsibilities commencing with definition of government over all objectives by ministries of finance and budget. This is first stage which is a basic requirement for operational planning and budgeting process. The operational stages explains the “What”, “When” , “How” and “Where” of government decisions about their vision and mission accomplish in each year and expressed in monetary and fiscal policies . The planned expenditure for each year must be matched with expected income before legislative approval for the budgets is sought through the national assembly. The presidency then ratify the decision of the senate before budget implementation. Budget monitoring and control by the office of accountant and auditor general should commence as soon as budget implementation begins to ensure full compliance and robust feedback and quality assurance standardized through periodic variance analysis reports s are kept and forwarded to the ministry of finance.

The structure and size of government expenditure determine the pattern of growth in the economy. If government manages her resources judiciously, through an efficient allocation to the various sectors of the economy, it will translate into an inclusive and sustainable growth

pattern which would serve as a driver for eradicating poverty and inequality in the country. Economists classify government expenditure into three main types. Government purchases of goods and services for current use which is also referred to as government consumption

The Countries experiencing fiscal deficits, particularly the developing ones borrow to improve their economic growth. Government borrows in principle to finance public goods that promote economic growth and increase welfare due to the fact that no government is an island on its own; the developing ones lack sufficient internal financial resources and these calls for the need for foreign aid: According to Oloyede (2002), Chandnery et al (2008), Soludo (2003), "The dual-gap analysis provides the framework which shows that the development of the nation is a function of investment and that such investment which requires domestic savings is not sufficient to ensure that development take place". Hence the importance of external debt on the growth process of a nation cannot be overemphasized. The influence of external debt on economic growth and development of nations is well documented Melecky (2012) points out that good public debt management may reduce cost of borrowing as well as restrict financial risks, however well designed strategies more likely appear in countries with better institutional environment

External debt link with government expenditure tend portray a double facet outlook with negative and positive trend . It is significant to note that over the period between 1999 and 2018, Nigerian federal government expenditure budgets have been on the increase as revealed by available data rising from N299 billion to N8.6 trillion representing an increment of 2,776 % in budget value . On the contrary this progressive trend has not been matched with the economic growth rate change for the same period as (HDI) Human Development Index only grew by 60% whereas market capitalization to gross domestic ratio moved by 78% respectively within the period under review . Public debt to gross domestic product ration only moved by 87.0% while public expenditure contribution to gross domestic product GDP ratio changed moved negatively by -.13% within the same period.

Eze and Ani (1999) note that the effectiveness of budget as a good economic management tool will however depend on how the limiting factors are handled in relation to the various sectional budgets and the master budgets as a whole . Onaolapo and Olaoye, (2013) were of the opinion that corruption, over-dependence on oil revenue. paucity of macro -economic data , poor budgetary perception , . government policy inconsistencies and inadequate skilled budget personnel remain key constraints to budget implementation and budgetary performance in Nigeria.

#### *Theoretical framework*

This section highlights some of the basic theories that have been used to support the use of budget and its effects of budget implementation on economic growth. Such theories amongst others are:

##### *Musgrave theory of public expenditure growth :*

The theory of public expenditure as proposed by Musgrave in 1959 to explain changes in the income elasticity of demand for public services in three ranges of per capita income. He observes that at the high levels of per capita income, typical of developed economics, the rate of public sector growth tends to fall as the more basic wants are being satisfied. The theory particularly dwelt on efficiency , equity and fairness in government resources distribution. Efficiency has to do with the coordination, collection and monitoring of government revenue and expenditure towards the provision of services to the stakeholders. Equity is about the fair sharing of public gains among stakeholders. The applicable public expenditure theory in this study is based on

Wagner's law, known as the law of increasing state spending which states that for any country, public expenditure constantly rises as income growth expands.

*Stakeholder theory*

Stakeholder theory otherwise known as theory of organizational management and business ethics argues that a firm should create value for all stakeholders, not just only shareholders. In Accordingly , Heath (2009), recognises that there are parties involved in management, such as employees, customers, contractors, financiers, communities, public agencies, political groups, trade associations, competitors and trade unions, who sometimes scrutinise government spending. Stakeholder theory is used in this study as a critical-diagnostic tool to identify the points at which stakeholders are vulnerable to breakdowns in the spending process in the absence of moral constraints on the part of government spenders. For instance, stakeholders such as electorates, taxpayers or simply citizens are interested in what the government offers from spending taxpayers' money. They expect a business-like approach to governance in the areas of utmost good faith, transparency and accountability, as enshrined in new public management theory.

*Fiscal illusion theory:*

The theory of fiscal illusion originates from the work of Puviani (1903) and was used the misperception of fiscal parameters. According to Oates (1985), fiscal illusion implies persistent views and biases about public budgetary decisions in any direction based on imperfect information. Afonso (2014) argues that the benefits of government programmes appear to be remote and unrecognized by citizens, while citizens feel more directly impacted by the sources of financing the budget, such as taxes. This theory is relevant to this study because the real benefits of infrastructure spending may not necessarily translate into economic growth in the same expectation because of the element of illusion in the system. Oates (1985) argues that the misconception of fiscal parameters could considerably distort economic choices. *Empirical framework :*

Various empirical studies tried to validate the relationship between budget implementation economic growth and studies are bound evidencing this as exposed in this section

Ehigiamusoe and Umar (2013) and Ogujiuba and Ehigiamusoe (2014) examine the performance of budgets in an economy by focusing mainly on how the role of legislative oversights impacts on budget performance and capital budget performance, respectively. The current study intends to fill these gaps by analysing budget implementation in Nigeria with special focus on the 1980 -2018 government budgets without legislative oversight as a proxy for explanatory variable and with the inclusion of public debt as explanatory variable.

Loizides and Vamvouks (2005) employed the causality test the relationship between public expenditure and economic growth, using data set from Greece, United Kingdom, and Ireland. The authors found that government expenditure size granger causes economic growth in all the countries they studied. The results also indicated that economic growth granger causes public expenditure for Greece and United Kingdom.

Verma and Arora (2010) examined the validity of Wagner's law in India over the period from 1951 to 2008. Empirical evidences regarding short-run dynamics refuted the existence of any relationship between Developing Country economic growth and the size of the government expenditure.

Afzal and Abbas (2012) re-investigated the application of the Wagner's hypothesis to Pakistan over the period from 1960 to 2007 using time series econometrics techniques. The study found

that Wagner's hypothesis does not hold for aggregate public spending and income for three periods (1961–2007, 1973–1990, and 1991–2007) while it holds only for the period from 1981 to 1991. However, when fiscal deficit is included, the results supported the existence of Keynesian views about public spending and growth.

Zheng (2010) studied the empirical analysis on the relationship between the sizes of Chinese government, as measured by its annual spending, and the growth rate of the economy. More specifically, it designed to examine the applicability of Wagner's law to the Chinese economy. The statistics used in this research is annual time series data on total government spending and gross domestic product covering the period from 1952 to 2007. Empirical results showed no strong evidence in support of the validity of Wagner's law for Chinese economy. Olomola (2004) confirmed the Wagner's hypothesis both in short run and in the long run in Nigeria for the period from 1970 to 2001.

Dogan (2006) investigated the relationship between national income and public expenditures for Indonesia, Malaysia, Philippines, Singapore, and Thailand. Granger causality tests were used to investigate the causal links between the two variables. The result of Granger causality revealed that causality runs from public expenditures to national income only in the case of Philippines, and there was no evidence for other countries.

Komain and Brahmasrene (2007) examined the relationship between public expenditure and economic growth in Thailand, by employing the Granger causality test. The results revealed that public expenditure and economic growth are not co-integrated, but there exists a significant positive effect of public expenditure on economic growth.

Bingxin, Fan and Saurkar, (2009) assessed the impact of the composition of public expenditure on economic growth in developing countries. They used a dynamic generalized method of moment (GMM) model and a panel data set for 44 developing countries between 1980 and 2004. The results indicated that the various types of government spending had different impact on economic growth. In Africa, human capital expenditure contributes to economic growth whereas, in Asia, capital formation, agriculture, and education expenditure had strong growth promoting effect.

Abu and Abdullah (2010) investigates the relationship between government expenditure and economic growth in Nigeria from the period ranging from 1970 to 2008. They used disaggregated analysis in an attempt to unravel the impact of government expenditure on economic growth. Their results reveal that government total capital expenditure, total recurrent expenditure and Education have negative effect on economic growth. On the contrary, government expenditure on transport, communication and health result in an increase in economic growth. They recommend that government should increase both capital expenditure and recurrent expenditure including expenditure on education as well as ensure that funds meant for development on these sectors are properly utilized. They also recommend that government should encourage and increase the funding of anti-corruption agencies in order to tackle the high level of corruption found in public offices in Nigeria.

Nurudeen and Usman (2010) investigated the effect of government expenditure on economic growth with disaggregated expenditure data from 1979 to 2007. The results reveal that government total capital expenditure, total recurrent expenditures, and government expenditure on education have negative effect on economic growth. While the foregoing studies focused on the Keynesian model which stipulates that expansion of government expenditure accelerates economic growth.

Ighodaro, Clement and Dickson (2010) used a disaggregated government expenditure data from 1961- 2007, expenditure on general administration and that of community and social services to determine the specific government expenditure that economic growth may have significant impact on. Other variables reflecting fiscal policy changes and political freedom were also included in the model to augment the functional form of Wagner's law. All the variables used were found to be I (1) and long run relationship exist between the dependent and the independent variables except in the case where only GDP was used as the independent variable. Wagner's hypothesis did not hold in all the estimations rather Keynesian hypothesis was validated.

Oke (2013) investigated the effect of budget implementation on the Nigerian economic growth and provides a panacea to the problem of budget allocation and its implementation. The study adopted the econometric model of ordinary least square (OLS) regression test for analysis and time series data span from 1993 to 2010 was considered to capture the short run relationship between the proxies of budget implementation and economic growth. The study findings revealed that implementation has a positive effect impact on Nigeria economic growth. The study further showed a positive relationship between GDP and public total expenditure (PEX), public recurrent expenditure (PRE), public capital expenditure, external debt (EXD), while public capital expenditure (PCE) shows a negative relationship to GDP. Patricia and Izuchukwu (2013) investigated the effect of government expenditure on education and economic growth in Nigeria over a period from 1977 to 2012, the study adopted the Error Correction Model (ECM) to achieve its objectives. The study used Ex-post facto research design and applied time series econometrics technique to examine the long and short run effects of public expenditure and economic growth in Nigeria. The study revealed that Total Expenditure Education is highly and statistically significant and have positive relationship on economic growth in Nigeria in the long run. The result has more implication in terms of policy and budget implementation in Nigerian.

Onaolapo and Olaoye (2013) conducted a study on the appraisal of the factors contributing disparity in budget proposal and implementation. The main thrust of this paper was to examine the behavioral aspect of budget implementation disparity. Two hypotheses were set forth and tested using two ministries namely: education and finance in the Ekiti State of Nigeria. The study was analyzed using the primary data of analysis. Thirty high ranking staff involved in budget preparation and implementation out of thirty-five administered with questionnaires responded to time. Their findings revealed that government ministries always meet their budget target and the ministries have adequate measures to curb budget variances.

Olatunji et al. (2017) investigated the impact of capital expenditure budgeting implementation on economic growth in Nigeria. The aim of the study was to assess the impact of the implementation of capital expenditure on administrative, economic services and socio-community services on the growth of Nigerian economy. The secondary data used for the study were obtained from Central Bank of Nigeria (CBN), Statistical Bulletin. Using Augmented Dicker-Fuller unit root test, cointegration test and Error Correlation Model (ECR) for analysis, it was found that capital expenditure implementation is germane in maintaining and sustaining economic growth in Nigeria. It was recommended that government should ensure adequate implementation of capital expenditure in the country.

Ogbonna and Azubike (2018) did a study on the impact of public sector spending on economic growth in Nigeria (1981-2015). The aim of the study was to examine the impact of public expenditure on economic growth in Nigeria. Secondary data for the study were sourced from CBN Statistical Bulletin and analyzed using Ordinary Least Square (OLS) of multiple regressions. The result indicated that education expenditure has significant impact on GDP. Health expenditure showed an inverse relationship with GDP while community services have no impact

on GDP. It was recommended that government of Nigeria should use tax revenue to improve social community service in Nigeria.

Ezeonu, et al (2006), Adesola (2009), (Ayadi and Ayade, 2008), Ogunmuyiwa (2011), empirically investigated the effect of external debt service payment practices on the economic growth of Nigeria. Ordinary least square method of multilateral financial creditors, Paris club creditors, promissory notes holders and other creditors relates to gross domestic product (GDP) and gross fixed capital formulation (GFCF) using data from 2006 to 2017. The study provides suggestion that debt payment to Promissory note holders and Paris club creditors are positively related to GDP and GFCF, while debt payment to London club creditors and others creditors show a negative significant relation to GDP and GFCF.

### **Methodology :**

This chapter presents the various empirical approaches adopted for the analysis of data collected, research designs, data sources, scope, population, interpretations and presentation of the study results.

*Research design :* . The study adopts descriptive and retrospective research designs and descriptive study in which information is collected without changing the data environment. Descriptive studies are usually the best methods for collecting information that will demonstrate relationships and describe the world as it exists.

*Population, scope, and sample size :*

The population of the study comprises of the federal government expenditure, gross domestic product and national debts figures as captured by the national bureau of statistics generated for the periods between 1980 and 2018. Purposeful and judgment sampling approaches are adopted for the study to allow easy access to the nature of data needed for this study. This population of study covers all the 24 federal ministries with their parastatals and commissions under the purview of the president of federal republic of Nigeria ranging from 1980 to 2018. The need to capture data during the military and post military eras in Nigeria when the Nigerian economy was buoyant enough to attract global market and coupled with this is the necessity to narrow a perceived gap in related literature in the area of data gathering coverage and timing.

The Federal Ministries of Nigeria are civil service departments that are responsible for delivering various types of government service. Each ministry is headed by a Permanent Secretary who reports to a Minister in the Federal Cabinet. Some government functions are provided by "commissions" or parastatals that may be independent or associated with a ministry.

### **Data source and collection instruments:**

This study made use of secondary sourced time series data generated from various annual reports of central bank statistical bulletin and debt management office respectively. Secondary time series macroeconomic data are sourced and adopted from the Nigerian debt management official reports and Central Bank of Nigeria (CBN) Statistical bulletin to form a good documentary and empirical foundation for the study. The justification for scope and time series data used spanning through 1980 to 2018 because they provided basis for purposeful research aimed at narrowing the perceived gaps in previous research works so as to achieve the more robust outcome from the study.

*Data analysis method:*

Multiregression analysis and ordinary Least square estimation approaches are used for analyzing the data sourced. The use of this method is justified by the need to with the fundamental theories of underpinning this investigation . The fiscal illusion theory is relevant to this study because the real benefits of capital expenditure may not necessarily translate into economic growth in the same expectation because of the element of illusion in the system hence the need to investigate the various hypotheses based on study objectives . The stake holders theory advocate a business-like approach to governance with utmost good faith, transparency and accountability, as enshrined in new public management theory.. Variables used include government capital expenditure, government recurrent expenditure government external debts and gross domestic product to evaluate the impact of government budgetary control on economic growth .

*Model specification:*

The study is therefore functionally modeled as follows :

$$GDP=f(REX, CEX, DD, EXD, \mu) \text{-----} (1)$$

$$\text{Linearizing we have } GDP_t = \partial_0 t + \partial_1 REX_t + \partial_2 CEX_t + \partial_3 DD_t + \partial_4 ED_t + \epsilon_t \text{ .....} 2$$

**Where**

GDP = Gross Domestic Product

$\partial_0$  = Regression Constant

$\partial_1 - \partial_4$  = Coefficient of independent variables.

REX = Government Recurrent Expenditure

CEX = Government Capital Expenditure

DD = Domestic Debt

ED = External Debt

$\epsilon$  = Stochastic Error term (Disturbance term)

t = Time series

A prior expectation in the model is that REX , CEX,DD and ED as the independent variables should have positive relationship with the GDP ; the dependent variable in the model. In this study, the expected outcome of each of the explanatory variables adopted is presented below:

1. It is expected that government domestic debt (DD) will be positively related to Gross Domestic Product (GDP).
2. The level of government recurrent expenditure (Rex) is expected to show a positive relationship with Gross Domestic Product (GDP).
3. It is expected that the level of Government Capital Expenditure (Cex) will keep a positive relationship with Gross Domestic Product (GDP).
4. Also, External Debt (EXD) expected is expected to keep a negative relationship with Gross Domestic Product(GDP). That is  $f'(EXD)$  is expected  $<0$ .

The coefficients  $\partial_1 - \partial_4 >0$  implying that a unit increase in the independent variables will result to an increase /decrease in the gross domestic product (GDP).

***Model estimation and evaluation criteria:***

The model is estimated using time series annual data for the period 1980 – 2018. The data needed for the study are secondary in nature; implying data will be obtained from published sources. The estimation procedures for analyzing the subject matter includes the:

***a. Unit Root Test (URT)***

The Unit root is a standard approach in co-integration analysis used for determining the stationarity of time series data. It can either be performed using the Augmented Dickey Fuller (ADF) or the Philip Perron test but this study will use augmented dickey fuller to test the stationarity of data.

***b. Johansen Co-Integration Test (JCT)***

The Johansen's co-integration test is adopted in this study and it shows the long-run relationship subsisting between the dependent and the independent variables. This is done by evaluating both the trace and maximum Eigen statistics to determine the co integration rank.

Also some statistical tests would also be conducted in the study. They are given below as:

***c. Standard Error Test (SET)***

The standard error test is done to determine the significance of each independent variable in the explanation of the behaviour of the dependent variable. It is done using the standard error statistics obtained from the co-integration equation of the co-integration test.

***Coefficient of Multiple Determinations (R<sup>2</sup>)***

The coefficient of multiple determinations issued to measure the rate at which the behavior of the dependent variable is explained by the independent variables. It also takes into account the measurement of the behavior that is not explained by the model (Error Term).

***Overall Significance of the Model (F-Test)***

The F-test is used to show if the model adopted is statistically significant. This is done on a tail test with the comparison of the table value to the estimated value of F statistics.

***Durbin Watson Test (DW Test) :***

The DW-test is used to determine the presence of auto correlation in the series included in the model. It could either show positive, negative or no auto correlation, depending on the region which the DW statistical value falls.

***Evaluation criteria for the hypotheses tests:*** The basis for testing the validity of the statement of research hypotheses is to assess the value of T- statistics and that of F- statistics as revealed by the probability values respectively.

Hence , H<sub>0</sub> is rejected when the calculated critical T is and P-values is less than 5% level of significance otherwise H<sub>0</sub> is not rejected .

***Variable definition***

***Dependent Variables:*** Gross domestic Product. (**GDP**) is the monetary value attached to all the productive activities generated by the country's citizens at home and abroad . It is included in the model as a dependent proxy variable that captures the response of economic growth indicators.



*Independent variables:* The proxy for the explanatory variables representing budgetary implementation and control include government capital expenditure, government recurrent expenditure, government external debt.

*Government Expenditure:* Government expenditure includes all the expenditures which the public sector incurs for its maintenance, for the benefit of the economy, external bodies and for other countries. It could also be seen as all government consumption, investments, and transfer payments. It is intended to create future benefits such as infrastructure, investments or research spending. It is an important fiscal policy tool and if properly managed will help to steer the wheels of the economy towards achieving the aims and objectives of government accounting and transparency. Government expenditure can be classified into three categories. Government purchases of goods and services for consumption, government capital expenditure on infrastructures like roads aviation and railway, agriculture, construction, transport, communication and others and government recurrent expenditure money spent in the day to day running of the government activities which includes general funding of the federal government economic activities.

*External debt:* This is otherwise referred to as public or national debts and it is basically the money owed by a government to institutional bodies and individuals at home and abroad. It comprises of domestic debt and foreign debt which constitute significant variables in government budgeting and funding framework as they form a major revenue source and expenditure head of government. Government borrows to finance deficit budgets in times of economic crisis, war and other natural disasters to enable it fund these projects. But the capacity to borrow by the government is defined by its debt repayment ability as captured in its annual expenditure budget.

*Data presentation and Interpretation:*

This chapter presents the descriptive statistics, unit root test, Co-integration test, and multiple linear regression analysis test results.

**TABLE .1 Descriptive Statistics:**

	<b>GDP</b>	<b>REX</b>	<b>CEX</b>	<b>DD</b>	<b>EXD</b>
Mean	29640.18	1666.483	463.8818	2739.781	1592.052
Median	11332.25	696.8000	351.2500	1166.001	689.8375
Maximum	113711.6	7138.900	1163.200	12578.80	5787.513
Minimum	249.4391	15.64620	6.372500	36.78910	100.7891
Std. Dev.	35594.75	2004.819	383.5329	3506.158	1586.419
Skewness	1.045891	1.157313	0.395122	1.450113	1.164677
Kurtosis	2.704977	3.239142	1.823490	3.972320	3.182796
Jarque-Bera	5.764180	6.993967	2.594524	12.08575	7.051603
Probability	0.056018	0.030289	0.273279	0.002375	0.029428
Sum	918845.6	51660.97	14380.34	84933.22	49353.62
Sum Sq. Dev.	3.80E+10	1.21E+08	4412924.	3.69E+08	75501803
Observations	38	38	38	38	38

From the above table 4.1, all the mean values for the variables are positive. The mean usually called average is a mathematically computed value which gives a central value of a given data set, the mean is calculated by adding all the data

values together and dividing by n; the mean value of the variables are presented as follows: Gross Domestic Product at current price (GDP) has a mean value of N29,640.18 billion, the mean of

recurrent expenditure (Rex) is N1,666.483 billion, Capital Expenditure (Cex) N463.8818 billion, domestic debt (DD) is N2739.781billion and External Debt is N1592.052 billion.

Also, the standard deviation (SD) is a measure of dispersion and gives us a way to describe where any given data value is located with respect to the mean, the SD of the variables; Gross Domestic Product at current price (GDP), recurrent expenditure (Rex), Capital Expenditure (Cex), domestic debt (DD) and External Debt(ED) were computed to be N35594.75 billion, N2004.819billion, N383.53 billion, N3506.16billion, and N1586.419 billion.

Furthermore, the maximum values indicate the highest point of the variables throughout the study period. The maximum value of GDP for the period of the study was N113711.6billion, while the maximum values for recurrent expenditure (Rex), Capital Expenditure (Cex), domestic debt (DD) and External Debt (ED) were calculated to be: N7138.9billion, N1163.2billion, N12578.80billion, and N5787.513 billion respectively.

The minimum values also indicate the lowest point of the variables throughout the study period. Minimum values for GDP was N249.44billion, while the minimum values for independent variables were; N15.64billion, N6.37billion, N36.78 and N100.70 billion, that is for recurrent expenditure (Rex), Capital Expenditure (Cex), domestic debt (DD) and External Debt (ED) respectively. Skewness is a measure of the asymmetry of the probability distribution of a real random variable about its mean. The skewness of all variables is positive, an indication that the distribution is skewed to the right

TABLE 2. *Unit Root Test*

In order to determine whether the macro variables are stationary or otherwise, unit root tests are conducted if non-stationary at levels, we then go ahead to determine the order of integration.

<b>Variables</b>	<b>DF</b>	<b>ADF Test Critical Value</b>	<b>ADF Test Statistics</b>	<b>P-Values</b>	<b>Order of Integration</b>
GDP	5%	-3.065585	-3.339826	0.0302	I(1)
REX	5%	-3.081002	-4.531038	0.0035	I(0)
CEX	5%	-3.065585	-4.142154	0.0065	I(1)
DD	5%	-3.065585	-4.788256	0.0019	I(0)
ED	5%	-3.065585	-4.747152	0.0021	I(0)

*Source: Author's work 2019*

Table 4.2 shows the unit root test for variables under study using ADF method, the ADF statistics, the 5% degree of Freedom values are shown after each T-statistics in table 4.2 above. The result shows that recurrent expenditure (Rex), domestic debt (PD) and External Debt(ED) were stationary at levels. This can be seen by comparing the observed values (in absolute terms) of the ADF test statistics at 5% levels of significance. However, differencing once induced stationary in Gross Domestic Product (GDP) and Capital Expenditure (Cex). Thus null hypothesis that Unit root exists was rejected, while its alternative was accepted and this states that No Unit root exist. Hence, this shows that the variables were stationary at Levels. That is the variables are integrated of order I (0), except for Gross Domestic Product (GDP) and Capital Expenditure (Cex) which was integrated in order of I(2).

**TABLE 3 Co-Integration Test:**

Unrestricted Cointegration Rank Test (Trace)

Hypothesized		Trace	0.05	
No. of CE(s)	Eigenvalue	Statistic	Crit/Value	Prob.**
None *	0.906095	161.5768	69.81889	0.0000
At most 1	0.816026	92.97806	7.85613	0.2134
At most 2	0.686300	43.88215	9.79707	0.1457
At most 3	0.277250	10.26189	15.49471	0.2611
At most 4	0.028745	0.845811	3.841466	0.3577

Source: Authors work , 2019

Trace test indicates 3 cointegrating eqn(s) at the 0.05 level

\* denotes rejection of the hypothesis at the 0.05 level

\*\*MacKinnon-Haug-Michelis (1999) p-values

After forming the stationarity of the variables, we proceed to test for the co integration among the variables. When co integration is present, it means that economic growth, i.e Gross Domestic Product at current price (GDP), recurrent expenditure (Rex), Capital Expenditure (Cex), domestic debt (DD) and External Debt (ED) share a common trend and long-run equilibrium as suggested in theory. We started the co integration analysis by employing the Johansen co integration test. The maximum Eigen value statistics indicated none of the variables exhibit long run relationship among themselves that is, the p-values were 0.2134, 0.1457, 0.2611 and 0.3577 which are all greater than 0.05. We accept the null hypothesis when p-value is greater than 0.05. Therefore the null hypothesis was accepted. This implies that long term relationship does not exist between the variables.

*Multi-regression tests result:*

A test for the correlations coefficient between the dependent variable Gross Domestic Product at current price (GDP), and the independent variables it is observed that the Gross Domestic Product at current price (GDP), has positive relationship between recurrent expenditure (Rex), Capital Expenditure (Cex), domestic debt (DD) and External Debt (ED), with correlation coefficient of 0.992, 0.832, 0.984 and 0.335 respectively. The result is as presented on table 4.3

**TABLE 4 Multi-regression result:**

VARIABLES	COEFFICIENTS	STD ERROR	T-STATISTICS	P-VALUE
C	432.414	1241.2442	0.3483	0.7304
REX	7.11122	3.27756	2.1728	0.0391
CEX	10.7765	4.1408	2.60250	0.0151
DD	5.35089	1.616918	3.309264	0.0027
EXD	-1.4459	0.46088	-3.13372	0.0042
R-SQUARE: R*	0.891			
Adj R-SQUARE :	0.88			
F-STAT:	218.7646			
P-VALUE:	0.00000			
DURBIN- WATSON	2.008			

R-Square is the ratio of changes in the dependent variable domestic product at current price (GDP), which can be predicted from the independent variables, recurrent expenditure (Rex), Capital Expenditure (Cex), domestic debt (DD) and External Debt (ED). This value indicates that 89.10% of the changes in domestic product at current price (GDP), scores can be predicted from

recurrent expenditure (Rex), Capital Expenditure (Cex), domestic debt (DD) and External Debt (ED). Also the adjusted R-square gives a more reliable value to estimate, hence the adjusted R<sup>2</sup> value of 88.89% shows the actual changes in the domestic product at current price (GDP), which is due to the change in independent variables; recurrent expenditure (Rex), Capital Expenditure (Cex), domestic debt (DD) and External Debt (ED).

The standard error of the estimate, otherwise referred to as the root mean square error, is 3619.665 confirms the existence of other variables and factors that can significantly influence the domestic product at current price (GDP), when not taken account of recurrent expenditure (Rex), Capital Expenditure (Cex), domestic debt (DD) and External Debt (ED).

Furthermore, the Durbin-Watson statistics of 2.008496 shows that there is no serial correlation or auto-correlation problem in the regression models. These approximately conform to the benchmark of 2.0 for the absence of auto-correlation problem of regression.

The study has an F-statistic of (218.7646) which is significant at 5% level with the probability value of (0.00000) which is also less than the 0.05 level of significance. This simply implies that the test is statistically significant and the model can be used for further predictions and forecasting.

### **Hypothesis Test Result :**

Four formulated and testable hypotheses against which this study is anchored are subjected for test and decision criteria based on the significance or insignificance of the T-Test statistics and the P-value .

#### **Hypothesis 1:**

H01: Government capital expenditure has no significant relationship with the growth of Nigerian economy.

In the first hypothesis, it is assumed that government capital expenditure has no significant impact on the growth of Nigerian economy. From the analysis, the t-statistics of Capital Expenditure (Cex) is positive i.e 2.602505, with a p-value of 0.0151 significant at only 5%. This indicates that is a positive significant effect of Capital Expenditure (Cex) on economic growth in Nigeria. On the premise of these results, since the effect is significant, the null hypothesis is therefore rejected while alternate hypothesis which states that government capital expenditure has a significant impact on the growth of Nigerian economy was accepted.

#### **Hypothesis Two**

H02: Government recurrent expenditure has no significant impact on the growth of Nigerian economy

In the Second hypothesis, it is assumed that government recurrent expenditure has no significant linkage with the economic growth of Nigerian . Also from the analysis, the t-statistics of recurrent expenditure (Rex) is positive (2.172855), with a p- value of 0.0391 significant at only 5%. This indicates a significant effect of recurrent expenditure on the economic growth of Nigeria. On the preface of these results, since the effect is significant, the null hypothesis is

therefore rejected while alternate hypothesis which states that government recurrent expenditure has a significant impact on the growth of Nigerian economy was accepted.

### **Hypothesis Three**

H03: Government expenditure on domestic debt has no significant impact in the growth of Nigerian economy

Furthermore, in the third hypothesis, it is assumed that government expenditure on domestic debt has no significant impact in the growth of Nigerian economy. Also from the analysis, the t-statistics of domestic debt (DD) is positive (3.309264), with a p- value of 0.0027 significant at both 1% and 5%. This indicates a significant an effect of domestic debt on the economic growth of Nigeria. On the preface of these results, since the effect is significant, the null hypothesis is therefore rejected while alternate hypothesis which states that government expenditure on domestic debt has a significant impact in the growth of Nigerian economy was accepted.

### **Hypothesis Four**

H04: Government external debt has no significant impact in the growth of Nigerian economy.

On the other hand, in the fourth hypothesis, it is assumed that government external debt has no significant impact in the growth of Nigerian economy. From the analysis, the t-statistics of external debt (ED) is negative (i.e-3.137327), with a p- value of 0.0042 which is significant at both 1% and 5%. This indicates a significant but negative effect of external debt on the economic growth of Nigeria. On the preface of these results, since the effect is significant, the null hypothesis is therefore rejected while alternate hypothesis which states that government external debt has a significant impact in the growth of Nigerian economy was accepted

Discussion of findings , conclusion and recommendations:

#### *Discussion of findings:*

The study critically examined the effect of monitoring budget implementation on economic growth in Nigeria based on the results of the hypotheses, it is noted that government capital expenditure has a significant impact on the growth of Nigerian economy, government recurrent expenditure has a significant impact on the growth of Nigerian economy; also that government expenditure on domestic debt has a significant impact in the growth of Nigerian economy and that government external debt has a significant impact in the growth of Nigerian economy. This findings failed to align with with the views of Nurudeen and Usman (2010) on the effect of government expenditure on economic growth using disaggregated expenditure data from 1979 to 2007 which revealed a negative economic growth effect of total government expenditure on educational sector government total capital expenditure . but while The foregoing studies result which fundamentally focused on the Keynesian model that stipulates accelerated economic growth process through expansion of government expenditure . The findings also supports the view of Komain and Brahmasrene (2007) where they examined the relationship between public debt and growth in Thailand, by employing the Granger causality test. The results revealed that domestic debt and economic growth are not co-integrated, but there exists a significant positive effect of domestic expenditure on economic growth

#### **Conclusion:**

This study investigated the relationship between government expenditure budget implementation and economic growth in Nigeria by exploring the theoretical foundation, conceptual frame works and empirical studies on public expenditure and budgeting impacts on the growth of Nigerian economy Various econometric models and statistical analysis were applied to the time series data generated from relevant ministries and agencies . Based on the research questions and the research objectives hypotheses tests were formulated and tested using Ordinary Least Square estimation model as well as Johansen co-integration test s and the

findings revealed that 89.10% of the changes in gross domestic product at current price (GDP) can be predicted from recurrent expenditure (Rex), Capital Expenditure (Cex), domestic debt (DD) and External Debt (ED) while 10.9% of the gross domestic changes can be linked to other external factors beyond the government budget implementation. It was also observed that the whole model was significant in the explaining the reaction of national economy to budget implementation in Nigeria performance a good indication for appropriate actions by the federal government to ensure full implement of annual budgetary plan accelerate domestic economic growth .

Conclusively, the study has shown that monitoring budget implementation has significant impact on the performance of the economy hence adequate preparation of a good budget and its proper implementation will lead to a better performance of the economy.

This study has also revealed that volatility in government budget performance projections are a universally challenging norm all over the world .This particularly is disclosed in deviations of the actual budget performance from the projections which call for due cognizance of fiscal responsibility ,transparency and accountability to ensure steady economic growth in Nigeria.

*Recommendations :*

In view of these study findings , the following recommendations are suggested:

1. A review of public expenditure budgetary plan that would focus more attention to capital expenditure so as to speed up infrastructural development and economic growth process. Among the findings of the study is gap and trend of poor capital expenditure budget implementation within the period under review It is important to stress that a major critical trend of poor budget implementation contrary to the recurrent expenditure budget component.

(2 ) The negative relationship between external debt and economic growth as revealed by this study findings has serious implications for urgent government review of external debt financing and servicing through the national budget. Too much concentration on debt financing and servicing could hurt other sectors of the economy that might be generating positive economic growth effect stronger than external debt impact. of budget on other sectors of the economy. It is therefore recommended that the proportion of debt finance in the national budget should be kept as low as possible

(3 ) It is also recommended the government should initiate a benchmark budget implementation and performance policy as a basis for all the ministries and their agencies to qualify for future budget approval by the senate This could encourage a deserved competition among the relevant institutions or agencies to aspire to actualize their annual budgets so as to qualify for future years budget approval and release .

4. The treasury single account represents one of the surest opportunities to instil expenditure control in independent revenue agencies and increase their contribution to the revenue pool. There is a need to block all leakages while expanding Nigeria's revenue base, otherwise the country risks languishing in self-inflicted fiscal subjugation.

5. A post mortem evaluations of programs contribution to socioeconomic wellbeing of the citizens carried out ranked and compared with pre- implementation pre budget implementation and any program that fails to meet a set bench mark of value beyond its associated cost should be dropped .

*Suggestions for further studies:* A comparative evaluation of socioeconomic effects public expenditure budget implementation gap analysis demands further investigation.

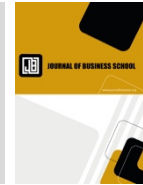
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## A Conceptualisation of Innovative Organisation of an ICT Company: A Focus on the Impact of 'Innovative Milieu'

**Hiroko Oe**

Bournemouth University, Faculty of Management, Holdenhurst Road  
Bournemouth, UK, BH8 8EB. [hoe@bournemouth.ac.uk](mailto:hoe@bournemouth.ac.uk)

**Anh Vo Son**

Saigon Tobacco Company Limited, Số 7, Vĩnh Lộc A, Bình Chánh,  
Hồ Chí Minh, Vietnam. [takashi.son.ht@gmail.com](mailto:takashi.son.ht@gmail.com)

### Abstract

**Purpose:** This paper investigates key elements for supporting strategic management behaviour with actionable implications for multinational corporations in the ICT business sector.

**Design/methodology/approach:** Samsung was chosen as a research case. A qualitative approach was applied to this study to develop a discussion framework with key elements which support innovative organisational behaviour.

**Findings:** From an analysis of secondary data of academic discussions relating with business behaviour of Samsung, five key themes were developed (e.g., Direction and driving force; Understanding the market; Management system; Organisational strategies; Review & evaluation). Further discussions were expanded from the framework with five key themes revealed a catalytic factor to foster an innovative behaviour of the organisation.

**Discussions:** It has been found that close communications with stakeholders and the impact of innovative milieu should be a catalytic factor to enhance dynamic innovative actions within the organisation. Especially in the competitive ICT business sector, it has been suggested that the inter-organisational and internal learning attitudes covering both individuals and organisational proactiveness should be focused to sustain the businesses. Moreover, organisational innovation can be achieved from the collaborative 'innovative milieu' which enhances the proactive innovations.

**Keywords:** innovative organisation, conceptual model, ICT-sector, Samsung, innovative milieu

## **1. Introduction**

### *1.1 Study background*

Within the global world and the context of internationalism, Samsung is a well-recognised brand. Buyers of Samsung products can be found almost everywhere, and the technologies employed by Samsung is familiar and user-friendly, which has led to its products being attractive to consumers, and helping the organisation to regularly engage in new initiatives. In the globalised competition within business markets, also raising its peak and business developers always try to be brisk in their domain to be able to respond to the consumer needs (Chang et al., 2013; Lee, 2019).

Samsung's management approach is based on strategic organisation in order to make its business sustainable and competitive, which can serve as a practical and useful analytical framework for other ICT-based enterprises in the global market (Rosa et al., 2019). However, a robust discussion framework to support business behaviour of an ICT-business with actionable implications with practical key themes has been waited for to develop live recommendations for the businesses in the competitive business environment

### *1.2 Research rationale*

In the current competitive and seamless, globalised era, multinational corporations (MNCs) face common managerial challenges in sustaining their businesses with strategic organisational perspectives. Although there are sufficient academic discussions of strategic organisation perspectives from an interdisciplinary perspective, practical analytical frameworks to support the sustainable business behaviour can be more helpful for both researchers and practitioners. This paper aims to contribute to this theme by providing a practical framework which suggests actionable recommendations to support innovative organisations, based on the literature in the field of ICT-based business context. In doing so, this paper chose Samsung as a case to develop practical implications and actionable recommendations for the ICT-business organisations.

### *1.3 Aim and objectives*

This paper investigates key themes and elements for supporting the strategic organisational behaviour of Samsung and other relevant MNCs in the ICT-based sector. To achieve this, the following objectives were set:

- Review the literature and develop key themes for management framework of Samsung,
- Design an analytical framework with key take-outs from literature review,
- Evaluate the analytical framework with in-depth examinations of each key take-outs therein to reveal the underpinning driving forces for sustaining strategic business management.
- Propose a conceptual map how to dynamise the interrelation among key themes in order to support innovative organisational behaviour.

## **2. Academic discussions: Anatomy of Samsung**

### *2.1 The Samsung paradox*

Samsung has developed particularly specific and strict criteria incorporating proper sustainability and choice in order to fashion itself attractive to buyers. The 'Samsung paradox' is growing (Khanna and Song, 2011). Today, MNCs have many tasks to effect, as emerging large corporations need to move beyond their home legislation's influence and markets. In fact, Samsung has been successful in its home market which is enabled by the ground-breaking approach, where the company has become a globalised enterprise. The South Korean market has

been expanding based on friendly user options, such as those characterised by Samsung and other large Korean manufacturers, which have enabled them to penetrate the global market by garnering and maintaining customer support. Samsung's business tactics and management system enabled it to achieve a desired outcome without extraordinary mental effort. A straightforward and anthropological approach is also a tool for increasing consumer support and preferences (Xu and Koivumäki, 2019).

### *2.2 Technology-oriented management*

Samsung exhibits proper adherence to quality and quantity in terms of its products (Liu and Lim, 2016), and the company is alert to and observes organisations within the global market. This includes rapidly expanding international setups, but Samsung cannot stop its proactive strategic behaviour to keep up with the drastic change in the global market (Sodhi and Tang, 2013). The most prevalent of Samsung's technologies are those related to mobile phones. To secure its positioning in the market, Samsung has been collaborating with other relational network actors including both vertical and horizontal business partners to maintain the business continuity and realise its objectives (Cullen and Parboteeah, 2013).

### *2.3 Shared value: communications with consumers*

According to the literature, Samsung is achieving its goals and vision as per its manifesto. While the company is expanding its business, researchers have discussed that Samsung has acted in line with the specific organisational doctrines (Wee, 2015). Samsung needs to adapt to the real needs of its customers in order to retain the loyal supporters to the company. Samsung will need to effect judgments and assessments on this stage of management, as its design department, and the approval of designs and inventions must be precisely balanced and evaluated in order to manage innovative ideas properly. Presentation and outlay are significant factors according to which brands can achieve stability; a design should differ from others in order to satisfy buyers, and to attract their attention. Supply chain policies are also a critical feature discussed worldwide (Pham, Darabif and Wilmot, 2015). For instance, Yoo and Donthu (2001) discussed the importance that suppliers understand the consumers' perceptions towards their products and brand attractiveness. Similarly, Gnyawali and Park (2011) also discussed the importance of the innovation management in the current business atmosphere; they proposed the collaborative and cooperative relationships with even the competitors so that they can establish win-win relations to enhance their innovative outcome. In the recent seamlessly connected and competitive business scope, innovation should be the key trigger for sustaining their businesses (Audretsch & Belitski, 2019; Hasan and Chowdhury, 2020). Yun et al. (2019) also suggested the co-opetition can be a solving trigger to sustain the businesses in the competitive ICT- products market. Steenkamp (2019) eventually discussed that the global brands should be perceived and evaluated in the context of 'brandscape', which should be a key theme for the globalised manufactures such as Samsung. On this point, without in-depth communication with consumers, the businesses cannot develop effective marketing strategies to maintain existing customers and attract potential consumers to the products.

### *2.4 Samsung's innovation management: organisational learning and innovation*

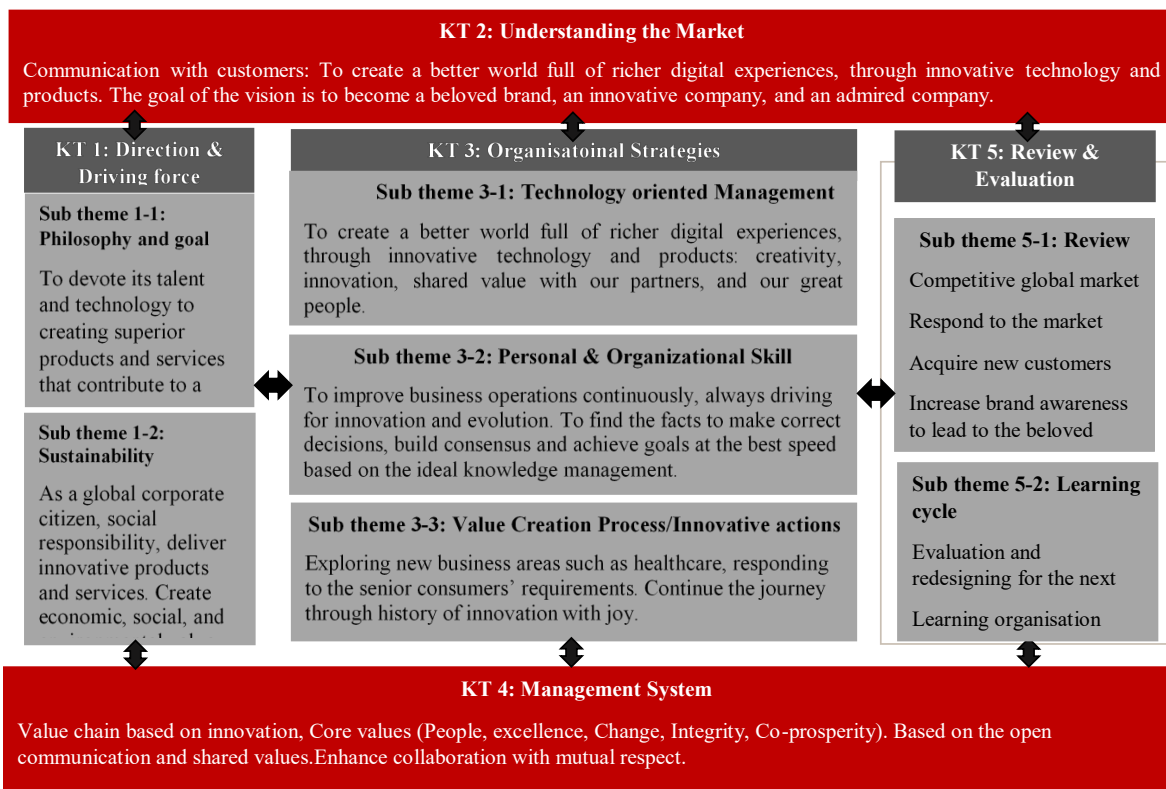
Jang et al. (2019) explored and discussed innovative activities of Samsung, following the impact of limited budget in the competitive business market, whereas Chang and Huang (2019) developed discussions how business culture motivate enterprises' innovation focusing on Samsung's innovative behaviour. Yun et al. (2019) discussed the current challenging phenomenon based on a comparative perspective between Apple iPhone and Samsung Galaxy. Their study provided useful insights businesses should focus on innovative proactiveness, from which they can enhance the additional values to the products (in this case, smartphones). They

revealed that especially during the early stage of new entrants into the market, a company needs to behave actively to attract the consumers with killer applications, invest limited resources to focus on the targeted clusters of market to generate sustainable profit for the next step. They clearly suggested the impact of innovation as a key theme for the companies to be able to do so. Innovative impact is essential for the later maturing process as well, in lien with the market growth, company strategies should be differentiated to reduce marketing expenses to establish some more sustainable business model.

In line with the accumulated academic insights, Seo, et al. (2019) emphasised the impact of the changing patterns of knowledge management to design electronic products according to the market maturing phases, whereas, Alexander and Joe (2019) discussed and recommended several antecedent factors for innovation success which could be a good benchmark for the IT businesses such as Samsung.

### 2.5 Samsung's strategic management framework

Based on the developed key themes of Samsung's management discussions noted above, a framework overview was developed, as shown in **Figure 1**.



**Figure 1:** Strategic management framework of Samsung (authors' arrangement).

## 3. Methodology

### 3.1 Research approach and strategy

This study adopted an inductive approach which is suitable to conduct exploratory data analysis (Bazeley, 2013). This approach allows the authors to develop theories and conceptual framework from the data attained from the literature (Ghauri et al., 2020). This study focused on a case study strategy, as suggested by Angelelli and Baer (2015), the process of investigating the actions and

attitudes of the targeted case, Samsung in this case, by applying hypothetical discussions and academic insights to the business behaviour.

### *3.2 Conceptualisation*

This conceptual research study comprises of two steps; (a) the first step is a systematic review to develop an analytical model for further discussion in the context of an IT business behaviour, which was followed by (b) the second step, focusing on the theme of innovative management that contributes to sustain the businesses in the competitive market scenario. From these steps, the authors developed a conceptual model with key themes for further research.

## **4. An investigation into key take-outs from literature**

### *4.1 Key theme one: 'Direction and driving force*

Two sub-themes have been developed; 'philosophy and goal' and 'sustainability'. Administration and management have been a key issue for the business organisations: in terms of how to progress their corporate level of knowledge in the market to attract the consumers should be the core value for the sustainable businesses (Malviya et al., 2013; Geradts and Bocken, 2019). Whereas driving sustainability-oriented innovation should be aimed to lead the corporate profile, it also gives the excellent pavement for the organisation to avoid all the circumstances which are disturbing and annoying the chain of customers and business relationships. Network perspectives within the organisation and among relational actors are essential for Samsung to enhance co-created value. Simply developing motives inside the corporation and retaining the elite class is not the organisational target, rather to connect internal effort and values with markets' needs and wants via proactive innovation should be prioritise to sustain the businesses (Kusi-Sarpong et al., 2019).

Sustainable supply chain management is nowadays a core attribute of production management (Pružinský and Mihalčová, 2018). They insisted supply chain management should be considered and analysed with a focus on sustainability. These discussions imply that business sustainability can only be achieved by adopting the correct business ethos, and the organisation's mission and goal has to be shared by the relevant business stakeholders (Lee, 2019). Global and on international standards should be developed as a platform for enabling relevant stakeholders to collaborate and strive to achieve the business goal, and in doing so, it is inevitable for the leaders to set a clear goal and shared values within the organisations (Sanders and Wood, 2019).

### *4.2 Key theme two 'Understanding the market: how to enhance digital experiences'*

Different countries and regions share some similarities and concepts within their individual identities, and in this way, well-known MNCs can market their products according to social needs and wants. Rhee (2020) discussed the impact of engagement and integrity of the marketing communication strategies: this is the core of business communication with the customers whose needs and perceptions are rapidly changing in line with the advanced technologies. To ensure survival of its products in any region, product quality should be optimised; following on, social interaction and saturation should be consolidated, so that products can gain a recognised identity among consumers. In doing so, a consumer-centric approach to deepen the understanding of consumers' digital experiences is essential (Yang et al., 2020),

As Spivack et al. (2019) proposed, some key potential factors such as seamless and integrated augmented reality technology will lead to enhancement of the digital experiences of consumers who use IT-based services. Mobile technology in Asia has high importance based on quality; however, the primary reason for its importance is that mobile technology has become an essential need within the past number of decades. Samsung is achieving significant success in many ways, but if the company increases its social marketing and communication, it will be able to achieve significant success in South Korea and other areas (Choi, 2015). In the current market scenario, as

Kamboj et al. (2020) suggested, factors which enhance consumer engagement and interactive co-value creation with a concept of gamification, especially via development of various mobile apps for the younger users. From the interactive process with the consumers, Samsung can deepen understanding of the market.

#### *4.3 Key theme three: Organisational strategies*

The key business activities are based on the organisational strategies: following the key take-outs from literature review, this main theme has three sub themes; Technology-oriented management, Personal and organisational skill, and Value creation process/Innovative actions.

The 'lean' approach by Samsung has been one of the company's pillars in its operational skills. As Hwang and Shin (2019) discussed, lean process within the business organisations has a power to drive the organisational transformation: this process can enhance interaction with consumers to foster an entrepreneurial mindset among employees. The lean rationale has made a remarkable impression both in academic and trade circles. The lean approach and its theoretical implications have been adopted by senior business traders to change their management style to fit a contemporary business environment (Salah and Rahim, 2019). They also emphasised the impact of implementation of lean approach especially in supply chain management. The theory has been disseminated globally, because of his intelligent and suitable fit to current disputes within management context. A company like Samsung, which is growing fast in the highly competitive IT sector, has to emphasise lean perspectives and its accompanying theory, which is important for the development and localisation of the lean concept. This concept should be embedded in the business activities from the view of technology-oriented management.

To enhance this mindset and process embed in the business behaviour, personal and organisational skill should be the key basis for it. Bekirogullari (2019) discussed the both personal and organisational engagement is essential to attain and share the business goals. In line with this topic, design thinking approach can open our mindfulness to lead the more innovative business plans. Brown and Katz (2019) presented the usefulness of design thinking approach in transforming personal and organisational innovative skills. In the context of 'sustainability' which is another key take-outs discussed in the previous sections, the design thinking approach in the organisation can foster sustainability-oriented innovation.

Another sub-theme 'value creation process and innovative actions' emerged in the communication process with consumers in the market, and should be considered in line with innovative relationships with customers and internal employees. As Sánchez-Gutiérrez et al. (2019) discussed, the value creation through relationship with consumers is the core element to enhance organisational capabilities which enable marketing innovations. Pargar et al. (2019) suggested, value creation dynamics should be discussed in the context of strategic alliance, and in doing so, creating clear value to share within the organisations is essential to enhance organisational innovation (Porter and Kramer, 2019). It is also discussed that the process of planning and harvesting innovative actions should be discussed and evaluated from a holistic perspective in the competitive market such as an ICT sector (Jang et al., 2019).

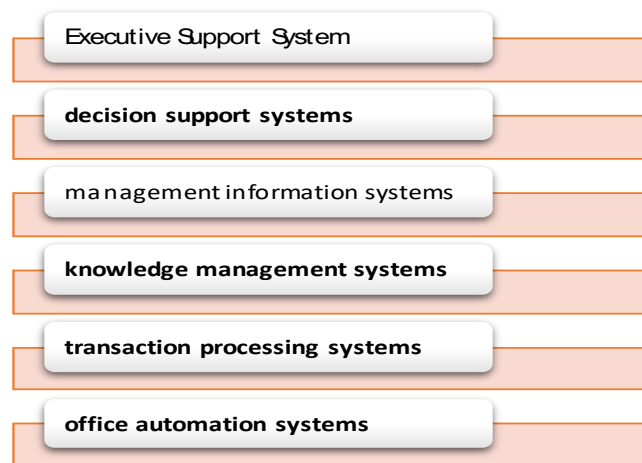
#### *4.4 Key theme four: Management system*

Companies are also focused on strategic management, through which they can decrease management gaps, an issue pertaining to problems within the organisation (Payne and Frow, 2013; Cullen and Parboteeah, 2013). Samsung, as an intellectual MNC that observes scenarios and intervene in a bid to remove misconceptions, and to mitigate issues within businesses combatting various contemporary issues in the uncertain era of business management. As an ICT company, Samsung has been destined to focus on technology development (Hu, 2014, pp.78); Samsung has been performing successfully as a growing company in the global market and is a leading organisation focused on fulfilling the desires of consumers as it pertains to technology,

particularly mobile technologies (Kim, 2013). Figure 2 indicates potential solutions to support innovative management system.

**Figure 2 A profile of ICT based management scheme (Authors' collection)**

The goal of management system should be to support sustainable business continuity with innovative actions (Xu, 2019). The challenges are open from many doors in markets, In the digital era, as Samsung has been facing and interlined with the competition (Yang et al., 2007), one of



the top themes for the business to survive is how to enhance value creation and merge with the actions of innovativeness and competitiveness (Battisti et al., 2019). In the context of their proposition, the key take-outs which were developed in Figure 1 (e.g., KT1 'Direction and driving force'; KT2 'Understanding the market'; KT 3 'Management system'; KT 4 'Organisational Strategies'; KT 5 'Review & Evaluation') should be connected vehicles to enable the business performance more proactive and competitive to respond to the markets' needs and wants.

#### *4.5 Key theme five: Review and evaluation*

To respond to a rapid change of the business environment and to develop and evolve the business performance is the critical theme for the business organisations. How to sustain business through innovation and dynamic change within the organisation is currently a priority on the business agenda (Birudavolu and Nag, 2019). Winning the competition in the ICT sector, to cycle the organisational learning cycle is inevitable, and following the key take-outs summarised in Figure 1, two sub themes are discussed; Review and Learning cycle within the organisations. As Lau et al. (2019) discussed, a collective organisational learning perspective is essential for organisational development.

Samsung produces many different products used on a daily basis. It is emphasised by the personals that erstwhile occupation of key technologies is a tool for surviving in the current business market (Hyeon and South, 2005). Contemporary issues are entirely different from rudimentary periods, and markets have changed significantly from how they functioned in the past (Deligianni et al., 2019). Non-linear business behaviour should be discussed in line with the effects of technological competence on the innovation in ICT-based businesses (Michalski et al., 2019).

#### *4.6 Innovative milieu and close communication with other stakeholders*

Up to here, the original key take-outs were evaluated and discussed to contribute to enhancement of business innovativeness in the competitive market. But to enable to dynamise the effective interaction among the five key themes to accelerate the innovative performance, another catalytic

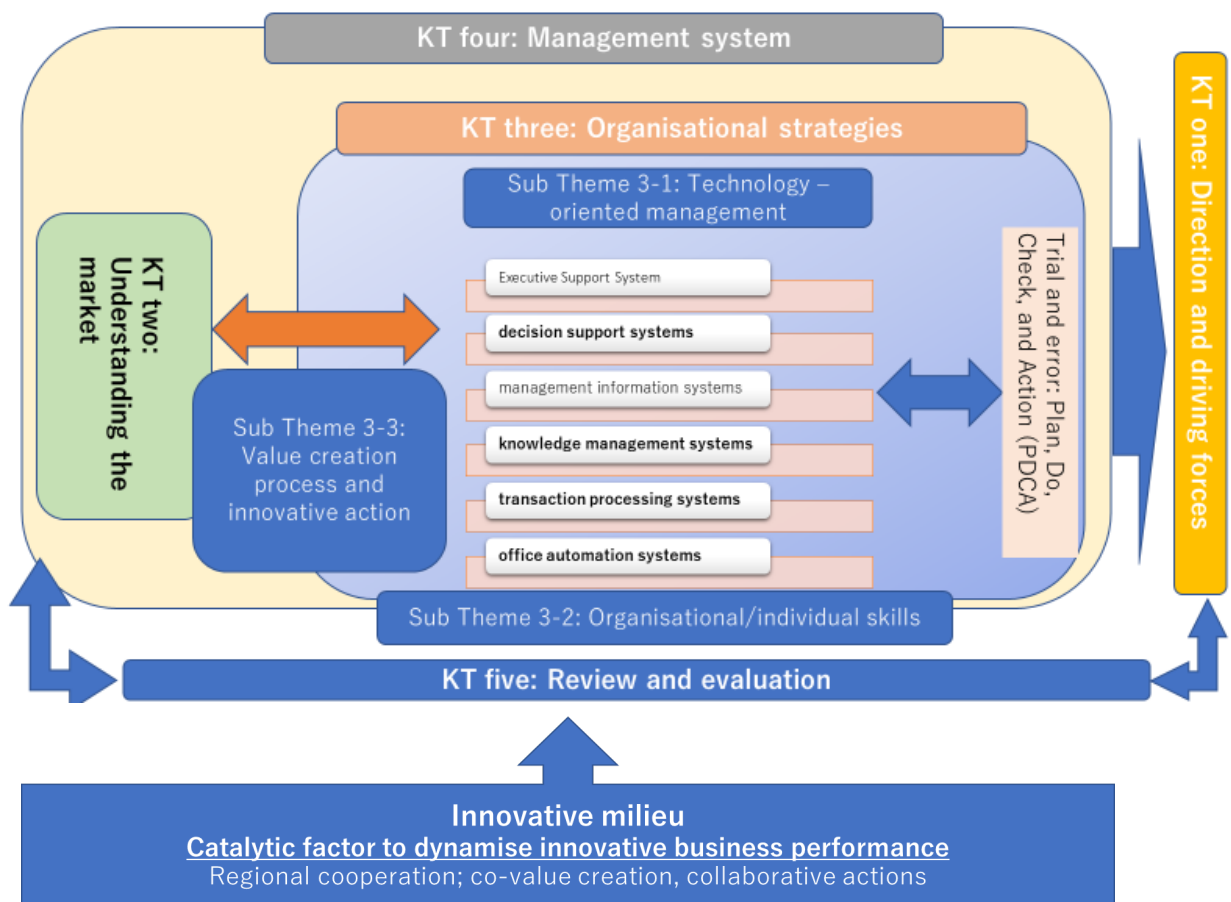


factor was developed. The initially developed framework with five key take-outs shown in Figure 1 should be revisited from a perspective of internal and external collaboration to enhance the business performance (Rydehell et al., 2019). In line with their discussion, Ferraris et al. (2019) also discussed the impact of partnerships with regional stakeholders to increase the integrative capacities. Gwebu et al. (2019) also emphasised an impact of integrative approach following the R&D outcome from a regional innovative milieu.

Tsvetkova et al. (2019) suggested that innovative environment is critical for a high-tech manufacturing industry and to deepen the discussion, conceptual theme of innovative milieu should be considered both in theoretical and practical domain. The concept of innovative milieu has been acknowledged as a discussion theme for territorial dynamic innovative performance (Maillat, 1995). As it has been indicated innovative milieu is the concept which should be applied not only to the organisations seeking efficient management schemes for production process, but also to the sustainable business process and performance. Originally this concept has been developed from a scope of contribution to the regional development (Fromhold-Eisebith, 2004), its applicability should be enhanced to the theme how to enhance organisational innovativeness via nurturing social capital within the organisations and the regional territories. Moreover, as Fromhold-Eisebith (2004) emphasised, innovative milieu can enhance further discussion of collaboration-based business performance.

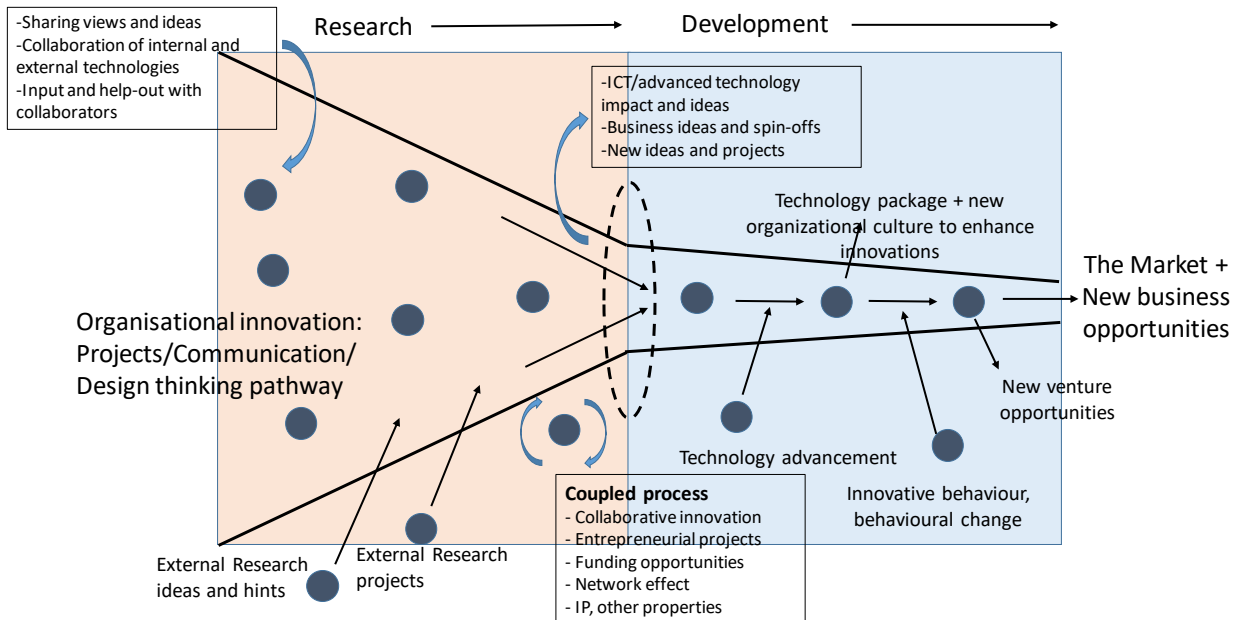
*4.7 Development of a conceptual model with key recommendations*

Overall, the initial framework with five key take-outs was critically evaluated to produce deeper insight. The interactions and relationships among proposed five key topics are redesigned as in Figure 4.



**Figure 4: A dynamism of proposed key themes for innovative business profile**

From discussions presented in the previous section, it has been revealed a catalytic role of 'Innovative milieu' as a supportive factor to dynamise the innovative business interactions. Figure 5 showcases an image of interaction within the innovative milieu which is a catalytic platform for the business performance.



**Figure 5 An image of 'Innovative milieu': A catalytic role to enhance organisational innovation (Inspired by Chesbrough (2003) and rearranged by the authors)**

The proposed maps imply that Samsung must take proactive and dynamic organisational actions to achieve its business aim and vision.

## 5. Conclusion

### 4.1 Overall summary of this study

Strategies and management tactics are primary topics addressed by scholars, but still it has been under the discussions to develop actionable implications for the relevant businesses and researchers (Chang et al., 2013, pp.22-34). This study developed a conceptual framework with key themes to support the innovative organisational dynamism. An in-depth investigation into the academic discussions of ICT based businesses such as Samsung enabled the study to examine key aspects for sustaining business operations.

The framework for sustainable management does not only focus on environmental perspectives. Samsung shares a vision with stakeholders and internally, innovative actions and improving personal skills have been other core aspects of its management. The developed conceptual framework makes suggestions for how to enable the company's organisational dynamism, and reveals the importance of collaborative relationships with a key theme 'innovative milieu'. The conceptualised map also indicates that businesses should conduct extensive efforts to integrate perceptions of the market, customers, and relevant stakeholders: gaining an in-depth understanding of the markets and customers should be the key background for the sustainable business. In doing so, clear set business target which should be shared as a business aim and value within the organisations.

A newly developed catalytic factor 'innovative milieu' has been mainly discussed in the context of regional development. However, this study suggests the impact of 'innovative milieu' should

be considered and discussed in the context of enhancing the innovative organisational business, transforming the collaborative management into the holistic level inviting all internal and external business stakeholders.

#### *4.2 Limitations and further research opportunities*

To design and implement a sustainable business model should be revalued and re-examined in the business context. The proposed conceptual framework needs to be verified with the real business performance data to indicate robust implications. This study stays as a pilot conceptual research study, which should be examined in further research.

Especially some further investigation into the impact of 'innovative milieu' on the innovative organisational behaviour should be conducted. The originally developed catalytic factor can be measured and evaluated with quantitative data to verify the proposed model from this study.

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