Clear Separation of Duties and Its Effect on Growth and Performance of Business Start-Up in a Developing Country: Case Study of University of Kigali

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ABSTRACT

This research was about understanding challenges in managing a business startup. University of Kigali was used as a case study. It is domiciled in Rwanda. It was chosen because it is a recent university establishment and it provided a good source of information for this research. The issue that triggered this study was to understand the virtue of having clear separation of duties in new business start-ups. The findings from this study reveal that 100 percent of the respondents believe that clear separation of roles and clear communication between management, shareholders and Board of directors is vital for new businesses. From the Literature review, it was clear that a firm in its infancy has a lot of risks and it would not be a bad idea for the start for shareholders and Board of directors to give a helping hand in the day to day running of the business until its stabilization. Employees need to know the vision and mission of the business start-up and again, the managing director of a firm needs to work closely with the chairman Board of directors for effective driving of the firm into the right direction. The momentum in growth of University of Kigali is due to respect of the pillar of separation of duties in its hierarchical structure and for allowing a decentralized structure type of management for flourish.

Keywords: *Business start-up, functional units, command lines, efficiency and effectiveness.*

1. INTRODUCTION

There is a notion that effective and efficient management with clear separation of duties among the internal stakeholders of a business fuels easy development of a young business start-up. Carrasco (2010) argues that workers should be treated the way they want to be treated and not how you would wish to have them treated. What this means is a sense of feeling of self worthiness. This would reciprocate by making them responsible for the Jobs they are employed to do and the net effect is increased productivity and efficiency at work. Managing a service institution for example an academic institution, management does not have to necessarily look at profit motive but good service delivery, but this can be achieved with clear working relationship between all levels of management in an organization (Ajith, 2012). The essence of this study was to understand importance of having clearly defined and separate duties between management and shareholders and how this would affect an organization's performance. To help realize answers to this study issue, University of Kigali was used as a case study purely because it is in the category of business start-ups and not because of any other reason. The University of Kigali has clearly defined duties of each functional units and this is what has helped it take off with speed and enthusiasm. A survey approach was used for this research and this is because it is an effective method for collecting qualitative data from respondents.

2. LITERATURE REVIEW

Majority of the businesses are started with the view of making better returns for the investors or business promoters. It is however vital for the owners of an enterprise to appreciate that, its success depends on the ability of the workforce of an organization to give their best of ability with guidance from owners and managers and not merely pushing them (Cohen, 2002). One would argue that workers can give their best at work if they are guided from the front and not pushed from behind and this could lead them to take the wrong direction and it really is very demotivating if a knowledgeable and experienced worker is unduly pushed around at workplace. It is vital to appreciate that people have different management skills as argued by (Turk, 2009), but what is vital is to use those skills to manage well and make workers productive. Unfortunately, owners and managers of start-ups tend to look on their side of getting maximum return from a worker; however, they pay little attention to the fact of treating employees with respect and appreciating their efforts. This in most cases makes work force resentful to work and this can lead to poor achievement of the organizational objectives (Carrasco, 2010). All these issues of poor achievement of results at workplace could be attributed to micro management and workers could adopt the attitude of "Let him do it". This can be frustrating to owners of business. This study highlight whether or not high level of shareholder involvement in micro-management of a business has an effect on the performance of employees.

Ajith (2012) wrote about managing in an academic setting in the Indian context, he is the view, that managing in academic setting is a unique one in a sense that you do not have to purely adopt the mainstream business principle of making a profit. The point here is that, your managing scholars who need to be treated with respect for you to get the best out of such employees. In some cases, there are situations where the shareholders and board of directors may need to manage or look at every detail, this should be alright as long as they are not directly interfering with the day to day responsibilities of management, this kind of style was adopted by Bill Gates of Microsoft and it worked well for his firm (Turk, 2009). It is crucial to assess whether or not this kind of level of micro management can work in the African context.

Starting and making a business operational makes promoters very nervous as the risk of such venture can be very enormous and they in some occasions tend to get involved directly to see realization of their returns. However this should not be necessary if the right people in the field of your business have been hired to do the Job (Van Leen, 2013). In most cases, when workers lose hope in their employers or the reverse, the employees job security or continuity is compromised hence reducing their productivity and ultimately, the business owner will lose out. Mciver at el (2013) is of the view that engagement of human capital is the best asset you can have in an organization. It is logical to appreciate that, a well treated human capital by the owners of business is what can perform as opposed to otherwise. This research gives an in-depth understanding of how people would need to be managed in a start-up for them to be able to work comfortably. A good management style in a start-up is that pulls employees to work in unison and harmony and not to push them away hence leading to working in isolation and disillusionment. The best management style should be coercive in nature as employees may respond to it positively.

3. IMPORTANCE OF STUDY

Business start-ups require good discipline among the stakeholders which should be coupled with clear communication strategies with the stakeholders (Garima, 2010). Communication and trust among different levels of stakeholders in an organization are very crucial for the success of any organization and this should be coupled with development of soft skills of the labor force of the organization (Karl et al, 2009 and Garima, 2010). It is therefore through this study that, the researcher will be able to understand whether or not a clear line of communication and trust between shareholders and senior management would deter shareholders and board of directors from micro-managing a start-up and hence leading to its success. Internal stakeholders of a business start-up needs to appreciate that, its success or failure would depend on the

professionalism and ethical behavior of both the shareholders, board of directors and management, otherwise productivity is stifled and this impacts on the returns to the business as argued also by (Ajith, 2012). Independency and separation of powers among different functional department of a business should be construed to be instrumental in the success of a business. This kind of arrangement creates checks and balances and this would help eliminate or minimize mistakes in an organization. Intrusion in territorial boundaries of an officer in an organization without just cause can be very destabilizing and creates professional familiarity and this would be counterproductive due to resentment by the affected party. If one takes an example of a higher learning institution with different tiers of management, it is vital that each tier is respected to perform its functions diligently without interference, otherwise the organization may not easily achieve its mission and vision and this view is shared by (Khurana, and Nohria, 2008). In a nutshell, this research helps to unveil the importance of separation of duties and powers in an organization. This would feed on the chain of different managers of start-up organization by guiding the behavior of different internal stakeholders as this would have a compounded effect on end results.

4. STATEMENT OF THE PROBLEM

Management is a time consuming affair and it should be modeled to the principle of obtaining results amid lots of trial and jubilations, but so to speak when a new venture or business is the one in consideration, the hired staff should be familiar with the environment of operation (Van Leen, 2013). The success of a start-up organization would depend on the managerial ability of managers who should be given the opportunity to manage an organization with minimal interference. Louise van and Simon (2007) argues that owners of businesses should cease every lucrative opportunity that comes their way; however, this opportunity has to be natured by management to ensure realization of the business's goals. Tiers of management in an institution should be empowered to make independent decisions and own responsibility for their actions. This research has concentrated on studying and ascertaining organizational impact situation on start-up if the principle of separation of duties and powers is not respected in an organization. University of Kigali has been used as a case study for this research. This University has been chosen for this study purely because it is a start-up enterprise.

5. RESEARCH OBJECTIVES
   a. Assess effect of the involvements of shareholders and board of directors in day to day running of business start -up.
   b. To ascertain whether or not the micro management of a business start-up by shareholders and board of directors would lead to its success.

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6. HYPOTHESIS

a. Business startups are likely to function poorly if there is involvement of the shareholders and Board of directors in the day to day management of the business without clear separation of duties.

b. It is not necessarily true that involvement of shareholders and Board of Directors of a business startup would lead to its poor functioning or failure.

7. RESEARCH METHODOLOGY

This research aimed at understanding if the direct involvement of shareholders and board of directors in the daily running of a business startup without clear separation of duties between management and BOD could have a negative effect on its development and performance. The survey approach was used for this study. This method was well suited since the study was qualitative in nature involving respondents giving their own views on the matter as per the questions in the blind questionnaire. Respondents were able to give clear expression of their views about challenges of managing a startup especially when an institution is micro managed without clear separation of duties.

University of Kigali was used as a case study. This is a recently opened private university in Rwanda in September 2013. The University currently employs 27 number of staff both academic and non academic staff. The targeted respondents were 27 academic staff and non academic staff in management and general operations. Casual staff and very low junior officers were not included in the targeted population. The others were all targeted and given questionnaires blindly without disclosing the identity of the researcher. There was 100 percent response rate. Data analysis was done using SPSS and responses were given frequencies and percentages and there were questions that required comments from the respondents. These were noted and given in a synopsis form as will be shown the research findings below. The findings can be relied on because the researcher was keen to analyze the consistency of responses given by respondents and they seemed to rhyme accordingly.

8. RESULTS AND DISCUSSION

The discussion of the results has been based on the responses from the survey and the approach that has been adopted for results has been based on how the responses agree or disagrees with the hypothesis as set in 6.0 above and findings in Table 1 below. In one of the studies about managing small business by (Louise van and Simon, 2007) that was done in South Africa, it was made clear from their findings that poor management skills by entrepreneurs can lead collapse or poor performance of a growing organization. The findings from this research showed the same sentiments that good management of a startup should allow separation of duties and not create room for micro management. 100 percent of the respondents were of the view that managerial powers of business startups should be decentralized and people should be held accountable based on the expectations of the shareholders.

Table 1: showing results from the survey

Questions asked	Responses	Frequency	Percentage
1. Employment type	Fulltime	27	100
	Part time	0	0
	Total	**27**	**100**
2. What Should the management style be in an organization:	Decentralized	27	100
	Centralized	0	0
	Total	**27**	**100**
3. Do you support empowering offices?	Yes	27	100
	No	0	0
	Total	**27**	**100**
4. Is clear communication vital to success of firm?	Yes	27	100
	No	0	0
	Total	**27**	**100**
5. Is it vital to have separation of powers and duties?	Yes	27	100
	No	0	0
	Total	**27**	**100**

Source: Author

Respondents were asked in the questionnaire whether or not they support empowering of offices. 100 percent of the respondents agreed that offices should be

empowered to make independent decisions and this means they will be held accountable. This off course cements the

fact that it is not necessary to have shareholders and Board of Directors involved in the day to day running of a business start as this may equally compromise on the responsibilities of overseeing the performance of the organization.

A thorough analysis of the work by (Jerry and Mattice, 2013) on risk governance and ensuring things are done correctly in an organization, at some point it is vital to have shareholders and Board of directors of a firm to have a grip on the daily performance of the firm. Their arguments are based on the fact that if Board of directors of the firms were having a tight grip on things, probably the frauds that happened at firms like Enron, WorldCom among others would not have happened. Shareholders business interests must be protected and there should be transparence when reporting to share holders. It is clear from this study by 100 percent that provided that there is clear communication between all the stakeholders in the business startup and managers are "real managers", then a startup will succeed since all the functional Units of the business will be functional.

The responses from the data analysis show that 100 percent believe it is crucial to have separation of powers for effective leadership and governance of an organization. The researcher's view is that, this is not necessarily true for all organizations. There are forms of organization where micro management may be inevitable especially it can be manifested in manufacturing organizations for quality control purposes. For instance the management style of Bill Gates emphasizes owner managing the details at each level and this worked well for Microsoft and other great entrepreneurs like Warren Buffett of Berkshire Hathaway believe that ownership attitude by managers is vital for the success of a business according to (Turk, 2009). This is basically to say that whereas 100 percent of respondents believe that separation of powers is vital in a business start, it is not necessarily true that if it is lacking it would lead to ineffectiveness in the firm. It is right to argue that, shareholders of a firm are interested in effectiveness and efficiency in running of a firm and this is what would lead to value creation and addition for shareholders.

These are specific comments given by respondents in verbatim about specific questions as per the questionnaire; they were asked; (1) is it vital to have separation of powers and duties in an organization and below are the varying responses; "The separation of powers and duties is vital, because sometimes can be used in a way that's not proper, and this could imply deterioration of good relationship between employees. It is vital because it allow every employee to be independent and quite responsible

with the limits of his/ her University. It is vital because each and every office should have defined roles but with coordination from the control office, There must be hierarchical separation of powers and duties but coordinated from the centralized office, It is vital from accountability purposes, It creates personal responsibility of consciousness of cheating, It vital discourages overlapping and duplication of orders".

(2) Besides money, what makes employees happy thought could make them and comfortable at work; these are the responses: "Clear polices, clear information flow procedure, management structure on job training and rewords, Minimum of freedom and reduction of micro-management style, General good working environment. I.e. tools to do work like computers, dearly news papers, benefits like provision of lunch, transport cost, Setting practical deadlines and respecting them. And job training for maximum performance of individual tasks, other incentives and extra- allowances, good working environment plus job stability, Good working conditions and good relationship with colleagues".

What is clear from their responses is that separation of duties should be a must if it has to be since not doing it is counterproductive and so leadership and governance of a firm should stress for it. Micro management by top leaders is not necessary unless the employed managers of a firm are incompetent. Trust and clear communication between management and shareholders should be a must for an organization to growth through the development stages till maturity.

9. CONCLUSION AND RECOMMENDATIONS

Employees of business start-ups normally have to work hard to ensure its effectiveness which in most cases is in interest of shareholders and board of directors. Effectiveness of a firm's operation leads to efficiency and a combination of these would lead to success of a firm. It should be understood that during the first Trimester of a business start-up, it is not a period for honey moon. It is a period of trials and it puts a lot of pressure on both management and business owners to ensure a smooth take off and comfortable cruising. This research however has highlighted the virtue of having different functional units performing their duties independently and this leads to creation of clear command lines and responsibility to performance. It is also crucial to appreciate that the management style adopted should depend on the nature of the organization. One would say that micromanagement may work well in manufacturing industry as like for the case of Microsoft (Turk, 2009), but it might not work for service industry where certain variables delivered by workers may not easily be quantified.

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