Buddha Academic Enterprises Pvt. Ltd
(Educational Publishers & Distributors)
Anamnagar-32 (Buddha Academic Building)
GPO Box: 20195, Kathmandu, Nepal
Tel: 977 -1- 4269165, 4241247, 4259210
Fax: 977 -1- 4218077
Email: buddha@wlink.com.np

ISSN: 2091-2471 (Print)
ISSN: 2091-248X (Online)

Rs. 500

The International Journal of Nepalese Academy of Management



The International Journal of

Nepalese Academy of Management

The International Journal of

Nepalese Academy of Management

Guest Editor
Prof. Dr. Geoffrey Wood
Professor of International Business at Warwick Business School,
University Of Warwick, UK

Chief Editor
Prof. Dr. Dev Raj Adhikari
Founding President - Nepalese Academy of Management
Dean- Faculty of Management
Tribhuvan Univesity, Nepal

Managing Editor
Dr. Dhruba Kumar Gautam
Tribhuvan University, Faculty of Management
Executive Director- Nepalese Academy of Management
www.nam.org.np
P.O. Box 12719, Kathmandu, Nepal
dhrubakumargautam@yahoo.com
nepaleseacademy@gmail.com

Nepalese Academy Of Management
The International Journal of
Nepalese Academy of Management

Volume 1, Number 1, 2013
Kathmandu
ISSN: 2091-2471 (Print)
ISSN: 2091-248X (Online)

Administrative Assistants

Prativa Sharma, Nepalese Academy of Management
SumanPaudel, Nepalese Academy of Management
Krishna Pokhrel, Nepalese Academy of Management

International Editorial Advisory Board

Prof. Dr. Chris Brewster, Henley Business School, University of Reading, UK.
Prof. Dr. Garry D. Bruton, Neeley School of Business, USA.
Prof. Dr. Farok J. Contractor, Rutgers Business School, USA
Prof. Dr. Rajneesh Narula, John H. Dunning Center for International Business, UK
Prof. Dr. Tony Fang, Stockholm University, School of Business, Sweden
Prof. Dr. Michael J. Morley, Kemmy Business School, Univ. of Limerick, Ireland
Prof. Dr. Katsuhiko Hirasawa, Nihon University, College of Commerce, Tokyo, Japan
Prof. Dr. Stephan Laske, Dept. of HRM, University of Innsbruck, Austria
Prof. Dr. R. SatyaRaju, Dept. Com. & Mgmt. Andhra University, India
Prof. Dr. Geoffrey Wood, University of Warwick, UK
Prof. Dr. Yutaka Takakubo, Nihon University, College of Commerce, Tokyo, Japan
Prof. Dr. G. D. Sardana, Birala Institute of Management and Technology, India
Prof. Dr. Roy J. Adams, Ariel F. Sallows, University of Sankatchewan, Canada
Prof. Dr. Marc Goergen, Cardiff Business School and ECGI, UK
Prof. Dr. Dr. Jyotsna Bhatnagar, Management Development Institute Gurgaon, India
Prof. Dr. Anne Cox, University of Wollongong, Australia
Prof. Dr. Wang Guo-An (Andrew Wang), Zhejiang Gongshang University in Hangzhou, China
Prof. Dr. Subarna K. Samanta, School of Business, The College of New Jersey, USA
Prof. Dr. Felicity Wood, University of Fort Hare, South Africa

National Editorial Advisory Board

Prof. Dr. Prem Raj Pant
Prof. Dr. Puskar Bajracharya
Prof. Dr. Govinda Ram Agrawal
Prof. Dr. Kundan Datta Koirala
Prof. Dr. Bishwombhar Pyakurel
Prof. Dr. Madan Kumar Dahal
Prof. Dr. Sri Ram Paudel
Prof. Dr. Radheshyam Pradhan
Prof. Dr. Puspa Kandel

Contents

1. **Guest Editorial: Context and the Practice of Management: Comparative Insights** 1
   - ❑ Geoffrey Wood

2. **Corporate Governance in Family Owned Small Firms** 7
   - ❑ Vighneswara Swamy

3. **Transformation of People Management Practices in a Japanese-affiliated Company in the Post-privatization era: Some Evidence from Teleshops of Sri Lanka Telecom PLC** 39
   - ❑ M. Saman Dassanayake

4. **Information Technology Employees Response to Dissatisfaction Relation to Power Base Adopted by Managers** 62
   - ❑ Harold Andrew Patrick

5. **Hofstede's Cultural Dimension after 35 Years: Business Practices and Paradoxical Proverbs in Nepal: A Case Study of NABIL Bank** 87
   - ❑ Dhruba Kumar Gautam

6. **Employee Well-Being: Exploring the Antecedents and Consequences in Organizational Context** 115
   - ❑ Sushanta Kumar Mishra

7. **Competitive Strategy: An Opening Survey in Nepalese Banking** 131
   - ❑ Manoj K. Chaudhary

Manuscript Submission

The Editorial Board invites manuscripts of all aspects of management, business environment, entrepreneurship and economics. Enquiries should be directed to the managing editor. Write to the managing editor- The International Journal of Nepalese Academy of management, P.O. box 12719, Kathmandu, Nepal. Website: www.nam.org.np E-mail: nepaleseacademy@gmail.com

The International Journal of Nepalese Academy of Management, its Editorial Board, Editorial Advisory Board, Chief Editor, Guest Editor and Managing Editor, and Publisher disclaim responsibility and liability for any statement of facts and opinion made by the contributors. The responsibility for permission to use any copy right material is exclusively of the contributors concerned. Copyright at Nepalese Academy of Management. All rights reserved. Reproducing any material published in The International Journal of Nepalese Academy of Management requires prior permission of the managing Editor.

Submission Guideline

- Manuscripts should be between 3000 to 5000 words (including illustration, graphs, and charts)in ONE document created in Word format in which cover page must include author's name an abridged resume of the author, title of the article and the abstract with key words. The author page must not contain the name of the author.
- Submitted papers must be in English, original, and not previously published in any journal either in printed or in any other forms.
- Manuscripts should be submitted in "double spaced format" with wide margins, 200-300 word abstract, using 12 point font.
- The selection of papers for publication will be based on their relevance, clarity, topicality, and originality; the extent to which they advance knowledge, understanding, and application; and their likely contribution towards inspiring further development and research.
- Manuscript not considered or not accepted for publication will not be sent back.
- Place the references at the end of the manuscript. The list should mention only those sources which have been actually cited in the text or notes. References should be complete in all respect and alphabetically arranged. Current A.P.A citation (e.g. Adhikari, D. R. & Gautam, D. K. (2010). Labor Legislations for Improving Quality of Work Life in Nepal. *International Journal of Law and management*, 52: 1, 40-53.
- Manuscript should be submitted electronically with attachments to the Managing Editor- the International Journal of Nepalese academy of Management: nepaleseacademy@gmail.comAll material and editorial correspondence to the editorial team should be addressed to: Nepalese Academy of management, P. O. Box 12719, Kathmandu, Nepal.
- The decision of the Editors will be final.

Guest Editorial

Context and the Practice of Management: Comparative Insights

❑ **Geoffrey Wood**
Professor of International Business at Warwick Business School,
University of Warwick, UK

Introduction

A common theme running through the submissions to this conference is the persistence of firm and national distinctiveness, but a distinctiveness that is constantly being remade through common global pressures. The latter encompass the common trends in ideology, in consumer taste, technological advances, changes in resource price and availability, international institutions and the impact of global migration. However, an addition development has been the intensified power of a relatively small economic elite both globally and within specific national contexts. Hence, whilst globalization is by no means a coherent or homogenous phenomena, it is also a fundamentally political process; again, variations in national ways of doing business reflect not only the real strategic choices by firms, but, indeed, how such choices reflect changing balances of political power within and between key interest groupings.

The Persistence of the National

As a very wide range of institutionalist literature alerts us, the patterns of practices adopted by firms, and indeed, the overall growth trajectory of society reflects systemically embedded sets of rules and associated practices (see Hall and Soskice 2001; Boyer 2006; Dore 2000; La Porta et al 1999; 2000). The latter will, depending on the specific tradition, either impact on the range of choices of rational agents (see La Porta et al. 1999; 2000) or mediate social ties and relations between key players and interest groupings (Hall and Soskice 2001; Amable 2003; Amable and Palambrini 2009). The persistently uneven development of nations, and the capabilities and resources open to

firms in different national settings, has indeed made for considerable variation in how business operates according to locale. At the same time, there are common trends across the global ecosystem (see Amable and Palambrini 2009). This reflects the dominance of neo-liberalism, a multi-dimensional phenomena, which has enjoyed a period of ascendency since the 1970s. At the same time, this dominance has not articulated smoothly into national policy frameworks, and not only national, but also regional, institutional frameworks continue to mediate its effects.

In the early literature on varieties of capitalism, it was suggested that there were only two proven mature institutional frameworks capable of delivering meaningful growth, Liberal Market Economies (LMEs) and Coordinated Market Economies (CMEs) (Hall and Soskice 2001; Dore 2000). The former, concentrated in the developed Anglo-Saxon world, was characterized by developed financial markets, deregulated labour markets, adverserial competition, a strong tertiary level educational sector, and shareholder dominance (Hall and Soskice 2001). Meanwhile, the latter, comprising of the developed economies of continental north western Europe and Japan, were characterized by higher levels of labour regulation, patient investor finance, strong inter-firm ties, and a stronger emphasis on industry specific skills; such economies were more stakeholder dominated (Hall and Soskice 2001). In practice, the latter enjoyed advantages in high technology, radically innovative industries, and in low end service sector work. Meanwhile, the latter enjoyed advantages in incrementally innovative manufacturing. More recently, debates have shifted to the question as to the existence of other, equally viable, types of capitalism. For example, Amable (2003) suggests that Scandinavia represents a distinct capitalist archetype in its own right. Other accounts have suggested that the coordinated market model has come under a great deal of assault in recent years from both internal and external players, and is moving towards the liberal market model, or at the very least is infusing key aspects of the latter.

Where does this leave the developing world? There have been attempts to identify other, somewhat less coherent, capitalist archetypes to categorize specific types of developing country and the patterns of business behavior that exhibit themselves therein. For example, it has been argued that tropical Africa represents a segmented business system, characterized by deep internal divisions between the large subsistence agricultural and informal sectors, and more formalized economic activity. What seems to be the case is that whilst many developing countries provide highly functional

environments for specific insider players and types of business to prosper, institutions remain, in such contexts, very much less closely coupled, resulting in at the very least sub-optimal outcomes for a large component of society.

Supra-National Pressures and Local Firms

Within specific national contexts, firms operate not only within the framework of national institutions, but also respond to supranational pressures. A few key issues are worth noting here. The first is that rising costs and volatility of key resource inputs – above all, energy – imparts a greater unpredictability, favouring owners of highly fungible assets over those with capital tied up in specific production processes, industries (Wood and Lane 2012). Within this process, workers, who have human capital tied up in a particular firm and industry are particularly likely to be prejudiced. All this has led to the increasing empowerment of a global financial elite), although there have been important counter-movements and reactions in different national settings.

In imposing structural adjustment policies, international financial institutions (i.e. the World Bank and the IMF) have been at the forefront of global pressures on national governments to liberalize. However, here it is again worth noting that this process has been a contested one; a response of many Asian governments to the Asian financial crisis was to stockpile foreign exchange so as to reduce the possibility of having to resort to those bodies again in the future.

Nor are MNCs coherent agents of homogenization. In some cases, they may enter markets simply to access cheap labour or raw materials. In others, they may hope to gain access to the particular competitive advantages a local production regime may confer (Morgan 2009); in the case of the latter, rather than forcing down standards and weakening national institutions, they may reinforce them.

A further supra-national actor is the global precariate, those who lack employment or occupational security, and increasingly are moving across national boundaries (** Standing). In practical terms, labour is an increasingly mobile commodity, and this will be reflected in far reaching shifts in national human resources. Migrant remittances are already keeping many developing economies afloat. On the one hand, the additional investment and spending

power has clear benefits to recipient economies. On the other hand, this allows for the separation of production and consumption, and may reduce the pressures on local elites to generate viable policy solutions.

Insights from Firms and Contexts around the World

It is within this broad global context that we need to consider the insights provided by the selected papers. Vighneswara Swamy looks at the impact of corporate governance on the relative performance of family owned firms in India. It is argued that owner management in the case of the latter eliminates any possible agency problems and/or may enhance notions of stewardship. Ultimately, the author finds that the latter is a more compelling explanation, and indeed, that this provides the basis for the relatively high levels of competitiveness of many small firms in India.

Saman Dassannayake looks at changes in the privatized telecommunications sector in Sri Lanka following on the entry of a major Japanese firm as an investor and partner. The author calls for both government interventions to enhance competition between firms, and to set human resource development guidelines for the industry.

Horald Patrick looks at the impact of managerial power bases on relative employee satisfaction, looking at the case of IT sector employees. It was found that the manner in which employees express their dissatisfaction reflects the relative basis of managerial power. The author calls for organizations to be more responsive in dealing with employee discontent; a crucial step forward would be to place a stronger emphasis on employee equity.

Dhruba Gautam looks at the impact of culture on managerial outlook and practices, based on the case of a major Nepalese bank. Although proponents of the cultural approach often hold that culture is fixed and immutable, the author finds that cultural outlook is rather more dynamic, and has undergone significant shifts in the light of far-reaching contextual change.

Sushanta Mishra look at the impact of broader organizational factors, such as perceived prestige and organizational supportive capabilities and activities on employee well being and turnover. This study of medical sales representatives in a secondary Indian city, but is vested with a broader relevance. The study finds that both prestige of the organization and its supportive role is positively related to well being and turnover.

Manoj Chaudhary looks at the process of setting business strategy and strategizing at Nepalese banks. On the one hand, having a clear strategic direction is a necessary foundation for competitiveness. On the other hand, the author found that both cost leadership and differentiation represented viable strategies that, in the Nepalese context, in the light of empirical evidence, have been proven to enhance organizational competitiveness.

Conclusions

The selection of papers is in many respects a diverse one, reflecting the international aims and scope of the Nepalese Academy of Management Conference. At the same time, emergent themes centre on the relative and uneven impact of systemic features, and common external pressures towards change that, in turn, often result in divergent outcomes. At a policy level, what clearly emerges from the studies is that generic interventions are rarely successful, and that there is a need to temper external pressures for marketization with local realities and needs.

References

Amable, B. (2003). The Diversity of Modern Capitalism. Oxford: Oxford University Press

Amable, B. and Palombarini, S. (2009). A neorealist approach to institutional change and the diversity of capitalism. Socio-Economic Review, 7, 123-143.

Aoki, M. (2012).Corporations in Evolving Diversity. Oxford: Oxford University Press.

Boyer, R. (2006). How do Institutions Cohere and Change. In Wood, G. and James, P. eds., Institutions, Production and Working Life. Oxford: Oxford University Press.

Dore, R. (2000). Stock Market Capitalism: Welfare Capitalism. Cambridge: Cambridge University Press.

Gourevitch, P. and Shinn, J. (2005).Political Power and Corporate Control. Princeton: Princeton University Press.

Hall, P. and Soskice, D. (2001).An Introduction to the Varieties of Capitalism. In Hall, P. and Soskice, D. eds., Varieties of Capitalism: The Institutional Basis of Competitive Advantage. Oxford: Oxford University Press.

La Porta, R., Lopez-de-Silanes, F. and Shleifer, A. (1999). Corporate Ownership Around the World. Journal of Finance, 54, 471-517.

La Porta, R., Lopez-de-Silanes, F., Shleifer, A. and Vishny, R. (2000). Investor Protection and Corporate Governance. Journal of Financial Economics, 58, 3-27.

Morgan, G. (2009). Globalization, Multinationals and International Diversity. Economy and Society 38, 4, 629-654

Standing, G. (2012). The Precariat: The New Dangerous Classes. London: Bloomsbury.

Wood, G. and Lane, C. (2012).Introduction. In Lane, C. and Wood, G. eds., Capitalist Diversity and Diversity in Capitalism. London: Routledge.

Corporate governance in Family Owned Small Firms

❑ **Vighneswara Swamy**
Department of Finance, IBS-Hyderabad
Dontanapally, Shankarapally Road,
vswamypm@gmail.com,
vighneswar@ibsindia.org,

Abstract

This paper studies the impact of corporate governance on the firm performance of Unlisted Family Owned Small Firms (UFOSFs) in India in the relevance of the argument that owner managed firms apart from being guided by the principles of stewardship theory, not only reduce the agency costs of ownership, but also contribute to increased firm performance. By bringing together, the agency cost theory and stewardship theory and related theoretical perspectives to the traits of family owned small firms, this study offers evidence and throws new light on the competitive advantages of family owned small firms in terms of their positive significance on firm performance. This study is one-off in its approach in studying the importance of the role of corporate governance in the performance of unlisted family owned small firms in India. Perhaps one of the significant contributions of this study to the research field is the development of a theoretical and empirical link between family ownership effects and small firms' performance. Apart from using primary data from a survey covering the vast regions of India, this study unlike other studies has examined four corporate governance mechanisms (Family Ownership, Board Size, Outside Directors, Audit Committee, Outsiders in Audit Committee, and Family CEO) together.

Article Type: Research Paper

Keywords: Corporate Governance, Board Size, Firm Performance, Agency Theory, Stewardship Theory, Altruism, Privately-Owned Firms, Family Business, and Family CEO

JEL Classification: G30, G32, G34, L25,

Introduction

The significance of Small and Medium Enterprises (SMEs) in the economic and social development of an emerging economy is well accepted. The SME sector is a kindergarten of entrepreneurship, mostly motivated by individual creativity and innovation. SMEs indeed make utilitarian impacts on employment and comprise the majority of business of an economy. Undeniably the economic landscape of countries continues to be dominated by family firms[1] (Astrachan and Shanker, 2003; Morck & Yeung, 2004). Given this backdrop, academia in the recent past has duly recognised the importance the family firms in several of the studies.

The idea that family ownership is an indispensable variable in the studies on family firms has been well acknowledged and hence assumed the heart of the field of study of such firms (Dyer and Sanchez, 1998, Winter Fitzgerald et al., 1998). Acknowledging that family and business are entwined in family firms some researchers have outlined the performance of family firms using both family and business dimensions (Mitchell et al., 1997). Most of the research has theorised that there has been a dyadic relationship between family and business because of the existence of reciprocal economic and non-economic value engendered through the confluence of family and business systems. Although there are significant advantages of the family ownership of firms, simultaneously it suffers from limitations such as; problems of ownership and management transfers, conflicts of interest, issues surrounding kinship in management control, altruism and others.

Corporate governance broadly refers to the rules, processes, or laws by which businesses are operated, regulated and controlled. Corporate governance in an SME is all about the corresponding roles of the stakeholders as owners, directors, managers, and other officers. In SMEs, the stewardship and control propounded by directors perhaps is quite unlike the one in the case of large corporations. Contemporary corporate governance literature encompasses several issues with a focus on the relationship between the firm owners, board of directors, and CEOs (Keasey et al., 2005; Monks and Minow, 2004). However, the notion of corporate governance as addressing the fundamental interaction amongst ownership, board of directors and audit committees as well as the top management teams at different levels has not been satisfactorily reconnoitred in the literature. Furthermore, inspiring recent articles by Bradley, Schipani, Sundaram, and Walsh (2000), and Rajan and

1. A family business is defined here as an organization whose major operating decisions and plans for leadership succession are influenced by family members serving in management or on the board. (Handler,1989: 262)

Zingales (2001) put forward that the changing nature of firms and markets may challenge the more fundamental bases on which our current concepts about corporate governance are constructed.

Family owned small firms[2] (*SMEs* and *Small Firms* are the terms often used interchangeably) constitute the majority of unlisted firms across the nations in the world. Family ownership is quite often associated with several valuation and firm performance aspects. Astrachan, Klein, and Smyrnios (2002) suggest that the extent to which a firm is a family business ought to be established by how family involvement is employed to influence the business. Furthermore, they have built and upheld a scale to measure this involvement as a continuous variable instead of being a dichotomous variable (Klein et al., 2005). Considering the control aspects of firm, family ownership and its high levels of control can lead to agency problem with the minority owners or dormant owners (Cronqvist and Nilsson 2003). It is also felt that the value or performance enhancing effects of family ownership are vividly experienced when the family actively manages the firm through a Family Chief Executive Officer (CEO) or Chairman of the board (Maury (2006), Villalonga and Amit, 2006). Westhead and Howorth (2006) and Castillo and Wakefield (2006) are the studies to mention that attempted to explore the relationship between family involvement in ownership and firm performance in unlisted companies. While the former examined data from 240 United Kingdom (U.K) companies, the latter studied a database of 526 United States (U.S) firms. No correlations could be established between family involvement in ownership and firm performance in spite of the use of several types of performance measures. For such firms, there is less empirical research on the performance effects of family ownership, active family management and the role of board directors. That said, there exists still a research gap to establish a clear relationship between corporate governance and firm performance in unlisted family owned firms.

This paper investigates these aspects of corporate governance that affect firm performance[3] in the case of *unlisted family owned small firms* (UFOSFs)

2. Mostly scholars have endeavoured to define the family business theoretically by its spirit: (1) the intention of the family to keep control (Litz, 1995); (2) unique, inseparable, synergistic resources and capabilities arising from family involvement and interactions (Habbershon, Williams, & MacMillan, 2003), (3) a family's influence over the strategic direction of a firm (Davis &Tagiuri, 1989) and (4) family firm behaviour (Chua et al., 1999).

3. The term "firm performance" in this paper is used as a convenient phrase as in many empirical studies is meant as a quantifiable and specific performance on an accounting measure. In the more limited theoretical literature, firm performance has typically meant economic profits in static models or firm value—the present discounted value of economic profits—in dynamic models.

particularly in the context of emerging economies. It is because of the reasoning that corporate governance practices in UFOSFs in developing countries especially in the case of Asian UFOSFs seem to differ with that of their counterparts in the developed or industrialised economies owing to several characteristics such as; societal structure, values, business ethics, entrepreneurial culture, resource scarcity, business and regulatory environment. Very few studies have been reported on the topic of corporate governance and firm performance in the context of UFOSFs when compared to the significant role played by these firms in economic development.

Based on the assumption that owner managed firms not only reduce the agency costs of ownership – and, indeed, the predictions of guided by the principles of stewardship theory - we assume that family ownership contributes to increased performance in the firms. Though non-economic objectives are also of importance to family firms, much of the empirical research on family firms has predominantly dealt with economic performance and we limit our discussion in this study accordingly. This study is a contribution to the on-going debate on the examination of the relationship that exists between corporate governance mechanisms and firm performance particularly in the context of emerging market economies. The rest of the paper is organised as follows. In section-2, we introduce the theoretical framework of the study based on exhaustive literature review. In section-3, Data collection and the methodology of this study are narrated. While section-4 presents our empirical results and the resultant discussion, Conclusions including the contributions and implications of the study are made in section-5.

Theoretical Framework and Review of Literature

The conventional agency theory of *corporate* governance perceives the firm as a nexus of contracts between free and rational individuals optimizing their own interests (Friedman, 1970; Fama & Jensen, 1983; Jensen & Meckling 1976, Jensen, 1986; Lorsch, 2004). Corporate governance practices are justifiably considered as a desired check and balance system of top management of the firm who run the firm on behalf of the owners. An alternative interpretation, however, points that a firm is a legal entity with rights and responsibilities just like a natural, civilized and compassionate person emphasizing the overall reputation of a firm and responsibility to a number of stakeholders. Instead of a naïve belief in the *single principal-agent theory* and its exuberant laissez-faire model based on individual self-interest only, a *multiple-principal-agent theory* quite often referred to as the *stakeholder theory* (Jensen, 2002;

Freeman, 1984; Mintzberg, 2002; Clarke, 2007) will have more chance to embrace essential changes to address the global challenges.

The agency theory, without doubt is the dominant approach used in corporate governance research (Daily et al., 2003). Agency theory is essentially a control-based theory, its proponents arguing that corporate governance mechanisms ought to be designed so that managerial self-interest is contained and disciplined (Jensen & Meckling, 1976). One fundamental question that agency theorists have taken rather lightly is "Who has the actual rights to decide over what?" For example, with respect to executive compensation, it is argued by Benz and Frey (2007) and Denis (2001) that agency theory has overlooked the strong incentives that pay-for-performance plans have created for managers to engage in deceitful and illegal activities (Becht et al., 2002; Jensen et al., 2004).

While Agency theory contemplates the relationships between family ownership, minority shareholders and managers as typical agency contracts, Stewardship theory offers a distinct and complementary perspective on families' purposes and behaviours. It postulates that managers and owners are motivated by values that are beyond economic private interest, and often act with altruism for the welfare of the entire organization and its stakeholders. The notion is that stewards are inspired by higher-level needs, such as organisational commitment to attain the set objectives and accomplishment of its collective good. Stewardship theory applies fittingly to family firms as the family owners often have a profound emotional investment in their firms owing to the reality that their fortune, personal contentment, and reputation are tied to success of the firm. Family firms mostly are characterized by an intense relationship between managers and controlling family owners.

Family-owned small firms (mostly Asian) are focused on long-term growth and boosting market share, thus guaranteeing continuity and family prestige rather than only the highest quarterly profit possible. As a result, in Asia, governance mechanisms emphasize relationships giving access to a variety of diverse of resources. Such *relationship-based* or *resource-based* governance focuses on (a) the importance of agreements that are largely implicit, personal and enforced outside of courtrooms, and (b) characterized by close relationships between government, banks, and businesses (Li, 2003; Low, 2004; Backman, 1999, 2003, 2004, 2007; Wu, 2005; Zhao and Zhong, 2003). Whereas *rules-based governance* relies largely on publicly verifiable information and majority of transactions are based on impersonal and explicit agreement, enforced by impartial (state) institutions, *relations-based governance*

essentially relies on local information, i.e. mutually observable information by the two transaction parties monitored by informal power structures or community members, and is usually non-transparent, non-verifiable and relation-specific (Li, 2003). A significant number of Asian businesses are implicitly concerned with community development though hardly in any formal or procedural manner since they underwrite and acknowledge the good relationships with external stakeholders and community members as a necessity to survive (Kidd & Fichter, 2003; Mahbubani, 2008; Roche, 2005; Toms S. & Wright M., 2005).

Competency of small firms depends mostly on how it is managed and its ability to mobilise and efficiently manage the resources through good corporate governance. Corporate governance issues arise with the persistence of two conditions; (i) there is an agency problem, (or conflict of interest) entangling the stake holders of the firm-owners, managers, workers or consumers, and (ii) transaction costs, such that this agency problem cannot be addressed through a contract. The literature on transaction cost identifies three costs that are perceptibly important. First, being the *Intellection Cost* (the cost of thought process about the different contingencies that can occur throughout the course of the contractual relationship and as to how to deal with them). Second is the *Negotiation Cost* (the cost of negotiating with others about these plans). Third is the *Compliance Cost* (the cost of implementation of the plans in the event of a dispute in such a way that they can be insisted only a third party - such as an arbitrator or a judge). Given this backdrop, governance structure can be perceived as a mechanism for decision making in the absence of initial contract. In reality, governance structure deals with residual rights of control over the firm's non-human assets. In the case of family owned firms, the ownership is vested with the family members (mostly one amongst them leads the ownership) and family has the right to make all decisions concerning firm's non-human assets (Oliver Hart, 1995).

Ownership and Firm Performance

Family ownership appears to be a value enhancing factor in listed firms, as compared to other forms of ownership (Anderson and Reeb (2003), Barontini and Caprio (2006) and Maury (2006)). According to Agency theory, equity ownership influences managers' risk-taking propensity (Keaseyet al., 2005) suggesting that managers become risk averse as their ownership in the firm increases. Concentration of ownership among the top management can lead to risk aversion, less pressure from outside investors, lesser transparency and accountability (Carney, 2005). Cronqvist and Nilsson (2003) have demonstrated a negative relationship between the level of control and the

Return on Assets (ROA) in their sample of Swedish listed firms. Thomsen and Pedersen, (2000) and Gomez-Mejia et al., (2001) have found that entrepreneurs and managers of family firms are more prone to engage in managerial entrenchment to the detriment of the firm, resulting in unconvincing performance. As UFOSFs are by and large closely held and owner-managed firms, one of the questions we aim to address is whether family ownership is a value-increasing proposition, i.e, given a certain level of control, whether the attributes of the family ownership have an effect on firm value or performance. For that reason, in this study ownership is hypothesised to be significantly affecting the performance of family owned and closely held firms.

Board of Directors

There is growing body of multi-disciplinary research and commentary addressing the issue of board composition and firm financial performance (e.g., Bhagat et al., 2008; Dalton et al., 1998; Dalton et al., 2008; Walsh & Seward, 1990; Goyal, V.K., Park, C.W., 2002). In family owned SMEs, the boards which are described generally as the "apex of a firm's decision control system" are indeed closely held and have direct and elaborate insights into the internal processers of the firm (Cowling, 2003). In view of this, some of the boards exist for namesake (Brunninge and Nordqvist, 2004). However, there are a number of SME boards that exemplarily use the boards for strategic decision-making (Feigner, 2005). Inside the company, boards have essentially two means to exercise control over executives; they can fire them and they can give them incentives like; share options, long-term incentive plans. For these levers to work, however, boards must be populated with 'independent' non-executives who are willing and able to monitor executive performance, particularly where there are potential conflicts of interest.

Board Size

To some extent, the vacuum in formal theory has been filled by empirical work on boards. As little of the empirical work on boards has been motivated by formal theory, this study seeks to answer the questions like: (i) how do board characteristics such as composition or size affect profitability. (ii) How do board characteristics affect the observable actions of the board? and (iii) What factors affect the makeup of boards and how do they evolve over time? A key issue is how to proxy for the board's degree of independence from the CEO. Much of this work starts from the sometimes-implicit assumption that observable board characteristics such as size or composition are related to the

level of board independence[4]. Board size has also been proposed as one of the significant factors related to corporate governance in many studies (Raheja, 2005). Empirical studies on board size appear to offer a just conclusion that there is a negative correlation between board size and firm value. Mak and Kusnadi (2005) and Sanda et al (2005) describe that lean boards are positively correlated to high firm performance. A significant negative relationship between the size of the board and firm value as well as performance has been established (Eisenberg etal., 1998) for Finnish SMEs. Board Size also influences on the board meeting frequency and firm performance (Vafeas, 1999) and also on board effectiveness and board dissent (Warther, 1998). In theory, the question is less clear as Harris and Raviv (2008) opine that stockholders can at times benefit more from inside boards, and Linck et al (2007) found that diverse determinants drive the evolution of boards in small and large firms. It is widely agreed that the size of the board has e.g. been decreasing in large firms, but not in smaller ones. In this backdrop, we study the effect of board size on UFOSFs, in concert with variables measuring the managerial activity of the firm.

Outsiders in the Board of Directors

It is widely accepted that corporate governance mechanisms may perhaps be wont to restrict potential entrenchment effects linked with high ownership levels. Outsiders in the board are one such example for governance mechanism. Outside board members[5] are not tangled to the routine operations of the firm and hence they are likely to cogitate more independently concerning the firm performance. Their experiences help generate new perspectives and ideas and can increase earnings performance. The correlation between the proportion of outside directors and performance of the firm has been in the objective of many studies.

Even though in family firms the true independence of outside directors can be questionable, Outsiders in Board can perhaps be used as a control variable in spite of its insignificance (Rosenstein and Wyatt, 1990; Anderson and Reeb, 2003). Nguyen and Nielsen (2009) offer specific evidence in favour of

4. For an innovative way to assess independence or board activism—see MacAvoy and Millstein (1999), who use CalPERS' grading of board procedures as a measure.

5. Most directors are as inside directors or outside directors. Inside directors are employees or former employees of the firm. Outside directors are not employees of the firm and usually do not have any business ties to the firm aside from their directorship.

   They are typically experts / seasoned professionals / former CEOs or prominent individuals in other fields. About 10 percent of directors do not fall into either category; often these are attorneys or businesspeople that have a long-standing relationship with the firm. They are typically referred to as "affiliated" or "gray" directors.

independent directors. Independent Directors (who are not officers or employees of the corporation and who are otherwise unaffiliated with the corporation) are considered to be "the crucial corporate governance mechanism for monitoring managers" (Bhagat et al., 2008). However, it is also found that outside directors with multiple board appointments may be too busy to mind the businesses (Ferris et al., 2003). It is observed that Family members may rely predominantly on outside directors with the required functional skills and 'independence of mind' (Bammens et al. 2008) to perform the board's control task. Accordingly, while hypothesising that outside directors would have a stronger positive effect on the performance among family owned and closely held firms we include this as variable to measure the effect of outsiders in board on firm performance.

Audit Committee

The role of Audit committee by and large can be summarised as; (1) Oversight of financial reporting and accounting (2) oversight of the external auditor (3) oversight of regulatory compliance (4) Role in monitoring the internal control process and (5) oversight of risk management. Klein (2002) informs a negative relationship between firm performance and audit committee independence. Further, Anderson, Mansi and Reeb (2004) observe that exclusively independent audit committees have lower debt financing costs. Given the importance of the audit committee in corporate governance activity of a firm, we would like to study its effect and expect a positive correlation.

Outsiders in Audit Committee

In general, the audit committee has at least three members (directors) and Two-third (2/3) of the members is non-executive independent directors. The Chairman is generally selected amongst the independent non-executive Directors and shall be appointed by the Board. The number of outsiders in the audit committee is largely felt as an indication about the independence of the audit committee as the independent directors do not depend on the management for promotion or other such benefits. In view of this, outsiders in audit committee play a significant role in ensuring corporate governance practices in the area of auditing. As such, this is included as a variable for study in this paper.

Family CEO

CEO of a firm has a larger impact on the functional efficiency of a firm and hence the CEO compensation and incentivisation has a greater effect on the

firm performance (Morgan and Poulsen, 2001; Booth and Deli, 1996; Brick et al. 2006; and Denis, et al. 2006). A large number of papers have documented a positive relationship between CEO turnover and poor performance in large corporations as well as in other types of organizations. Among them are Coughlan and Schmidt (1985), Warner, Watts, and Wruck (1988), Weisbach (1988), Jensen and Murphy (1990), Barro and Barro (1990), Blackwell et al. (1994) and Kaplan (1994). In the case of family owned firms where the family CEO experiences little turnover irrespective of one's performance, this study intends to analyse the effect on firm performance. Anderson and Reeb (2003) have observed a significant positive effect for family CEOs and noticed an insignificant effect for CEO descendants, whilst Barontini and Caprio (2006) witnessed significant positive effects for both firms with descendants on board and founder-controlled corporations. Andres (2007) observed that when the founding family is active either in the executive or supervisory board, family firms are significantly more profitable than widely held firms are. Further, the effect was robust when the founder served as CEO. The question we are attempting to investigate under this aspect of governance is whether Family CEO affects firm performance. We study the effects of family CEOs and expect a positive effect.

Data Collection and the Methodology

Data and Variables

This study is based on the primary data collected through pre-tested questionnaire using survey method for unlisted family SMEs in India[6]. Balanced Panel data for 83 SMEs of 18 states spread across five different regions of India[7] (by pooling the cross sectional observations for 15 parameters for three years 2008, 2009 and 2010) is arranged for analysis. Sample frame of the firms considered for study is presented in table-2. Purposive Stratified Random Sampling was adopted in cherry-picking the

6. India provides an ideal environment for investigating the productive efficiency of small and medium size firms popularly termed as SMEs. In view of its huge diversity in terms of demography, geography, literacy levels, consumption patterns, industrial environment and economic environment, India offers itself as an ideal study area of the study of SMEs.

7. In India SME, sector accounts to the extent of 8 per cent of the country's GDP, 45 per cent of the manufactured end products and 40 per cent of its exports. The labour to capital ratio in SMEs and the complete growth in the SME sector is considerably greater than that in the large industries. Further, with geographic dispersion of the SMEs being more or less even, SMEs are central for the objectives of inclusive growth. According to the All-India Census, SMEs provide employment to estimated 60-mn persons. Only 1.5 mn of SMEs are in the registered segment, women own about 7% of them, and around 94% are proprietorships or partnerships (GOI, 2010).

unlisted family owned firms for the study. Out of the 83 firms studied, 57 were involved in manufacturing activity and the remaining 26 in other activities. 46 of the sample under study are owned by single family as the single largest shareholder and the remaining had the partnership of two to four families as major shareholders in the firm/s.

TABLE 1: Sample Frame of SMEs

Central Region	Eastern Region	Western Region	Northern Region	Southern Region
Chhattisgarh (2)	Assam (3)	Gujarat (7)	Haryana (4)	Andhra Pradesh (5)
Jharkhand (2)	Bihar (2)	Maharashtra (9)	Himachal Pradesh (2)	Karnataka (4)
Madhya Pradesh (4)	Orissa (3)	Rajasthan (3)	Punjab (8)	Kerala (4)
	West Bengal (10)		Uttar Pradesh (6)	Tamil Nadu (4)
Total (8)	Total (18)	Total (20)	Total (20)	Total (17)
Grand Total (83)				

We have resorted to panel data as these are better suited to study the dynamics of change and also these are now being increasingly used in economic research in view of their advantages such as informativeness, more variability, less collinearity among the variables, more degrees of freedom, and more efficiency. We study the relationship between firm performance and family control by ownership and management, and corporate governance variables, with the following model that in its basic form is as follows:

$$\text{Performance} = \alpha + \beta_i \text{ (Financial variables)} + \beta_j \text{ (Ownership)} + \beta_k \text{ (Control Factors)} + \mu$$

Model Specification

Pooling all the observations, we can write the following equation;

$$Y_{it} = \beta_1 + \beta_2 X_{2it} + \beta_3 X_{3it} + \ldots\ldots\ldots + \beta_n X_{nit} + \mu_{it} \quad \ldots (1)$$

Where; $i = 1,2,3,4 \ldots N$ [i.e the cross section identifier (for SME units)]

$t = 1, 2$ and 3 [i.e the time identifier (for the years 2008, 2009 and 2010)].

Where, Y is the dependent variable. β_1 is constant, β_2, β_3 … β_n are the coefficients of the explanatory variables of corporate governance criteria, X_2, $X_3 \ldots X_n$ are the explanatory variables and μ_{it} is the error term.

In order to take into account the individuality of each firm and if we assume that the slope coefficients are constant across firms,

We write the model as below;

$$Y_{it} = \beta_{1i} + \beta_2 X_{2it} + \beta_3 X_{3it} + \ldots\ldots\ldots + \beta_n X_{nit} + \mu_{it} \quad \ldots (2)$$

The equation (2) is a typical fixed effects (regression) model due to the reason that although the intercept may differ across firms; each firm's intercept does not vary over time i.e making it as time invariant. However, we do not like to treat β_{1i} as fixed; instead we assume that it is a random variable with a mean value of β_1. The intercept value for an individual firm is expressed as below:

$$\beta_{1i} = \beta_1 + \varepsilon_i \quad \ldots (3)$$

where i = 1, 2 ….N and εi is a random error term with a mean value of zero and variance of σ_ε^2. What we are essentially trying to state is that, the firms have common mean value for the intercept and the individual differences in the intercept values of each company are reflected in the error term ε_i.

By substituting equation (3) into (2), we obtain:

$$Y_{it} = \beta_1 + \beta_2 X_{2it} + \beta_3 X_{3it} + \ldots\ldots\ldots + \beta_n X_{nit} + \varepsilon_{i+} \mu_{it}$$

$$Y_{it} = \beta_1 + \beta_2 X_{2it} + \beta_3 X_{3it} + \ldots\ldots\ldots + \beta_n X_{nit} + \omega_{it} \quad \ldots (4)$$

Where ω_{it} is the composite error term that consists of two components namely; ε_i (firm specific error term and μ_{it} is firm specific and time series specific combined error component. It is further assumed that each firm specific error components are not correlated with each other and are not auto correlated across both cross-section and time-series units. Accordingly, we make the following assumptions;

$\varepsilon_i \sim N(0, \sigma_\varepsilon^2)$ and $\mu_{it} \sim N(0, \sigma_\mu^2)$

$E(\varepsilon_i \mu_{it}) = 0$ $E(\varepsilon_i \varepsilon_j) = 0$ $(i \neq j)$

$E(\mu_{it} \mu_{is}) = E(\mu_{it} \mu_{jt}) = E(\mu_{it} \mu_{js}) = 0$ $(i \neq j;\ t \neq s)$

Further, as a consequence of above assumptions, we are required to write as below:

$E(\omega_{it}) = 0$ and var $(\omega_{it}) = \sigma_\varepsilon^2 + \sigma_\mu^2$

From the above equations, it follows that ω_{it} is homoscedastic.

However, when $(t \neq s)$, ω_{it} and ω_{is} are correlated; which means that,

corr $(\omega_{it}, \omega_{is}) = \sigma_\varepsilon^2 / (\sigma_\varepsilon^2 + \sigma_\mu^2)$

Since N is large and T is small, when we have the above stated assumptions, we believe that Error Components Model (ECM) or Random Effects Model (REM) is the appropriate model for estimation of the effects[8].

Adopting the above developed model as in equation (4) above specifically to this study, we get,

$$\text{Performance} = \beta_1 + \beta_2\ FS_ln + \beta_3\ FA_ln + \beta_4 TA_ln + \beta_5\ Sol_ln + \beta_6 N_F + \beta_7 Own + \beta_8 F_Age + \beta_9\ B_SIZE + \beta_{10} O_Dir + \beta_{11} A_C + \beta_{12} OAC + \beta_{13} T_E_ln$$

$$\beta_{14} Hr_M + \beta_{15}\ F_CEO + \omega_{it} \qquad \ldots (5)$$

Profitability is employed as a measure of performance and is expressed in terms of Return on Assets (ROA) and Return on Equity (ROE) and these two are the dependent variables in this study. The independent variables include; Firm size, Fixed Assets, Total Assets, Solidity, Nature of Firm, Ownership, Firm Age, Board Size, Outside Directors, Audit Committee, Outsiders in Audit Committee, Total Employees, Human Resources Manager and Family CEO. Table-2 presents the description about the variables employed in the study.

TABLE 2: Definitions for Key Variables

Variable		**Description**
Return on Assets	ROA	Net Income / Average Total Assets, where Average assets has been calculated over 2 years
Return on Equity	ROE	Net income / (Average Capital employed) where a 2-year average for capital has been used
Determining Variables		
Ownership	Own	A dummy variable which takes the value of 1 the largest single owner in the firm owns more than 50% of the equity
Board Size	B_SIZE	Number of board members
Outsiders in Board	OD	Number of outsiders (non-promoters and their relatives) in the composition of the board
Audit Committee	A_C	A dummy variable which takes the value of 1 if the firm has an organised audit committee, 0 if there is no audit committee
Outsiders in Audit Committee	O_AC	A dummy variable which takes the value of 1 if the firm has outsiders in the audit committee, 0 if there are no outsiders in the audit committee

8. As shown by Taylor that for $T \geq 3$ and $(N - K) \geq 9$, where T is the number of time series data, N is the number of cross sectional units and K is the number of regressors, the statement holds. Refer W. E. Taylor, "Small Sample Considerations in Estimation from Panel Data", Journal of Econometrics, Vol.13, 1980, pp.203-223

Total Employees in the firm	T_E_ln	Logarithm of Total Employees in the firm
Human Resource Manager	Hr_M	A dummy variable which takes the value of 1 the firm has engaged an Personnel Manager / Industrial Relations Manager / HR Manager
Family CEO	F_CEO	A member of the controlling family is CEO of the company. A dummy that takes the value of 1 if the CEO is a family CEO
Control Variables		
Firm Size	F_S_ln	Logarithm of annual turnover
Fixed Assets	F_A_ln	Logarithm of Fixed Assets
Investments	Inv_ln	Logarithm of Investments
Total Assets	T_A_ln	Logarithm of Total Assets
Solidity	Sol_ln	Equity to Total Assets
Nature of the Firm	N_F	A dummy variable which takes the value of 1 if the firm is engaged in Manufacturing activity
Firm Age	F_Age	A dummy that takes the value of 1 if the firm is founded for more than 10 years ago

The study uses distinctive regression techniques to test the relationship between corporate governance and firm performance. Ordinary Least Squares (OLS) method is not the Best Linear Unbiased Estimator (BLUE) and can produce incorrect standard errors when the errors are non-spherical. Generalized Least Squares (GLS), which incorporates information about the errors and thereby makes up for the inefficiency of OLS is BLUE and will give correct standard errors. Since our method of fusing cross-sectional and time series data is sensitive to heteroscedasticity, we check this problem using white heteroscedastic-consistent standard errors and covariance. Further, Beck and Katz (1995) argue that a superior way to handle complex error structures in Time Series Cross Section (TSCS) data analysis is to estimate the coefficients by OLS and then compute Panels Corrected Standard Errors (PCSEs). Since OLS coefficients are used to produce estimates of the residuals, it is possible that bias in OLS coefficients could lead to problems with the estimates of standard errors, which is the area where the Beck and Katz method gives the best gains. Accordingly, we have also employed Regression with Panels Corrected Standard Errors (PCSEs) (Panel level heteroscedastic and correlated across panels (default)). Also, it is believed that significance of the method of PCSEs depends crucially on the consistency of ordinary least squares point estimates. The model was estimated using STATA 9.1. Panel data regression is corrected for the serial autocorrelation by Cochrane-Orcus method (Gujarati, 1995).

Some of the commonly observed potential problems with Pooled Data are; (1) Autocorrelation in the time dimension within units (biased standard errors),

(2) Heteroscedasticity (i.e. unequal variance between units) (3) Spatial autocorrelation (correlated errors between units that are geographically proximate; very rare in political science) and (4) Contemporaneous correlation of errors across units. Solutions to Structural Problems in the case of pooled data include; inclusion of unit dummies with the use of Fixed Effects, use of Random Effects to address the problem of unit effects and the use of Panel-Corrected Standard Errors to ensure preciseness in the variance across units. Accordingly, the issues with the panel data have been adequately addressed. The Hausman-Taylor estimation gives the primary results. The results are estimated (ordinary least squares) both with and without the control variables, to examine the robustness of the main results to the exclusion of these controls.

Empirical Analysis, Results and Discussion

About 69 % of the sample firms are engaged in manufacturing activity (NATURE). Average Firm Age (AGE) is about 10 years and the mean ROA (Return on Assets) and ROE (Return on Equity) of the sampled firms is about 24% and 56% respectively. The sample firms have an average capital (CAPITAL) of $ 0.45 mn and investment (INVEST) of $ 0.245 mn resulting in the mean solidity ratio of 3.70. The average board size (BSIZE) of the 83 firms studied is nine, while the proportion of the Outside Directors (OD) on the board is about two. While 55% of the firms are family owned, (OWN) and 94% of them are managed by family Chief Executive Officers (FCEO). About 53% of the firms have Human Resource Manager (HRM) and each firm employs (EMP) around 53 persons. Average Firm Size (FS) is of the order of $ 0.72 mn with an average Net Profit (NP) of about $ 0.0259 mn. Around 79 % of the sample firms have Audit Committees (AC) composed of at least 79% of outside members (OAC). Correlation statistics of the variables studied are presented in tables 3-a to 3-c.

TABLE 3 (a): Correlations Statistics of Variables

Stats	FS	TA	FIXD_AS	INVEST	CAPITAL	SOLIDITY
FS	1					
TA	-0.0642	1				
FIXD_AS	0.3066	0.4802	1			
INVEST	-0.0581	0.0233	0.02	1		
CAPITAL	0.16	0.2873	0.5218	0.0178	1	
SOLIDITY	-0.0822	-0.2208	-0.0091	-0.0517	0.6331	1
NATURE	0.2961	0.0296	0.0727	-0.0062	0.0087	-0.0515
OWN	-0.463	0.085	-0.028	-0.0475	-0.0225	-0.0037
AGE	0.2103	0.0129	0.032	0.0212	-0.0192	-0.1096

BSIZE	0.3788	0.0092	0.1386	0.0442	0.0701	-0.0392
OD	0.357	0.0527	0.08	0.026	-0.035	-0.1278
AC	0.3913	-0.1334	0.044	-0.0683	0.2784	0.2342
OAC	0.5112	-0.1444	0.0733	-0.0144	0.2066	0.1708
EMP	0.3248	-0.0435	0.0937	0.0397	0.0132	-0.0816
HRM	0.4018	-0.0296	0.1859	-0.0328	0.1106	-0.0442
FCEO	-0.062	-0.0201	-0.0378	0.0482	0.0181	0.0396
NP	0.4658	0.2384	0.451	-0.0008	0.3239	0.0016
ROA	0.318	-0.48	-0.1392	-0.0532	-0.093	0.1577
ROE	0.3662	-0.2339	-0.1822	-0.0748	-0.455	-0.318

TABLE 3 (b): Correlations Statistics of Variables

Stats	**NATURE**	**OWN**	**AGE**	**BSIZE**	**OD**	**AC**
NATURE	1					
OWN	-0.3967	1				
AGE	0.1769	-0.2915	1			
BSIZE	0.2518	-0.4102	0.3087	1		
OD	0.3362	-0.435	0.3227	0.8064	1	
AC	0.2708	-0.2024	0.1684	0.1806	0.2019	1
OAC	0.3121	-0.3156	0.2659	0.2998	0.3193	0.8018
EMP	0.1275	-0.318	0.156	0.3449	0.3191	0.1228
HRM	0.4051	-0.3101	0.0961	0.1501	0.2273	0.3082
FCEO	-0.0618	-0.0233	0.063	-0.0677	-0.2541	-0.047
NP	0.0347	-0.1787	0.0517	0.2804	0.1603	0.2596
ROA	0.0148	-0.1424	0.1255	0.1329	0.0571	0.2112
ROE	0.1739	-0.1906	0.1913	0.2192	0.2393	0.0921

TABLE 3 (c): Correlations Statistics of Variables

Stats	**OAC**	**EMP**	**HRM**	**FCEO**	**NP**	**ROA**	**ROE**
OAC	1						
EMP	0.2607	1					
HRM	0.4064	0.4208	1				
FCEO	-0.0174	-0.0137	-0.1369	1			
NP	0.3831	0.2722	0.2631	0.1084	1		
ROA	0.3008	0.1978	0.1608	-0.0004	0.482	1	
ROE	0.1993	0.13	0.1555	-0.0796	0.2428	0.5141	1

The model is specified as below:

$$\begin{aligned} ROA = {} & \beta_1 + \beta_2\, FS_ln + \beta_3\, FA_ln + \beta_4 TA_ln + \beta_5\, Sol_ln + \beta_6 N_F \\ & + \beta_7 Own + \beta_8 F_Age + \beta_9\, B_SIZE + \beta_{10} O_Dir + \beta_{11} A_C \\ & + \beta_{12} OAC + \beta_{13} T_E_ln + \beta_{14} Hr_M + \beta_{15}\, F_CEO + \omega_{it} \qquad \ldots (6) \end{aligned}$$

Models I-A and B (for ROA as dependent variable) indicate the estimations based on the above equation (6) for random effects employing both the types of robust as well as bootstrap errors.

With ROE as the dependent variable, the model is specified as below:

$$ROE = \beta_1 + \beta_2 FS_ln + \beta_3 FA_ln + \beta_4 TA_ln + \beta_5 Sol_ln + \beta_6 N_F + \beta_7 Own + \beta_8 F_Age + \beta_9 B_SIZE + \beta_{10} O_Dir + \beta_{11} A_C + \beta_{12} OAC + \beta_{13} T_E_ln + \beta_{14} Hr_M + \beta_{15} F_CEO + \omega_{it} \quad \ldots (7)$$

Models II-A and B (for ROE as dependent variable) indicate the estimations based on the above equation (7) for random effects employing both the types of robust[9] as well as bootstrap errors. Table-4 reports the results of the analysis based on the estimation of Models I and II.

TABLE 4: Determinants of ROA and ROE in unlisted family owned SMEs

Model	**I-A**	**I-B**	**II-A**	**II-B**
Dependent Variable	ROA Robust	ROA Bootstrap	ROE Robust	ROE Bootstrap
Constant	1.29*** 4.28 [0.000]	1.29*** 3.45 [0.001]	-0.112 -0.13 [0.900]	-0.112 -0.08 [0.938]
FS_ln	0.045*** 3.41 [0.001]	0.045*** 3.41 [0.001]	0.059* 1.78 [0.075]	0.059 1.18 [0.237]
FA_ln	0.012 1.15 [0.252]	0.012 1.06 [0.288]	0.004 0.13 [0.894]	0.004 0.09 [0.925]
TA_ln	-0.130*** -9.00 [0.000]	-0.130*** -7.36 [0.000]	-0.008*** -2.71 [0.007]	-0.088 -2.10 [0.036]
Sol_ln	0.003*** 2.18 [0.030]	0.003* 1.93 [0.054]	-0.011*** -3.86 [0.000]	-0.011*** -2.62 [0.009]
N_F	-0.072 -1.15 [0.249]	-0.072 -1.28 [0.200]	0.388*** 3.43 [0.001]	0.388 1.73 [0.084]
Own	0.011 0.22 [0.828]	0.011 0.18 [0.855]	0.051 0.29 [0.772]	0.051 0.18 [0.854]
F_Age	-0.012** -2.32 [0.020]	-0.012** -2.15 [0.031]	0.016** 1.03 [0.305]	0.016 0.73 [0.467]
B_SIZE	-0.015 -1.08 [0.281]	-0.015 -0.86 [0.390]	0.071* 1.86 [0.062]	0.071 1.55 [0.122]
O_Dir	0.053*** 2.93 [0.003]	0.053 1.50 [0.135]	-0.80* -1.70 [0.090]	-0.080 -1.23 [0.217]

9. We control for extreme observations in ROA and ROI both by performing robust estimations, and by eliminating observations that constitute extreme outliers.

A_C	0.119* 1.69 [0.091]	0.119 1.18 [0.236]	-0.102*** -3.44 [0.001]	-0.102 -0.63 [0.528]
OAC	-0.075 -1.05 [0.296]	-0.075 -0.69 [0.488]	0.463** 2.23 [0.026]	0.463 1.50 [0.135]
T_E_ln	0.023 1.12 [0.261]	0.023 1.02 [0.310]	0.043 0.75 [0.453]	0.043 0.67 [0.504]
Hr_M	0.010 0.18 [0.855]	0.010 0.13 [0.896]	-0.147 -0.81 [0.415]	-0.147 -0.55 [0.583]
F_CEO	0.123 1.27 [0.205]	0.123 1.15 [0.250]	-0.346 -1.03 [0.301]	-0.346 -0.67 [0.501]
Adj. R2	0.628	0.628	0.330	0.330
F-Value / Wald Chi^2	242.51	107.81	226.17	22.07
Obs	249	249	249	249

Note:*, **, *** indicate significant at 10%, 5% and 1% respectively

The table reports (Panel Regression Results (GLS) with Random Effects) the estimated coefficients, t-values and p-values (in parenthesis) as well as goodness-of-fit statistics from the Models: I-A and B to II-A and B. While the Models: I-A and II-A are estimated by employing robust standard errors the Models: I-B and II-B are estimated by employing bootstrapped standard errors.

With ROA as the dependent variable, it is observed that the coefficient for Outside Directors is positive and significant at 1% level and Audit Committee is found to be positively significant at 10% level. With ROE as the dependent variable, it is observed that the coefficient for Outside Directors is positive and significant at 10% level, Board Size is positively significant at 10%, Audit Committee is found to be positively significant at 1% level, and Outsiders in Audit Committee is positively significant at 5% level.

TABLE 5: Regression with Panels Corrected Standard Errors (PCSEs)

Model	**Common AR(1)**	**Panel-specific AR(1)**	**No Auto Correlation**	**Common AR(1)**	**Panel-Specific AR(1)**	**No Auto Correlation**
Dependent Variable	ROA	ROA	ROA	ROE	ROE	ROE
Constant	0.994*** 3.46 [0.001]	0.986*** 5.36 [0.000]	0.969*** 10.04 [0.000]	0.711 1.06 [0.288]	0.474 0.70 [0.483]	0.852** 2.02 [0.043]
F_S_ln	0.046*** 3.21 [0.001]	0.052*** 4.63 [0.000]	0.043*** 9.27 [0.000]	0.121** 2.08 [0.038]	0.099*** 3.18 [0.001]	0.214*** 6.50 [0.000]
F_A_ln	0.010 1.11 [0.268]	0.002 0.36 [0.715]	0.005 0.25 [0.806]	-0.027 -1.17 [0.244]	-0.025 -0.94 [0.349]	-0.763*** -6.16 [0.000]

TA_ln	-0.124*** -9.96 [0.000]	-0.131*** -12.12 [0.000]	-0.113*** -15.62 [0.000]	-0.138*** -3.29 [0.001]	-0.121*** -3.80 [0.000]	-0.185*** -44.31 [0.000]
Sol_ln	0.002 1.20 [0.230]	0.002* 1.66 [0.098]	0.001 1.48 [0.139]	-0.021*** -2.65 [0.008]	-0.024*** -3.23 [0.001]	-0.044*** -10.26 [0.000]
N_F	-0.037 -0.84 [0.400]	0.000 0.01 [0.996]	-0.021*** -2.88 [0.004]	0.158*** 4.40 [0.000]	0.324*** 4.27 [0.000]	0.161*** 46.19 [0.000]
Own	0.025 0.74 [0.462]	0.079** 2.27 [0.023]	0.029*** 4.56 [0.000]	-0.001 -0.02 [0.983]	0.046 0.86 [0.389]	0.104*** 4.49 [0.000]
F_Age	0.001 0.33 [0.738]	0.003 1.31 [0.191]	0.003*** 2.88 [0.004]	0.016*** 4.92 [0.000]	0.0001 0.03 [0.979]	0.014*** 12.49 [0.000]
B_SIZE	0.004 0.36 [0.715]	0.004 0.58 [0.562]	0.010 1.62 [0.105]	0.054*** 3.83 [0.000]	0.066*** 5.20 [0.000]	0.029*** 5.15 [0.000]
O_Dir	-0.000 -0.00 [0.997]	0.016 1.08 [0.278]	-0.018 -1.40 [0.162]	-0.046* -1.74 [0.082]	-0.035 -1.16 [0.246]	-0.006 -0.71 [0.481]
A_C	0.045 0.75 [0.453]	0.009 0.23 [0.816]	-0.043 -0.97 [0.334]	-0.091 -1.01 [0.314]	-0.008 -0.12 [0.908]	-0.221*** -5.88 [0.000]
O_AC	-0.16 [0.870]	0.029 0.79 [0.427]	0.063 1.57 [0.116]	0.139 1.14 [0.253]	0.024 0.24 [0.814]	0.202*** 3.34 [0.001]
T_E_ln	0.040* 1.93 [0.053]	0.043** 2.56 [0.011]	0.052*** 11.14 [0.000]	0.003 0.19 [0.847]	0.029 0.80 [0.423]	0.006 0.52 [0.602]
Hr_M	-0.010 -0.25 [0.802]	-0.014 -0.57 [0.570]	-0.025** -2.27 [0.023]	0.003 0.05 [0.957]	-0.087 -1.93 [0.053]	-0.048*** -3.03 [0.002]
F_CEO	0.030 0.56 [0.575]	0.111*** 2.72 [0.007]	-0.154 -0.50 [0.615]	-0.302** -2.09 [0.037]	-0.149 -.0.90 [0.368]	-0.225*** -4.37 [0.000]
Adj. R^2	0.481	0.744	0.399	0.243	0.415	0.329
F-Value / Wald Chi^2	231.89	425.05	724062	77502	37013	44706
Obs	249	249	249	249	249	249

Note: *, **, *** indicate significant at 10%, 5% and 1% respectively

(Prais-Winsten regression panel level heteroscedastic and correlated across panels)

The table reports (panel regression results) the estimated coefficients, t-values, and p-values (in Parenthesis)

In addition, the results of the regression with Panels Corrected Standard Errors (PCSEs) (Prais-Winsten regression panel level heteroscedastic and correlated across panels) are furnished in table-6. Accordingly, Ownership is

found to be significant at 1% level under No Autocorrelation model. Family CEO is significant at 1% and 5% levels under No Autocorrelation and Common AR(1) models. HR Manager is observed to be significant at 1% level. While Audit Committee is negatively significant at 1% level, Outsiders in Audit Committee is positively significant at 1% under No Autocorrelation model. Board Size is distinctly significant at 1% levels in all the three models of analysis.

Stata estimates extensions to generalized linear models in which one can model the structure of the within-panel correlation. By employing the Generalized Estimating Equation, (GEE) estimation reduces to a generalized linear model, and the results will be identical to estimation by generalized linear model. In view of this, we have also run the GEE estimation for both the dependent variables. The results of the GEE model are furnished in table-7. We observe that Board Size is significant at 10% level. Outside Directors is quite significant at both 1% and 5% levels. In addition, Audit committee is significant at 1% level. Further, we also conducted the Arellano-Bond Dynamic Panel Data Estimation for the data. The results are presented in table-6. We notice that Audit Committee is significant at 10% level.

TABLE 6: Results of GEE model analysis and Arellano-Bond Dynamic Panel Data Estimation

GEE Population-Averaged Model			**Arellano-Bond Dynamic Panel-Data Estimation**	
Dependent Variable	**ROA**	**ROE**	**ROA Robust**	**ROE Robust**
Constant	1.318*** 3.97 [0.000]	0.087 0.080 [0.937]	0.323** 2.23 [0.026]	-0.305 -0.71 [0.476]
F_S_ln	0.045*** 3.210 [0.001]	0.054 1.240 [0.216]	-0.193 -1.14 [0.255]	0.121 0.16 [0.872]
F_A_ln	0.011 1.310 [0.191]	0.009 0.320 [0.753]	0.003 0.97 [0.334]	-0.020 -1.21 [0.226]
TA_ln	0.133*** -11.620 [0.000]	-0.069* -1.920 [0.054]	-	-
Sol_ln	0.004** 2.510 [0.012]	0.010** -2.270 [0.023]	-	-
N_F	-0.054 -0.930 [0.352]	0.138 0.680 [0.499]	-0.049 -1.52 [0.128]	-0.018 -0.16 [0.872]

Own	0.021 0.370 [0.711]	-0.072 -0.360 [0.716]	-	-
F_Age	-0.013*** -3.040 [0.002]	0.021 1.440 [0.149]	-	-
B_SIZE	-0.016 -1.390 [0.165]	0.069* 1.770 [0.076]	-	-
O_Dir	0.054*** 4.550 [0.000]	-0.076** -2.020 [0.043]	-	-
A_C	0.122*** 3.690 [0.000]	-0.117 -1.150 [0.251]	-0.045* -1.86 [0.062]	-0.124 -0.75 [0.455]
O_AC	-0.057 -0.800 [0.423]	0.229 0.930 [0.354]	-	-
T_E_ln	0.027 1.160 [0.246]	-0.007 -0.090 [0.929]	-	-
Hr_M	-0.004 -0.060 [0.950]	0.044 0.210 [0.831]	-	-
F_CEO	0.128 1.290 [0.197]	-0.349 -1.000 [0.319]	-	-
F-Value / Wald Chi^2	271.37	24.78	15.62	12.96
Obs	249	249	83	83

Note: Arellano-Bond test that average auto covariance in residuals of order 1 is 0

*, **, *** indicate significant at 10%, 5% and 1% respectively

The table reports (panel regression results) the estimated coefficients, t-values, and p-values (in parenthesis)

A chronic concern with econometric studies on corporate governance and performance is the incidence of endogeneity. The treatment of an instrumental variable and then executing a simultaneous equation model are two popular measures for dealing with endogeneity. This study has attempted to address this issue too with the use of appropriate methods of analysis under panel data. We ran the Hausman-Taylor estimation (table-7) and found that Outside Directors, Audit Committee and Family CEO are positively significant at 1% level for ROA.

TABLE 7: Results of Analysis using Hausman-Taylor Estimation

Dependent Variable	**ROA**		**ROE**	
Variable	**Coef.**	**p-value**	**Coef.**	**p-value**
Constant	0.533***	0.006	0.802	0.625
F_S_ln	0.027*	0.069	0.027	0.565
F_A_ln	-0.004	0.681	0.035	0.262
TA_ln	-0.135***	0.000	-0.016	0.678
Sol_ln	0.003**	0.012	-0.003	0.429
N_F	-0.043	0.683	0.124	0.610
Own	0.073	0.490	-0.207	0.394
F_Age	-0.027***	0.000	0.033**	0.039
B_SIZE	-0.010	0.573	0.070	0.121
O_Dir	0.078***	0.000	-0.097**	0.020
A_C	0.089***	0.009	-0.116	0.279
T_E_ln	0.088***	0.005	0.029	0.767
Hr_M	0.070	0.509	-0.012	0.962
F_CEO	1.368***	0.006	-1.896	0.109
F-Value / Wald Chi^2	308.11		17.38	
Obs	249		249	

Note: *, **, *** indicate significant at 10%, 5% and 1% respectively

Discussion on Results

Family Ownership is observed to have a significant influence on ROA. These results from this Indian evidence are similar to overseas studies by Anderson and Reeb (2003), Barontini and Caprio (2006) and Maury (2006). Our results emphasise the belief that Family shareholders and family managers are regarded as the owners and residual claimants who control firms that largely belong to their own families and as such, family firms could represent a suitable organizational form where the objectives of the owner and the firm are aligned together (Schulze et al. 2003). The component of trust is even more significant and augments firm performance in family owned small firms, because family firms have ready access to resources such as the social capital and stewardship behaviours that stem from common ancestry and shared family identity (Corbetta and Salvato, 2004) that can be sought by the large public corporations only by making significant investments, in so doing, gives family owned firms a "comparative advantage" (Carney, 2005).

Board Size has emerged as strongly correlated corporate governance factor especially with regard to ROE. The results are similar to the results of studies of Kajola (2008), Joshua and Biekpe (2007), Wynarczyk et al., (1993), Yemack,

1996, Sanda et al., (2005) and Bokpin et al., (2006) and Goodstein et al., (1994). The statistically positive significance of the association between board size and performance (ROA) indicates that the larger the board the more is good for increase in performance.

Outside Directors, in tune with the results of Board Size are quite significant statistically at all the three studied levels of significance in different models of analysis. Our hypothesis that outside directors would have a stronger positive effect on the performance among family owned and closely held firms is supported by the results thus underscoring the argument that outside directors add value in terms of cognitive diversity, relationships with important external stakeholders and moreover this legitimacy augurs well particularly to closely held firms (Olof Brunninge, et al., 2007, Nguyen and Nielsen 2009, Core, et al., 1999). Our results are consistent with the results of study by Liang and Li (1999) who report (in their study with a sample of 228 small, private firms in China) that the presence of outside directors is positively associated with higher returns on investment.

Audit Committee is found to be positively significant with the performance of the firm. This is consistent with the results of some previous studies such as; Klein (2002) and Anderson et al., (2004), where they reported strong positive relationship between audit committee and the performance variables they used in their studies. Whereas, Kajola (2008) reports no significant relationship between ROE and audit committee stating the reason that Audit Committees being occupied by majority of outside members have no influence on the firm's performance. Klein (2002) narrates a negative relationship between earnings management and audit committee. On the contrary, we are of the opinion that since they perform a very objective role in corporate governance activity the firm gets prompted to energise their performance efficiency. An effective audit committee, among other things, can enhance the accountant's objectivity by providing a platform apart from management where the accountants may discuss their concerns. It accelerates smooth flow of communication among the board of directors, management, internal auditors and independent accountants. Further, an audit committee augments auditor independence from management by appointing, compensating and overseeing the work of the independent accountants.

Outsiders in Audit Committee as a determinant found to be positively significant in the study. The crucial role of outside auditors is to express an opinion on whether an entity's financial statements are free of material misstatements. Hence, outside auditors and audit committees undertake to ascertain the validity and reliability of corporate financial statements.Our

results are in line with results reported by Joseph and Wong (2001) which suggest that external auditors do perform a governance role in East Asia

Family CEO represents family involvement in management and is found to have a positive effect on firm performance. This is in line with the previous evidence reported by Hansson et al., (2009), Barontini and Caprio (2005) and Anderson and Reeb (2003). Oskar Kowalewski et al., (2010) also found (taking into account the endogeneity of family ownership and robustness to a number of specification checks) that firms with Family CEOs are likely to outperform their counterparts that have Non-Family CEOs. The proponents of agency theory supposed that when ownership and management reside within a family, agency costs would be low, if not absent. For instance, Fama and Jensen (1983) state, "family members . . . have advantages in monitoring and disciplining related decision agents". Conversely, eliciting from the literature on family economics, we can notice that (e.g., Becker, 1981, Schulze et al. 2001, 2003) a tendency toward altruism can exhibit itself as a problem of self-control and create agency-costsin family firms due to free-riding, biased parental perception of a child's performance, generosity in terms of perquisite consumption and difficulty in enforcing a contract. However, our results accentuate that Family CEO has a positive effect on the firm performance because of the fact that when family member/s serve as CEO, profitability is better than with a non-family member as CEO (Anderson and Reeb, 2003 and Castillo and Wakefield, 2006).

Limitations of this Study

We opted for a broad sample containing family owned SMEs of varying size, industry, governance and covering a vast geography of the size of India. This strengthens the generality of our findings, enabling inference to a wide-ranging population. However, there is a trade-off, because it also increases heterogeneity relative to a more limited and uniform sample. The data for this study has been collected from all across geographical regions of India. Although the hypotheses tested and supported by our data are based on general theories and findings from a range of countries, country-specific effects cannot be ruled out. First, firms covered in this study are all unlisted family owned private firms; listed private enterprises are not included in the analysis. According to the definition of Osteryoung and Newman (1993), only those firms in which there is no public negotiability of common stock are considered as SMEs. The non-availability of fool-proof systematic and reliable data certainly constrains the study from meeting all definitional criteria of existing research.

Conclusion

This study is one-off in its approach in studying the importance of the role of corporate governance in the performance of unlisted family owned firms in India. Perhaps one of the significant contributions of this study to the research field is the development of a theoretical and empirical link between family ownership effects and SME performance especially in the Indian context. This study unlike other studies has examined four corporate governance mechanisms (*Family Ownership, Board Size, Outside Directors, Audit Committee, Outsiders in Audit Committee, and Family CEO*) together.

The outcome of the study with regard to the impact of Board Size advocates that larger boards do help the firms in by encouraging team development, facilitating inter-organisational links, and effective strategy making. It supports our argument that larger boards possess a wide range of expertise to guide the firms in making better decisions. Undoubtedly, the results of the study have demonstrated that depending upon the firm size, family owned small firms with a reasonable large size, say, of about 9 members, would have better performance. This calls for induction of experts and professionals on the boards of the family owned firms in order to enhance the performance of the small firms.

By bringing together agency theory, stewardship theory and other theoretical perspectives to the traits of small family firms, this study offers evidence and throws new light on the competitive advantages of small family firms in terms of their positive significance on firm performance. Family firms own valuable resources and capabilities, such as the overlapping responsibility of owners and managers, the sustained presence of family shareholders, entrepreneurship and information advantages. Moreover, the potential value of these resources and capabilities is more likely to be capitalized when the family firm is small. As Kole (1995) has observed, the positive relationship between firm performance and family ownership is sustained at a high level for small firms. Further, this study sheds light on two diverse theoretical perspectives of family firms: agency theory and stewardship theory. Agency theorists underscore the owner-manager conflicts and are more haunted with the potential disadvantages of family ownership. As an antithesis, stewardship theorists predict goal-alignment between the principals and stewards and bestow added attention to the latent advantages of family ownership. Accordingly, this study supplements more to stewardship theory than to agency theory, implying that in small family firms, the concerns of owners as well as managers are better aligned thus enhancing the performance of the firm. By and large, the results suggest that family ownership is an effective organizational structure for SMEs in India.

References

Allen, F., Gale, D., (2000). *Governance and competition*. In: Vives, X. (Ed.), Corporate Governance: Theoretical and Empirical Perspectives. Cambridge University Press.

Anderson, R, S, Mansi and D, Reeb, (2004). Board Characteristics, Accounting Report Integrity and the Cost of Debt, *Journal of Accounting and Economics*, Vol 37, pp 315-342.

Anderson, R.C and D.M. Reeb, (2003). Understanding the Relationship between Founder-CEOs and Firm Performance, *Journal of Finance* 58, 1301-1328.

Astrachan, J.H. and Shanker, M.C., (2003). Family Businesses' Contribution to the U.S Economy: A Closer Look, *Family Business Review*, *16*, 211–219.

Astrachan, J.H., Klein, S and Smyrnios, K.X, (2002). The F-PEC Scale of Family Influence: A Proposal for Solving the Family Business Definition Problem, *Family Business Review*, *15*, 45–58

Backman M. & C. Butler, (2003). "Know the firm, know the family: Dealing with Asian Family Firms", Ch 2 in *Big in Asia. 25 Strategies for Business Success,* UK, Palgrave Macmillan. Pp.14-23.

Backman M., (1999). "Merchants of menace? Conglomerates Asian-style", Ch. 5 in *Asian Eclipse. Exposing the Dark Side of Business in Asia*, Singapore, John Wiley & Sons, pp.65-79.

Backman, M. & C. Butler, (2007). *Big in Asia. 30 Strategies for Business Success,* UK, Palgrave Macmillan

Backman, M., (2004). *The Asian Insider. Unconventional Wisdom for Asian Business*, London, Palgrave MacMillan

Bammens Yannick, Wim Voordeckers and Anita Van Gils., (2008). Boards of Directors in Family Firms: A Generational Perspective, *Small Business Economics,* 31:163–180

Barontini, R., and L. Caprio, (2006). The Effect of Family Control on Firm Value and Performance: Evidence from Continental Europe, *European Financial Management*, 12, 689–723

Barro, J., and R. Barro. (1990). Pay, Performance, and Turnover of Bank CEOs. *Journal of Labor Economics* 8, no. 4: 448-81.

Becht, M., Bolton, P., & Ro¨ ell, A. (2002). Corporate governance and corporate control. *Working paper series in finance*, European Corporate Governance Institute, Brussels.

Beck, Nathaniel and Jonathan N. Katz, (1995). What To Do (and Not To Do) with Time-Series– Cross-Section Data in Comparative Politics, *American Political Science Review* 89: 634–647.

Becker, Gary S (1981). Altruism in the Family and Selfishness in the Market Place, *Economica,* London School of Economics and Political Science, vol. 48(189), pages 1-15, February.

Benz, M. and Frey, B.S. (2007). Corporate Governance: What Can We Learn From Public Governance? *Academy of Management Review,* January 1 Vol. 32, No. 1, 92–104.

Bhagat, S., Bolton, B and Romano, R. (2008). The Promise and Peril of Corporate Governance Indices, *Columbia Law Review,* 108: 1803-1882.

Blackwell, D., J. Brickley, and M. Weisbach., (1994). Accounting Information and Internal Performance Evaluation: Evidence from Texas Banks. *Journal of Accounting and Economics* 17: 331-58.

Bokpin, G.A, A, Kyereboah- Coleman and A.Q.Q. Aboagye, (2006). Corporate Governance and Shareholder Wealth Maximization: Evidence From Listed Companies in Ghana, Unpublished paper presented at the 3rd African Finance Journal Conference, Accra, Ghana, 12th – 13th July.

Brunninge, O and M. Nordqvist (2004). Ownership Structure, Board Composition and Entrepreneurship: Evidence from Family Firms and Venture Capital Backed Firms, *International Journal of Entrepreneurial Behaviour and Research*, 10(1/2), 85–105.

Carney, M. (2005). Corporate Governance and Competitive Advantage in Family-Controlled Firms, *Entrepreneurship Theory & Practice,* 29(3), 249–265.

Castillo, J., and Wakefield, M.W, (2006). An Exploration of Firm Performance Factors in Family Business: Do Family Value Only the "Bottom Line"? *Journal of Small Business Strategy*, *17*(2), 37–51.

Chua, J.H., Chrisman, J.J., Sharma, P, (1999). Defining the Family Business by Behaviour, *Entrepreneurship Theory & Practice* 3 (4), pp. 19-39;

Clarke, T., (2007). *International Corporate Governance*, London, Routledge

Corbetta, G and Salvato, C (2004). Self-Serving or Self-Actualising? Models of man and agency costs in different types of family firms: A commentary on "Comparing the agency costs of family and nonfamily firms: Conceptual issues and exploratory evidence". *Entrepreneurship Theory and Practice*, *28*, 355–362.

Core J. E., Guay W.R., and Larcker D.F. (2003). Executive Equity Compensation and Incentives: A Survey, *Economic Policy Review*, Federal Reserve Bank of New York, Issue Apr, pages 27-50.

Core, J. E., R.W. Holthausen, and D.F. Larcker (1999). Corporate Governance, Chief Executive Officer Compensation, and Firm Performance, .*Journal of Financial Economics,* 51, 371-406.

Coughlan, A., and R. Schmidt. (1985). Executive Compensation, Managerial Turnover, and Firm Performance: An Empirical Investigation." *Journal of Accounting and Economics* 7, no. 1-3: 43-66.

Cowling, M (2003). Productivity and Corporate Governance in Smaller Firms, *Small Business Economics,* 20, 335–344.

Cronqvist, H and M. Nilsson (2003). Agency Costs of Controlling Minority Shareholders, *Journal of Financial and Quantitative Analysis* 38, 695-719.

Daily, C. M., Dalton, D. R., & Cannella, A. A. (2003). Corporate governance: Decades of dialogue and data. *Academy of Management Review*, 28: 371–382.

Dalton, D. R., Daily, C. M., Ellstrand, A. E and Johnson J. L (1998). Board Composition, Leadership Structure, and Financial Performance: Meta-Analytic Reviews and Research Agenda, *Strategic Management Journal,* 19: 269-290.

Dalton, D. R., Hitt, M. A., Certo, S. T., and Dalton, C. M (2008). The Fundamental Agency Problem and Its Mitigation: Independence, Equity, and the Market for Corporate Control. In J. P. Walsh & A. P. Brief (Eds.), *Annals of the Academy of Management* (Vol. 1): 1-64. New York: Lawrence Erlbaum.

Davis, J. and Tagiuri, R (1989). The Advantages and Disadvantages of the Family Business, Owner Managed Business Institute, Reprinted in Ibrahim, A.B. and Ellis, W. (1994), *Family Business Management*, Kendall/Hunt Publishing Co.

Denis, D., (2001). Twenty-five years of corporate governance research. . . and counting. *Review of Financial Economics* 10, 191–212.

Dyer, Jr., Wand Sanchez, M., (1998). Current State of Family Business Theory and Practice As Reflected In Family Business Review 1988-1997, *Family Business Review,* 11, 287-295

Eisenberg, T., S. Sundgren, and M. Wells, (1998). Larger Board Size and Decreasing Firm Value in Small Firms, *Journal of Financial Economics* 48: 35-54.

Fama, E.F., Jensen, M.C., (1983). Separation of ownership and control, *Journal of Law and Economics* 26, 301– 326.

Ferris, S.P., Jagannathan, M., Pritchard, A.C., (2003). Too busy to mind the business. Monitoring by directors with multiple board appointments, *Journal of Finance* 58 (3), 1087–1112

Fiegener, M. K (2005). Determinants of Board Participation in the Strategic Decisions of Small Corporations, *Entrepreneurship: Theory and Practice,* 29(5), 627–650.

Freeman, R.E., (1984). The Politics of Stakeholder Theory: Some Future Directions, *Business Ethics Quarterly*, Vol.4: 409-422

Friedman, M., (1970). The social responsibility of business is to increase its profits, *New York Times Magazine,* September 13, pp.32-33, 122, 126

GOI, (2010). Report of The Task Force on MSME, Prime Minister's Office, Government of India, New Delhi, India, January

Gomez-Mejia, L.R., Nunez-Nickel, M. and Gutierrez, I (2001). The role of family ties in agency contracts, *Academy of Management Journal*, Vol. 44, pp. 81-95

Goodstein, J., Gautham, K and Boeker, W (1994). The Effects of Board Size and Diversity on Strategy Change, *Strategic Management Journal*, Vol. 15, pp. 241-50.

Goyal, V.K., Park, C.W., (2002). Board leadership structure and CEO turnover, *Journal of Corporate Finance* 8, 49–66.

Gujarati D.N (1995). Basic Econometrics, McGraw-Hill Companies; 3rd edition

Habbershon, T.G., Williams, M., MacMillan, I.C., (2003). A Unified Systems Perspective of Family Firm Performance, *Journal of Business Venturing* 18, pp. 451-465;

Handler, W. C, (1989). Methodological Issues and Considerations in Studying Family Businesses, *Family Business Review*, 2(3): 257-276.

Hansson Mats, Liljeblom, Eva and Martikainen, Minna, (2009). Corporate Governance and Profitability in Family SMEs, Available at SSRN: http://ssrn.com/abstract=1531638

Harris, M., and A. Raviv, (2008). A Theory of Board Control and Size, *Review of Financial Studies,* 21, 1797-1832.

Hermalin B. E. and Weisbach M. S. (2003). Boards of directors as an endogenously determined institution: a survey of the economic literature, *Economic Policy Review*, Federal Reserve Bank of New York, issue Apr, pages 7-26.

Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics*, 3: 305–360.

Jensen, M., (1986). Agency cost of free cash flow, corporate finance, and takeovers, *American Economic Review*, 76: 323-329

Jensen, M., and K. Murphy. (1990). Performance Pay and Top-Management Incentives. *Journal of Political Economy* 98: 225-64.

Joseph P. H. Fan and T.J. Wong (2001). Do External Auditors Perform Corporate Governance Role in Emerging Markets? - Evidence from East Asia, William Davidson Institute Working Paper 400, Available at: ideas.repec.org/p/wide/papers/2001-400.html

Joshua Abor and Nicholas Biekpe, (2007). Corporate Governance, Ownership Structure and Performance of SMEs in Ghana: Implications for Financing Opportunities, *Corporate Governance*, Vol. 7, No.3, 2007, pp288-300.

Kajola, Sunday O, (2008). Corporate Governance and Firm Performance: The Case of Nigerian Listed Firms, *European Journal of Economics, Finance and Administrative Sciences* ISSN 1450-2887 Issue 14 (2008), © Euro Journals, Inc. 2008

Kaplan, S. (1994). Top Executive Rewards and Firm Performance: A Comparison of Japan and the United States. *Journal of Political Economy* 102-3: 510-46.

Karpoff, J., (1998). The Impact of Shareholder Activism on Target Companies: A Survey of Empirical Findings. *Working Paper*. University of Washington.

Keasey, K., S. Thompson and M. Wright (eds.), (2005). *Corporate Governance: Accountability, Enterprise and International Comparisons*, London: Wiley.

Kidd, J.B. & F-J. Richter (Eds), (2003). *Corruption and Governance in Asia*, London, Palgrave MacMillan

Klein, A (2002). Audit Committee, Board of Director Characteristics and Earnings Management, *Journal of Accounting and Economics*, Vol. 33, pp375- 400

Klein, S.B., Astrachan, J.H and Smyrnios, K.X, (2005). The F-PEC Scale of Family Influence: Construction, Validation, and Further Implications for Theory, *Entrepreneurship Theory and Practice*, *29*, 321–339

Kole, S (1995). Measuring Managerial Equity Ownership: A Comparison of Sources of Ownership Data, *Journal of Corporate Finance* 1, 413-435.

Li J.S., (2003). Relation-based v. rules based governance: An explanation of the East Asian miracle & Asian crisis, *Review of International Economics,* (11)4: 651-662.

Liang, Neng and Joanne Li (1999). *Board Structure and Firm Performance: New Evidence from China's Private Firms*, Paper presented at the Academy of Management Annual Conference, Chicago, USA, and August 7-10.

Linck, J.S., J.M. Netter, and T. Yang, (2007). The determinants of board structure, *Working paper, University of Georgia.*

Litz, R.A, (1995). The Family Business: Toward Definitional Clarity, *Family Business Review,* 8 (2), pp. 71-82;

Lorsch, J.W. & R.C. Clark, (2008). Leading from the Boardroom, *Harvard Business Review,* April, pp.104-111

MacAvoy, P., and I. M. Millstein. (1999). The Active Board of Directors and Its Effect on the Performance of the Large Publicly Traded Corporation. *Journal of Applied Corporate Finance* 11, no. 4: 8-20.

Mahbubani, K., (2008). The Case against the West. America & Europe in the Asian Century, *Foreign Affairs*, May-June, pp.111-124

Mak, Y and Y, Kusnadi, (2005). Size Really Matters: Further Evidence on the Negative Relationship between Board Size and Firm Value, *Pacific - Basin Finance Journal*, Vol 13, pp, 301-318

Maury, B, (2006). Family Ownership and Firm Performance: Empirical Evidence from Western European Corporations, *Journal of Corporate Finance* 12, 321– 341

Mikko A Mustakallio, (2002). Contractual and Relational Governance in Family Firms: Effects On Strategic Decision-Making Quality and Firm Performance, *URL: Http://Lib.Tkk.Fi/Diss/2002/Isbn9512263335/Index.Html*

Mintzberg, H.; Simons, R. & K. Basu, (2002). Beyond Selfishness, *MIT Sloan Management Review*, Fall, pp.67-73

Mitchell, R., Agle, B and Wood D, (1997). Toward a Theory of Stakeholder Identification and Salience: Defining The Principle of Whom and What Really Counts. *Academy of Management Review,* 22, 853-886

Monks, R. A. G. and N. Minow, (2004). *Corporate Governance*, 3 Oxford: Blackwell Business.

Morck, R. and Yeung, B (2004). Family Control and the Rent Seeking Society, *Entrepreneurship Theory and Practice*, *28*, 391–409.

Morgan, A., Poulsen, A., (2001). Linking pay to performance – compensation proposals in the S&P 500, Journal *of Financial Economics* 62 (3), 489– 523.

Murphy, Kevin J., (1999). *Executive compensation*, Handbook of Labor Economics, in: O. Ashenfelter & D. Card (ed.), Handbook of Labor Economics, edition 1, volume 3, chapter 38, pages 2485-2563 Elsevier.

Nguyen, B D and K.M. Nielsen, (2009). *The Value of Independent Directors: Evidence from Sudden Deaths*, Working paper, Chinese University of Hong Kong

Oliver Hart, (1995). Corporate Governance: Some Theory and Implications, *The Economic Journal*, Vol. 105, No. 430 (May, 1995), pp. 678-689

Olof Brunninge, Mattias Nordqvist and Johan Wiklund, (2007). Corporate Governance and Strategic Change in SMEs: The Effects of Ownership, Board Composition and Top Management Teams, *Small Business Economics,* (2007) 29:295–308,

Oskar Kowalewski, Oleksandr Talavera and Ivan Stetsyuk, (2010). Influence of Family Involvement in Management and Ownership on Firm Performance: Evidence from Poland, *Family Business Review*, 23(1) 45–59

Osteryoung, Jerry and Newman, Derek (1993). A Definition of Small Businesses, *Journal of Small Business Finance,* Summer

Raghuram G. Rajan & Luigi Zingales, (2001). The Firm as a Dedicated Hierarchy: A Theory of The Origins and Growth of Firms, *The Quarterly Journal of Economics*, MIT Press, vol. 116(3), pages 805-851, August.

Raheja, C., (2005). Determinants of board size and composition: a theory of corporate boards, *Journal of Financial and Quantitative Analysis* 40 (2), 283– 306.

Roberto Barontini and Lorenzo Caprio, (2005). The Effect of Family Control on Firm Value and Performance: Evidence from Continental Europe, Forthcoming on "European Financial Management, Available at: *ideas.repec.org/a/bla/eufman/v12y2006i5p689-723.html*

Roche J., (2005). *Corporate governance in Asia.* London. Routledge

Romano, Roberta, (2001). Less Is More: Making Shareholder Activism a Valuable Mechanism of Corporate Governance, *Yale Journal on Regulation* Issue 18, 174-251.

Rosenstein, S., Wyatt, J.G., (1990). Outside directors, board independence and shareholder wealth, *Journal of Financial Economics* 26, 175– 191.

Sanda, A.U, A.S, Mikailu and T, Garba, (2005). Corporate Governance Mechanisms and Firm Financial Performance in Nigeria, *AERC Research Paper 149*, Nairobi

Schulze, E. S., Lubatkin, M. H and Dino, R. N (2003). Toward of Theory of Agency and Altruism in Family Firms, *Journal of Business Venturing*, 18(4), 473–490.

Shleifer. A and Vishny . Robert W. (1997). A Survey of Corporate Governance, *The Journal of Finance,* Vol. 52, No. 2 (Jun 1997), pp. 737-783

Thomsen, S. and Pedersen, T (2000). Ownership Structure and Economic Performance in the Largest European Companies, *Strategic Management Journal*, Vol. 21, pp. 689-705

Toms S. & Wright M., (2005). Divergence and convergence within Anglo-American corporate governance systems: Evidence from the US and UK, 1950-2000, *Business History,* April, 47(2): 267-295

Vafeas, N., (1999). Board meeting frequency and firm performance, *Journal of Financial Economics* 53 (1), 113–142.

Villalonga, B., and A. Amit, (2006). How Do Family Ownership, Control and Management Affect Firm Value? Journal *of Financial Economics* 80, 385–417

Walsh, J. P and Seward, J. K (1990). On the Efficiency of Internal and External Corporate Control Mechanisms, *Academy of Management Review,* 15: 421-458.C

Warner, J., R. Watts, and K. Wruck. (1988). Stock Prices and Top-Management Changes. *Journal of Financial Economics* 20: 461-92.

Warther, V.A., (1998). Board effectiveness and board dissent: a model of the board's relationship to management and shareholders, *Journal of Corporate Finance* 4, 53–70

Weisbach, M. (1988). Outside Directors and CEO Turnover. *Journal of Financial Economics* 20: 431-60.

Westhead, P and Howorth, C (2006). Ownership and Management Issues Associated With Family Firm Performance and Company Objectives, *Family Business Review*, *19*(4), 301–316.

Winter, M., Fitzgerald, M., Heck, R., Haynes, G., and Danes, S (1998). Revisiting the Study of Family Businesses: Methodological Challenges, Dilemmas, and Alternative Approaches, *Family Business Review,* 11, 239-252.

Wu X, (2005). "Political institutions and corporate governance reforms in Southeast Asia", in Leong H.K. (Ed), Ch. 2 in *Reforming Corporate Governance in Southeast Asia,* Singapore, Inst. SE Asian Studies. Pp. 17-37.

Wynarczyk, P., Waston. R, Storey. D, Short. H and Keasey, K, (1993). Managerial Labour Market in Small to Medium-sized Enterprises, *Routledge*, London

Yermack, D (1996). Higher Market Valuation of Companies with a Small Board of Directors, *Journal of Financial Economics*, Vol 40, pp 185- 211

Zhao, Z. & W. Zhong, (2003). The current situation and future tendency of corporate governance reform in China, *China Bus. Review,* 2 (1), Serial No. 2, August, pp.40-45.

Transformation of People Management Practices in a Japanese-affiliated Company in the Post-privatization era: Some Evidence from Teleshops of Sri Lanka Telecom PLC

❑ **M. Saman Dassanayake**
Faculty of Management and Finance of the University of Colombo,
Sri Lanka.
msamand@fmf.cmb.ac.lk
msamand62@gmail.com

Abstract

Privatization of state-owned telecommunication enterprises has occupied a prominent place in economic policy reforms in many developing countries. Taking Sri Lanka Telecom PLC as the case, this paper explores how the involvement of Nippon Telegraph and Telephone Communications Corporation in Japan as the major foreign shareholder and strategic partner, has influenced creating and sustaining a new marketing and customer service culture. The objective of the paper is three-fold as to: (a) present chronologically how customer service function has evolved in Sri Lanka Telecom PLC across different eras of its ownership and identify specific interventions made by Japanese strategic partner in strengthening marketing and customer service functions during early phase of post-privatization; (b) understand how the organization of customer service function affects major human resource and human resource development practices as they relate to front-line customer service employees; and (c) examine how the management style of Japanese strategic partner has influenced the organization of customer service function and in turn, how it affects major human resource and human resource development variables as they apply to front-line customer service employees. The methods used for collecting data included mainly participant observation and semi-structured interviews. It is found, inter alia, that introducing new marketing and customer service systems become effective only when complemented by reconfiguration of human resource and human resource development practices with a strong customer orientation.

Key words - human resource management and development, Japanese management, privatization, Sri Lanka, telecommunication reforms

Introduction

A well-functioning telecommunications sector is an essential pre-requisite for economic development and social advancement in this rapidly evolving era of information and communication technologies. This paper intends to provide insights into the challenges of creating and sustaining customer service function to derive the benefits of privatization of state-owned telecommunications monopoly functioning in fierce competition instigated by liberalization and deregulation, taking Sri Lanka Telecom PLC (SLT) as the case. In particular, the objective of the paper is three-fold as to: (a) present chronologically how the customer service function has evolved in SLT across different eras of its ownership and identify specific interventions made by Japanese strategic partner in strengthening marketing and customer service functions during early phase of post-privatization; (b) understand how the organization of customer service function affects major human resource (HR) and human resource development (HRD) practices as they relate to front-line customer service employees (CSEs); and (c) examine how the management style of Japanese strategic partner[1] has influenced the organization of customer service function and in turn, how it affects major HR and HRD variables as they apply to CSEs.

For achieving these objectives, the remainder of the paper will first present briefly the history of SLT with special reference to changes occurred in its ownership and corporate character. Second it will introduce SLT under the management of Nippon Telegraph and Telephone Communications Corporation (NTT Com) in Japan drawing upon empirical data gathered on how this Japanese strategic partner reconfigured, *inter alia*, some key HR and HRD practices pertaining to CSEs to cater to the emerging new organizational culture. This section also shows what soft management technologies were introduced from 116 call center of Nippon Telegraph and Telephone East Corporation (NTT East) in Japan to Teleshops, a brand new front-line customer interface point institutionalized by NTT Com as the strategic partner of SLT. Finally, the paper concludes with raising some questions as to evaluate the effectiveness of customer service, HR, and HRD interventions made during the era of NTT management from the perspective of the customer.

1. In this paper, NTT management refers to the management style of Japanese strategic partner i.e., Nippon Telegraph and Telephone Communications Corporation.

Brief history of Sri Lanka Telecom PLC

Study of the evolution of the telecommunications sector worldwide suggests that telecommunications services were historically founded and operated for many years by the governments of respective nations as state-owned (government-owned) monopolistic enterprises (Fremong and Atubra, 2001). According to SLT (n.d., p. 1 of 1), the history of telecommunications in Sri Lanka and that of SLT as well date back to 1858 when the first telegraphic circuit was established between Galle, the modern capital of the southern province of Sri Lanka, and Colombo, the commercial capital of Sri Lanka. The first international telegraph communication was also established between Sri Lanka and India in the same year. In tandem with the global pattern, postal, telegraphic and telephone services were managed as a state-owned enterprise on a monopolistic basis in Sri Lanka from the start, and that arrangement lasted until the end of the 1980s when Sri Lanka embarked on a policy of deregulation and liberalization of telecommunications. Thus 1980 marks a milestone year as the beginning of a series of institutional reforms in the telecommunications sector of Sri Lanka (Samarajiva, 1993).

Built up by a dramatic series of changes in the form and ownership of the organization over more than 100 years, SLT has an identifiable evolutionary character. The first step in the institutional reform program of the telecommunications sector in Sri Lanka was the separation of telecommunications from postal services. In effect, the operations and management of telecommunications were transferred to the newly formed Department of Telecommunications (DOT). With this organizational change DOT functioned as a normal department subject to the financial and administrative regulation of the Government of Sri Lanka (GOSL). The International Bank for Reconstruction and Development (World Bank) actively encouraged bifurcation of the Department of Posts and Telecommunications in 1980 whilst pledging financial assistance for developing the telecommunications sector, as the potential of telecommunications as a viable income earner for the Government was high (Samarajiva, 1993). The prevailing circumstances before the bifurcation further signaled the possible financial dependency of the postal services in the country on the income generated by telecommunications. The next step of institutional reform of the telecommunications sector was the conversion of DOT into a fully state-owned corporation called "Sri Lanka Telecom".[2]

2. Financial regulations of the GOSL require all Government departments to remit the total revenue earned to the Government Treasury and to obtain financial resources for meeting their capital and recurrent expenditure from the Government budget. Given this context, the level of freedom and flexibility available for a Government Department to manage financial resources

Following the provisions of State Industrial Corporations Act, No. 49 of 1957, Sri Lanka Telecom was established in February 1990. Subsequently, all the property, rights and liabilities of DOT were transferred to Sri Lanka Telecom under Sri Lanka Telecommunications Act, No. 25 of 1991 (SLT Annual Report, 2002).

Several phenomena that emerged between late 1990 and 1996 were influential in pushing Sri Lanka Telecom as a state-owned corporation into the next stage of its evolution. At the forefront of these was the renewed attempt by the GOSL to privatize Sri Lanka Telecom as the national telecom operator, and the gradual introduction of competition into the telecommunications sector by issuing licenses for cellular services, paging services and fixed wireless local loop operators. The Government then proceeded gradually to convert Sri Lanka Telecom into a totally Government-owned public limited company called Sri Lanka Telecom Limited, as an intermediate step in the path towards the eventual privatization of the national telecom operator. Consequently, Sri Lanka Telecom Limited, as a totally state-owned public limited company, was established in September 1996 under the provisions of Conversion of Public Corporations or Government Owned Business Undertakings into Public Limited Companies Act, No. 23 of 1987 (SLT Annual Report, 2002).

The most striking event in the recent history of SLT was the divesting of nearly 35% of its ownership of SLT by the GOSL, which was the sole shareholder of SLT as a public limited company. It did this through a competitive bidding process to Nippon Telegraph and Telephone Corporation (NTT)[3] in Japan in August 1997 (SLT Annual Report, 2002). This development was the result of the Shareholders' Agreement into which the GOSL and NTT[4] entered in August 1997. In connection with this investment, the GOSL and NTT entered into the NTT Services Agreement in August 1997

---

for its further development is considerably restricted. But, when compared with Government departments, state-owned corporations have greater autonomy in financial management as they can utilize the income they generate for further development of the corporation. Growth in demand for telephones in 1980s was also a factor in converting DOT into a state-owned corporation.

3. NTT (holding company) group comprises many subsidiaries. The business of NTT group is divided into several categories and major subsidiaries belonging to each category are NTT East Corporation (for regional communications), NTT West Corporation (for regional communications), NTT Communications Corporation (for long-distance and international communications), NTT DoCoMo Inc. (for mobile communications) and NTT Data Corporation (for data communications).

4. NTT transferred its full share ownership in SLT to NTT Communications Corporation in March 2000.

for a period of five years, for the provision of operational plans, technical know-how and technical assistance services including secondment of employees of NTT to fill key management and technical positions of SLT (SLT Annual Report, 1997; SLT Offering Memorandum, 2002).[5] Though the initial period of the NTT Services Agreement expired in August 2002, SLT and NTT Com entered into the NTT Secondment Agreement in October 2002. This secondment agreement allows NTT Com to second executive personnel to the positions of Chief Executive Officer and Chief Financial Officer until December 2004 and December 2003, respectively, for engagement by SLT on full time basis (SLT Offering Memorandum, 2002). The original Shareholders' Agreement that the GOSL and NTT entered into in August 1997 was amended in November 2002. As a general rule, pursuant to the original agreement NTT Com nominates up to four members of the board of directors of SLT and the GOSL nominates the other six members including the Chairman. NTT Com has also the power to designate the SLT's Chief Executive Officer who is responsible for the overall operations of the company and operating under the authority granted by the board of directors.

Given these developments and changes in ownership and management structure, the quintessential phenomenon occurred with the privatization drive of SLT is NTT becoming not only a mere shareholder, but also a strategic partner. NTT continued to maintain its association with SLT until the former who held 35.2% of shares of the latter sold its holding in its entirety to Global Telecommunications Holdings N.V. of the Netherlands in 2008 (SLT, n. d., p. 1 of 1). Chief Executive Officers appointed by NTT Com and posted to SLT brought many significant changes into the organizational culture, structure and process over a period of nearly 11 years. Amongst this plethora of changes, this paper maintains its focus on customer services, HR and HRD areas. Sri Lanka's telecommunications sector was no longer a monopoly at the time of the privatization of SLT. The GOSL had granted licenses to a few companies to provide telecommunications services which had subsequently, made this sector being one of the fastest growing sub-sectors within the services sector, particularly from the latter part of 1990s (Table 1).

5. The NTT Services Agreement for the period covering August 1997-August 2002 made provisions for NTT to be considered as the strategic partner of SLT because NTT was entrusted with the management of the company.

TABLE 1: Cumulative Number of Licenses Granted by the Telecommunications Regulatory Commission of Sri Lanka under Section 17 of the Sri Lanka Telecommunications Act, No. 25 of 1991

Category of service	**Number of licenses granted (as of August 2012)**
Fixed access telephone service (fixed telephony)	3
Cellular/mobile telephone service (cellular/mobile telephony)	5
Data communications (facility-based)	6
Data communications (non-facility-based) and Internet service providers	8
Trunk mobile radio	1
Leased circuit providers	1
Licensed payphone service providers	1
External gateway operators	33
Satellite broadcasting service licenses	2
Cable distribution network licenses	2
Total	**62**

Source: Telecommunications Regulatory Commission of Sri Lanka (TRCSL), 2012

The growth in this sector resulted in a newly competitive landscape characterized by increased number of operators, changes in technology, expansion of services provided, changes in structure of firms and changes in organization of the industry and work (Jayasuriya and Knight-John 2000; Samarajiva, 1993). Even today, the potential for intensification of competition in this industry is high as the Telecommunications Regulatory Commission of Sri Lanka (TRCSL) imposed a floor rate (per minute minimum charge) both for fixed telephony and mobile telephony service providers in 2009. This has eliminated, to a greater extent, price competition in the market compelling its players to rely heavily on quality and customer service.

The business literature is replete with discussion and debate on the sources of sustained competitive advantage of firms. In this regard, much has been written about the distinct and hard-to-imitate nature of resources and capabilities as the source in which competitive advantage lies (Ray, Barney and Muhanna, 2003; Sako, 1999). Several studies have documented product features, cost, quality, delivery convenience and customer service as mechanisms that can be used to differentiate companies' offers in a highly competitive marketplace. However, product features are frequently and rapidly copied, thanks to the diffusion of information technology (Batt, 1996; Bennion, 1987; Payne and Frow, 1999). Telecommunications characterized by service work is deemed to be different from goods-producing activity in several aspects. The key attributes that distinguish service from manufacturing are intangibility, perishability, variability, simultaneous production and consumption, and inseparability (Korczynski, 2002). Moreover, service work involves primarily symbolic interactions which take

the form of interchanges with other people that convey intangibles such as information, knowledge, attitudes and emotion (Frenkel, 2000). CSEs that are involved in service production and delivery with face-to-face, voice-to-voice or e-mail interaction with the customer are said to be acting as the interface point for the service provider. These CSEs are the linchpin or bridge between the service provider and the customer. The symbolic behavior of the service provider is depicted in the attitudes, speech, dress and interactive style of these CSEs, whose performance cannot easily be determined independent of the customer (service recipient). In these circumstances, the customer inevitably becomes a co-producer of service production, service delivery and service quality (Frenkel, 2000; Hyde and Davies, 2004; Skaggs and Youndt, 2004). In other words, the presence of the customer in the labor process constitutes a dominant characteristic of the service provision, extending implications for designing HR and HRD practices differently compared with manufacturing settings (Korczynski, 2002).

The central argument of this paper is grounded in the logic that the competitive advantage of a telecommunications service provider emanates from customer service and from the provider's ability to manage the employees who drive the customer service function. The emphasis on customer service as a distinct and hard-to-imitate asset, rather than on product features or technology, points to the need to rely on the competence and commitment of CSEs, complemented by coordination with back office staff of the organization. Hence, the building of intellectual capital (employees) to deliver better customer care services becomes the key human resource activity within the context of the evolving role of human resources in organizations, regardless of the industry in which they function (Bartlett and Ghoshal, 2002; Dassanayake, 2004).

Sri Lanka Telecom Limited under Nippon Telegraph and Telephone Communications Corporation's management: Customer service, human resource and human resource development as foci[6]

This section is divided into four sub-sections: (a) marketing and customer service philosophy of SLT as a state-owned enterprise; (b) marketing and

6. A significant part of this section is reproduced from the author's work published in 2003 (see Transfer of a customer service culture to Sri Lanka by a Japanese company: A case study of Sri Lanka Telecom Limited, in W. D. Lakshman (Ed.), *The distant neighbours: Fifty years of Japan-Sri Lanka relations*, pp. 339-371). This reproduction is inevitable for catering to the objectives set out in this paper as the author opines this paper as an extension of his work in 2003.

customer service philosophy of SLT under NTT management; (c) methods of the study, Teleshops and 116 call centers; and (d) reconfiguration of HR and HRD practices.

(a) Marketing and customer service philosophy of SLT as a state-owned enterprise

The historical evolution of SLT to date has progressed through six major stages (SLT Annual Reports, 1997, 1998, 1999) from being a state-owned monopoly to a privatized state-owned enterprise. The demand for telephones started growing rapidly in the 1980s but DOT's response to this demand was constrained by financial regulations. The constraints on the activities of the DOT had the result of generating a huge waiting list of applicants for new telephone connections. The engineers of DOT were helpless because of the inadequacy of financial resources and they faced harassment at the hands of those who were on the waiting list. Some of these applicants for new connections used their socio-economic power and status to influence DOT employees to expedite telephone connections, with all the adverse impacts of such intervention. The employees, on the other hand, considered working for DOT to be a powerful source of personal prestige. The following statements made by two interviewees exemplify rather extreme forms of expression of the above feeling of prestige and the absence of concern for customer care:

> *Being in the DOT was a source of prestige as the Government was the sole operator of telecommunications services. The DOT was a service provider to the public and money earner for the Government. (The customer) was like a prisoner. He or she had no alternative. But to wait until service is provided by the DOT.*
>
> *We did not care about (customers). They had to come to us, as the DOT … was the only place available at that time where they could get a telephone connection. They had to beg and be on a big waiting list.*
>
> **(Interview records of the author)**

It was in these circumstances that the GOSL took action to restructure the DOT. In 1990 it was converted into a public corporation. One of the major advantages of this conversion was that, as a public corporation, the SLT was enabled to utilize the income it generated for the development of its network, instead of having to remit it to the Treasury of the GOSL. Moreover, as a public corporation, the SLT could borrow from international donors like the World Bank, Asian Development Bank, Overseas Economic Cooperation Fund (predecessor of the Japan Bank for International Cooperation), and so on. This enhanced access to financial resources enabled SLT to launch several projects for further development of its cable network as well as its transmission

network, the establishment of new exchanges and new satellite stations, etc. It is not wrong to argue that SLT's marketing and customer service philosophy was born during this era. As one of the interviewees put it:

> *When it comes to customer relations this [conversion of DOT into a public corporation with greater autonomy in financial management] started making a big difference. Marketing makes sense only when an enterprise has a product to be sold. Therefore, there should be enough quantity of the product to sell, i.e., capability of SLT to provide new telephone connections. In my understanding, the meaning of customer service is made up of two dimensions, meeting the demand for new telephone connections and quality of service.*
>
> **(Interview records of the author)**

With the birth of this philosophy, SLT took two significant steps as a public corporation. It established (a) a marketing unit, in a generally commercial manner, under a deputy general manager to handle publicity work and (b) customer service units in Regional Telecommunications Engineer's Offices (RTE Offices), the only SLT-customer interface at that time. Initially, this was done in Colombo, the business capital of the country, as a pilot project supported by the International Telecommunication Union (ITU), and later on an island-wide basis. The customer service units started functioning in the early part of the 1990s under the purview of the Regional Telecommunications Engineers (RTEs) as a part of the RTE Office. At the inception, these customer service units collected customer data on registration for new connections, fed such data into computer and collected data on connections already supplied from exchanges. Later these units began handling the work involved in registration of persons for new telephone connections. In the era of Sri Lanka Telecom Limited as a public corporation and of SLT as a totally government-owned public limited company, there was widening of the gap between the customer base and the number on the waiting list. For example, in 1995 the number wait-listed was 227,198 whereas the customer base was 194,766 lines. Similarly, in 1996 compared to 274,991 persons on the waiting list there was a customer base of only 244,936 lines (SLT Annual Report, 1998). The result of this gap was that some persons on the waiting list were tempted to use their social status and contacts to get favored treatment in installation of telephone connections. One interviewee summed up his frustration as follows:

> *There were so many ways of getting a telephone as long as the registered person was influential and well connected to higher echelons of the society … Obviously, this gave rise to discrimination among the waitlisted as some of them were able to gain undue favors. We, as employees, had to carry out obediently whatever the orders given to us by our superiors who, in turn, were under the influence and pressure of some powerful segments of the society.*
>
> **(Interview records of the author)**

With this background, Sri Lanka Telecom implemented a system of encashment of unutilized casual leave, along with introducing a bonus payment system (subject to a ceiling imposed by the Treasury of the GOSL, medical and other benefits and salary increases for employees. One of the objectives of these steps was to harness the marketing and customer service philosophy in its infancy in the early 1990s. One interviewee commented about the incentive scheme:

> *Under state-ownership incentive payments were taboo. If the management was trying to give some incentive allowance to a group of employees who worked hard then trade unions would have resisted severely. Management would have been blamed for giving special treatment to favorites. Trade unions wanted the management to treat all employees equally. Promotions were only according to seniority.*
>
> **(Interview records of the author)**

However, despite various initiatives there was no substantial change in employee attitudes towards the customer and customer care, even during the early part of the Sri Lanka Telecom era. Interestingly, it is worth quoting some interviewees about how they perceived the customer and how the customer was treated during the Sri Lanka Telecom era and the short lived era of SLT as a totally government-owned public limited company:

> *Customer was called not customer but subscriber. In conversations among employees the word subscriber was abbreviated to sub or in its vernacular form, saba. When they wished to say that there was a subscriber waiting to see someone, they would have said sabek avilla where the subscriber is referred to rather as a nuisance.*
>
> *From our point of view as the employees, the subscriber was a nuisance and as such there was a tendency to avoid saba if one possibly could.*
>
> *The customer was not important. The customer was therefore viewed by employees from a negative attitude. The customer was not even provided with a chair to sit when he/she came to the office and was made to wait standing until his/her turn came.*
>
> **(Interview records of the author)**

The GOSL declared in 1995 that Sri Lanka Telecom would be privatized. This announcement was strongly opposed by the trade unions of Sri Lanka Telecom. Despite this, Sri Lanka Telecom was made a totally government-owned public limited company called Sri Lanka Telecom Limited (SLT) in 1996, as a step towards privatization (Wickramarachi, PK, August 2002, personal communication). Finally, the goal of privatization was realized in

August 1997 when NTT became the major private shareholder and strategic partner of SLT.

(b) Marketing and customer service philosophy of SLT under NTT management

The nature of organizational transformation that began in the latter part of 1997 in SLT addressed various aspects of the operations of the organization ranging from hard technology- to soft technology-related matters. The following statement of Hideaki Kamitsuma, as the first Japanese Chief Executive Officer (CEO) of SLT under NTT-style management, indicates the importance placed on, *inter alia*, customer care under the new management:

> *"… my future plans consist of making SLT a company that gives quick service all round. We have to meet the demands of the public, improve our services as quickly as possible. We also have to change the thinking of our staff to have a good attitude and instill in them good public relations that would befit a private company. I wish to also eliminate some of the existing bureaucracy and red tape."* **– (Wijesuriya, 1997)**

These remarks made by SLT's new CEO upon assuming duties, regarding his future plans for the SLT, evidence the foundation on which more than a century old state-owned telecommunications monopoly started to change. By this time, two wireless local loop operators, Suntel Limited and Lanka Bell (Private) Limited, had also started commercial operations in Sri Lanka, adding a new dimension of competition in the telecommunications sector. Changing an organization in general and its people in particular is a complex and challenging task. However, using its experience as one of the largest telecommunications conglomerates in the world, NTT gave a new strategic direction to SLT. The new management identified certain key areas of priority for transforming SLT from a state-owned monopoly to a privatized state-owned enterprise, working in a different business culture. These key priorities included: (a) restructuring the organization; (b) expanding the network and clearing the huge backlog of waiting lists; (c) developing a strong and sustained customer relations through the provision of better customer service; (d) harnessing the emphasis on corporate customers; and (e) revitalizing human resource policies and practices (SLT Annual Report, 1998). Ray et al. (2003) and Sako (1999) argued that competitive advantage of an enterprise lies in distinct and hard-to-imitate resources at its disposal. Supporting this, Batt (1996), Bennion (1987) and Payne and Fraw (1999) asserted that product features no longer are capable of playing the role of the source of competitive strength of the firm due to fast diffusion of information technology. The new strategic direction set out by NTT management reflects

the vital significance that SLT assigned to strengthening customer service function in an environment where competition was emerging gradually in telecommunications sector in Sri Lanka.

(i) Restructuring of SLT

At the time NTT became the strategic partner, the structure of the SLT as a totally government-owned public limited company was characterized by, among others, several layers of administration, the lack of any systematic description of jobs and a long-standing seniority-based promotion system which meant that some employees waited for promotions while stagnating for many years. NTT management found inefficiencies associated with this structure and the tight bureaucracy it spawned and introduced an organizational configuration that resulted in the reorganization of SLT based on function. This system was in sharp contrast to the multi-layered, bureaucratic and complex organizational configuration that was in existence earlier. Moreover, in the new structure there was a deliberate attempt to develop a more customer-oriented and customer-friendly service culture by avoiding unnecessary delays and red tape (SLT Annual Report, 1998). In order to build this new culture, SLT also recognized the indispensability of creating a new job cluster called 'marketing staff' that came into effect in 1998.[7] Another noteworthy phenomenon of particular relevance to this study that occurred within the context of restructuring of SLT under NTT management was the conversion of RTE Offices into Regional Telecommunications Offices (RTOs) and the opening of Teleshops.

(ii) Conversion of RTE Offices into RTOs

Prior to the establishment of Teleshops in 1998, the RTE Office with its customer service unit and the billing center, was SLT's only interface point for walk-in customers. The customer service unit and the billing center reflected the subscriber's image of SLT. Each RTE Office was under an RTE, and these engineers played a powerful role as they held most of key positions in these offices. Other employees of RTE Offices handled subscriber matters, with attitudes inherited from departmental and state-owned corporation era of SLT. Throughout its identity as a state-owned enterprise for over more than a century, SLT did not consider customer care important. Indeed, customer care started to become important only after the changes introduced in the early part of the 1990s when customer service units were added to RTE Offices

7. Prior to the privatization, there were four job clusters (job groups) namely, executives, middle-level technical staff, clerical and allied staff and minor employees. Marketing staff was added on to this clustering in 1998. In addition, one new job grade was added on to executive job cluster and the name of the job cluster of minor employees was changed to junior employees.

island-wide. Within the context of bureaucratic configuration in SLT before privatization the head of RTE Offices were essentially engineers. Though thoroughly competent in engineering-related expertise these engineers were neither marketing-oriented nor customer-oriented. Their educational and professional backgrounds as well as the organizational circumstances that prevailed at SLT at that time were not conducive to providing these engineers with any training in marketing and customer orientation. RTEs, as head of the RTE Offices, had to look after not only the maintenance of subscriber telephone network but also switching, transmission and outside plant maintenance. These multiple responsibilities of RTEs left them no time to attend thoughtfully to subscriber needs, inquiries and complaints. Subscribers could meet the RTEs only on a designated day of the week called the 'public day', whatever the gravity of the subscriber need. Subscribers with increasing frequency tried to meet the RTEs in person, as he or she played a powerful role in the organization. In effect, the organization and subscribers were unable to meet each other's needs and expectations in a mutually beneficial manner.

One of the priority concerns of NTT management in 1998 was to change this culture that had prevailed at RTE Offices for many years, without antagonizing the engineers who held key positions in these offices. Given this context, NTT management took two historic steps to restructure the RTE Offices: (a) the conversion of RTE Offices into RTOs and (b) the replacement of the position of RTE with that of Regional Telecommunications Office Manager (RTO Manager). The conversion of the RTE Offices to RTOs was not merely ceremonial but involved significant change in the scope of responsibility of the RTO Manager. The RTO Manager was entrusted with maintaining the subscriber telephone network while exchanges, transmission network, and so on were assigned to engineers who had earlier reported to RTE. The engineers responsible for handling such work report directly to the respective heads in provinces and regions.[8] In effect, today, customers can come and meet RTO Managers regarding their needs, enquiries and complaints at any time during normal hours of work. Furthermore, the RTO Manager position has changed from an engineering-oriented to a marketing and customer-oriented position focusing much on commercial affairs.

(iii) Opening of Teleshops

Interviews with those working in Teleshops as CSEs conveyed the impression that the establishment of Teleshops was one of the key changes that NTT

8. For operational purposes, SLT is divided into regions, provinces and RTO areas.

management introduced to befit the new business culture of SLT. The semi-structured interviews clearly revealed that these Teleshops could be regarded as a breakthrough or a new dimension in the provision of customer service in the history of SLT. In explaining the establishment of Teleshops, the first CEO under NTT management commented:

> *"One of the most innovative steps in the field of marketing taken by SLT in 1998 was the opening of Teleshops. These are special shops dedicated to the service of SLT customers and other members of the public with regard to their transactions with SLT, or other areas of telecommunication. It emphasizes the importance that SLT attaches to good marketing of its services …. The design of the Teleshop is such that it provides customer comfort and the general atmosphere is one of service and care …. The Teleshops is one of the most important ways in which the slow moving, unfriendly, bureaucratic image of the former government owned SLT has been transformed into a Customer-friendly organization."*
> **(CEO's review in SLT Annual Report, 1998, pp. 29-30)**

Before the establishment of Teleshops, RTE Offices were the only interface point of SLT for its walk-in customers. For the customer (or subscriber, as he/she was called then), RTE Offices, particularly its customer service unit and billing center, reflected the total image of SLT. Due mainly to SLT being a state-owned enterprise for more than a century, the RTE Offices operated under the purview of engineers with a set of employees whose attitudes were those common to government departments. To the employees of RTE Offices, SLT customers were subscribers or 'saba', as these employees generally called subscribers. The subscriber was not treated with any respect. At its very inception NTT management felt the crucial necessity and urgency of changing this prevailing environment within RTE Offices and thereby attempting gradually to change the attitudes of customers towards SLT. As one interviewee pointed out:

> *NTT management spent a large sum of money on rebuilding the image of SLT without expecting to make profits but to change customer attitudes. Hence, SLT introduced Teleshops as a brand new customer outlet chain in 1998.*
> **(Interview records of the author)**

The major purposes of NTT management in introducing Teleshops as a brand new customer outlet chain for walk-in customers were to: (a) inculcate in the minds of subscribers that the SLT had enough capacity to serve them, thereby changing subscriber attitudes towards SLT; (b) bring about a perceptible attitudinal change in the employees who interacted with customers, as the state-owned era of SLT had not been conducive to building customer-friendly attitudes; (c) set an example for the rest of the company in building a new

customer service culture; and (d) spearhead a marked paradigm shift in interacting with and treating subscribers at a location with a new ambience and new outlook. Accordingly, SLT's first four Teleshops commenced their operations in May 1998. With this development SLT started operating two kinds of customer outlet chains for walk-in customers, RTOs and Teleshops.[9] Teleshops are organized and run on one-stop shop model that basically resembles operations of the 116 call center of NTT East. NTT East, as a major subsidiary of NTT group, manages operations of 116 call center through regional outsourcing companies.

(c) Methods of the study, Teleshops and 116 call center

Two front-line units namely, Teleshops and 116 call center representing SLT and NTT East, respectively were selected as the units of analysis of this study. The rationale for this selection was based on two factors: (a) two units are regarded as one-stop-shops where customers are believed to be able to obtain all their telecommunications needs under one roof; (b) front-line employees (called CSEs in this study) who work in these units occupy a boundary-spanning role; and (c) both units being characterized by teamwork organization. These employees act as co-producers of services with the customer. Customers rely, to a significant extent, on the behavior of these employees to form a global image of the quality of service and its provider. Hence, to the customer, CSEs with whom they interact are the firm. The nature of operations of Teleshops suggests that they are involved in the provision of various marketing (mainly selling) and customer care services as a major front-line unit of SLT. Customers (both existing and potential) of SLT, irrespective of their place of residence, can obtain these services at any Teleshop currently operating from different geographical locations in Sri Lanka. Similarly, 116 call center is engaged with marketing (mainly selling) of various services in addition to the provision of customer care services as a major front-line unit of NTT East. Nevertheless, it does not involve in accepting payments from customers as they contact the center either by telephone or on web.

The data in this study were collected using mainly participant observation and semi-structured interviews. However, the research approach adopted in this study is in marked contrast to the approach applied in much of the existing case study research in HR management and HRD. Rather than being based on the collection of data only by interviews, documentation and

9. This could possibly be attributed to the increased competition created by the entry of new players into the fixed and cellular telephony markets in Sri Lanka in 1990s and afterwards.

archival records, as they are commonly used in case study research, this study relied significantly on intensive participant observation. This method enabled the author to gain hands-on work experience of interacting with customers in real work setting of Teleshops, in addition to collecting data through talking informally with other CSEs, observing directly their work and conducting semi-structured interviews. Likewise, at 116 call center, observation and semi-structured interviews were used for collecting data. However, the author identified himself as an observer and intervened in neither the social nor the decision-making process at 116 call center making it different from the role he played as an intensive participant observer at Teleshops.[10] For conducting semi-structured interviews, 67 organizational actors (60 actors were related directly to Teleshops) of SLT and 12 organizational actors of NTT East which included five employees of 116 call center were selected employing purposive sampling methods.

(d) Reconfiguration of HR and HRD practices

Data collected and analyzed revealed that the word 'customer' eventually replaced 'subscriber' when Teleshops commenced operations in mid-1998. This is a reflection of the beginning of a different culture of customer service at SLT under NTT management. Shifting the emphasis from subscriber to customer gradually became a part of the culture of RTOs as well, alongside the changes that NTT management introduced to RTOs, including widening the scope of responsibility of the RTO manager and the creation of the customer relations officer position in RTOs. Not only these changes brought in by NTT management, but also the changing competitive dynamism in the telecommunications sector in Sri Lanka that gained momentum in the late 1990s, compelled employees of SLT to develop new attitudes towards customers. Their importance as a critical group of stakeholders who influence the survival and growth of SLT was realized at this time. Interviewees presented the view that there was a marked and substantial change in the manner in which the customers were treated at SLT since 1997.

Much effort went into training employees in both Teleshops and RTOs, particularly in customer care. There was a high degree of commitment and dedication within NTT management to provide such training to employees.

10. Participant observation involves a flexible, open-ended, opportunistic process and logic of inquiry through which what is studied is subject to redefinition based on field experience and observation (Jorgensen 1989, p.23). In the process of participant observation the researcher can play either a covert or an overt role leading to identification of four field roles: complete participant, participant-as-observer, observer-as-participant and complete observer (Atkinson & Shaffir 1998, pp. 56-57). Differences among these roles depend on the extent to which a researcher participates in the social and decision-making processes of the research setting.

These attitudes were important in bringing about this change in SLT culture while resolving various intra-organizational conflicts. Overall, employees of SLT were under the impression that SLT had changed a great deal across the board in respect of dealing with the customer, extending customer care and maintaining customer relations. Specifically, the culture that has evolved in Teleshops has contributed significantly to altering the image of SLT in the minds of customers and in changing the attitudes of employees of RTOs. It is worth quoting some interviewees in this regard. There is a clear difference between 'now' and 'then' in how SLT employees view and treat customers:

> *We now understand the value of customer; value of his or her money, time and dignity. So, we are to treat him or her with love, loving-kindness (Metta in Pali), compassion (Karuna in Pali) and appreciative/sympathetic joy (Muditha in Pali).*
>
> *Customer care is a serious very thing. We have to satisfy the customer. It is difficult; but nice.*
>
> *We started using the word 'customer'. We call customer Sir or Madam. We have changed the way of maintaining customer relations. We now offer a chair when the customer comes to our premises.*
>
> **(Interview records of the author)**

This paradigm shift in viewing and treating the customer engendered an increase in the popularity of Teleshops among walk-in customers. Teleshops came to be seen as a customer-friendly chain of customer outlets while gradually developing a new brand name.

Evidence gathered on work and human resource configuration of both Teleshops and 116 call center proves that NTT Com, as the strategic partner of SLT, has transferred management technology of organizing and conducting operations of 116 call center to Teleshops. There are many similarities between the two including: (a) both being independent organizational units headed by a manager; (b) broad definition of the job of CSEs characterizing their generalist type; (c) multi-skilled staff allowing for the flexibility in job assignment or work re-distribution; and (d) vast similarity in job content of CSEs. On the other hand two differs in terms of, *inter alia*, method of staffing, prior experience of CSEs and type of employment. However, there can be seen certain changes made to the practices of 116 call center in their adoption by Teleshops to meet local contextual factors.

The work organization of Teleshops and 116 call center characterizes teamwork. All CSEs working in Teleshops report to one manager and respective group leader in case of CSEs of 116 call center. A careful analysis of

employment classification system of CSEs of these units shows that their jobs are broadly defined enabling them to handle both front-line and back office work. In most cases, the staff of both units is multi-skilled allowing the managers to apply job rotation.[11] This job rotation is made possible as CSEs of Teleshops and 116 call center, respectively, need a common set of competencies for attending to their work in each setting (unit-based competencies).

HR and HRD practices introduced during NTT management era to SLT in general have also impacted on configuring people practices of Teleshops. It is not meaningful avoiding highlighting some of these practices in this paper. One of these general areas which drew the attention of employees across the board of SLT is the manner in which NTT management dealt with trade unions and trade union federations. SLT is known for the prevalence of multiple trade unions and trade union federations. A careful analysis of trade union activism at SLT reveals that trade unions, from time to time, had released waves of resistance to the privatization process of SLT. NTT management took some significant actions to enlist the support of all trade unions for organizational change while making a platform for building cordial relations with them. These actions were: (a) listening to ideas presented by trade union leaders and implementing good ideas for organizational advancement; (b) maintaining an open door policy where trade union leaders could meet the Chief Executive Officer and Chief Financial Officer, both posted to SLT by NTT Com, at any time; (c) holding discussions and constant dialogue with trade union leaders on matters including, revising salary, determining bonus, employee welfare etc. in the absence of any formal collective bargaining agreements; (d) organizing a study tour in Japan for all trade union leaders where they studied organizational structure and operations of NTT, visiting a media center and customer service center and had meeting and discussion with leaders of enterprise-based union of NTT. This study tour in Japan seems to have brought about an attitudinal change in trade union leaders towards management, to a certain extent, as did the constant dialogue and discussions between the two parties; and (e) commencing workplace cooperation program bringing the management, trade union leadership and employees under one umbrella for improving the dialogue between trade unions and management, enhancing teamwork and team spirit, building up an efficient mechanism for handling employee grievances and improving work quality and productivity (Weerathunga, G, August 2003, personal communication).

11. This job rotation is limited to back office employees in 116 call center as they are sometimes required to answer phone calls from existing and potential customers.

The other significant changes that occurred in the new business and customer service culture were breakthrough modifications to the performance evaluation and promotion system and remuneration system of SLT. Prior to privatization, performance evaluation was a ceremonial type of exercise that was performed annually by the superior of the employee. The criteria for promotion were neither clear nor transparent, and the promotion system itself had become a major cause of stagnation and growing dissatisfaction among employees. Also, career paths for employees were limited and no job enrichment existed for high flyers. The key changes that NTT management injected to the promotion system were: (a) designing a promotion system that is based, to a larger extent, on performance of employees. But, some consideration is still given to the length of service of the employees, particularly non-executives; (b) setting up a transparent set of criteria for promotions. Thus, promotions, especially for non-executives, are now based on competitive examinations which have created a learning culture in the organization; (c) introducing a system where an employee with required knowledge and skills to meet the needs of the organization can cross over to another job cluster; and (d) institutionalizing a fast track promotions system for employees on non-executive job grades. This has enabled them to cut short the maximum number of years of service required to sit for examination for the promotion to the lowest grade of the executive cadre.

The effects of NTT management upon the remuneration system of SLT were several. In the immediate pre-privatization era remuneration for employees, regardless of executive or non-executive status, consisted mainly of basic salary with fixed annual increment according to the job grade, cost of living allowance and normal bonus (not based on employee's performance) subject to a ceiling imposed by the Treasury of the GOSL. One of the priority concerns of the NTT management in the post-privatization era was to rectify salary anomalies among various categories of employees that had accumulated over a long period of time, causing considerable discontent among employees (SLT Annual Report, 1998). With this background, NTT management promised all employees a substantial salary increase over a period of five years and SLT carried out a major salary revision in 1998 that allowed all employees to receive an increase of 25% on the basic salary. In subsequent years, NTT management gradually introduced a remuneration system that is not only linked to performance but is also competitive enough to attract and retain the best quality talent within the company (SLT Annual Report, 1998). How the remuneration system for employees was transformed from a largely seniority-based system to a highly performance-based system is reflected through: (a) abolishing the fixed annual salary increment for

executives and replacing it with a monthly performance allowance calculated on the basis of the annual performance grade earned by the employee; (b) introducing a new bonus scheme consisting of two components, basic bonus and performance bonus; and (c) institutionalizing a hidden or covert salary code system for executives. The purposes of this system are thought to be given flexibility to management to reward employees who demonstrate remarkable performance and to attract the best talent from external labor market to fill positions in the organization where there is a shortage of qualified people. It has also created competition among executives themselves for higher rates of pay (Wickramasinghe, Hopper and Rathnasiri, 2002).

Concluding Remarks

This paper has attempted to provide insights into the necessity of creating and sustaining customer service function to derive the benefits of privatization of state-owned telecommunications monopoly functioning under liberalization and deregulation, taking SLT as the case. The paper also argued for and illustrated the role of HR and HRD in supporting the smooth implementation of customer service culture whilst ensuring the utilization of a competent and committed workforce. In a highly competitive telecommunications market, players would realize that building relationships with existing customers is a viable strategy to enhance the growth and long-term survival of their companies. A key HR concern in building relationships with customers is minimizing customer's time by attending to his or her requirements within the shortest possible time. CSEs of Teleshops are trained to respond to any enquiry and need of the customer irrespective of their job grade. The loosely defined connection between job grade and job content coupled with integration of front office and back office work have enabled these CSEs to deal with customers of different backgrounds. A common set of competencies required of CSEs has positioned them to serve the customer with no discrimination.

Privatization of SLT is considered a landmark in the privatization program of the GOSL in 1990s. This also provides valuable lessons on collaboration between the management and trade unions. A mere change in ownership and the management will not lead to overall high efficiency and growth, unless there are concerted efforts to transform the mindset of employees who have been there since its fully state-owned era. Evidenced harnessed in this study points to a clear connection between NTT management and attitudinal change in employees of SLT, both in terms of recognizing the supremacy of customers and delivering them a good customer service at all times. Though

changing existing attitudes and forming entirely new attitudes are not events, time consuming processes, new policies and practices NTT management introduced step-by-step to key HR and HRD functions of SLT should be given the due recognition. It can be inferred that organizational changes that privatization brings about become meaningful only when the management acts proactively to align HR and HRD functions well with emerging business culture of the enterprise. SLT's case is noteworthy in this regard as NTT Com came in as both shareholder and strategic partner.

This study has two main policy implications. Firstly, the Government should try to promote competition whilst exploring innovative ways to liberalize further the telecommunications sector. Customer care makes the sense when the telecommunications service providers find there are many competitive firms operating in the same market and customers realize that they have a wider choice of the service provider. Secondly, effective HR and HRD guidelines (as soft technologies of the telecommunications industry), need to be set by national telecommunications regulators in providing a broader framework for service providers for forming and developing the competencies of their workforce, initially those who are on the front-line and extending, later on, to other categories. Though many countries have established national telecommunications regulatory agencies the scope of their operations revolves around areas including, but not limited to, spectrum management, tariffs, surveillance, customer relations and recommending the respective governments to issue licenses to service providers. In general, these activities are necessary but by no means sufficient to assure the long-term satisfaction of customers and survival and growth of service providers. How NTT Com transferred to SLT within the regulatory framework set in place by Telecommunications Regulatory Commission of Sri Lanka for re-orientating customer service, HR and HRD practices appears to be an important area for further study.

NTT management era of SLT came to an end in 2008 with Global Telecommunications Holdings N. V., the Netherlands buying the shares of SLT owned by NTT Com. This ownership change has resulted in SLT entering yet another era of its evolution. This development of SLT's evolutionary character would opportune raising some questions for studying in depth: (a) how the new foreign shareholder sees the relevance and appropriateness of changes introduced to SLT under NTT management?; (b) what aspects of NTT management this new shareholder would continue with at SLT?; and (c) what changes this new shareholder has injected to customer service, HR and HRD, *inter alia*, of Teleshops and their effectiveness in light of ever intensifying competition in telecommunications sector in Sri Lanka?

References

Atkinson, A.A. and Shaffir, W. (1998), "Standards for field research in management accounting", *Journal of Management Accounting Research*, Vol. 10, pp. 41-68.

Bartlett, C.A. and Ghoshal, S. (2002), "Building competitive advantage through people", *Sloan Management Review*, Vol. 43 No. 2, pp. 34-41.

Batt, R. (1991), "From bureaucracy to enterprise? The changing jobs and careers of managers in telecommunications service", in P. Osterman (ed.), *Broken Ladders: Managerial Careers in the New Economy,* Oxford University Press, New York.

Bennion, M.L. (1987), "Segmenting and positioning in a basic industry", *Industrial Marketing Management*, Vol. 16, pp. 9-19.

Dassanayake, M.S. (2004), "Human resource development systems for customer care services management in telecommunications companies: Comparison of a Japanese-affiliated and a Swedish-owned firm in Sri Lanka", Gakushuin University, Tokyo, Japan, unpublished PhD thesis.

Dassanayake, M.S. (2003), "Transfer of a customer service culture to Sri Lanka by a Japanese company: A case study of Sri Lanka Telecom Limited", in WD Lakshman (ed.), *The Distant Neighbours: Fifty Years of Japan-Sri Lanka Relations*, University of Colombo, Colombo, Sri Lanka.

Fremong, G.K. and Atubra, W.H. (2001), "Liberalisation of telecoms: The Ghanian experience", *Telecommunications Policy*, Vol. 25 No. 3, pp. 197-210.

Frenkel, S.J. (2000), "Introduction: Service work and its implications for HRM", *The International Journal of Human Resource Management*, Vol. 11 No. 3, pp. 469-76.

Hyde, P. and Davies, T.O. (2004), "Service design, culture and performance: Collusion and co-production in health care", *Human Relations*, Vol. 57 No. 11, pp. 1407-26.

Japan International Cooperation Agency. (1996), *The study on telecommunications networks in the Democratic Socialist Republic of Sri Lanka (final report, vol. 1 – summary)*, Japan International Cooperation Agency, Tokyo, Japan.

Jayasuriya, S. and Knight-John, M. (2000), "Sri Lanka's telecommunications industry: From privatization to anti-competition?", *Sri Lanka Economic Journal*, Vol. 1 No. 2, pp. 22-57.

Jorgensen, D.L. (1989), *Participant Observation*, Sage, United States of America.

Korczynski, M. (2002), *Human Resource Management in Service Work*, Palgrave, United Kingdom.

Payne, A. and Frow, P. (1999), "Developing a segmented service strategy: Improving measurement in service marketing", *Journal of Marketing Management*, Vol. 15 No. 8, pp. 797-818.

Ray, G., Barney, J.B. and Muhanna, W.A. (2003), "Capabilities, business processes and competitive advantage: Choosing the dependent variable in empirical tests of the resource-based view", *Strategic Management Journal*, Vol. 25 No. 1, pp. 23-37.

Sako, M. (1999), "From individual skills to organizational capability in Japan", *Oxford Review of Economic Policy*, Vol. 15 No. 1, pp. 114-26.

Samarajiva, R. (1993), "Institutional reform in Sri Lanka's telecommunication system: Regulation, corporatization, and competition", *Asian Journal of Communication*, Vol. 3 No. 1, pp. 37-63.

Skaggs, B.C. and Youndt, M. (2004), "Strategic positioning, human capital and performance in service organizations: A customer interaction approach", *Strategic Management Journal*, Vol. 25 No. 1, pp. 85-89.

Sri Lanka Telecom PLC n.d., *About SLT – our history*, available at: www. http://www.slt.lk/data/aboutslt/history.htm (accessed 5 September, 2012).

Sri Lanka Telecom Limited. (2002), *Annual Report*, Sri Lanka Telecom Limited, Colombo, Sri Lanka.

Sri Lanka Telecom Limited. (2002), *Offering Memorandum*, Sri Lanka Telecom Limited, Colombo, Sri Lanka.

Sri Lanka Telecom Limited. (1999), *Annual Report*, Sri Lanka Telecom Limited, Colombo, Sri Lanka.

Sri Lanka Telecom Limited. (1998), *Annual Report*, Sri Lanka Telecom Limited, Colombo, Sri Lanka.

Sri Lanka Telecom Limited. (1997), *Annual Report*, Sri Lanka Telecom Limited, Colombo, Sri Lanka.

Wickramasinghe, D.P., Hopper, T. and Rathnasiri, C. (2002), *Japanese cost management meets Sri Lankan politics: State regulation and management controls in a privatized utility*, University of Manchester, United Kingdom and University of Sri Jayewardenepura, Sri Lanka.

Wijesuriya, D. (1997), "NTT: Sri Lanka's single largest investor", *Business Today*, September, pp. 13-15.

Information Technology Employees Response to Dissatisfaction Relation to Power Base Adopted by Managers

❑ **Harold Andrew Patrick**
Institute of Management, Christ University
haroldpatrick@christuniversity.in
haroldapatrick@hotmail.com

Abstract

Power is an inescapable part of management (Torrington, Weightman, & Johns, 1985). It is also a critical element for a political analysis of organizations. No effective manager can manage without understanding and using power in an appropriate manner, especially to get any job done. Job satisfaction is one of the most important attitudes in organizational behaviour.

The present investigation focused on power bases of managers and its influence on IT employee's expression of dissatisfaction. French and Raven's (1959) bases of power was measured using a modified version of Hinkin and Schriesheim's (1989). The response adopted by employees to express dissatisfaction was developed by the author based on the model developed by Rusbult and Lowery (1985). Both the tools were found to be reliable and valid. The statistical technique adopted was Discriminant analysis. The major findings indicate that power bases of managers influenced the method adopted by employees to express dissatisfaction. The detail findings, conclusions, implications and suggestions for further research have been discussed.

Key Words Power Bases, Employee dissatisfaction, employee satisfaction, Information Technology, Managers, organizational behaviour, Human resource Management

Introduction

Power is an inescapable part of management (Torrington, Weightman, & Johns, 1985). It is also a critical element for a political analysis of organizations. No effective manager can manage without understanding and using power in an appropriate manner, especially to get any job done. The use or misuse of power could be analyzed in two segments a) For personal effectiveness or and b) for organizational effectiveness. Most conceptions are based on Weber's' (1947) classic definition that, "Power is a probability that one action within a social relationship will be in a position to carry out his own will, despite the resistance and regardless of the basis on which this probability rests.

Lack of job satisfaction can be a significant source of stress. Reasons why the employees may not be completely satisfied with their job may include: (i) Conflict between co-workers. (ii) Conflict with your supervisor. (iii) Not being appropriately paid for what they do. (iv) Not having the necessary equipment or resources to succeed. (v) Lack of opportunities for promotion. (vi) Having little or no say in decisions that affect them. (vii) Fear of losing their job through downsizing or outsourcing. Sometimes it's the job itself that causes dissatisfaction. For example, the work may be boring, or ill-suited to their interests, education and skills.

Power

The literature of power is full of discussions about the differences between power and other related concepts such as influence, leadership, authority, dominance, force and control. The earlier studies were done on birds and animals to observe and study power structure and dominance relationships and hierarchy of authority.

The combination of high leader achievement motivation and high power motivation has been shown to be associated with managerial success (Cummin 1967), with the performance of research and development companies (Wainer and Rubin 1969) and with effectiveness of scientists, engineers and executives (Varga 1975). This combination of motives is associated with a number of predicted dependent variables including ratings of managerial performance, managerial promotion rate and choice of managerial occupations (Stahl 1983). No difference between males and females or between races was found on Stahl measures of achievement and power motivation. There is evidence that fear of power is related to characteristically high levels of arousal and thus perhaps to a variety of other

personality dispositions that involve arousal, such as Introversion (Eyesenck 1957), Strength and balance of nervous system (Gray 1965), Anxiety or 'Drive' (Spence 1964) or Customary Levels of Activation (Fiske and Maddi 1961, Maddi 1968). According to studies conducted by McClelland (1966) the American executives are significantly higher in the need for power, and the desire to control the actions of others, than the executives in any other place except Northern Italy, the next most developed region, economically. In America we find a reflection of the popular image of the business tycoon who is interested in building an empire and above all beating the competition. Working for the Government requires enough obedience to arbitrary dictates from above (often for task unrelated or political reasons) to make such employment unpleasant for men with high power. Hitchcock and Leigh (1963) found that Indian children, compared with children of six other cultures, have the highest need for power.

Power as a motivational construct was studied by many psychologists. Typical of this are the notion of power striving (Adler, 1956), power motive and the experience of power (Winter, 1973; McClelland, 1975) and effectance (White, 1959). Power as a cognitive construct includes personal causation (de Charms, 1968), locus of control (Phares, 1977) and self efficacy (Bandura, 1977). Power as a behavioural construct is defined by Heider (1958) as component of the 'can' factor in his naïve psychological analysis of the actions of an individual In Skinner's experimental analysis of behaviour, the concept of stimulus (Skinner, 1938) has acquired an explanatory role which seems to be equivalent to that of power.

The concept of social power has been identified by numerous social psychologists and other social scientists as an understanding of human interaction (Adams 1975, Blam 1964, Cartwright 1959, Dahl 1957, Gemson 1968, Kahn 1964, Nagel 1975 and Tedeschi and Bonoma 1972). Self – perceived power seems to be consistently related to formal position (Katz and Kahn, 1966) and degree of participation in decision-making (Tannenbaum, 1968).

Managers have special power positions in organizations. As Kuhn (1963) wrote, "Most power in any society belongs to those who control switching mechanisms in organizations". These 'switching mechanism' positions are those held by managers. They exercise their power by their ability to allocate the sources of the organization. That is through effective coordination of the activities and the resources of the organization, managers cause the organization to be productive through synergistic effect of organization. Power and its dynamics are important in all the continuing operations of an

organization. The task of the manager is to maintain adequate power to do his/her organization's work in the face of continual shifting in the several kinds of power that makeup his/her total power. As Zaleznik (1970) wrote. "There is no one best way to organize or distribute power". Yet commitments must be made and solutions arrived at if individuals and organizations are to attain their objectives. Because there are many ways to organize power, there are numerous opportunities for managers to assume leadership or gain power.

Job Satisfaction and Dissatisfaction

Job satisfaction has the potential to affect a wide range of behaviour in organizations and contribute to employees' levels of wellbeing. Interestingly enough, research suggests that levels of job satisfaction in the United States have declined in the past decade, Korentz (2003). Bachman (2005), job satisfaction levels have decreased across all income levels and employees tend to be least satisfied with their companies' promotion and bonus policies and pension and health plans. Companies have laid off employees to cut costs, those who have been fortunate to keep their positions often face higher workloads, which has the potential to decrease their levels of job satisfaction and also question the extent to which their employers are committed to them Alt Powell (2006).

Job satisfaction has been linked with a large number of organizational outcome variables such as absenteeism, turnover, mental and physical health, motivational level, productivity and general life satisfaction. To overcome the measurement issues it is recommended that job satisfaction be measured through behavioural intentions. The rationale for measuring job satisfaction through action tendencies is that positive and negative emotional experiences associated with job will evoke respectively approach - avoidance action tendencies. Timothy and John (2008) found that those with high quality relationships, who also worked extensively in this mode, demonstrated the highest levels of commitment, job satisfaction and performance relative to those who worked less extensively in this mode. Whereas those with lower quality relationships, who worked extensively in the virtual mode, demonstrated lower commitment and job satisfaction. Perry and Mankin (2007) examined the interrelationships among employee trust in the chief executive of the organization, trust in the organization and work satisfaction. Schulte et al (2006) research has consistently demonstrated that both individual-level climate perceptions and organizational climate are related to

job satisfaction. Rao et al (2005) Organizational culture has a significant effect on how employees view their organizational responsibilities and their job satisfaction. Bajpai (2004) Results reveal that high experience subjects of international organizations showed highest level of job dissatisfaction, while low experienced subjects of national and international organizations showed similarly lower job satisfaction. Thomas and Au (2002) cultural groups responded differently to low job satisfaction with exit, voice, loyalty, or neglect. Zhou and George (2001) the study focused on the conditions under which job dissatisfaction will lead to creativity as an expression of voice. Turnley and Feldman (2000) results suggest that unmet expectations and job dissatisfaction do partially mediate intention to quit. Daley (1992) a challenging job and a collegial workgroup tend to enhance voice and loyalty while minimizing tendencies toward exit and neglect. Withey and Cooper (1989) studies conducted to find out when dissatisfied employees will respond to their dissatisfaction with exit, voice, loyalty, or neglect. Rusbult et al (1988) found high satisfaction and investment encouraged voice and loyalty and discouraged exit and neglect. Farrell (1983) the study focuses on workers' responses to job dissatisfaction. Fix and Sias (2006) Results indicate significant positive relationships between person-centered communication and employee job satisfaction.

Need and Rationale for the Present Study

The emphasis on power and dissatisfaction and in IT organizations has not been methodologically researched. The studies on these variables in the context of IT organizations and its implications in India are not available. Very few studies have been done internationally on these variables individually. The present study is a serious attempt to understand and explore in the Indian IT context the behavioural variations and their implications that these variables have on employees. The insights will contribute towards the basic understanding of the political socialization in IT organizations. It is an earnest attempt to bridge the gap especially in this area by highlighting the relevance and importance of power to management, individual, and organizations and hoping this study will initiate a series of serious and productive discussions on the subject. The study will bring in sharp focus the major challenges in these behavioural domains encountered and the solutions that will aid IT organizations to deal more scientifically in increasing their effectiveness.

Aims and Objectives of the Study

- To find the power bases presently adopted by managers in IT organizations.
- To find out the responses chosen to express dissatisfaction in IT organizations.
- To find out managers power bases and its impact on the response chosen by employees to express dissatisfaction in IT organizations.

Research Methodology

Operational Definitions of the Variables under Investigation

I Power bases - In this study the definition given by French and Raven (1959) was adopted.

II. Responses to Job Dissatisfaction - The definitions given by Rusbult and Lowery (1985) were adopted.

Hypotheses

H1: Personal power bases will lead to more constructive responses to dissatisfaction.

H2: Formal power bases will lead to more destructive responses to dissatisfaction.

Sample Size

515 IT employees from 87 Indian, Indian multinational corporations and multinational IT companies were surveyed for the study. The sample was drawn from all the three levels of management. 305 IT employees from the junior level executives, 148 from the middle level managers and 62 from the senior level management were administered the questionnaire. Respondents who have worked for at least one year and have known their boss for at least one year were included for the present study.

Sampling Technique

The stratified random sampling technique was adopted for the present study. Employees with minimum one year work experience and have known their boss for one year were only asked to fill the questionnaire.

Tools Employed for Data Collection

Based on the objectives of the study the following measurement tools were employed to gather data from the sample.

- Based on the objectives of the study the following measurement tools were employed to gather data from the sample.
- French and Raven's (1959) bases of power is measured using a modified version of Hinkin and Schriesheim's (1989).
- The response adopted by employees to express dissatisfaction was developed by the researcher based on the model developed by Rusbult and Lowery (1985).

Description of the Tools

Managerial power dimensions

For this research, managerial power was assessed by using French and Raven's (1959) power-based taxonomy. French and Raven's (1959) bases of power is measured using a modified version of Hinkin and Schriesheim's (1989) 25-item power scale, as adapted by Nesler, Aguinis, Quigley and Tedeschi (1993). The scale employs a nine-point response scale (1 = Disagree; 9 = Agree), and consists of six subscales: coercive power, expert power, legitimate power, referent power, reward power and credibility. The nine-point scale was reduced to a seven-point scale (1 = Disagree; 2 = Moderately disagree; 3 = Inclined to disagree; 4 = Neither agree nor disagree; 5 = Inclined to agree; 6 = Moderately agree; 7 = Agree) and used for the present study.

The Cronbach's Alpha reliability for the above scale on the present sample was 0.78. When the coercive power dimension is removed then the Cronbach's Alpha reliability was found to be 0.90.

Responses to Dissatisfaction

The response to dissatisfaction based on the model developed by Rusbult and Lowery, 1985 was adopted. It is a category method, where four responses are given and the respondent chooses one that best describes his/her response in case of dissatisfaction to the 15 aspects of the job which includes job security, interest, opportunity for advancement, appreciation, company policy and management practices, intrinsic aspects of job, salary, supervision, social aspects of job, working conditions, communication, hours, ease, benefits, and fair treatment.

The four responses to dissatisfaction are:

- Voice: Constructive and active response.
- Exit: Destructive and active response.
- Loyalty: Constructive and passive response.
- Neglect: Destructive and passive response.

Pilot Study and Try Out

The pilot study was conducted on a sample size of 25 actual respondents. The pilot study represented 16 IT organizations which is fairly representative of the population and at all three managerial levels – entry level executives, middle level and senior level managers.

Sample Profile

Respondents were drawn from 87 Indian, Indian multinational and multinational I.T companies. Most respondents were from IBM India Pvt Ltd (13.2%), followed by Accenture Ltd (9.1%), Infosys Technologies Ltd (7.4%), Wipro Technologies (6.4%), Hewlett Packard (5.2%), Hexaware Technologies (5.0%), and Aricent (2.9%) and the least was 1%. Entry level managerial level (59.2%), followed by middle level (28.7%) and top management (12%). Most of the respondents had 0-6 employees reporting to them. Respondents who did not have any one reporting to them (53.4%) followed by 5-6 reportees (10%), 1-2 reportees (9.9%), 3-4 reportees (8.9%) and the maximum was above 35 reportees (2%). For most respondents this was their first organization (43.5%) followed by one organization already worked for (20.8%), two organizations already worked for (16.7%), three organizations already worked for (13.2) and the maximum was eight organizations already worked for (0.6%). 30.1% were female and 69.9% were male respondents. The maximum was in the age group 21-25 yrs (48.3%), followed by 26-30 yrs (30.1%), 31-35 yrs (13.4%), only 0.2% were drawn from the above 50 yrs age group. The highest education level attained was bachelor degrees (60.6%) followed by masters degree (33%), Diplomas (3.7%), and other qualifications that include certificate and diplomas and degrees outside the formal educational structure. The marital status was that 69.1% were single, followed by married (29.7%) and the least were in the others category (1.2%) i.e. divorcees, widows or widowers. The work experience of the respondents show that most respondents had 1-3 yrs (40.8%) experience followed by 1 yr experience (16.5%), 3-5 yrs (16.3%), 5-7 yrs (9.7%), above 11 yrs (8%), 9-11 yrs

(4.7%) and the least 7-9 yrs (4.1%) work experience. Respondents were on their present position for 1-3 yrs (50.1%) followed by 1 yr (40.4%), 5-7 yrs (3.3%), above 11 yrs (1.6%) and the least was for the 7-9 yrs and 9-11 yrs (0.8% each). The majority had known their boss for 1 yr (45.8%) followed by 1-3 yrs (42.9%), 3-5 yrs (6.4%), above 11 yrs (1.9%), 5-7 yrs (1.6%), 7-9 yrs (1.2%) and the least being 9-11 yrs (0.2%). Majority of the respondents had worked for their organizations for 1-3 yrs (54.6%) followed by 1 yr (25.6%), 3-5 yrs (9.3%), 7-9 yrs (3.9%), 5-7 yrs (3.3%), above 11 yrs (1.7%) and the least 9-11 yrs (1.6%).

Results

TABLE 1: Indicating the mean and standard deviation in descending order for the power bases of managers in I.T organizations.

Power Bases	Mean	Std. Deviation
Legitimate Power	5.57	1.30
Referent Power	5.36	1.34
Expert Power	5.17	1.44
Credibility Power	4.98	1.43
Reward Power	4.82	1.43
Coercive Power	3.20	1.45

Table 1 indicates that managers in IT organizations adopt the legitimate formal power base, referent and expert personal power bases to a great extent to get work done. This is followed by credibility personal power base and reward formal power bases that are used to a moderate extent and coercive formal power base to a less extent to get work done by managers.

This indicates that the personal power bases were used to a greater extent than the formal bases. In formal groups and organizations, the most frequent access of power is one's structural position. It represents the power a person receives as a result of his/her position in the formal hierarchy and includes coercive and reward power (legitimate). This is followed by identification with a person who has desirable resources or personal traits (referent) and influence wielded as a result of expertise, special skill, or knowledge (expert).

The moderate exercise of power comes from the manager being reliable, speaks the truth, does what s/he says and follows it up, and the person can be trusted and believed (credibility) and subordinates comply because doing so produces positive benefits; a manager who can distribute rewards that subordinates view as valuable (reward).

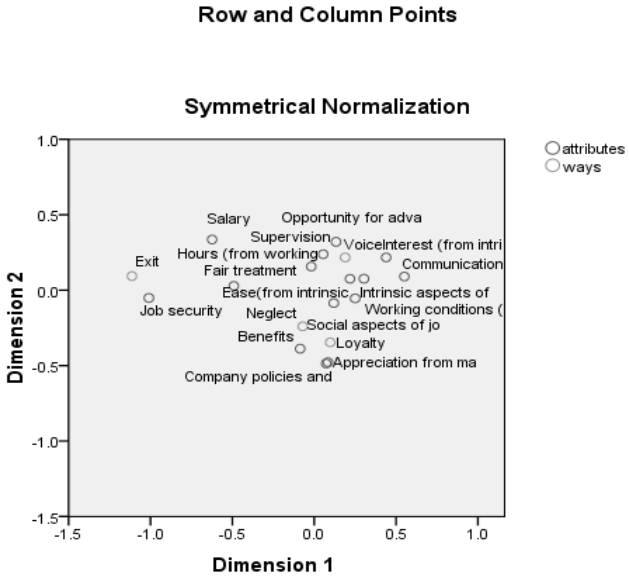
The least exercise of power by managers originates from the base that is dependent on fear and rests on the application, or the threat of application, of

physical sanctions or the controlling by force of basic physiological or safety needs (coercive).

TABLE 2: Indicating the percentage on the response to job dissatisfaction dimensions

Response to Dissatisfaction	**Exit**		**Voice**		**Loyalty**		**Neglect**	
Job Satisfaction Items	FQ	%	FQ	%	FQ	%	FQ	%
Job security	121	23.5	211	41.0	147	28.5	36	07.0
Interest (from intrinsic aspects of job)	31	6.0	301	58.4	159	30.9	24	04.7
Opportunity for advancement	52	10.1	292	56.7	153	29.7	18	03.5
Appreciation from management	50	09.7	243	47.2	192	37.3	30	05.8
Company policies and management practices	49	09.5	239	46.4	184	35.7	43	08.3
Intrinsic aspects of job (excluding ease)	38	07.4	284	55.1	160	31.1	33	06.4
Salary	99	19.2	254	49.3	132	25.6	30	05.8
Supervision	55	10.7	282	54.8	148	28.7	30	05.8
Social aspects of job	48	09.3	266	51.7	161	31.3	40	07.8
Working conditions (excluding hours)	42	08.2	276	53.6	173	33.6	24	04.7
Communication	22	04.3	300	58.3	161	31.3	32	06.2
Hours (from working conditions)	59	11.5	274	53.2	150	29.1	32	06.2
Ease (from intrinsic aspects of job)	43	08.3	281	54.6	156	30.3	35	06.8
Benefits	62	12.0	240	46.6	188	36.5	25	04.9
Fair treatment	89	17.3	243	47.2	152	29.5	31	06.0

CHART 1: Indicating the relationship between Responses towards Dissatisfaction and variables.



IT employee's most preferred response to dissatisfaction was voice followed by loyalty, exit and neglect was least preferred. This pattern was observed on all the fourteen items except communication item where neglect is preferred after voice and loyalty and exit was least preferred. Exit was mostly preferred when dissatisfaction was with job security (23.5%), salary (19.2%), and fair treatment (17.3%) and least preferred when dissatisfied with communication (4.3%), interest (from intrinsic aspects of job) (6%), and intrinsic aspects of job (excluding ease) (7.4%). Voice was most preferred response to dissatisfaction for interest (from intrinsic aspects of job) (58.4%), communication (58.3%), and opportunity for advancement (56.7%) and lesser preferred response towards job security (41%), company policies and management practices (46.4%) and benefits (46.6%). Loyalty was the most preferred response to appreciation from management (37.7%), benefits (36.5%) and company policies and management practices (35.1%) and was preferred lesser for salary (25.6%), job security (28.5%) and supervision (28.7%). Neglect response was preferred as a response to company policies and management practices (8.3%), social aspects of job (7.8%) and job security (7%) and least preferred for opportunity for advancement (3.5%), interest (from intrinsic aspects of job), working conditions (excluding hours) (4.7%) and benefits (4.9).

The chi square indicating the strength of relationship between variables, that is, 245.394, more the value higher the relationship between two variables. Since Sig. Value is less than .01 the relationship is statistically significant.

Testing Hypotheses (H5) By Discriminant Analysis

Standard Canonical Discriminant Function - stepwise discriminant analysis was performed to identify which independent variables distinguished and affected response to dissatisfaction with reference to job satisfaction dimensions.

H1: Personal power bases will lead to more constructive responses to dissatisfaction.

H2: Formal power bases will lead to more destructive responses to dissatisfaction.

Both the hypotheses were rejected as the pattern emerging from the Standard Canonical discriminant function was different and mixed for the 15 job satisfaction variables.

The pattern of response to dissatisfaction towards job security was that (all variables remaining unchanged) when managers used higher levels of expert

power respondents was more likely to choose the voice response. Higher levels of legitimate power they responded with loyalty. Interest (from intrinsic aspects of Job) was that when managers used higher levels of expert power respondents were most likely to choose the neglect response. Opportunity for advancement was mixed. Appreciation (from management) was that when managers used higher levels of reward power respondents were likely to choose the voice response. Higher levels of credibility power respondents were likely to choose neglect response. Company policy and management practices were that when managers used higher levels of credibility power respondents was likely to choose the voice response. Intrinsic aspects of job (excluding ease) was that when managers used higher levels of coercive power respondents were likely to choose the voice and neglect responses.

The pattern of response to dissatisfaction towards salary was mixed. However when managers used higher levels of reward power respondents was likely to choose the voice response. Supervision was that when managers used higher levels of coercive power respondents were likely to choose the neglect response. Social aspects of job was defined as when managers used higher levels of expert power respondents were likely to choose the neglect response. Working conditions (excluding hours) was that when managers used higher levels of coercive and credibility power respondents were likely to choose the neglect response. Communication was that 'when managers used higher levels of expert power respondent were likely to choose the neglect response. Hours (from working conditions) was defined as when managers used higher levels of expert power respondents were likely to choose the voice response. Ease (from intrinsic aspects of job) was that when managers used higher levels of credibility power respondents were likely to choose the voice response. Benefits were that when managers used higher levels of coercive power respondents were likely to choose the neglect response. Fair treatment was that when managers used higher levels of coercive power respondents were likely to choose the neglect response.

The findings of the present study align, corroborate and are similar to the findings by Norris-Watts and Levy (2004), positive perception is likely to increase employees' commitment and satisfaction, thus serving to increase overall organizational performance. Mayfield and Mayfield (2007) define this as leader motivating language (ML) use and workers' intent to stay. Structural equation modeling indicated that ML use significantly improves worker intent to stay—with a 10% increase in ML leading to an approximate 5% increase in worker intent to stay. Looking at the case of the US military, Suar et al. (2006) found that officers were more committed and satisfied with

the job than airmen. Airmen and officers' commitment to the organization and job satisfaction decreased, and stress effect and intention to quit the services increased under an authoritarian leader. Conversely, airmen and officers felt committed, satisfied with the job, accepted challenging tasks, showed higher job performance, and expressed unwillingness to quit the organization under nurturant–task and participative leaders. Thomas and Au (2002) cultural groups responded differently to low job satisfaction with exit, voice, loyalty, or neglect. Culture moderated the effect of quality of job alternatives and job satisfaction on exit and loyalty, and moderated the effect of quality of job alternatives on voice. High job satisfaction reduced the tendency for exit and neglect, and promoted voice and loyalty. Quality of alternatives promoted exit and voice. When job satisfaction is very low, people have a strong tendency to exit and quality of job alternatives is of little concern. When job satisfaction is high, attractive job alternatives can entice people to leave. Zhou and George (2001) employees with high job dissatisfaction exhibited the highest creativity when continuance commitment was high and when useful feedback from co-workers, or co-worker was helping and supporting, or perceived organizational support for creativity was high. Turnley and Feldman (2000) psychological contract violations and three types of employee behaviour (intention to quit, neglect of in-role job duties, and organizational citizenship behaviours) and job dissatisfaction do partially mediate such relationships. Hagedoorn et al (1999) Job satisfaction, especially satisfaction with supervision, seemed to promote considerate voice and loyalty and suppress exit, aggressive voice, and neglect. The pattern of responses runs in the following order: considerate voice, aggressive voice, exit, neglect, patience. Daley (1992) a challenging job and a collegial workgroup tend to enhance voice and loyalty while minimizing tendencies toward exit and neglect. Of the two variables, job challenge appears to have a somewhat stronger effect. Almost any "positive" employee action by supervisors contributes to the development of employee loyalty. Withey and Cooper (1989) found that those exiting were affected by the costs and the efficacy of their responses as well as the attractiveness of their employing organization. Loyalists were primarily affected by the efficacy of their responses, although, unexpectedly, loyalty resembled entrapment in the organization more than it did supportive allegiance to the organization. Neglecters were primarily affected by the costs and the efficacy of their responses, and voicers were very difficult to predict. Exit was the most consistently predicted of the four responses, as was true in Rusbult et al. (1988). Rusbult et al (1988) higher job satisfaction was associated with higher loyalty and lower exit and neglect. Investment size was associated with higher tendencies toward voice and lower tendencies toward exit and neglect.

And good alternatives encouraged the exit and voice responses. high investment size consistently promoted voice among men but not among women High job satisfaction promoted voice and loyalty and inhibited exit. The manipulation of investment size significantly affected only the neglect measure. High-quality alternatives promoted exit and voice but did not significantly affect the passive loyalty or neglect responses. And over time, declining working conditions produced increases in exit, voice, and neglect, and reductions in loyal behaviour. Martin and Hunt (1980) social power affected leader behaviour; group cohesiveness affected job satisfaction; and job satisfaction affected intent to leave.

Implications

Drucker (2001) identifies these six major factors for knowledge-worker productivity in the future.

1. The knowledge-worker's question is "What is the task?"
2. Knowledge-workers have to manage themselves and have autonomy.
3. Continuing innovation has to be part of the work, the task and the responsibility of knowledge workers.
4. Knowledge work requires continuous learning, and continuous teaching by the knowledge worker.
5. Productivity of the knowledge worker is not primarily a matter of quantity of output. Quality is at least as important.
6. Knowledge workers must be treated as "assets" rather than a "costs". They must prefer to work for the organization, over all other opportunities.

Power bases need to be used more in service organizations and IT organizations in particular when managers engage in the following behaviours. As Legitimate power base influenced response to job dissatisfaction dimensions it needs to be leveraged by managers appropriately then they need to make polite and clear requests, explain the reasons for a request, do not exceed your scope of authority, verify authority if necessary, follow proper channels, follow up to verify compliance, and insist on compliance if appropriate (Yukl, 2006). Referent power base can be increased when managers show acceptance and positive regard, act supportive and helpful, use sincere forms of ingratiation, defend and backup people when appropriate, do unsolicited favours, make self sacrifices to show concern, and keep promises (Yukl, 2006).

As expert power bases significantly influenced response to job dissatisfaction, managers need to engage in behaviours such as explaining reasons for request or proposal and why it is important, provide evidence that a proposal will be successful, do not make rash, careless, or inconsistent statements, do not lie, exaggerate, or misrepresent the facts, listen seriously to employees concerns and suggestions, and act confident and decisive in a crisis (Yukl, 2006). The effective use of reward power base by managers can offer the type of rewards that people desire, offer rewards that are fair and ethical, do not promise more than you can deliver, explain criteria for giving rewards, provide rewards as promised, and use rewards symbolically not manipulatively (Yukl, 2006).

Managers need to increase the effectiveness of using coercive power base especially to discipline employees they need to explain rules and requirements, and ensure that employees understand the serious consequences of violations, respond to infractions promptly and consistently, without favouritism, get facts before reprimanding or punishing, avoid jumping to conclusions and making hasty accusations, reprimand and warn in private, express a sincere desire to help the employee comply with role expectation, include the employee in suggesting ways to correct a problem and seek agreement on a concrete plan, and use punishments that are legitimate, fair and commensurate with the seriousness of the infraction (Yukl, 2006).Enhancing personal power bases of managers will enhance employee satisfaction and reduce the adverse effects of the positional power bases (Rahim, 1989). Providing managers with appropriate education and training, opportunities to engage in appropriate bob experiences and human relations training will to overcome the deficiency in their expert and referent power bases.

As expert and referent power bases significantly influenced company policies/personnel policies, self-monitoring behaviours of mangers can impact employee's perception of power bases as it was found that facial expression had an impact on perceptions of reward, legitimate, expert, referent, and credibility power bases (Aguinis et. el., 1998).

Legitimate power base significantly influenced job security, the rigidity in the hierarchical organization structures can be relooked at as it was found that non- hierarchical structures like networks could configure associations between power bases and formal positions in organizational structures (Peiro and Melia, 2003). The decision to use formal power bases does influence the level of compliance and satisfaction on a short term, however the informal use

of power bases affect compliance and satisfaction on a long run. Flexible structures and roles and less prescribed role behaviour can increase the effectiveness of power bases. The role performance requires role innovation, citizenship behaviour, and spontaneous behaviours (Llgen and Hollenbeck, 1991) on the part of managers. These imply positive attitudes and affective responses towards job satisfaction dimensions.

Empowerment process can also be introduced as an informal power base to influence employees. 'Empowerment represents a means of power acquisition that has not been included in the models of power. Unlike other forms of power acquisition, empowerment is unique in that it involves an intentional and often formal process of structural and behavioural change designed to grant power to individuals or group who previously did not enjoy structural advantages that provide power' (Liden and Arad, 1996). A conscious movement from positional to personal power bases by sharing power with employees will expand the amount of power in organizations and can have desirable impact on employee's productivity and satisfaction.

Limitations of the Study

1. The sample was limited to IT firms in Bangalore city.
2. The self-report of Power bases and response to dissatisfaction that were taken from each respondent present the problem of common method variance. This problem is reduced as the reliability and validity of the instruments were found to be high.
3. Genuineness in self-report is taken for granted in the present study like in any other surveys and interviews.
4. The scope of the present study can be extended to do a path analysis among the variables.
5. The number of items and the length of the questionnaire could have had an effect on the responses; respondents typically took one hour to complete the entire questionnaire.

Suggestions for Further Research

1. This study should be replicated in other sectors such as the manufacturing, service and hospitality, financial sectors to ascertain if the findings hold true in all organizations.

2. Attempts should be made to obtain measures of exogenous and endogenous variables at different periods of time and the leadership strategies and impact, Power bases, job satisfaction, and response to dissatisfaction.
3. As the study was conducted in the IT sector other sectors need to be studied to compare and contrast the results so that the generalizability of the findings can be increased.
4. Other human resource management and organizational behaviour variables can be investigated as Dependent variables.

Conclusions

The findings of the present study pinpoint certain relevant conclusions, particularly focusing on the centrality of power as critical Independent variables affecting the response to dissatisfaction of IT employees. The appropriate use of power bases will have a more Constructive response to dissatisfaction and chose responses that are Constructive and Active.

This research indicated a mixed response to the linkage between power bases adopted and response to dissatisfaction. Therefore organizations need to create shared meaning among their managers to engage in these behaviours more.

Organizations need to factor in these differences while planning and executing manpower, recruitment, training, and development policies Career and succession plans, empowerment and involvement programs, benefits and compensation policies, safety, health and welfare programs and any other policies introduced should ensure that diversity of the workforce needs to be taken care of and should be perceived as fair to all groups of knowledge workers.

At the general psychological level, Power corrupts but also uplifts life. Leadership helps in increasing the quality of the employee's life. Sociologically Power and leadership is both integrative and divisive. A society without Power structure and leadership behaviours is inconceivable. People cannot function when their Power motive is emasculated, and their leadership behaviours concealed, at least not as healthy people.

References

Abadalla, I. A. (1984). Predictors of the effectiveness of supervisory social power. *Human Relations,* Vol. 40(11), November, 721-739.

Abdel-Halim, A. A. (1983). Power equalization, participative decision – making, and individual differences. *Human Relations,* Vol. 36(8), August, 683-704.

Abdel-Halim, A. A. (1979). Interaction effects of power equalization and subordinate personality on job satisfaction and performance. *Human Relations,* Vol. 32, No. 6, 489-502.

Aguinis, H., Nesler, M. S., Quigley, B. M., and Tedeschi, J. T. (1994). Perceptions of power: A cognitive perspective. *Social Behaviour and Personality,* 22 (4), 377 – 384.

Aguinis, H., Simonsen, M. M., and Pierce, C. A. (1988). Effects of nonverbal behaviour on perceptions of power bases. *The Journal of Social Psychology,* 138 (4), 455-469.

Alt Powell, E. (2006). Fewer people mean doing more with less. *The Houston Chronicle.* January 23, p. D1, D4.

Assor, A. (1988). Types of power motivations, sense of security and style of power-seeking in groups. *Psychological Reports,* Vol. 63(1), August, 91-105.

Astley, W. G. (1977). Sources of power in organizational life. Ph. D. thesis, University of Washington. As abstracted in the dissertation abstracts international. A, *The Humanities and Social Sciences,* Vol. 39(7), January, 1979.

Bacharach, S. B., and Lawler, E. J. (1980). *Power and politics in organizations: The social psychology conflict, coalitions and bargaining.* Jossey – Bass Publishers.

Bachman, J. (2005). "Employee morale falls, survey says," *The Houston Chronicle.* August 29, p. D3.

Baron, R. A., and Byrne, D. (1994) *Social psychology: Understanding human interaction,* 5th edition, Prentice Hall International.

Blum, M. L., and Naylor, J. C. (1984). *Industrial Psychology: Its theoretical and social foundations.* CBS Publishers and Distributors, Revised edition.

Brass, D. J., and Burkhardt, M. E. (1993). Potential power and power use: An investigation of structure and behaviour. *The Academy of Management Journal,* Vol. 36(3), June, 441-470.

Cartwright, D. (1959). *Studies in social power.* The university of Michigan press.

Chakraborty, S.K., and Bhattacharya, Pradip. (2001). (Eds), *Leadership and power: Ethical explorations.* Oxford University Press.

Clegg, S. (1979). *The theory of power and organization.* Routledge and Kegan Paul.

Collins J. (2006). *Good to Great.* Arrow Books Ltd.

Cooley, C. H. (1902). *Social organization: A study of the larger mind.* The Free Press, Glencoe, Illinois.

Dahl, R. A. (1957). The concept of Power. *Behavioural Science,* 2, 201-218.

Daley, D. M. (1992). When bureaucrats get the blues: a replication and extension of the Rusbult and Lowery analysis of federal employee responses to job dissatisfaction, *Journal of Public Administration Research and Theory,* J-PART, Vol. 2(3), July, 233-246.

Das, G. S., and Cotten, C. C. (1988). Power balancing styles of Indian managers. *Human Relations,* Vol. 41(7), July, 533-551.

Davis, K. and Newstrom, J.W. Human behaviour at work. Organizational Behaviour. Seventh edition. McGraw-Hill book company, International student edition.

Dormann, C., and Zapf, D. (2001). Job satisfaction: a meta-analysis of stabilities. *Journal of Organizational Behaviour*, August, Vol. 22(5), 483-504.

Drucker, P. F. (2007). *The Effective Executive.* Revised edition, published by Elsevier Ltd.

Drucker, P. F. (2001). *Management Challenges for the 21st Century.* Reprint by Harper Collins Publishers.

Duncan, L. D., and Benjamin, S. (1974). The effect of organizational environment on perceived power and climate: A laboratory study. *Organizational Behaviour and Human Performance,* Vol. 11(3), June.

Dunnette, M. D. (1976). *Handbook of Industrial and Organizational Psychology.* Rand Mcnally college publishing company, Chicago.

Eisenhardt, K. M., and Bourgeois, L. J. (1988). Politics of strategic decision-making in high-velocity environments: Towards a midrange theory. *Academy Of Management Journal,* Vol. 31(4), December, 737-770. As abstracted in the *American Psychological abstracts,* Vol. 76(5). May, 1989.

Farrell, D. (1983). Exit, voice, loyalty, and neglect as responses to job dissatisfaction: a multidimensional scaling, *The Academy of Management Journal,* December, Vol. 26(4), 596-607.

Fix, B., and Sias, P. M. (2006). Person-Centered communication, leader-member exchange, and employee job satisfaction. *Communication Research Reports,* Vol. 23(1), January, 35–44.

Fombrun, C.J. (1983). Attribution of power across a social network. *Human Relations,* June, Vol. 36(6), 493-507.

Ganesan, V. (1983). Knowledge workers, organizational climate and motivation. *Psychological Reports,* Vol. 52(3), June, 884-886.

George, J. M, (1992). The role of personality in organizational life: Issues and evidence. *Journal of Management,* 18, 185-213.

Glimmer, B. V. H. (1971). *Industrial and Organizational Psychology.* International student's edition, McGraw-Hill, kogakusha ltd.

Goldberg, C. B., and Waldman, D. (2000). A modeling employee absenteeism: testing alternative measures and mediated effects based on job satisfaction. *Journal of Organizational Behaviour,* September, Vol. 21(6), 665-676.

Greenberg, J., and Robert A. B. (2000). *Behaviour in organizations: Understanding and managing the human side of work.* Upper Saddle River, NJ: Prentice-Hall.

Gross, B. M. (1968). Organizations and their Managing. The free press.

Gupta, B., and Sharma, N. K. (2008). Compliance with bases of power and subordinates' perception of superiors: Moderating effect of quality of interaction. *Singapore Management Review,* Vol 30(1).

Hendrix, W. H., and Stahl, M. J. (1986). Effects of need for power on job stress for managers and non-managers. *Journal of Social Behaviour and Personality,* Vol. 1(4), October, 611-619. As abstracted in the *American Psychological abstracts,* Vol. 75(3), March, 1988.

Herzberg, F. (1966). *Work and the nature of man.* Cleveland: World.

Hicks, H. G., and Gullette, C. R. (1975). *Organizations: Theory and Behaviour.* International student edition, McGraw-hill international book company.

Hochwarter, W. A., and Treadway, D. C. (2003). The interactive effects of negative and positive affect on the politics perceptions–job satisfaction relationship, *Journal of Management,* Vol. 29(4), 551-567.

Iaffaldano, M. T., and Muchinsky, P. M. (1985). Job satisfaction and performance: A meta-analysis. *Psychological Bulletin*, 97, 251-73.

Liden, R. C., and Arad, S. (1996). A power perspective of empowerment and work groups. Implications for human resources management research. In G. R. Ferris (Ed.), *Research in personnel and human resources management,* Greenwich, CT: Jai Press, 205-252.

Llgen, D. R., and Hollenbeck, J. R. (1991). The structure of work: Job design and roles. In M. D. Dunnette and L. M. Hough (Eds.), *Handbook of industrial and organizational psychology,* 2nd edition. Vol. 2, Palo Alto, CA: Consulting Psychologists Press, 165-207.

Lo, M. C., Ramayah, T., and Min, C. L. (2007). Bases of power and job satisfaction. *Icfai Journal of Organizational Behaviour,* Vol. 6(1), January, 41-54.

Jones, S. (1987). Organizational politics: only the darker side? *Management Educations and Development,* Vol. 18(2), Summer, 116-128. As abstracted in the *American Psychological abstracts,* Vol. 75(8), August, 1988.

Joseph, D., Ng, K. Y., Koh, C., and Ang, S. (2007) Turnover of information technology professionals: A narrative review, mata-analytic structural equation modeling, and model development. *MIS Quarterly*, September, Vol. 31(3), 547-577.

Katz, D., and Kahn, R. L. (1966). *The Social Psychology of Organizations.* Wiley eastern private limited.

Katzell, R. A. (1964). Personal values, job satisfaction, and job behaviour. In H. Borow (Ed.), *Man in a world of work,* Boston: Houghton Mifflin.

Kinicki, A., and Robert K. (2009). *Organizational behaviour.* Boston, MA: McGraw-Hill Irwin.

Knoff, R.H. (1985). Grunnlaget for Makti organisasjon og gruppe (Bases of power in organizations and groups (Norg). *Tridsskrift for Norsk Psychologforming*, December, Vol. 22(12), 710-718. As abstracted in the *American Psychological Abstracts,* December, 1987, Vol. 74(12), 710-718.

Kotter, J. B. (1978). *Organizational Dynamics: Diagnosis and intervention.* Prentice Hall.

Kotter, J. P. (1978). Power, successes and organizational effectiveness. *Organizational Dynamics,* Vol. 6(3), Winter, 26-40. As abstracted in the *American Psychological abstracts,* Vol. 61(4), April, 1979.

Krishnan, V. R., and Sivakumar, R. (2004). Impact of top management power on corporate divestiture, corporate governance. *The International Journal of Business in Society,* Vol 4(1), 24-30.

Landy, F. J. (1978). An opponent process theory of job satisfaction. *Journal of Applied Psychology*, 63, 533-47.

Lawrence, T. B., Malhotra, N., and Morris, T. (2002). The reorganization of power: Radical change in professional service firms. *European Group on Organization Studies,* Biennial workshop on professional service firms, University of Alberta, 4th Institutions conflict, and change research workshop. Northwestern University; University of London, King's College faculty seminar.

Leana, C. R. (1987). Power relinguishment versus power sharing: Theoretical clarification and empirical comparison of delegation and participation. *Journal of Applied Psychology,* Vol. 72(2), May, 128-233.

Leavitt, H. J., Pondy, L. R., and Boje, D. M. (1989). *Readings in Managerial Psychology.* The university Chicago press, Third edition.

Lips, H.M. (1985). Gender and the sense of power, where are we and where are we going? Special Issues. Sex roles and sex differences and androgyny. *International Journal of Women's Studies,* November-December, Vol. 8(5), 483-489. As Abstracted In the *American Psychological Abstracts,* 1987(July), Vol. 74(7).

Llies, R., and Judge, T. A. (2003). On the heritability of job satisfaction: The mediating role of personality. *Journal of Applied Psychology,* 88(4), 750-59.

Locke, E. A. (1976). The nature and causes of job satisfaction. In M. Dunnette (Ed.), *Handbook of industrial and organizational psychology*, Chicago: Rand McNally.1297-349.

Luthans, F. (2010). *Organizational behaviour.* Boston, MA: McGraw-Hill Irwin.

McDermett, L. (1985). HRD and power, the real issue. *Training and Development Journal,* September, Vol. 39(9), 54-56.

Mainiero, L.A. (1986). An empirical investigation of the relationship between perceived position power and task and career sources of dependency in organizations. *Psychological Reports,* October, Vol. 59(2), 431-438.

Manz, C. C., and Gioia, D. A. (1983). Interrelationship of power and control. *Human Relations* Vol. 36(5), May, 459-476.

Miller, J. B. (1987). Women and Power. Special issue; women, power and therapy; issues for women and therapy, Spring-Summer, Vol. 6(12), 1-10. As abstracted in the *American Psychological abstracts,* December, Vol. 75(12), 1988.

Mobley, W. H. (1977). Intermediate linkages in the relationship between job satisfaction and employee turnover. *Journal of Applied Psychology,* 62, 237-40.

Moch, M., and Huff, A. S. (1983). Power enactment through language and ritual. *Journal of Business Research,* September, Vol. 11(3), 293-316. As abstracted in the *American Psychological abstracts,* June, Vol. 72(6), 1985.

Morrell, K. and Hartley, J, A. (2006). Model of political leadership. Human Relations, Vol. 59(4), 483–504.

Morrissey, J. J. (1987). How chief executive officers get things done; An investigation of the use of social power in organizational setting. Ph.D. thesis, 1987. As abstracted in the *Dissertation Abstracts International A -The Humanities and Social Sciences,* September, Vol. 49(3), 1988.

Mossholder, K. W., Bennet, N., Kemery, E. R. and Wesolowski, M. A. (1998). Relationships between bases of power and work reactions: The mediational role of procedural justice, *Journal of Management,* Vol. 24(4), 513-552.

Munduate, L., and Dorado, M. A. (1998) Supervisor power bases, co-operative behaviour, and organizational commitment. *European Journal of Work and Organizational Psychology,* Vol. 7(2), 63–177.

Ne, S. H. (1980). *The Social Psychology of Power.* Academic press.

O'Connor, E. J., Peters, L. H., and Gordon, S. M. (1978). The measurement of job satisfaction: Current practices and future considerations. Journal of Management, Vol. 4(2), 17-26.

Pareek, U. (1971). *A Survey of Research in Psychology. Part - 2.* 1971-1976. ICCSR, New Delhi, Popular prakashan, Bombay.

Pathak, D. S., and Burton, G. (1976). Measurement and prediction of job satisfaction. *Journal of Management,* Vol. 2(2), 9-18.

Patrick, H. A. (1991). *A study on power perception, managerial politics and needs of managers in public and private organizations.* M.Phil dissertation thesis, University of Delhi.

Peiro, J. M., and Melia, J. L. (2003). Formal and informal interpersonal power in organizations: Testing a bifactorial model of power in role-sets. *Applied Psychology: An International Review,* Vol. 52(1), 14-35.

Pfeffer, Jeffrey. (1977). The ambiguity of leadership. *Academy of Management Review,* April.

Podsakoff, Philip M., et al. (1993). Do substitutes for leadership really substitute for leadership? An empirical examination of Kerr and Jermier's situational leadership model. Organizational Behaviour and Human Decision Processes 54, 1–44.

Politis, J. D. (2003). The effect of managerial power and relational trust on the skills and traits of knowledge acquisition: Evidence from the United Arab Emirates. *Electronic Journal on Knowledge Management,* Vol.1(2), 147-158, Academic Conferences Limited.

Preston, J. C. (1988). Power and politics, A necessity in large system change. *Organization Development Journal,* Winter, Vol. 6(4), 46-52. As abstracted in the *American Psychological abstracts,* September, Vol. 76(9), 1989.

Provan, K. G. (1989). Environment, department power and strategic decision-making in organizations; A purposed integration. *Journal of Management,* March, Vol. 15(1), 21-34.

Rahim, M. A. (2004). Leader power, followers' conflict management strategies, and propensity to leave a job: A cross-cultural study. *Paper presented at the annual conference of international association for conflict management,* Pittsburgh,

Rahim, M. A., Antonioni, D., and Psenicka, C, A. (2001). A structural equations model of leader power, subordinates' styles of handling conflict, and job performance. *The International Journal of Conflict Management,* Vol. 12(3), 191-211.

Rahim, M. A., and Afza, M. (1993). Leader power, commitment, satisfaction, compliance, and propensity to leave a job among US accountants. *The* Journal of Social Psychology, Vol. 133(5), 611-625.

Rahim, M. A. (1989). Relationships of leader power to compliance and satisfaction with supervision: Evidence from a national sample of managers. *Journal of Management,* Vol.15(4), 545-556.

Rajan, S., and Krishnan, V. R. (2002). Impact of gender on influence, power and authoritarianism. *Women in Management Review,* Volume 17(5),197 – 206.

Richmond, V. P., McCroskey, J. C., and Davis, L. M. (1986). The relationship of supervisor use of power and affinity-seeking strategies with subordinate satisfaction. *Communication Quarterly,* Vol. 34(2), Spring, 178-193.

Roberts, N. C. (1986). Organizational power styles, collective and competitive power under varying organizational conditions. *Journal of Applied Behavioural Sciences,* Vol. 22(4), 443-458. As abstracted in the *American Psychological abstracts,* June, Vol. 74(6), 1987.

Rosenzwing, R. M., and Porter W. L. (1987). The need for power and managerial performance. *Annual Review of Psychology,* Vol. 38.

Rubin, I. M., and Berlew, D. E. (1984). The power failure in organization. *Training and Development Journal,* January, Vol. 38(1), 35-38.

Rusbult, C. E., Farrell, D., Rogers, G., and Mainous III, A. G. (1988). Impact of exchange variables on exit, voice, loyalty, and neglect: An integrative model of responses to declining job satisfaction. *The Academy of Management Journal,* September, Vol. 31(3), 599-627.

Scarpello, V. and Vandenberg, R. J, Generalizing the importance of occupational and career views to job satisfaction attitudes, *Journal of Organizational Behaviour,* March, Vol. 13(2), 125-140.

Schein, E. H. (1983). *Organizational Psychology.* Third edition, Prentice hall of India, pvt. Ltd.

Schilit, W. K. (1987). Upward influence activity in strategic decision-making. An examination of organizational differences. *Group and Organization Studies,* September, Vol. 12(3), 343-368. As abstracted in the *American Psychological abstracts,* April, Vol. 75(4), 1988.

Schilit, W. K. (1986). An examination of individual differences as moderator of upward influence authority in strategic decisions. *Human Relations,* October, Vol. 39(10), 933-953.

Schjelderup-Ebbe, T. (1935). *Social behaviour of birds. In Carl Murchison (Ed.), A Handbook of Social Psychology,* (pp. 947-972). Worcester.

Schmitt, N., and Bedeian, A. G. (1982). A comparison of LISREL and two-stage least squares analysis of a hypothesized job satisfaction-life satisfaction reciprocal relationship. *Journal of Applied Psychology*, 67, 806-17.

Schulte, M., Ostroff, C., and Kinick, A. J. (2006). Organizational climate systems and psychological climate perceptions: A cross-level study of climate-satisfaction relationships. *Journal of Occupational and Organizational Psychology,* Vol. 79, 645-671.

Singh, R. P., and Pandey, J. (1988). Choosing a base of power through routinized rewards. *Vikalpa,* January-March, Vol. 13(1), 63-67.

Singh, S. (2004). Power dynamics: managers' power and perception of their subordinates' behaviour. *Journal of the Academy of Business and Economics,* January.

Singh, S. (1986). Values and personality correlates of projective measure of power motivation. *British Journal of Projective Psychology and Personality Study,* June, Vol. 31(1), 32-38. As abstracted in the *American Psychological abstracts,* January, Vol. 75(1), 1988.

Sinha, J. B. P. (1982). Power in Indian organizations. *Indian Journal of Industrial Relations,* Vol. 17, 339-352.

Smith, P. C., Kendall, L. M., and Hulin, C. L. (1969). *The measurement of satisfaction in work and retirement.* Chicago: Rand McNally.

Stahelski, A. J., and Paynton, C. F. (1995). The effects of status cues on choices of social power and influence strategies. *The Journal of Social Psychology,* 135(5), 553-560.

Stahl, M. J. (1983). Achievement, power and managerial motivation, selecting managerial talent with job choice exercise. *Personnel Psychology,* Winter, Vol. 36(4), 775-789.

Steers, R. M. and Braunstein, D. N. (1979). A behaviourally based measure of manifest needs in work settings. *Journal of Vocational Behaviour,* Vol. 9(2), 251-256.

Steers, R. M., and Rhodes, S. R. (1978). Major influences of employee attendance: A process model. *Journal of Applied Psychology* 63, 391-407.

Steiner, C. M. (1987). The seven sources of power; An alternative to authority. *Transactional Analysis Journal,* 1987 (Jul), Vol. 17(3), 102-104.

Sullivan, S. E., and Bhagat, R. S. (1992). Organizational stress, job satisfaction and job performance: Where do we go from here? *Journal of Management,* Vol. 18(2), 353-374.

Taylor, H.R. (1986). Power at work. *Personnel Journal,* April, Vol 65(4), 47-49.

Templer, A. J. (1984). Measuring managerial power: A South African cross-cultural validation. *South African Journal of Psychology,* June, Vol. 14(2), 43-49. As Abstracted in the *American Psychological Abstracts,* 1985, July, Vol. 72(7).

Thomas, D. C., and Au, K. (2002). The effect of cultural differences on behavioural responses to low job satisfaction, *Journal of International Business Studies,* Vol. 33(2), 2nd Qtr, 309-326.

Thye, S. R., Willer, D., and Markovsky, B. (2006). From status to power: New models at the intersection of two theories. *Social Forces,* Vol. 84(3) March, 1471-1495.

Timothy, G. D., and John, V. F. (2008). The impact of superior–subordinate relationships on the commitment, job satisfaction, and performance of virtual workers. *Leadership Quarterly*, February, Vol. 19, Issue 1, 77-88.

Turnley, W. H., and Feldman, D. C. (2000). Re-examining the effects of psychological contract violations: Unmet expectations and job dissatisfaction as mediators. *Journal of Organizational Behaviour,* February, Vol. 21(1), 25-42.

Vandenberg, R. J., and Lance, C. E. (1992). Examining the causal order of job Satisfaction and Organizational Commitment. Journal of Management, Vol. 18(1), 153-167.

Vempati, R., and Krishnan, V. R. (2000). Power and influence strategies: An analysis across departments. *NMIMS Management Review,* 12 (1), January-June, 51-61.

Ward, E. A. (1998). Managerial power bases and subordinates' manifest needs as influences on psychological climate. *Journal of Business and Psychology,* Vol. 12(3), March, 361-378.

Weiss, D. J., Dawis, R. V., England, G. W., and Lofquist, L. H. (1967). Manual for the Minnesota Satisfaction Questionnaire, *Minnesota studies in vocational rehabilitation,* Vol. 22, Industrial Relations Center, University of Minnesota.

Wilson, P. A. (1999). A theory of power and politics and their effects on organizational commitment of senior executive service members. *Administration and Society,* Vol. 31(1), 120-141.

Wilson, P. A. (1995). The effects of politics and power on the organizational commitment of federal executives. *Journal of Management,* Vol. 21(1), 101-118.

Winter, D. G. (1973). *The Power Motive.* The free press, 1973.

Withey, M. J., and Cooper, W. H. (1989). Predicting exit, voice, loyalty, and neglect. *Administrative Science Quarterly,* December, Vol. 34(4), 521-539.

Yagil, D. (2002). Substitution of a leader's power bases by contextual variables. *International Journal of Organization Theory and Behaviour.* Vol. 5(3 and 4), 383–399.

Yukl, G. (2006). *Leadership in Organizations*. 6th Edition, Pearson Education, Inc. and Dorling Kindersley Publishing Inc.

Zalesny, M. D., and Farace, R. V. (1987). A comparison of socio-technical, social relations and symbolic meaning perspectives. *Academy of Management Journal,* June, Vol. 30(2), 240-259.

As abstracted in the *American Psychological abstracts,* 1987, November, Vol 74(11).

Zalezink, A. (1970). Power and politics in organizational life. *Harvard Business Review,* May-Jun.

Zhou, J., and George, J. M. (2001). When job dissatisfaction leads to creativity: Encouraging the expression of voice. *Academy of Management Journal,* 44(4), August, 682-96.

Hofstede's Cultural Dimension after 35 Years: Business Practices and Paradoxical Proverbs in Nepal: A Case Study of NABIL Bank

❑ **Dhruba Kumar Gautam**
Tribhuvan University, Faculty of Management,
gautamdhruuba@yahoo.com ,
Kathmandu, Nepal

Abstract

Hofstede's (1984) work related four cultural dimensions have been frequently cited by researchers in the past few decades. He collected data 35 years ago from large multinational companies from forty different countries and concluded that "organizations are cultural bounded". The never ending globalization and frequent innovation on technology along with many other influencing factors changed national culture over the time and forced to be transparent, fluid, elastic, virtual and mobile which in turn developed bicultural individual. Nepalese culture can be seen dialectical process of constant change on values, as both side process of sharing and learning that lead to cultural clashes, and beliefs, traditions, and rituals are replacing by new ones. It can be seen in the paradoxical proverbs of Nepalese culture reflected by paradoxical behavior that exist both 'either or' which does not mean that all the old values and traditions have disappeared completely. Similar to the view of Fang (2005-06), Nepalese culture can be compared with the ocean, where ebb and flood changes, where cultural values emerge from the bottom to be displayed on the surface by the ocean waves and where all cultures can come together and create new global and national culture. Providing examples of Nepalese corporate behavior on positive and negative consequences, the paper attempts to demonstrate paradoxical business behaviors which are true depending on situation context and time. Based on open ended interview with two key persons of NABIL i.e. operation head and HR head of the bank, it reached into the conclusion that the culture of yesterday is replaced by the culture of today in this fast changing world. Different values, beliefs and traditions are evolving and replacing by new one and developed the bi-cultural people.

Nepalese Academy Of Management
The International Journal of
Nepalese Academy of Management

Volume 1, Number 1, 87-114, 2013
Kathmandu, Nepal

Hofstede and National Culture

Study on culture has always been a subject of interest for many researchers and one of the most discussion topics to explore cultural differences between nations. Hofstede's (2001, 1991, 1980) dimensional theory of culture dominates over the three decades. He assumed that management problems basically remained and will remain the same over time, and their solutions differ less from period to period, country to country and part of world to part of world. Hofstede (1980) published a cross-cultural report exploring the differences in thinking and social action that exist between members of 40 countries and called it 'national culture'. He argued that people carry mental programs developed early in the family during early childhood and reinforced in schools and organizations, and they contain a component of national culture. Hofstede (2005) used a metaphor "onion" as a model to explain the levels of culture describing the core of the onion is the sum of values of a culture. They are stable and don't changes because they are inherited, can influence the change of outside layers but not vice versa. The outside layers of the onion consist of rituals, heroes and symbols of a culture. Understanding onion metaphor of culture is simple and one can clearly understand the profile of it. Even though the values, symbols and rituals can change, described as different layers of onion, the core of the onion will not change since it is stable and values remains as well.

Gesteland (2002) Trompenaars (1994) and others (like Geertz, 1973) expressed their ides in similar view with Hofstede that there is the existence of distinct national cultures, explaining behaviors and clashes of home country nationals in their interaction with other foreign country nationals and described the core values of culture that are not changeable. Gesteland (2002) focused on four dimensions like: deal focused vs. relationship focused cultures, formal vs. informal cultures, emotionally expressed vs. emotionally reserved cultures, and rigid time vs. fluid time cultures when categorizing national cultures and therefore develop national negotiation style.

Hofstede proposed four dimensions of national culture: power distance, collectivism/individualism, masculinity/femininity and uncertainty avoidance. In his study he investigated these four dimensions among seventy four nations and later he added a fifth dimension of cultural differences called long term orientation versus short term orientation[1]. In this paper his fifth dimension is not include for an analysis.

1. Hofstede (1990) proposed fifth cultural dimension based on traditional cultural Chinese cultural values and initially called Confucian work dynamic. Hofstede adopted this eastern cultural

The first dimension, power distance, refers to power inequality between superiors and subordinates. In high power distance organizations, organizational hierarchy is obvious. There is a line between managers and subordinates. Different from high power distance and low power distance organization tend to have a flat organizational structure. The second dimension, uncertainty avoidance, refers to the people's tolerance of ambiguity. In high uncertainty avoidance organization, there are more written rules in order to reduce uncertainty. The low uncertainty avoidance organization, there are fewer written rules and rituals. The third dimension, individualism- collectivism, refers to how people value themselves and their groups/ organizations. People with high individualistic value tend to care about self-actualization and career progress in the organizations; whereas people with low individualistic values tend to value organizational benefits more than their own interest. The fourth dimension, masculinity-feminity, defines the gender role in organizations. In high masculinity organizations, very few women can get higher level and better paying jobs. In feminine organizations, women can get more equitable organizational status.

Based on Hofstede's contribution, this paper aimed to review the concept of national culture and is significance in this globalized era which was propound at the time of cold war and iron curtain periods. The paper highlights the paradigm shift of national culture over the period of 35 years and explores national culture that leads to business practices and reflects on paradoxical proverbs. Following open ended interview with top executives of first joint venture bank of Nepal- NABIL, it examines the changes of culture reflected in business house to reach into conclusion.

Changing Paradigm on Culture within 35 years of Hofstede's Contribution

There has been a paradigm shift in understanding of culture. The national culture is dialectical and can therefore not be seen through the traditional "onion" approach anymore. Criticizing Hofstede's cultural dimension as stability of culture over time, Fang (2005-2006) strongly provoked Yin Yang philosophy on culture as coexist and are embedded in everything, complement each other and are part and exist within the other, to be able to form a dynamic harmony. According to Fang (2005-2006), culture is never static but in constant change, context specific and needs to incorporate

dimension as the fifth work related cultural dimension in his book 'Cultures and Organizations: Soft ware of the mind" and named this dimension as long term orientation in 2001.

paradox i.e. one culture displays features of both extremes of each cultural spectrum where earlier research categories each culture as belonging to "either one or the other" side of the cultural dimensions. Culture can thus be likened by an ocean metaphor in place of Hofstede's onion, where ebb and flood changes, where cultural values emerge from the bottom to be displayed on the surface by the ocean waves and where all cultures can come together and create new global and national cultural expressions.

Sackmann and Philips (2004) advocate a multiple culture perspective including national, organizational, regional and professional cultures. Soderberg and Holden (2002) argue that national culture is outdated for dealing with the cultural complexity that transnational companies are facing. Culture will change as environment goes through unpredictable times Schein (1983). He suggested that while organizational culture is used to transmit top management's interpretations of the meaning of events throughout the organization, generate commitment to their practices and control behavior, three subcultures may exist, 'enhancing', 'orthogonal' and 'counterculture'. He extended the organizational culture concept by explaining how parallel cultures could exist within an organization and their understanding could help in conflict-management. Zheng and Yang (2009) in a recent framework propose that as the organization goes through its life stages of start-up, growth, maturity, and revival, organizational culture evolves through corresponding mechanisms of inspiration, implantation, negotiation, and transformation. This framework also contributes to the literature on the dynamic view of culture.

It is widely accepted that in the globalized and wireless age of 21st century, national cultures are no longer "black boxes", it is becoming transparent, fluid, elastic, electric, virtual, and mobile (Fang, 2010). Fang (2012) posits that potential paradoxical values and behaviors coexist in any national culture; they give rise to, exist within, reinforce, and complement each other to shape the holistic, dynamic and paradoxical nature of culture. In this dynamic movement, a number of dynamic perspectives have emerged as cultural dialectics and paradox.

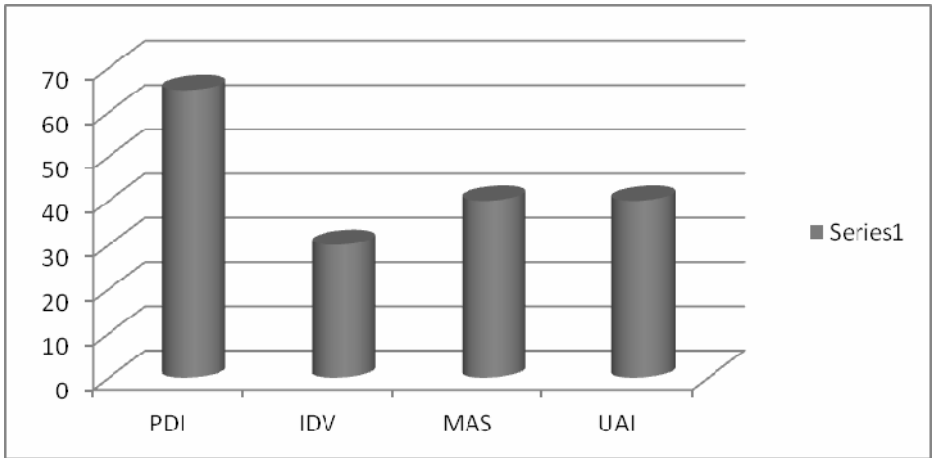
In order to investigate cultural changes over time, Fernandez and his colleagues (1997) conducted a study of Hofstede's work related cultural dimensions in nine countries and discussed the changes in the past 25 years. They argued that societal changes such as economic growth, education and democracy would affect work related cultural dimensions. Significant changes in cultural values occur as "external environmental factors shape a society". Cultural value can change over time, when the political, societal and

economical environment changes (Wu, 2006). Thus many cultural theories should be updated and reevaluated periodically, for instance, the changes in power distance will cause changes in expected leadership style in a culture. Culture is said to be shaping 'social, economic and political transformations… (it is) a major force for change in the world' (Held and Moore, 2008). It is said to be a major source of resistance to, neutralization of, and repulsion of change (Wood and Demirbag, 2012). Culture can play in strategic interactions of the political economy, and cognitive one (Hall and Soskice, 2001; Kreps, 1996).

National Culture and Paradoxical Proverbs in Nepal

Hofstede described culture of a nation in a bipolar manner as either/or like: either individualistic or collectivist, masculine or feminine, high power distance or low power distance, and high uncertainty avoidance or low uncertainty avoidance. He examined power distance focusing on the degree of equality and inequality among the people of the country. The level of individualism is examined focusing on the degree of social reinforce for individual benefit or for collective achievement. Similarly, the level of masculinity is examined based on role behavior model of male for achievement, power, and control, and lastly, the uncertainty avoidance is measured based on decisions for uncertainty and ambiguity situation of the society.

When we explore the Nepalese culture through the lens of the 4-D Model of Hofstede, we can get a good overview of the deep drivers of its culture relative to other world cultures.



Source: http://geert-hofstede.com/nepal.html

Power Distance

One of the important dimensions in the four dimension model of Hofstede is Power Distance which remained in the degree of high and low. It focuses the degree of equality and inequality remained in a society. A High power distance dimension deals that all individuals of the society are not equal and it is viewed rigid hierarchy and unequal power distribution remained in each society. In this dimension, believing unequal distribution of power between the members of an institute, some members of the organization accept the power of others. In other words, high power distance of a society accepts the inequality of power and wealth which is likely to follow a caste system that does not allow upward mobility. In his research, Hofstede (1991, p. 26) measure power distance by a Power Distance Index (PDI) and found the values and attitudes as low PDI countries and high PDI countries at the national level. On his model Nepal scores 65 out of 100 indicates high power distance which means people accept hierarchical order. It further can be explained that they realized inherent inequalities and ready to obey any commend given by the boss not only in the work place but also in the daily life. Mostly, people accept autocratic leadership and subordinates become not able to critic on the issues decided by leaders even they feel that the decision is wrong.

TABLE 1: Nepalese proverb on high/low power distance

S.N.	Paradoxical proverbs on power distance	English translation
1	बडा ले जे गऱ्यो सो हुन्छ सर्वसम्मत, छैन शंकरको नङ्गा मगन्ते भेष निन्दीत ।	Whatever the things done by top people that are accepted, no criticism of God *Sanker* even he do not wear clothes.
2	हिंड नभएपनि हिंड वानेको टालो ।	Ancestors were rich and reputed but heirs have no such credit. However, it is considered that they are great because of birth in that family.
3	कुल को छोरी मुलको पानी ।	Choose bride from high class (like elite, prestigious, and valued families) and drink the water of the main sources from where it originated.
4	उहिलेको कुरा खुइले ।	The old talks (like: traditions, cultures, value systems, cast hierarchies etc.) lost forever.
5	ईश्वरको नजरमा सबै समान ।	We all are equal in the eyes of God.

The high power distance Nepalese culture indicates that they accept inequalities among the people and designed clear hierarchical structure in the business. The relationship between employees and employers has wide gap in most of the Nepalese organizations which helps to understand the attitudes

of employees. The clear differences of status from one employee to another shows nature of being obedient towards boss, not to be offended in his orders, and high degree of loyalty towards employer. This might be the reason that Nepalese workers are more demanded in all the continents of the world. Realizing such type of culture of Nepalese people, developed county interested to hire on British Army, UN Mission Army, Indian Army, Army for Sultan Securities, and Securities for US officials. Further, the political struggles since 1990 to till the date illustrates quite unique culture of power seeker tendency. In these 20 years no one government ruled for more than 3 years even at the time of single majority and people faced 20 Prime Ministers within these 20 years.

In bureaucracy of Nepal, participation and group discussion is rarely practiced. All the employees do not prefer to take meal (*Khaja*) together with the boss in the canteen because of high power distance. Even if the decision maker is confused to make decisions, he or she consult with some other people but not consult the employees of same organization to maintain status. They are always worried to maintain their superiority in the organization though there is no culture of criticism to the boss bearing in the mind that employees are always inferior than boss. The first proverb (in table 1) indicates the supremacy of high power distance remained in Nepalese society. Employees of any private organization never try to comment their boss formally supposing that bosses are always right. It indicates tolerance on autocratic leadership, negatively affecting satisfaction, and low level of participation by Nepalese subordinates that cultivates low productivity of Nepalese workers.

Power distance was higher in medieval period of Nepal because of religion based ruling system of community and feudal system of kingdom. People believed on caste system and king was considered as god like Lord Shiva. The priest called *Brahaman* had full right to make most of the decisions of society especially in Aryan community. Following the same tradition, still we can see the high power distance in society. The second proverb illustrates that by birth some people are great than others. In general, it highlights that some persons ancestors were rich, reputed in society, valued, and gained prestige with wealth, but now their heirs have no such reputation, prestige, goodwill, wealth, and social recognition. But it is considered that because of birth in that family, these people should be treated as more prestigious and valued in the society. In the third proverb, it provoke that while selecting bride, always search the high class, elite families because all class have not similar power in the society.

Realizing high power distance, Nepali students place teachers similar to God generally told "*Guru Bhahma, Guru Bushnue, Guru Maheshwor*" means teachers are the form of Supreme God (God's God). Therefore, they have general trend of not to ask any questions with the teachers. So many proverbs are common in Nepalese culture that indicates supremacy of power of Guru. The proverb "*Ba, Ama Ra Guru Saman Hun*" there is no difference between parents and Guru and in Hindu culture they worship Guru in "*Guru Purnima*". So power distance between teachers and students, parents and children, boss and employees can be clearly seen in daily activities.

Nepalese society practices extended family where grandparents and grandsons live together. The eldest male becomes the head of the family. Most decisions regarding family affairs are taken by the head of the family. In this family system, most of the decisions related to the each member, for example: buying clothes, foods, assets, property, selection of schools or college to the wards are decided by the head of the family and no one asks the question to the decisions. Children are trained from childhood to be dependent to the head of the family and prepared ready to obey and carryout orders without questions. In most of the cases, the decision to choose a life partner to their members is taken by head of the family indicates extreme hierarchical culture and high power distance in Nepalese society.

It becomes mistake if we generalize that all members of the Nepalese society seek high power. There is a massive revolution took place within this 50 years. The current generation of Nepalese faced feudal system of Rana period, autocratic monarchy, constitutional monarchy, multiparty democracy, federal republic and secular country. Such types of opportunity rarely got experienced by a single generation in the world. People are aware on worldwide common agendas like: equality, freedom, human rights, justice, and inclusive development and alike. Therefore, the tendency of seeking power distance is changing towards low power distance over the time. The forth and fifths proverbs exhibited in table 1 shows that Nepalese society are also in favor to low power distance. People belief that God sees equally to the entire citizen and the traditional culture of power distance went off forever. The low power distance society de-emphasizes the difference between power and wealth of the citizen and stresses equal opportunities to everyone. Recently the government of Nepal changed many acts, rules and regulations that were crafted at the time of monarchy and replaced forming on the bases of democratic, and republic philosophy. Therefore, the power distance among Nepalese people is going to be closer together over the periods of time.

People greatly belief that old tradition, historical practices of inequality, hierarchical system of superior and inferior in the family system, caste system are going to be disappear and equity to all the people are accepted whatever they have caste, tradition, ritual, language, religions. After the 1st democratic revolution (first Jan Andolan, 1990) many issues of inequality were replaced and turned towards equality to all. The power distance depends on heritage no longer remained but replaced by achievement through the hard work. This become justice to provide high credit to the communist parties of Nepal for the changes from high power distance to low power distance fueling on these agendas throughout the nation.

After this discussion, a conclusion can be drawn that power distance is neither the good nor the bad. The measurement of power distance in individual level is complex, paradoxical, and contextual issue. The same person can express high power distance in a condition where as in next situation the person is showing low power distance. Therefore, it cannot be generalized as high or low power distance of a national culture.

Individualism and collectivism

Individualistic national culture prefers to devote time for self image, supposed to look for self benefit and for their family benefit directly. "Individualism stands for a society in which the ties between individuals are loose: Everyone is expected to look after him/herself and her/his immediate family (Hofstede, 2002, p 225). They are supposed to look first for the benefit of own, and prefer to remain into a group around the family. People prefer to use "I" in place of "We" and engage to fulfill the personal interest. A society of high individualism indicates paramount rights of individuals and tends to form looser relationships with larger number of people.

The first three proverbs of table illustrate individualistic culture of Nepalese society. They highly prioritized for their individual success. People emphasis on unique individual benefits rather than benefit to whole group. People, being individualistic, think that when I am good, the country becomes good. Therefore, first and foremost, individual interests should be fulfilled. People are concern for self benefit rather than group of people, society, and nation. It is commonly reflected in behavior and built a common culture of source, force, commission, bribe, and self benefit while doing any task in every type of organizations: government, non government, state enterprises etc. people have feeling that a person borns alone, has to face challenges and complexities of life alone and has to die and depart alone at the end.

TABLE 2: Nepalese proverb on individualism/ collectivism

S.N.	Paradoxical proverbs on individualism/ collectivism	English translation
1	आफु भलो त जगत भलो ।	When I get and satisfied, all the people of the world become well.
2	आफु मरे डुम राजा ।	No concern whoever the king (even untouchable caste) after my death.
3	आफु नमरी स्वर्ग देखीदैन ।	Only when I die, I will see the heaven
4	भाइ फुटे गवार लुटे ।	When the brothers are divided, others (even very low level of people) can defeat us
5	एक थुकि सुकी, सय थुकी नदी ।	When one spits it become dry but when hundreds spit it becomes river

In collectivist society, people belong in a group, work for collective benefit and prefer to use 'we' in place of 'I'. In the words of Hofstede, " Collectivism stands for a society in which people from birth onward are integrated into strong, cohesive in-groups, which throughout people's lifetime continue to protect them in exchange for unquestioning loyalty" (Hofstede, 2002, p 225). The collectivist society prefers extended families where everyone takes responsibility of the members of a group.

The national difference of the level of individualism is measured by Individualistic Index (IDV) in which Nepal scores 30 in individualism and considered a collectivist society (http://geert-hofstede.com/nepal.html). It shows that Nepalese believes on group task, extended family, and ready to bear the responsibility for members of their groups. They override rules and regulations because of loyalty towards society and participation in decisions are promoted. People of Nepal never alone in their life: lived in extended family system and do not want to confront others. Living in a group since the birth to till the death, Nepalese people do not learn to disagree with others, especially with seniors which ultimately decrease their creativity and increase coping power at the time of conflict and unusual situation.

As Hofstede argued that individualism prevails in western societies, the collectivism prevails in eastern and less developed countries (http://feweb.uvt.nl/center/hofstede/page3.htm). Nepal is least developed eastern philosophy guided country of South Asia and follows widely the collectivism culture. The last two proverbs are related to collective culture and focused on group task rather than individual benefits. The fourth one indicates that we should be united otherwise any person can defeat us very easily. Union has strengths. To protect yourself you should remain in a group and follow the group norms. Similarly, the last one proverb also indicates that any challenging task can be completed in a group. No one can do the

challenging, complicating, and outstanding tasks without doing work in a group.

Nepalese people tend to be more interdependent than independent. Nepalese students put their articles or any literary works as a group in to the bulletin board rather than individually. Independent learning in educational institutions do not encourage to the students. Therefore, much of the courses need to be focused on group work rather than individual activities to Nepalese students (Lemone, 2012) illustrate the reality of group norms and behaviors.

Masculinity and Femininity

The high degree of efforts on competition, achievement, and success are categorized as masculinity culture of people. In masculine society males, by their nature, play distinct roles like: focused to be assertive and tough for material success. The masculinity society indicates high degree of gender differentiation in which male holds significant power and tries to dominate female. The clear distinction between the behavior of men and women is reflected in masculinity society where male focused on power, competition and control. Their behavior is expected to be assertive, ambitious and tough for material success.

Hofstede suggested to measure the level of masculinity by Masculinity Index (MAS) in which Nepal score 40. It indicates that the Nepalese society is feminine society where people become conscious on equality, solidarity, quality of working lives, and prefers to resolve conflict by compromise and negotiation. It indicates that Nepalese women are treated equally to male in all aspects and has low level of differentiation and discrimination between genders. There is contradiction on Hofstede's measurement of Nepalese culture. For example, ten years ago, if a women suspected of having an abortion could be arrested and thrown in prison for many years. Still if women do abortion suspecting illegal relations (relation other than her husband) are arrested for prison. The culture of *Chhaupadi*, *non-touchable* at the time of menstruation, appears untouchable women nearby while arrival and departure, not permission to widow for religious functions are the examples of Nepalese masculine society.

The first three proverbs of the table indicate some common proverbs used to express masculine society. The first one indicates that it is not good and acceptable when women talked or shared on common agendas among the people. In other words, it is not allowed to women to share their voice, opinion in major issues of the society. They should keep silence even it is

going to be harm to them and must execute when it decided by male dominant society. The second proverb indicates that if you have dream, power, strength, you can choose many females for life partners. Literary, if you have foots, you can buy a lot of shoes. Dominating to the women, the proverb shows that Nepalese never serious on feminine culture. The third proverb gives lesson that if you want to warn your daughter in law, first you have to bit the daughter. Similar to iron cuts iron, it indicates that use the weapon of women to be warned to women. The historical lack of education for Nepalese women might be a reason to form a masculinity culture over the period of time.

TABLE 3: Nepalese proverb on Masculinity/ Femininity

S.N.	Nepalese proverb on Masculinity/ Femininity	English translation
1	पोथी बांसेको सुहाउदैन ।	it is not good when women shared on common issues among the people
2	खुट्टा भए जुत्ता जतिपनि ।	if you have foot, you can buy many shoes
3	छोरी कुटी वुहारी तर्साउने ।	to warn daughter in law, first bit your daughter
4	जहा नारीको सम्मान हुन्छ, त्यहा देवताको बास हुन्छ ।	Gods will stay your home if you give prestige, recognition and value to female
5	नारी र पुरुष एकै रथका दूइ पाङ्ग्रा	Men and women are two wheels of a Cart and both are needed for well functioning

Hofstede argued that every society have either masculinity or femininity culture in which femininity culture shows high level of caring for others, focusing on quality of life and gaining success standing out from the crowd. It reflects hardness versus softness, toughness versus tenderness in their culture. Hofstede argues that universally women attach more importance to social goals such as relationships, helping others, and the physical environment, and men attach more importance to ego goals such as careers and money (Hofstede, 1991).

In Hindu society, the *Vedas* presented an exalted status to the wife. She is the real ruler of the house and the bestower of happiness for the entire family. She is an equal partner in the pursuit of righteousness. The Vedas presented a dynamic and vibrant picture of the wife and highlights the key role played by her in the maintenance of the family peace, wellbeing and prosperity. With this philosophy in mind, the culture of worshiping *Kumari* (maiden girl) as God is the strong indicator of Nepalese feminine society where more respect is given to women and placed more power than men. Generally, women show feminine behavior like gentle, calm, nurturing, cool, and tender. In feminine society, there is no place for gender discrimination and men and women treated equally.

The last two proverbs indicate the examples of Nepalese feminine society. The forth proverb of the table highlights that in Nepal, people worship to the women in different occasion, like *Kumari Puja, Saraswoti Puja, Durga puja, Mata Tirtha Ausi, Rakksha Bandhan, Bhai Tika*. They have belief that Gods will stay our home if we give prestige, recognition and value to the women. The last proverb of the table shows the equality of men and women in Nepalese society. Men and women are the two wheels of a two wheeler (Cart) and if anyone is not able to do well function, the whole body of two-wheeler is meaningless. Politically, government of Nepal is also correcting to empower women participation allocating quotas by 33 percent in each and every sector of government and state enterprises realizing the need of women empowerment.

Uncertainty avoidance

Uncertainty avoidance is the extent in which people feel comfortable or uncomfortable to avoid the future uncertainties, complexities, and in unstructured situation. It shows the role of people in unstructured situation like: novel, unknown, surprising, and different from usual. The high degree of uncertainty avoidance dimension argue that future is full of unknown but the society beliefs that such uncertainty can avoid by facing problems bearing great risk. The degree of uncertainty avoidance of a nation can be measured by Uncertainty Avoidance Index (UAI) in which Nepal score 40 means that Nepalese society has low preference for avoiding uncertainty. They prefer relaxed, flexible work, and in ambiguous situation do not intend to work or abandoned to work at the time uncertainty or ambiguity realized by them.

The high uncertainty avoidance indicates low level of tolerance for uncertainty and ambiguity. In other words, the society prefers law, rules, regulations, norms so that the amounts of uncertainty become reduced. People try to do best to avoid uncertainty which tends to have less tolerance for divergent opinions, and innovation. The first two proverbs very common to Nepalese society show the high uncertainty avoidance culture. The first one indicates that you have to take decisions based on your own capacity/ strengths. Literally, in Nepali it means while eating meat with bone, always check your throat hole. Pay attention to your capacity before taking any initiation. Only taking risk and eager to grab the opportunity without calculating the strengths never lead you to the success. The second proverb indicates that it is not necessary to ask the way to reach in a village where you never want to go.

TABLE 4: Nepalese proverb on high/ low uncertainty avoidance

S.N.	Nepalese proverb on high/ low uncertainty avoidance	English translation
1	घाटी हेरी हाड निल्नु ।	while eating a piece of meat with bone always check your throat hole
2	नजाने गाउको बा टो नसोध्नु	it is not necessary to ask the way to reach in a village where you never want to go
3	जे पर्छ सोही टर्छ	if you want to do something do yourself, the problems faced while execution will be managed at that time
4	जहा इच्छा त्यहा उपाय ।	where there is will there is a way
5	खाने मुखलाई जुंघाले छेक्दैन ।	When you become ready to eat, your moustaches will not restrict you.

The society of low uncertainty avoidance indicates less concern about ambiguity and uncertainty. They become ready to tolerate more for creating variety of options, being less rule oriented, bearing greater risk and fast cope up on change. People become less concerned about ambiguity and uncertainty, open for new ideas, accept diversity and innovation and ready to bear risk.

The last three proverbs are related to low uncertainty avoidance culture of Nepalese society where people are ready to bear risk, indicates no specific rules and regulations, less concern for ambiguity and ready to create innovation if required. The third proverb shows that if you want to do something do it yourself, the problems faced while execution will be managed at that time. The forth one indicates that where there is will there is way. It shows that Nepalese people prefer innovation, welcomes new opinions and ideas, and not interested to be work in rigid conditions. The last proverb indicates that see dream and do work, nothing will restrict you to complete it. Literally, when you become ready to eat, your moustaches will not restrict you.

Now it can be argued that national cultures are paradoxical. The bipolar and strategic view of Hofstede's measurement of culture is controversial. The culture of people is changed over time, exist different culture based on situation, and dialects over the time. It is neither masculine nor feminine and can be emerge both once at a time. As a paradox in nature, multiple types of cultures like: individualism and collectivism, high and low power distance, masculinity and femininity, and high and low tolerance on ambiguity and risk can be seen in Nepalese society over the period of time in different contexts

National Culture and Business Practices in Nepal

Nepalese culture has been strongly influenced by India and China particularly Indian migrants in around 17th century who brought Hindu caste system to Nepal. Although the caste system was abolished by constitution and country become declared as secular state, there is still some correlation between caste hierarchies and socio economic activities. After the 1950 when the country becomes open for relations with many countries of the world, the western culture also led development to form Nepalese business culture (Gautam, 2005). After the restoration of Democracy in 1990 and declaration of republic state in 2006, national economic policy is fast forward towards the liberalization, privatization and deregulation (Adhikari and Gautam, 2010) and the expectation of people from every corner of life have been rising in Nepal. It is a country of diversity ecologically and demographically where no one ethnic group has more than 16 percent of population. The official language is Nepali speak by 48 percent of population, people of new generation lived in urban areas can understand and speak English fluently. Nepalese managers used both Nepali and English language while doing negotiation/decisions with the person of similar post. People have common attitude to learn English language. Therefore, most of the the parents who can afford interested to admit their wards in English boarding schools rather than public schools. Most of the private sector business organization started the recruitment and selection process in English. Since 1992, government also started to issue citizenship certificate (proof of Nepalese citizen) in both the language: Nepali and English.

Personal/ family relations, similar caste, relationship with birth place, and political relations are essentials for the success of Business in Nepal. Most of the success businesses are managed in family business in which it is not mandatory to follow transparency, corporate governance, and corporate social responsibility. Grooming in the caste system, hierarchical culture and high power distance, Nepalese subordinates pay due respect to authorities, ready to follow their orders and commands, and discharge the responsibility in any problems. Relationship oriented culture consider the importance of personal relations rather than the product or services offered. In this culture, in order to get success in business dealings, contracts, decisions or negotiations close personal relationship is must. Gestland argues that Indian and Bangladeshi business culture is relationship oriented which is not far from Nepalese business culture because of close neighbors, and open access with India. Nepali business men prefer to know their business partners very well before doing initial business contacts.

There is a clear link between occupational specialization and membership of caste or ethnic group. Political affiliation and group connections are important determinants for appointment, promotion, access to training in state owned public sectors (Adhikari and Muller, 2001). In civil servant, jobs are not assigned on demand and decided on most favored basis of chief executives. Power sharing and decentralization of decision making are made without valid system of performance evaluation. Cultural legacy also contributed among management to avoid decision making (Agrawal, 1975) and responsibility (Shrestha, 1980). Therefore, the most successful business of Nepal is family owned business like *Chaudhari* group, *Khetan* group, *Golchha* group, *Amatya* group, *Jyoti* group etc. In a family business, relationship was already build since the beginning of business from the grandparents, corporate governance and transparency is least required, and all the members involved at any time having feeling of ownership by all in the family.

The *Marbadi* (Indian origin business men immigrated to deal business in Nepal in around 18th century) business group are recognized the most successful business persons in Nepal because of relationship focused culture. They have close relationship with Indian business men, have small numbers and maintain good relationship among themselves and involve especially in trade business. Their direct contact and friendship/ family relations with Indian suppliers, access to contact at any time to the source of suppliers, know each other very well, similar languages, and less formalities required to them, support Marbadi group to get success on business in Nepal. But, other business communities of Nepal have no such close relationship with Indian suppliers, do not know to each other and not able to deal in their mother tongue, hence feel very difficult to continue their business in trading sectors. In similar to this, some other Indo- Tibetan group become success on Nepal China trade because of similar caste, religions, language, culture and family/ friendly relations with Chinese especially with Tibetan people.

Nepalese decision maker prefer to hold power rather than to delegate and devolve it (Adhikari and Muller, 2001). There is a belief that the more power you hold, the more you are recognized in the society (Adhikari, 1999). Decisions in Nepalese organizations are held centrally (Paudel, 1992), resistance by top management in decisions while it formed by middle management (Pradhan, 1997). Devolvement of responsibility to line managers is likely to be limited both by the prevailing power structures and by the limited skills base among those to whom such power devolved (Gautam and Davis, 2007). In the practices of assignment, recruitment and selection, pay and benefit, training and development, industrial relation, and workforce expansion are all primarily the responsibility of line management alone

(Gautam, 2008). The system of feedback by lower management in the job has not satisfactory (Adhikari, 1999). They show less interest to brainstorm with top management because of hierarchy of status. Regarding the changes in organizational management, there is low integration of human resource policies and practices with business strategies. There is rarely HR manager placed on board of directors and very few of them consult from the outset in the development of business decisions (Gautam, 2008). The pyramid structures of public services have direct relationship with Nepalese caste system that increases the power distance between leader and subordinates. It also fosters the sense of underprivileged by subordinates.

All individuals learn social values and norms from the families and Nepalese society strongly belief that it is the valuable institution to preserve different values, norms, discipline and orders. As Hofstede (2001) argued that family is the primary unit of mental programming of the people, Nepalese family structure is hierarchical and patriarchal where father is the main head of the family in which every suggestions and instructions given by him are followed by all the members of the family even if one is an adult. Debate by junior on the decisions of senior is not expected, juniors always supposed to be obedient towards seniors. That's why, traditions like 'to be obedient', 'do not argue with seniors', 'do not speak while seniors are speaking', are developed from the childhood in the family. Almost all the decisions regarding family matters, family investment, family education, and even selection of life partners are taken by a senior member especially a male. Arrange marriage is preference. Dependency to the family members is high because of sharing culture of income earned by one member to all the members of the family. Such environment fosters children not to bear any responsibility in childhood period that is reflected in the administrative behavior of the civil servants because of the parts of society. The Paternalistic attitudes of family system frequently exist in the administration system and leaders seek to hold more power, maintain power distance between superior and subordinates, and seek patronage from their subordinates.

However, sharing responsibility in between line management and people management is in increasing trend (Gautam and Davis, 2007; Gautam, 2008). The involvement of manager in business decisions tends to occur in the implementation stage rather than its development stage (CRANET, 2006). The leaders of trade unions of manufacturing sector realize the significance of skill development programs through participation, education, and training and development (Adhikari and Gautam, 2010). After the dramatic political changes and country becomes federal republic in 2008, the long standing hierarchical status is gradually changing towards the feeling of equality

among the people which ultimately reflected in business decisions. Since 1990 (after the first revolution for multi party democracy) Nepalese organizations are initiating for participation, group or team formation, inclusive development, women empowerment, and equal rights for all though higher education which has been expanding in recent years with business course (Adhikari and Gautam, 2006). The family system in urban areas are changing from joint structure to nuclear structure in which newly married couples do not have show interest to live together. It is not the similar with the western nuclear family system where younger son before married live separately from the father. Similar to the organization, employees are expecting cooperation from the seniors to discuss on different agendas, want to participate in the major decisions of organization and interested to bear the job responsibility.

Nepali people belief on their previous life and fate that posit each one's circumstances have been pre-determined by a supreme deity. It is believed that every person is born with certain predestined things and determines ones present life's limitation of achievement (Bista, 1991). Karma (predestinated goal) in Hindu philosophy is widespread and interpreted that your destination is already determined by god in your previous life which cannot be altered. So people are guided by this fate, feel impossible to control the destinations which hinder the innovation and development of competencies. People cannot internalize the responsibility because of fatalism. The vertical dependency based Nepalese society enhances the *Chakari (*sycophancy) system which is deeply rooted and reflected in business practices. The sycophancy system especially rooted in Hinduism fosters to wait upon, to serve, or to seek favor from most seniors and make them offering feeling god. In administrative system, this Chakari culture was officially introduced during Rana period of the Nepalese history (Bista, 1991). Still it is believed that those who perform Chakari secure their jobs and get promotion in public organizations. Thus, one's performance or qualification was given less priority in comparison to dedication and loyalty on *Chakari*.

Culture changed over the period of time. The globalization of 21st century witnessed by Nepalese and became aware about the scientific innovation and development. The outstanding integration of Hindu, Buddhist, Christian and Muslim of Nepalese society can be an example in the rest of the world. Religious rigidity is gradually going to be reduced and people believe on task, performance, efficiency, productivity and success. The new generation set the targets and involve in most challenging and fascinating jobs that is also reflected in work places. They commonly understood the universal process of globalization as "Americanization or Westernization". The changes on culture have been more intense and deep on the younger generation than the older.

For example, indigenous groups, such as the *Thakali* youths speak English fluently but not their own mother tongue. Similarly, the *Limbu* and *Gurung* youths have less interest in their own cultural tradition such as "Yalangba" (traditional dance) and "ro-di' respectively (Bhattanchanya, 2005). These new generations are much conscious on good governance, civil society, human rights, non discrimination, women empowerment and gender equality.

Continue Political instability, conflict led by insurgency for 10 years, political hierarchy system, and feeling of property as prestige fueled corruption and fostered short term vision to the citizen that can be seen in business decisions. The political changes of 1990 established multi party democracy in which political leaders involved in corruption to hold the power, prestige, and stability in politics in their life. The armed forced insurgency started in 1996 promote selfish values, individualistic competition, ignorance on eastern philosophy and values, feeling of unsecured future, and practices of any how earn the money without caring any social obligation and ethics. The individualistic values systems stimulate selfish values that fuel to negate social obligations of fairness, justice and equality (Panday, 1999). The increasing importance of consumer culture causes corruption (Bhattarai, 2003) because of less opportunity to get ahead in the global economy. The continue widening gaps between rich and poor, inequality of opportunity, political affiliation, less inclusion, adoption of consumerism culture, ignorance of eastern philosophy and values, Nepalese business practices are becoming the corrupt platform. Nepalese people face the twenty new prime ministers within the current twenty years. It indicates the political instability within the current 2 decades that increases the business practices beyond the rules and no trust and faith to the government from the citizen. Therefore, continue unrest and unethical business is being most challenges to the future and being chances for safe heaven to the international criminals, smugglers, terrorists and those involved in the illegal trafficking of drugs, girls, unauthorized labor and other contraband goods.

A Case of NABIL Bank

Introduction

Nepal Arab Bank Limited (NABIL) was established in 12 July 1984 as the first joint venture bank of Nepal with its head office in Kathmandu. Initially the bank was started with the investment of Dubai Bank limited as joint venture under the Commercial Bank Act of Nepal. Presently it is working jointly with National Bank Limited of Bangladesh. The bank has completed 27 years of its

establishment and operation and succeeded to earn a fair amount of goodwill and confidence of Nepalese people for providing prompt and efficient services. At the beginning it started its operation with 30 employees in Kathmandu, and now it is employing 1280 employees in 48 branches in different parts of the county.

Initially, the bank has started its transaction with an authorized capital of 60 million rupees and paid up capital of rupees 30 million. It has been running in profit from the first year of its establishment. Currently the bank had an authorized capital of 2100 million rupee of which 2029.7694 million rupees is paid up capital. Of the total share of bank 50 percent is held by National Bank limited of Bangladesh, 20 percent is held by the National Insurance Company, Employee Provident Fund, and Nepal Industrial Development Corporation and remaining 30 Percent share is held by the general public. The net profit for the year 2011 was 1338 million rupees. The board of directors consists of 8 directors headed by chairman who is selected from among the directors. The bank is headed by chief executive officer Mr. Anil Gyawali who is responsible and liable to the board of directors. Furthermore, there is two major departments- operation headed by Mr. Kapil Sharma as Chief operating officer and HRM/ legal departments headed by Mr. Binaya Regmi as chief of the department and secretary of the company. Mr. Regmi started his career since its establishment and spends his cream life of almost 28 years in this bank with 18 years of official levels and Mr. Sharma joined in this bank after a few years of establishment and spends 25 years in the bank. Since its establishment various changes have been initiated for its continue growth and diversification and these two high level personalities witness all types of change, involve directly in most of the decisions, faced many cultural paradox. Therefore, Mr Sharma and Mr. Regmi were selected for open ended interview to understand the changes of corporate culture over the period of time.

Language, Communication and Leadership

The company language in NABIL bank is both English in written form and used Nepali in verbal communication. Mr. Kapil Sharma – head of operation shared: 'mostly English is used with seniors and colleagues but we use mix of Nepali and English while talking with juniors'. As a first joint venture bank bank of the country with Dubai Bank, it was not possible to talk in Nepali while talking with high profiles. It fosters to develop system of English communication within the bank which becomes the path to the rest of other Nepalese banks. However, it is not possible to communicate in English while communicating with Government, semi government, public enterprises, and local people because of Nepali as national language.

Binaya Regmi- head of HR and company secretary shared that the bank has open communication practices. ' We facilitate the open communication practices since its inception, always open the door of top level management at office hours to well come all level of employees so that they share their opinions, suggestions, and grievances' said Mr. Regmi. However, they have experience that generally junior employees, feeling hierarchy, are not able to utilize the open door communication practices. Employees have build many informal groups based on caste, levels, religions, territory, and language, know the different informal groups by management but not have any programs for management of informal groups. After the 15 years of its establishment, the bank formally allow to establish employee association as trade union and the union of NABIL which is considered the most positive union in the country for its continue support to management and protection to employees. Sharma expressed that top management of the bank belief the democratic leadership practices. Many times they changed the policy of top management after the rigorous discussion with union. But Regmi has a little bit different opinion on leadership practices. 'Bank by profession demands both autocratic as well as democratic leadership on being of time and issues. For example while accomplishment of target, date line meeting, performance, and professional development sometimes autocratic leadership demands by its nature. Therefore a leadership practice in a professional organization is relative issue rather than absolute.' Within these 28 years of experience, he observes that in some issues the top management of bank practices autocratic as well as democratic based on philosophy, nature and composition of board of directors.

Net Working/ Personal Relation

Personal relation or network play significant role for business promotion similar to the Chinese phenomenon of Guanaxi (Faure and Fang, 2008). Therefore, it is essential to build up a good personal contact/ network to be able to penetrate market. Both Sharma- head of operation and Regmi- head of HR and company secretary of NABIL shared:

"Nearly 600, 000 Nepalese united to make network within 3 years for direct network marketing lunched by Unity business of Nepal. Realizing the fact of personal relation business for success many countries operate direct network marketing: Modicare and Vestige business of India, Tiens business of China, DXN and K-link of Malaysia, Gold quest of Hong Kong, and Ori-flame of Sweden. Large number of Nepalese associated in this network marketing paying Rs 10, 000 to Rs. 50,000 for membership and engaged to make vertical

network members. It is estimated that nearly 20, 00, 000 Nepalese become involved in such business which indicate the success of network relationship business in Nepal".

In context to NABIL bank business, personal relation supports to promote the business, especially in marketing, lending, and deposit department where the head of these departments informally inspired to their employees to build personal relations to meet their targets. But, by nature of very sensitive business of bank, professionalism is not ignored. Mr. Regmi replied to the interviewer: "because of personal relations (author requested his friend Mr. Agit Bhattarai- manager of Kumari Bank of Darbarmarg to take time/ ready for open interview) we are here for interview. This is the best example of personal relation for success".

Cultural Diversity

No doubt the cultural diversity of more than 100 ethnic groups of Nepal reflected to the Bank and currently more than 20 different caste and ethnic groups are integrated for common purpose. Mr. Regmi- the head of HR and company secretary informed that the majority of staffs are from Brahmin followed by Chhetriya and Newar. There is no positive discrimination based on caste, race, and ethnic group, gender, considering the nature of private commercial banks where competitiveness is bottle necked and efficiency and effectiveness is the measuring rod for success. Though the government of Nepal started the practices of positive discrimination allocating 33 percent for female and 30 percent for scheduled caste and indigenous people for selection of new staff, this is not mandatory for private sector. Relaxing on this provision, NABIL bank has not started any positive discrimination to their employees.

In the words of operation head Mr. Sharma, "we care female staffs, flexibility is provided for shift, location and interest of work, arrange work schedule with male colleagues so that mutuality of cooperation can exist". Mr. Regmi also has similar views that within these 28 years of history of bank no one sexual harassment noticed. "Over the period of time, varying degree of conflict emerged within this divergent cultural workforce but it is managed on the source of conflict. This is possible because of open communication policy of the organization. Weekly management meeting, strategic group meeting, employee participation, and open communication help to solve the conflict on the root. There is no noticeable negotiation caused because of cultural diversity". However, employees are being more assertive, competitive, formed informal groups, established NABIL union for collective

bargaining. He shared; in general, employees are less risk bearer and take more time while deciding. They are not reserved but always wait for ice break by others which can be said as common culture of Nepalese people.

Cultural Change

Obviously, cultures are being changed and many old cultures are disappearing with the emergence of new cultures over the period of time while managing business organizations. Mr. Shama shared that many new cultures not commonly practices in Nepal were accepted by NABIL because of joint venture with Dubai Bank. The high level officers of Dubai bank bring their culture in Nepal for bank management. These officers were maintain very good personal relations with juniors, even share their Cigarettes before/ after working hours, care subordinates but highly professional at official times. 'Now people are being much individualistic by nature, and show the different roles on different issues. If the issues are more concern to them, have their self interest, and support their career or advancement opportunity, they become relationship oriented to achieve the success otherwise they focused for professionalism' said Mr. Sharma.

Similar to Mr. Sharma, Mr. Regmi- head of HR and company secretary expressed: "though Nepalese society is considered as high power distance, NABIL has low power distance culture. This is possible because of first joint venture bank and high level officers from Dubai bank bring some unique culture to the bank. Since its inception it encourages open and sharing culture with all level of employees". Many changes witnessed by Mr. Regmi and in most of issues he directly involved for it's continue changes on human behaviors and attitudes. Now, more than 30 percent of staffs are female, professionalism is super most rather than individual relations, individualistic nature is fostering, and respect to the values of women, schedule caste, different religion, and custom of indigenous people. "Staffs of NABIL have both individualistic as well as collectivism. While negotiating between union and top management they show their collectivism nature and if issues are for career development, training, advancement and personal growth they show individualistic nature" said Mr. Regmi.

Mr. Sharma who has already worked in US Piece Core before joining the bank experience quite different than the Nepalese business practices. He shared: "all decisions and activities are supported by documents, clear policy and guidelines are formed before implementation, no excuse in absence of following rules and regulation, and no interfere by top management and other high profile people while doing the business in Piece Core. Basically,

these are the lessons I learned from foreign experience and I try my best to follow these practices in this bank. However, source and force, intervention by high level bureaucrats and political particles creates complexities in managing Nepalese organizations". He observed that after getting job female employees of Nepal become less career oriented because of high family oriented culture. It is normally considered that female have full responsibility for kitchen, baby cares, care of elders of joint family, maintain social status and complete the duty of office. Therefore, they have less time to discharge official duty, less time to study or self study and less time for brainstorming and network building which ultimately decrease their competitiveness and professional development. Mr. Sharma whose family migrated from Barma to Nepal shares noticeable difference between these two countries: No caste system of Barma to hierarchy of caste, and respect for work to respect for designation/ post.

Mr. Regmi who already worked in ILO project have distinct experience and shared, " what I gained is that the people of the west have feeling towards South Asian that they are worse in terms of skills and knowledge but people of west do not able to understand the divergent culture of south Asia. The distinct nature of Nepalese people like: respect and hospitality to the people of west, many duties on joint family system, language problems, everyday festivals, and spirituality do not easily understand by people of different cultures". It is a matter of personal experience, not the matter of generalization shared by him. He also has opinion that Nepal becomes never colonized in its history so people never gain the experience of lost of sovereignty which might be the reason for denying hard working, lack of commitment for nation building and looking for receiving from state rather than sacrifice to the nation.

Conclusion

Nepalese society, which is characterized by diversity in caste / ethnicity, language, religion, and culture, has a very long unrecorded history mostly preserved through oral history and cultural practices, including myths and legends. There has been many changes on values, beliefs and traditions and replaced by new ones. But, it does not mean that all the old values and traditions have disappeared completely. The paradoxical situation remained on many issues. The culture of patriotism, collectivism, hierarchism, masculineism is changing over the period of time towards materialization, westernization, transnationalization, capitalization, and individualization. Nepalese leaders have paradoxical behavior at home and abroad. They become favor on conservative policies with Nepalese people to get popularity

in home but are more liberal with foreign counterparts. In order to demonstrate showy liberal attitude, the political leaders are found extremely open and self critical, at least with foreigners (IDEA, 1997).

Nepali people, in one hand, helped to raise a strong voice against violation of human rights and signed on universal declaration of human rights, rights of the indigenous people, UN conventions to protect their culture. On the other hand, some Nepalese people started civil war without caring any human rights. Interestingly, indigenous people, who have a culture of beef eating, are prohibited from eating beef, but it is not so in the case of imported beef provided in star hotels. Indigenous social, cultural, religious, political, and judicial institutions are disappearing very rapidly. Nepalese people dislike to do muscle work in their own country but ready to do manual work in every exploitative conditions in abroad. Large numbers of Nepalese youth work in Gulf and South East Asian Countries. Every day, especially uneducated and unskilled Nepalese are migrating India for manual works and large number of Indian workers come to Nepal for the same work.

The caste hierarchy system has tremendous amount of change during the two decades- since 1990 (Jan Andolan I). But it does not mean that all these have disappeared completely. The old structure and framework of caste principles and of social hierarchy are still there in skeletal form. Every day paradox of human behavior can be seen in Nepal. People try to maintain strong caste hierarchy system in their home especially in their joint family and home land but these younger generation educated people are being flexible, even provoke to eradicate the discrimination of caste hierarchy from the country in their work place. They love English songs, watch Bolleywood/ Hollywood movies and at the same time associated to campaign for protection of their local dress, music, tradition, and culture. There is no conflict between these two behaviors but shows the reality of existence many national cultures.

Banda (close of school/ college, office/ factory, transportation, hospital and all sort of business as a form of strike) is being common culture in Nepal to obtain the rights of people. People have belief that government is not ready to solve their problems by simple way of demand. In this four years after constitutional assembly election more than 50 percent of the days are declared *Banda* by many political parties and their supporters. Most of political parties and right oriented regional groups have competitive schedule of *Banda* for coming days because nation is in restructuring process and constitution is to be declared in May 27, 2012. The existence of "both either or culture" can be clearly seen in the demands for territorial autonomy based on ethnicity and language in order to be more inclusive and multicultural. If this model of

federated multiculturalism is to be adopted, then the paradox is that while Nepal will be multicultural at the national level and mono-cultural at the federation levels. Therefore, it can be reached into the conclusion that culture should be looked as dialectical approach.

References

Adhikari, D. R. (1999), *Human resource management: policies and practices*, Leopold - Franzens- University, Innsbruck, Austria.

Adhikari, D. R. and Gautam, D. K. (2006), Human resource management in Nepal: integration and organizational performance, *Banijya Sansar*, 12, May, 31-37.

Adhikari, D. R. and Gautam, D. K. (2010), Labor legislation for improving quality of work life in Nepal, *International Journal of Law and Management*, 52,1, 40-53.

Adhikari, D. R. and Muller, M. (2001), *Human resource management in Nepal*, In Pawan S. Budhwar and Yaw A. Debrah (ed.), Human Resource Management in Developing Countries, Routledge.

Agrawal, G. R. (1975), Management: the critical constraint in the development of Nepal, *Nepal Journal of Management*, 21-29.

Bhattachan, K. B. (2005). *Globalization and its impact on Nepalese society and culture*, In Madan Kumar Dahal (ed.) Impact of Globalization in Nepal , Nepal Foundation for Advanced Studies (NEFAS), Friedrich-Ebert- Stiftung (FES), Kathmandu, Nepal.

Bhattarai, P. C. (2003). Corruption in Nepal: A ghastly malady of the 21st century. *Business Initiative, 1*(1), 24-28.

Bista, D. B. (1991): *Fatalism and development: Nepal's struggle for modernization,* Kolkata: Orient Longman Pvt. Ltd.

CRANET (2006), *Comparative analysis of human resource management of 38 countries: convergence and divergence*, Cranfield network.

Fang, T. (2005-2006), From 'onion' to 'ocean': paradox and change in national cultures, *International Studies of Management and Organization*, 35, 4, 71-90.

Fang, T. (2010), Asian management research needs more self- confidence: reflection on Hofstede (2007) and beyond, *Asia Pacific Journal of Management*, 27, 1, 155-170.

Fang, T. (2012), Yin Yang: new perspective on culture, *Management and Organization Review*, (forthcoming).

Faure, G. O. and Fang, T. (2008), Changing chinese values: keeping up with paradoxes, *International Business Review*, 17, 2, 194-207.

Fernandez D. R. , Carlson, D. S. , Stepina, L. P. , and Nicholson, J. D. (1997), Hofstede's country classification after 25 years later, *The Journal of Social Psychology*, 137, 1, 43-54.

Gautam, D. K. (2008), *Strategic human resource management in Nepal*, unpublished Ph. D. dissertation submitted to Tribhuvan University, Kathmandu, Nepal.

Gautam, D. K. and Davis, A. J. (2007), Integration and devolvement of human resource practices in Nepal, *Employee Relations*, 29, 6, 711-726.

Gautam, T. (2005), *An exploratory research study on Nepalese general business environment*, unpublished report submitted to University Grants Commission, Kathmandu, Nepal

Geertz, C. (1973), T*he interpretation of cultures*, New York: Basic books.

Gesteland, R. (2002), *Cross cultural business behavior*, Copenhagen: Copenhagen Business School Press.

Hall P. and Soskice, D. (2001), *An introduction to varieties of capitalism*, in Peter A. Hall and David Soskice (eds.), varieties of capitalism: institutional foundation of comparative advantages, Oxford, Oxford university press, 1-68.

Held, D. and Moore, H. L. (2008), *Introduction: Cultural futures'* in David Held and Henrietta Moore (eds.) cultural politics in a global age: uncertainty, solidarity and innovation, Oxford, One world, 1-20.

Hofstede, G. (1980; 1984), *Culture's consequences: international differences in work related values*, Beverly Hills, CA: Sage.

Hofstede, G. (1991), *Cultures and organizations: software of the mind*, London: McGraw Hill.

Hofstede, G. (2001), *Culture's consequences: comparing values, behaviors, institutions and organizations across nations*, Thousand Oaks, CA: Sage.

Hofstede, G. (2002), Dimensions do not exist: A reply to Brendan McSweeney, *Human Relations*, 55, 11, 1355-61.

Hofstede, G. and Hofstede, G. J. (2005), Cultures and organizations: Soft ware of the mind, New York: McGraw Hill.

http://geert-hofstede.com/nepal.html, access on Feb. 10, 2012

IDEA (1997). *Does a Free Market Create a Free Society*? Democratic Forum: Report of 1997, Institute for democracy and electoral alliance (IDEA): 83-88.

Kreps, D. M. (1996), *Corporate culture and economic theory*, in R. Coase, P.J. Buckley, and J. Michie (eds.), firms, organizations and contracts in industrial organizations, Oxford, Oxford University Press, 221-275.

Lemone, K.A. (2012), *Analyzing Cultural Influences on E- Learning Transactional Issues,* Computer Science Department, Worcester Polytechnic Institute, USA, P. 1-8.

Panday, D. R. (1999). *Nepal's failed development reflections on the mission and the maladies.* Kathmandu: Nepal South Asia Center.

Paudel, S. P. (1992). *A Study of Decision Making In Nepalese Enterprises*. Unpublished Ph. D. Thesis, University of Delhi, India.

Pradhan, G. (1997) *Management Development in Manufacturing Public Enterprises in Nepal*, Kathmandu, Faculty of Management, Tribhuvan University (unpublished Ph.D. thesis).

Sackmann S. and Phillips, M. (2004), Contextual influences on culture research: Shifting assumptions for new workplace realities, International journal of cross cultural management , 4, 3, 370-390.

Schein, E. H. (1983), the role of the founder in creating organizational culture, *Organizational Dynamics*, summer, 13-28.

Shrestha, J. B. (1980), Role of Entrepreneurs and Managers in Nepal, *Management Dynamics*, 1, 1.

Soderberg, A-M, and Holden, N. (2002), rethinking cross cultural management in a globalizing business world, *International Journal of cross cultural management*, 2, 1, 103-121.

Trompenaars, F. (1994), R*iding the waves of culture: understanding diversity in global business*, Chicago, II: Irwin.

Wood, G. and Demirbag, M. 92012), *Handbook of institutional approaches to international business*, Edward Elgar.

Wu, Ming-Yi (2006), Hofstede's cultural dimension 30 years later: A study of Taiwan and the United States, *Industrial communication Studies*, XV:1, 33-42.

Zheng, Q. Q. and Yang, B. (2009), towards a theory of organizational cultural evolution, *Human Resource development review*, 8, 2, 151.

Employee Well-Being: Exploring the Antecedents and Consequences in Organizational Context

❑ **Sushanta Kumar Mishra**
Indian Institute of Management, Indore
Sushantam@iimidr.ac.in

Abstract

The study investigates the relationship of organizational factors such as perceived external prestige and perceived organizational support on well-being and turnover intention. Based on a sample of 484 medical sales representatives, the present study found support for the assertion that employees' perception about the external prestige of their organization and support from the organization is positively related to well-being. The finding indicated a partial mediation effect of well-being on the relationship between both the organizational factors and turnover intention. The study argues that organizations need to focus their attention on employee well-being. The study adds to the existing literature by explaining the path in which the organizational factors influences employee turnover intention.

Keywords: perceived external prestige, perceived organizational support, well-being, turnover intention, medical sales representatives.

Nepalese Academy Of Management
The International Journal of
Nepalese Academy of Management

Volume 1, Number 1, 115-130, 2013
Kathmandu, Nepal

Introduction

The well-being of employees is in the best interest of organizations where substantial resources are spent in hiring employees and in maintaining loyal customers (Harter, Schmidt, & Keyes, 2002). Researchers have argued that work-related dysfunctional well-being is associated with human concerns, such as depression, loss of self-esteem, hypertension, alcoholism, and illicit drug consumption (Quick, Wright, Adkins, Nelson, & Quick, 2012). On the other hand well-being enhances employee job satisfaction (Judge & Hulin, 1993), their productivity (Kopelman, Brief, & Guzzo, 1990 as in Ostroff, 1992), and lowers absenteeism (George, 1989). By themselves, these human concerns provide ample reason to study well-being. Apart from the human concerns, a growing body of literature has begun to demonstrate that well-being is significantly related to job performance, employee retention, customer engagement, and profitability (Rath & Harter, 2010). Similarly, dysfunctional well-being is related to costs associated with illness, health care and absenteeism (Danna & Griffin, 1999), low quality decisions (Frederickson et al., 2003) and diminishes overall contribution to the organization (Price & Hooijberg, 1992). Given the implications of employee well-being on individuals as well as the organizations there is a need to do research on employee well-being. In the present study I intent to explore the organizational factors that influence employee well-being. I am focusing on organizational factors for two reasons. One, organizational life is considered as central source of employees' self-definition (Hughes, 1964) and organizations can influence employees' emotional well-being (Ouchi & Johnson, 1978). In the present study, the focus is on perceived organizational support and perceived external prestige. Further, I have explored the role of well-being in explaining the linkages between organizational factors and employee outcomes such as turnover intention. Employees with high turnover intention not only provide poor service to customers but also can seriously undermine customer retention (Tax and Brown, 1998).

Theory and Hypotheses

Though well-being has been found to impact individuals as well as the organizations, research has been divided on the conceptualization of well-being. Wright and Huang (2012) conceptualized well-being on three characteristics. One, well-being is a phenomenological event where people are well when they subjectively believe themselves to be so. Second, well-being involves how we feel, experience, and process various forms of emotion. Third, well-being refers to one's life as a whole. Luhmann, et al. (2012)

described subjective well-being as a broader concept comprising of affective well-being and cognitive well-being. The feeling of preponderance of pleasant rather than unpleasant affect in one's life over time is called affective well-being (Lunmann et al., 2012) or emotional well-being (Diener & Lucas, 2000). The terms emotional well-being and happiness are often used interchangeably (Diener & Lucas, 2000) along with the term subjective well-being. As emotions tend to have a long-term impact on employees' psychological well-being (Fredrickson, 2003), we have taken emotional well-being as a measure of employees' well-being.

Perceived External Prestige

Dutton, Dukerich and Harquail (1994) posited that the perceived external image serves as a powerful mirror to individuals for gauging the value of their organization and themselves. It is defined as employees' perceptions of how prestigious the organization is in the eyes of external stakeholders (Smidts, Pruyn, Van Riel, 2001). Individuals are motivated to maintain and enhance their self-esteem, which is derived in part from the social categories to which they perceive themselves belong (Tajfel & Turner, 1986: 16). According to the organizational status perspective, organization's status increases people's self-esteem and reduces their uncertainty (Hogg & Terry, 2000). In other words, people seek group membership as a means of enhancing their self-esteem and reducing uncertainty about their self-concept and place in the social world (Hogg & Terry, 2000). In fact, high status organizations enhance self-esteem by conferring status to employees (Turban & Greening, 1997).

Perceived external prestige introduces elements of comparison between organizations (Herrbach, Mignonac, & Gatignon, 2004) and when it is strong, it satisfies employees' identity needs, or at least some of them (Dutton et al., 1994). Since individuals desire to enhance their self-image as well as social image, they tend to "bask in the reflected glory" when they perceive the image of their organization as prestigious (Cialdini, Borden, Thorne, Walker, Freeman, and Sloan, 1976). Thus membership in valued groups fulfills employees' need for belonging, prestige and attractiveness (Ashforth & Mael, 1989; Baumeister & Leary, 1995). Myers (1999) argued that when the need to belong is satisfied, people enjoy better well-being.

Hypothesis 1. *Perceived external prestige is positively related to employee well-being.*

Perceived Organizational Support

Employees' perception of the extent to which the organization values their contribution and cares about their well-being is called perceived organizational support (Eisenberger et al., 1986: 501). It is based on the assumption that organizational treatment creates a sense of felt obligation which motivates employees to put effort towards helping the organization achieve its goals (Coyle-Shapiro & Conway, 2005). According to organizational support theory, POS meets socio-emotional needs of employees (Armeli, Eisenberger, Fasolo, & Lynch, 1998: 289), provides assurance that aid will be available when needed, and indicates organization's readiness to recompensate efforts made on its behalf (George et al., 1993). Perceived organizational support is distinct from the social support received from individuals and supervisors, as it focuses on support provided by the organization to help employees perform effectively (Stinglhamber & Vandenberghe, 2003).

Researchers have criticized social exchange perspectives for relying on the assumption of rational self-interest (Meglino and Korsgaard, 2004) and argued that employees' perception of organizational support not only create a felt obligation to aid the organization, but also serves as an important socio-emotional function (Rhodes and Eisenberger, 2002). To the extent employees' socio-emotional needs are fulfilled, they develop a sense of unity with the organization, involving the incorporation of organizational membership into their social identity (Fuller *et al.*, 2006b; Rhoades and Eisenberger, 2002, p. 701). Perceived organizational support leads to the feeling of being a valued member in the organization, which strengthens the link between individual's self and the organization (i.e. it fosters organizational identification among the employees). When employees identify themselves with the organization, they treat organizational attributes as their own (Mael and Ashforth, 1995) which strengthens the link between the individual and the organization; consequently leading to a feeling of authenticity in performing organizational roles. Because developing and maintaining a consistent identity is a key foundation of well-being (Keyes, 2000), the present study argues that perceived organizational support will enhance employees' emotional well-being.

> ***Hypothesis 2.*** *Perceived organizational support is positively related to well-being.*

The majority of research has focused on the organization as a holistic construct (Bartels, Pruyn, Jong, & Joustra, 2007). However, increasingly researchers are arguing that organizations have multiple valued dimensions

and the context determines which dimension is most relevant at any given moment. Corley (2004) argued that formal hierarchical differentiation in an organization plays an important role in influencing employees' perceptions of their organization's identity. In an empirical study, Cole and Bruch (2006) argued that individuals might come to perceive their level within the organization's hierarchy as a salient social category. Garcia and Hardy (2007), in the context of an Australian university noticed that employees at different levels in the university hierarchy construct their identities differently. The above studies indicate that employees' position in the organizational hierarchy may influence the salience of perceived external prestige or perceived organizational support in their work life. The present study tries to explain the effect of perceived external prestige and perceived organizational support on well-being of employees who are at the lower level of organizational hierarchy. Corley (2004) found that employees holding positions lower in the organizational hierarchy were more concerned about the managerial and organizational actions. Pratt (2000), in a case study of Amway, showed that supportive organizational practices help distributors to set sales goals and strive to achieve them, irrespective of external prestige of their organization. Garcia and Hardy (2007) noticed that employees in the lower level were more concerned about the internal treatment they received from the university.

Fuller, Hester, Barnett, Frey, and Relyea, (2006b) found that the prestige of the university is not as salient a reward for staff and administrators as the treatment that they receive from the organization. Based on the above discussion, the present study argues that compared to perceived external prestige, the influence of perceived organizational support on employee well-being will be stronger for employees at lower level of organizational hierarchy. Since medical sales representatives (MSRs) are at the lower level of organizational hierarchy, the present chapter argues that compared to the effect of perceived external prestige, the effect of perceived organizational support on emotional well-being will be stronger.

> ***Hypothesis 3:*** *The relationship between perceived organizational support and well-being will be stronger compared to the relationship between perceived external prestige and well-being.*

Turnover intention

Employee turnover is common phenomena in service industries. Turnover leads to customer dissatisfaction (Koys, 2001); decline in organizational performance (Kacmar, Andrews, van Rooy, Steilberg, & Cerrone, 2006;

Morrow & McElroy, 2007), lowered organizational effectiveness (Morrow & McElroy, 2007), and affects organization's bottom line (Shaw, Duffy, Johnson, & Lockhart, 2005). As intention is the key antecedent of behavior (Richer et al., 2002), studies have looked at turnover intention as an antecedent of actual turnover (Griffeth et al., 2000). Employees with high turnover intention are likely to provide poor service to customers and may seriously undermine customer retention (Tax & Brown, 1998). A major challenge before the organizations is how to retain customer-contact employees. In the present paper I intend to explore the path in which both perceived external prestige and perceived organizational support are related to turnover intention. As discussed earlier, both POS and PEP helps in maintaining or enhancing individuals self. When employees strongly identify themselves with their organization, they internalize organizational identity as a (partial) definition of self and gain a sense of well-being. Based on literature, in this paper I argued for a positive relationship of POS and PEP with employee well-being. To argue the linkage between well-being and turnover intention, I borrowed from conservation of resource theory. According to the COR model, people seek to acquire and manage items that they value. These valued articles are called *resources*. More formally, Hobfoll defined resources as "those objects, personal characteristics, conditions, or energies that are valued by the individual or that serve as a means for the attainment of these objects" (1989: 516). According to Westman et al. (2005), a positive sense of effective self or well-being is a primary resource. However, in the absence of replenishment of resources, employees engage in withdrawal behavior in order to minimize resource loss. Since turnover intention is considered to be a type of withdrawal behavior (Mobley et al. 1978), it is hypothesized that well-being of employees due to organizational factors such as perceived external prestige and perceived organizational support is negatively related to turnover intention.

Hypothesis 4: *Well-being mediates the linkage between perceived external prestige and turnover intention.*

Hypothesis 5: *Well-being mediates the linkage between perceived organizational support and turnover intention.*

Context

The present study was conducted among the medical sales representatives (MSRs) in Ahmedabad, a large city in western India. The manner in which MSRs interact with their doctors is an important factor in creating strong brand image of the organization and its products (Sohi and Sahni, 2005).

Doctors' interactions with MSRs range from hurried meetings to indifference, impatience, and occasional impoliteness on the part of doctors. However, MSRs are required to behave the doctors in a positive manner. I visited the hospitals many times to meet the MSRs. The sampling method was similar to the multistage cluster sampling. A detailed list of hospitals in the city of Ahmedabad was prepared based on the information from the internet, yellow pages, and from MSRs, pharmacists, and the managers. Based on the data, the city of Ahmedabad was divided into clusters based on geographical regions surrounding the leading hospitals (both government and private hospitals). In stage-1, only the leading hospitals were visited for data collection. In stage-2, apart from the major hospital in the locality, other nearby hospitals was selected. Several hospitals were dropped from the list as no MSRs were found in those hospitals. In stage-3, as many respondents as possible from each hospital were contacted.

Data were collected from 484 MSRs in 47 hospitals in these geographical regions. These respondents represent 86 different organizations (15 MNCs and 71 Domestic Pharmaceutical organizations) covering different therapeutic segments. The domestic organizations include organizations such as Ranbaxy Pharmaceuticals, Dr. Reddy's Lab, Torrent Pharma, Cipla, and Workhardt whereas MNCs include organizations such as Elililly, Sanofi-Aventis, Pfizer and Organon. Incomplete questionnaires were rejected and out of 484 responses, 468 were found to be usable for further analysis. Out of all the respondents, 91% were graduates and post-graduates having general science, pharmaceutical, and other educational backgrounds.

Measures

Age, gender, salary, and organizational tenure were measured and included in subsequent analyses to control for their potentially spurious effects. Men were coded as 1 and women were coded as 2. Tenure was measured by asking the respondents 'How long have you worked for this organization?' Responses were coded from 1 to 5, with 1 representing more than 4 years, and 5 representing less than or equal to 1 year. Price of the drug was controlled by measuring it on a 5 point scale ranging from 1 (very high cost drug) to 5 (very low cost drug) as perceived by the MSRs.

Existing scales for measuring the constructs. Since the respondents were conversant with *English* language the instrument was administered in *English* language. The initial version of the questionnaire was pretested in a small, convenient sample of 94 MSRs outside the sample population. Based on the pretest results, some of the items were dropped and few minor changes were

made to the original instrument, for the final data collection. The purpose of this process was to check the face validity and to confirm expectations regarding the psychometric properties of the measures. Perceived external prestige was measured by using 5 items of the 8-item scale developed by Mael and Ashforth (1992). For measuring perceived organizational support, 10 items of the 16 item short version scale of Eisenberger et al. (1986) was used. The items were measured on a 5-point scale ranging from strongly disagree to strongly agree. Emotional well-being was measured by the scale developed by Keyes (2000). Respondents indicated how much of the time during the past 30 days they felt six negative and six positive symptoms of affect. To measure emotional well-being, I followed the method used by Johnson and Spector (2007). Accordingly, to create scale scores negative symptom items were first reverse-scored, all items were then summed and this sum was divided by number of items in the scale. Items were measured on a 5-point scale ranging from all of the time to none of the time. Turnover intention was measured by 3-item scale developed by Konovsky and Cropanzano (1991). The items were measured on a 5-point scale ranging from very likely to strongly unlikely. All the variables were centered to reduce the problems associated with multicollinearity among them in the regression equation (Frazier, Tix, and Barron, 2004). The reliability estimates of all the variables are given in Table 1.

Results

Table 1 presents the means, standard deviations, and correlations among all the study variables. The correlation between all variables are moderate in size ($0.11 < r < 0.44$) and therefore do not suggest any problem of multi-collinearity. The correlations indicate that perceived external prestige as well as perceived organizational support is positively correlated with well-being.

TABLE 1: Means, Standard Deviations, Internal Consistency Reliabilities and Correlations

	Variables	Mean	SD	1	2	3	4	5	6	7	8
1	Age	3.11	0.92								
2	Salary	3.92	0.79	.34***							
3	Gender	1.05	0.22	.06	.09						
4	Tenure	3.86	1.42	.45***	.34***	.07					
5	Perceived external prestige	1.90	0.67	-.02	.09*	-.09*	.00	(.76)			
6	Perceived organizational support	2.14	.70	-.08	-.06	.12*	.04	-.51***	(.90)		
7	Well-being	2.32	.66	.06	-.02	-.11*	-.02	.29***	-.55***	(.81[a]/.73[b])	
8	Turnover intention	2.95	1.02	-.11*	-.01	.02	.05	-.24***	.43***	-.31***	(.80)

Note: *N* = 468

*** Correlation is significant at the 0.001 level (2-tailed).

** Correlation is significant at the 0.01 level (2-tailed).

* Correlation is significant at the 0.05 level (2-tailed).

[a,b] represents the cronbach alpha values for positive and negative affect respectively

Tenure is the number of years worked in the current company as a MSR.

The hypothesized effect of perceived external prestige and perceived organizational support on well-being was tested using regression analysis. Age, gender, salary, and employees' tenure in the organization were controlled while regressing well-being with perceived external prestige and perceived organizational support. Results were significant (see Table 2). The findings support Hypothesis 1 and Hypothesis 2. Further comparing the beta coefficients and the change in R^2 values it is clear that the effect of perceived organizational support on well-being is stronger compared to the effect of perceived external prestige. This supports Hypothesis 3.

TABLE 2: Hierarchical regression results for the effect of perceived external prestige on emotional exhaustion and turnover intention

	Well-being					
Variable	***β***	***se***	***β***	***se***	***β***	***Se***
Age	.10	.21	.12	.04	.05	.03
Salary	.03	.14	.07	.04	.07	.04
Gender	-.11	.04	-.08	.13	-.04	.12
Tenure	-.05	.04	-.05	.02	.01	.02
Independent variable Perceived external prestige			.29***	.04		
Perceived organizational support					.55***	.04
Model F	2.30		10.74		41.50	
F Change	2.30		43.78		194.47	
Adjusted R^2	.01		.09***		.30***	
R^2 Change	.02		.09***		.29***	

Note: N=468; Standardized beta values are used.

*p < 0.05, **p < 0.01, ***p < 0.001

To test the mediation, the four step process as proposed by Baron and Kenny (1986) was used: regressing the mediator variable on the independent variable; regressing the dependent variable on independent variable; regressing the dependent variable on the mediator variable and the independent variables; and evaluating the significance of the mediation effect. Results of the regression analyses testing the mediating effect of well-being is represented in Table 3. Model 1 showed that perceived external prestige (independent variable) has a significant effect on well-being (mediator variable) ($\Delta F = 109.49$, $p < 0.001$, $\beta = .44$, $R^2 = .23$). Next, model 2A showed that perceived external prestige (independent variable) has a significant effect on turnover intention (dependent variable) ($\Delta F = 30.16$, $p < 0.001$, $\beta = -.25$, R^2

= .06). In model 3A, well-being was added to perceived external prestige and the control variables. The effect of perceived external prestige on turnover intention fell from β = -.25 (p < 0.001) in model 2A to β = -.16 (p < .01) in model 3A. Sobel test (Z = -3.69, p = .00) indicated that at a significance level of 0.00, there is a partial mediation of well-being on the relationship between perceived external prestige and turnover intention. Thus, Hypothesis 4 was partially supported. We followed the same process to check the mediation effect of well-being on the relationship between POS and turnover intention. The effect of perceived organizational support on turnover intention fell from β = -.42 (p < 0.001) in model 2B to β = -.36 (p < .001) in model 3B in the presence of well-being. Sobel test (Z = -4.09, p = .00) indicated that at a significance level of 0.00, there is a partial mediation of well-being on the relationship between perceived external prestige and turnover intention.

TABLE 3: Results of regression analysis for mediation test

	Model 1	Model 2A	Model 2B	Model 3A	Model 3B
	Well-being	Turnover intention		Turnover intention	
Control variables					
Age	.10	-.18***	-.13**	-.15**	-.12*
Salary	.03	.03	.03	.01	.02
Gender	-.11	-.01	-.04	-.03	-.04
Organization Tenure	-.05	.12*	.08	.11*	.08
Independent Variable					
Perceived External Prestige	.29***	-.25***		-.17***	
Perceived organizational support	.55***		-.42***		
Mediator Variable					-.36***
Well-being				-.25***	-.11*
ΔR^2	.09***	.06***	.17***	.06***	.01*
ΔF	43.78	30.04	99.13	30.45	4.45
Adjusted R^2	.09***	.08***	.19***	.13***	.20***

Notes: Standardized beta weights are shown.

*p < .05, **p < .01, ***p < .001.

The above finding indicates that apart from directly influencing turnover intention, perceived external prestige as well as perceived organizational support influence turnover intention through employee well-being.

Discussion and Conclusion

Growing globalization and the need to sustain competitive advantage internationally as well as domestically provide strong imperatives for organizations to understand the factors underpinning sales performance. Surprisingly, very limited research attention has been given to this important aspect of management control in developing countries (Piercy, Low, &

Cravens, 2004). Since employees are important for driving competitive advantage through superior customer interactions (Beardsley, Johnson, & Manyika, 2006), organizations need to focus on well-being and turnover intention of their employees. In fact, according to the BCG report (BCG, 2008), employee well-being and turnover intention are tow important facots in service occupations. The present paper adds to the existing literature by exploring the organizational factors such as perceived external prestige and perceived organizational support as potential antecedents of employee well-being. Further the paper explains the path through which the above mentioned organizational factors influence employees' turnover intention.

As noted by researchers (Mael & Ashforth, 1995), studying an organization's perceived image is by definition based on individual's perceptions, thereby making self-reports an adequate research approach. Though past research has demonstrated that the likelihood of obtaining biased coefficients due to self-reports is much lower than generally believed (Crampton & Wagner, 1994), we considered several procedural and statistical remedies to both limit and assess the possibility of common method bias. Some of the procedural remedies included in the study are protecting respondent anonymity, stating in the instructions that there were no correct or incorrect answers, and reducing item ambiguity by doing a pilot study to take care of ambiguous items (Podsakoff et al., 2003). After collecting the data, Harman's one-factor test was used to test for common method variance. The unrotated principal component factor analysis revealed the presence of four distinct factors (perceived external prestige, organizational identification, surface acing, and deep acting) with eigenvalues greater than 1.0, rather than a single factor. Results from this test indicate that common method effects are not a likely contaminant of the findings obtained in this study. Nevertheless, when feasible, multi-source methodologies are encouraged. Further, our study utilized a cross-sectional design, which does not provide an unequivocal ruling on the causal direction. However, despite the limitations, we feel that this research has significant managerial implications.

The present work investigates an important, yet mostly neglected occupational group i.e. medical sales representatives in the Indian cultural context. The implications of this study are particularly important to human resource professionals, especially to those who manage employees in the service and sales industry. By exploring the antecedents of well-being and turnover intention among MSRs, the present study contributes directly to the organizations in pharmaceutical sector. Unlike other customer contact occupations, MSRs play a decisive role in revenue earning in their organizations (Gopalkrishnan, 2006). The study found that employees'

perception of organizational prestige as well as organizational support enhances their well-being which consequently influences their turnover intention. Hence, managing employees' well-being through these organizational practices may help organizations in reducing employees' turnover intention. Therefore organizations need to focus their external communication towards internal members as well as treat them as customers. For example, Herrbach and Mignonac (2004) suggested that management should increasingly communicate internally about the external image of the organization. These internal communications will enhance employees' perceptions about the external prestige of the organization which may aid organizations in deriving HR benefits. Unfortunately, in most of the Indian companies HR still plays a very short-term and reactive role (Budhwar, Luthar, & Bhatnagar, 2006). This study joins previous studies in arguing the need to shift the focus of HR from a mere reactive to a strategic role.

The present paper adds to the existing literature by explaining the path in which perceived external prestige influences employee turnover intention. In developing countries including India, with the growing pressure for change facing HR managers due to globalization and international competitiveness, research on strategic HRM assumes that human resources are assets for investment, and the management of human resources needs to be strategic rather than reactive, prescriptive and administrative (Budhwar, 2000). However, in most of the Indian companies HR still plays a very short-term and reactive role (Budhwar, Luthar, & Bhatnagar, 2006; Budhwar & Sparrow, 2002). This study joins previous researchers in delineating new ways to shift the focus of HR from mere reactive to a strategic role. Our study shows one such possibility for HRM is to target their external image towards their employees and by enhancing their well-being may restrict their turnover intentions. In fact, companies are increasingly recognizing the value of internal marketing throughout their organizations (Sartain, 2005). Thus, organizations should be aware that investing on employees, and reaping benefits thereof becomes easier if the organization is perceived to be worthy of it. Future studies in developing countries and in different occupations can validate the findings of the study.

References

Baron, R. M., & Kenny, D. A. (1986). The moderator-mediator variable distinction in social psychological research: Conceptual, strategic, and statistical considerations. *Journal of Personality and Social Psychology*, 51(6), 1173-1182.

Baumeister, R. F., & Leary, M. R. (1995). The need to belong: desire for interpersonal attachments as a fundamental human motivation. *Psychological Bulletin*, 117(3), 497-529.

Beardsley, S., Johnson, B., & Manyika, J. (2006). Competitive advantage from better interactions. *The McKinsey Quarterly*, 2: 53-63.

Boston Consulting Group. (2008) *Creating people advantage: How to address HR challenges worldwide through 2015,* Boston: The Boston Consulting Group Inc., and World federation of Personnel Management Associations.

Budhwar, P. S., Luthar, H. K., and Bhatnagar, J. (2006). The dynamics of HRM systems in Indian BPO firms. *Journal of Labor Research*, 27(3), 339-360.

Cialdini, R. B., Borden, R. J., Thorne, A., Walker, M. R., Freeman, S., and Sloan, L. R. (1976). Basking in reflected glory: Three (football) field studies. *Journal of Personality and Social Psychology*, 34, 366-375.

Cole, M. S., and Bruch, H. (2006). Organizational identity strength, identification, and commitment and their relationships to turnover intentions: does organizational hierarchy matters. *Journal of Organizational Behavior*, 27, 585-605.

Corley, K. G. (2004). Defined by our strategy or our culture? Hierarchical differences in perceptions of organizational identity and change. *Human Relations*, 57, 1145-1177.

Coyle-Shapiro, J. A. & Conway, N. (2005). Exchange relationships: Examining psychological contracts and perceived organizational support. *Journal of Applied Psychology*, 90(4), 774-781.

Crampton, S. M., & Wagner, J. A. (III). (1994). Percept-percept inflation in microorganizational research: An investigation of prevalence and effect. *Journal of Applied Psychology*, 79, 67-76.

Danna, K., & Griffin, R. W. (1999). Health and well-being in the workplace: A review and synthesis of the literature. *Journal of Management*, 2, 357-384.

Diener, E., & Lucas, R. E. (2000). Subjective emotional well-being. In M. Lewis & J. M. Haviland (Eds.), *Handbook of Emotions* (pp. 325-337). London: Guilford Press.

Dutton, J. E., Dukerich, J. M., and Harquail, C. V. (1994). Organizational image and member identification. *Administrative Science Quarterly*, 39(2), 239-263.

Eisenberger, R., Huntington, R., Hutchison, S., & Sowa, D. (1986). Perceived organizational support. *Journal of Applied Psychology*, 71, 500-507.

Frazier, P. A., Tix, A. P., and Barron, K. E. (2004). Testing moderator and mediator effects in counseling psychology research. *Journal of Counseling Psychology*, 51(1), 115-134.

Fredrickson, B. L., Tugade, M. M., Waugh, C. E., & Larkin, G. R. (2003). What good are positive emotions in crises? A prospective study of resilience and emotions following the terrorist attacks on the United States on September 11th, 2001. Journal of Personality and Social Psychology, 84(2), 365-376.

Fuller, J. B., Hester, K., Barnett, T., Frey, L., Relyea, C. & Beu, D. (2006a). Perceived external prestige and internal respect: new insights into the organizational identification process. *Human Relations*, 59(6), 815-846.

Fuller, J. B., Hester, K., Barnett, T., Frey, L., & Relyea, C. (2006b). Perceived organizational support and perceived external prestige: Predicting organizational attachment for university faculty, staff, and administrators. *The Journal of Social Psychology*, 146(3), 327–347.

Garcia, P., & Hardy, C. (2007). Positioning, similarity and difference: Narratives of individual and organizational identities in an Australian university. *Scandinavian Journal of Management*, 23, 363-383.

George, J. M. (1989). Mood and absence. *Journal of Applied Psychology*, 60, 521-23.

Gopalakrishnan, K. (2006). Field Force (FF) Productivity in Pharmaceutical Industry. *Interlink Insight*, 4(3).

Griffeth, R. W., Hom, P. W., & Gaertner, S. (2000). A meta-analysis of antecedents and correlates of employee turnover: update, moderator tests, and research implications for the next millennium. *Journal of Management*, 26 (3), 463-488.

Herrbach, O., and Mignonac, K. (2004). How organizational image affects employee attitudes. *Human Resource Management Journal*, 14(4), 76-88.

Herrbach, O. & Mignonac, K., Gatignon, A-L. (2004). Exploring the role of perceived external prestige in managers' turnover intentions. *International Journal of Human Resource Management*, 15(8), 1390-1407.

Hogg, M. A., and Terry, D. J. (2000). Social identity and self-categorization processes in organizational contexts. *Academy of Management Review*, 25, 121-140.

Hughes, E. C. (1964). *Men and their work*. London: The Free Press.

Johnson, H. M., & Specter, P. E. (2007). Service with a smile: do emotional intelligence, gender, and autonomy moderate the emotional labor process? *Journal of Occupational Health Psychology*, 12(4), 319-333.

Judge, T. A., & Hulin, C. L. (1993). Job satisfaction as a reflection of disposition: A multiple source causal analysis. *Organizational Behavior and Human Decision Processes*, 56, 388-421.

Kacmar, Andrews, van Rooy, Steilberg, & Cerrone, (2006). Sure everyone can be replaced... but at what cost? Turnover as a predictor of unit-level performance. *Academy of Management Journal*, 49, 133-144.

Konovsky, M. A., and Cropanzano, R. (1991). Perceived fairness of employee drug testing as a predictor of employee attitudes and job performance. *Journal of Applied Psychology*, 76(5), 698-707.

Keyes, C. L. M. (2000). Subjective change and its consequences for emotional well-being. *Motivation and Emotion*, 24, 67-84.

Koys, D. J. (2001). The effects of employee satisfaction, organizational citizenship behavior, and turnover on organizational effectiveness: a unit-level, longitudinal study. *Personnel Psychology*, 54(1), 101-114.

Luhmann, M., Hofmann, W., Eid, M., & Lucas, R. (2012). Subjective Well-Being and Adaptation to Life Events: A Meta-Analysis. *Journal of Personality and Social Psychology*, 102(3), 592–615.

Lyubomirsky, S., King, L., & Diener, E. (2005). The benefits of frequent positive affect: Does happiness lead to success? *Psychological Bulletin*, 131(6), 803-855.

Mael, F. A., and Ashforth, B. E. (1995). Loyal from day one: Biodata, organizational identification, and turnover among newcomers. *Personnel Psychology,* 48(2), 309-333.

Mael, F. A., and Ashforth, B. E. (1992). Alumni and their alma mater: A partial test of the reformulated model of organizational identification. *Journal of Organizational Behavior*, 13, 103-123.

Mobley, W. H., Horner, S. O., and Hollingsworth, A. T. (1978). An evaluation of precursors of hospital employee turnover. *Journal of Applied Psychology*, 63, 408-414.

Morrow, P., & McElroy, J. (2007). Efficiency as a mediator in turnover – organizational performance relations, *Human Relations*, 60, 827-849.

Ostroff, C. (1992). The relation between satisfaction, attitudes, and performance: An organizational level analysis. *Journal of Applied Psychology*, 77(6), 963-974.

Ouchi, W. G., & Johnson, J. B. (1978). Types of organizational control and their relationship to emotional well-being. *Administrative Science Quarterly*, 23(2), 293-317.

Piercy, N. F., Low, G. S., & Cravens, D. W. (2004). Examining the effectiveness of sales management control practices in developing countries. *Journal of World Business*, 39: 255-267.

Podsakoff, P. M., MacKenzie, S. B., Lee, J-Y., and Podsakoff, N. P. (2003). Common method biases in behavioral research: A critical review of the literature and recommended remedies', *Journal of Applied Psychology*, 88(5), 879 – 903.

Pratt, M. G. (2000). The good, the bad and the ambivalent: managing identification among Amway distributors. *Administrative Science Quarterly*, 45, 456-493.

Price, R. H., & Hooijberg, R. (1992). Organizational exit pressures and role stress: Impact on mental health. *Journal of Organizational Behavior*, 13, 641–651.

Quick, J. C., Wright, T. A., Adkins, J. A., Nelson, D. L., & Quick, J. D. (2012). *Preventive stress management in organizations* (2nd edn). Washington, DC: American Psychological Association.

Rath, T., & Harter, J. (2010). *Wellbeing: The five essential elements*. New York, NY: Gallup.

Richer, S.F., Blanchard, C., and Vallerand, R.J. (2002). A motivational model of work turnover. *Journal of Applied Social Psychology*, 32(10), 2089-2113.

Rhodes, L., & Eisenberger, R. (2002). Perceived organizational support: a review of the literature. *Journal of Applied Psychology*, 87(4), 698-714.

Shaw, J. D., Duffy, M. K., Johnson, J. L., & Lockhart, D. E. (2005). Turnover, social capital, losses, and performance. *Academy of Management Journal*, 48, 594-606.

Smidts, A., Pruyn, A. H., and Van Riel, C. B. M. (2001). The impact of employee communication and perceived external prestige on organizational identification. *Academy of Management Journal*, 44(5), 1051-1062.

Sohi, H., and Sahni, J. K. (2005). *Marketing strategies of Pharma firms: An overview*. In The Indian Pharma Search (5th Edition, pp. 32-35). New Delhi: Indian express group.

Tax, S. S., and Brown, S. W. (1998). Recovering and learning from service failure. *Sloan Management Review*, 40 (1), 75-88.

Wright, Thomas A. and Huang, Ching-Chu (2012). The many benefits of employee well-being in organizational research. *Journal of Organizational Behavior*, 33, 1188–1192.

Competitive Strategy: An Opening Survey in Nepalese Banking

❑ **Manoj K. Chaudhary**
Central Department of Management, TU,
Kirtipur, Kathmandu, Nepal,
manoj86385@yahoo.com

Abstract

In this paper, the relationship between the strategic positioning of firms and the practices of business strategy of the sustainability of performance in Nepalese banking sectors is explored. Firms that adopt strategies based on differentiation may attain advantage that endure, and such firms is likely to be sustained over time. Altogether 11 organizations are studied in public and private Nepalese banks and responses from multiple informants are collected from each sample banks. The findings of this paper indicate the a business strategy of both Nepalese banks are must be driven by a clear sense of underlying competitive strategy. The results indicate that although pursuing both cost leadership and differentiation strategies have a positive impact on current organizational performance.

Nepalese Academy Of Management
The International Journal of
Nepalese Academy of Management

Volume 1, Number 1, 131-141, 2013
Kathmandu, Nepal

Introduction

In recent years, to meet the challenges of turbulent environmental changes that surrounds business firms. Companies must shift their existing management and productions departmentation paradigm that is based on aged concept of division of labour to a cross-functional, process oriented and team based flat organizational methodology. Nowadays, strategic challenges faced by organizations have intensified due to unmistakable trends towards emphasize a customer orientation and an increasing utilization of innovative operational technologies and electronic commerce/business re-redefining operations, services and customer relation (Gomes et. al.; 2009)

An organization's strategy is not arbitrary but depends of the way the company serves its clients, the economics of its business, and the people of its hires. Every kinds of firm operate within some industry and adopt a competitive position within that industry and every strategic position is linked to organizational resources and its capabilities due to the intense global competition. Porter's (1980) final focus generic strategy caters to a circumscribed and specialized segment of the market – a certain kind of customer, a limited geographic market, or a narrow range of products. According to Porter (1980: 38) such firm are able to serve their narrow strategic target markets more effectively or efficiently than competitors who are competing more broadly. As a result, the firm achieves either differentiation from better meeting the needs of the particular target, lower costs in serving this target or both. The focus strategy can also be used to find neglected targeted markets – areas or customers for which conditions are the most favourable and competitors the weakest, but it typically involves a trade-off between profitability and sales volume.

Porter's types bear some relationship to other strategic categorization, typologies, and taxonomies in the literature. For example, Miles and Snow's (1978) prospectors and Miller and Friensen's (1978, 1984) SB adaptive firms differentiate via product innovation. Hambrick (1983), Dess and Davis (1984) and Henderson (1979) have all discussed cost leadership, a strategy often used by Miles and Snow's (1978) defenders, Miller and Friensen's (1984) Niche Innovators pursue a focus strategy.

A good starting point for the analysis of the organizational situation can be Porter's five focus mode. Porter distinguishes between three generic business strategies – differentiation, cost leadership and focus – in order to counter the five forces of competition within an industry – supplier power, industry competitors, and barriers to entry. The objectives of differentiation are to generic something unique in the market place such as special design, unique

brand, advanced technologies, or customer services. According to Porter, parameters for creating competitive advantage include cost reduction for cost leadership on the innovation improvements for adequacy on the other hand. The adequacy of a particular business strategy is determined by the environment of the organization or subunit. For example, the competitive advantage of an organization that operates in a very dynamic market may be due to fast and efficient product development or innovation excellence. In other markets, production efficiency that supports cost reduction and cost leadership may result in a competitive advantage, (Hsi& Yun, 2005 and Granier et. al. 2007). Some different of opinions could be expected between the public and private banking sector about the relative perception of the factors that represent the status of business strategy in Nepalese private and public banks.

There are two ways of achieving competitive advantage. First, competitive advantage may be achieved when firm pursues a strategy of low costs, which enables it to offer products at lower prices those competitors. Second way of gaining competitive advantage is by a strategy of differentiating products so that customers perceive unique benefits that justify a premium price. As such to succeed in building a competitive advantage, a company's strategy must aim at providing buyers with what they perceive as superior value – a good product at a lower price or a better product that is worth paying more for. This is the crux of competitive of a firm (Shrivastav, 2007). In Nepal, baking sector is rapidly growing after the initiation of economic liberalization policy in 1980, and its reforms in 1990's. The essence of clarification for such issue in business strategy in Nepal, therefore is increasing. Keeping this view into consideration, this study mainly focuses on the existing status of organization in business strategy in Nepalese banking sectors.

Review of Literature

In the 1990s, the nature of organizational life and market competition is changed radically because of increased globalized world. The strategy of an organization describes the way it will pursue its goals given the opportunities and threats in the environment and its resources and capabilities. Strategy can be defined as "the match an organization makes between its internal resources and skills and the opportunities and risks created by its external environment" (Grant, 1991). Strategies emerge from the interaction between firm and its environment as well as between knowledge workers and management (Nurmi, 1998). According to Porter (1996) the essence of strategy is in their activity, which is choosing to perform activities different by or to

perform different activities then rivals. Corporate level strategy relates to the product/market choices of firm and business level strategy defines how it will deploy its resources in a given product/market area vis-à-vis its competitors (Hatten et al; 1978). Business strategy can be defined as the outcome of decision made to guide an organization with respect to the environment, structure and process that influence its organizational performance (Salavou and Halikias, 2009).

A strategy is a pattern or plan that integrates an organization's major goals. Policies and action sequence into a cohesive whole. A well formulated strategy helps marshal and allocates an organization's resources into a unique and viable posture based on its relative internal competencies and short comings anticipated change into the environment and contingent moves by intelligent opponents (Grant, 1998). Business strategy implies a series of systematic and related decisions that give a competitive advantage related to other business (Schular and Jackson, 1978; Dowling and Schular, 1990). Though the field of strategy is subject to a numerous disputes about focus and process, rationality and behavior and about breadth and depth (Purcell, 2001), Mintzberg et. al. (1998) sought to integrate and synthesize the field. They expressed that strategy can be a plan, a pattern, a position, a prospective and employ, (Chaudhary, 2009).

The concept of business competitive advantage are derived primarily from porter's (1980; 1985) classification of generic strategies; cost leadership, differentiation and focus. Miles and Snow (1984) classified business strategies into three types: defender, prospector and analyzer. Referring to porter's strategy types, Schuler and Jackson (1987) used table slightly different from those of Porter's to classify business competitive strategies into three types: cost reduction, innovation and quality enhancement. During the course of this debate various attempts have been made at typology integration (Chrismen Hofer and Bulton, 1988; Kothw and Dorne, 1989). Although these efforts emphasized similarities between Porter's and Miles and Snow's frameworks, they have not accounted for one primary theoretical difference.

It concerns the actions and the approaches crafted by management to produce successful performance in one specific lines of business the prime focus of business strategy issue is how to build a stronger short term as well as long term competitive position. Recent global changes have forced every type of organizations across the globe to reconsider their strategic business models. The increasing significance of Chinese manufacturing and the expanding power of the European Union (EU), among other factors, are clearly presenting manufacturing organizations with tremendous opportunities and new strategic challenges (Allen et. al., 2007).

During the 1990s several researchers deployed Porter's generic strategies framework to study how organizations are successfully competing in the global Market. Porter's (1985) strategic typology has been accepted by most scholars and executives, as one of the main frameworks towards effective strategic choices and to study the strategic behavior of an organization (Yeung et. al, 2006)

The business environment is rapidly changing since the 1980s, leading to new ways of dealing with issues challenges and opportunities. In addition, changes in the business environment require new business objectives and strategies to fulfill the changing needs. It also suggests business enterprises are required to continuously improve and effective use their business strategy in response to the changing perspective of global business environment (Poudel, 2011) with organizations are new realizing that they need develop and select effective business strategy and provide employees with best available dated and information to support the decision making process and gain long term competitive advantage (Chaudhary, 2009).

The impact of generic business strategies on organization performance and organizational competitive advantage have been investigated by many researchers. The current research aimed at investigating the effect of low cost strategy and differentiation strategy in organization in order to achieve competitive advantage using the above mentioned strategic orientations business strategy was conceptualized to identify two main types of Porter's (1980) framework of low cost strategy and differentiation strategy. Thus, this research work argues that business strategy in terms of both cost leadership and differentiation strategy has a positive link with organizational performance.

Research Methodology

This research has adopted descriptive cum comparative research design. It further includes the employees as respondents having supervisors and manager levels which are working in public and private Nepalese banking sectors. In this study, having the features of survey research, respondents are selected at least middle level managers, and the primary data is the basic information input of the study opinion survey with mostly of close end questions, used in the survey.

Questionnaire item concerning business strategy adapted from porter (1980), Dess and Davis (1989) and Segev (1989) and Hsi& Yun (2005) used to measure strategy. For this five point Likert Scale questionnaire were used to measure

practices exist of business strategy in Nepalese Bank and to measure firms nature of business strategy and strategic intention in managing its business objectives. In order to describe and analyze the study various statistical tools were used. Mean, Frequencies, percentage and others tools are used to analyze the parameters of the study.

TABLE 1: Technical specification of the empirical work

Sample	**Public and Private Commercial Bank**
Scope	Nepalese Organization
Sample Size	3 public and 8 private commercial banks
Margin of statistical error	± 5.7 percent (95 percent significant level)
Field work period	November 2011 – Feb 2012

Major Findings

In this study the existing status of business strategies domain to assess to business strategies practice in the Nepalese commercial banking sectors, which were determine after the comprehensive review of the literature and previous study result. Therefore, this study attempts to confirm the ability of strategic choice and degree of relationship for success organization in Nepalese banking sectors. When business strategy were assumed and the introduction of business strategy and its dimensions make it easier for Nepalese organizations and their manager to focus their attention on them determining the specific action to carry out to introduce them. Result highlight the relevant of cost and human dimensions, necessary for developing and effecting business strategy in Nepalese banking undertakings. Though this study, it is obtained an instrument for measure the key elements of this findings.

As we discussed earlier, the present status of mission statement helps organization to develop strategic plan related with its competitors. In case of Nepal, the practice of written firm of mission statement in 89% organization it indicates that they are able to define their relationship of existence in target markets. In addition, it also seems that top management of most of organizations is very much aware about the formalizations of written mission statement. At the same time, 11% of organizations are still lacking in designing their mission statement in Nepal. However, this is a higher proportionality than, say, the more diverse sample of Nepalese organizations, as part of the CRANET survey (2006).

While analyzing the mission statement based on above table 1. It depicts more than 95 percent of respondents of public commercial banks have the written mission statement, where as 84 percent of respondents of private commercial banks have the written mission statement means 11 percent organization have the implicit type of mission statement. Therefore, some banks should give more attention to formulization of written mission statement.

Illustrate more than 90 percent of Nepalese banks are doing their business with the help of business strategies. Very little no. of banks are only doing their business in implicit form.

It indicates that commercial banks of Nepal are more concerned to produce better performance. Being the main focus of business strategy is to build a stronger long term competitive position.

Very few organizations are not written their business strategy though they have in un-written form. Further, it can be noticed that Nepalese commercial banks are realizing to formulate business strategies either in written or un-written form.

TABLE 2: Descriptive analysis of the status of business strategies.

Definition	**Mean**	**Std**	**Alpha**
Corporate Strategies (Composite)	4.65	.458	0.76
Our products/services compete in local market	4.68	.739	
Our products/services compete in national market	4.68	.639	
Our major corporate strategy is cost leadership strategy	4.05	.542	
Our major corporate strategy is differentiation strategy	3.71	.345	
Our organization implement both strategy (i.e. cost leadership & differentiation strategy)	3.95	.50	
We organize regular employees training and development program with low cost	3.98	.473	
Our organization engaged in market research	3.21	.453	
Our market position is currently growing	3.26	1.307	
Our organization prefers to seek growth through acquisition rather than spending money on R & D activities.	4.15	5.26	
Our organization acquire new ideas through strategic alliance	3.23	1.27	

N=108, sig = 0.000

TABLE 3: Mann Whitney Test of Cost Leadership and differentiation Corporate strategies in Private and Public banks.

Factors	Organizations	N	Mean rank	Sum of Rank	Sig
Cost leadership strategy	Private Bank	67	69.05	2831.00	
	Public Bank	41	45.60	3055.00	0.019
	Total	108			
Differentiation strategy	Private Bank	67	63.23	2592.50	
	Government Bank	41	49.16	3293.50	0.039
	Total	108			

Nepalese banking organizations have mission statement and written business strategy and focus on low cost strategy to meet the particular customer needs. Also Nepalese banks have technological facilities but they should of still give more attention to bring technological change and developments the organizations to satisfy their customer's need and sustain in competitive market place.

In case of differentiation strategy, Nepalese banks put out innovated products or services frequently and their customers compose only a small portion of the broad clients/customers. Nepalese banks are hardly able to cover whole national market and give more attention on market information, knowledge transformation process, learning and sharing culture, training and development programs in Nepalese banking organizations.

It is also found that interaction between both strategies needs to be considered for the successful applications of business strategy initiatives in an organization. There is significant difference between private and public banks in terms of business strategy existing in Nepalese banks.

There is significant difference between business strategy in private banks and public banks in Nepal. The private banks give more focus on technological leads than public banks, which helps private banks to satisfy customer needs through goods and services in low cost.

In case of differentiation strategy, we have got significant difference between corporate differentiation strategy in Nepalese private and public banks. This is because the government of Nepal time and again tries to reform the policies in public banks and impose them in practices. So that, the public banks may focus on getting more funding facilities for research and development programs a wider range of market both in city and rural areas, and a variety of marketing policies to compete with adopted private banks.

In many Nepalese organizations, "People are still taken as the main cost factor and organization do not have the policy of suing human resource strategically. Nepalese managers and policy makers are generally not convinced about the benefits of investment in resource.

Regarding the training and developments program and its effectiveness component of business strategy Public banks are found more profound in comparison of private banks, and it is because of own training centre and government financial support. But, their employee expenses in terms of salary and benefit and higher than in public banks. So, the attitude of employee in private banks is found to be more positive than in public on that's why they are committed, motivated and satisfied in the bank.

Discussion and Future Implication

With the restoration of democracy, the growth of banking sector is much better compare to other sectors in the country government has initiated and major reform policy to promote manufacturing and service sectors and their competitive powers. The introduction of liberalization and its reform policy in 1990s and the new industrial policy 1992 gave an emphasis to deregulation, encouraging competition and placing a reliance on market forces in the allocation of resources. The government has encouraged domestic and foreign investors through measures such as licensing tax facilities, foreign direct investment (FDI) and other institutional arrangements. The government also made efforts to encourage private investors to increase investment in the country and to bring in managerial and technical skills modern technology and foreign capital over the past, 20 years, Nepalese banking industries have grown rapidly in terms of business volume and assets as well as market. In relation to the service sectors a recent investigation into the transactions of the public sectors banks showed how these banks have incurred huge losses due interference from the government. The report shows that they are suffering from serious losses due to political driven and incapable governance, mismanagement and extremely weak human resource management practice. As far as the productivity of Nepalese banking industries a bank must be sure of its position in the competitive market and of its business strategies for defending and gaining current market share under complex situation. So to be the best and sustain in the market human resource through business strategy and its effective application with upgrading capability is required. The managers in the Nepalese commercial banks should pay attention to the importance of the different dimensions of business activities choices different profiles of business strategy can be adopted in their banks. In addition, the

practice of business strategy is essential for banking innovation and performance. So, Nepalese banks, moreover need to determine different profiles of their organizational strategy based on the human resource that matter the most and then direct the knowledge strategy resource that helps Nepalese banks to sustain their competitive advantage.

This research work has mainly used two basic competitive strategies (i.e. cost leadership and differentiation strategy. Therefore the result may be different, if additional business strategies and HR strategies are examined. Applying this to the measurement model could give further insights. Similarly future research could consider even other contextual variables, such as, union, age, culture, etc. this may understand the potentials of HR practices and firm can attains strategic objectives. In the same way, the findings of this research work are equally applicable to other types of organization that located in our country. Thus, new avenues of inquiry are opened in Nepalese settings.

Reference

Allen et. al. (2007), "Porter's generic strategies: an exploratory study of their use in Japan" *Journal of Business Strategies,* Vol. 24 No. 1, PP. 69-90.

Barney, J.B. (1991), Firm resources and sustained competitive advantage, *Journal of Management*, 17 (1): 99-120

Barney, J.B. (1991), *Gaining and sustaining competitive advantage,* New Jersey: Prentice Hall.

Chaudhary (2009), General Status of Corporate Strategy in Banks, *Management Review*, Vol. 1, PP. 27-29.

Copeland, T., Koller, T. and J. Murrin, (1996), *Valuation: measuring and managing the value of companies,* New York, NY: John Wiley & Sons.

CRANET (2006), *Survey on Comparative Human Resource Management: International Executive Report, 2006,* Kathmandu.

D' Aveni, R.A. (1994), *Hypercompetition: Managing the dynamics of strategic maneuvering,* New York: Free Press.

David, J.S., Hwang, Y., Pei, B.K. and W. Reneau, (2002), The performance effects of congruence between product competitive strategies and purchasing management design, *Management Science,* 48:866-886.

Fama, E., and K. French, (1992), The cross-section of expected stock return. *Journal of Finance,* 47:427-465.

Fama, E., and K. French, (1993), Common risk factors in the returns on stocks and bonds.*Journal of Financial Economics*.33:3-56.

Gomes et. al. (2009), Benchmarking Competitive methods and strategic choices of Portuguese SMEs, *Benchmarking and International Journal,* Vol. 16, PP. 729-740.

Grant, R.M. (1991). The resource-based theory of competitive advantage: implications for strategy formulation, *California Management Review:* 33:3.

Greiner et. al. (2007), "A strategy for Knowledge Management", *Journal of Knowledge Management*, Vol. 11, No. 6, PP 3-15.

Hall, W.K. (1980), Survival strategies in a hostile environment, *Harvard Business Review*. 58(5): 75-85

Hsi&Yun (2005), "Strategy alignment between HRM, KM and corporate development", *International Journal of manpower,* Vol. 26 PP. 582-603.

Miles. R. and C. Snow, (1978), *Organizational strategy, structure and process.*McGraw-Hill, New York.

Miller, D. (1988), Configurations of strategy and structure: Towards a synthesis. *Strategic Management Journal,* 7 (3) May-June, 233-249.

Miller, D. (1988), Relating Porter's Business Strategies to environment and structure: analysis and performance implications. *Academy of Management Journal,* 31 (2): 280-308.

Paudel, (2011).Myths about business process reengineering, *Management Review,* Vol. 3, PP. 20-21.

Porter, M. (1980), *Competitive Strategy: Techniques for analyzing industries and competitors,* Free Press, New York.

Porter, M. (1985), *Competitive Advantage*, Free Press, New York.

Porter, M. (1996), What is strategy? *Harvard Business Review*: Nov-Dec: 59-79.

Salavou and Halikias, (2009), Strategy types of exporting firms: a view on the basis of competitive advantage, *European Business Review*, Vol. 21, PP. 144-158.

Subramanyam, K.R. (1996). The Pricing of discretionary accurals. *Journal of Accounting and Economics,* 22:249-282.

Venkataraman, N. and V. Ramanujam, (1986), Measurement of business performance in strategy research: Towards a verbal and statistical correspondence. *Academy of Management Review.*11:801-814.

Yeunget. al., (2006), "Linking financial performance to strategic orientation and operational priorities: an empirical study of third-part logistic providers", *International Journal of Physical Distribution & Logistics Management,* Vol. 36 No. 3, PP. 210-30.