1st International Conference, March 10-12, 2011

Kathmandu, Nepal



Changing Perspectives of Management

Revisiting the Existing and Explore the Novel Ideas

CONFERENCE PROCEEDINGS

Volume 2, Number 1, 2011

Editors

Prof. Dr. Dev Raj Adhikari

Dr. Dhruba Kumar Gautam

Organized by:

Nepalese Academy Of Management

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Nepal Academy of Management

Nepalese Academy of Management – a not for profit, apex body of academicians and practitioners – designed to encourage management research, education, collaboration, and knowledge dissemination that are of relevant to all issues of management practices contextually as well as globally.

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Editorial Notes

International society brings variety of practices, beliefs, social roles, norms, expressions, forms of organization and conflicts on various issues like political, legal, economic models, which exhibit various sorts of managing people in organizations. Therefore, even similar strategies are perceived, they are producing different outcomes because of the influence of several contextual variables including industrial relation system, labor market, strategic human resource management practices, organizational strategies, changing business environment etc. Besides these, a number of significant global developments are taking place that have serious implications for organization and workforce management. The increasing level of FDI, cross-border alliances, business process outsourcing, and growth of multinational in this region have raised the question as how best to manage in this turbulent times.

Western society, powerful nation-states, large multinational organizations, global business leaders, and even free market ideologies are being discredited and blamed for the recent global economic crisis that swiftly spread throughout the world and they question the risks and challenges of globalization. The global economic crisis-2008 challenges management researchers to consider whether our research and knowledge provide contribution to the wellbeing of the society at large in which we live and work. This has not only affected organizational live of the globe but also challenged efforts of globalization that started in the 1980s as whole.

Realizing this fact, we all can contribute novel ideas regardless of our specific areas of inquiry since these questions span multi-disciplinary boundaries and reflect the very core of our scholarly mission to inform the field of management in this changing perspective. Firstly, we see necessity to revisit the applicability of our existing theories in the light of the changing perspectives of management, secondly, we need to generate novel theoretical ideas that better reflect the dynamics and provide relevant and timely knowledge. In this context of changing perspective, Nepalese Academy of Management – a not for profit organization dedicated to encourage management research, education, collaboration, and knowledge dissemination that are of relevant to management practices contextually as well as globally.

A large number of papers are received from all over the continents- America; Australia; Europe; Asia; and Africa for this first international conference. These papers are from 30 countries including Canada, Spain, USA, Australia, Austria, Japan, Poland, Czech Republic, UK, UAE, Switzerland, Portugal, Oman, Argentina, Mauritius, Hungary, Saudi Arabia, China, Philippines, Kenya, Iran, Nepal, Bangladesh and most of the part of India like: Tamil Nadu, Mumbai, Hyderabad, West Bengal, Delhi, Karnatak, Jamsedpur, Panjab, Ahmedabad, Assam, Banglore, Lucknow, Manipur, Orissa, Haridwar, Jhashi and others.

This second volume (Vol. II) of international conference proceedings attempts to bring out the facts, information, experience, knowledge and expertise, simultaneously opinions, mindsets, prejudice, and failure of previous occurrences which are essential to be practiced in various facets of management in all types of organizations. In this Volume two (Vol. II), thirty one papers are included. The paper appeared in beginning on this proceedings titled "Quality of Work Life and Labour Standards for Seasonal Migrant Workers in Sugar Industry in India" written by Dr. W. N. Salve identified major problems of sugar factories seasonal workers like: family ties, inadequate earnings, lack of collective bargaining power, the complete absence of

legal protection and social security, illiteracy, exploitation by Contractors. These workers are not covered under the various acts for schemes of provident fund, gratuity schemes, Workman compensation Act, Unemployment Relief, social security and other social insurance benefits. The second paper of this proceedings on "Do Family EMNCs differ from the Typical MNCs?- the Case of Indian Overseas Family Businesses" authored by Prof. Dr. Vipin Gupta presented a model of "typical MNC behavior" based on selected themes from the received literature, which is shaped largely by the experiences of the openly held and professionally managed industrialized market MNCs and showed how the internationalization pathways diverged from the "typical MNC behavior" model. The next paper of Hari sundar G. Ram, Soumya Narayanan, and Dr. Anandakuttan B. Unnithan on "Cadre Difference and Demographic Factors and its Influence on Ethical Orientation" found no significant difference in the ethical orientation between clerical staff and officers, males and females, educational qualification, promotion received, and income received in the organizations.

The forth paper of this proceedings on " Logistics: A Necessary Congruence of SCM & Distribution Management" written by Tushar Kumar Chakravorty showed a clear picture of how important supply chain management and distribution management are in order to achieve a robust logistics management and suggests some new strategies in order to eradicate the menaces which plague the logistics industry today. A paper of Prof. Dr. Dev Raj Adhikari and Dr. Dhruba Kumar Gautam on "Commitment and Compliance: Typological Framework to Increase Organizational Performance" explored hard and soft HR practices and developed a typology framework of compliance and commitment with new mandate for HR department to improve organizational performance. Next paper of Dr. Kaustab Ghosh on "Prioritization of Selective Managerial Success Indicators in Indian Context" established the prioritization of the aggregative managerial success indicators as well as the variables under each indicator. He addressed a relatively unexplored area of managerial success and outlined a framework for the prioritization of success factors by the Indian managerial community. Similarly, the paper of Zoltán Veres and Nándor Komáromi on "Job Satisfaction versus HR profile in Large Companies" concluded that relationship between job satisfaction and performance through HRM can partially be verified but – due to the complexity of the phenomenon – definitive rules cannot be formulated for managers. The paper written by Dr. Pawan Kumar Dhiman and Ms. Amita on "Role of Banks in Performing Corporate Social Responsibility: A case Analysis of Panjab and Himanchal Pradesh" found that many banks have not achieved their target as allocated by the government in the priority sectors in both the states and are financing only to the well established groups rather than considering their fulfillment of corporate social responsibility.

The ninth paper of this proceedings on "The Impact of Incongruency in CSR actions and Internal Practices on Employee Attitudes" by Rahul Chandra Sheel and Prof. Neharika Vohara argued that relationship between CSR actions of firm and employee attitudes influenced by the way employees are treated within the firm, quality of CSR intervention and employee involvement in CSR activities. The paper of Wojciech Nasierowski written on " Stimulation of Commercialization of Publically funded Research: Some Examples to Ponder" described issues related to the commercialization of publically funded research and concluded that some 'ownership' rights of inventors to research results form a motivation factor for inventors. Similarly, the paper " Corporate Social Responsibility in Indian Steel Industry" written by Dr. Pulidindi Venugopal, Dr. P. Vijay Kumar, and R. Gangadhar examined the contribution of

Indian Iron and Steel industries towards CSR in the light of parameters like Human rights, National sovereignty, local communities, labours, consumer protection, environmental aspects, economic aspects, and welfare of the employees. The paper of Dr. C. Natarajan on "Employer Branding strategies: A Study with Reference to Indian Software Companies" suggested some positive measures for the effective employer branding function of the software companies in order to improve its performance. The next paper " Corporate Social Responsibility- Some reflections related to Labor Rights' written by Carlos Alberto Toselli and Alicia Graciela Ulla exposed the consequences of globalization and technological developments and their influences on productive and commercial processes; characterized the notion of CSR and described the instrument that introduces CSR in enterprise management.

The paper appears in fourteenth number in this proceeding "Corporate Social Responsibility Practices and Motivations in a Peripheral Country: Two Portuguese Illustrative Case" authored by João F. Proença and Manuel Castelo Branco explored CSR practices and the underlying motivations in two Portuguese companies and suggests that moral reasons can motivate firms (and individuals within them) to engage in social responsibility activities. The paper of Dr. Bhanu Shankar on "Globalization versus Regionalization: Strategies and Policies in the Emerging Economic Environment" studied the relationships between globalization and regionalism and assessed the extent to which the increased global and regional integration has changed economic relationships at the level of firms, countries, region and world. "Knowledge Management: A Boon for Information System" written by Dr. N. Tejmani Singh and Ngariyanbam Rameswari reviewed the significance of KM in the achievement of success and growth in organizations in the global scenario. The paper by Dr. W. C. Singh on "Quality of work Life in Hospital Management" Studied factors for quality of work life in Hospitals and provided an insight to the hospital administrators and to employees about the concept quality of work life and significant role of QWL in managing and coordinating activities in an organization.

The eighteenth paper by Dr. Petr Teplý on "Liquidity Risk Management in Central Europe during The Global Crisis" suggested five main regulatory issues requiring revision in coming years: liquidity measurement, intra-day and intra-group liquidity management, contingency planning and liquidity buffers, liquidity systems, controls and governance, and finally models testing the viability of business liquidity models. In another paper written by Dr. Petr Teplý and Dr. Libena Černohorská on "The pending Global Crisis: A Dark future ahead of US" discussed the history, macroeconomic conditions, and milestones of the US mortgage crisis that later resulted in the global liquidity and credit shortages and provided an ethics-based platform for deriving preventative strategies. The paper written by Dr. Gopal Ji Gupta and Dr. Suman Bhakri on " Top Managements' Perspective of Human Resource Development in Indian Enterprises" selected Some parameters to analyze top managements' perspective towards human resource functions: codification of human resource policies , nomenclature of HR department and its head, level of HR function, place of HR department in the corporate hierarchy, HR ratio, operating mode of the HR function, reporting by head of the HR department to the chief executive officer, responsiveness of line managers towards HR programmes, budgetary support to human resource function, time devoted by the top management towards the function, and its ranking and credibility vis-a-vis other functions in the enterprise.

The paper in twenty one number of this proceedings written by Dr. Dagmara Lewicka on " Soft Tools Supporting Innovation- based on the Case Study of ZPAS Group" analyzed tools for supporting innovation in the entity: both hard measurements and employees' opinions on the company and management activities. Next paper authored by Christina Cregan on "Sweated Labor and Garment Home working in the Developed World" investigated that unskilled homeworkers operated under conditions of sweating, working extensive hours at very low pay rates. Those who worked the longest hours reported the highest levels of job satisfaction because they were able to earn a living. Similarly, the paper written by Dr. Surekha Rana and Dr. Nutan Jha on "A study of Total Quality Management and Patient Satisfaction in ISO Certified and Non – Certified Health Care Units" empirically examined the relationship between vision, leadership, resources, momentum, teamwork, training, and outcome with behavior of doctors, medical assistants, and quality of administration. "Management Education-changing Expectations of Corporate- An Indian Scenario" written by Shailesh O. Kediya studied the gap between corporate expectations and B-school delivery and provided measures to fill this gap in management education. the paper written by Dr. Shusil Bhakta Mathema and Dinesh Mani Ghimire on "Quality Assurance in Nepalese Higher Education: A case Study of Tribhuvan University" highlighted the need of well trained and experienced resource person to determine quality assurance in higher education and suggested to improve curriculum, faculty development, reward system, discouraging political pressure to ensure the quality in higher education of TU.

The twenty sixth paper of this proceedings written by Leopoldo Gutiérrez Gutiérrez and Virginia Fernández Pérez on "External Managerial Networks, Strategic Flexibility and Organizational Learning: A Quality Management Perspective" observed that external social networks affect strategic flexibility and organizational learning positively, primarily through greater size of the networks. The paper of Prof. Dr. Radhe S. Pradhan written on "Financial Sector Reforms: A Case of Nepal" analyzed the impact of financial sector reforms undertaken by Nepal mainly in the context of commercial banking sector and concluding that after financial sector reform, branches of financial institutions increased, commercial bank branches in rural areas decreased, and showed negative impact on agricultural and commercial credit. The paper of Ali M. Al-Khouri on "When Strategic Focus is needed: Strategy Development at Emirates Identity Authority" highlighted the significant of structured process and detailed, articulated work plan and reached into the conclusion that success depends on the continuous involvement and contribution of key internal stakeholders across multiple levels of organizations. The paper written by Binoy Joseph on "Effect of HR Strategies on Organizatioanl Commitment and Job Embeddedness in IT firms in India" found that Tata Consultancy Services is following Strategy A that is Long Term Investment Strategy (LTI), Infosys is following Strategy B ie., Balanced Professional Strategy (BP), US Technology is following Strategy C ie., High Performance Professional Strategy (HPP) and IBS Software Services are following Strategy D ie., Short-Term Professional Strategy (STP) in India.

Without doubt the authors have achieved their main objectives of filling a much needed gap in our knowledge of changing perspectives of management: revisit the existing and explore the novel ideas providing their papers for the international conference at Kathmandu organized by Nepalese Academy of Management (NAM). Indeed, this proceeding should also prove useful to practitioners, academicians, researchers, post graduate students and well as those who want

to prepare themselves and their organizations to work in new and changing perspectives. Moreover, this proceeding will be of interest to cross-national researchers and practitioners.

We would like to thank all contributors and all those who have in various ways helped this international conference and proceedings success. Specially thanks to all our distinguished advisors of Nepalese Academy of Management, key note speakers of the 1st international conference of NAM- Prof. Chris Brewster of Henley University, UK and Prof. Garry Bruton of Neeley School of Business, USA and key resource person Prof. Barbara Gastel of Texas A&M University who devoted considerable time, efforts and continue supports as well as inspire us to make the conference grand success. The family of KFA business school headed by Mr. Resta Jha deserves special thanks for adding high value to make the 1st international conference grand success involving as an associated partner of conference.

Editors
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Dr. Dhruba Kumar Gautam

Contributions

1. **Quality of Work Life and Labour Standards for Seasonal Migrant Workers in Sugar Industry in India** 1
   - W. N. Salve

2. **Do Family EMNCs differ from the Typical MNCs? - The Case of Indian Overseas Family Businesses** 14
   - Vipin Gupta

3. **Cadre Difference and Demographic Factors and its Influence on Ethical Orientation A Study among Banking Personnel in Kochi (Kerala)** 29
   - Hari Sundar. G. Ram
   - Soumya Narayanan
   - Anandakuttan. B. Unnithan

4. **Logistics: A Necessary Congruence of SCM & Distribution Management** 40
   - Tushar Kumar Chakravorty

5. **Commitment and Compliance: Typological Framework to Increase Organizational Performance** 50
   - Dev Raj Adhikari
   - Dhruba Kumar Gautam

6. **Prioritization of Selective Managerial Success Indicators in Indian Context: An Analytical Hierarchy Process Approach** 66
   - Kaustab Ghosh

7. **Job Satisfaction versus HR Profile in Large Companies** 90
   - Zoltán Veres
   - Nándor Komáromi

8. **Role of Banks in performing Corporate Social Responsibility: A Comparative Analysis of Punjab and Himachal Pradesh** 105
   - Pawan Kumar Dhiman
   - Ms. Amita

9. **The Impact of Incongruency in CSR Actions and Internal Practices on Employee Attitudes** 115
   - Rahul Chandra Sheel
   - Neharika Vohara

10. **Stimulation of Commercialization of Publically Funded Research: Some Examples to Ponder** 126
    - Wojciech Nasierowski

11. **Corporate Social Responsibility in Indian Steel Industry** 137
    - Pulidindi Venugopal
    - P. Vijay Kumar
    - R. Gangadhar

12. Employer branding Strategies: A Study with Reference to Indian Software Companies 148
- C. Natarajan

13. "Corporate Social Responsibility - Some reflections related to Labor Rights" 158
- Carlos Alberto Toselli
- Alicia Graciela Ulla

14. Corporate Social Responsibility Practices and Motivations in a Peripheral Country: Two Portuguese Illustrative Cases 171
- João F. Proença
- Manuel Castelo Branco

15. Globalization versus Regionalization: Strategies and Policies in the Emerging Economic Environment 186
- Bhanu Shankar

16. Knowledge Management: A Boon for Information System 193
- N. Tejmani Singh
- Ngariyanbam Rameswari

17. Quality of Work Life in Hospital Management 200
- W. C. Singh

18. Liquidity Risk Management in Central Europe During the Global Crisis 206
- Petr Teplý

19. The Pending Global Crisis: A Dark Future ahead of Us? 221
- Petr Teplý
- Libena Černohorská

20. Top Managements' Perspective of Human Resource Development in Indian Enterprises 234
- Gopal Ji Gupta
- Suman Bhakri

21. Soft Tools Supporting Innovation- Based on the Case Study of ZPAS Group 252
- Dagmara Lewicka

22. Sweated Labor and Garment Homeworking in the Developed World 268
- Christina Cregan

23. A Study of Total Quality Management and Patient Satisfaction in Iso Certified and Non-Certified Health Care Units 282
- Surekha Rana
- Nutan Jha

24. Management Education - Changing Expectations of Corporate - An Indian Scenario 289
- Shailesh O. Kediya

25. Quality Assurance in Nepalese Higher Education: A Case Study of Tribhuvan University 295
- Shusil Bhakta Mathema
- Dinesh Mani Ghimire

26. External Managerial Networks, Strategic Flexibility and Organizational learning: A Quality Management perspective 303
- Leopoldo Gutiérrez Gutiérrez
- Virginia Fernández Pérez

27. Financial Sector Reforms: A Case of Nepal 323
- Radhe S. Pradhan

28. When Strategic Focus is Needed: Strategy Development at Emirates Identity Authority 336
- Ali M. Al-Khouri

29. Organizational Learning in Nepalese Organizations 341
- Jitendra Pd. Upadhyay
- Surya Pd. Devakota

30. Effect of HR Strategies on Organisational Commitment and Job Embeddedness in IT firms in India 357
- Binoy Joseph

31. An Exploratory Research of Services Sector for Establishing Elements Vital to HRD Climate Survey: An Indian Perspective 373
- Dr. Sajal Kabiraj
- R.C. Walke
- Fahad Ashraf Kapdi

Quality of Work Life and Labour Standards for Seasonal Migrant Workers in Sugar Industry in India

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Introduction

The International Labour Organization unanimously adopted the ILO Declaration on social Justice for a fair Globalization on 10th June; 2008. The Declaration expresses the universality of the decent work agenda. All members of the organization must pursue policies based on the strategic objectives like employment, social protection, social dialogue and rights at work. However, ILO stated that all members of organization should implement the decent work agenda for all male and female workers.

In the present era of Globalization, large numbers of workers migrate across national and international boundaries in search of work linked to global production. Migrant workers are found in both developed and developing countries in the world economy. Stephanie Barrientos (2007) pointed out that migrant and contract labourers are prevalent in U. K, South Africa and India. Especially, unorganized workers or informal workers, contract labourers migrate from poor rural areas with low agricultural productivity or livelihood prospects in order to search out Seasonal jobs in developed agriculture, manufacture, and service sectors in India. Therefore, it is necessary to study the quality of work life and labour standards for seasonal migrant workers in India.

Objectives of the Study

The objectives of the Study are:

- To know statues of seasonal migrant workers in sugar industry in India.
- To know the work relationship between seasonal migrant workers and management of sugar Factories.
- To know quality of work life and labour standards for migrant workers in the sugar industry.
- To consider how migrant workers might be better incorporated within the ILO decent work agenda.
- To suggest measures in order to improve the working conditions of the unorganized workers in the sugar industry.

In this paper, an attempt is made to discuss about quality of work life and labour standards for seasonal migrant workers in sugar industry.

This study is descriptive in nature and mostly based on primary and secondary data published in different reports of the government and non government agencies.

Unorganized Sector in India

The Government of India adopted new economic policy in 1991, which is known as LPG policy, ie. Liberalization, Privatization, Globalization. After post liberalization period, the government also adopted revised economic policy for the purpose of economic reforms in various sectors in India. So far as unorganized sector is concerned, in India, most of the workers are generally quite unorganized,. the government of India set up the National Commission on Enterprises in the Unorganized sector (NCEUS) on 20 September, 2004 under the Chairmanship of professor Arjun Senguta. The report was submitted to the government of India in August 2007. According to this report, the share of unorganized workers in the Indian Economy that stands at around a whopping 92 percent of the total workforce.

The most important characteristic of informal employment, as for as the workers are concerned, is the absence of any form of protection. (IJHD, January, 2007, IJHD July, 2007). Workers engaged in the unorganized sectors do not have the benefit of several laws such as the Minimum Wages Act, the Factories Act. They are also not covered by statutory welfare measured such as maternity benefits, provident fund, gratuity etc. in India. The UPA government recently finalized the draft of a bill 2009 proposing to provide social security to workers in the unorganized sector (Moghe Kiran, 2009.).

Sugar Industry in India

The sugar industry is claimed to be the second largest in the country being next only to the cotton textile industry. Besides, the sugar industry is primarily agro based, because of its using sugar cane as the raw material. The annual production is in the range of 300to 350 million tons of sugar cane, there are more than 550 sugar mills in India, out which over 60 percent are either in the co operative or government sectors and the balance of about 40 percent in the private sectors. Over 50 million farmers and dependents as also a large number of agriculture labours are involved in sugar cultivation, harvesting and ancillary activities (Joshi, 2008, Sanyal Bhagriya, 2008).

Sugar industry is a seasonal character**,** seasonal factory is one which normally works for more than half the days of the year (Government of India, 1931). The main feature of nearly all the seasonal factories is that the workers are still essentially agriculturists and the great majority live in their homes. The workers are generally quite unorganized and wages to be law (Government of India, 1931).

In Maharashtra, there were 171 sugar factories during the year 2007-08, out of which 145 co-operatives and 26 private sugar factories.

Seasonal Migrant Workers

The problem of seasonalisation in agro–based industries can be found in a large number of countries. It has been discussed by many researchers, who have emphasized social and cultural, distant and economic factors as causes of migration. Todaro (1969) tried to explain migration in developing countries in terms of push and pull factors respectively. Unemployment, flood, earthquake, drought and other natural calamities etc. are the push factors. Pull factors that determine migration such as attraction of city life, for education, health, development of backward community, job opportunities and training facilities and so on. The push and pull factors of migration among a tribal and lower income's of population

are categorized under three heads i) Ecological factor ii) Demographic factor iii) Social and cultural factors.

There are some of the important key questions; we need to seek answers like,

1. Who are the migrant workers?
2. Why do they migrant from their native places?
3. What is the status of migrant workers in respect of quality of work life and labour standard in India? (4)Do they know about their labour rights?

The problem of poverty is directly related to the existence of unemployment underemployment, low productivity (NIRD, 1984). The helpless dispirited unemployed labour leave their village homes and join to swell the already over populated areas not only in India but also in other parts of the developing and developed countries, whose agricultural labourers are shifting to industrial sector. (ILO, 1960). Besides, The Royal Commission of Agricultural Report (GOI), pointed out that about 75 percent of the labour employed in large sugar Mills in India, was composed of such type of migratory labour. This seasonal trend force also found in other plantation areas in different parts on India. (Dasgupta, 1979, Gadgil, 1948). During the year, 2008-09, there was 12 lakh sugar cane cutters and sugarcane transporters in the Maharashtra state. At present, during 2010-11, there are more than 14 lakh sugarcane cutters and cane harvesting workers in the Maharashtra state. During the year, 2000-01, there were 7. 6 lakh seasonal sugarcane cutters in 132 sugar factories of Maharashtra state. Besides, 58 thousand bullock carters, 16 thousand track and tractors were engaged through Mukadams and contractors in the sugar factories of the Maharashtra state. The average duration of the crushing season in the sugar factories is varied from 150 to 180 days in India. Each sugar factory provides employment nearly about 5000 to 6000 harvesting labourers for a period of crushing season. (Tupe, 1985) However, indirect employment depends upon the size of sugar Mill or factory. The male and female seasonal workers are mainly drawn from the villages within the district and from other districts to sugar factories for seasonal jobs in a crushing season in India.

Quality of Work Life

Now, we discuss the concept of quality of work life in terms of workers in the manufacture and service sectors. Quality means the standard of goods, product, something is a measured against the other similar things, i. e. working conditions of workers in the firm or industry. Work is an integrated part of our every day life, as it is our livelihood or career or business on an average. We spend around twelve hours daily in the work place, that is one third of our entire life it dose influence the overall quality of our life. It should yield job satisfaction, give piece of mind, a fulfillment of having done a task as it is expected. There are various factors of quality of work life. The factors that influence and decide the quality of work life are (1) Attitude (2) environment (3) opportunities (4) nature of job (5) stress level (6) career prospects (7) challenges (8) growth and development (9) risk involved and reward (10) people.

We shall try to discuss these factors of quality of work life for workers in factory or industry, like sugar, cotton and other industries.

1. **Attitude:** The person who is entrusted with particular job needs to have sufficient knowledge, required skill, and expertise, leadership qualities and team sprit.

2. **Environment**: The job involves dealing with customers who have varied tolerance level, preferences behavioral pattern.
3. **Opportunities**: Some jobs offer opportunities for learning, self development and research.
4. **Nature of job**: Some jobs are required soft skill, leadership qualities but working environment.
5. **Stress level**: Stress is of different types like mental, physical and psychological or emotional stress. Emotional stress cause more damage than physical stress.
6. **Career prospects:** Every job should offer career development. This is an important factor which decides the quality of work life. More recognition from the management, appreciations are motivating factors for any one to take keen interest in his job. The work atmosphere should be conductive to achieve organizational goals as well as individual development.
7. **Growth and Development:** If an organization does not give chance for growth and personal development of employees, or workers of the factory. It is very difficult to retain the talented personal and also to find new talent with experience and skill.
8. **Risk and Reward:** Generally, reward or compensation is directly proportional to the quantum of work, man hours, nature and extent of responsibility, accountability, delegated powers, position of authority in the organizational chart, risk involved, demand and supply of skilled manpower and even political stability and economic policies of a nation.
9. **Challenges:** Challenge is the fire that keeps the innovation and thrill alive. The job should offer some challenges at least to make it interesting.

All these above mentioned factors are interrelated and inter dependent. However, we can say that a happy and healthy employee will give better turn over, make good decisions and positively contribute to the organizational goal. Therefore, an assured good quality of work life will not only attract young and new talent in the organization but also retain the existing experienced talent in the organization. Quality of work triggers higher work satisfaction and higher satisfaction leads to higher productivity. Work satisfaction is interalia, dependent on job/ employment security when firm offer less job. (ILO, 2008).

Decent Work for Migrant Workers

Decent work is a broad concept, it includes various labour amenities as per labour standards of ILO. Decent work has been proposed by Juan Somavia., The Director General of the International Labour Office, in his Report in the 87th International Labour Assembly in June, 1999. Decent work as defined by the ILO, is work that takes place under conditions of freedom, equity, security and dignity in which rights of labourers are protected and adequate remuneration and social coverage is provided. (Stephanie Barientos, 2007). Decent work has four pillars like employment, social protection, rights and social dialogue (ILO, 2000). Therefore, International Labour Organization put forward, four strategies to realize decent work. First, promote and implement the International labour Standards, fundamental principles and rights. Second, create more adequate and more decent job opportunities to all the workers. Third, provide comprehensive and effective social protection to all the workers including social security, labour safety and protect the migrant workers rights. Fourth, enhance

the tripartite principle and social dialogue. (Shen Xiaomei, Zhang, 2010). Therefore, ILO stated that the four strategic objectives are inseparable, interrelated and mutually supportive. The fundamental values of freedom, human dignity, social justice, security and non-description are essential four sustainable economic and social developments and efficiency. The importance of the employment relationship should be recognized as a means of providing legal protection to workers. ILO affirms that labour is not a commodity and poverty anywhere constitutes a danger to prosperity every where. (Teachers Movement, 2010).

Work Relationship for Migrant Workers

Migration is defined as a process of movement of an individual from the place of birth /origin or normal residence to a new place of residence. Labour migration is an important factor affecting the course of socio-economic development in India. Accelerated movement of people mainly from the rural and backward areas in search of employment has been one of the most important features of the labour market scenario in India during the post independence period. It has raised a number of concerns such as economic, social and political marginalization of migrant workers especially of those unskilled people moving from relatively deprived and depressed areas in search of gainful employment and living. Migration is widely perceived as both induced by the extent vulnerability of social groups and also results in increased vulnerability at point of destination. (Govt. of India., 2005). So far as seasonal migrant workers in sugar factories are concerned, seasonal migrant worker means a worker who moves from a village of one district to place of sugar factory area of another district within state or another state in search of seasonal jobs directly or indirectly through contractor/ or mukadam in premises of the sugar factory or in area of operation of the sugar factory for a crushing. During 2009-10, there were 14 lakhs sugar cane harvesting seasonal migrant workers in the Maharashtra state. (Daily Loksatta, 30August, 2010). However, these seasonal migrant workers are engaged through contractors in cooperative and private sugar factories. A sugar co-operative society is self governed as a democratic basis. A co-operative sugar factory is a processing activity undertaken by the producers of sugar cane as a mutual service. The hierarchy of work relationship between contract labour and management is shown in the Chart No. 1. Let us know work relation ship between contract labour, migrant labour and management in the sugar factory. Labour is defined as any work manual or mental under taken for certain pecuniary consideration is termed as labour. Besides, contract labour means any person who is employed by or through contractor to do any work for hire on contract basis in premises of the sugar factory as well as in area of operation of sugar factory. However, Contractors or Mukadams can supply contract basis seasonal workers to the sugar factories. Contractors are paid commission on the basis of the total wages earned by labour gangs or teams engaged through them. The strength of labour in each labour gang /team is varied from 15 to 20 labourers. Contract basis seasonal workers and migrant workers are also workers of the co-operative and private sugar factories in the country. In practice, the names of these workers are not borne on muster roll. This is a reality of seasonal cane harvesting seasonal migrant workers in the Maharashtra state and other states in India. The contractor or mukadam occupies a key position in the organization of contract basis work in the sugar industry. He serves as an important link between the supervisors or respective departments and the contract basis migrant workers. Departmental heads in the sugar factories arrange to do different types of work with help of contractors' labour team.

Working Conditions of Migrant Workers:

Generally, crushing season starts from October and lasts up to the end of April or May month in each year. After the cane cutting process, sugarcane can be transported by three sources (1) Bullock carts (2) Rubber tire carts, (3) Trucks, Tractors and trailers. Bullock cart man and sugar cutters with their family members cut on an average of one tone of sugarcane a day which must be quickly loaded and carried to the sugar factory. It was observed that a total of about 16-20 members of one cutting team must work along with one lorry or truck owners or contractors, whose vehicles are used to transport sugarcane over long distances. (Govt. of India, 1974). The sugarcane can be transported by trucks and tractors trailers from a maximum distance of about 20 miles or more, while bullock carts carryout sugarcane from short distances of sugarcane fields about 5 to10 miles. The contractors are paid a certain commission for this service. According to Breman's study (1978), through out the harvest time, sugarcane cutting and loading the lorry is also part of the cutting teams work. While cutting only takes place in day time and the transport is not restricted to any set hours. Loading can take at any time a day or night and quite regularly, the labourers must return to the cane fields to load even in the middle of the night. However, there is a long time, often reaching for beyond the factory gates and bullock carts are found to be waiting for their turns of sugarcane weightiest, they are not paid any compensation for the long waiting time. (Kamgar Union, 1981). If the sugar factory runs intermittently with stoppages every time, the bullock carts have to stand in the cane yard of the sugar factories for a hours (Aggrwal, 1976). Besides, in some instances the deliveries of cane from the farm to the factory take as long as two or three days. There is no fixed time of work for migrant workers; they have to work more than 12 hours a day instead of 8 hours a day. It should be noted that most of the seasonal migrant workers belong to the disadvantaged sections of the society, who can not earn a decent living as other normal people. (Salve, 2009). At the time of survey, it was observed that contract basis seasonal migrant workers were not treated as factory workers (Salve, 1990). According to the Industrial Disputes Act1947, the contract basis seasonal workers in cane harvesting of sugar factories are workers of factories, but these workers can be distinguished from direct labour employed on contract basis work by factories in respect of employment relationship with the principal establishment and method of wage payment. Direct labour which is borne on the pay or muster roll of the established and entitled to be paid directly, on the other hand, labourers recruited through contractors are neither borne on any pay roll nor is paid directly. (Govt. of India, 1969). However, it can be said that migratory characteristic workers are benefited to the employers for economic development and to a lesser extent for the migrant workers (Lester, 1968). Wherever, the local labour supply is inadequate or unwilling to harvest, the migrant workers could be employed easily in sugar factories (U. S. A, 1937). So far as shelters of seasonal migrant workers are concerned, the shelters of seasonal migrant workers are found to be scattered in different places in area of operation of the concerned sugar factory. Hovels are erected from stalks, bamboo, dry leaves or sugarcane, mat etc. Sugar cane cutters and bullock carter families reside in sugar cane fields, and nearby villages. However, sugar factories cannot provide them adequate facilities of accommodation and other amenities.

Besides, women workers go to work along with their breast-fed babies. Some of them leave their children at the labour camp in the care of older children and grand mother. However, sugar factories can not provide any mobile crèches facilities to children of women workers. So far as health status of seasonal migrant workers is concerned, it has been observed that migrant workers are not conscious in respect of their health and cleanliness. They are more superstitious and they are also believed in the power of magicians, ghost sorcerers' voodooist,

because most of the seasonal migrant workers are illiterate and ignorant. Therefore, contractors attempt to take full advantages of the weaker position of contract based workers in the sugar factories. However, seasonal migrant workers are unorganized workers in sugar industry in India.

The main characteristics of unorganized workers are as follows (Govt. of India, 2005):

- Low legislative protection due to scattered and disposed nature of employment
- Suffers from cycles of excessive seasonability of employment and lack of stable and durable avenues of employment
- No formal employer –employee relationship
- Large scale ignorance and illiteracy and limited exposure to the outside world
- Due to seasonal work they often have to migrate for alternative avenues of employment in other areas like construction and seasonal types of jobs etc during off-season in the agricultural sector in India.

Wages and Earnings

According to the Directive Principle of State policy in the Constitution of India, (Govt. of India, 1958), the state shall endeavour to secure, by suitable legislation or economic organization or in any other to all workers, agricultural, industrial or otherwise work a living wage, conditions of work ensuring a decent standard of life and full enjoyment of leisure and social and cultural opportunities. It has been observed that wages are paid according to rate of harvesting work. During the year 2009-10, it was Rs. 111. 86 per tone of sugar cane. This is not just for cutting but for an entire operation involving cutting, cleaning the sugarcane shoots by removing the leaves, cutting the long sugarcane leaves, carrying the bundles to the vehicles provided by the sugar factory, tying the loaded vehicles with a rope and finally cleaning the sugarcane farm. In this way, it was amount of work, all of which together was paid at the rate of Rs. 111. 86 per tone. During the year2009-10, the rates were varied from Rs. 175 to 250 per tone in other states in India. Therefore, seasonal sugar cane cutters as well as seasonal workers migrate from Maharashtra state to sugar factories in other states in order to get more earnings for the same work. It is discriminated sugar cane cutting rates between Maharashtra state and other states in India. As a result, the government took decision to increase sugarcane cutting rates from Rs, 135 to170 per tone from the crushing season 2010-11. (Daily Tarun Bharat, 7 October, 2010). What is the position of sugarcane cutting rate in the Maharashtra state? During the year2009-10, it was also less than Minimum wage rate of Rs. 120 in the Maharashtra state. Besides, the contractor charges some commission and distributes the rest of the earnings equally among his co-worker. As a result, the earnings of contract based migrant workers are generally10 percent less than those of the workers directly employed by the management in the sugar factory.

Labour Standards for Migrant Workers

So far as regulating the working conditions of migrant workers in sugar factories are concerned, no any labour legislation in respect of contract basis workers existed in the pre-independence India, provision of welfare amenities in all industries and plantations was commented upon by the Royal Commission on Labour1931, and Rege Committee Report. Besides, some Acts were passed by the Government of India, like Bombay Industrial

Regulation Act1946, and the Industries Disputes Act 1947 in order to form a uniform labour code for regulating the conditions of work in industries and plantations in India. The Factories Act1948, The Minimum Wages Act 1948, and other Acts were passed by the Government of India. The main purpose of this Acts was to maintain good relationship between factory management and factory workers. The Government of India adopted the constitution of India in 1950, which laid down ideal norms of welfare and working conditions of workers under the chapter dealing with Directive Principles of State Policy based on these ideals, and the Industrial Relation Act1946, the Industrial Disputes Act 1947.

From the contract labour point of view, the Contract labour Act1971, the Interstate Migrant Workers Act1979, Regulation of Employment and Welfare Act 1981, were passed by the Government in order to regulate their employment and working conditions, and provide them their conditions of services and welfare and matters connected with them. In case of contract basis workers as well as migrant workers, there are no regular standing orders governing the relationship between the contract labour and the employers in the sugar factories, because these workers are not treated s workers of the sugar industry. Therefore, Contract based seasonal workers, migrant workers are not also covered by unemployment allowance system, Holiday allowances, if we considered unemployment insurance policy in U. SA. (Thomas, 1980). All the Migratory workers in agricultural sector are covered by unemployment insurance benefits in some developed countries like United States, Britain, France, Germany, Japan. Part time, self employed and other informal workers covered by social security provide varying degrees of social security for informal employees. European Union countries signed an informal employment contract in the labour, not only including the hourly labour compensation, working hours, also including paid holidays, employment rights, and redundancy payments in the details. This is a good reference of perfect labour contract for informal employment. (Deng Bo, Chen Li, 2010).

In sugar industry, the hours of contract based labour for any work vary from factory to factory, and there are no restrictions either on normal working hours or overtime. From the contract labour point of view, there is no provision of leave and holidays for these workers, as they get payment when they work. It may thus be said that 'no work no pay' principle existed in the sugar factories in respect of contract basis seasonal workers and migrant workers. According to Salve's study (1990), about 21 percent of the total sampled migrant workers in the premises of the surveyed sugar factories were engaged in the age group of 15-17 years but their names were not in the records of the sugar factories. Besides, about 50 percent of the total children of migrant workers families were found in the age group of 1 to 3 years and remaining 50 percent of the total were in the age group of 4 to 14 years. However, the elimination of child labour is one of the four principles contributing internationally recognized core labour standards and enshrined in the declaration on fundamental principles and rights of work adopted by the International Labour organization in 1998. The ILO's appeal to eliminate child labour under 18's. The elimination of child labour requires comprehensive and integrated measures. The best example is the promotion of the right to education.. Child labour is one great obstacle to the realization of education for all. There is confirmation that education is a key to break the vicious cycle of poverty and child labour. (Yoshie Noguchi, 2005).

Trade Unionism

It has been observed that almost all seasonal migrant workers are not aware of the existence of any union of seasonal sugarcane cutting and transporting in the sugar factory. Seasonal contract basis workers as well as migrant workers can not participate in the workers' Union

due to various causes such as fear of victimization, migratory characteristics of labour, lack of union consciousness, among the seasonal migrants. They are not even aware of the beneficial provisions comprised in the Factory Act and the Contract labour Act. The bargaining power of these seasonal migrant workers is thus weaker than sugar factory employees. Besides, migrant workers are often unaware of their fundamental rights and Directive Principles of the state policy under the constitution of India. Besides, contract basis seasonal migrant workers in the sugar factories are not covered under the schemes of provident fund, Gratuity schemes, Workmens'CompensationAct, Unemployment relief, social security and other labour amenities.

Conclusion

The problem of seasonalisation in agro based industries can be found in a large number of factories, there are more than 550 sugar mills in India. The average duration of the crushing season in the sugar factories is varied form 150 to 180 days in India. The male and female seasonal workers migrate from their native places within district to other districts of the Maharashtra state or other states for crushing season of the sugar mills.

There are 14 lakhs sugarcane harvesting workers in the Maharashtra state. These seasonal migrant workers are engaged through contractors in co-operative and private sugar mills in India.

Work is an integrated part of our livelihood or career or business on an average. There are various factors of quality of work life. It is should be noted that an assumed good quality of work life will not only attract young and new talent in the organization but also retain the existing experience talent in the organization. Quality of work triggers higher work satisfaction and higher satisfaction leads to higher productivity. The Decent work has four pillars like Employment, Social protection, Rights and Social dialogue. It has been found that contract basis seasonal migrant workers are not treated as factory workers. Direct labour which is based on the pay or muster roll of the established and entitled to be paid directly, on the other hard labourers recruited through contractors are neither borne on pay roll nor is paid directly. It has been observed that most of the seasonal migrant workers are dissatisfied due to various causes like working conditions, low wages of labour, labour amenities etc.

Moreover, there is no any formal grievance procedure in respect of any dispute arose between migrant workers and contractors. Instability of employment and lack of any effective organization of the contract basis seasonal migrant workers are mainly responsible for the absence of a formal grievance procedure in the sugar factories of the India. They have to face various problems such as family ties, inadequate earnings, and health, education the lack of collective bargaining power, the complete absence of legal protection and social security. Majority of the seasonal migrant workers are illiterate and belong to the poorest, backward and disadvantaged sections of the society in India.. The intermediaries like Contractors and Mukadams often exploit their helplessness by giving certain advance payments and forced them into a kind of bondage labour. These workers are not covered under the various acts for schemes of provident fund, gratuity schemes, Workman compensation Act, Unemployment Relief, social security and other social insurance benefits. The social security to informal employees like seasonal migrant workers is facing the main problem in India. There is the problem of mechanism of safeguarding rights and interest of migrant workers. Therefore, it is urgently needed to perfect and innovate the mechanism to safeguarded migrants rights and interest for constructing a harmonious society and realizing migrant workers decent life (LIU, Pingaing, Liang Xiongjun, 2010).

Suggestions

Some suggestions are as follows:

- The employment of Contract Labour System should be abolished in the sugar industry and unorganized sector in India.
- Sugarcane cutters, bullock carters and contract basis workers both in the premises of sugar factory and operation area of the sugar factory should be treated as workers of the factory in order to provide them labour welfare facilities and social security as regular workers of the factory
- Formation of co-operative societies for seasonal workers and migrant workes should be encouraged by the sugar factories.
- Each Sugar factory administrators should be encouraged to improve labour management practices and relations in respect of contract based seasonal migrant workers.
- Record of contract basis seasonal workers and migrant workers about muster roll, wages, deductions, advances etc. should be maintained in the prescribed forms under the provision of the various Acts like Contract labour Act, the Minimum Wages Act, the Inter state Migrant Workers Act etc.
- The Minimum Wages Act 1948, should be extend to cover contract basis seasonal workers and migrants workers in respect of hours of work, break the rest, leave and holidays, minimum Wages, insurance policy, social security, equal wages for male and female for same work.,
- Same sugarcane cutting and transporting rates per tone should be adopted by the sugar factories in various states of India.
- Night shift allowance, transport allowance, retaining allowance, Canteen subsidy allowance, and dearness allowance should be paid to contact basis seasonal workers and migrant workers.
- Ration cards for food grain like wheat, Rice, Kerosene and subsidy entitlement Card (SEC) should be issued to seasonal migrant workers through public distribution system by the government. Seasonal migrant workers should get more than 35 kilograms food grains per month through Ration cards.
- Seasonal schools for children of migrant workers should be organized in each sugar factory. The working and vacations, hours, holidays, curriculum programmes of seasonal schools etc. should make to harmonize with the environmental of labour camps, seasonal needs, age group of children as per the crushing season of the sugar factory.
- The effective steps should be taken for periodic medical examinations of seasonal migrant workers. So that timely diagnosis and treatment of diseases are necessary for these seasonal migrant workers.

However, it is necessary to protect basic labour rights of seasonal migrant workers and also important ways to achieve social justice, ensure social security and meet human development.

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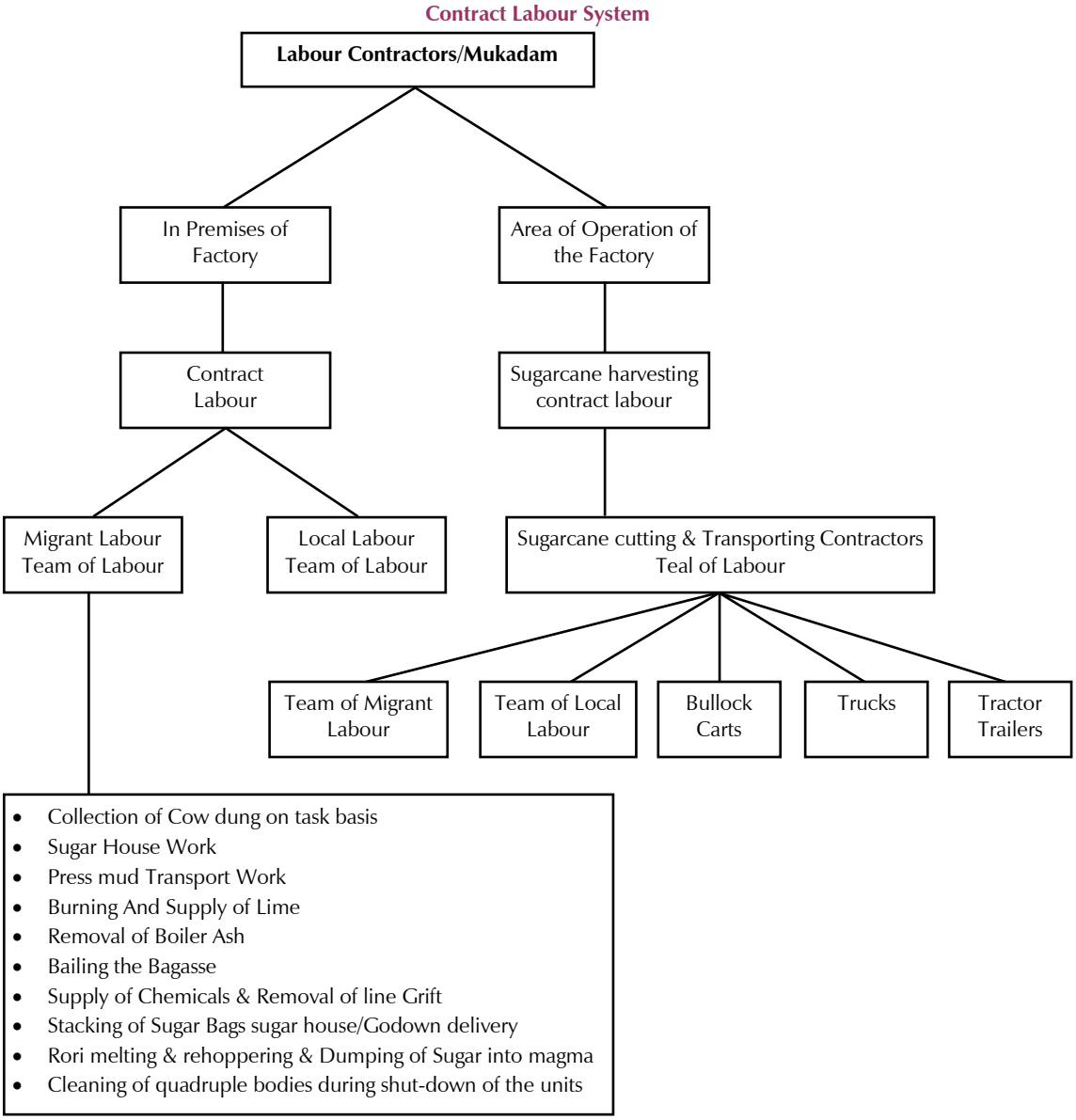
Chart 1: Showing Contract labour System in Sugar Industry in India



Do Family EMNCs differ from the Typical MNCs? - The Case of Indian Overseas Family Businesses

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Abstract

The emerging market multinational corporations (EMNCs) are becoming increasingly prominent, and family firms are disproportionately represented among these. In this paper, we present a model of "typical MNC behavior" based on selected themes from the received literature, which is shaped largely by the experiences of the openly held and professionally managed industrialized market MNCs. Using the case study of Indian overseas family businesses (OFBs) over the 19th and 20th centuries, we show how the internationalization pathways diverged from the "typical MNC behavior" model. We identify gaps in the "typical model" and suggest their implications for refining the MNC literature to be more relevant to the EMNCs.

Introduction

Over the last decade, there has been a rapid growth in the multinational corporations (MNCs) originating from the emerging markets (EMNCs). The received literature on the MNCs has been shaped mostly by the experiences of openly owned and professionally managed enterprises based in the industrialized markets. Recent research suggests that the pathways to the internationalization of the EMNCs are qualitatively different from the normative behaviors of the industrialized MNCs (Gammeltoft, Barnard & Madhok, 2010). This differentiation should be accentuated in the case of the family EMNCs, as the family business research suggests that the family businesses tend to have behaviors different from the non-family businesses, and that even the emerging market family businesses show behaviors and strategies significantly different from those of the industrialized market family businesses (Gupta et al, 2008). The study of the family EMNCs thus can help test the robustness and refine the perspectives built on the experiences of the industrialized market non-family MNCs.

In this paper, we first interpret the typical behaviors of the MNCs, based on the received literature. We then underscore the value of using a case study on the historical rise of Indian overseas family business (OFB) during the 19th and 20th centuries, as a way to identify potentially divergent pathways for the internationalization of the EMNCs. Based on the case study, we analyze the typical behavior of the Indian OFBs, and discuss the gaps in our "typical MNC behavior" model. We discuss how these identified gaps can help refine our understanding of the MNC behaviors, and offer additional pathways for the internationalization of the EMNCs.

A Model of Typical MNC Behavior

The literature on the behavior of the MNCs is extensive. Main citations can be found in the excellent critical theorizing and reviews by Inkpen & Beamish (1994), Ricart et al (2004), Kendall & Kostova (2003), Buckley & Casson (1998), Dunning (2000), Doz & Prahalad (1991), and Kogut & Zander (1993). To motivate our analysis here, we offer a particular interpretation of the typical behavior of the MNCs, and refer this interpretation loosely as "typical MNC behavior" model. The model is based on the major themes found in the MNC research. Specifically, the themes include: (1) motivation to invest abroad, (2) liability/ challenges of foreignness, (3) pathways for market entry, (4) strategies for success, (5) networking of host operations, (6) corporate social responsibility, (7) impact on global competition, and (8) impact on host markets – including how costs are distributed, benefits are captured, and policy challenges are addressed.

Motivation to invest abroad: The MNCs invest abroad because they wish to accrue added value by better exploiting resources, capabilities and knowledge either of their home-base or of the host markets. Investments overseas usually occur when there are significant transaction costs for trading home-based resources, and/or when the host market resources of interest are not trade-ready. An illustration of the former is when a firm is concerned about the leakage of intellectual property in its processes and/or products. Examples of latter include the un-extracted natural or non-migrating human resources in the local market, or the new knowledge being developed by a cluster of locally based firms that is not well codified to be traded in the global market. An example of both together is insufficient traded knowledge about the local market that makes it difficult and costly to adapt the exploitation and trading of home-based resources – and thus risks loss of opportunity or of competitive advantage. These motivating factors encourage the MNCs to seek to conduct business overseas through a system of activities, which complement or substitute trading with other business functions also.

Liability/Challenges of foreignness: Investing abroad usually carries higher risks than investing at home, especially because the MNCs tend to be more familiar with their home markets and are seen as foreigners in the local market. Lack of familiarity with the host markets imply that the MNCs have to develop new networks locally, either by recreating or reconstituting their global networks and/or by discovering and cultivating appropriate qualified local networks. Perceived foreignness in the host markets requires the MNCs to compensate by offering additional support / premium to the local partners and other local constituencies, and by using up their social capital to induce the global partners to co-invest. Lacking cultural integration, they also need to be sensitive to not stepping over the local sensitivities.

Pathways for market entry: Collaboration with the local partners, and/or with the global partners having local footprints, and/or with the home partners interested in co-investing, is the dominant pathway for most MNCs investing overseas. Collaboration serves several purposes, including pooling of resources, capital, knowledge, networks, risks, and responsibilities. Pooling helps in not only building scale by distributing the obligations, but also generates robustness by mobilizing a diverse scope of assets. Collaborations may be complemented, and to some extent substituted, with hierarchy-based control and market-based exchange. Hierarchy-based control requires establishing appropriate organizational, communication, and workforce systems, in both the home market as well as the host market. Similarly, market-based exchange requires market intelligence and presence in the local and global markets.

Strategies for success: To accrue greatest value from their host operations, the MNCs strive to connect their host operations with both global as well as local networks. Global integration aids in exploitation and development of home-base resources, while local responsiveness aids in discovery and exploitation of host market resources. Through mobilization of trade-ready world-wide resources and through economies of scale, global integration helps achieve cost-effective configuration of and transfer of learning across the value chain spread in different regions. Local responsiveness, on the other hand, works through economies of scope and mobilization of less traded localized resources and learning, and brings differentiation, uniqueness, and empathy to the activities performed in a region. The MNCs may develop a distinctive balance between global integration and local responsiveness at the level of corporate strategy, country strategy, business strategy, functional strategy, and /or collaboration strategy. The success of the strategy chosen tends to be a function of appropriate matching organizational design, and other factors that influence the benefits and costs of integration versus responsiveness.

Networking of host operations: Instead of confining their local operations to a single focused area, the MNCs tend to develop a system of activities in each host market, inter-connected locally and/or globally. The MNCs tend to be more sensitive to the differential comparative advantage of different regions, locally as well as globally, and demonstrate lower levels of escalating and continuing commitment to specific regions. They often specialize the host market in specific activities, and network it with others in the region or internationally for complementary activities. They regularly evaluate the benefits and costs of relocating, eliminating, or adding some of the activities performed in a given market, and create networks of knowledge, funds, talent, and other kinds of flows to facilitate system-wide transitions.

Corporate social responsibility: The MNCs are citizens of the host nations they operate in, and are expected by their local and global stakeholders to be conscious of their corporate social responsibility obligations in those nations. Particularly because of their foreignness and their implicit intent to repatriate resources to global investors, the social implications of the MNC behaviors in the host markets tend to be highly visible and monitored. To manage their social case, the MNCs strive to assure social compliance of their organizational and collaboration activities in the host markets. They also strive to support the local community in various ways, and to demonstrate that their business case also serves the interests of the local community. Many MNCs also tend to be sensitive to gender and other forms of diversity, partly because they often face less competition from local organizations for these diverse pools of talent, and are able to push the discourse and frontiers of inclusion in host societies.

Impact on global competition: The MNCs help moderate the strength of global competition – sometimes intensifying it, and at other times mitigating it. The markets already dominated by the other MNCs are often attractive for them, because of lower costs of foreignness as well as ease of gaining familiarity as a foreigner. Brokering the relationship between other MNCs and the host organizations/ residents is another attractive area, as they may help cut the transaction costs of that exchange through a stronger commitment to acquiring knowledge about the local market. Many MNCs are able to access low cost financial resources for acquiring core local companies, and/or for supporting their local businesses through intellectual and other assets to obtain a competitive edge over the local companies. In these cases, the MNCs may either completely substitute local businesses, or induce them to move into new niches that are different from or complementary to their own operations. By virtue of their global networks and differentiated cultural endowments, the MNCs also bring innovative opportunities to the host markets – reconfiguring, strengthening and advancing existing

activities; and initiating and diffusing new activities. Further, with their outsider perspective, the MNCs are in a unique position to recognize the unique business and cultural endowments of the host communities, and to create new pathways to leverage and sustain the value of these endowments – thereby enabling inclusion of often less privileged and bottom of pyramid groups as players in the national and international economy.

Impact on host markets: As foreigners/outsiders, the MNCs strive to maximize the private benefits and minimize the private costs in the host markets. In order to safeguard and to access new and to expand current avenues of private interest, they develop visible and invisible practices of institutional networking and lobbying. They influence host institutional priorities and assessment of social benefits and social costs pertaining to their activities. They may even seek support of their home institutions towards this end, by implicitly committing to bring a greater proportion of benefits to the home market. Institutional activism in general implies preferential policy revisions and/or enforcement in ways that directly benefit the MNCs, and may have less direct benefits for the local communities. Time-sensitive and centralized institutional activism may not offer opportunities for all constituencies of the civil society to voice their perspectives. That may legitimate MNC behaviors that weaken their popular appeal and invite criticisms and even reversals of institutional mandates, especially during the times of economic and political crisis.

Research Methodology

The "typical MNC behavior" model reviewed above is necessarily a simplification. One finds considerable diversity amongst the MNCs, based on factors such as the country of origin and destination, ownership, size, sector, leadership, and historical evolution. Yet the typical MNC behavior model offers a useful starting frame of reference for uncovering the idiosyncratic behavior of the family EMNCs. Siggelkow (2007: 21) notes that the "talking pigs" or less representative cases can usefully "help sharpen existing theory by pointing to gaps and beginning to fill them." Particularly in the context of longitudinal research that seeks to unravel how the idiosyncratic dynamics plays out over time, they inspire "getting closer to constructs and being able to illustrate causal relationships more directly." (Siggelkow, 2007: 22). The idiosyncratic case studies can thus help unravel new development pathways that are not evident in the large-sample analysis and theorizing based on the typical cases alone.

Several cases of the family EMNCs have been prominent over the modern history. Notable ones include Jewish, Lebanese, Chinese, and Indian family businesses that internationalized since at least the 19th century. In each case, the rise of family EMNCs was accompanied with the migration of co-ethnics to specific regions of the world where the family EMNCs invested. In most cases, the family businesses did not have strategic, financial, and operating interests in more than one nation, because the host market was adopted as the home-base through migration. Therefore, the resultant firms are more appropriately referred to as overseas family business (OFBs), some of which were family EMNCs initially or became so subsequently. The case of Indian family OFBs is of particular interest. First, ethnic Indians were the largest group among the overseas migrants during the 19th and the first half of the 20th century (McKeown, 2010), and their collective historical experiences of more than one hundred fifty years can point to diverse pathways. Second, the early Indian family OFBs were among the most international firms, some with networks extending through the Middle East, Africa, Southern Europe, and Central America on the one side, and Southeast Asia and Japan on the other side of the globe (Markovits, 1999). Third, many Indian family OFBs shifted or created their home-base in the

overseas nations, taking on the identity of domestic firms in those nations, and subsequently restarted the process of internationalization sometimes after two or three generations. We therefore study the more general case of the Indian OFBs, as a context for uncovering the potentially divergent pathways for the EMNCs.

Indian Overseas Family Business (OFB)

Indian family businesses engagement in international trade and investments in fact dates back to the entire period of recorded history and even pre-history (Markovits, 1999). In the middle of the 19th century, this engagement accelerated and took new forms with the incorporation of India into the British Empire, and involved massive migration. Millions of Indians migrated under the indenture system to Southeast Asia, East Africa, and the West Indies, to work on plantations, roads, railway lines, and ports. Alongside, there occurred voluntary migration – most were impoverished peasants suffering from exorbitant land taxes, but a substantial number were traders who migrated – particularly from mid-1880s onwards – to extend their family businesses overseas (Klein, 1987; Markovits, 1999). Muslims formed a disproportionate – half or more – proportion of the migrants. Most of the traders investing overseas were from a few coastal regions - primarily Gujarat and Tamil Nadu, and secondarily the Punjab, Sind, and Kerala. Business families from "those communities which were in a more precarious position in regard to internal trade and already had a foothold in trade outside India" were more likely to develop overseas interests (Markovits, 1999). Overall, during 1830-1930, about 27 million people migrated overseas from India (primarily South India), of which 5% were family business traders. Because of a higher returnee rate among the labor class, shift of the labor class to small-scale trading, and under-representation of women in working population, official statistics show that by 1930, a sixth of the working Indian diaspora was in business, with proportion as high as half in some East African nations (Markovits, 1999).

The first generation overseas family business founders in Africa started off in the urban centers, as hawkers or proprietors, selling fresh produce and Indian groceries or working as a salesman or a supervisor in a store or doing skilled work such as tailoring. Most had limited history of business success in India, and had limited capital in hand. Initially, many specialized in selling goods to the Indian laborers. However, given the low purchasing power of the Indian laborers, further expansion was predicated on other opportunities. Markovits (1999) notes, "Supplying the Indian laborers was often only the first step in a process. Thus in South Africa Indian traders increasingly specialized in selling goods to the natives, a field in which their low operating costs and knowledge of the market allowed them to make rapid inroads to the detriment of European competitors, mostly Jewish merchants. The same was true of East Africa." Some family businesses even "specialized in the sale of 'European' goods mostly to European customers. This was the case in particular of the Parsis, who often were specialized in the liquor trade, and of the Sindworkies who traded in silk and curios." (Markovits, 1999)

The Indian family businesses invested their accumulated capital to buy out established businesses and set up petty shops – clothing, food, and general merchandise. Some became general dealers, engaged in money lending, banking, and/ or cotton or grain trade, and created networks linking large coastal Indian wholesale and import houses to one another and to the hundreds of small traders in the regions. In South and East Africa, they took the vacuum left by the fall of Arab traders under the British Empire, but in Southeast Asia, that vacuum was filled mostly by the Chinese. In Africa, Patel (1997: 9) observed that the Indian family businesses "constituted the vital middle class, which served as the connecting link on the

eastern side of the [African] continent between the African peoples and the peoples of Europe, America and Asia. They introduced the manufactured goods and technology of the industrial centers of the outside world to the indigenous Africans and they brought many of the natural recourse and agricultural produce of the African interior to the international markets."

Indian family businesses kept low overheads, offered low cost products, and assured fair business dealings, to soon dominate up to 70% of the local retail trade, especially in the rural areas of East and South Africa (Hiralal, 2001). The international trading networks of their communities – many dating back several centuries, most specializing in specific industry niches and having community's specialized interest specific industry associations in host nations – played an important role in their success (Markovits, 1999). The Multani Shikarpuri shroff families of Sind, for instance, "established a powerful international banking network extending from Astrakhan on the Caspian Sea to the Straits of Malacca", where their hundis (i.e. traveler's checks) were a major trade currency. Similarly, Bhaiband Sindworkies, who specialized in the sale of silk and curious, had an established family business branch network comprising of 5,000 members in the first decade of the 20th century. Their network extended to all major ports along the two main seat routes – India-Japan (via Sri Lanka, Singapore, Indonesia, Vietnam, China, Philippines) and Bombay-Panama (via Sudan, Egypt, Malta, and Spain or alternatively via Mozambique, South Africa and Sierra Leone). In the big Sindworkie firms, telegraph was the main means of communication, yet the principals made regular 'inspection tours' of the branches, which took them many months to complete (Markovits, 1999). The Muslim Memon family businesses from Kutch, Gujarat, specialized in rice trade, particularly in Mauritius and South Africa.

In Southeast Asia, a majority of the Indian family businesses hailed from the South Indian States of Tamil Nadu and Kerala. The Tamilian Nattukottai Chettiar family businesses internationalized from the mid-1880s to become major financiers of commercial agriculture in Southeast Asia, using temples as clearing houses. They were main providers of rural credit to the farmers of Sri Lanka, Myanmar, and Malaysia, with operations extending also to Vietnam, Indonesia, Thailand, and South Africa. The biggest of Nattukottai Chettiar financial houses had more than a hundred overseas branches, controlled from their headquarters in India, although "local managers had a large autonomy in the day-to-day running of the business." (Markovits, 1999) Also, the Tamilian Chulia Muslim family businesses were general merchants and retail shop-owners in cities, towns, as well as remote villages, of Southeast Asia; though their economic significance was dwarfed by the Chinese family businesses in general wholesale and retail business (Markovits, 1999).

Indian family businesses sent their employees or family members overseas as part of a highly organized process through their community's international business networks. Markovits (1999) notes, "Those who left as employees of commercial firms had contracts for a period of two or three years at most. Others who went on their own just hoped to make good in a few years so as to be able to come back to India in a better economic position." Official surveys indicate that 95 percent of those employed in the Indian diaspora family businesses were male. In the 1920s, women were fewer than half in numbers than men, as businessmen often tended to leave their wife and children in India unless they had become sufficiently successful. The businessmen also visited India at regular intervals to meet their families. After migration, wives and daughters often gave a helping hand in the business, but were generally not recognized as being employed (Markovits, 1999). However, with success, those who had gone overseas invited additional members of their family or village or religion, to mange expansions, and to diversify their investments into real estate and manufacturing.

In Southeast Asia, many Indian family businesses had initially entered to expand their India-based wholesale trading business, operating in textile, fancy goods, and sports businesses for the colonial and elite clientele (Mani, 2006). Both pull and push factors were at work. Their products were popular among the British in India, and they wanted to tap the opportunity in the other colonial markets. Also, the opportunities in India were limited because of colonial pressures and laws (Markovits, 1999). Though sometimes, family members would themselves migrate, usually non-family employee or partner became the manager, supported by clerks and salesmen hired from the family's home region in India (Markovits, 1999). Indian families were also prominent in insurance, banking, and money-lending, as the only source of mid to long term credit. Many Chinese entrepreneurs started their business with a loan from these families, as the colonial banks would lend only against first-rate securities (Sandhu, 2006). New co-ethnics came to work as clerks and salesmen, gradually became vendors by forming relations with the larger firms, and accumulated sufficient wealth to set up new firms in co-ethnic partnership superseding the older firms. In due course, the partnerships broke into smaller firms, or resulted in one buying out the other partners (Mani, 2006). Further, the success stories of those who migrated initially encouraged additional "chain migration" of business families from the same region in India, to start a similar business using credit and networks of the early movers (Markovits, 1999). There was no formal coordination among the family businesses of different Indian ethnicities. However, some were inter-connected. For instance, the Kutchi Memons exported rice grown by Burmese farmers with advances from Chettiar moneylenders; the Burmese farmers discounted the bills from Chettiar firms through Shikarpuri bankers, who in turn rediscounted them with bankers in Bombay (Markovits, 1999).

Though initially ignored or even welcomed, Indian family businesses attracted local government restrictions, including commercial and residential segregation and even limiting the rights to maintain family and business relationships in India, when with prosperity they sought to penetrate the commercial and residential arenas predominantly monopolized by local elites (Hiralal, 2001). Many decided to settle in their host nations. After the 1950s, many withdrew from commerce and trading to accommodate the locals, and moved into manufacturing, construction and services, including expansion to neighboring nations (Himbara, 1994). However, local entrepreneurs lacked skills and contacts to succeed in the commercial and trading space, and were able to form mostly micro-enterprises (Janjuha-Jivraj, 2006).

During the 1960s, growing American assistance to the Asian region offered opportunities for the Southeast Asian based Indian family businesses to diversify into import-export and money lending business (Chanda, 2006). A classic success story was a bullock-cart driver rising to position of wealth. Though trading and retailing were most common, many operated in other sectors. For instance, some in textile trading diversified into textile manufacturing, and some started schools teaching English and commercial subjects. Women's involvement was limited to micro enterprises, such as selling cooked food and spices from home or in the local market or through their children (Mani, 2006).

In the 1960s and 1970s, many Indian family businesses in Africa and Southeast Asia – now under second generation leaders –were subject to a forced sale of their business and real estate at throwaway prices. For instance, in the 1960s, many Indian business families migrated to Singapore, when expelled from Indonesia. Similarly, in the 1970s, when expelled from Uganda and facing expropriations in Kenya and Tanzania, several Indian families in Africa migrated to UK of which they still held passport from the colonial era, or sent their children to be educated and then settle in the UK (Janjuha-Jivraj, 2006). This re-migration to the UK was further

encouraged by almost simultaneous developments in the UK, where the government forced the Indian immigrant community to commit to establishing a base in the UK, and induced them to invite over their family members to settle (Janjuha-Jivraj, 2006).

Most first generation Indian family businesses lacked financial resources to educate their children through the college (Janjuha-Jivraj, 2006). They also needed their children to assume the top leadership roles in the family businesses, which were reserved only for the family members. Co-ethnic members were offered the less senior but supervisory roles, while the native Africans were offered lower level roles (Janjuha-Jivraj, 2006). In a few cases, Indian family businesses were able to avoid confiscation because of their relationships with the local elites. They acquired large blocks of land, department stores, hotels, wholesale businesses, and factories, and internationalized with the help of Indian diaspora locally and/or globally (Ginwala, 1977; Arkin, 1981). The diversification and internationalization was driven by the availability of trusted managers having the skills to manage the new ventures successfully, rather than by the intimate knowledge of the new sector (Gidoomal and Porter, 1997). In Southeast Asia, the ongoing national economic development offered opportunities to the Indian family businesses to secure overseas know-how, often form India. Many used their intimate knowledge of local trade and market to enter new sectors through joint ventures with Indians firms who provided capital, machinery, and technical know-how. Some formed overseas collaborations to secure technical know-how. These collaborations allowed diversification and entry into even non-traditional areas, such as making films using local talent, shipping industry, furniture making industry, and dairy industry (Mani, 2006).

Women as spouses played an important role in the early development of new businesses in all regions. Because of the patriarchal attitudes, men – of this generation and era – as husbands rarely acknowledged the contribution of the wife, and either consciously moved the business away from her, or otherwise outgrew the business beyond her life balance needs and interests. Her role in the family business resurfaced as their children grew, and found her a knowledgeable and supportive mentor in their formative decisions on whether to join the family business, what opportunities existed for the development or change, and how they might prepare for that (Janjuha-Jivraj, 2006).

In the 1990s, many Indian family businesses in Africa were sending their children to get higher education in the UK or in Western-style local universities, to capitalize on the changed local and global environments, such as the fall of apartheid government in South Africa (Hiralal, 2001). They had sufficient financial resources to offer similar educational opportunities to their daughter also. Consequently, in some cases, daughters also returned to assume leadership roles in the family business (Janjuha-Jivraj, 2006). Similar developments were taking place amongst the Indian family businesses of the UK (Janjuha-Jivraj, 2006).

The educated third generation leaders introduced formalized frameworks for regulating the role of family members in the business, allowing access to external human capital, private equity and debt, and for help raising of public equity and pursuing acquisitions and organic growth. The second generation predecessors created foundations by involving non-family senior managers in strategic discussions involving the entry and roles of the third generation. It was usual for the third generation successors "to undergo a period of apprenticeship… to spend a year working their way around the company being exposed to the full range of activities and processes across all levels of organization." (Janjuha-Jivraj, 2006: 37). Once this happened, they seized to use mothers as their mentors – as they "became more confident of their position within the business and, more importantly, their relationship with the father,

they were willing to let go of the apron strings and assert their independence." (Janjuha-Jivraj, 2006: 71).

The third generation leaders had rather limited emotional bonds with co-ethnic community, and were more willing to reward locals with senior management positions for their loyalty. A few Indian family businesses – such as Universal Print Group in South Africa -- even embraced missions to empower less privileged indigenous communities, through employment and vendor and distributor partnerships. Those who failed to do so -- such as Damjee Jewellers and Mistry's/Dash supermarket – and consequently suffered erosion in their business interests (Hiralal, 2001).

In the 1990s, significant numbers of educated South Asians began migrating to North America also. Several found employment as cashier and other key roles in the retail and hospitality sector – gas stations, motels, fast food franchises, restaurants, and jewelry stores, often owned by the earlier generations of South Asian migrants. As they accumulated experience, they created a profit sharing partnership with their employers to set up a new unit, with an option to buy out the former employer's share. Typically, founders and their wives worked together as a copreneurial team running all aspects of business; sometimes parents or siblings also joined in as the business grew with the help of the embedded co-ethnic community ties. As the business expanded, women withdrew from the primary business, but looked for the diversification opportunities. Once women established the new business, their husbands sold off the earlier business – usually to siblings or co-ethnic members– or brought in their children as successors to lead further growth. Typically, children were involved in the business from their formative years, such as during school holidays, that created a sense of confidence. After receiving higher education, these children worked in professional organizations, before deciding to join the family business to help with taking on different set of opportunities based on new strategic directions and skills (Janjuha-Jivraj, 2006). Similarly, in the high-tech sector, after accumulating professional experience through employment, some ventured into their own businesses. Angel funding and other support was generated through co-ethnic ties, formed through professional and social activities (Clark, 2000). Often, partnerships, offices, or other support services for these firms were situated in India, as born global firms.

Discussion

The rich history of Indian OFBs can be used to examine how their behaviors diverge from the "typical MNC behavior" model, in order to identify gaps in the latter and to refine the model.

Motivation to invest abroad: Some Indian family firms did start operations overseas to leverage their home-base endowments, i.e. as an expansion of their Indian businesses. However, the firms with strongest home-base endowments were usually not the ones to invest overseas – instead, those with more limited success in India were more likely to invest overseas. The firms from the coastal regions of India, and the religious minorities (Muslims) were more likely to invest overseas. Further, in some cases, the start-up investment in the wholesale and retail trade of Indian products and services helped reduce the transaction cost for bilateral international exchange. However, in most cases, the primary investment was in the form of human resources and had limited implications for bilateral international exchange except in a deeper sense of culture embodied in these human resources. Similarly, the start up operations of many Indian entrepreneurs did seek to leverage the host-base endowments, including the local market knowledge, the local language, and the local products and services. These entrepreneurs, however, in most cases decided to permanently settle in the host markets,

and did not seek to trade the host-base endowments – at least during the initial generations – to India or other nations. In both cases, a key motivation to invest overseas appears to be the opportunity to make a difference in the lives of the host residents, and an emergent vision – formed usually after the initial migration – of visualizing the family business as an author and a participant in scripting this different and better life in the host markets.

Liability/ Challenges of foreignness: The Indian family firms investing overseas certainly faced high risks in the host markets, because of their limited familiarity with those markets and perception of being foreigners. However, both established firms as well as individual entrepreneur migrants did not invest in a vacuum. Rather, their entry and development relied actively on the established trade, and later investment, networks of the co-ethnic and inter-ethnic home nationals. They were therefore able to quickly gain sufficient familiarity about the host markets, that allowed them to either completely out-compete the Western MNCs or to situate themselves strategically as brokers between the Western MNCs and the local residents, and to even become traders intermediating among various host residents and sub-regions. Their presence actually reduced the transaction cost premiums for both the Western MNCs as well as the local residents, and forced out those firms who were responsible for higher cost premiums. Being outsiders, the Indian family firms and entrepreneurs were able to recognize the opportunities for reducing the transaction cost premiums. However, once these premiums had been reduced across almost the entire range of trade, the local residents expected the Indian family firms to shift their investments into manufacturing and other services, as a test of their loyalty and commitment to the adopted host nation. In summary, the foreignness appears to be an advantage as long as the Indian family OFBs filled important gaps in the host market, and moved to fill new gaps when the initial gaps were filled. The foreignness appears to be a liability when the Indian family MNCs sought to hold their control over the gaps already filled, and did not help build local resident capacity in assuming leadership in those areas.

Pathways for market entry: Collaboration with the local and global players was certainly part of the launch and growth strategy, as were hierarchy-based control and market-based exchange. However, the most proximate pathways to market entry of the Indian family MNCs were family workers, knowledge, contacts, and trust. Members of the extended family, including co-ethnics from the same village, helped lead geographical and product diversification. In some cases, new arrivals took employment with the established co-ethnics, learnt and progressed up, took the financial and know-how support to form new businesses in partnership, and then bought out the share of the established co-ethnics. These new arrivals sometimes competed out the established co-ethnics in specific segments, inducing the established ones to diversify or move into other segments. In other cases, the established co-ethnics maintained distance from the new arrivals, forcing the new arrivals to use minimalist approaches to survive. The established co-ethnics also strengthened their dominant power in specific markets by controlling manufacturing, trading, wholesaling, retailing, financing, as well as logistics. They typically sent their children for schooling and higher education to the major regional centers or to the West, in order to gain modern knowledge and then to apply that to the family business. In some cases, wealthier business families or their children migrated to the Western nations.

Strategies for success: The established Indian family OFBs tended to connect their host operations globally, while the upstart ones tended to focus more on building the local networks. At some points, these two networks intersected, for instance, the established Indian family OFB bankers financing the retail trade of the upstart Indian family entrepreneurs in the host markets. Thus, the balance between global integration and local responsiveness was often

achieved not at the level of individual firm, but at the level of the entire Indian diaspora. Further, the global integration was not always achieved at the level of a corporation. More often, different ethnic groups of family OFBs tended to focus on different product-markets, and the co-ethnics often established similar operations in the other regions. Knowledge and other resource transfers among these co-ethnic enterprises situated in different regions occurred through various co-ethnic networks. In other words, the global integration usually occurred at the level of co-ethnic networks. There were no pan-region co-ethnic associations or coordinating bodies, though such bodies did exist at the local level and may have facilitated some pan-regional interaction also. Global integration through co-ethnic and inter-ethnic networks allowed most Indian family OFBs to focus their priorities on local responsiveness, and to reinforce that by inviting additional members of their family to support the growth and development of their business in the host markets. Over time, they also mentored the next generation of family successors and local managers to sustain the local responsiveness. In addition, as the initial power of the co-ethnic and inter-ethnic networks weakened, they put renewed priorities on forming new connections with those networks locally and globally.

Networking of host operations: The leading Indian family OFBs networked their host operations with other regions. They also networked these operations locally, by expanding to different sub-regions and by investing in or acquiring operations in manufacturing and various service domains. They demonstrated very high level of continuing commitment to host regions, shaken only in the face of high levels of institutional backlash through expropriation or other discriminatory risks locally that hindered their ability to continue making a positive difference to their and to the local lives. They also demonstrated high levels of sensitivity to assuring global competitiveness of their operations, by prioritizing on collaborations with other co-ethnics, inter-ethnics, or even other players globally, and by preparing their children through overseas education and experience.

Corporate social responsibility: The Indian family OFBs tended to lag behind in the social compliance of their organizational and collaboration activities in the host markets. They gave preferential treatment to their family members and co-ethnics in employment and in leadership roles, as well as in collaborations. They compensated for their weak linkages with the local masses by offering privileged patronage to the local elites, which put them at severe risk when the power of those local elites eroded and shifted to others. A possible explanation for the low priority on gaining local mass support through philanthropic activities may lie in the emphasis of the Indian family OFBs to serve the local communities through their business model. However, as the business model matured, the local communities felt confident of filling the space and did no longer perceive the Indian family OFBs to be generating any additional social benefits. The second generation of family leaders experienced greatest challenges, but the third and later generation of leaders identified more with the local population, than with their co-ethnics. These later generation leaders also had greater resources, education, and will power to identify new avenues through global connections to add value, and to make philanthropic interventions. Moreover, though women played an important role in some of the first generation Indian family OFBs, their role was curtailed with the success of the firm, and not acknowledged due to the patriarchal attitudes. Only by the third and later generation the women began getting education and exposure that allowed them to assume some leadership roles, including around corporate social responsibility.

Impact on global competition: The Indian family OFBs had an important influence on global competition. They reduced the power of the Western MNCs, and helped strengthen the power of the Chinese and local firms. Thus, overall, they helped redistribute terms of trade from the

European and Arab firms to the Asian and African firms. More recently, Indian family OFBs have been active in sourcing technology and other resources from the international markets using various co-ethnic and other networks, and to make them accessible in their host markets at more favorable terms of trade. They are also securing more favorable terms of trade for the local resources, through overseas alliances, and through various developmental initiatives in wide ranging domains.

Impact on host markets: The Indian family OFBs did seek to maximize their private benefit cost ratio through alliances with the local institutional elites. At times, they also sought to lobby with the Indian institutions to take up their case whenever they faced local backlash. However, they lacked a mechanism to coordinate their joint interests with either host or home institutions, and in general, their interests were rather diverse, and so did not perceive a need to even do so. Consequently, they showed a growing sensitivity – especially across successive generations – to maximizing social benefit cost ratio in host markets, and in aligning their private benefit cost ratio with that. In other words, the identity of the Indian family businesses has merged with that of their host markets that they have adopted as their homes.

Overall, the biggest gap in the received literature on the MNCs is about their espoused strategic intent. Based largely on the experiences of the larger publicly held and professionally managed enterprises based in the industrialized nations, the implicit view in the literature on the MNCs is that their strategic intent is to leverage and internalize home and/or host market resources as firm-specific proprietary assets, in order to gain, sustain, and enhance their competitive advantage locally and globally. The case of the Indian family OFBs suggests that this may not generalize to the family businesses from the emerging nations. Core competencies of these OFBs do not necessarily reside at the firm-level – in fact, at the firm-level, the EMNCs may face significant disadvantages, because of not only liability of foreignness but also disadvantage of late internationalization compared to the industrialized MNCs. The family EMNCs actively rely on the core competencies residing at the level of extended family, co-ethnic, and inter-ethnic networks. Further, they also appear to rely more on the embodied form of overseas investment particularly migration of human resources, rather than disembodied forms of investment. The global market for the embodied investments is comparatively more limited than that for the disembodied investment, and thus they may be able to offset their disadvantages compared to the industrialized MNCs. Also, the family, co-ethnic, and inter-ethnic networks tend to be more enduring, and allow the family EMNCs to rapidly gain emic knowledge about the host markets and to minimize the potential liabilities of foreignness. They also offer a qualitatively different approach to the critical strategic challenges of global integration and local responsiveness. More embodied investments and enduring high touch presence in the host markets, however, brings new sort of challenges – such as managing institutions. These challenges take new shape and form with each successive generation of family, institutional leaders, and host community participants. At the core, the family EMNCs must resolve the balance between cultural integration and cultural differentiation. The process of embodied overseas investments tends to invite institutional demands for cultural integration, which promote massive transformations in the cultures of both host and immigrant communities, and serve to homogenize these cultures (Kuran & Sandholm, 2008). However, cultural integration and homogenization also generates significant "commitment costs", because as the immigrant communities become similar to the host communities, the case for maximizing their private benefit cost ratio also weakens and the society is called upon to make a commitment to give them same privileges as those to the dominant groups. Some level of cultural differentiation is also helpful for the family EMNCs to access and leverage co-

ethnic and inter-ethnic networks from their home markets, even after space of several generations.

Conclusions

The "typical MNC behavior" model is inspired by the experiences primarily of the large openly held firms from the industrialized markets. The case of Indian OFBs suggests potential pathways for the family EMNCs that diverge from the "typical MNC behavior" model. In particular, human embodied investments, and by extension co-ethnic and inter-ethnic embodied networks, can be an important – and sometimes primary – pathway for the overseas investments of the family EMNCs. The human and ethnic embodied investments generate qualitatively different challenges related to cultural integration versus cultural differentiation. Greater cultural integration may weaken the case for promoting the private benefit cost ratio of the family EMNCs in the host markets. Conversely, greater cultural differentiation may result in community isolation, and may limit the enduring viability of human-embodied investments, and of ethnic networks. The Indian OFBs paradoxically appear to have responded to these twin challenges by attaining greater cultural integration in the host markets, while retaining cultural differentiation, over successive generations. They have sought to align their private interests with the interests of the host nations, and have leveraged their cultural differentiation to identify and expand into new opportunity arenas, often using reconstituted bridges with their co-ethnic and inter-ethnic community networks even after a gap of several generations. Thus, they have been able to continue to make a difference in their own and the host community lives – a core intent of initial overseas expansion and migration of these OFBs.

There are three major limitations of the present research. First, it is based on a particular interpretation of the typical MNC behavior. There are sure to be other interpretations, and the MNC behaviors are also likely to vary significantly within and across different industrialized MNCs. Second, the research uses a specific interpretation of the history of Indian OFBs, during a specific period and in selected regions. Moreover, most of the Indian OFBs were not MNCs in the sense of having strategic, financial and operating interests across more than one nation. In most cases, the Indian OFBs adopted their host nation as their new home-base. Third, the experiences of the Indian OFBs may differ significantly from the experiences of other contemporary OFBs, such as those from China or Lebanon, and it would be desirable to triangulate the analysis using these alternative experiences. Also, there was a substantial diversity in the experiences of the Indian OFBs also, including in different host nations. Therefore, the analysis discussed here necessarily represents some degree of generalization and theorization, which would need to be refined for any gaps through further in-depth studies.

As for the implications for further research, the emergent body of research on the EMNCs should be sensitive to the family form of business, and the role of family and ethnic networks. Given the disproportionate presence of the family businesses even amongst the largest of the emerging market firms, the non-family EMNCs may be and may need to be more conscious of the strategies and behaviors of the family EMNCs. Ignoring the important role of family and ethnic networks may put non-family EMNCs at a disadvantage, and take away an important potential source of generating advantage compared to the better resourced and early moving industrialized MNCs. The collective resources and historical experiences of the family and ethnic networks may help EMNCs achieve a level playing competitive field in not only local but also global markets.

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Cadre Difference and Demographic Factors and its Influence on Ethical Orientation

A Study among Banking Personnel in Kochi (Kerala)

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Abstract

All over the world there is growing realization that ethics is important for any business and to achieve the progress of any society. Ethics give rise to efficient economy. An ethically responsible company is one which has developed a culture of caring for people and environment, a culture which flows downwards from the top managers and leaders. It is the methodical and systematic elaboration of the norms and values that is appealed to in the day to day activities.

Though organizational ethics is one factor that is of immense importance, it is an overlooked and misunderstood concept in the corporate world. Many organisations have failed in realizing the importance of organizational ethics and its implementation. Some of the business leaders are of the opinion that personal moral development and character modulation of employees are needed for implementation of effective organizational ethics. It is often agreed that high ethical standards require both organizations and individuals to conform to sound moral principles.

Organizational practices and polices tend to create pressures, opportunities and incentives that may sway employees to make unethical decisions. An individual's personal values and moral philosophies influence in the decision making process that involves potential legal and ethical problems. There is no second opinion that good ethics means good business. Corporate leaders need to be aware of the facts that, if not for moral reasons, then for the simple business reason, good ethics will pay off in the long run. According to Greenberg (2005), these benefits take several forms including improved financial performance, reduced operating cost, enhanced corporate reputation and increased ability to attract and retain employees.

The present study done is an exploratory one designed to study the importance of ethics in the organization. A Pilot Study was done before the actual study, mainly focusing on the formulation of research topic, to determine the sample size, and to find the factors affecting ethical concept in the organization. The duration of data collection was also fixed during the pilot study. The study was conducted in Ernakulam city. Since the employees working in this zonal area are cosmopolitan in nature and are from various part of the country what I think is that the sample population selected will moreover represent the actual population. A total

Nepalese Academy Of Management
CONFERENCE PROCEEDINGS
VOLUME 2, NUMBER 1, 2011
PP. 29 - 39

number of 58 employees were interviewed for the study. The questionnaire used for data collection was mainly distributed employees who are working in head office, regional offices, and other six branches in Ernakulam district.

Key words Ethical orientation, Ehics audit, Values, Corporate reputation, ethical guidance, efficiency, cadre change, sentiment, morale, competition ethics

Review of Literature

Experts have attempted to define the term 'ethics' and it has different meanings to different people. It is defined in The American Heritage Dictionary of the English Language (2005) as:

A set of principles of right conduct, It is derived from a theory or a system of moral values, It is study of the general nature of morals and of the specific moral choices to be made by a person; moral philosophy, It is a set of rules or standards governing the conduct of a person or the members of a profession.

Shea (1988) defines ethics as the principle of conduct governing an individual or a profession and 'standards of behavior'. Ethics, according to Ferrell (2006) is 'the study and philosophy of human conduct, with an emphasis on the determination of right and wrong'. It is often said that, ethics in the workplace refers to rules governing the conduct of organizational members. Le Clair, *et al* (1998) defines it as 'generally accepted standards that guide behaviour in business and other organizational contexts. Thus it can be stated that most definitions of ethics point to the direction of what is right or wrong, in specific situations.

Understanding the importance of organizational ethics, most organizations are giving emphasis on giving ethical training to their employees. Even experienced managers are provided formal training about workplace ethics to help them in identifying the legal and ethical issues. Changing regulatory requirements and ethical concerns, such as workplace privacy issues, make the ethical decision making process very dynamic. Peterson, (2006) is of the opinion that if a strong bond is established between values and training, a manager will be in a better position to assist employees, and provide ethical leadership.

Ethical issues in financial organizations are having more importance because; they bear on our financial wellbeing. Ethical misconduct, whether it is by individuals acting alone or by financial institutions in general, has the potential to rob people of their life savings. Because so much of money is involved in financial dealings, there must be well developed and effective safeguards in place to ensure personnel and organizational ethics. Further, strong emphasis must be placed on the integrity of finance professionals and on ethical leadership in our financial institutions. Some of the principles in finance ethics are similar to some other aspects of business, especially duties of fiduciaries and fairness in sales practices and securities markets. However, according to Boatright (2007), certain activities as insider trading and hostile take over raise unique issues that require special consideration.

The "Banking Industry" is quite different from other industries. It is a labour intensive, multi-purpose service industry, were bulk of its capital consists of borrowed fund. Their activities are rigidly watched and regulated by controls. Therefore human skills in management decide the efficiency of their productivity and profitability.

According to Kern (2003) though high-tech mechanization and computerization in banks have increased the efficiency of the banking system, they have not guaranteed the elimination of frauds and evil practices. However, concealment of fraudulent actions by the culprit for a long time is next to impossible, due to mechanical and computerized means of defection. But still,

there is always a risk of embezzlement by ingenious electronic means, which may not be easily traceable, making recovery very difficult. This type of cyber crime calls for an appropriate systems of surveillance over bank officials. There is a dire need for comprehensive and effective vigilance procedures, as also close electronic surveillance over balances in large or sensitive accounts, to begin within. E-banking, while it is no doubt convenient is not immune to security lapses arising out of cyber crimes such as electronic forgery, accessing of high value accounts and illegal transfer of funds by input and output manipulation through hacking the banks computerized networks.

Systematic studies in ethics and ethical orientation have been reported among students Stanga and Turpen (1991), Pressely and Blevins (1984), Schaupp (1989), Kayanama (1996), Borkowski and Urgas, (1992); as well as in various professions like dentistry (Bebeau *et.al*., 1985, Shashidhar, 2005), professional counseling (Volker 1979), accounting (Shaub 1989) auditing (Finn *et al*. 1988), marketing (Sparks and Hunt 1998), etc.

Studies on ethical orientation of MBA students where conducted by various researchers. According to Stanga and Turpen (1991), most students could not behave in unethical ways. White and Dooley (1993), states that 'practicality' are more important than 'ethicality' for the students. Pressely and Blevins (1984) founds that students believe that they must adopt a 'winning is everything' philosophy. On a comparison between business and other discipline students, Lane and Schaupp (1989), established that business students have different ethical beliefs as compared to students of other disciplines. According to Kayanama (1996), undergraduates are more ethically sensitive than graduate students. Confirming this Borkowski and Urgas, (1992) states that undergraduates are more 'justice' oriented and graduate students are more 'utilitarian'. In a study conducted by **Shashidhar (2005)** among Dentistry students, it was found that faculty and students perceived that the institution's ethical culture was equally influenced by factors like Self-Centered, Consensual, and Universal Morality. Further, certain other factors like academic experience and psychological distress were found to influence faculty perceptions of institutional ethics.

Spark and Hunt (1998) explored the ethical sensitivity of marketing researchers and found out that among other things the sample of practitioners was more sensitive to research ethics issues than a sample of students in marketing. They concluded that "the greater ethical sensitivity exhibited by marketing practitioners can be attributed to their socialization into their marketing research profession, that is, by their learning the ethical norms of marketing research". However, Goolsby and Hunt (1992) found that marketing practitioners compare favorably than other social groups in their level of cognitive moral development. They found out that marketers scoring high on cognitive moral development tend to be female, highly educated as well as high in social responsibility.

Finn *et al*. (1988), in an investigation among auditors, found that discouraging unethical behavior by the top management will reduce the ethical problems that subordinates perceive. It was also established that ethical orientation is related to ethical judgments in high moral intensity situations.

Shaub (1989) found a negative relationship between relativism and ethical sensitivity. This was further established by Spark and Hunt (1998) when they found a significant negative relationship between ethical sensitivity and formal training received by respondents. Cole et al. (2000) explored weather cognitive moral development moderates the relationship between the desirability of consequences to self versus others and ethics, and found no significant relationship. Brief et al. (1996) established that personal values had a little effect on ethical judgments.

Values maintained in organizations and its impact on employee's commitment was the area of study by Hunt *et al* (1989) wherein they established that organisations that have high ethical values will have employees who are extremely committed to the organizational welfare. A more or less similar result was obtained in a study conducted by Vitell and Paolillo (2003) when it found out that there existed a link between organizational commitment and decision maker's perception that ethics should be a long term, top priority of the organization. McCoy (2003) found out that ethical leadership plays a vital role in influencing the behaviour of employees in the organization. Perceived organizational ethical culture is also indirectly related to ethical judgments, as ethical culture directly affects individual values and judgments.

In a classical study conducted by Fraedrich and Ferrell (1992) it was established that only 15 per cent of the sample of business person's maintained the same moral philosophy across both work and non work ethical decision making situations.

A review of literature revealed that a number of studies have been undertaken linking ethics, ethical orientation, etc. with different variables. However, studies linking ethical orientation and cadre difference as well as demographic variables are scarce. The present study attempts to bridge this gap

Objectives

The main objectives of the study are to find out if there exists any difference in ethical orientation between clerks and officers in the organization; as well as male and female employees. Ethical orientation among employees based on certain other demographic characteristics like educational qualifications, number of promotions and income earned were also studied.

Scope

The present study done is an exploratory one designed to study the importance of ethics in the organization. A Pilot Study was done before the actual study, mainly focusing on the formulation of research topic, to determine the sample size, and to find the factors affecting ethical concept in the organization. The duration of data collection was also fixed during the pilot study.

The study was conducted in Ernakulam city. Since the employees working in this zonal area are cosmopolitan in nature and are from various part of the country what I think is that the sample population selected will moreover represent the actual population.

A total number of 58 employees were interviewed for the study. The questionnaire used for data collection was mainly distributed employees who are working in head office, regional offices, and other six branches in Ernakulam district.

Data Collection

In dealing with only real life problem is often found that at hand are adequate and hence, it become necessary to collect data that are appropriate. There are several ways of collecting the appropriate data which defer considerably in context of money, costs, time and other sources

at the disposal of the researcher. There are mainly two types of data from which information has been collected for this project. They are: primary data and secondary data.

1. Primary Data

Primary data are those which are collected by the researcher directly. Communication and observation are the two basic methods of obtaining primary data. In this study communication is done through direct interviewing of the executives in the various departments. Communication is also done through the questioning of the respondents to secure information using a data collection instrument called questionnaire. Observation does not involve questioning, rather it means that the situation in interest is checked and the relevant facts, actions or behavior recorded. An observer may be a person or a team of observer. For collecting primary data, direct discussion and standardized questionnaire was also distributed among various employees of the organization.

2. Secondary Data

Secondary data are those data that are gathered for the immediate study at hand but for some other purposes. The use of secondary data has certain advantages over primary data. By using this lot time and energy could be saved. It saves time and money in going into the field and preparing a questionnaire.

The secondary data also has its disadvantages too. Sometimes secondary data is not suitable to the original research and also in the accuracy of data. Since secondary data is collected for purposes other than the existing research; it is rarely possible that they fit to the present problems. The different secondary sources from which data has been collected for this organization are company catalogues, websites, magazines, journals and textbooks etc.

Sampling

The sample taken for the study consisted of 58 employees (32 Officers and 26 Clerks) collected in a random manner from a scheduled private sector bank. Males and females were equal in number at 29 each. With respect to educational qualifications, there were 24 Post Graduates, 31 Graduates and three Undergraduates. The demographic particulars of the sample studied are presented in Table 1.

Tool Used

The tool used of the present study is the modified version of a standardized questionnaire developed by Reddy, Rishikesha and Krishnan, (2002). This questionnaire contains of two parts. Part one consisted of a set of 16 statements, on a four point scale ("4" if strongly agree, "3" if agree, "2" if disagree, and "1" if strongly disagree) wherein respondents were asked to indicate the degree of their agreement or disagreement with each of these statements. This part elicits information pertaining to perceptions and attitudes regarding ethics of people with respect to business, society, individual behavior, etc. The instrument consisted of six factors, viz., Situationalism, Ethical schism, Preparedness to pay the price, Relativism, Competition ethics, and Capitalistic ethics. The distribution of statement for the six factors was: Situationalism – Four; Ethical Schism – Four; Preparedness to pay the price – Two; Relativism – Two; Competition ethics – Two and Capitalistic ethics – Two.

The instrument is reported to have high validity as it was having a Chronbach alpha value of 0.7520. Part two consisted of personal details of the sample. The data were analyzed using statistical techniques like ANOVA, t-test, etc.

Results and Discussion

The data and result of t-test between male and female employees is presented in Table 4. It can be found that the t-value is found to be 1.424. This value does not reveal any significant difference between male and female employees with respect to ethical orientation.

However, the mean of 29 male respondents and 29 female respondents are 39.24 and 37.34 respectively. The standard deviation for males is 5.674 and for females are 4.386.

The data and result of t-test between officers and clerks are presented in Table 3. It can be found that the t-value is found to be .327, which is not significant. This shows that there is no significant difference between officers and clerk employees with respect to ethical orientation.

The mean value of 26 clerk respondents is 38.54 and for officers are 38.09. The standard deviation for clerks is 4.169 and for officers are 5.833.

Analysis to measure the Ethical Orientation on the basis of Educational Qualification of the Employees

The data and result of F-test to measure the ethical orientation on the basis of educational qualification are presented in Table no 5. It can be found that the F-value is found to be. 1.265. This does not reveal any significant difference among the employees with respect to ethical orientation. It may be because 54 per cent of the employees are graduates and 41 per cent of employees are post graduates. Only 5 percent of them are under graduates, hence thus it enabled the organization to create good ethical orientation among the employees.

The data and result of F-test among the employees to measure the ethical orientation on the basis of annual income are presented in Table no 6. It can be found that the F-value is found to be. .265. This does not reveal any significant difference among the employees with respect to ethical orientation.

The table 2 shows the result of mean, standard deviation and variance of all six dimensional factors, viz. Situationalism, Ethical schism, Preparedness to pay the price, Relativism, Competition ethics, Capitalistic ethic. in the questionnaire. Among the six factors factor II (Ethical schism) is having the highest mean of 10.17 and factor IV (Relativism) is having the lowest.

Various statistical tools like t-test and ANOVA were used for analyzing the data and the major findings of the study were found to be the following.

Conclusion

No significant difference was found in the ethical orientation between

- Clerical staffs and Officers in the organization.
- Males and Females in the organization.

- Employees based on employee's educational qualification.
- Employees based on promotions received.
- Employees based on income received

Suggestions and Recommendations

The only way to change a man for the better character is through imparting, man making education, i.e. education by which character is formed, strength of mind is increased and by which one can stand on ones own feet and not merely collect some degrees.

Though the employees of the organization are ethically oriented and there no significant difference among employees regarding their ethical orientation, certain steps can be adopted to improve the organizational ethics further, and they are mentioned in the following section.

- Create strong work culture through appropriate systems, as well as rewards and penalties. If work discipline in terms of time and staying at work place becomes mandatory and subject of penalties for non compliance, we will quickly change culture. Top persons in organizations have to set examples.
- Ethical training practices must be done during induction period and also regularly to the employees. Today's society has increasing expectation about corporate social responsibility. Also today's diverse work force brings a wide variety of values and moral to the work place. Ethics training helps managers and employees to adhere to ethical norms of the organization and helps improve corporate image. Ethical business is 'good' business.
- Commitment, accountability, and taking responsibility can be inculcated through various practices such as role clarity, performance evaluations to be objective, etc. for creating organizational discipline. Employer should also cultivate the positive attitude in them and also create an "achievers mode" in their mind set.
- Personality development programs are expected to serve as an eye opener to many unresolved ethical issues. Hence, the HR policies pursued in the context of promoting loyalty towards organizational goals and objectives should also ensure that they help in developing the personality of sensitive workers.
- Create a stress free atmosphere in the work place by bringing spirituality in the work place. Yoga and Meditation methods can be adopted to do this. But make sure that employees are not get addicted to this kind of environment ignoring their work place.
- Protecting the organization from loose talks comes as a result of pride in the organization. This can be done through good internal communications, by fully informing the employees about company program. Work ethics can be created and nurtured among employees. Managerial actions are required to achieve it.
- Increase the involvement of employees by making their work more challenging, more satisfying and rewarding for individuals.
- The integrity factor is found to be responsible for bringing loyalty towards organizational objectives and goals. So, the attempt for putting in practice ideals and values set forth by the management, as part of company ideology, gains currency. Avoidance of unwanted

procedures and irrelevant methods from the administrative fold creates a sense of affection towards the job.

- Mere pursuit of business agenda aimed at expansion and diversification should not be at the expense of the enviornment, i.e. eco-friendlily policies should be taken by managers while evolving in strategy formulations.

1. Adaptable Business Policy Practices

The following are some of the effective business practices that can be taken to deal with the control and elimination of frauds:

- A complete investigation of both the unfavorable as well as the favorable variations with reference to the budgetary control system must be done.
- It is necessary to examine and identify critical indicators such as output per worker, etc, against pre-set norms, and to take necessary actions to tighten up the administration in the interests of greater efficiency and transparency.
- Various methods and procedures based on qualitative analysis should be used for the purpose of verifying the behavioral aspects of different activities. Appropriate MIS should be used for obtaining relevant data for clear-cut analytical results.
- Any performance that is either too bad or too good should be closely watched in accordance with the expected standards or norms of the budget.
- For the purpose of comparative analysis of the performance of a branch with reference to the expected norms, if it is found that data is either inadequate or unavailable then certain proper methods of interpolation or extrapolation can be used.
- If certain pressures and pulls on the managers, to indulge in certain frauds. Are observed or suspected, then instant actions as per the legal requirement can be taken by appropriate authorities.
- From time to time, it is necessary on the part of top managers to visit various branch offices of their bank and inspect certain departments and interview certain officers and managers so as to ensure healthy working and ethical business practices.
- If top management detects certain manipulation of facts and figures made by unscrupulous authorities, then swift actions have to be taken.
- Board of directors should show greater reliance on audit statements provided by the external auditors. If such statements indicate certain unhealthy and fraudulent aspects, then the directors, while, appreciating the professional competence of the auditors, should not ignore or take such fraud lightly.
- The top management has to ensure the internal audit department is manned by highly skilled and trained auditors who are completely knowledgeable in regard to the ethical objectives and mission and vision of their company.

2. Ethics Audit

The process of actively investigating and documenting incidents of dubious ethical value within a company is known as ethical audit. An ethics audit can reveal a lot about company's commitment to ethics. To recognize it is crucial to conduct ethics audit in appropriate manner.

The following are some guidelines that must be kept in mind while conducting an ethics audit:

- Make sure that top executives, such as the CEO, are committed to the ethics audit and appoint a committee to guide it.
- Create a diverse team of employees to write questions regarding the company's ethical performance. These should focus on existing practices.
- Carefully analyze official documents, such as ethical mission statements and code of ethics for clarity and thoroughness.
- Ask people why they think unethical behaviors have occurred.
- Compare your companies ethical to those of other company's ethical practices in the same industry.
- Write a formal report summarizing these findings and present it to all concern parties.

Conclusion

All over the world there is growing realization that ethics is important for any business and to achieve the progress of any society. Ethics give rise to efficient economy. An ethically responsible company is one which has developed a culture of caring for people and environment, a culture which flows downwards from the top managers and leaders. The rising business wars and market demands emanating from the changed socio-economic scenario need to be regulated and fashioned in a no-harm pattern with the help of 'value based strategies'. The present study was conducted with the objective of measuring the ethical orientation among the employees in the organization.

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Tables

TABLE 1: Demographic Particulars of the Sample

	Particulars	Number	Per Cent
Gender	Male	29	50
	Female	29	50
Position	Officer	32	55
	Clerk	26	45
Educational qualification	Under graduate	3	5
	Graduate	31	54
	Post Graduate	24	41

TABLE 2: Result of Mean, Standard deviation and Variance of Dimensional Factors

	Factor	Mean	Standard deviation	Variance
I	Situationalism	9.34	2.659	7.072
II	Ethical schism	10.17	2.393	5.724
III	Preparedness to pay the price	5.79	1.971	3.886
IV	Relativism	3.71	1.686	2.842
V	Competition ethics	4.17	1.403	1.970
VI	Capitalistic ethic	5.1	1.410	1.989

TABLE 3: Data and Result of t-test Between Officers and Clerks Employees

Position	N	Mean	Standard deviation	t_value
Clerk	26	38.54	4.169	.327*
Officers	32	38.09	5.833	

*not significant

TABLE 4: Data and Result of t-test Between Male and Female Employees

Gender	N	Mean	Standard deviation	t_value
Male	29	39.24	5.674	1.424*
Female	29	37.34	4.386	

*not significant

TABLE 5: Data and Result of F-test among employees on the basis of Educational qualification

	Sum of squares	Degrees of Freedom	Mean	F-Value
Between groups	65.611	2	32.806	1.265*
Within groups	1426.406	55	25.935	
Total	1492.017	57		

*not significant

TABLE 6: Data and Result of F-test among employees on the basis of Annual income

	Sum of squares	Degrees of Freedom	Mean	F-Value
Between groups	21.632	3	7.211	.265*
Within groups	1470.385	54	27.229	
Total	1492.017	57		

*not significant

Logistics: A Necessary Congruence of SCM & Distribution Management

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We dwell in a world of modernization, where everything we use has been sophisticated aptly to suit our requirements. The very mantra that is aired today is "Simplification". This is a new buzz today and contagious enough to define today's business. There had been a phenomenal leap in the type of business which prevailed a decade ago and the business which is dominant now. The defining factor or the factor instrumental in shaping such a change is customer satisfaction.

Customer satisfaction has defined various new parameters, to evaluate the service which we avail in our day to day life. One such parameter, coined by Philips Kotler still pertinent of date is the letter "P". A business in order to excel must suffice this letter P which stands for product, place, promotion, price, people, physical evidence and process. Customer satisfaction is an amalgamation of a robust distribution system and a steady supply chain management. These two verticals of management i.e. marketing and operations must complement each other in order to attain this eminent goal.

LOGISTICS is one such field which enlightens us in this context. It's a case where both the verticals merge with each other with the intrinsic goal to satiate a customer. Today starting from the relocation of oneself to the relocation of goods, the one thing that that comes to our lips is LOGISTICS. This may appear in various forms, whether it's DHL or Deccan 360. The names remain same but their form varies. The questions which must be intrigued are "What is logistics?", "Is it different from Supply Chain Management?" Logistics management can be viewed as the detailed process of planning, implementing and controlling the efficient, cost-effective flow and storage of materials and products, and related information within a supply chain to satisfy demand (Christopher, 1993). In the past logistics was related with the handling of materials and fell within the purview of marketing and dealt with physical distribution of goods and channel management. But gradually logistics has evolved itself and at present is the sole jurisdiction of Operations management.

Effective logistics management provides a major source of competitive advantage if it can control cost and enhance service differentiation (Goh and Pinaikul, 1998). Good logistics can help in differentiating oneself from the rest of cluster, and hence may prove to be a competitive advantage. A business can soar, if it has a robust logistics. Truly, logistics is the last frontier in business competition (Drucker, 1962).

Logistics can be achieved via various ways such as

- Direct shipments,
- Direct shipping with milk runs and
- Direct shipments involving a D.C.

This paper would revolve around the logistics network design and the factors instrumental in achieving the same.

The methodology used for the study encompasses various case studies, focused group interviews and depth interviews with different personnel from various companies falling under the purview of our study. We also intend to go for data mining to ascertain the validity of our studies.

Methodology

The methodology used for the study encompasses various case studies, focused group interviews and depth interviews with different personnel from various companies falling under the purview of our study. We also intend to go for data mining to ascertain the validity of our studies.

It has already been stated that logistics is the amalgamation of supply chain management and distribution management. The supply chain management and sales and distribution management forms the crux of logistics. Here I have studied two organizations to affirm my belief. These two organizations are Akshaya Patra, having the largest kitchen in the world catering to about 1.2 million students every day. The other organization which I have studied is the logistics company AFL Wiz having a strategic alliance with UPS. These two organizations have one commonality that is they implement both the supply chain and distribution strategy.

We will be dealing with these two organizations in details. The whole idea is to encompass and have a lucid picture of the same. Amongst the two organization, I have conducted primary research on Akshaya Patra and both primary research and secondary research for AFL Wiz. In a way I have resorted to a blend of both the researches so that my research is not confined.

In the end we will try to correlate our findings from the study and see if it suffices the goal of my research paper.

Analysis

Food Processing Industry

With a population in excess of 1 billion and current annual GDP growth of 9% (Vietor and Thompson 2007), India is a major player in the world economy. Not surprisingly, by 2050 the country is projected to become the third largest economy after China and the United States (Hawksworth 2006). India's economic prowess is being driven by the purchasing power of a burgeoning middle class as wealth steadily trickles down to the bottom of the economic pyramid. Given this brisk growth, domestic industries are in a race against time to ramp up capacity, increase production, and achieve market access via channels of distribution.

One industry which seems to meet the expectation and was unaffected by the global meltdown was the food processing industry. The food processing in India is increasing by leaps and bounds. Today India is infested by many players catering to the population of the country. These players are both from the inlands and the outlands. The food industry is a major contributor to the GDP of our country. Today strategic alliances forms the buzzword, foreign players find India to be a lucrative proposition and hence are heading towards the same. For example Frito-Lay is positioning its brand as a one which would suffice the Indian palate. It

has come up with products like Kurkure and Lays chips which are customized according to the local taste. Same can be said about Kellogg's corn flakes which are serving to the palate of the sub continent. People in India are foodies and hence the percentage of heart ailment is more in the country too. People in this country value indigenous tastes, which are considered to be hot and spicy.

Research and development forms the essence of this country as far as foods are concerned. Unlike the west, where people feast upon boiled and raw food, India on the contrary doesn't like monotony. The geographic contour is responsible for such a thing.

Indian economy is solely dependent on agriculture with sporadic industrialization. The chunk of the population thrives on agricultural output and its effective utilization. We still have India and Bharat moving parallel to each other, the former depicting urban population and the later denoting rural population. In the past few decades various NGO's have sprouted which are lending paramount support to minimize this gap and are toiling to stitch it completely. The efforts are laudable in this context. One such organization which I have chosen, and happens to be the largest automated kitchen in the world serving food to about 0.2 million children is The Akshaya Patra Foundation, Hubli.

The Akshaya Patra Foundation, Hubli

The Akshaya Patra Foundation (TAPF) Hubli was incepted in the year 2003. With its head quarters in Bangalore the first in the rally to serve food for education, incepted in the year 2000 TAPF had come a long way. TAPF Hubli is a noble endeavor by ISKCON along with the government of India and the government of Karnataka. It's a true exemplar in its own context. It's an organization which uses both the supply chain and the distribution strategy both efficiently and effectively, to serve the poor kids and emanate the country in the due course. It shows that an organization should have a judicious mix of both the strategies to be successful in the long run.

Supply Chain Strategy

Research had proved that an empty stomach leads to lapses in the concentration level. The IQ level falls significantly and memory recall becomes a menace. Keeping the above facts in mind TAPF adopts a supply chain strategy that would be in sync with its objective of serving food for education.

Suppliers – TAPF, Hubli procures its goods from 30 vendors. The goods procured are lentils, rice, vegetables, spices and other commodities necessary for cooking. TAPF firmly believes that the goods procured from these suppliers should be both consistent and hygienic. At the end of the day we would not like to compromise on our objective i.e. to make India hunger free.

TAPF follows a judicious mix of p-system and q-system. Rice, lentils and other commodities are based on p-system i.e. they are procured after a fixed duration. Vegetables are procured based on q-system i.e. quantity based. As when required they are procured at a subsidized rate except for ginger and chilly. The reason being vegetables are perishable in nature and can't be stocked for longer duration. Hence when required they are ordered as per the menu, which varies daily.

The rice is procured from the government under PDS norms and hence is stacked once a month. The gunny sacks are stacked one over another and are cleaned for impurities such as husks, stones, dust and broken rice. A rice cleaning machine takes care of this and segregates accordingly. TAPF Hubli uses VMI to procure other commodities such as lentils, sugar, salt

and other commodities. VMI empowers the vendors and aids the organization to reduce its inventory significantly. In this fashion inventory costs can be curtailed to a certain extent.

Here at Hubli, we use push-pull system mechanism, to ensure a robust supply chain management in place. Rice falls under the purview of push and the rest under the purview of pull mechanism. Unlike other industries such as Mac Donald which uses make to order, we operate on the boundary that is employing both the strategies make to stock and make to order. The daily menu comprises of sambhar, rice (plain/flavored), yogurt and sweets. Yogurt which demands stringent quality norms is procured from suppliers on a daily basis thus ensuring quality in the due course and hence ordered. The raw materials of other three delicacies such as sambhar, rice and sweet are made to stock. Here at TAPF, Hubli we had resorted to supplier integration. Effective supplier integration can lead to a robust supply chain, reducing lead time and increasing inventory turnover. Some other advantages of supplier integration are:

- Each supplier can check the inventories of other supplier to locate a needed product or a part
- Supplier are contractually bound to exchange the part under certain conditions and for agreed upon remuneration
- Each supplier can avail the *service facilities or expertise developed over a period of time* of other supplier to locate a needed product or a part

Thus effective supply chain management is one of the pillars of this organization.

Challenges in Supply Chain Management

The Akshaya Patra Foundation, Hubli procures its rice from the Food Corporation of India (FCI) at subsidized rate. As already stated it's a strategic alliance between the Government of India and the Government of Karnataka. The Akshaya Patra Foundation, Hubli can't procure the rice directly from the farmers because of some government regulation in place. The rice is generally procured via the intermediaries, who usually have a tendency to adulterate the same with husks, stones etc. This presents immense difficulties for the organization. Unlike ITC who conceptualized e-choupal, which acted as a win-win situation for both the farmers and the organization.

The Akshaya Patra Foundation, Hubli adopted a different route to battle out this problem. A de-stoning machine was used to get rid of the stones and hence unaffecting the supply chain and the constant endeavor to cater to the children. FCI uses blend of various rice in order to optimize the cost and render an average quality to the rice. This in turn adds to the difficulty of the cooks. Big rice by nature is sticky and hence leads to lumps when accompanied with the small variety. The organization has resorted to rice cleaning machine, which by virtue of itself is a versatile product. Equipped with screeners at different levels it segregates the small, big and the broken rice. Proper segregation avoids lumps. The broken rice is stacked and is routed back to the FCI, wherein it decides about the utility of the same..

Distribution Management

Distribution management is one of the other pillars to logistics. Supply chain management can't sustain alone without the complementary support from distribution management. Distribution management is the missing link for logistics to happen effectively. The food cooked in the morning is routed to the various destinations, which comprises of a series of educational institutes.

Effective distribution can only take place if proper time management is done. Vehicle routing is an important aspect to it. Vehicles are routed in such a way so that the cost is minimized. Basically there are 34 routes now to which The Akshaya Patra Foundation, Hubli caters to. A judicious mix of on roll employees and contract employees are used to achieve the same. The reason being Hubli is infested with unions and strikeouts. They basically employ third party logistics to manage the same. Thus, outsourcing is more frequently utilized in the area of transportation and less in warehousing, similar to Korean companies (Kim, 1996). Trucks are the ones usually used for the transportation of food to the schools.

Reliability on one vendor for the vehicles may have serious implications. So a mix of vendors is used who suffice the need of the organization. The whole behind this is to ensure that space gap and the time gap is minimized.

- *Space gap:* This implies that the distance that each of the vehicle is suppose to cover is minimized so that the food remains fresh and reaches the destination.
- *Time gap:* This implies that the time between two consecutive educational institutes is minimized.

Here at The Akshaya Patra Foundation, Hubli they ascertain several factors to ensure a robust logistics in place. TAPF Hubli, co-ordinates with the schools around taking their feedback at regular intervals, and implementing the same effectively. The essence of distribution is having effective channel members in place. They include the following:

- *Manufacturer:* TAPF Hubli is the manufacturer in this case.
- *Intermediaries:* The logistics vans we deploy are the intermediaries for satiating the end users.
- *End users:* The school kids are the end users.

To have an ideal distribution in place there needs to be channel integration between the channel partners. Good channel integration has several advantages:

- *Information flow*: The Akshaya Patra Foundation, Hubli ensures that the information flow happens on a sincere basis. No manipulation is allowed. They have standard sets of feedback forms which make it mandatory to have feedbacks from students as well as the teachers.
- *Uncertainty avoidance:* Proper synchronization between the channel partners helps to reduce ambiguity. Each day a forecasted number of meals are seek from the school authorities and catered accordingly the next day.
- *Reduction in transportation costs:* With the correct information in place the organization decides how many vehicles should be routed the next day. For example, the Madarsas are closed on Friday and operate on Sunday. So, there are fewer schools to cater to on the Sundays compared to the rest of the week. Depending on this the intermediaries are asked to cut short on the numbers of vehicles they provide every day.
- *Promotion:* Each of The Akshaya Patra Foundation, Hubli vans have the logo on it. This helps in promoting the brand of the NGO. The vehicle can be termed as adhering to sandwich advertising.
- *Barrier to entry:* A good distribution management system leads to high entry barriers. The reason being the channel partners, i.e. the manufacturer, intermediaries and the end users work in tandem leaving no scope for other competitors.

Challenges in Distribution Management

Distribution management is plagued by several difficulties. These difficulties are completely involuntary in nature. External factors such as traffic jams, vehicle breakdown are presently hindering the process of smooth distribution management. The vehicles have to travel long distances in the quest of delivering food to the children. Unforeseen barriers such as this are adding to the menace. The lack of modern logistics management techniques and expertise, and the current inefficiency of the logistics information systems are also presenting potential problems to logistics development (Goh and Pinaikul, 1998). The high cost of acquiring sophisticated systems can also be looked as a barrier to distribution management.

Apart from this, the transition from the old practices prevalent to the new practices is also not welcome whole heartedly. The employees see it as a barrier to sneak into their age old practices. Thus the aforesaid can be classified into internal factors, hindering the work process.

The Logistics Industry

With the advent of technology many industries bloomed in order to preserve its essence. One such mammoth industry today is the logistics industry. Logistics find a vivid range of applications in today's world. Concentrating on Philips Kotler's coined term P these industries have come a long way. The basic idea behind mushrooming of this industry is to suffice the daily need of the people. As the needs of human population grew, people started for looking new opportunities in order to increase their scope of career and money. This led to the migration of the people from one place to another, looking to suffice their needs and wants. The invention by the Wright brothers was a boon to mankind. People used this means of transportation to travel across the globe, called the airplane. The only hitch which they had to encounter is to carry their luggage along with them, in the course of travel. Right from the inception airplanes had restricted the luggage capacity per person, this even aggravated their difficulty.

The passengers started exploring other options in order to cater their needs. George Stephenson who invented the first steam locomotive engine was yet another option. But this option sufficed their needs to certain extent but not fully. The problem was partially solved yet not fully. People resorted to commutation by roadways but that proved to be a costly affair. In those days goods were shipped by cargo ships, but again the turnaround time was very much. The problem needed immediate solution. Some companies like AFL Wiz, UPS and Fed Ex, studied this problem and came up with a solution that would pacify the passengers need. It was then when the logistics company came into existence. This carriers be it road, air or rail was meant to carry freight or octroi. Today we see them everywhere and they are a just a phone call away. They cater to our entire assortment of needs, right from the relocation, to carrying freight and delivering them efficiently.

AFL

AFL Pvt. Limited was established in the year 1979 with an alliance with DHL worldwide express. This was an initiative to ease the people lives staying in India. It started initially with the courier services, but slowly expanded its horizon to other services as well. It pioneered the 3PL services in India in the year 1993. The year 2003 saw yet again the increase in the product line with services like the Travel AFL domestic courier and in the year 2004 it came up with Domestic courier.

Today the domestic logistics division provides solution to various things such as, 3PL and 4PL, door-to-door, time and value sensitive movement of goods, warehousing as well as a wide range of customized inventory management related services. As of date it has expanded its horizon even further and right now catering to six types of services such as:

- *Express courier:* The name itself implies door to door service and hence easing the life of the people in the due course. It takes only 48 hours for the AFL courier guy to reach any part of India and hence delivering the same at the door step.
- *Logistics:* It is designed to offer complete transportation and distribution requirement at flexible costs, where the voice of the customer is valued. In short it provides end to end solutions in a customized way.
- *Transportation:* AFL has a strategic alliance with one of the transportation companies known as Unifreight. The aim is to provide customized solutions and cater to loads without caring about LTL or FTL..
- *International cargo:* It was initially known as the AFL Cargo, but now its known as AFL Dachser after having a 50:50 Joint Venture with Dachser GmbH. This joint venture has its own implications. It has provided AFL with the technical knowhow and the much needed infrastructure.
- *Cartridge world:* AFL has come up with a one stop solution, for filling up the cartridges which is both economical and eco-friendly. This is yet again one thing which AFL did by taking heed of the market needs.

Now the question to be intrigued is how AFL became so successful in its endeavor. Any logistics company can't be successful without using the proper logistics tools.

AFL follows the hub and the spokes model, in order to achieve its target effectively. It employs various tools to achieve the same effectively. Some of them can be illustrated below:

- *Facility location model:* Minimize transportation and facility costs
- *Vehicle routing:* Minimize transportation and vehicle costs
- *Location-routing:* Combination of facility location and vehicle routing
- *Location-inventory:* Minimize transportation, facility and inventory holding costs
- *Inventory-routing:* Minimize transportation, vehicle and inventory costs

All the above stated models are the Operation Research models. Some of the optimization strategies which AFL uses are:

- *Combination:* Consolidates each shipment having the same loading point or consignee
- *Try direct:* Examines taking each shipment from every load and sending it direct
- *Hub loops:* Looks for consolidation and deconsolidation in hubs near the loading points or consignees
- *Reship:* Looks for LTL terminals through which it can reship all or part of a load

Supply Chain Strategy

In order to become a formidable player in the market AFL ensures a robust supply chain strategy. This is ensured by the synchronization of the demand and supply curve. It employs hub and spokes model. For example in a place there would many local shops that would be

catering to the local people. They would interact with the local people frequently. They are the interface to the customers. AFL targets this type of shops such as cyber café, where people would come to network. The chances are very high that since they are using the sophisticated technology to interact with the people around the globe, they would also want to use it practically. That's when AFL comes into the picture.

The goods and the packages to be delivered are handed over to the person in the cyber café. In order that the supply chain is robust, information flow should be very apt. The same is communicated to AFL. AFL adheres to strict timings as to when the packages are to be collected from each of these café's that have been given the franchisees. The consignment is collected, here the consignor is the customer and the consignee is AFL. Without proper infrastructure this is not possible. This is achieved yet in three ways:

- *Direct Shipment:* The consignment is collected directly from each of these franchisees and sent directly to the destined place via air, road, rail or water.
- *Direct Shipments with milk runs:* Albeit AFL has a hub spoke model it's very difficult for the company people to travel and collect the consignments. The reason being commutation. In such circumstances each of the franchisee they work in sync with each other. The consignment is passed to the other franchisee and it goes on till it reaches a viable point from which it can be shipped. The same phenomenon is repeated when the consignment has to be shipped to the particular place. Here the different spokes coordinate with each other to make the system highly efficient.
- *Distribution Centre:* This is the one which actually resembles the hub and the spokes model. The company and the franchisees, meet at a common junction called the distribution centre. The company would deliver the consignment in the distribution centre and the concerned franchisee is supposed to collect it. This allows risk pooling to take place and hence the risk of delays can be completely mitigated.

The supply chain management is known as the inbound service where the consignment is pulled from the destined shop and delivered to the company.

Challenges in Supply Chain Management

The biggest challenge in supply chain management pertaining to logistics is to maintain consistency. Poor road condition and the traffic are the main hurdles. This in turn increases the time of collection and delivery to the recipient is delayed. Unforeseen weather condition is yet another challenge, which acts as a bottle neck for the organization. This makes the path critical. Every effort is being made to make the system leaner and hence reduce the time required to pull the goods from the customers and deliver to the end customers.

Distribution Management

The distribution strategy forms the backbone of a logistics company, i.e. AFL. While supply chain strategy is the inbound process, distribution strategy on the other hand is an outbound process. The consignments procured from the different customers must be delivered to the destined place at the stipulated time. In the distribution management process the channel partners play a very important role. The channel partners in case of AFL comprises of distributors and retailers. Hence it's a two level system. It's very imperative that the channel partners complement each other so that the distribution system can become robust and leaner. There shouldn't be any role conflict prevailing in them. They should be aligned with the company's objective.

It's very important that they share the expertise with each other that one has developed over a period of time. Hence distributor supplier partnership is encouraged. Channel integration is of utmost importance. It has been already stated in the case of food processing industry, this helps in reducing the quantity and the time gap significantly. Sufficing the needs of the customers is the motto of a logistics company and that too keeping the time factor in mind. Today's world is so competitive that a slightest of shortcoming would give the competitor an edge over AFL. So AFL has tied with many foreign players so that this gap can be plugged with ease. AFL expertise combined by the infrastructure of the foreign players can significantly lead to a high barrier to entry.

Customer satisfaction is one of the important parameters in Malcolm Baldridge National Quality Award and hence any company must abide by the same. Consignment tracking is an important aspect of this exercise. AFL employs RFID tags and uses the GPS system to track the same. At any point of time they can track their shipment, with the help of the docket number given to the same at the point of sales. Every place has been assigned its stipulated time for the consignment to reach. The customer can check it out where the delay has occurred or where the consignment is right now and how long will it take to reach the destination. This is a process which puts the both the distributor and the retailer on the hanger. Slightest of negligence is easily traced and the same can be passed on to the company's customer care, so that the customer satisfaction index is unhindered. Moreover this would also lead to valuing a customer and hence increase the customer retention and the customer loyalty.

Challenges in Distribution Management

Every endeavor has its own set of difficulties adhered to it. Interviews with the regional head operations, Delhi has revealed certain facets. In some places the distributor acts as a retailer too, and this in turn leads to encroachment to the actual retailers. Nobody would like to go to a retailer directly if already the distributor is present. This leads to conflicts in the channel. The reason for a distributor situated in the vicinity can be solely attributed to the distributor integration so that the consignment can be easily dispatched to its destined place without any hassles. After the Dell model which came into existence people want to go direct. Hence they have a natural tendency to bypass the retailer and give the consignment to the distributor. Everybody wants to save time and hassles.

The retailers have a tendency to accumulate the consignments and then dispatch the same to the company. This in turn hinders the very objective of the company to become leaner and robust. Sometimes the distributor wants to show his efficiency and collects the lot when it has piled, in order to ensure Full Truck Load instead of Less Truck Load. This again dents the company's image severely.

The most fatal menaces for the company come out when, the retailers fabricate the name of the company and link it to some other brand. This leads to falsification. An example can be, linking AFL to DHL which isn't true in order to boost the sales. The other problems may be manipulating a place where the AFL office is not located, and again leading to problems for the customers. The customer in despair comes to enquire about his parcel and leaves in disdain. This again tarnishes the brand equity of the company.

Conclusion

The paper gives a clear picture as to how important supply chain management and distribution management are in order to achieve a robust logistics management. The inbound

process i.e. SCM and the outbound process i.e. DM should complement each other in order to achieve the objective of any organization both effectively and efficiently.

Some new strategies should be coined in order to eradicate the menaces which plague the logistics industry today. These may lead to the evolution of the logistics industry to a new level, whereby monitoring and curtailing the problems would be much easier. One must strengthen on all the frontiers i.e. SCM and DM in order to achieve the same. Any chink left out would again lead to lapses.

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Commitment and Compliance: Typological Framework to Increase Organizational Performance

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Abstract

This paper aims to explore hard and soft HR practices that relevance to raise the degree of compliance and commitment in Nepalese workplaces, develop a typology framework of compliance and commitment, and suggest the new mandate for HR department to improve organizational performance. Based on published literature, it presents typological framework that shows commitment-compliance matrix useful to improve organizational performance. The typological framework, main contribution of this paper, is valuable for those interested to look at HR practice from a new perspective in order to raise current level of organizational performance.

Keywords: Workplace, Typological framework, Commitment, Compliance, Hard HR and Soft HR, Organisational performance, Nepal.

Background

In the process of managing people in organizations a great deal of change has witnessed in the last two decades. One of the fundamental changes is that the traditional personnel management which largely devoted to the "compliance of rules and regulations" transforming into "employees' commitment" towards work (Beer et al., 1984; Walton and Lawrence, 1985). This kind of shift is based on the perspective that people represent the important asset of organizations and difficult to manage and engage themselves at work (Storey, 2001; Ulrich, 1998). Realising it, a number of human resource perspectives have been evolved including "soft vs. hard" dichotomy which is based on the theory "X and Y" (McGregor, 1960). The issue of organisational compliance and commitment becoming most prominent to address the workplace related human resource (HR) problems. Anglo-Saxon HR literature clearly stated that one of the distinctive feature of traditional personnel management and human resource management (HRM) is that the former is more concerned to the compliance with rules and regulations and the latter to enhance employee commitment at work (Storey, 1995, Tyson, 1995). To relate this idea with traditional theory X and Y, the theory X is more associated with "compliance" value whereas the theory Y represents "commitment" value of managers at our workplaces. In organisations compliance is generally made by externally supported bureaucratic control system to react in a given situation whereas commitment is a proactive attitude represents an internalised employee belief associates with soft HRM (Shepherd and

Mathews, 2000). The rationale for the study of the degree of compliance and commitment is that there are consequences of poor compliance and commitment attitude of employees. In order to address these problems authors including Ulrich (1998), Pfeffer (1998), Lawler (1996) and Cranet (2004) recommended few ideas could be useful as the new HR mandate for workplace improvements.

Turning to the specific issues related to the Nepalese workplace, a number of papers in the past indicated that organisations unable to complying provisions of labour acts, the role of personnel department is negligible in different HR related matters such recruitment and selection, training and development and performance evaluation and its implication for career development of employees is not properly understood (e.g. Adhikari and Gautam, 2010; CONCERN, 2005, 2007; GEOFONT,2001). In almost 17 percent of organisations there is no formal performance appraisal system, there is lesser use of performance based system and people are highly dissatisfied at work and with pay (eg. Adhikari and Gautam,2009, Adhikari, 1992). Furthermore, the main barriers prevailing in the employee relations systems are, for example, over centralisation of power, lack of trustful relations of top management with line management, feeling of seniority and status, increasing dissatisfaction from work, lack of budget for training and development and the lack of performance management systems (Adhikari, 2008). With these caveats in mind, this study aims to identify and address compliance and commitment related issues in Nepalese organisations and to prescribe the new mandate with a view to increase organisational performance. To work on this objective, the following research questions are developed:

- What is the status of hard and soft HR practices at Nepalese workplaces?
- What could be the possible impact of HR practices on organisational performance?
- What are the new mandates for HR professionals with a view to enhance the degree of compliance and commitment at workplaces?
- What could be the typology framework to address low-high degree of compliance and commitment related issues for improving organisational performance?

To the date, no author has attempted to develop such approach to address these issues in a logical framework. Authors of this paper attempted to develop a typology framework that could be helpful to analyse and understand commitment-compliance issues of Nepalese workplaces and suggest the new mandate for HR department.

Methodology

This is a descriptive cum explorative study. It is descriptive in the sense that paper reviews articles to describe various dimensions, perspectives, concepts and relations. The paper explores a typological model to examine the degree of commitment-compliance to undertake future research in this area. As revealed earlier, research questions are set to examine the given objective. The first research question is answered on the basis of published research work over the past two decades. The hard HR issues mainly include readiness of firms to comply labour legislations, relations between business and HRM strategy and integration among HR functions. The soft HR issues comprise employees' commitment to participate and contribute at work for organisational performance. Increased commitment not only indicates employees' loyalty for performance but also their self-worth, dignity, psychological involvement and identity with work (Beer et al., 1984). The second and third research questions are answered with the review of relevant and standard literature. Finally, the fourth research question is concentrated to develop a typology framework to discuss new HR mandate in order to resolve commitment vs. compliance related issues normally occurs in the absence of required hard and soft practices at work. Attempt is made to define concepts and constructs, establish relations,

reviewing new HR mandates and to identify difficulties to implement change process. Most of the information used in this paper is collected from the secondary source. For the sake of this paper, the concept of commitment and compliance is taken as supplementing rather than mutually exclusive.

Regarding limitations of this paper, first, there are number of commitment types such as, normative, affective, continuance and the like. In this paper commitment is understood in terms of overall organisational commitment as described earlier in this section. Second, only published literature and findings of previous research works are taken as reference to work on commitment-compliance related issue. Finally, although hard and soft HRM perspective seems opposing, both of these are incorporated to analyse the issues and develop theories.

Literature Review

Research conducted in different sectors including manufacturing and service reveals the fact that HR practices have critical role in the success of organisations (Becker et al., 2001). In case the organisations fail to implement HR practice for commitment and compliance negative consequences occur. In such situation organisations face the real performance related problems such as, low profits, high costs, poor customer service and low stock prices (Pfeffer, 1998). On the part of employees, layoffs increases, hiring and promotion restrict, organisation have to make greater use of part time and contract employees and investment in training and development will reduce (Burke, 2002). He further states that in the lack of proper HR practices in organisations employees show lower job involvement, exhibit dissatisfaction in jobs, decrease effort, the number of accidents and turnover rises. Thus poor HR practice is associated with a number of negative work and health related consequences harming both employees and organisations.

The interest of managing human resource is based around the notion that people at work are the key source of sustained competitive advantages. We all believe that in this century organisations are not competing on the basis of product they produce rather the quality of the people they employ. This belief is based on the expectation that: firstly, people can make the difference because of their capabilities and commitment which are rare, non-substitutable, valuable, and inimitable (Barney, 1991). Secondly, managing human resource is the matter of truly strategic importance which distinguishes successful organizations from the others (Huselid, 1995). Thirdly, managing human resource is too importance because it is recognizing an activity which is owned by all managers (Cunningham & Hyman, 1999). Fourthly, once HR practices integrated internally and externally support to achieve its bottom line objective-performance (Mabey, et al., 1998). This clearly exhibits that human resources can contribute a lot to make organisations more competing and raising value of the firm by making changes at the workplace.

It is believed that the bottom line result of managing human resource is the "performance". Therefore the main concern of managing people in organisations is to raise performance of employees and subsequently performance of the organisation. Few authors argued (Schuler, 1986; Tsui,1987 Schuler and Jackson, 1987;) that there is a kind of bundle and synergetic effect of HR practice such as recruitment and selection, performance evaluation, training and development and many other to raise performance. Furthermore there is also a strong influence of social, cultural, economic and political factors will be on HRM policies and practices (Budhwar and Khatri, 2001). Many researches, therefore, also have exerted their concerted effort to examine impact of contextual factors on HR practices. (e.g. Budhwar and Sparrow, 1997; Sparrow and Budhwar, 1997).

There is no universally applicable HR practice (Pieper, 1990). Not surprisingly, countries that are geographically and culturally closer to each other have similar HRM practices (Dany and torchy, 1994; Ryan et al., 1999). On the contrary, a number of authors have described about HR best practices (eg. Pfeffer, 1998, Becker and Gehart, 1996, Huselid, 1995) that are mostly granted as culture free. Moreover, few authors have argued that many organisations fails to use innovative and best HR practices due to little considerations given to the behavioural factors (Rynes et al., 2001; Adams, 2003). Thus, contextual and behavioural considerations are imperative to implement a number of HR practices instead of direct use of "context and culture free" HR.

One of distinctive features of the traditional personnel administration was to make people complying with rules and regulations. As the time changed, HR (the improved version of personnel administration) focusing on commitment of people at work together with compliance part. Managing human resource is the science and practice that deals with the nature, decisions, actions, and issues relating to the employment relationship. In practice, it involves an organization's acquisition, development and utilization of employees as well as employee's relation to organization and its performance (Ferris et al. 1984), and concerns with the broader range of important company function including the recruitment, selection, training and development, compensation, retention, evaluation, and promotion of personnel within the organization (Bernardin and Russell, 1998, Guthrie, 2001). These all focus on the compliance aspect of HR where organisations have to ensure that they have enough number of people to work with required capability and competence. Now a days, HR literature is more concerned with the proper management of people. People in organisations want to get more and put less effort (Ulrich, 1987). This clearly exhibits the need for enhancing commitment of people to make them engaged at work.

"Hard' and 'soft' HRM perspectives go beyond the technical HR issues and interpreting HRM as incorporating 'soft' developmental humanist approach and 'hard' situational contingent approaches (Price, 1997, Boxall, 1993). Hard HR practices basically focus on the compliance part where as soft HR more concerns to enhance employees commitment at work. Soft HRM is associates with human relations, utilisation of talents and equated with the concept of a high commitment work system (Walton, 1985). Hard HRM focuses on the quantitative, calculative and business-strategic aspects of managing the "headcount resources" in as "rational" a way as for any other factor of production' (Storey 1992, p.29, legge, 1995). Although hard and soft perspectives of HRM are opposing view Guest (1997) and Storey (1992) have incorporated both perspectives in the process of HRM model and theory building.

Few researchers have recommended the new mandate to address increasing HR related issues. In this paper these mandates are taken as reference to address workplace related issues. Some important mandates are exhibited in the table below:

Authors (date)	New HR mandates
Ulrich (1998)	1. HR professionals have to become partner in implementing business strategy (HR should identify model of doing business; must be accountable for conducting an organisational audit; should work as a strategic partner; should take stock of its own work and set clear priorities) 2. HR professionals have to become administrative experts in improving the efficiency of both their own function and the entire organisations. 3. HR professionals have to become employee champions (must be held accountable for ensuring that employees are engaged- that they feel committed to the organisation and contribute full. 4. HR professionals have to play the role of change agents (at the time of globalisation, technological innovation.)

Pfeffer (1998)	1.	Employment security
	2.	Selective hiring
	3.	Self-managed teams and decentralisation
	4.	High compensation contingent on performance
	5.	Training
	6.	Reduction of status differences
	7.	Sharing of information
Lawler (1996)	1.	Attracting and retaining right people
	2.	Hiring people who fit to organisational values, core competencies an strategic goals.
	3.	Train employees continuously to do their jobs and offer them opportunities to grow and develop.
	4.	Design work meaningfully to provide feedback, responsibility and autonomy to among the employees.
	5.	Organisations must have clear and specific mission, goal, strategies and values that employees can understand, support and believe in.
	6.	There must be proper reward system that reinforces their design, core values and strategy.
	7.	Organisations must develop leaders to create commitment, success and a motivating work environment.
Cranet, Nepal (2004)	1.	Develop interpersonal and communication skills.
	2.	Provide vocational and professional type trainings.
	3.	Increase leadership skills.

In order to implement the aforesaid mandates the HR department and professionals have to play the key role. However, there are difficulties to implement new mandates. Some of the difficulties are: short term focus on HR practices by the CEOs, unproductive human relations activities, lack of trust, cooperation and self-management and resistant to an cynical from the side of management to implement new HRM practices.(Pfeffer, 1998). Few other resisting forces are; the fear of loosing jobs, status and pay through the removal of hierarchy, the cost-benefit ratio and uncertainty of change, inadequate measures of the benefits of change and hiring managers from outside who do not understand ways to obtain competitive advantage through people in their companies (Burke, 2002). According to Ulrich (1997) organisation fails to implement effective HR practice and change organisation because of not tiding HR practice with strategy, seen as a fad or quick fix, short term perspective, political realities undermine change, inflexible designs, lack of leadership, lack of measurable and tangible results, afraid of unknown and unable to mobilise commitment to sustain change. Apart from these, there are number of external factors such as national culture, institutions and business environment related forces inhibiting implementation of HR practices at the firm level (Budhwar and Debrah, 2001). Kane, Crawford and Grant (1999) cited three barriers to implement effective HRM programs and practices such as, lack of senior management commitment, the level of knowledge and skills necessary to implement credible HRM practice and lack of knowledge about the long-term impact of practices.

To conclude this section, HR practices are essential for raising performance. However, in order to achieve performance related objectives it is essential to deal with issues relating to commitment and compliance. Although there are number of new HR practices emerging in the form of the "new mandate", in the lack of support from inside and outside organisation it is difficult to implement it to realise bottom-line goal of the organisation (i.e. performance).

Soft vs. Hard HRM Practices

In Nepal, personnel management is still believed to be pre-occupied with record keeping and operational issues rather than managerial ones (Adhikari, 2008). Majority of our organisations

are either family owned or run by private sector initiatives. Few organisations engaged in business sector are partially or fully owned by the government known as public enterprises. In the last two decades Nepal faced a number political turbulences. The end of single-party Panchayat system and the beginning of multi-party democracy, the 10-year Maoist led "people's war", signing of the Comprehensive Peach Agreement in November 2006 between the Seven Party Alliance (SPA) and Communist Party of Nepal (Maoist), election of constitutional assembly and declaration country as 'Republic' are some of the major events of the last two decades. Prior to 1990, human resource management practices were not satisfactory in the majority of the organisations because of the reasons such as not so precisely defined strategies in public enterprises, poor state of employee participation, distorted communication system between employees and managers due to hierarchic nature of organisations and thus feeling of status and prestige was high among the top level managers and lacked systematic HR planning (Upadhyaya, 1981 Koirala, 1989, Agrawal, 1983,Tiwari, 1984). Employees believed that nepotism and favouritism were widespread in the recruitment and selection process, decision making practice was highly centralised even to deal with minor HR responsibilities, jobs were not so challenging for managers and the reward system was not properly linked with performance (Shrestha, 1991; Paudel, 1992, Adhikari, 1992).

After 1990, with the establishment of joint venture and private banks salary of employees became competitive in this sector; employee's performance started to be valued in the organization, need for staff training assessed and management development programmes were highly welcome as means to develop skills and knowledge of employees (Adhikari, 2000). In order to fulfil the need of skilled manpower in corporations, higher education in business administration and management has been widely proliferated (Adhikari, 2004). More recently, some developments have been seen in the use of computerised HR information, recruitment of qualified and skilled manpower, interest in the training and development of employees and the like. However, in Nepalese workplaces most prominent HR related issues and problems are: unproductive staff, lack of corporate culture, lack of mechanism to implement labour legislations, low degree of integration and coordination of different business functions, lack of performance based system, distorted flow of communication and information, low level of pay and rising absenteeism, proliferating union activities (Adhikari, 2010). At the national level, there is lack of job opportunities for university graduates on the one hand and in the lack of requisite skills to work on newly created jobs on the other hand (Pant, 1993). Particularly, some major hard and soft HR practices are presented below (Adhikari and Gautam, 2010; 2006; Gautam, 2010; 2008, 2007; Gautam and Davis, 2007; Adhikari, 2005; Cranet, 2004; Adhikari and Mueller 2001):

Hard HR practices

- Majority of the manufacturing sector organisations fail to implement provisions of labour legislations. This is also because of the lack of proper mechanism to implement such provisions.
- The average capacity utilisation of manufacturing companies is 60 percent. Organisations are less aware about the impact of HR practices on such low capacity utilisation and company performance.
- In majority of the organisations, there is no proper integration of business strategy and HR practices.

- Organizations indicated that they have challenges to develop strategies to improve productivity levels. They feel that they are having unproductive staff and therefore it is difficult to use them cost effectively.
- Different HR functions in organisations are not properly integrated and coordinated. There is no clear linkage between the corporate plan and the manpower plan, especially in public enterprises.
- Only 34 percent organisations are using computerised based information system in staffing decisions.
- In future, as indicated by organizations, they are having problems relating to management of change, quality management and customer care. Moreover, they are expecting to face challenges relating to recruitment of quality staff and retaining them in the future. Managing pay and benefits is another crucial problem they are facing in the next 3 years.
- Nepalese employees need developing their potential through training, competency, career development. They are seeking training with specific reference to new technology and opportunity for further education. Furthermore, organizations specifically indicated the challenges relating to development of managerial and senior managerial staff and identification of training needs.
- Training is still regarded as the cost factor. Very few organisations allocated the fund for employee training and development. Training programmes in government owned banks are not so effective.
- In the public enterprises, the result of performance evaluation is not so linked with other HR activities such as reward, career and growth and training and development.
- With the exception of few joint venture banks, no performance based system is in practice in the family-run business.

Soft HR practices

- In Nepalese workplaces challenges are there to motivate employees and make them feel that they are safe and secured in jobs.
- Except few joint venture banks jobs in Nepalese organisations are not so challenging, interesting and motivating to enhance quality of work life.
- Employee relations are distorted in the public and private sector undertakings because of the lack of a free flow of communication and information and due to high feeling of status and prestige of the top management.
- Many organizations indicated that they require social skills such as communication and interpersonal skills. Such skills are required to develop social relations in organizations, managing conflicts and personality development.
- Majority of the employees believe that their leaders have poor leadership competencies.
- The situation of employee relations is not encouraging. The main barriers prevailing in the employee relations system is, for example, over-centralisation of power and lack of trustful relation of top management with the line management.
- There are cases of conflicts due to poor level of employee relations resulting from communication breakdown, personality clashes, and role inconsistencies.

- Lack of HR measures at the work floor to uplift morale and motivation of employees at the organisational level.
- Employees, working in shop floor jobs of the manufacturing sector staying in their job because of economic necessity alone.
- From the above outline it seems that both hard and soft HR practices are not satisfactorily implemented. The consequences of these are to be discussed in the following section.

Compliance, commitment and organisational performance

Business organisations are performance seekers; thus the selection of HR practice depends on past experience and future expectation of results or performance. Workplace compliance and commitment are the function of better HR practices. Regarding compliance issue, the matching model (also known as a hard HR model) initiated the debate and warned that if organisations fail to follow appropriate HR activities, they will be beset by inefficiencies (Fombrun et al. 1984). This model strongly recommends academicians and managers to integrate business strategies and HR practices in order to get high performance outcomes. Many authors have desperately attempted to examine HR-performance issues and attempted to establish relations between HR practices and organizational efficiency and effectiveness in the last decade (Baker and Gerhart, 1996; Guest, 1997; Guest, 2001; Ulrich 1997; Kaplan and Norton, 1992; Huslid,1995). A large number of articles have been published on the subject to examine the relations between HR practices- recruitment and selection, performance evaluation, reward and training to firm performance (e.g. lower employee turnover and greater productivity and corporate financial performance) (Backer and Gerhard, 1996). It is observed that firms that engaged in a strategy formulation process that systematically and reciprocally considers human resources and competitive strategy will perform better than the others (Lengnick-Hall and Lengnick-Hall, 1988). There is also an implicit but untested hypothesis that a good fit will be associated with superior performance (Guest, 1997).

The Harvard model developed by Beer et al (1984) also known as soft HR model, argues that historical problems of personnel management can be solved only if general managers develop a philosophy or viewpoint about how they wish to see employees involved in and developed by the organisation. So involving employees at work is a real challenge which can be addressed by creating working environment favourable for engagement and commitment. Taking into account both hard and soft HR related issues MacDuffie and Krafcik (1992) argued that the success of a lean production system depends on high commitment human resource policy, broad job classification, multi-skilling practices, profit/gain sharing, a reciprocal psychological commitment between a firm and employees, employment security and reduction of status barrier. Arthur (1994) finds two types of HR configurations that include control and commitment systems. Whereas control systems aim at reducing direct costs, or improving efficiency by enforcing compliance and basing the employee rewards, commitment systems aim to share desired employee behaviours and attitudes by forging psychological links between organisational and employee goals. In a study by Cunha et al. (2003) it is indicated that when organisations can make more cost-effective use of their labour, whilst meeting employee needs, they are more likely to be successful.

From this discussion one can infer that both soft and hard factors are closely associated to organisational performance. Turning to the situation of Nepal, there is dearth of research findings showing relations between specific HR practices and performance. Regarding

compliance Adhikari and Gautam (2010) argue the government and employers have failed to follow and implement proper mechanism for implementing labour legislations at the organisational level. They have presented sufficient evidences about negligence from the part of these two parties to comply provisions of labour legislations. Employers have been indulging workers that instead of being involved and committed employees are engaged in petty politics at work places (Adhikari, 2008). Unions and their leaders believe that strike is the only way to deal with rights of working people instead of following provisions of labour legislations (p. 339). Another study by Gautam (2008) drawn fabulous results that majority of the companies integrating HR and business strategy have increasing return on investment. This clearly illustrates that how the hard HR practice have impact on the financial performance.

In a research on "Human Resource Management and Organisational Performance-An Evidence from Nepalese Banking Industry", it was indicated that performance evaluation and reward system variable is significantly positive correlation with return on equity (ROE) (Shrestha, 2006). At the same time the study reported that ROE is significantly and positively correlated with affective and continuous commitment and employee satisfaction is closely related with all the HR practices components where more specifically, work related satisfaction is highly correlated with the work environment and climate (p. 148). In another study by Pandey (2008) employees in Nepalese banks still perceive a significant positive relationship among the components such as, personal benefits, career benefits and job-related benefits of training and components of commitment (affective commitment, continuous commitment and normative commitment).

We never believe that there is a complete absence of compliance and commitment factors at Nepalese workplaces. Organisations have HR related policies, rules regulations guiding HR departments and HR practices. But there is a kind of low trust work environment so that employers and employees always doubt their actions and reactions. Regarding commitment, as revealed earlier, certain HR practices are their for enhancing the level of employees' commitment at work. As far as, impact of this on overall performance is concerned no hard data available to link such relations. However, companies in Nepal are not utilising their full capacity, they have very less competing capability and except carpet and garment products there is no international markets for Nepalese products. The market value of share (especially in the secondary market) is basically decided by the vested interest of few brokers and speculators instead of actual organisational performance. In sum, a number of literature show the impact of HR practices on commitment and compliance and thus on organisational performance.

The New Mandate for Raising Employees' Compliance and Commitment

Keeping in view the low degree of compliance and commitment at Nepalese workplaces it is imperative to search for the new HR mandate for our HR professionals and department to raise organisational performance. Study undertaken by Cranet, Nepal (2004) clearly stated that three mandates for improving HR practices and thus enhancing commitment and compliance. They are: 1) increase interpersonal and communication skills of employees; 2) increase professional and vocational skills of employees; and 3) enhance leadership skills of the managers. In fact, these three mandates clearly support to achieve performance goal of the organisation through enhancing commitment and compliance. Evidences show that in the lack of interpersonal and communication skills it is difficult to communicate policies and

expectations of the companies (Adhikari, 1992). There is a mismatch between job requirements and current level of employees' skill making it difficult in performing the given jobs. Finally, in case of leadership development, there is a poor record of succession planning in Nepalese organisations. The role of larders is not trustful especially in the case of hiring, promotion, performance evaluation and in making compensation policies. The wide spread feelings of prestige and status are prevailing because of hierarchic nature of the organisations. As discussed earlier, companies are failing in complying labour legislations on the one hand and motivating employees for engaging them at work on the other hand. Both hard and soft HR dimension are not fully in practice.

Typological Framework

A typology framework could be helpful to analyse and understand the degree of commitment- and associated hard-soft HR issues. In addition, it also supports to suggest the new HR mandates to improve performance. In the framework below, based of McGregor's (1960) work, four X,Y zones are created. Zone X represents the hard HR issue and zone Y represents the soft HR issue. High commitment denotes the presence of high degree soft HR dimensions where as high compliance denotes presence of high hard HR dimensions at work places. Below presented is the typological framework showing commitment-compliance matrix.

Commitment	Low	High
High	Presence of high soft and low hard HR practices.	Presence of high soft and hard HR practices.
Low	Low presence of hard and soft HR practices.	High presence of hard and low presence of soft HR practices.

Compliance

Theoretically, high application of both soft and hard HR practices will certainly result high degree of compliance and commitment at work. Below presented description of the degree of compliance and commitment and the associated mandates for enhancing organisational performance.

1. Presence of High soft and low hard HR practices (Low X zone and high Y zone): In this situation employees will remain motivated and committed at work. The lack of hard HR practices indicates poor integration of HR strategy and business strategy, less compliance of rules and regulations, lack of opportunity for work based training and development and the like at our workplace. In this situation HR department and professionals have to play role to develop model of doing business, enhance professional and vocational skills of employees, play as change agent in order to adopt with changing technology and develop performance based measures such as, compensation based on performance.

2. Presence of high soft and high hard practices (high X and Y zone): This represents an ideal stage of commitment and compliance at work. At this stage company have proper mechanism for implementing rules and regulations, relations with unions will be better, employee motivation and morale will remain high. This situation can have positive impact on organizational performance. However, it is always necessary to maintain this ideal situation due to change in external and internal environmental forces. At this situation, HR professionals have to work actively as change agent thinking on how to keep employees engaged at work.

3. Low presence of hard and soft HR dimensions (Low X and Y zone): This represents the situation where there is low degree of commitment and compliance at the workplace. In such workplace employees are less motivated and committed at workplace and at the same time, in the lack of proper integration of strategy and HR practices and low degree of compliance of labour legislation organizations fails to achieve its performance objectives.

4. High presence of hard and low presence of soft HR dimensions (High X zone and low Y zone): In this situation the degree of compliance will be higher and commitment will be lower. Although rules and regulations are in practice and HR department is committed to implement its hard HR policies and practices in organizations employees may not be interested to work because of poor human relations, uninteresting jobs and not recognition of the job done. Proper leadership and job design is inevitable in this situation. The role of leadership is prominent in this situation to make the work environment motivating and interesting.

Discussion and Conclusion

Both hard and soft HR practices are important to enhance degree of compliance and commitment at work. They, in fact, reciprocate each other to advance at workplace. Examining the degree of compliance and commitment situation in Nepalese workplaces, it seems poor status of the implementation of hard and soft HR practices. Organisations fail to comply given provisions of labour legislation, business and HR strategies are not sufficiently integrated and even there is lesser integration among the HR practices such as result of performance evaluation and its implication for employees' career development. In fact, very few organizations have practicing performance based HR practices. Regarding commitment, employees are less engaged in given works in the lack of interesting, challenging and motivating jobs. Human relations is distorted due to poor communication practices and leadership development. In organizations, among the top level managers feeling of status and prestige is high. At the work place conflicts are on rise and there are no proper measures to uplift employee morale and motivation.

Many Western authors agree that there are evidence of impact HR practices on bottom line performance. But in case of Nepal still we have to come forward with enough evidences on how HR practices enhance compliance and commitment and thus increase the organizational performance. This is essential because very few employers are convincing with the specific impact of HR practice on organizational performance (also see Adhikari and muller, 2001). A number of evidences presented in this paper on how HR practices will have impact on performance. Even in case of Nepalese organizations there is an evidence that firms integrating HR and business strategy are doing better in terms of raising ROI (See Gautam, 2008). Similarly Shrestha (2006) also finds that how some hard HR practices are positively related with ROE. In another research Pandey (2008) indicated that employee perception towards benefits from HR practices will lead to their commitment at work. Although few of these evidences are most prominent to discuss here in this paper, in the lack of proper leadership development, rising feeling of status and prestige among the top level managers and poor mechanism of implementing provisions of labour legislation at work place the situation is still not so favorable for raising the level of performance.

Authors including Ulrich (1998) Pfeffer (1998) and Lawler (1996) have proposed few roles and mandates for HR professionals and department. Although there are not sufficient evidences on how far these mandates are useful to enhance the degree of compliance and commitment at

workplace, we can argue that some of these mandates are worthy to be considered. Looking at deteriorating performance of organizations, there is a need to reconsider role of HR professionals and departments especially that are helpful to integrate HR and business strategies, making people engaged at work, motivating employees for commitment and compliance, reducing feeling of status differences. Moreover, to practice HR dimensions efficiency information technology should be used. The culture of selective hiring, performance based systems, information sharing and continues learning and training is required at workplaces. However, while adopting these mandates and playing new role professionals may face risk factors such as lack of budget, reluctance from the side of employees and unions, budgetary provisions and few others. However, practices of information sharing, training and development, convincing message from leaders and counselling can help to minimising the effect of these risk factors associated with implementing these roles.

There is an implication of typology framework for the HR professionals to understand the degree of compliance and commitment at our workplace. Based on this framework, HR professional can adopt or create a number of mandates to improve the situation of compliance and commitment and thus to increase organizational performance. This framework also contributes ideas for the researchers who want to pursue further research in this area. This framework clearly indicates that researchers can develop approaches to recommend mandate to play are relevant HR roles for the professionals in different situation of high-low commitment and compliance. More specifically, in case of the Nepalese workplace typology framework clearly supports three mandate (see Cranet 2004) to address both hard and soft issues and thus to enhance the current level of compliance and commitment at work. These three mandates are: develop interpersonal and communication skills of employees improve professional and vocational skills of working people and develop leadership capability.

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Prioritization of Selective Managerial Success Indicators in Indian Context: An Analytical Hierarchy Process Approach

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Abstract

The purpose of this research paper is to identify and analyze a set of success indicators that the working managers value most in their professional life. Further, these selective managerial success indicators were prioritized in Indian context. The research was carried out using the analytical hierarchy process (AHP) technique as the basis for the comparisons of the success indicators as well as for the representing variables under each success indicator. The results established the prioritization of the aggregative managerial success indicators as well as the variables under each indicator in Indian context. The rating scale used in the AHP analysis is subjective by nature, and covering more number of organizations in the sample survey could enhance the generalized acceptability of the study. This research has addressed a relatively unexplored area of managerial success in Indian context and outlined a framework for the prioritization of success factors by the Indian managerial community. The study has practical implications for the top management in terms of providing them with the definitive success indicators of the working professionals; hence help them achieve success by suitably facilitating these factors. The recruitment specialists can select the incumbent managers with the individualized characteristics identified in this study that facilitate professional success.

Introduction

The issue of what makes managers / executives successful has been of interest to researchers and professionals for long. Factors such as social skill, interpersonal ease, luck, good connections, timing, positive self-esteem (Berglas, 1986); drive, energy, and desire to do an outstanding job, set priorities and work accordingly (Stuart-Kotze and Roskin, 1983); and ability to handle people have been considered important in the attainment of success. Iacocca (1984); and Sorcher (1985), contended that predicting success is an extraordinarily difficult task as it involves considerable ambiguity, the complexity of trying to match and balance an individual's behaviour, abilities, personal characteristics, experience, and accomplishments with a different working environment, new roles, new tasks, and new interpersonal relationships. Many people or organizations predict success from analytical ability. Others give importance to self-confidence, tough-mindedness, willingness to work hard, and a sense of honour. Predicting success may be possible if one understands what one is trying to predict. The issue has become complex as the meaning of success itself has been changing from time to time.

Nepalese Academy Of Management
CONFERENCE PROCEEDINGS
VOLUME 2, NUMBER 1, 2011
PP. 66 - 89

Three main strands of thought and feeling out of a number of competing versions of the ideal success have been found by Cawelti (1965). The emphasis of the first strand was on values of piety, frugality, and diligence. The definition of success of the second tradition of thought was purely economic. It became dominant toward the end of the 19th century. With the rise of industry, possession and control of wealth had become more desirable goals. The second strand stressed qualities such as initiative, aggressiveness, and forcefulness whereas the protestant tradition stressed the self-disciplinary and religious virtues. The third strand defined success in terms of individual fulfillment and social progress rather than in terms of wealth and status. The emphasis was on personality development which meant acquisition of those qualities which would make the individual an effective participant in the struggle for success. Personal magnetism, a quality which was thought to enable an individual to influence others, became one of the keys to success.

Conceptualization of Managerial Success and Antecedents

Berglas (1986), argued that evaluating a person or an event as "successful" indicates that the person or event has more of a desired attribute than persons or events in its class. Since success implies a comparison, it may be perfectly fine to consider someone as successful, who has more of a "desired" attribute. However, 'what' attributes are desired to be successful or the criteria of success are largely determined by the significant social values as perceived by the members of the society. The success of an executive / manager in the work organization has mostly been determined in terms of external criteria, such as money, status, number of promotions, etc (Dunnette, 1967; England and Lee, 1974; Watson and Williams, 1977; Ryan et. al., 1981; Ansari et. al., 1982). A number of previous studies have tried to explore what accounts for managerial success. Studies were also made to find out solutions to queries like what characterizes successful managers; what do successful managers know that less successful managers do not; and what do successful managers do better than less successful managers. The real time managerial responses to these queries showed more disagreement than agreement as to deciding the predictors of managerial success. Although the managerial respondents were consensus that the scores obtained from intelligence and various aptitude tests were not the sole predictor of potential managerial success. Many of them cited examples of colleagues, who had a very high level of general intelligence, though were moderately successful in their career pursuits. Conversely, the most successful colleagues they knew were rarely those, whom they would rate as the most intelligent. Even a view was expressed that a very high level of intelligence quotient (IQ) could be a detriment to managerial success, based on the observation that some highly intelligent individuals lack patience with their less able peers, subordinates, and even superiors. Further, such individuals tend to rely too heavily on their extraordinary analytical powers, thereby neglecting important advice from others. An ability that counted more than intelligence quotient for managerial success was found to be practical intelligence (Wagner and Sternberg, 1987).

Gronhaug and Falkenberg (1994) found that the individual managers would attribute success to internalities over which they could exert control, and the success criteria were perceived differently by the managerial members at different levels of hierarchy. Their study also confirmed that the better the organizational results were achieved, the more there was consensus of success criteria among the organizational managers. Eddleston et. al. (2004) posited that education and drive for career advancement reorient the managers more towards relocation, marketability, professional network, promotion, and enhanced compensation. Hayajneh and Raggad (1994) established that the personal values of individual managers were

related to their professional success, and also the successful managers were found to be dynamic and achievement – oriented than their unsuccessful counterparts. Margerison (2007) confirmed that the five major managerial success attributes were found to be interpersonal influencing skills, responsibility for a business sector, need to achieve results, early leadership experience, and width of business experience.

Determinants of managerial advancement have not been well established. A number of studies have examined the impact in terms of the leadership motive pattern (McClelland, 1985); and mentoring (Dreher and Ash, 1990). Only a few studies have examined a range of personal and situational variables (Jaskolka et. al., 1985; Gattiker and Larwood, 1990), and these have been without the benefit of a specific theoretical underpinning. Recently, comprehensive theories of managerial advancement have been developed for women. The theories may also be useful for explaining the advancement of men, for whom comprehensive theories are lacking. Using confirmatory modeling, a priori models of influences on women's managerial advancement based on recent theories pertaining to women and the applicability of the models to men were examined. To date, studies have not tested complex models using simultaneous estimation of influences, even though theories of women's advancement are multivariate, person-situation explanations (Ragins and Sundstrom, 1989; Fagenson, 1990) posing sequences of influence (Tharenou, 1990). Researchers now need to test models of sequenced patterns of relationships if the managerial advancement of either sex is to be better understood. The concept of managerial success as an exploratory research construct has also not been investigated by the academic researchers as an integrated outcome of various success antecedents having simultaneous interactions and impact.

In judging their own success, the working managers / executives can use internalized aspirations and goals that are not visible to others as distinguished criteria. The results of such judgments are relatively subjective internal states or feelings. Research on success has employed both kinds of measures as criteria. Commonly used objective and visible indicators include (1) salary level, (2) job status (Crites, 1969), (3) tenure in the job or organization (Waddell, 1983), and (4) work-related recognition (Howes, 1981). Although individuals assess their own success by these objective criteria, more subjective measures are needed to tap possible individual differences in feelings about these objective accomplishments. Such subjective measures include significant criteria like job satisfaction and employment goals reached (Howes, 1981). A third category of indicators focuses on achievements such as job performance, employing indicators like output, sales, earnings, efficiency ratings, and productivity (Crites, 1969).

Psycho – Analytical Measures

Past research has investigated only a few of the many psychological characteristics that could be related to managerial success. England and Lee (1974), found that values of financially successful managers differed from those of their less successful counterparts. Job involvement, which can be viewed as the value individuals place on their jobs, has also been investigated as having correlation with some indicators of success. Rabinowitz and Hall (1977), reported no relation or mixed results between job involvement and job or skill level. However, it is possible that past studies failed to uncover a relationship between job involvement and success because of the inherent difficulties existed in the unstandardized measures of success used. Nevertheless the previous studies had logically established the causal relation between the organizational commitment and managerial success via job involvement and job satisfaction (Mowday et. al., 1982; Mathieu and Zajac, 1990; Meyer and Allen, 1990; Spector et. al., 1997; Riketta, 2002).

Using Beyer's (1981) definition, manager's beliefs about the nature and consequences of the relationship between business and society, their obligations to employees, and the nature of their responsibilities are ideologies for managerial values. As England (1975) found for values, the ideologies of successful and unsuccessful managers differ. Steiner (1971) suggested that business organizations have a unique system which forms the fundamental driving force in each business and may be more important in its success than its managerial assets. England and Lee (1974) found that more successful managers have dynamic and achievement-oriented values, while less successful managers have more static and passive values. Singer (1975) also investigated the relationship between values and leadership and found that successful managers placed a high priority on moral standards and personal integrity. Using England's (1967) research methodology, Askar (1979) examined the value systems of Egyptian managers and found that the value orientation of Egyptian managers as a group appeared to have a more moralistic than pragmatic or affect orientation, and that the personal value systems of Egyptian managers were related to their behavior. Hayajneh and Raggad (1994) examined that the personal value systems of the sampled managers were related to their success as managers. It was also found that there were differences between the personal value systems of more successful managers and those of less-successful managers. While more successful managers had dynamic and achievement-oriented values, less successful managers had more traditional moral and religion values.

Motivational profile of individual managers in terms of the need for autonomy and power, achievement, and socialization were also found to be critical for achieving organizational goal and objectives, and hence contributed to career advancement and professional success (Myers, 1966; Campbell et. al., 1970; Beckers and Frere, 1976; Margerison, 1980; Pinder, 1998; Sansone and Harackiewicz, 2000; Bateman and Crant, 2005). The individual personality traits of emotional stability, openness to experience, conscientiousness, and thinking type (logical and analytical) have got a significant bearing on the performance and professional success of individual managers in organizations (Tett, Jackson, and Rothstein; 1991; Salgado, 1997; Burke and Witt, 2002; van der Walt, Meiring, Rothmann, and Barrick; 2002; Bozionelos, 2004; Furnham et. al., 2007; Gentry, Mondore, and Cox; 2007; Nikolau, Tomprou, and Vakola; 2007; Suliman, Abdelrahman, and Abdalla; 2010). Hence the values, motivation, and the personality pattern of individual managers play significant roles in the achievement of professional success.

General Cognitive Ability

It is widely accepted that within the given variations and design constraints among the studies of managerial dispositions, some stable individual differences may predict important attitudes and behavior as antecedents to managerial success. Intelligence or general cognitive ability (GCA) has a well-documented history of research that reliably predicts important outcomes such as job performance and career success (House, Howard, and Walker; 1991). Hunter (1986), reported a review of hundreds of studies showing that general cognitive ability predicts job performance in all jobs. The predictive ability of GCA increases for jobs or situations that require increased information processing. This is consistent with Wright and Mischel's (1987) competency-demand hypothesis, which implies that people with more general cognitive ability are likely to perform better in cognitively demanding situations. General cognitive ability predicts performance across jobs, settings, and careers (Gottfredson, 1986; Dreher and Bretz, 1991; Schmid, Ones, and Hunter; 1992). Schneider (1987); Kenrick and Funder (1988), reviewed the person-situation debate and concluded that situations may affect people, while people may affect situations and maintain distinctive personal styles across situations.

There are several problems here for researchers attempting to measure managerial success based on a set of criteria measures. First, intelligence or general cognitive ability is a construct that most organizational scholars have not investigated. Instead of building on the massive evidence for the efficiency of GCA as a predictor of job-related outcomes, researchers have pursued other, less well-defined dispositional constructs (Gerhardt, 1987; Tyler, 1986). Second, some of the earliest models of human performance (Heider, 1958) suggested an interactional approach using ability and motivation. Campbell et. al. (1970), observed that in industrial and organizational psychology, performance is a function of the interaction between ability and motivation. Chatman (1989), and Pinder (1998) in their reviews of the motivation literature, made a similar observation and noted that it may be that high levels of one component compensate for low levels of the other. This general approach is the basis for expectancy models of motivation that conceptualize performance as the interaction between ability and effort. Success has been viewed through personal achievements in some socially valued occupation or vocation (Merton, 1968). However, vocational achievements alone may not be sufficient to achieve success if other factors assist or constrain individuals in achieving success.

Demographic Measures

It is well established in the literature that certain demographic characteristics help and other impede individuals in their pursuit of success. Several studies have found that greater education, tenure, or age contribute to attainment of greater salary or higher organizational status (Malkiel and Malkiel, 1973; Bridges and Berk, 1974; Leigh, 1976; Spaeth, 1976; Halaby, 1977a, 1977b; Agarwal, 1980; Rosenbaum, 1980; Grandjean, 1981; Pfeffer and Ross, 1982). The type of education managers have may also affect their success. In particular, managers with business or engineering degrees, which involve highly practical vocational training, may be more highly rewarded than managers with other degrees. Rosenbaum (1979), found that employees who do well in the very early part of their organizational careers are also more apt to succeed in the later stages of their careers. This finding suggests that starting a career at the supervisory rather than the nonsupervisory level promotes managerial success. So far as the gender differences are concerned, Tharenou (1994) posited that training led to better managerial advancement for men compared to women managers, whereas career encouragement had a more positive effect on training for women than for men. Eddleston et. al. (2004) found that the mentoring and challenging job assignments produced similar success for both male and female managers working in the organization. The empirical work done by Crilley and Sharp (2006) reconfirmed that individual demographic attributes of age, gender, qualification, and the job tenure have got a significant impact on managerial quality and performance, and hence contribute to professional success.

Measures of Organizational Results

The fact that measures of job performance are so unreliable at times has led researchers to measures of organizational results, for the unit of the manager in question, as criteria measures of managerial success. Organizational results in terms of profitability, business growth and expansion, return on investments, project planning and execution, and creation of strategic advantages are influenced not only by managerial success but also by the environment within the organization, and the external environmental factors. Thus it is often difficult to judge the effect of a particular manager's behavior on the success of his or her organizational unit. A further problem with the use of organizational results as a criterion of managerial success is that they are factorially complex rather than uni-dimensional with some dimensions being highly unstable. Although some work has been done on relating leadership behavior

particularly consideration and structure to organizational criteria, the methodological problems are enormous. Organizational results achieved in terms of business growth and turnover, profitability, return on investments, and customer satisfaction determine the professional success of working executives (Maulion and Willingson, 1984; Lawrence and Kleiner, 2007; Margerison, 2007).

Salary, Status, and Promotions

Many studies of managerial success have used salary and promotion as criteria measures of managerial success. These two variables do have the advantage of being "real world" decisions, which presumably have received some thought on the part of responsible managers. But they are being affected by organizational politics, economic conditions, and the labor market. Indeed, one study of salary by Haire (1965) found little consistency in the relationship between pay and pay rises over a ten year period, indicating that either performance was not a reliable phenomenon or that salary was not a reliable measure of it. Jaskolka et. al. (1985), focuses on two of the most generally accepted and widely used objective criteria of vocational success: salary level and status level. However, both have obvious common shortcoming as measures of success as they confound success with age and tenure. The approach failed to discriminate the atypical cases of those persons, who are unusually successful or unsuccessful and therefore, the query remained as for a direct correlation with either salary or status level. To deal with this problem, in his study of managerial values and success, England (1975) neutralized the effects of age by standardizing managers' salaries within age categories. Jaskolka et. al. (1985), computed two measures of managerial success, each standardized within the manager's age category: financial success based on salary, and status success based on hierarchical level. Data from a large sample of managers in a U.S. corporation were then used to ascertain factors associated with more or less of these two measures of success. Several large - scale studies have followed the progress of managers from early to later stages of their careers in an attempt to determine which personal characteristics are associated with managerial effectiveness. This line of research has been reviewed and summarized by Campbell et. al., (1970). Among the indicators of effectiveness examined in some of these studies reflected that personal success factors like salary levels, salary increments, and status levels attained were given more importance than the overall organizational effectiveness.

Contextual Measures

Campbell et al. (1970), concluded that contextual variables have been largely ignored in this line of research and suggested that role characteristics, structural properties of organizations, organizational climate, and industry properties should also be investigated as predictors of managerial effectiveness. Various contextual variables, including characteristics of the manager's role and unit, are likely to hinder or assist managers' efforts to attain success. Campbell and Cellini (1981), suggested that inappropriate job requirements, deficiencies in the organizational structure, and an inadequate reward system may lower managerial job performance. The empirical evidence relating such characteristics of managers' roles to their success is inadequate to reach any definite conclusion. On the other hand, Agarwal (1980), found that chief executives, who performed more complex jobs with larger numbers of subordinates earned higher compensation. Spaeth (1976), also confirmed that managers with larger span of control secured more compensation. Conversely, Bridges and Berk (1974), found that supervisory personnel with routine jobs earned lower wages. Although not previously investigated, having greater authority and influence also seems likely to assist managers to gain more rewards and thus to be more successful. Other factors that could constrain success

by managers' efforts are the ways criteria are used to decide their promotions. Managerial perception that performance and technical skills are important for promotion seems likely to produce successful managerial behavior. Whereas, perceptions that seniority is important seem likely to produce less successful managerial behavior. Another role characteristic that could affect managerial success is perceived role stress. Some authors (Schmidt, 1978; Dukerich, Beyer, and Trite; 1982) have pointed out that role demands are determined not only by role senders, but also by people's expectations of themselves. Managers, who demand more of themselves, may experience more of certain kinds of stress, particularly role overload. Managerial success may also be constrained by characteristics of the work unit supervised. To maintain equity, organizations should give more rewards for more difficult tasks than for easier ones. Supervising units with several characteristics that make managerial tasks more difficult, turnover within the unit, low visibility of subordinates' performance, non-routine tasks, and high amounts of technological change should be more highly rewarded than supervising units that lack these characteristics.

Analytical Hierarchy Process (AHP)

Early in the 1970s, while working on studies for the Department of Defense and the National Science Foundation, Saaty developed an ingenious approach to help decision makers in modelling complex problems in a simple way. In 1977, Saaty formally proposed his "theory of prioritized hierarchies" (Saaty, 1977a), and described the first full scale application of his theory to 103 ranked air, road, rail, river, and port transport projects in Sudan (Saaty, 1977b). His published textbook, entitled The Analytical Hierarchy Process (Saaty, 1980) and his release of the PC-based software, entitled "Expert Choice" in 1983 (Expert Choice, 2002) helped popularize the process amongst operations research practitioners.

AHP is based on the following three principles: decomposition, comparative judgment, and synthesis of priorities. It is a theory of measurement for dealing with quantifiable and intangible criteria that has been applied to numerous areas, such as decision theory and conflict resolution (Vargas, 1990). AHP is a problem-solving framework and a systematic procedure for representing the elements of any problem (Saaty, 1994). It generally involves three steps. The first step is to structure the problem into a hierarchical framework with successive levels of goal, criteria and alternatives. The alternatives are placed at the bottom level. Such structuring requires some experience with AHP techniques, but the following guidelines are helpful:

1. **Start structuring top down:** Specify an overall goal first, then criteria and the alternatives that have an impact on the goal, or will help to achieve that goal.

2. **Comparison analysis:** Once the hierarchy has been structured, the second step is to establish ratio priorities for each node of the hierarchy. This is done through pairwise comparisons of the child items below a parent node. The comparisons are done with respect to the importance or contribution of the item to the parent node. Hence, this comparison analysis is generally conducted from bottom to top. Once sufficient comparisons have been made for a node, the principal eigenvector of the comparison matrix is standardized, so that it sums to one and becomes the ratio measure of the relative importance of each item. Since these priorities reflect the relative importance of just the items below a parent node, they are called local weights.

3. **Aggregate the local weights into a composite priority:** This is the AHP's final step and is done through the principle of hierarchic composition that first multiplies local weights by the product of all higher-level priorities. Within the hierarchy, this process transforms the local weights into global weights that measure the importance of each node in the total hierarchy. These global weights are then summed for a specific alternative to yield a composite priority that measures the joint impact of all of the criteria. Then, the alternative with the highest composite weight is selected (HajShirmohammadi and Wedley, 2004).

Sample, Measures and Research Hypotheses

Sample

The sample (N = 282) consisted of managerial personnel at various levels (senior, middle, and junior) in 12 different organizations, enhancing the external validity and generalizability of the findings from the study. The organizations were very diverse and engaged in different types of industries including information technology, insurance, fast moving consumer goods, and banking and finance among others (see Table 1). 43% of the total respondents held graduate / post graduate degrees in science and engineering, commerce and business studies, and humanities; whereas the rest 57% held professional qualifications like master of business administration, chartered and cost accountants, and master of computer applications. 28% of the survey respondents were below the age of 30, 26% were between 30 and 40, 24% were between 40 and 50, and 22% were between 50 and 60 years of age. Purposive random sampling technique was adopted to choose the organizations and getting the responses from the managerial personnel to the designed questionnaire.

The selective managerial personnel from various organizations responded to the administered questionnaire that compared the relative importance of the managerial success indicators on a nine point scale used for AHP analysis. The managerial responses to the questionnaire were obtained with the active support of the Human Resource managers in various organizations as well as through online responses from the concerned managers.

TABLE 1: Classification of Sample Respondents

Organizations	Type of industry	Junior Managerial Respondents	Middle Managerial Respondents	Senior Managerial Respondents
Organization 1	Information technology	10	8	4
Organization 2	Power generation and distribution	9	10	3
Organization 3	Life and non-life insurance selling	12	7	3
Organization 4	Fast moving consumer goods	13	10	5
Organization 5	Electrical equipment manufacturing	12	8	4
Organization 6	Oil exploration and retailing	9	10	5
Organization 7	Banking and finance	11	9	4
Organization 8	Information technology	13	7	3
Organization 9	Management and engineering consultancy	9	12	4
Organization 10	Iron and steel manufacturing	12	8	5
Organization 11	Banking and Finance	10	8	5
Organization 12	Logistics and Cargo solutions	9	7	4
Total	282	129	104	49

Measures

A questionnaire was administered that examined the comparative assessments of the various indicators of managerial success conceptualized in this study. The questionnaire contained items that measured each individual indicator / construct of managerial success (see Table 2). Then all the indicative variables of managerial success were pair-wise compared to each other with the help of a nine point relative comparison scale ranging from weak to extreme importance (see Table 3). Point 1 was used to indicate equal importance between any two indicators of success.

Psycho-analytical measures of managerial success had *value* as one dimension using the measures adapted from Hayajneh and Raggad (1994). *Organizational commitment* as the second dimension of *Psycho-analytical measures* had the measures developed by Meyer and Allen (1991). *Managerial Motivation* as the third dimension of *Psycho-analytical measures of managerial success* had the item measures taken from the study of Bateman and Crant, 2005. *Personality Traits* as the fourth dimension had the measures adapted from the study made by Burke and Witt (2002).

General cognitive measures of managerial success were measured with the help of aptitudinal proficiency[1], logical thinking[2], and structured analysis and planning[3] for resolving critical business issues and problems. These items were self-developed by the author out of the synthesized research conclusions made in this context by Gottfredson (1986); Wright and Mischel (1987); Dreher and Bretz (1991); Schmid et. al. (1992).

Demographic measures of managerial success had the items containing *age, professional qualification, work experience, and variety of job assignments* self - developed by the author.

Compensation and status measures of managerial success was measured by the items of salary and incentives received, number of promotions obtained, and the position / designation / status held by the manager working in the organization.

Contextual measures of managerial success contained the item measures having dimensions of nature of supervised unit, nature of job assignments and work roles, characteristics of the subordinates, and the interpersonal relations among the managers and the subordinates developed by Jaskolka and Beyer (1985).

Organizational results achieved in terms of business growth, business turnover, profitability, and cost effectiveness contained items that were self - developed by the author based on the previous studies conducted in this context.

Research Hypotheses

The study contains the following research hypotheses –

H_1: Compensation and status obtained, and the organizational results achieved are more important indicators of managerial success compared to the other major indicators of success for the managers working in industrial organizations in Indian context.

TABLE 2: The Research Variables and measuring items used in the Questionnaire

Variables	Measuring Items
Psycho-analytical (Values)	– Being impartial and fair, and providing equal and fair treatment to others – Self-respect and the strong belief in practicing ethical standards – Desire to create wealth and abundant material resources for the organization – Strong belief in one's own ability and competencies

Psycho-analytical (Organizational Commitment)	–	A strong attachment to the organization's values, ethos, and culture
	–	The valued economic benefits from the organization
	–	The moral and ethical obligations towards the organization
Psycho-analytical (Managerial Motivation)	–	The autonomy in terms of taking job related decisions and setting work goals
	–	Desire to work on complex and new problems
	–	The strong desire to achieve results, status, and position
	–	The desire to develop and maintain healthy interpersonal relations with work group
Psycho-analytical (Personality)	–	Emotional stability, openness to experience, conscientiousness, logical and analytical, orderly and responsible
General cognitive ability	–	General cognitive ability of managers in terms of aptitudinal proficiency, logical thinking, structured analysis and planning
Demographic measures	–	Professional qualification, age, work experience, and exposure to variety of job assignments
Contextual measures	–	Roles and responsibilities assumed by the managers, the nature and structure of the units / divisions they supervise, the characteristics of the subordinates within the unit, and their interpersonal relations among themselves as well as with the managers
Salary and Status	–	The status and position held, promotions obtained, and compensation and incentives received
Organizational Results	–	Achievement of organizational results in terms of business growth, business turnover, profitability, and cost effectiveness

H_2: Characteristics of the unit that the manager is supervising / managing determines his / her professional success to the largest extent compared to the other major contextual indicators of success for the managers working in industrial organizations in Indian context.

H_3: Qualification and variety of job assignments are more important than the age and tenure of experience for the leading demographic indicators of success for the managers working in industrial organizations in Indian context.

H_4: Motivation to do well and achieve excellence is the leading indicator of professional success than the other psycho-analytical attributes for the managers working in industrial organizations in Indian context.

H_5: Structured analysis and planning, aptitudinal proficiency, and logical thinking are equally important for attaining professional success by developing the general cognitive ability for the managers working in industrial organizations in Indian context.

H_6: Compensation received is the leading indicator of professional success among the various attributes of compensation and status obtained for the managers working in industrial organizations in Indian context.

H_7: Business growth and business turnover are more important indicators of professional success compared to the other major indicators of organizational results achieved for the managers working in industrial organizations in Indian context.

Analysis and Results

The following steps were followed to conduct the analytical hierarchy process to conceptualize and analyze the responses obtained from the survey participants.

Step 1: Define and list all the key managerial success indicators

In this step, six factors are listed as:

- Contextual
- Demographic
- Psycho-analytical
- General cognitive ability
- Compensation and status related
- Organizational results achieved

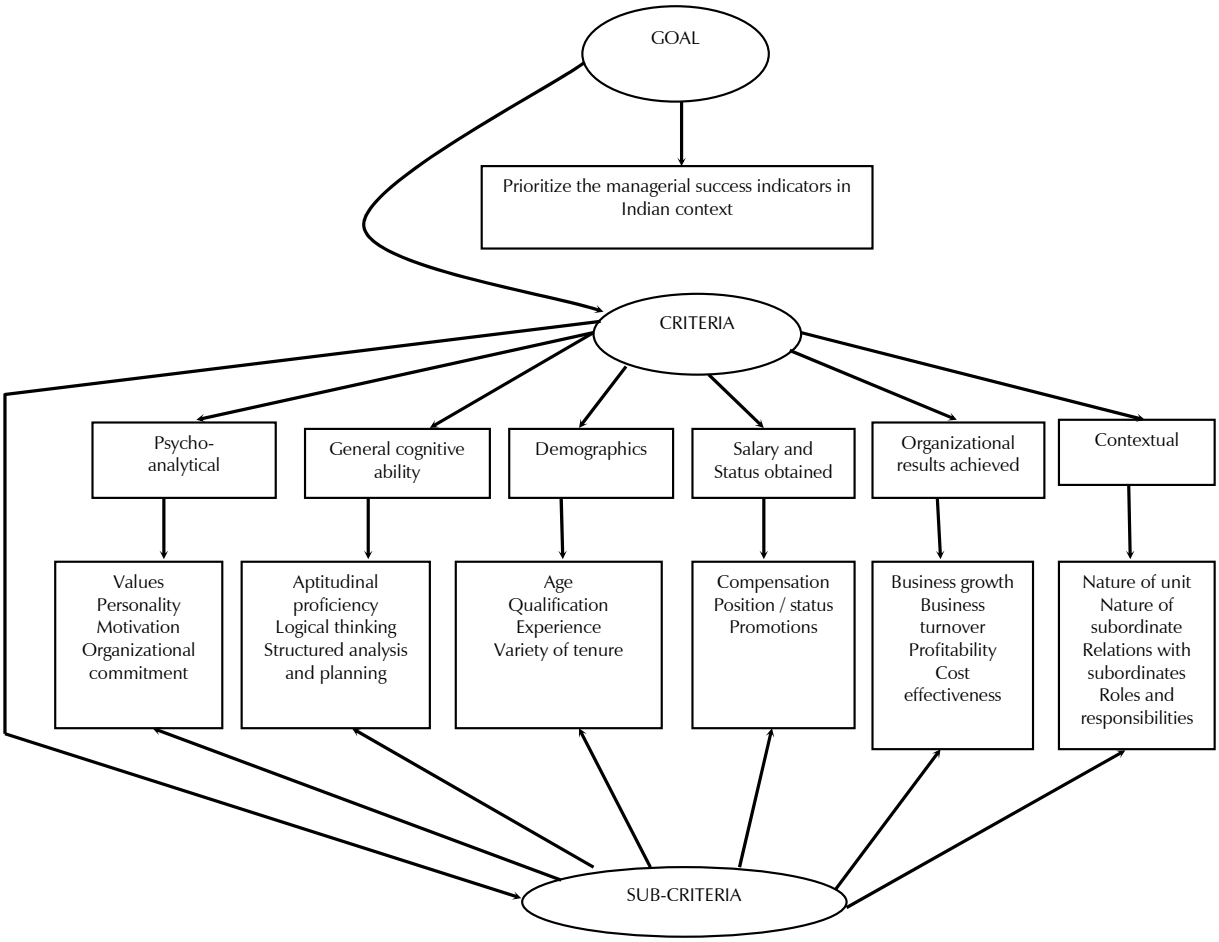
Step 2: Build AHP hierarchy based on the key indicators of managerial success

The AHP hierarchy is built on the key success indicators and includes the variables under each of the identified indicators as exhibited in Figure 1.

Step 3: Pairwise comparison

Using a nine-point scale, shown in Table 3, a pair-wise comparison is made and the relative importance of the elements is determined at each level with respect to the elements at preceding levels. The consensus group method was used for defining the weights in both subsections of this step. Calculations of the pair-wise comparison are exhibited in Tables 4 to 24.

Figure 1: Hierarchy structure of managerial success indicators



Step 4: Calculation of composite priority

This step starts with the calculation of the local weights, which is depicted in Table 5. Values in Table 5 are calculated by dividing any element of each column by the total value of that column in Table 4. Similarly, values in Table 8 are calculated by dividing any element of each column by the total value of that column in Table 7. The composite priority for each alternative is then calculated, based on the principle of hierarchic composition. The global weight of the topmost node, i.e. the goal is set 1.00. Then, starting from top to the bottom of the hierarchy, the global weight of each node is calculated by multiplying the local group priority of the node by the global weight(s) of the node(s) on the higher level to which it is connected. The derived weights are then summed to derive the global weight of the node. For instance, the global weights of the "contextual variables" indicating managerial success are calculated as: (14 * 0.27); (5.33 * 0.74); (2.70 * 1.42); and (2.70 * 1.42) respectively (see Tables 7, 8, and 9). The same calculation is carried out for finding out the global weights of other alternatives. Excel software was used for calculating weights. The final results are presented in Tables 4 to 24.

TABLE 3: The scale used for AHP analysis

Ratings	Definition	Intensity of importance
1	Equal importance	Two criteria/alternatives contribute equally to the objective
2	Weak	Experience and judgement slightly favour one
3	Moderate importance	criterion/alternative over another
4	Moderate plus	Experience and judgement strongly favour one
5	Strong importance	criterion/alternative over another
6	Strong plus	A criterion/alternative is favoured very strong over another
7	Very strong importance	
8	Very, very strong	The evidence favouring one criterion/alternative over another
9	Extreme importance	is of the highest possible order of affirmation

TABLE 4: Pair-wise comparisons of the managerial success indicators

	Contextual	Demo-graphic	Psycho-analytical	General cognitive ability	Compensation and status	Organizational results achieved
Contextual	1	1/2	1/3	1/5	1/7	1/7
Demographic	2	1	1	1	1/4	1/2
Psycho-analytical	3	1	1	1/2	1/4	1/5
General cognitive ability	5	1	2	1	1/2	1/2
Compensation and status	7	4	4	2	1	1
Organizational results achieved	7	2	5	2	1	1
Total	25	9.5	13.33	6.70	3.14	3.34

TABLE 5: Normalized pair-wise comparisons of the managerial success indicators

	Contextual	Demo-graphic	Psycho-analytical	General cognitive ability	Compensation and status	Organizational results achieved	Total
Contextual	0.04	0.06	0.02	0.03	0.03	0.04	0.22
Demographic	0.08	0.12	0.07	0.15	0.07	0.14	0.63
Psycho-analytical	0.12	0.12	0.07	0.07	0.07	0.06	0.51
General cognitive ability	0.20	0.12	0.15	0.15	0.15	0.14	0.91
Compensation and status	0.28	0.43	0.30	0.30	0.30	0.28	1.89
Organizational results achieved	0.28	0.21	0.37	0.30	0.30	0.28	1.74

TABLE 6: Global weights of the managerial success indicators

Constructs	Global weights	Ranking
Psycho-analytical	6.79	I
General cognitive ability	6.09	II
Demographic	5.98	III
Compensation and status	5.93	IV
Organizational results achieved	5.81	V
Contextual	5.50	VI

TABLE 7: Pair-wise comparisons of the "contextual" variables

"Contextual" Variables	Roles and responsibilities	Unit characteristics	Subordinate characteristics	Interpersonal relations
Roles and responsibilities	1	1/3	1/5	1/5
Unit characteristics	3	1	1/2	1/2
Subordinate characteristics	5	2	1	1
Interpersonal relations	5	2	1	1
Total	14	5.33	2.70	2.70

TABLE 8: Normalized pair-wise comparisons of the "contextual" variables

"Contextual" Variables	Roles and responsibilities	Unit characteristics	Subordinate characteristics	Interpersonal relations	Total
Roles and responsibilities	0.07	0.06	0.07	0.07	0.27
Unit characteristics	0.22	0.16	0.18	0.18	0.74
Subordinate characteristics	0.38	0.32	0.36	0.36	1.42
Interpersonal relations	0.38	0.32	0.36	0.36	1.42

TABLE 9: Global weights of the "contextual" variables indicating managerial success

"Contextual" Variables	Global weights	Ranking
Unit characteristics	3.94	I
Subordinate characteristics	3.83	II
Interpersonal relations	3.83	II
Roles and responsibilities	3.78	III

TABLE 10: Pair-wise comparisons of the "demographic" variables

"Demographic" Variables	Age	Qualification	Tenure	Variety
Age	1	1/2	1	1/3
Qualification	2	1	2	1/3
Tenure	1	1/2	1	1/3
Variety	3	3	3	1
Total	7	5	7	2

TABLE 11: Normalized pair-wise comparisons of the "demographic" variables

"Demographic" Variables	Age	Qualification	Tenure	Variety	Total
Age	0.15	0.10	0.15	0.17	0.57
Qualification	0.28	0.20	0.28	0.17	0.93
Tenure	0.15	0.10	0.15	0.16	0.56
Variety	0.42	0.60	0.42	0.50	1.94

TABLE 12: Global weights of the "demographic" variables indicating managerial success

"Demographic" variables	Global weights	Ranking
Qualification	4.65	I
Age	3.99	II
Tenure	3.92	III
Variety	3.88	IV

TABLE 13: Pair-wise comparisons of the "psycho-analytical" variables

"Psycho-analytical" Variables	Values	Motivation	Organizational commitment	Personality
Values	1	1/4	1	1/2
Motivation	4	1	2	2
Organizational commitment	1	1/2	1	1
Personality	2	1/2	1	1
Total	8	2.25	5	4.5

TABLE 14: Normalized pair-wise comparisons of the "psycho-analytical" variables

"Psycho-analytical" Variables	Values	Motivation	Organizational commitment	Personality	Total
Values	0.13	0.11	0.20	0.14	0.58
Motivation	0.50	0.45	0.40	0.42	1.77
Organizational commitment	0.13	0.22	0.20	0.22	0.77
Personality	0.25	0.22	0.20	0.22	0.89

TABLE 15: Global weights of the "psycho-analytical" variables indicating managerial success

"Psycho-analytical" Variables	Global weights	Ranking
Values	4.64	I
Personality	4.00	II
Motivation	3.98	III
Organizational commitment	3.85	IV

TABLE 16: Pair-wise comparisons of the "general cognitive ability" variables

"General cognitive ability" Variables	Aptitudinal proficiency	Logical thinking	Structured analysis and planning
Aptitudinal proficiency	1	1	1/2
Logical thinking	1	1	1/2
Structured analysis and planning	2	2	1
Total	4	4	2

TABLE 17: Normalized pair-wise comparisons of the "general cognitive ability" variables

"General cognitive ability" Variables	Aptitudinal proficiency	Logical thinking	Structured analysis and planning	Total
Aptitudinal proficiency	0.25	0.25	0.25	0.75
Logical thinking	0.25	0.25	0.25	0.75
Structured analysis and planning	0.50	0.50	0.50	1.50

TABLE 18: Global weights of the "general cognitive ability" indicating managerial success

Constructs	Global weights	Ranking
Structured analysis and planning	3.00	I
Aptitudinal proficiency	3.00	Do
Logical thinking	3.00	Do

TABLE 19: Pair-wise comparisons of "compensation and status"

"Compensation and status"	Compensation received	Promotions obtained	Position held
Compensation received	1	2	2
Promotions obtained	1/2	1	2
Position held	1/2	1/2	1
Total	2	3.5	5

TABLE 20: Normalized pair-wise comparisons of "compensation and status"

"Compensation and status"	Compensation received	Promotions obtained	Position held	Total
Compensation received	0.50	0.52	0.40	1.42
Promotions obtained	0.25	0.32	0.40	0.97
Position held	0.25	0.16	0.20	0.61

TABLE 21: Global weights of the "compensation and status" indicating managerial success

Constructs	Global weights	Ranking
Compensation received	2.68	1
Promotions obtained	1.83	2
Position held	1.15	3

TABLE 22: Pair-wise comparisons of "organizational results achieved"

"Organizational results achieved"	Business turnover	Cost effectiveness	Profitability	Business growth
Business turnover	1	2	1	1
Cost effectiveness	1/2	1	1	1/2
Profitability	1	1	1	1
Business growth	1	2	1	1
Total	3.5	6	4	3.5

TABLE 23: Pair-wise comparisons of "organizational results achieved"

"Organizational results achieved"	Business turnover	Cost effectiveness	Profitability	Business growth	Total
Business turnover	0.28	0.33	0.25	0.28	1.14
Cost effectiveness	0.16	0.17	0.25	0.16	0.74
Profitability	0.28	0.17	0.25	0.28	0.98
Business growth	0.28	0.33	0.25	0.28	1.14

TABLE 24: Global weights of the "organizational results achieved" indicating managerial success

Constructs	Global weights	Ranking
Cost effectiveness	4.44	I
Business turnover	3.99	II
Business growth	3.99	II
Profitability	3.92	III

The analysis shows that the psycho-analytical indicators of managerial success have the highest priority in Indian context (see Table 6). The analysis of the contextual indicators of managerial success shows that the characteristics of the unit that the manager leads / supervises have the highest priority (see Table 9). Qualification of individual managers was found to be the most significant factor among the all demographic indicators of success (see Table 12). Values of individual managers in Indian context had the highest priority among all

the psycho-analytical indicators of success studied in this research (see Table 15). Interestingly, all the three cognitive indicators of success namely aptitudinal proficiency, logical thinking, and structured analysis and planning were found to be equally important in terms of priority (see Table 18). Compensation received was having the highest global weight, and hence was ranked first (see Table 21). Finally, among the success indicators of organizational results achieved cost effectiveness had the highest priority in terms of hierarchy analysis (see Table 24).

Discussion and Conclusion

In this paper, the analytical hierarchy process (AHP) has been used to facilitate the prioritization of the key managerial success indicators in Indian context. The proposed approach has resulted in a systematic decision making approach to assist the top management of the organizations in determining as to which are the factors that the managers at the various hierarchy levels emphasize more for the purpose of extracting out their professional success in Indian context.

Managerial Implications

- Psycho-analytical factors were found to be the most significant managerial success indicator in Indian context among all the indicators studied in this research (see Table 6). Whereas the general cognitive ability factors and the demographic factors were found to be the second and third respectively in the order of priority. It logically establishes the point that the working managers in Indian context place outmost emphasis on the individual values, personality, motivation, and organizational commitment as the incidental psycho-analytical factors that bring out their professional success in work place. By similar logic, the highly individualized cognitive factors like aptitudinal proficiency, logical thinking, and structured analysis and planning were prioritized as the second most significant indicator of professional success. The demographic profiles like qualification, age, job tenure, and variety of experience were found to be third key indicator of managerial success in Indian context. The other indicators namely compensation and status obtained, organizational results achieved, and the contextual factors were ranked in the lower order of the hierarchy analysis (see Table 6). The point to be carefully observed that all the high ranked factors were highly individualized indicators of success by nature compared to the group of the low ranked ones. It implies that the Indian managers strongly believe that their psycho-analytical, cognitive, and the demographic profiles form the basis of their professional success that in turn influence the factors like the compensation and status obtained, organizational results achieved, and the contextual factors as the external exhibitors of managerial success.

- The detailed analysis of each indicator in the second phase of the analytical hierarchy process showed that under the psycho-analytical factors individual values were found to be the most significant followed by personality, motivation, and organizational commitment (see Table 15). It implies that the Indian managers strongly believe that being ethical and fair to others in the work place, self-confidence, and the desire to create surplus in a legitimate manner contribute most to the achievement of professional success at work place. Followed by the value systems of Indian managers, personality traits and motivational attributes occupied the next important psycho-analytical indicators of managerial success. Organizational commitment was found to be ranked at the end of the hierarchy of significance. The theoretical implication could be that the Indian managers

believed that the innate personalized characteristics like values, personality, and motivation were incidental to bring about organizational commitment among the working professionals, hence were ranked at the higher end of the hierarchy.

- For the general cognitive ability factors it was found that structured analysis and planning, aptitudinal proficiency, and logical thinking all assumed equal importance in the hierarchy analysis (see Table 18). Therefore an individual manager with matured cognitive ability is supposed to have all these three elements in order to facilitate professional success in work fronts.
- Among the demographic indicators of managerial success in Indian context, qualification was ranked top in the hierarchy followed by age, tenure, and variety of job experiences of the working managers (see Table 12). As all the organizations today hire people with the requisite managerial and technical qualifications for the managerial level positions, possessing professional qualification has become a key factor. Even for those working executives who have risen to the higher level positions by way of promotion, have been suitably exposed by being deputed to the higher educational institutions both in India and abroad. The exposure to the professional qualification also better equips the working professionals to perform their job assignments in the best possible manner in the present competitive environment, and thus brings about success. Age along with the work experience also play significant roles in facilitating the professional success of the working managers in Indian context.
- So far as the compensation and status indicators were concerned, compensation received, number of promotions obtained, and the position (designation) held in the office were found in the order of priority (see Table 21). It clearly indicates that the Indian managers place more weightage on the compensation than on the promotion / designation while deciding the criteria of managerial success.
- Conceiving the managerial success indicators in terms of the organizational results achieved, cost effectiveness was found to be on the top of the hierarchy followed by business turnover, business growth, and profitability (see Table 24). In this highly competitive business improvement, the business firms can generate surplus by controlling operational costs in terms of adopting cost effective technology and practicing cost efficient techniques. The realization has been even higher following the recent global economic recession, hence drew more managerial attention in order to strengthen the economic sustainability of the organizations.
- The characteristics of the unit / division that the manager is heading / working was found to be the most significant under the contextual indicators of managerial success in Indian context (see Table 9). It was followed by the factors like the characteristics of the subordinate, interpersonal relations, and the roles and responsibilities of the manager. The theoretical justification lies in the fact that achieving success is relatively easier for the units with simple repetitive operations, whereas it is reverse for the units with complex non-routine operations. Whereas the rest of the elements can be subservient to the unit characteristics, and can be adjusted accordingly.

The top management of the Indian organizations has to comprehend the orientations of the working managers towards professional success, and have to create facilitative ambience inside the organizations so that they can contribute to the best of their ability for the organization. The recruitment specialists have to assess the managerial incumbent's psycho-analytical, cognitive, and demographic attributes so that the individuals with the high desire to

achieve success are selected for the various job assignments. Eventually, these individuals can become successful managers when they are supported with the required facilities, and can be beneficial from the organizational perspective as well.

Future Research Scope and Limitations

The concept of success is highly individualistic and culture dependent. The present study has made an attempt to conceptualize managerial success based on the responses collected from the managers working at junior, middle, and senior levels in the various organizations based in India. This study should get repeated in various countries by taking sample from the managers working at various levels in those countries. The cross – cultural differences of perceived managerial success would emerge out of this research that can guide the academic researchers and practicing managers to suitably understand such differences, and accordingly the organizational policies and plans can be made to suitably manage the expectations and aspirations of the executives working at various levels. Being a survey research, the major limitation of the study lies in the sample size of the respondents participated in the study, and the number of organizations surveyed. Covering more managers from a wide variety of organizations could enhance the generalization of the findings from the study. Notwithstanding these limitations, the present study has explored a relatively under researched area in Indian context and attempted to provide a structured framework in prioritizing the managerial success indicators with the help of the analytical hierarchy process. As a generic hierarchy structure of the managerial success indicators in Indian context, this study can be extended by being applied to the different levels of managerial hierarchy in order to find out the hierarchical priorities and thus to consolidate the level wise managerial success profiles in Indian work environment.

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aptitudinal proficiency[1] is defined as the ability collate, analyze, and interpret data, facts, figures and information to take the meaningful cues for decision making

logical thinking[2] is defined as the ability to correlate / interrelate the events or incidents following some exhibited patterns and to estimate their occurrence in near future

structured analysis and planning[3] is defined as the ability to think through the problems / issues in a coherent manner and resolve them by having specific set of solutions

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Job Satisfaction versus HR Profile in Large Companies

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Abstract

HRM places most emphasis on influencing job satisfaction through organizational-institutional characteristics, primarily by operating different organizational systems. These include work systems (alternative work organization, work characteristics), compensation schemes (evaluation, reward, motivation, promotion), training, knowledge generation schemes as well as welfare schemes (healthcare, welfare services, working conditions). HR managers assume that varied, independent work, appropriate remuneration, calculable career paths, higher job security, and training available to all, as well as good working conditions will increase employee satisfaction. Organizational experts including both line managers and HR managers generally assume that there is a close connection between HRM and a company's total performance.HRM includes and tries to effectively build into the existing activity system an increasing array of new management techniques which are aimed at enhancing the identifiable performance of the organization.

Hewitt Inside Consulting conducted wide-ranging research included a questionnaire interview with employees of large companies. The questions were intended to reveal the opinion of employees of their company, their job, and their working environment. The database under investigation included 4,154 completed questionnaires for 32 companies. In a secondary data analysis with three research modules we studied first the main factors of satisfaction with a workplace in the employee segments. In the course of the evaluation, we were looking for the satisfaction factors that explain overall satisfaction. The method we used was *step-wise linear regression*. We made calculations separately for each of the three employee segments (senior managers, middle managers, workers) because we assumed that the explanatory factors would differ in each of the segments.

Then we investigated what relationship can be identified between the HR profiles and the employee opinions. The following variables were included in the analysis: number of employees; number of recruitment sources; number of selection techniques; number of positions to be filled; rate of spontaneous applicants; rate of hiring costs from HR costs; orientation of new hires; duration of paid training; rate of training cost from HR cost; number of continuous training; employees with performance evaluation; space; level of equipment; base pay; per capita bonus; number of share purchasers; sick leave; number of people obtaining welfare benefits; amenity services and alternative work organizing possibilities. Analysis of variance indicated that HR profiles significantly correlate with satisfaction variables.

Nepalese Academy Of Management
CONFERENCE PROCEEDINGS

VOLUME 2, NUMBER 1, 2011
PP. 90 - 104

In the following procedure the "Corporate culture" block of the employee questionnaire was separated and used to group employees based on this. Our grouping method was k-means clustering. The distribution of the created segments was analysed by company. Based on the relative level of the entire sample mean, the firms were divided into three groups: companies employing 1 = dominantly satisfied, 2 = moderately satisfied, and 3 = dominantly dissatisfied employees. Company ratings were transferred to the HR survey database and we looked for differences among the HR activities of the company groups. We applied the statistical methods of *analysis of variance and t-test*.

By conclusion the paper argues that definitive rules cannot but a few suggestions can be formulated for the management.

Introduction

The evaluation of human resource management (hereafter referred to as HRM) as a complex system of activities has been in the focus of professionals for the past few decades. One of the specific reasons for this is that HRM – traditionally dealing with job analysis-planning-organizing, human resource provision (recruitment, selection, downsizing), job evaluation, performance evaluation, remuneration systems, career management, and workforce development – includes and tries to effectively build into the existing activity system an increasing array of new management techniques which are aimed at enhancing the identifiable performance of the work organization. Organizational experts including both line managers and HR managers generally assume that there is a close connection between HRM and a company's total performance (Gardner, Wright and Gerhart, 1999 cf. Wright and Gardner, 2000). High-performance work organizations are identified with HRM systems characterized by the presence of self-managed workgroups and quality circles, special selection procedures, workforce with all-round qualification, motivating remuneration, continuous investment in training, and involvement-based decision making systems. However, the efficiency of new HRM practices is difficult to measure, as are activities related to human resources in general. Relatively well developed areas include:

- measuring compliance with legal regulations,
- internal satisfaction surveys,
- the area of human controlling.

In addition to the above, such areas also include investigation of job attitudes, particularly job satisfaction and commitment to the organization. This paper is about relationship between human resource management activity, corporate culture and job satisfaction.

Theoretical Background

Explicatory Mechanisms of Job Satisfaction

Work psychologists and organizational sociologists began researching job satisfaction as early as the 1930s, which is mainly due to its presumed positive impact on an employee's performance. In psychology, two approaches to job satisfaction exist (Spector, 1997): first, it can be interpreted comprehensively, considering a job as a whole; and second, as a notional construct which may include several specific areas, such as satisfaction with work, pay, leadership, prospects for promotion, benefits, working conditions, co-workers, organizing

practices, etc. These individual aspects of job satisfaction are in themselves measurable and jointly constitute satisfaction with a job. It is to mention that there are other approaches to JS construct like e.g. the distinction between internal and external satisfaction (Chang and Chang 2007, 267). Here internal satisfaction refers to the determinants of JS and are closely related to the job itself., while external satisfaction includes e.g. working environment, salary, promotion etc.

The models emphasizing the role of personal characteristics were mostly concerned with the effect of gender, age and qualification on job satisfaction. Gender-related research suggests that women tend to be more satisfied with their jobs than men, even though they often get less pay, experience worse safety at work and have worse career prospects. When examining the relationship between age and satisfaction, typically two effects are distinguished: lifecycle effect and cohort effect. The former refers to the fact that with the advancement of age a person is more advanced in his or her professional career, holding a higher position, and consequently might receive higher remuneration, or just have a better job than younger people. Also, older employees may attach importance to other work characteristics than younger ones. The cohort effect places emphasis on generation differences: the chances of larger cohorts of finding a job are worse, because more people enter the labour market simultaneously, and the individual cohorts might differ in terms of their socialization relative to work, thus might judge a job with identical or similar characteristics differently, as it is typical of countries in transition. The weakest positive link between job satisfaction and demographic variables was demonstrated in terms of qualification. Usually better jobs are available to someone with better qualifications, therefore with the advancement of educational level, satisfaction is likely to increase. However, other research led to a contrary result (Verhofstadt and Omney, 2003).

HRM places most emphasis on influencing job satisfaction through organizational-institutional characteristics, primarily by operating different organizational systems. These include work systems (alternative work organization, work characteristics), compensation schemes (evaluation, reward, motivation, promotion), training, knowledge generation schemes as well as welfare schemes (healthcare, welfare services, working conditions). HR managers assume that varied, independent work, appropriate remuneration, calculable career paths, higher job security, and training available to all, as well as good working conditions will increase employee satisfaction.

Job satisfaction research was primarily driven by the fact that experts assumed a positive causal link between satisfaction and performance, i.e. more satisfied employees work more efficiently (Brayfield and Crockett, 1955). The task of the construction project managers for example is very critical in determining the project performance which is normally influenced by their job satisfaction. Results from this field show that there is a high correlation between certain variables of job satisfaction and job performance. The key variables are organization management, salary, workplace and work status for hygiene factor; and rank increment and responsibility for motivator factor (Jaafar et al., 2006).

According to current views there is in fact a reversed causal link: better performance leads to greater satisfaction through an equitable reward system. The complexity of reality may be captured by jointly taking the factor groups and their mutual influence into consideration.

Marketing Aspects of Job Satisfaction – a multisurfaced prism

The topic of our study overlaps with several company functions. The interfunctional, i.e. interdisciplinary character of the examined area from a marketing perspective is demonstrated by the development of some functional areas as well.

Human resource management and marketing. Employee attitude surveys have been known in the practice of human resource management since the 1930s. It was George who first pointed out (1977) that "You can't have a satisfied customer without a satisfied employee". Accordingly, *there is a natural overlap between human resource management and marketing* (more specifically, internal marketing). Methodologically IM cannot replace but complement HRM (Cooper and Cronin 2000). Concerning IM activities they can be divided into five constructs: market training, management support, internal communication, personnel management and employee involvement in external communication (Conduit and Mavondo 2001). The concept of internal application of marketing tools goes beyond the "employees are customers too" tenet. A great deal of experience has been gathered with the applicability of particular methods (see e.g. Rafiq-Ahmed 1995). In this approach, we practically speaking "sell" the company to the employees and this "sale" is supported by marketing tools. Within the 4P's of the marketing mix, the *product* of internal marketing (hereafter: IM) can be seen as a job product which needs to be developed to meet (also) the needs of employees. Marketing directed at the "internal market" can naturally use internal *market surveys* as well. It may seek to explore employee attitudes to help internal customer-oriented planning of job products. Internal market research (i.e. employee satisfaction research) helps to take employee needs more into consideration in job planning. In Berry and Parasuraman's slogan-like words (1991, pp. 151-172) it read: "Know your internal customers."

In spite of its increasing importance IM has been long ago a weakness in firms' practice. To be able to design IM activities it is indispensable to measure job satisfaction (hereafter: JS) and to explore determinants of JS.

Marketing and public relations. Many people tend to equate IM with internal PR. This is an oversimplification of the problem, but it is reasonable to assume and based on sources discussing internal PR comprehensively it is obvious that their goal is almost the same. Armbrecht's "communication – information – motivation – integration – identification" chain (1992) is in full conformity with concepts of IM. For employees who have completely identified with their organization it is no longer a problem to deliver the expected performance. It is by no means coincidental that the methods of IM include procedures also known in internal PR, such as internal segmentation.

Services management and marketing. There is considerable confusion as to the interpretation of the concept of IM both among theoretical experts and professionals. As for the historic development of the notion, its oldest sources date back to the beginning of services marketing. The term itself entered the vocabulary of marketing about 20 years ago. In the paper "The Employee as Customer" in 1981, Berry defined IM as an approach in which employees are viewed as "internal users" and the individual jobs as "internal services". According to Grönroos (1981) the aim of IM is "to create motivated and customer-oriented staff" through efficient coordination between support staff and contact staff. A few years later, expanding interpretations of IM appeared with the same authors. With Grönroos (1985) this is "... an internal form of marketing where marketing-like activities are performed within [a company]...", and in a book by Berry and Parasuraman (1991, p. 151) it was referred to as

"hiring, developing, motivating and retaining qualified employees through job products that meet their needs".

Marketing and total quality management. Similar to services marketing, IM is also found within the concept of TQM where instead of the organization vs. employees relationship, the relationship of employees is in focus. Oakland (1995, p. 7) stated that every employee is a seller and buyer simultaneously, because "… an organization's operation .... *is a series of exchange* between *buyers and sellers*...," and internal motivation aims to promote awareness of this. The management of employee satisfaction as one of the main target areas of TQM appears in total quality models (e.g. EFQM) as well (Longbottom et al., 2006).

The wish to increase the satisfaction of "internal customers" is in line with George's idea cited above. The fundamental idea behind *service profit chain* (Heskett et al. 1994) model is that the internal activities of the "production" of a service are conceived as exchanges, i.e. internal services. By analogy with service quality management, if the quality of internal services is enhanced, it enhances the satisfaction of employees (i.e. internal users), which strengthens employee loyalty to the company. Loyal employees provide better services to (external) users and increase customer satisfaction. A satisfied customer is more attached to a supplier and the resulting brand loyalty can be measured in a company's success as well. A company's greater success ensures greater opportunities for motivation which – fed back to the beginning of the service chain – further enhances employee satisfaction. The "chain reaction" within the service profit chain is set in motion by the "loop" between satisfaction of the employees and the quality of internal services, because these speed up the actual quality improvement of the service in a synergistic manner.

Empirical Research

It must be noted that most models in relation with this topic are purely logical and their empirical verification is still sporadic. From among recent references in literature, Homburg and Stock's study (2001) is notable, reporting of an empirical verification of the employee and customer relationship. An interesting hypothesis to be tested is a statement by Scott according to which satisfaction of the two sides (staff vs. customer) is interrelated (Scott 2003). Bansal et al. recommend developing a general system of ways and means in IM which by „conveying" internal consumer attitudes (company loyalty, job satisfaction, confidence in management) leads to satisfaction and loyalty (Bansal et al. 2001). Empirical findings of a study on the links between IM and JS as well as a company's performance provide examples for both highly positive (Hwang and Chi 2005) and non-significant relationships (Che Ha, Abu Bakar and Syed Jaafar 2007; Malhotra and Mukherjee 2006; Silhombing and Gustam, 2007). Further convincing results on this issue have been published by e.g. Cooper and Cronin (2000) about significantly positive impact of IM on JS in an extremely stressful job environment or by Chang and Chang (2007) on a moderate effect of IM on JS in health care services. Our research presented in this paper intends to enrich our knowledge about the phenomenon.

Employee Satisfaction: Secondary Analysis of an Empirical Research

Hewitt Inside Consulting conducted wide-ranging research with 38 Hungarian companies with the title "Best company to work for". The research was aimed at identifying employee attitudes and mapping out good company practices with regard to human resource management. Two types of questionnaires were used in the research. The first one was administered among company employees, and contained the following topics with 5-10

statements each in a block: A – Work; B - Possibilities for promotion and development; C - Pay and benefits; D - Senior management; E - Relationships (superior and colleagues); F - Corporate culture; G - Quality of life; H – Commitment. Respondents rated these statements in terms of satisfaction (to what extent it holds true for the company) and importance (how important the topic mentioned in the statement is to them). on 6-point scales. The questionnaire ended with demographic questions: job, sex, age, number of years with this company, highest completed level of education. We have completed the secondary data analysis on this data base. From methodological point of view we tried to follow a multiplied approach.

TABLE 1: Demographic description of employee questionnaires

	Rate in the sample (%)
Gender Distribution	
Male	59.0
Female	41.0
Distribution by job	
Senior manager	18.3
Middle manager	36.0
Worker	45.6
Distribution by age	
Under 24 years	12.8
Ages 25 – 34	40.4
Ages 35 – 44	23.4
Above 45 years	22.6
No answer	0.8
Distribution by level of education	
Primary education	5.2
Secondary education	63.4
Higher education	29.5
No answer	1.9

Description of the Analyzed Sample. Our database contained 4,154 questionnaires capable of being analyzed with data for 32 companies. The number of completed questionnaires per company ranged from 57 to 259 and was approximately in proportion with the number of employees. On the whole we can say that we worked with a large and an easily analyzable database. A demographic description of the employees completing a questionnaire is shown in Table 1. We can see that the distribution of the two sexes is appropriate; the sample includes relatively many middle managers; and the rate of people with only primary education was remarkably low. This latter reflects the employee structure of large companies: the chances of employment with only primary education are slight. In the evaluation of the sample, no weighting correction was applied.

Research Findings

Explanatory Factors of Job Satisfaction

The first question in the questionnaire was about a general opinion of the workplace ("On the whole, how satisfied are you with your workplace?"). In the course of the evaluation, we were

looking for the satisfaction factors that explain overall satisfaction. The method we used was *step-wise linear regression*. The analyses showed that the *5 variables that most strongly influence overall satisfaction* are as follows (the standardized beta coefficients of step-wise regression are indicated in brackets):

- I am confident about the future of our company in Hungary (β=0.25).
- My immediate superior provides me with the information I need to carry out my responsibilities (β=0.21).
- The work equipment effectively helps my work (β=0.21).
- My job is interesting and challenging (β=0.17).
- We celebrate our joint successes (β=0.13).

TABLE 2: Explanatory factors of overall satisfaction by employee segment (Step-wise linear regression)

Senior manager		Middle manager		Worker	
k	**factor**	**k**	**factor**	**k**	**factor**
1	I have confidence in the senior management.	1	My working conditions make it possible for me to do my job efficiently.	1	My company offers equitable pay.
2	My company offers equitable pay.	2	My company offers equitable pay.	2	I have confidence in the senior management.
3	My job is interesting and challenging.	3	I have confidence in the senior management.	3	My working conditions make it possible for me to do my job efficiently.
4	My working conditions make it possible for me to do my job efficiently.	4	My job is interesting and challenging.	4	I can make good use of my knowledge, skills, and experience in my job.
5	I find the amount of overtime acceptable.	5	I find the amount of work and my workload acceptable.	5	I work with my colleagues as a team.
6	Senior managers are available if needed.	6	I am aware of the evaluation criteria in my job.	6	The work equipment provided by the company effectively helps my work.
7	I know our company's mission and values.	7	The work equipment provided by the company effectively helps my work.	7	My job is interesting and challenging.
8	I can make decisions needed in my daily work.	8	Human values are important for my company.	8	I receive appropriate help to achieve my career objectives.
9	My colleagues provide me with the information I need to carry out my responsibilities.	9	I can make good use of my knowledge, skills, and experience in my job.	9	I find the level of stress in my job acceptable.
10	The work equipment provided by the company effectively helps my work.	10	There is healthy competition among the company's units.	10	I can make decisions needed in my daily work.
-	-	11	I am satisfied with the flexibility of my working hours.	11	My remuneration is equitable and appropriate in relation to my colleagues' income level.
-	-	12	My company provides me with reasonable benefits.	12	Benefits are allocated equitably in my company.
-	-	13	My immediate superior provides me with the information I need to carry out my responsibilities.	13	My company provides me with reasonable benefits.
-	-	14	My immediate superior has appropriate managerial skills.	14	We provide our customers with quality products.

k = rank of item within the model

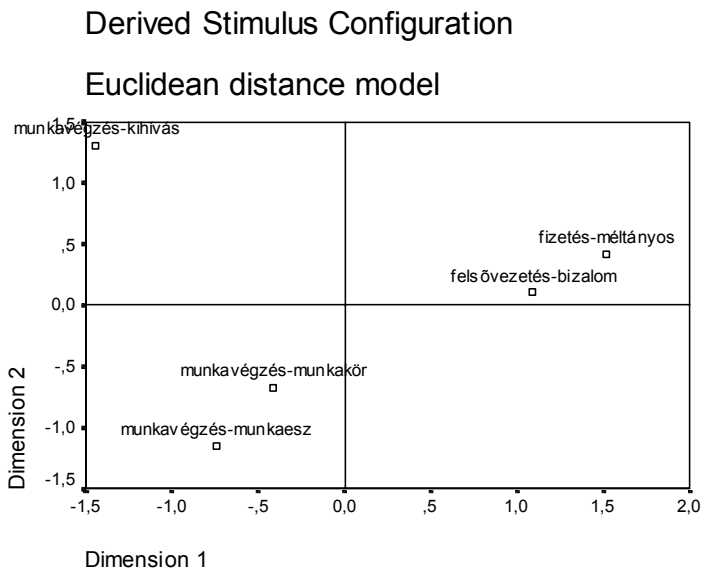
We made further calculations separately for each of the three employee segments (senior managers, middle managers, workers) because we assumed that the explanatory factors would differ in each of the segments. The findings confirmed our hypothesis (see Table 2.). There are five factors (variables) which are present in every segment: 1) I have confidence in the senior management; 2) My company offers equitable pay; 3) My job is interesting and challenging; 4) My working conditions make it possible for me to do my job efficiently; 5) The work equipment provided by the company effectively helps my work.

Naturally, the importance of the factors varies with segments. There is full agreement that confidence in senior management and pay are important, but the order of variables is worth analyzing as well. For the senior management, confidence in senior managers comes first, but only third for middle managers. For the workers, equitable pay is the highest priority. An interesting job is important for managers (3rd and 4th) but for workers it only comes seventh. Working conditions are most important for middle managers, but are quite important for the other two segments as well. The biggest difference is found in the judgment of work equipment: this is most important for workers (6th), whereas for senior managers it is the last one of the affecting factors. The relative position of the five variables present in all segments (recurrent variables) is shown in Figures 1., 2., and 3. by segments.

The relationship between the job-related HR profile and employee satisfaction

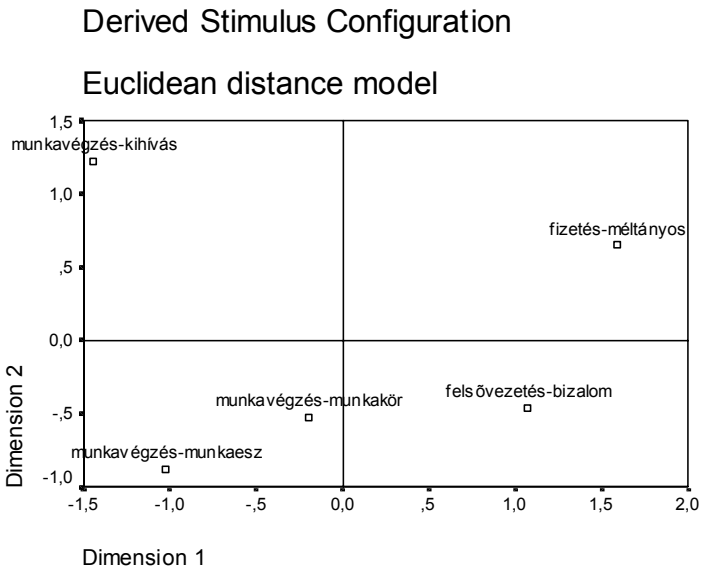
First research approach. An important finding of the research may be if a relationship is identified between the characteristics of job-related HR and employee satisfaction levels, i.e. conscious and active HR really results in satisfied and committed employees.

FIGURE 1: MDS figure of recurrent variables for senior managers



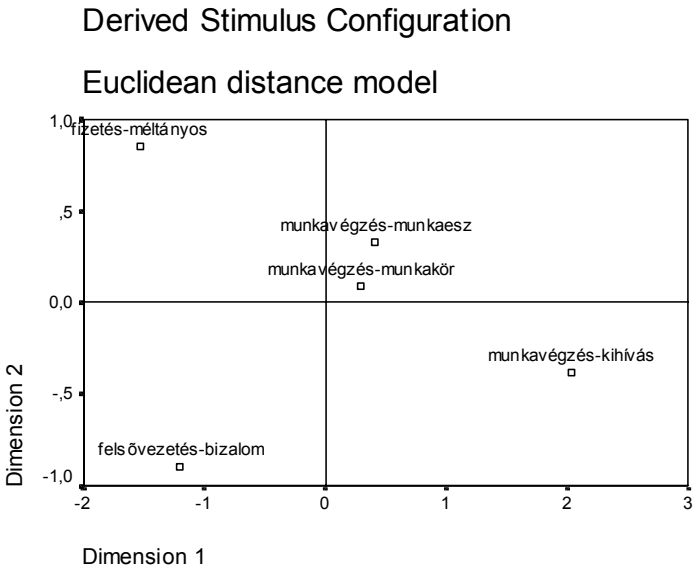
Legend:
munkavégzés-kihívás – work-challenge
munkavégzés-munkakör – work-job
munkavégzés-munkaeszköz – work- work equipment
felsővezetés-bizalom – senior management-confidence
fizetés-méltányos – pay-equitable

FIGURE 2: MDS figure of recurrent variables for middle managers



Legend:
munkavégzés-kihívás – work-challenge
munkavégzés-munkakör – work-job
munkavégzés-munkaeszköz – work- work equipment
felsővezetés-bizalom – senior management-confidence
fizetés-méltányos – pay-equitable

FIGURE 3: MDS figure of recurrent variables for workers



Legend:
munkavégzés-kihívás – work-challenge
munkavégzés-munkakör – work-job
munkavégzés-munkaeszköz – work- work equipment
felsővezetés-bizalom – senior management-confidence
fizetés-méltányos – pay-equitable

Carrying out cluster analysis of the significant importance variables, we find *five important segments that best describe the opinions of the different employees*. The demographic description of these groups indicates that in this respect there is relatively considerable overlap between the clusters. Therefore, a demographic description could only identify minor trends instead of marked distinguishing characteristics. Thus we can say that

Cluster 1 a medium sized, youthful, highly qualified group with balanced gender distribution which was recently joined by new members

Cluster 2 a large, feminine, youthful, moderately qualified group full of new energies

Cluster 3 small, masculine, ageing group with moderate loyalty and average qualification

Cluster 4 small group of older employees with balanced gender distribution and few members with moderate qualification

Cluster 5 medium sized, ageing team of old forces with balanced gender distribution and lower-than-average qualification.

To eliminate different units of measurement for the questions in the HR audit survey, the percentile transformation of the following variables was included in the analysis: number of employees; number of recruitment sources; number of selection techniques; number of positions to be filled; rate of spontaneous applicants; rate of hiring costs from HR costs; orientation of new hires; duration of paid training; rate of training cost from HR cost; number of continuous training; employees with performance evaluation; space; level of equipment; base pay; per capita bonus; number of share purchasers; sick leave; number of people obtaining welfare benefits; amenity services and alternative work organizing possibilities.

Hierarchic cluster analysis of the variables can classify only 22 companies in a single step due to missing answers. It seemed most reasonable to *define four HR clusters*. The 13 firms excluded from the first step were divided into one of the four groups with *discriminant analysis*. Groups 1 and 2 of the ones obtained in this way are of average size, Group 3 is small (3 companies), whereas Group 4 is larger than average (15 companies). Based on the HR variables, it can be said about the *HR profile of the individual clusters* that:

- cluster 3 is the group of companies following a varied and full-bodied HR policy,
- in clusters 1 and 2 HR activities are rather limited, whereas
- cluster 4 can be rated as average in terms of HR.

Then we investigated what relationship can be identified between the HR profiles and the employee opinions that can be assigned. Contrary to initial expectations, it was not possible to show a correlation for the importance variables that could have correlated well with HR profiles. On the other hand, analysis of variance indicated that *HR profiles significantly correlate with satisfaction variables.* Consequently,

- cluster no. 3 includes those who are very dissatisfied,
- cluster no. 4 includes those who are very satisfied,
- cluster no. 1 includes those who are slightly dissatisfied; and
- cluster no. 2 is the group of those who are slightly more satisfied than the average.

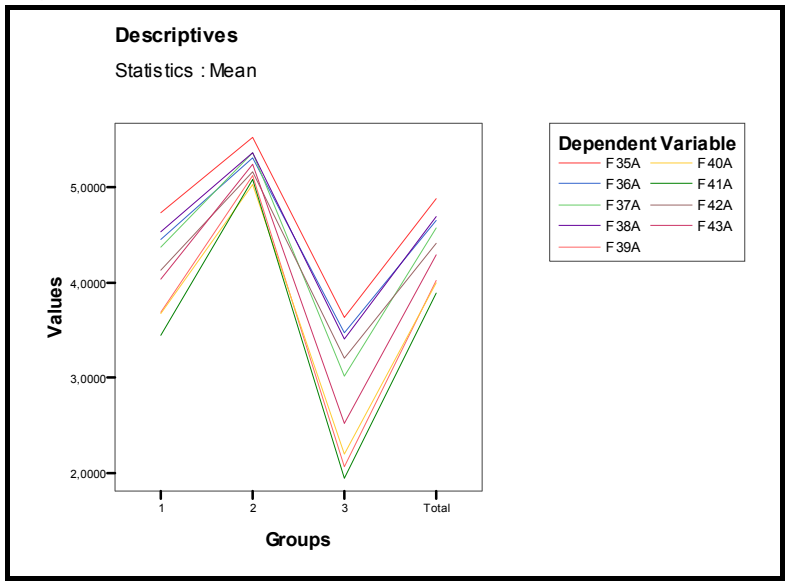
Second research approach. A possible methodological problem of demonstrating this relationship is that the HR audit questionnaire contains few observations (no. of companies)

and many variables (detailed, lengthy questionnaire). Also, nominal variables are mixed with ratio variables (e.g. How much is the planned annual HR budget?) within the questionnaire.

After long methodological experimentation, we chose the following procedure. The most relevant block (Corporate culture) of the employee questionnaire was separated and used to group employees based on this. This block was treated separately, because a summarizing evaluation had to be made. Our grouping method was *k-means clustering*. The distribution of the created segments was analysed by company.

The results show that distribution of the groups by corporate culture in relation to the entire sample was as follows: 42.4% high, 40.6% moderate, and 17.0% low level of satisfaction. Based on the relative level of the entire sample mean, the firms were divided into three groups: companies employing 1 = dominantly satisfied, 2 = moderately satisfied, and 3 = dominantly dissatisfied employees. As a result, we found 7 companies where the employees were dominantly satisfied and 7 where they were dominantly dissatisfied. Relative homogeneity of the target groups is illustrated in Figure 5.

FIGURE 5: Means of corporate culture variables within the groups of firms



Subsequently, the company ratings were transferred to the HR survey database and we looked for differences among the HR activities of the company groups. We applied the statistical methods *analysis of variance and t-test*. Our first hypothesis was that the HR budget per employee and the number of HR staff per employee within the groups of firms was different.

Descriptives

	Group	N	Mean	Std. Deviation
HR staff / entire staff	1.00	7	2.462E-02	1.537E-02
	2.00	17	1.770E-02	1.102E-02
	3.00	7	1.540E-02	8.110E-03
	Total	31	1.874E-02	1.168E-02
HR budget (HUF/capita)	1.00	6	.7199	.9755
	2.00	12	.5623	.7653
	3.00	7	1.4679	1.6974
	Total	25	.8537	1.1593

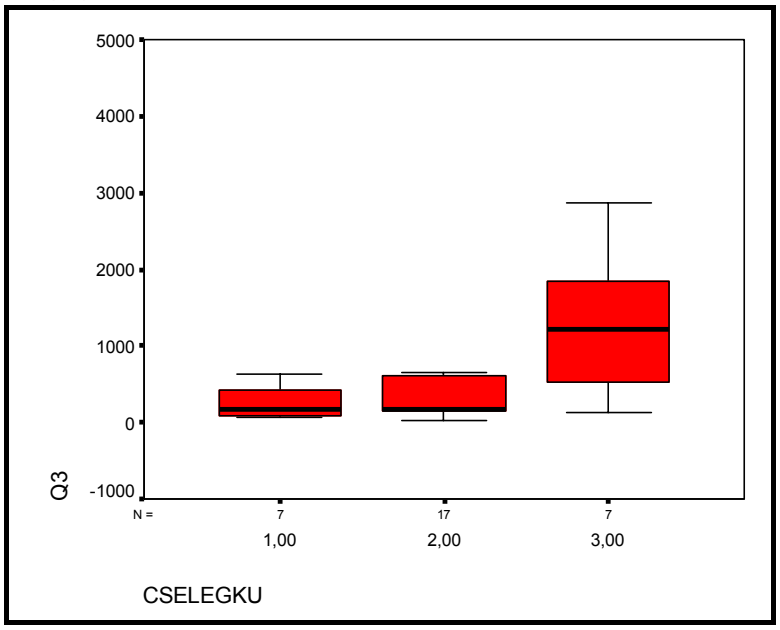
ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
HR staff/ entire staff	Between Groups	3.385E-04	2	1.693E-04	1.262	.299
	Within Groups	3.754E-03	28	1.341E-04		
	Total	4.092E-03	30			
HR budget/capita	Between Groups	3.767	2	1.883	1.455	.255
	Within Groups	28.488	22	1.295		
	Total	32.254	24			

Our hypothesis was not confirmed by the statistical tests, which was partly due to the high standard deviation, and partly to the low number of observations. (Interestingly, the per capita HR budget rises rather than diminishes with the rise of the level of satisfaction.)

It was an important experience to examine the level of satisfaction and the total staff of a company. As the following Box-plot shows, *a higher number of employees is likely to result in lower employee satisfaction*. This is probably due to organizational problems of the HR activity, or problems with maintaining human relationships at an appropriate level.

FIGURE 6: Number of employees vs. level of satisfaction



One of the blocks of the HR questionnaire looked at *in-house training and development*. (What percentage of the employees have taken advantage of possibilities for training? Its forms are: e-learning, study contract, professional training, language course, etc.). There is a verifiable and significant relationship between average percentage distribution and the level of satisfaction: dominantly satisfied employees = 26.14%, moderately satisfied employees = 22.69%, dominantly dissatisfied employees = 15.04% (p=0.06).

Similarly, there is a relationship between *performance evaluation* and the level of satisfaction ("What percentage of the employees receives periodic, formal performance evaluation?"). In companies employing dominantly satisfied employees, this is 100%, but 63% for dissatisfied employees (64% for moderately satisfied employees). A t-test can prove (p=0.02) that the level of the two extreme groups differs significantly.

A relationship between *a good working environment* and satisfaction was also detectable. Respondents could mark the availability of the following items on the questionnaire: smoke-free environment, smoking area, drawing room, vending machine, plants, works of art, shower room, air-conditioned rooms, dining room, and buffet. The satisfied target group mentions significantly more environmental elements than firms employing dissatisfied employees ($p=0.02$).

Also, *health care and welfare benefits* monotonously decrease along with the level of satisfaction (firm's doctor, sponsored sports events, stress-relieving events, medicine purchase at a reduced price, etc.). In companies employing satisfied workers, these benefits are available to 28% of the employees on average. The average is 20% in the dissatisfied group, but this difference cannot be considered significant ($p=0.50$).

However, there is weak significant correlation between the *flexible work organization* and employee satisfaction, analyzing the rate of employees taking advantage of the possibilities offered by flexible work organization, we find that this distribution decreases monotonously (10.1%; 7.16%; 4.4%), which is a verifiable difference ($p=0.12$).

Conclusion

We can see that certain factors of HR activities affect employee satisfaction in a verifiably significant manner. Another group of factors changes monotonously with satisfaction, but the difference is not significant. *In sum: relationship between job satisfaction and performance through HRM can partially be verified but – due to the complexity of the phenomenon – definitive rules cannot be formulated for managers.* What can be however suggested at this stage of the research are the followings:

- It is important to differentiate HR-activities by management level.
- At large companies it is useful to rethink how to improve efficiency of IM.
- Management should focus on how to make use of significant impact of in-house trainings.
- From job satisfaction point of view it is worth investing into the working environment.
- It pays back in job satisfaction if we make work organization more flexible.

Limitation of Research

Contrary to wide-spread views of HR experts, we have in fact little evidence to suggest that HR policies and activities are able to improve or increase the performance of work organizations. JS may be one of the determining factors of mediators establishing the link between HRM and organizational performance, but further research is needed to examine what HR practices influence work-related attitudes and how. Industry-specific analyses offer a greater opportunity to identify the typical HRM key elements within a particular industry which can really affect employees and, through them, a company's performance. Performing analyses on business unit level will further enhance the identification of HR practices, but will make it more difficult to draw conclusions on performance.

In addition to selecting the level of analysis, another important question is if the measurement of HR practices is appropriate. Reliability of measuring HRM activities is small, because in most studies researchers rely on a single respondent when evaluating HR practices. However,

due to the increased complexity of companies, a single respondent is unable to give a realistic picture of an entire company's HR practices, even if he or she is competent in answering a given question. Qualitative research is not a negligible factor in investigating the operation of HRM systems. It can serve the primary purpose of laying the foundations for quantitative research or a kind of post-questionnaire fine-tuning of the quantitative results.

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Role of Banks in performing Corporate Social Responsibility: A Comparative Analysis of Punjab and Himachal Pradesh

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Abstract

Corporate social responsibility stands for business contribution to sustainable development and covers company's active participation in different fields such as human rights, human resources, relations with clients, suppliers, corporate governance, environment and contribution to community and society. The social responsible attitude is an integral part of the identity of financial institutions like banks, and it is one of their distinctive features. The Reserve Bank of India has asked the banks to pay special attention towards integration of social and environmental concerns in their business operations. Many of the newly formed public sector enterprises especially banks are aware of the importance of such a step and therefore are having an active CSR department in their undertakings. This paper is an attempt to find out the initiative taken by banks in Dharamsala block of District Kangra (Himachal Pradesh) and Sangrur block of District Sangrur (Punjab) related to its target allotted and target achieved. It has been analyzed that many banks have not achieved their target as allocated by the government in the priority sectors in both the states. It has also been observed that banks are financing only to the well of and established groups and are not fulfilling corporate social responsibility by advancing to the poor and needy people for setting up their business enterprises under Prime Minister Guarantee Rozgar Programme (PMEGP) and Self- Help Groups. (SHGs)

Introduction

The term social responsibility is based on the ancient philosophy of sharing one's bounty with those who are not so lucky as to have it and belong to the deprived section of the society. However, the CSR in its present form is different from old form of charity and philanthropy and is considered to be an integral part of the business. It involves a commitment to contribute to the economic, environmental and social sustainability of communities through the ongoing engagement of stakeholders, the active participation of communities impacted by company activities and the public reporting of company policies and performance in the economic, environmental and social arena. Its concern is how companies mange their economic, social and environmental affairs; how they deal with the stakeholders etc. According to R.K.Andrews, CSR means intelligent concerns for the welfare of the society and restrain destructive activities. In these lines Peter Drucker stated that management should assume social

Nepalese Academy Of Management
CONFERENCE PROCEEDINGS
VOLUME 2, NUMBER 1, 2011
PP. 105 - 114

responsibility. He observed that it is important for management to take into consideration whether the actions being taken by the enterprise are likely to promote the public good, to advance the basic beliefs of society, and to contribute to its stability, strength and harmony. Every decision the businessman takes have social implications. Be it, opening of new branch, closure of an existing branch, replacement of men by machines, laying-off employees or sub-contracting, the society is affected in one way or the other.

At present both public and private sector enterprises and leading corporate in India are involved in corporate social responsibility (CSR) programmes in different areas like education, health, livelihood creation, skill development, and empowerment of weaker sections of the society. Some notable efforts have come from the Tata Group, Infosys, Bharti Enterprises, Coca Cola India, PepsiCo and ITC Welcome group, among others. In fact, four Indians, including Sunil Mittal, Chairman and Managing Director of the Bharti Group, Non -Resident Indian (NRI) businessman Anil Agarwal, Shiv Nadar, HCL Technologies Chairman and non government organization (NGO) activist Rohini Nilekani were featured in the Forbes list of '48 Heroes of Philanthropy' recently. Similarly in our country some banks have initiated number of policies towards welfare of the society.

Role of CSR in Indian Banking Sector

Banking sector is considered to be a very indispensable part of our country. Banks act as a medium for the transfer of resources from net savers to net borrowers. It is a major source of long- term funds of the economy. The Government of India, in order to provide adequate supply of credit to various sectors of the economy, has evolved a well developed structure of banks in the country. At the national level, they provide long and medium term loans at reasonable rates of interest. They subscribe to the deposits, loans, cash payments, guarantee loans and deferred payments, mutual funds, insurance etc.

When it comes to social responsibility, banks need to move beyond a straitjacket understanding of the 'Corporate social responsibility' (CSR) concept. There is a dire need for banks to be socially responsible beyond normal CSR because banks are special and high leverage businesses. They have large number of creditors and failure of one bank can lead to the failure of many other banks as the customers lose faith.

The bank are committed and continued to promote Micro finance through formation of credit linkage of Self Help Groups. During 2007-08, the bank contributed Rs. 22.75 lakh to the corpus fund for providing financial assistance towards infrastructure for the RUDSETI being run by J&K Government. At the end of March 2008, the bank has credit-linked 1, 18,952 SHGs, registering a growth of 18.2 percent.

The Reserve Bank of India (RBI) has asked the banks to pay special attention towards integration of social and environmental concerns in their business operations. Stressing the need for Corporate Social Responsibility (CSR), RBI pointed out that these initiatives by the banks are vital for sustainable development.

RBI has asked the banks to start non-financial reporting, which will be used to audit their initiatives towards the corporate social responsibility (CSR). Such a reporting will cover the work done by the banks towards the social, economic and environmental betterment of society.RBI has also stepped in to spread awareness about banking and other monetary practices to the common man. Recognizing its role as the central bank of the country, RBI is working towards empowering every individual, especially kids with information about mainstream banking activities and how they can preserve their wealth. Some of the initiatives taken by the banks are as follows:

Promoting Financial Inclusion

Launch of Rickshaw Projects	1. First project was launched at Varanasi(UP) in association with Centre for Rural Development(CSD), an NGO 2. Second was launched at Patna(Bihar) with Micro Finance Institution" Sammaan Foundation", a non-profit organization
Financial Literacy and Education Counseling	Bank being the SLBC Convenor in the states of Punjab and Haryana, opened 9 such centers (7 in Lead Districts of Punjab and 2 in Lead Districts of Haryana)
PNB Farmer's Welfare Trust working as BC	Trust launched" Kisan Bandhu Scheme" where local youth have been trained to contact the people for (i)opening of bank account and (ii) providing extension services.
PNB Centenary Rural Development Trust working as BC	PNB Centenary Rural Development Trust's Matki Jharoli unit is also working as Business Correspondent.
Mobile ATMs	Banks has launched 4 mobile ATMs. These ATMs will mainly cover unbanked rural/slum areas under Circle Office Delhi.

As per the report prepared by Karmayog (Formal NGO council) on Corporate Social Responsibility Rating 2008 0f 1000 companies:

- 40 out of 1000 companies are in banking industry (this does not include financial institutions) 57% of these companies are doing CSR.
- 60 % of the companies are working in the area of rural development.

In the Indian context, very little systematic documentation of CSR initiatives is available so far. Banks have started recogning that they have a social responsibility to fulfill as they emerge from the shadow of traditional banking. Responsible banking is the new approach born out of the new market realities. Banks need to examine the effects of their lending and investment decisions. Banking and finances immediate environmental and social impacts are relatively low because most of these impacts are delivered through the activities of other businesses that rely on financial institutions – the businesses in a loan or environmental and social impacts, banks need to examine the effects of their leading and investment decisions. Banks should realize its role with aims to actively participate in the all round development of the country as a whole and society in particular by acting as primarily a funding agency instead of profit motive.

Review of Related Studies

Trousoura (2004) has expressed in his paper" Corporate Social Responsibility (CSR) and financial performance" that Corporate Social Responsibility (CSR) has grown exponentially in the last decade. This study explores and tests the sign of the responsibility between corporate social responsibility and final performance. The dataset includes most of the S& P 500 firms and covers the years 1996-2000. This includes that the sign of the relationship is positive and statically significant; supporting the view that social responsible corporate performance can be associated with a series of bottom-line benefits.

Pohle & Hittner (2006) has emphasized in their study "Attaining sustainable growth through corporate social responsibility" that Corporate Social Responsibility (CSR) is the way companies manage their businesses to produce an overall positive impact on society through economic, environmental and social actions. Well-known companies have already proved that they can differentiate their brands and reputations, as well as their products and services, if they take responsibility for the well-being of the societies and environments in which they operate.

Khan, Halabi and Samy (2007) has analyzed in their research paper "Corporate Social Responsibility (CSR) reporting: a study of selected banking companies in Bangladesh" that the selected banking companies did some CSR reporting on a voluntary basis and the user groups are in favor of CSR reporting. The current disclosures by the selected banks, however, are not sufficient at all to measure the social responsiveness of the organization.

Narwal (2007) has viewed in his paper" CSR initiative of Indian Banking Industry" that Indian banks are concentrating mainly on education, balanced growth, health, environmental marketing and customer satisfaction as their core CSR activities .The Indian Banking industry is found to be adopting an integral approach by combining CSR with the ultimate customer satisfaction, Irrespective of location, the nature of CSR activities undertaken by banks is found to be similar.

Mcdonalds, Rundle-Thiele (2008) in their paper "Corporate Social Responsibility (CSR) and Bank customer satisfaction" identified the hierarchy of customer-preferred CSR initiative which will enable banks suffering from low customer satisfaction levels to fine tune their CSR programs, directing efforts to those initiatives likely to benefit not only the broader community, but also customer satisfaction levels.

Babloni, Soverall, Levy (2009) in their research "New Perspectives on Corporate Social Responsibility in the Caribbean" emphasized that the practice of CSR in the private sector can play a decisive role and highlighted that the increase in effectiveness of CSR is working as a development tool for the region in the Caribbean.

Objectives of the Study

- To find out the role of banks in providing assistance to micro enterprises in district Sangrur of Punjab and Kangra district of Himachal Pradesh.
- To find out the role, attitude and perception of bank manager/officials towards the micro finance scheme for unemployed youth and the Self-Help Groups.
- To suggest the remedial measures to improve the working of banks towards financing to deserving entrepreneurs for setting up micro enterprises.

Sample Selection, Methodology and Findings

In the present study data from one block each from district Sangrur (Punjab) and another from Kangra district (Himachal Pradesh) have been undertaken to find out the role of banks for generating employment opportunities by advancing loan to unemployed sponsored schemes and to encourage the beneficiaries to start their micro enterprises for self employment through its various schemes of Self Help Groups SHG's and PMEGP's etc. Punjab is situated in the North West of India. It is bounded by Pakistan on the West , the Indian states of Jammu & Kashmir on the North, Himachal Pradesh on its North east and Haryana and Rajasthan to its South. The total population of the state is 2, 42, 89000 (2001 census) out of which 29.55 population live in urban areas and 70.45 percent in villages .And it has 19 districts namely Amritsar, Fatehgarhsahib, Gurdaspur, Forozpur, Ludhiana, Jallandhar, Kapurthala, Hosiarpur,Mansa,Moga,Muktsar,Nawanshar,Rupnagar,Faridkot Patiala, Bhatinda, Mohali , Barnala and Sangrur. The Sangrur is one of the backward districts in Punjab. The literacy rate of district Sangrur is 45.99 percent only out of which 41.25 percent rural and 60.42 urban people are literate. Whereas Himachal Pradesh is concerned, it has boundaries with Punjab,

Haryana, U.P., J&K and Tibet and was carried on the map of India on 15th April 1948, as a centrally administered 'C' category state after the merger of 30 princely states. Later Bilaspur, another princely Hill state was merged with it. Himachal Pradesh became a full-fledged state on 25 January, 1971. Now, this state comprises 12 districts namely Kangra, Una, Mandi, Kullu,Lahual and Spiti, Bilaspur, Solan, Shimla, Sirmour, Chamba and Kinnuar with total area of 55,673 sq. kms and population of 60, 77,248 (2001 census). Himachal Pradesh is wholly mountainous and due to topography of the state much emphasis has been given by the Himachal Pradesh Government for establishing the small scale units. In Sangrur block there are 34 public and private sector banks and 37 banks are in Dharamsala block of the Kangra district of Himachal Pradesh those are catering the needs of entrepreneurs. The state and central Government in both these states has started various self employment schemes like other parts of the countries to inculcate entrepreneurial culture and to provide employment in the rural India. Therefore to understand the nature of road look for advancing the entrepreneurs/young youth and also to analyze the activities of banks for providing assistance to set up micro ventures, the researcher contacted the lead bank officer of the concerned districts and collected the detailed information of all banks of the district as secondary data. After collecting details of the banks the researcher prepared a questionnaire approached all concerned branches in both the states. Many visits were made but only 09 bank officials came forward from Sangrur block and 12 from Dharamsala block provided some of the information of the banks. Hence the data undertaken has been analyzed in percentages only. This can be depicted from the following tables.

TABLE 1: The Bank wise position of Annual Credit Plan Sangrur district (2007-2008 up to December) Under priority sector is as follow:-

Sr. No	Name of the Bank	Target up to 31-12-07 (Amount Rs. In lacs)	Achievement up to 31-12-07 (Amount Rs. In lacs)	% Achievement
1	State Bank Of Patiala	50716.70	46488.62	92%
2	Punjab National Bank	17681.50	17487.94	99%
3	Punjab & Sind Bank	14390.90	24238.71	168%
4	State bank Of India	11943.82	8597.30	72%
5	Oriental bank Of Commerce	9900.20	7221.68	71%
6	Central Bank of India	1238.00	805.37	65%
7	Union bank Of India	556.74	530.80	955
8	Syndicate bank	882.45	417.50	47%
9	Indian overseas Bank	70.05	43.94	205%
10	Canara Bank	1338.50	1347.00	101%
11	Indian bank	295.50	67.30	23%
12	Bank of India	94.30	367.27	389%
13	HDFC	867.50	313.31	36%
14	ICICI Bank	859.00	1103.00	128%
15	Bank of Baroda	0.00	345.21	-
16	Axis bank	0.00	428.31	-
17	Allahbad Bank	0.00	151.93	-
Total Commercial Branches (CBs				
18	State Cooperative commercial bank	68844.39	61970.94	90%
19	Primary Agriculture & Development Bank	4354.65	1385.34	32%
20	Malwa Grameen Bank	8753.55	8718.00	98%
	Grand Total	**193415.25**	**182918.00**	**95%**

Source: Official record of Lead Bank Office (Sangrur)

The Bank wise position of Annual Credit Plan in Kangra district, under priority sector is as follow:

TABLE 2: Secotr-wise Performance under ACP 2009-10 (01.04.2009 to 31.03.2010)
Annual Target & Expected Aceivement, Annexure 1, Amt. in Lacs

SR. No	BANK	AGRICULTURE			SME			SERVICES			CUMMULATIVE		
		TARGET	ACH.	%AGE ACH	TARGET	ACH.	%AGE ACH	TARGET	ACH.	%AGE ACH	TARGET	ACH.	%AGE ACH
1	ALLAHA BK	25	40	160	15	100	667	324	55	17	364	195	54
2	B O B	18	19	106	20	38	190	160	252	158	199	309	155
3	B O I	61	40	66	25	98	392	181	141	78	266	279	105
4	CANARA BK	220	178	81	170	274	161	861	223	26	1258	675	54
5	C B I	871	614	70	244	287	118	1098	396	36	2212	1297	59
6	O B C	129	69	53	77	31	40	634	137	22	840	237	28
7	P N B	9950	10013	101	4203	4441	106	12064	7563	63	26217	22017	84
8	S B I	5717	6176	108	2814	3578	127	8501	7871	93	17032	17625	103
9	S B O P	1140	1152	101	650	655	101	3473	3490	100	5264	5297	101
10	SYNIDICATE	26	11	42	7	101	1443	110	104	95	143	216	151
11	U B I	205	70	34	99	90	91	465	285	61	769	445	58
12	UCO BANK	911	1108	122	296	258	87	1095	915	84	2303	2281	99
	TOTAL	19273	19490	101	8620	9951	115	28966	21432	74	56860	50873	89
13	H G B	2713	3682	136	329	1104	336	3404	1935	57	6446	6721	104
14	KCCB	7245	5283	73	1607	7300	454	16846	8929	53	25698	21512	84
15	ARDB	1820	446	25	141	38	27	370	249	57	2331	733	31
16	J&K BANK	12	4	33	4	87	2175	170	28	16	186	119	64
17	HDFC BANK	12		0	8	25	313	186	32	17	205	57	28
18	ICICI BANK	12		0	12		0	265		0	290		0
	Total	11814	9415	80	2101	8554	407	21241	11173	53	35156	29142	83
	Grand total	**31087**	**28905**	**93**	**10721**	**18505**	**173**	**50207**	**30605**	**61**	**92016**	**78015**	**85**
	Other states												
	Job												
	PSB												
	Axis BK												
	IDBC												
	Other banks												
19	CO.OP.SOC		5107	100								5107	100
	G. Total	**31087**	**34012**	**109**	**10721**	**18505**	**173**	**50207**	**30605**	**61**	**92016**	**83122**	**90**

Source: Official Record of DRDA(Kangra)

Table no.1 depicts that all the banks are not advancing to the beneficiaries as per the target given to banks in the district. Out of 21 branches in the district only 5 branches have advanced liberally to promote the priority sector. It has also been found that banks are advancing only those entrepreneurs who are already welloff. And those really deserve assistance were get deprived from the loan facility and could not start their ventures. Table no-2 reveals that in district kangra there are 19 banks which are advancing under different schemes to the beneficiaries and entrepreneurs. It is clear from the data that only 07 banks are advancing liberally where as others are not giving loan facilities even in the government sponsored schemes. It has also been analyzed due to conservative attitudes of the bank officials they are advancing less and preferring more saving in the banks due to this many banks are facing branch wise loses. The details of braches of Sangrur block of Punjab and Dharamsala Block of Kangra district (Himachal Pradesh) have been studied separately and the details have been shown in table-3 and table- 4 respectively.

TABLE 3: Advances position of Banks in Sangrur Block
(Amount Rs Lacs)

S.No	Name of the Bank	Name of the Scheme	2005-06				2006-07				2007-08				2008-09				2009-10			
			Target	Target achieved	Amt. Released	Recovery	Target	Target achieved	Amt. Released (Rs. In Lacs)	Recovery	Target	Target achieved	Amt. Released (Rs. In Lacs)	Recovery	Target	Target achieved	Amt. Released (Rs. In Lacs)	Recovery	Target	Target acheived	Amt. Released (Rs. In Lacs)	Recovery
1	OBC Longowal	PMEGP	2	1	1.10	85%	4	3	3.00	90%	4	2	2.20	80%	3	2	3.00	70%	3	2	2.00	80%
		SHGs	3	3	1.50	60%	4	2	1.00	62%	4	4	1.10	52%	4	3	1.00	60%	4	4	1.10	72%
2	SBI Sangrur	PMEGP	10	8	8.00	35%	7	5	7.00	37%	5	4	4.00	35%	5	3	2.00	40%	Nil	Nil	Nil	Nil
		SHGs	4	2	8.00	35%	5	4	10.00	87%	3	3	6.00	90%	2	2	6.50	85%	Nil	Nil	Nil	Nil
3	PNB Longowal	PMEGP	Nil	Nil	Nil	Nil	3	2	1.50	50%	2	2	2.00	55%	2	2	1.50	60%	2	1	1.00	62%
		SHGs	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
4	Syndicate Bank Sangrur	PMEGP	Nil	Nil	Nil	Nil	4	2	1.00	80%	2	1	0.06	90%	3	2	1.00	90%	2	1	3.80	85%
		SHGs	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
5	Canara bank	PMEGP	7	5	3.00	80%	10	7	3.50	85%	6	6	3.60	88%	2	1	0.50	85%	1	1	0.95	90%
		SHGs	Nil	Nil	Nil	Nil	3	2	7.5	72%	3	3	8.0	75%	2	2	5.5	80%	3	2	5.20	52%
6	OBC Sangrur	PMEGP	4	3	3.00	80%	3	3	5.00	95%	4	2	4.00	90%	2	2	3.00	90%	1	1	1.00	90%
		SHGs	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
7	PNB Sangrur	PMEGP	6	6	2.20	75%	4	4	3.55	82%	6	6	5.70	80%	Nil	Nil	Nil	Nil	6	6	27.45	75%
		SHGs	3	3	0.90	80%.	2	2	8.0	92%	2	2	0.50	90%	Nil	Nil	Nil	Nil	2	1	4.80	90%
8	Union Bank Sangrur	PMEGP	Nil	Nil	Nil	Nil	8	3	1.98	80%	6	3	2.00	85%	8	2	3.90	80%	Nil	Nil	Nil	Nil
		SHGs	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
9	Axis Bank Sangrur	PMEGP	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	2	2	1.0	90%	2	1	0.5	95%	Nil	Nil	Nil	Nil
		SHGs	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	Total		29	23	27.7		43	29	44.53		37	28	40.16		25	15	28.40		15	12	47.30	
			100%	79.30%			100%	67.40%			100%	75.67%			100%	60%			100%	80%		

Source: Personal Prove survey

TABLE 4: Advances position of Banks in Kangra Block
Amount Rs in Lac

S.No	Name of the Bank	Name of the Scheme	2005-06				2006-07				2007-08				2008-09				2009-10			
			Target	Target achieved	Amount Released	Recovery	Target	Target achieved	Amount Released (Rs. In Lacs)	Recovery	Target	Target achieved	Amount Released (Rs. In Lacs)	Recovery	Target	Target achieved	Amount Released (Rs. In Lacs)	Recovery	Target	Target acheived	Amount Released (Rs. In Lacs)	Recovery
1	SBI YOL Cam,p	PMGP	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
		SHGs	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	18	18	22.15	75%	15	15	23.53	74%
2	BOB Dharamsala	PMGP	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	2	2	2.00	80%	2	1	1.50	85%
		SHGs	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	2	2	2.00	85%	Nil	Nil	Nil	Nil
3	Allahabad Bank	PMGP	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
		SHGs	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	1	1	0.25	100%	Nil	Nil	Nil	Nil
4	BOI Dharamsala	PMGP	5	5	2.50	30%	5	4	2.70	35%	5	3	1.98	32%	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
		SHGs	1	1	3.00	100%	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
5	SBOP Sidwari	PMGP	2	2	2.00	50%	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
		SHGs	10	10	15.00	50%	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
6	CBI YOL Camp	PMGP	5	5	5.0	70%	4	4	3.00	75%	3	3	2.50	70.0%	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
		SHGs	2	2	3.0	60%	1	1	1.00	155%	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
7	CBI Chamunda	PMGP	4	4	7.00	80%	3	3	3.16	78%	5	5	4.80	92%	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
		SHGs	3	3	5.00	92%	2	2	1.50	83%	6	6	6.90	90%	3	3	4.20	90%	2	2	2.20	86%
8	OBC Dharamsala	PMGP	2	2	2.00	50%	1	1	1.00	100%	1	1	2.00	50%	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
		SHGs	Nil	Nil	Nil	Nil	3	3	2.00	100%	Nil	Nil	Nil	Nil	2	2	4.00	100%	2	2	1.00	100%
9	SBI Dharamsala	PMGP	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
		SHGs	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	5	5	8.00	35%	13	13	24.00	50%
10	KCCB Dari	PMGP	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
		SHGs	3	3	0.09	50%	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
11	KCCB YOL Camp	PMGP	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
		SHGs	4	4	4.05	100%	2	2	4.50	100%	2	2	5.00	100%	2	2	6.00	100%	12	12	24.33	100%
12	KCCB Dharamsala	PMGP	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
		SHGs	Nil	Nil	Nil	Nil	1	1	0.01	100%	1	1	0.02	100%	4	4	0.14	96%	4	4	0.11	94%
	Total		41	41 (100%)	37.40 Lac		22	20 (90%)	18.87 Lac		23`	21 (91.3%)	23.20 Lac		39	39 (100%)	44.49 Lac		50	49 (98%)	76.65 Lac	

Source: Personal Prove survey

Table. No.3 depicts that in the year 2005-06 for the banks there was a target to advance 29 cases both in Prime Minister Guarantee Programme (PMEGP) and Self –Help Groups (SHGs). But the banks advanced to 23 beneficiaries i.e. 79.30 percent only. In the year 2006-07 the total target came down and was achieved up to 67.40 % in the priority sector. In the year 2007-08 it was achieved to the tune of 75.67%, in the year 2008-09 it was achieved 60%, where as in the year 2009-10 it was achieved 80% of the target allocated to banks respectively.

Table. No.4 reveals that out of total 12 surveyed banks in Dharamsala block of the district Kangra in the year 2005-06. 06 banks advanced to the Self-Help Groups and 05 banks in PMEGP and total amount to the tune of 37.40 lac was disbursed respectively. In the year 2006-07, 05 banks advanced to SHGs and 04 in PMEGPs and an amount of Rs. 18.87 lac was disbursed to start micro enterprises through various schemes. Whereas in the year 2007-08, 04 banks in PMEGP and 03 banks in SHG's disbursed a total amount to the tune of Rs 23.20 lac only. In the year 2008-09 02 in PMEGP and 08 in SHG's was given finance to the tune of Rs 44.49 lac. Whereas in the year 2009-10 only 01 bank in PMEGP and 06 banks in SHG's have advanced to the tune of Rs 76.65 lac only. It is pertinent to mention here that roughly only 50 percent banks are advancing in the priority sector which shows a very poor show. It has also been observed that majority of the banks are reluctant to advance in the priority sector .And no bank is showing any keen interest in advancing this sector due to poor financial positions of the unemployed youth and women and Secondly banks prefers collateral security in all types of advances . Due to this reason banks in both the states are giving advances only to the well of people and groups and ignoring the genuine entrepreneurs and beneficiaries. Every year target is given by the government to each bank but banks are not full filling their social responsibility towards society which is not a healthy sign to boost the rural economy of our country. The Need of the Hour is that our financial institutions should come forward and share this societal obligation of the welfare countries like India.

Suggestions

- It is suggested that bank should provide assistance without any bias to the needy and deserving entrepreneurs.
- Government should also monitor the progress of the banks relating to target fixed and their achievements periodically.
- Prospective entrepreneur's problems are to be identified before denying the loan facility. It is observed that the real benefit does not percolate to the needy people due to their financial constraints.

Conclusion

The contribution of financial institutions including banks to sustainable development is paramount, considering the crucial role they play in financing the economic and developmental activities of the World and the developing countries like India in particular. The demand for credit in the predominantly inward looking subsistence economy is not forthcoming easily. In India more than 70 percent of the people are living in rural areas and are dependent up on agriculture activities. And majority of them are living below poverty line there fore to create more entrepreneurial avenues, innovative ideas, market potential and its exposure is becoming averse due to financial constraints of the poor people. Despite large number of development programmes being implemented and the prosperity that the economic

reforms and technological advances have brought in during the past decade, the vital issue of eradication of poverty is yet to be fully addressed. A vast majority of rural poor do not have access to basic banking services. It has been found that both in Himachal Pradesh and Punjab state the poor people are leading a miserable life due to poor credit facilities provided by the banks. At this juncture to boost the economy of the country our banks should come forward, deliver the banking services in a fair and transparent manner at the affordable cost to the people. In this way both will be in win-win game.

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The Impact of Incongruency in CSR Actions and Internal Practices on Employee Attitudes

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The concept of corporate social responsibility (CSR) has become very popular in the last couple of decades in both practice and research. Current literature has generally focussed on the effect on CSR on firm's financial performance; however, its effect on employee attitudes is of recent interest among researchers. We take forward this rather linear relationship between CSR actions of firm and employee attitudes by arguing that this relationship will be influenced by the way employees are treated within the firm, quality of CSR intervention and employee involvement in CSR activities.

Introduction

Although the concept of corporate social responsibility has a 'very long and varied history' (Carroll, 1999), it has been only a couple of decades that the concept has gained 'phenomenal rise in prominence' (Crane, McWilliams, Matten, Moon, & Siegel, 2008) both in practice and in research. Globalization and international trade have given rise to increased complexities in business and has raised the expectation of being a responsible business entity. Till date, numerous concepts have been proposed that refers to a more humane, ethical and transparent way of doing business (Marrewijk, 2003) e.g. corporate sustainability (Sharma & Henriques, 2005), corporate citizenship (Matten & Crane, 2005), corporate social performance (CSP) (Wood, 1991; Wartick & Cochran, 1985) , corporate social responsibility (CSR) (Carroll, 1999b) and corporate community involvement (Lakin & Scheubel, 2010).

The prominence of CSR is well reflected in the present day business organizations where it has acquired a 'distinctive organizational status' (Crane et al., 2008) reflected in the creation of separate units' in-charge of CSR activities. Almost all of the fortune 500 firms mention CSR spending in their annual reports (Bhattacharya & Sen, 2004) and contributions to CSR projects are on a rise as well. Apart from increased organizational activity on the CSR front there are numerous surveys, rankings and awards that have enhanced the spotlight on CSR. Some of these worth mentioning are IBM study on Corporate Social Responsibility: Leading a sustainable enterprise (IBM, 2008), The Economist survey of corporate social responsibility (The Economist, 2005), CNN most accountable companies (CNN, 2008), TERI Corporate Social Responsibility Awards and The Golden Peacock Award. There also exists several guidelines and standards often cited as CSR standards e.g. ISO26000 by the Organization of Standardization, Equator Principles and principles of UN Global Compact. Recently India has

released a guideline for CSR for firms operating in India. Apart from overall CSR guidelines, there are also region specific guidelines for specific aspects of CSR. For example, some of the environment related guidelines adopted in Asian countries are Agenda 21 of Rio Declaration on Environment and Development and Statement of Principles for Sustainable Management of Forests, UN Convention on the Law of the Sea, ISO 14001. Similarly, related to labour there are ILO conventions, related to corporate governance there are codes of corporate governance in Singapore, Philipines, South Korea and India (Visser & Tolhurst, 2010). Though we understand that there are several issues in the way CSR is defined, we would refrain from going into that debate for the scope of this paper. Our definition considers only the 'social and non-social' aspect of Turker's (2008) definition where stakeholders contains CSR to society, natural environment, next generations, and non-governmental organizations. We define CSR as those voluntary activities related to above stakeholders undertaken without a direct profit motive.

The Effect of CSR on Firm's Financial Performance

Over the years, numerous researches have explored the relationship between the CSR practices and the financial performance only to find mixed results. The meta-analysis by Orlitzky, Schmidt and Rynes (2003) shows a positive association between corporate social performance and corporate financial performance across industries and across study contexts, while another meta-analysis reports an overall non-significant but positive impact on firm's financial performance (Margolis & Walsh, 2003). Though the issue of positive or negative relationship with financial performance has not been resolved completely, studies show that at the very least, good social performance does not lead to poor financial performance (Roman, Hayibor, & Agle, 1999).

Studies on CSR and financial performance, in general have tried to find a relation between corporate social performance and corporate financial performance. However some researchers like Orlitzky (2008) equates CSP with Corporate Citizenship and treats CC as a synonym of CSP. In general the causal mechanisms that link CC/CSP to financial performance are enhancing firm's reputation, improving efficiency (internal resources and skills), increasing rival's costs, attracting a more productive workforce, boosting sales revenues and reducing business risk (Orlitzky, 2008).

Meta-analysis	No of Studies	Overall Relationship
(Orlitzky, Schmidt, & Rynes, 2003)	52	+ve
(Roman et al., 1999)	52	+ve
(Orlitzky, 2001)	41	+ve
(Margolis, Elfenbein, & Walsh, 2007)	167	+ve

CSR and Its Effects on Employees

Apart from studies on financial performance of the firm, there has been an increased interest to study the relationship between CSR and internal stakeholders of the firm (H. Kim, M. Lee, H. Lee, & N. Kim, 2010). CSR activities were found to create a good reputation of business and increase its attractiveness as an employer (Luce, Barber, & Hillman, 2001; Greening & Turban, 2000; Backhaus, Stone, & Heiner, 2002) and increase the perceived trustworthiness among job seekers (Viswesvaran, Deshpande, & Milman, 1998). We list in detail those few studies relating CSR and internal stakeholders. As argued earlier about the all-inclusive definitions of CSR in literature, we would also examine how these studies have looked at the definition of CSR.

Peterson (2004) surveyed employees working in a variety of organizations to examine the linkage between perception of corporate social performance and work attitudes. He found that perceptions of corporate citizenship which included economic, legal, ethical and discretionary aspects were significantly related to organizational commitment. The relationship was much stronger for employees having stronger belief in social responsibility of businesses. Even though all the above four aspects of corporate citizenship were significant predictors of organizational commitment, ethical aspect were found to be the best predictor. The relationship was stronger for women compared to men especially for discretionary measures. Peterson used social identity theory (SIT) to explain this relationship. Employees may derive a positive sense of identity from association with a firm that is viewed as possessing characteristics valuable to them and thus they feel more committed.

Brammer, Millington and Rayton (2007) studied more than 1000 employees of a large retail banking services firm in the United Kingdom to investigate the effect of employee perception of CSR on organizational commitment. The operationalized CSR as consisting of firm's involvement in community activities, procedural justice within the firm and provision of employee training. They found that employee perceptions of corporate social responsibility were positively related to organizational commitment. Procedural justice and training provision were both seen to contribute positively to organizational commitment. The relation between community social activities with commitment was stronger for women versus men while the trend was reversed in the case of training.

Yet another recent study by Turker (2008) examined the relationship between different types of CSR (based on end beneficiary) and organizational commitment in a sample of 269 business professionals in Turkey. CSR was defined as comprising of CSR to social and non-social stakeholders (society, natural environment, next generations, and non-governmental organizations), employees, customers and government. It was found thatperceptions of CSR was significantly related to organizational commitment.

Chong (2009) for the first time examined the relationship between employee participation in CSR programs and corporate identity. In depth interviews were conducted with nine employees of DHL Asia-Pacific who were a part of disaster- response efforts in India, Indonesia, Singapore and Thailand. They found that over time, the interactions between participation in CSR and corporate identity form a self-reinforcing loop leading to positive effects on individuals.

Kim et al. (2010) examined how CSR relates to employee identification and commitment. They examined both types of employees –those who did not participate in volunteer programs (CSR association) and those who participated in the volunteer programs (CSR participation). A survey was conducted among 109 respondents of 22 companies of Korea. They tried to find the relationship among CSR association, CSR participation, perceived external prestige (the way employees believe outsiders see the firm), E-C identification (consisting of identity similarity and distinctiveness) and commitment. They found that both cases (i.e. CSR association and CSR participation) lead to commitment albeit through different routes. In case of CSR association the relationship travels through perceived external prestige and E-C identification whereas, in the case of CSR participation commitment develops with the help of E-C identification directly.

Rodrigo and Arenas (2007) did a qualitative study with the participants from two firms. They found that attitudes of employees participating in CSR programmes were complex with varying levels of acceptance, identification and development and employee reactions to the

CSR programmes were determined by attitudes towards the firm and attitudes towards society. These two kinds of attitudes (towards the firm and society) lead to categories of employees with varying reactions to CSR programmes. Employees varied based on their acceptance of new organizational role, identification with the firm, sense of importance of work and sense of social justice after the implementation of CSR programmes. For instance, concepts regarding acceptance of a new organizational role towards society were either accepted readily by employees, were in evolution, not accepted at all or were indecisive about the new role. Further, they categorized employees from one having a high identification with the firm after the CSR application to intermediate, low and no identification. Those having high identification shared values of the firm and were highly satisfied and the intensity of sharing values and satisfaction reduced as identification decreased with the firm. They finally categorized employees into three types – *committed employee* (employees who were concerned about social justice and social welfare and were enthusiastic about the CSR practices implemented by the firm), *indifferent employee* (those who may have understood about the CSR role of the firm, but were more concerned about the development of their own career) and *dissident employees* (those who questioned the new role of the firm and the increased spending on CSR unless they gained from the firm in terms of a good salary or increased benefits).

Factors Influencing the Relationship between CSR and Employee Attitudes

The extant literature is yet to explore the factors that influence the relationship between CSR and employee attitudes. The current paper questions the existing linear relationship between CSR and employee attitudes and attempts to widen the scope of this relationship. We argue that the factors affecting this relationship will be determined by the way employees are treated within the firm, quality of CSR intervention and employee involvement in CSR activities.

I. Incongruency in values manifested by CSR practices and values experienced by employees within the firm

We argue here that any incongruency in the values manifested in CSR intervention and employee's treatment will affect the relationship between CSR and employee attitudes.

Though there are numerous values found in literature, Bok (2002) described three basic values society must stress to be viable. Common to every type of society across the world these values are considered necessary for collective survival and referred to as 'minimal interpretation of morality'. These values are – *care and reciprocity, fairness and procedural justice, and refrain from harmful action* e.g. force and fraud, violence and deceit. These three values are said to be indispensable to human coexistence and are applied at every level of personal and working life, family, community, national and international relations. We however apply these values at two levels – manifestation of these values in CSR activities and manifestation of these values inside the firm (with employees). We propose that incongruency at these two levels of values as perceived by employees is likely to result in dissonance and which would influence the CSR-employee attitudes relationship. We describe the proposed relationship in the following section.

Care and Reciprocity: Caring as a value is based on the fundamental conviction that all human beings want to live a dignified life. Human beings depend upon each other for survival. Each part of our social system is the product of many people's collective efforts. We have since long succeeded in making the world conducive to human survival through relationships or mutual

aid, cooperation and trust (Spritzler, 2004). Reciprocity is the act of giving benefits to others in exchange for benefits received (Molm, Schaefer, & Collett, 2007). The engagement in CSR activities by organizations can be termed as an expression of care and reciprocity towards the society. The 'obligation' towards the society as discussed by most of the CSR researchers suggests reciprocity. This value also applies when we consider the relationship between the firm and its employees. The firms may extend the value of care and reciprocity by providing appropriate and comprehensive remuneration and benefits, personal development opportunities, a healthy and safe environment, a family-friendly workplace and several others as perceived fit. Implementation of the value of care and reciprocity at these both levels are likely to complement the attitudinal effect on employees. However, in case where value of care and reciprocity is not respected for employees, it is likely that the effect of CSR on employee attitudes will be influenced negatively.

Fairness and Procedural Justice: The foundations of justice can be traced to the notions of social stability, interdependence, and equal dignity (Andre & Velasquez, 1990). John Rawls explained that stability of a group is dependent on the extent to which the members of that group feel that they are treated fairly and that perception of unequal treatment may lead to social unrest (Rawls, 1992). Scholars argue that an important aspect of social justice is distributive justice, where benefits and burdens are distributed among the members of a society in a fair and just manner. Proponents of the rights approach towards development advocates for the participation of the people in the development process (Hamm, 2001). Similarly, the concept of human development indicates that the task in front of society is to ensure that all its citizens have the opportunity to develop a set of 'basic capabilities' most notably education, health, a living wage, and certain social, political and cultural rights (Haq, 1999), which can be called as a distributive or enabling paradigm of social justice. The CSR effort of an firm is understood as its contribution to furthering social justice (Aguilera, Rupp, Williams, & Ganapathi, 2004). Hence, firms when engaging in CSR strive to reduce the social injustice of society. These efforts originate from the firm's capabilities. The firm has the resources to be able to do social good as it enjoys social power in society. Friedmann (1992) identified eight bases of social power: defensible life space; surplus time; knowledge and skills; appropriate information; social organization; social networks; instruments of work and livelihood; and financial resources. Social change can be brought when communities attempt to increase their access to the bases of social power through collective public action. One can advance a conceptualisation of human development as the processes through which actors mobilize social and/or political power to transform social structures and the relationships which constitute them. Goal is to primarily transform structures that inhibit justice. The procedural justice here suggests striving towards a direction where disadvantaged should not be further marginalized.

Similarly, fairness and procedural justice is a value which is equally relevant for employees.

Aristotle said that "'"equals should be treated equally and unequal's unequally" (Buchanan & Mathieu, 1986). So for example, if A and B does the same work, in the same amount and in the same time, then in justice they should be paid the same wages. They should not be discriminated against being from different cast, region, color or sex. The same can be applied to the concept of fairness and procedural justice within the firm. Firms that fail to ensure all the types of justice within the firm (distributive, procedural and interactional) may not be able to harness the positive effect of CSR on employees due to a resulting dissonance.

Refrain from Harmful Action: It is said that firms should engage in minimising the harm they inflict on society and maximise the long run impact (Bloom & Gundlach, 2001; Wood, 1991). Firms are known to cause harmful effects on society through production processes. In post-national constellation (Scherer & Palazzo, 2008) it is argued that polity becomes weaker in regulating corporate activities. In this constellation the division of labour between the civil society, government and business reduces. In this new world order the civil society exerts a lot of pressure on business entities and business practices are scrutinized suspiciously (Spar & Mure, 2003). Hence, in recent years more and more corporations are coming out with data on reducing their harmful impact on the environment. Some firms actively pursue such policies where each and every activity they undertaken is assessed for its impact on the environment. Moreover, organizations actively engage in CSR activities towards the local community to mitigate the effects on their livelihoods and also to promote them as a part of their CSR policy.

Similar to the other two values this value is also expected inside the firm. Employees expect that their employing firm does not engage in activities that harm them. These activities may range from paying lower wages than the true value of the work, not to provide credit for the work done, forcing excessive work, and exploit a condition where an employee is not likely to leave the firm due to personal problems. There are firms which forces employees into contracts where if they resign, they have to pay a hefty amount to the firm. In such cases where employees perceive their employers to engage in harmful activities against them, it is likely that CSR will not have any positive effect on employees.

Proposition1: *Perceived incongruency between values of CSR practice and practiced values inside the firm will influence the relationship between CSR perception and employee attitudes.*

II. Quality of CSR Activities

Incongruency may exist between the claimed CSR practices of the firm and the actual practice on ground. The firm may be involved in practices that harm environment or community and at the same time may be publicizing a rather small and comparatively CSR insignificant initiative to improve its public image. CSR has been criticised for being reduced to just a hollow public relation initiative rather than being involved in actual work and making a difference in people's lives. Few firms are blamed to construct a deliberately overinflated image (Leo & Weeden, 2008) of their CSR initiatives. Firms like Exxon Mobil and Shell are criticized for 'slapping green stripes on a corporate tiger' and are accused of puddling public understanding of global warming and dampen any serious efforts to solve it (David, 2006). They are accused of running advertisements in leading newspapers questioning the role of manmade emissions in global warming as well as financing the work of a small group of scientists who have challenged the consensus that heat-trapping pollution is drastically altering our atmosphere. They have also aggressively pressured the lawmakers to oppose emission limits. An article describing CSR by African mining firms describe CSR as just a *greenwash* which means the projection of a caring image without significant changes to socially or environmentally harmful business practices (Hamann & Kapelus, 2004).

Moreover, some firms despite their CSR initiatives are engaging in corrupt political processes (Mattera, 2010; Reich, 2007). These aspects of the firm, generally not known externally may be known internally by employees. Gaps may arise in the way organizations wish to be known and the way employees actually perceive them (Davies & Miles, 1998). Miller and Skidmore (2004) claim that if policies and mission statements of corporate social responsibility fail to contain authencity and practical application, this will result in a cynical, unmotivated and uncommitted workforce. The inconsistent messages received by employees due to this

incongruency between publicity and actual will and work on the ground would lead to dissonance. This would moderate the effect of CSR on positive attitudes.

Proposition 2: *Incongruency between professed CSR practice actual practice as perceived by employees will negatively influence the relationship between CSR perception and positive employee attitudes*

III. Employee Involvement in CSR Activities

Some firms actively involve their employees in CSR activities. In many firms such as US and UK volunteering is a part of the national culture. Employee involvement is about "employees making a contribution to the communities where they work and live, on behalf of and in the name of their company" (Lakin & Scheubel, 2010). The international business leader's forum defines employee volunteering as the "mobilization of the businesses of the time, talent, energies, and resources of the people to contribute to the community. A few firms simply encourage volunteering for any good cause, other firms have focussed initiatives for employees to volunteer in their CSR initiatives.

Direct involvement in CSR projects provides an opportunity for the employee to engage in other work activities apart from his/her main task. Boezeman (2008) found that volunteer workers instil in themselves a sense of pride and respect for themselves and the firm which in turn increases their sense of commitment. Employees are more likely to identify themselves with their organizations, and it is likely that employees involved in CSR actions will have a stronger effect on satisfaction and commitment. Modern day work routines are also making employees frustrated and disenchanted with work (Bunting, 2004). Employees are always looking for more meaning at work, lack of which has been linked to negative outcomes like cynicism (Cartwright & Holmes, 2006).

Proposition 3a: *Employees volunteering in CSR programmes will show stronger positive relationship between CSR perception and positive employee attitudes than those not volunteering in the CSR activities of the firm.*

*Type of Employee Involvement in CSR activities***:** It has been noticed that employee involvement in CSR activities is operationalized in two different ways:

- *Non pay*: This kind of volunteering is sought after work hours or on holidays. It is expected that employees should work continuously on their main task and only contribute to CSR projects in their leisure time.
- *With paid time:* This kind of volunteering involves working on CSR projects as a part of their job. Employees contribute to CSR projects by volunteering on the job. This kind of volunteering provides more time to the employee to manage job, volunteering and the family.

The nature of volunteer involvement will also influence the perceptions of employee attitudes. It is observed that employees are generally free during the weekends and firms ask for those free days for volunteering without-paid time off. This may interfere with work-life balance of an employee. Even though they would be willing to contribute to a social cause the tendency to volunteer would decrease. It may also be understood that the firm is not serious about its social activities and using their employees to work for those activities for free, leading to cynicism. Hence it is proposed that -

Proposition3b: *Those volunteering with paid-time will show stronger positive relationship between CSR perception and positive employee attitudes than those volunteering without any paid-time.*

Conclusion

The nascent literature on the effects of CSR on employee attitudes is too narrow to capture the actual complexity of the relationship. This complexity is further enhanced by issues limiting a unified understanding of CSR. There seem to be a lack of strong consensus on the definition of CSR (McWilliams, Siegel, & Wright, 2006). The term is still ambiguous (Montiel, 2008) adding confusion to the way it is implemented. But as we discussed earlier, we shall keep the detail out of the scope for this paper.

We understand that it is not just the money being spent in CSR activities but the process of the activity that should be important for a firm. It not only involves effectively designing CSR interventions to meet a real need of the society but also involve it's employees in the process of CSR actions. It is important for two reasons – first that employee's knowhow can really produce innovative solutions for the social issues. Secondly, a first-hand experience of CSR activities resulting from involvement is likely to build employee loyalty through more positive employee attitudes like higher commitment, satisfaction and engagement. However, firms involving employees without a paid-time may not be able to generate adequate interest towards volunteering as employees also have to manage their families in their leisure time. Hence, firms should come up with policies regarding employee involvement that facilitate employee involvement.

In a political regulatory vacuum (Scherer & Palazzo, 2008) combined with regular pressure from civil society towards CSR, some firms may try to portray a positive image about themselves by advertising about their CSR activities. However, firms that deceive by providing untrue information about their CSR activities may result in their workforce to be cynical about their operations. The CSR activities have to be well thought through to be beneficial for the firm. The firm should not try to hide their harmful actions under the garb of CSR activities and it should not be used as a political tool. The company also should not show wrong data about their CSR activities to send a signal that it is serious about what it is doing.

Firms having unethical practices may jump on to the CSR bandwagon to position its brand image as being ethical while employees may be dissatisfied with the existing organizational climate. Such incongruency between the nature of ethical practices within the firm and outside it is also likely to lead employees to feel cheated, angry, and unhappy with their association within the firm. Hence, we propose that the two systems i.e. CSR actions and employees have to work together if the firm really wants to reap the benefits of CSR. The firm has to ensure these basic values of care and reciprocity, fairness and procedural justice and refraining from harmful actions are implemented across the firm. Congruence of these values is likely to bring synergy between the two systems for the benefit of the firm.

Our paper contributes to the literature by taking forward the understanding of relationship between CSR actions of organization and positive attitudes among employees. These proposition can be a great resource for a firm to manage its CSR activities.

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Stimulation of Commercialization of Publically Funded Research: Some Examples to Ponder

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Abstract

This paper describes issues related to the commercialization of publically funded research. Solutions used in a variety of countries, are explored in an attempt to indicate best practices in this area. Issues of inventors' rights, commercialization drive at universities, and creation of collaborative linkages between universities, research agencies, and businesses, as well as technology specialization patterns, are presented. In the absence of hard data about the issues discussed, only qualitative aspects are explored. This report can be considered as an indication for the need to explore aspects of commercialization more in detail.

Keywords: inventors rights, university research, commercialization, technological specialization.

Introduction

Whether for improvement of economic, monetary, social, or environmental benefits, commercialization involves putting innovations into actual use. Research into innovative products and services is abundant, but without their application and effective use, these ideas account for almost nothing. There are many players in a NIS, and unless they cooperate, no one wins. All of the participants bring different assets to the table: Governments have legislative power; research institutions and universities have knowledge, findings and people ready to work towards innovation; while businesses and entrepreneurs have the ideas. Without the interaction of all the involved parties, innovative ideas go nowhere. Whereas R&D mainly means inventions [6], innovativeness is a much broader concept [18, 15]. Businesses are in a better position than institutions funded from governmental sources, to assess the commercial value of inventions and innovations. Yet, a substantial chunk of funding for innovation comes from public sources; some 30% of all R&D money [29]. In the United States, in 2002, $292 billion was invested in combined industrial, university and government funding for invention/innovation [11, p.7]. University royalties amounted to approximately $830 million, strongly indicating concentrated commercialization [11, p.8]. Thus, the issue of the commercialization of public research is certainly of very high importance. The following programs can be regarded as being of key importance to the commercialization of ideas and research results:

- Ownership of research results (e.g., Bayh-Doyle Act) and encouragement of the commercialization drive at universities;
- Collaboration (networking) between governmental institutions, research institutes and laboratories, universities and businesses (private sector and entrepreneurs), with an intention of encouraging technology and knowledge transfer to firms, and the development of innovation clusters;

- Support to targeted technologies (or specialization patterns).

The selected set of the above items will be explored in this report, the key objectives include:

- Identification of solutions that contribute to the commercialization of research results;
- Identification of the means to support inventiveness and innovativeness which, within a given context, are likely to be most efficient.

Report Methodology Constraints

This report describes various attempts of investment in invention and innovation and their contribution to economic/social benefits. It should not be expected that this study will identify, in a quantitative format, relationships between research results and their commercialization outcomes. Interpretation of such outcomes is, at this point, unrealistic because interrelationships are not clear, no procedures to measure these phenomena are identified, and no statistical data-series are available to run statistical analyses on the subject. However, the topics are very important. Country-based case success and failure stories can be described, and hence some suggestions relative to the commercialization of research endeavors can be arrived at. Moreover, within this study I want to make a connection to the context – i.e., which solutions work, and under what conditions.

Ownership of Research Results and Commercialization 'Drive' at Universities

What is referred to as 'Bayh-Dole' is a set of laws and amendments that govern technologies resulting from R&D performed by federally operated or funded laboratories (or universities from governmental sources).[1] The Bayh-Dole Act of 1980 created a uniform patent policy that allowed universities, non-profit organizations and small businesses to retain ownership of intellectual property developed under federally funded research programs. The purpose was to encourage R&D performers to collaborate with commercial actors to promote the utilization of research results. Under the Act, academics receiving federal funds are obliged to report their research results with potential commercial use to the university administration. Universities are expected to file patents on innovations they elect to own and they are expected to give licensing preference to small businesses. The government retains a non-exclusive license to practice the patent throughout the world. Government also keeps the right to withdraw a license if a company fails to commercialize an invention within a reasonable period of time. The 'march-in' right was created to prevent companies from licensing academic inventions with the sole purpose of blocking rival firms from doing so [11, pp.56-57]. Federal agencies were given the continuing responsibility for technology transfer to non-federal entities and each agency was required to establish an Office of Research and Technology Applications (ORTA) [1, pp.56-57].

1. It includes the following laws and amendments: the University and Small Business Patent Procedures Act 9 (1980), the Trademark Clarification Act (1984) and Executive Order (12591 91987). The 'Stevenson-Wydler Act' also consists of several parts, including the Technology Innovation Act (1980), the Federal Technology Transfer Act (1986) and the National Competitiveness Technology Transfer Act (91989). The Trademark Clarification Act of 1984 extended the force of these provisions to federal laboratories that are owned by the federal government, but operated under contract by non-federal entities. The Executive Order (12591) further extended Bayh-Dole to also include large businesses conducting R&D with federal funds. The Federal Technology Transfer Act of 1986 allowed federally operated laboratories to license their innovations and to keep all of the royalties generated from the licenses after sharing at least 15 percent with the inventor or team of inventors.

University researchers are influenced by individual incentives to participate in the licensing process. For example, researchers at Stanford University receive one third of the net royalties from the licensing of their inventions. A study by Lach et al. [13] concluded that economic incentives, such as royalty sharing agreements, affect the number of inventions produced and the licensing income generated by universities. Universities that provide higher royalties to researchers trigger more inventions and higher license incomes. The study also found that researchers at private universities were four times more responsive to economic incentives than their colleagues in public institutions. Moreover, technology licensing offices in private institutions tend to have more effective, commercially oriented technology transfer activities and they are better at identifying and capturing innovations for licensing to industry [13, in 11, p.36). The potential benefits to the inventor, to participate in the process, apart from a share of net royalties, include additional research funding by the licensee directly to the lab of the inventor, paid consulting work, employment by the licensee (this is common when students are inventors/co-inventors) and payment for serving on scientific advisory boards (this is relatively common when the licensee is a start-up company) [23; 11, p.36].

The Bayh-Dole Act has been instrumental in creating a more favorable environment for technology transfer and also has inspired policy-making in other countries to address aspects of ownership of research results. For example, in Japan, inventors are provided 'generous cuts of net license revenue', for results from successful publicly funded projects [22, p.4]. In Germany, the act is known as the 'inventors' law' [12]. This legislation requires German professors to disclose any invention, thereby precluding any notion of a 'professor's privilege'. It appears however, that ownership is not wholly that of the inventor. The form taken would be that any intellectual or intangible asset invented/innovated, is by law the property of the university in Germany. In Sweden, the individual researchers have full ownership of the results from their research; the so-called 'university teacher privilege'. One leading argument in favor of keeping the privilege, is that it creates incentives for researchers to engage in commercialization. Universities have developed a supporting infrastructure of patent and licensing offices that make agreements with researchers to assist in technology transfer. The income distribution from these operations is typically one third each, to the researcher(s), the research lab and the university respectively. This is similar to the situation in the United States [11, p.84].

Several arguments have been presented in support of the Act. First, because of the law, universities and other performing institutions had to assume the overall responsibility for the commercialization effort. This has created an infrastructure of technology transfer offices with skilled personnel and a professional process, operating under a uniform legal framework. Second, the mandatory disclosure rule has contributed to driving more inventions out of the research laboratories, increasing the volume of possible inventions to commercialize. It has also been easier to measure and evaluate the system as it becomes more transparent.

Even if some people seem to support the current intellectual property protection regime, some challenges need to be discussed. The principles of Bayh-Dole have been questioned recently, by linking its practices to the high prices consumers must pay for new drugs. The main argument is that taxpayers must pay again, for goods based on research that they have already paid for [11, p.77]. For example, of the federal technology transfer funding in 2002, the largest proportion, some $23.8 billion, was spent in the health care sector [11, p.20]. Of this, drug companies have a market capitalization of $90 billion, directly funded by the government, whereby leading discoveries were directly funded through federal technology transfer funding [11, p.25]. Therefore, in essence, the tax payer funds these inventions/innovations through

these federal technology transfer research grants. However, the evidence of market capitalization of the drug companies indicates that the economic benefits are not directly passed onto the tax payer whereby, these economic gains are made. Tax payers pay for the invention of a promising treatment, …then give a marketing monopoly to one company, … and the company's role is to agree to sell it back to us." [21, p.5].

As a direct result of the Bayh-Dole Act, academic institutions across the United States have established a strong national technology-licensing infrastructure to support the commercialization of research results. Since the 1980s, the number of Technology Transfer Offices (TTOs) in universities in the United States has grown from 25 to well over 200 [11, p.9]. Their responsibility is to implement the Act, by facilitating and managing the disclosure and licensing of inventions with commercial potential. The cumulative license revenue amounted to $392 million [25, p.7].

Atlantic Canadian data on TTO exists, and indicates 12 participating institutions through ACOA [8]. Here, the university technology transfer is mainly a system of invention disclosure, patenting, licensing and enforcement of patents and licenses. The resources are almost entirely on the patenting process, where offices usually rely on external patent law firms, while considerably less is set aside for marketing the patents that result (e.g., [3].

Although it is generally regarded that the TTO system works well, a study by Jensen et al. (2003) found that it is hard to convince faculty researchers to disclose their inventions. The study shows that the 'higher quality' or 'most productive' faculty are most often the least likely to bother with the distraction of pursuing commercialization. It is estimated that substantially less than half of the research results and developed technologies are disclosed for potential commercialization. A possible explanation is the fact that about 70 percent of university inventions require further R&D in a more applied direction than the original scientist or engineer may wish to engage in. In addition, the disclosure process itself is time-consuming.

Another challenge for the TTO system is to find skilled personnel. As the number of cases is increasing at most universities, the technology transfer offices also have to grow. Moreover, the cases the offices have to deal with are getting more and more complex. Apart from solid knowledge in the specific scientific field, office staff must have the legal and economic competence to judge whether the invention is patentable or not, marketing and business skills, in order to find commercial partners and finally, negotiation and social skills to be able to finalize a good agreement [1, p.35].

There is ongoing discussion regarding the commercialization of research and higher education at universities. Critics have pointed out the potential negative effects of increasing commercial practices and the blurring of the boundaries between the corporate and academic worlds. This trend includes industry-funded research, technology licensing, industry-endowed chairs and professors starting their own firms, earning consulting fees and marketing their lectures on the Internet. Moreover, following the economic downturn, with cutbacks in higher education, universities are under increased pressure of becoming more entrepreneurial. The increasing commercialization of universities threatens to change the character of the university in ways that limits its freedom, its culture of openness and its tradition of sharing results. By compromising these core academic values, the university as an institution, might loose its high standing in society and create barriers to further research and progress [11, p.75].

Collaboration between Governmental Institutions (Research Institutes and Laboratories), Universities, and Business (Private Sector and Entrepreneurs)

The link between public and business types of involvement, and collaborative links between such institutions that deal with the flow of money, should be explored. An important issue here is the development of cooperation mechanisms, in order to assure that commercially adequate topics are pursued and the existing findings channel their route to practice. Governments in many countries are heavily involved in fostering innovation and are the catalyst for promoting and initiating partnerships and joint ventures. There are serious challenges with regard to cooperation between the private sector and academia.

Poland seems to be suffering from extremely low cooperation rates, as 91.1% of SMEs reported no cooperation with any universities or research institutions in 2005 [19, pp.2, 15]. There are inter-governmental problems that cause slow-downs and excess red-tape [19, p.9]. In Poland, there have been only discussions about creating clusters, analyzing the organizations that support technology and knowledge transfer, and the creation of technology parks and incubators [19, p.22]. In the Netherlands, industry seems to completely disregard information available from research institutions [16, p.ii, 25]. For example, the Netherlands has created packages of incentives for business, which include information and advice on access to the knowledge infrastructure, and financial support in the form of credits [16, p.8]. The government has created programs of information sharing and developed Regional Innovation Policies (RIPs) covering professional training, technology transfer and knowledge network creation [16, p.31]. Canada has high levels of public-private partnerships and is working toward encouraging more collaborative networks among research institutions. Government publishes reports on successful and failed research partnerships, thus giving the opportunity to learn from past experiences [2, pp.3, 7]. In Canada, regional innovation clusters have been created [2, p.4]. NRC provides knowledge and advice regarding technology transfer to SMEs [2, p.9]. Another government program, the Network of Centres of Excellence (NCE), supports technology transfer and cooperation between universities, government and industry [10, p.5], in the innovation system [2, p.17]. Germany creates clusters to take advantage of complementary skills and to encourage the various NIS agents to work together [7, p. i]. The German government also runs an internet database with support measures and information for all NIS actors [7, p.9]. Spain has seen an increase in successful programs of knowledge transfer [4, pp.26, 29, 34], though it still suffers from an inability to create technical knowledge and low intensity of technology transfer [4, p.3 & 20]. Spain has moderate levels of collaboration, but struggles with the desire of the private sector for participation and government has created virtually no incentives for cooperation across various areas of research [4, pp.17, 26, 3].

If governments can entice their private sector and research institutions to work together, they will speed up the pace of innovation. One theme that resonates in many EIS reports, is governments pushing the idea of 'Triple Helix' groups, or collaborations between all three players - private sector, government and research institutions.

The 'Triple Helix' approach, assumes universities as leaders in creating relationships with businesses and governments. Governments set rules and give impetus to the development. Industry expresses directions, leading to economic benefits to businesses and the society. Universities are expected to move to the third area of operations; beyond teaching (and dissemination of knowledge) and basic research, it is now believed that universities may, or

should, assume the role of agents of promoting transformation of pure knowledge, into solutions that directly benefit the society. This idea is orchestrated through the myriad of initiatives, such as:

- spin-off companies, knowledge incubators and technology parks - that aim at the development of start-up companies, that will move research results into the real business world;
- intellectual property and commercialization offices, Technology Transfer Offices (TTOs) and networks of knowledge (excellence) - that facilitate a 'faster' transfer of results of basic research to those agencies that may convert them to practical useful solutions;
- advisory councils and industry-university teams – that consult in areas of curriculum development and research agenda, which would adjust the theoretical orientation of universities to business needs;
- Internships in companies and students' assignments linked to problems in real companies - that permit students to confront theories with business reality, and businesses to select the best prospective employees.

These are, certainly only some examples of initiatives, within the 'Triple Helix' idea. There are examples in the literature to support the notion that the concept works and that bring encouraging results. From our experience, we can name many ideas that are nice in principle and poor in results. The topic of such cooperation's calls for further study – it is probably a largely under-recognized issue.

The 'Triple Helix' model/approach, in general, describes how industry and universities should interact with each other; government being the conduit. the relationship spirals and is reciprocal in nature between the three. To be noted, a driver is the Bayh-Dole Act that blankets university and industry with regards to commercialization [10, p.5]. Their study about involvement and support in technology transfer indicates that:

- in Japan, universities are 'low to moderate', the government is 'high' and industry is very 'high';
- in the USA, universities are 'high', government is 'moderate' and industry is 'high';
- in the EU, universities are 'high', government is 'moderate' and industry is 'high'; in terms of intensity of technology transfer [10, p. 5].

Their model supports the hypothesis that universities, governments and industry play an equally important role in innovation and that their interdependency and (co-)evolution is what defines the outcomes of the innovation system over time."

Companies are generally too risk averse to support the early phases of research. Further, SMEs (companies with fewer than 250 employees) tend to under-invest in R&D for lack of technical competence, because of the high risks of innovation and inadequate financial resources [5]. The university system acts as R&D departments for innovation and technology transfer for smaller companies that would not otherwise be able to conduct such activities themselves [10, p.6].

In industrial research institutes, the contacts with potential sources of innovative ideas are generally ongoing, through such activities as joint research projects, exchange of staff (e.g., sabbaticals), and exchange of post-graduate students. Although, supporting academic research and graduate studies is a financial drain on the operations budget, it is concurrently an excellent investment in the academic network that provides many of the new ideas that

industry is hungry to hear about [14, p.44]. It follows, that a technology institute can only be successful if it is networked effectively with all important sources of innovative new ideas in its area of expertise. In particular, the institute has to be good at:

- knowing what is happening in its field of interest in universities, institutes and companies around the world;
- recognizing the potential industrial applications of a nascent technology;
- providing an incentive to players in the network to share their ideas with the institute;
- listening proactively to what is strategically important for its industrial clients, actively seeking solutions in the network;
- effectively dealing with Intellectual Property Rights and contractual issues[2];
- retaining the best personnel [14, pp.43-48].

In general, licensing revenues have been small compared to the overall university R&D effort. Patent and licensing offices have been supplemented by offices for sponsored research and industry liaison offices to cover a wide range of university-industry interactions. Activities are typically governed by a set of policies, including guidelines for patenting, licensing, equity ownership, copyright, consulting and contracts with industry. Policies have been developed to protect the rights of researchers and to preserve core academic values as well as to protect the university from conflicts of commitment and conflicts of interest [11, pp.83-85].

In Canada, 330 US and Canadian institutions were involved in technology transfers in 2000 [28, p.483]. Though never intended to control prices on goods/services that were invented/innovated as a result of federally funded technology transfer, the result did in fact produce price control, specifically with drug companies [20, pp.4-5].

Universities in Canada still have 'varying policies regarding (intellectual property)'. In Canada, there are no rules allowing for ownership of intellectual property for university professors [26]. "Canada does not take the steps that other countries take to ensure science can be successfully commercialized and used as a source of advantage for innovative companies seeking global market share. Canadian companies are thus rarely at the leading edge of new technology and too often find themselves a generation or more behind the productivity growth achieved by global industry leaders." [1].

Also, federal funding in 2007 was budgeted for 2 years at $195 million. This spending is used to fund research centers across Canada, particularly in the medicine and science fields 17]. According to this data, spending at the federal level is significantly less than US spending in research commercialization.

In order to see innovations become successful, businesses and entrepreneurs need access to information, technology, legal services, etc. Also, there is normally the need for private capital to support innovative ventures, and the clarification of ownership rights (e.g., Bayh-Doyle Act). Involvement of SME and development of entrepreneurial skills are desirable (e.g., [11, pp.83-85]). This is critical for innovations to reach the application stage. Authorities in many

2. Dealing with the complexity of IPR (Intellectual Property Rights), and contractual issues in these projects, can cause inordinate delays while lawyers on both sides hash out the details. One way to shorten the contractual process is to provide a range of model contracts according to the degree of ownership desired, with optional clauses depending on desired exclusivity. The AUTM (Association of University Technology Managers) has prepared such model contracts in its Technology Transfer Practice Manual that are good starting points for contracts between the institute and industrial clients (Lyne, 2007, p.45).

countries seem to recognize the need for transfer of technology and knowledge to the private sector, which means a fast 'path' to commercialization.

The Swedish innovation system faces a number of challenges related to the commercialization of research results. One important line of argument is that there is a Swedish 'growth paradox'. In short, it means that despite the high input, for example in the form of the world's highest R&D spending per capita, several output measures, such as economic growth and GDP per capita, have remained unsatisfactorily low. A related observation reveals that Sweden has few growth-oriented entrepreneurial firms. In fact, more firms are starting than are currently growing. It is thus an important political goal to make sure that more firms are growing, in order to create employment and economic growth. Most analysts agree that the explanation for this situation includes the lack of venture capital, particularly from private sources (business angels), and the lack of management competences to start and grow businesses. The underlying factors that are pointed out are usually a less developed entrepreneurial culture and the lack of efficient incentives for investors and innovators. The primary setting for entrepreneurial activities in Sweden has traditionally been inside the large companies (see for example VINNOVA report [27]).

The United States government is supporting several programs to facilitate the commercialization of research results. The Department of Defense has played a leading role in the area of R&D funding, 'dual-use' S&T programs and technology procurement that has promoted cooperation between government, academia and industry. Other important programs that have contributed to this interaction include, the Industry-University Cooperative Research Centers, by the National Science Foundation and the Advanced Technology Program, by the Department of Commerce.

Sweden has a history of successful public technology procurement, for example in the telecommunications and aircraft industries. Competent public buyers stimulated R&D and created competitive products in the marketplace. This demand-side instrument has little significance today because of, for example, the deregulation of many industry sectors and certain provisions in the European Union public procurement regulations. However, NUTEK (Sweden's central public authority for industrial policy issues, whose main task is to stimulate industrial development throughout the country) has acted as a catalyst for technology development in several areas, including energy efficient devices, during the 1990s. Similar to the United States, Sweden has created a number of competence centers with the purpose to promote multi-disciplinary research and knowledge exchange between academia and industry. The program started in the mid-90s and is managed by several government agencies, including the Agency for Innovation Systems (please refer to VINNOVA Report [27]).

Support to Targeted Technologies and Specialization Patterns

Innovation should be efficient and effective, and for a country with an existing competitive edge, applying innovations in areas that are weak versus strong, could mean the difference between a lagging economy and a real competitive advantage. There is a discussion about whether the country needs to focus strengths on what the country does best, or what it believes will bring successes, or as some claim, it should invest in lagging areas that are likely to be more efficient (rp). Yet, there are similarities in high-tech industries, which appear to be universal among many countries, such as: ICT, renewable resource technologies, biotechnology, nanotechnology and aerospace techs. Additionally, each country is still

specializing in traditional industries, and sectors where that they maintain competitive advantages.

For example, the Netherlands is focusing on areas such as: life sciences, ICT and renewable resource technologies, which are of strategic interest [16, p.6]. Sweden concentrates on aerospace, automotive, life science, ICT, metals and forestry, and concurrently is re-focusing its efforts to create cross-sectional clusters among these important sectors [24, p.iii & 12]. Germany key specialization areas are in ICT, biotechnology, nanotechnology, fuel cell technology, medical and health techs, optical techs, micro-system techs, space and aircraft techs, environmental techs, energy techs and transportation techs; all highly focused and strong industries [7, p.i]. EIS reports do not mention any targeted technologies, except for ICT in Poland [19, p.17]. There are no specific intents to create clusters or focus on selected areas of economy [19.p.v &15]. In Canada, life sciences, nanotechnology, fuel cells, biotechnology and ICT are supported by a variety of governmental agencies [2, p.6, 18, 9]. In Spain, science and technology are declared priorities. There are government programs that offer limited services to projects in areas of: health sciences, ICT, renewable energies, nanotechnology and aerospace. However, such programs show preference to projects with already established financial backing, therefore doing little to aid companies with limited resources [4, p.26]. It may be expected that support to targeted technologies increases chances for commercialization, but more evidence has to be acquired in order to verify such a hypothesis.

Observations

It can be concluded, that some 'ownership' rights of inventors to research results, whether individuals or publicly funded institutions, and following it benefits from their commercialization, form a motivation factor for inventors. Regulations in this area are not clear nor uniform (nor even similar) in different countries. Another drive for commercialization of public research comes from governmental policies, and generally solutions that resemble the 'Triple Helix' approach are used. Moreover, faster commercialization can be expected in areas of specialization selected by countries.

Even though quite extensive literature search had been conducted, no clear patterns as to how to foster commercialization have been identified. There are a host of fragmented reports that in general describe solutions adopted, yet without clear indication regarding results these policies have produced. Obviously, there are many factors, including market factors, to individual researcher's attitudes that impact upon commercialization efficiency. This is an important topic that calls for a more systematic study.

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Corporate Social Responsibility in Indian Steel Industry

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Abstract

Corporate companies adopted the culture of 'doing the right thing' with which they build the brand image basing on distinctive ethical values in getting loyalty of the customers. Before independence, corporate sector was dominated by British firms and they had hardly any social relevance. Even after independence social activities are done by only Government organizations at large and then by NGOs. From the economic reform of 1990-91 there is enormous competition among the corporate companies, which caused a change in the objective of the firms from 'to sale goods or product' to 'satisfy the customers'. Today most of the companies are looking for social activities, and spending lot of money for the society. But the contribution is very nominal when compared with their profits and sales volumes. The term corporate social responsibility reflects the impact of corporation's activities on society, as it is the duty of the corporate to carry some social activities. The vital social performances are community development, human resources, physical resources and Environmental contributions and product or service contributions. The iron and steel industry presents one of the most energy intensive sectors within the Indian economy. Historical examination of productivity growth in India's Iron and steel industries reveal that we can identify exponential growth in its sales and profits, but their contribution to corporate social responsibility is more under scrutiny because the natural resources are consumed in a large scale and are granted many national and regional subsidies apart from the services and resources of people. This paper examines the contribution of Indian iron and steel industries towards CSR in the light of parameters like Human rights, National sovereignty, local communities, labours, consumer protection, environmental aspects, economic aspects, and welfare of the employees.

Introduction

Corporate adopted the culture of 'doing the right thing' with which they build the brand image basing on distinctive ethical values in getting loyalty of the customers. Before to independence corporate sector was dominated by British firms and they had hardly any social relevance. Even after independence social activities are done by only Government organizations. From the economic reform of 1990-91 there is enormous competition among the corporate, which caused a change in the objective of the firms from 'to sale goods or product'

Nepalese Academy Of Management
CONFERENCE PROCEEDINGS
VOLUME 2, NUMBER 1, 2011
PP. 137 - 147

to 'satisfy the customers'. Today most of the **companies are looking for social activities, and spending lot of money for the society. But the contribution is very nominal** when compared with their profits and sales volumes. The term corporate social responsibility reflects the impact of corporation's activities on society Hence it is the duty of the corporate to carry some social activities. The vital social performances are **community development, human resources, physical resources and Environmental contributions and product or service contributions**. The iron and steel industry presents one of the most energy intensive sectors within the Indian economy. A historical examination of productivity growth in India's Iron and steel industries we can identify abnormal growth in its sales and profits. But the corporate social responsibility contribution is at? To evaluate the iron and steel industries contribution towards CSR the parameters considered are Human rights, National sovereignty, local communities, labours, consumer protection, environmental aspect, economic aspect, welfare of the employees etc.

Scope of the Study

This study aims to forge the way in relation to how future studies are conducted on the affect of corporate social responsibility on Indian Iron and Steel Industries in terms of depth and content. A couple of key issues on corporate social responsibilities are examined. Specifically this study contributes to know the studies on CSR were conducted in Micro level and it will be done in macro level in India.

Objectives of the Study

The study examines the issues relating to the determinants of corporate social responsibility Indian Iron and Steel Industries. It also concentrates on different global trends of Corporate Social Responsibility and its impact on Indian Iron and Steel Industries CSR. The study designed with following objectives.

- To study the concept of Corporate Social Responsibility
- To study about the Iron and Steel industry in India
- To analyze to what extent Indian steel industries have developed policies on Corporate Social Responsibility.
- To identify good practices and potential bottlenecks in the implementation of CSR.
- To support companies in finding practical solutions.

Methodology of the Study

This research is embodied with secondary data. As far as secondary data is concerned they were sought from various books, journals, magazines, news papers, periodicals, unpublished sources, internet etc. The data will be collected from various Iron and Steel Industries in India. The selection criteria are based upon the data availability, convenience to access.

Sample Selection

The random sampling technique will be used in selecting the companies. As a sample five Indian companies are selected. The companies are Arcelor-Mittal, Jindal, SAIl, TATA and Vedanta.

History Steel Industry

The iron production by human beings probably may begin at 2000 BC in south-west or south-central Asia, perhaps in the Caucasus region where the Iron Age began and subsequently iron replaced bronze in implements and weapons as Iron is alloyed with carbon, it is harder more durable and it holds sharper edge than bronze. After three thousand years, it is replaced by steel in 1870 AC. Iron has more than five percent of the earth's crust and it exists naturally in Iron Ore. In early days blacksmith used to form the bloom of iron by removing the pasty mass from the furnace and hammers it to compact the metallic particles. This is most commonly produced metal during the Iron Age. Iron absorbs carbon rapidly at very high temperatures and makes iron hard and brittle and results in cast iron.

European iron makers developed the blast furnace in the Middle Ages; it appears to be a tall chimney-like structure. Its combustion was intensified by a blast of air pump to alter the layers of the ore and in 1777 James Watt's new steam engine was also used for this purpose, the cast iron produced in this way called as pig iron. Later iron makers of the late Middle Ages learned about transforming cast pig iron more useful wrought iron by reducing the carbon and charcoal furnace called as finery. Just after 1784 refining the pig iron in a puddling furnace was started with the help of a highly skilled craftsman. Once the carbon content decreases the iron appear in the liquid mass. The liquid mass then is run through rollers to form rails or sheets.

In the mid-1800s wrought iron remained comparatively inefficient before the efficiency of cast iron which produced through blast furnace. There is an important discovery in the 1700s i.e. coke and it caused in vital advance across Western Europe and Great Britain. In 1740s, the English clockmaker Benjamin Huntsman, searched for a higher-quality steel for making clock springs and discovered the blister steel. On the other hand, until the mid 1800s, steel was complicated to produce and also costly. Wrought iron has .02 to .08 percent carbons which are just enough to make it hard without losing its malleability where as Cast iron has 3 to 4.5 percent of carbon hence it is hard and brittle. Finally when the carbon percent is in between 02 to 1.5 then it is steel. Before 1856, there was no easy way to control the carbon level in iron so as to produce steel cheaply and efficiently but the growth of railroads in the 1800s created a huge market for steel. The first railroads ran on wrought iron rails which were too soft to be durable and they have to replace in every six to eight weeks at busy stretches and outer edges. Hence Steel rails are more durable, profitable etc.

The invention of Bessemer process by Sir Henry Bessemer (1813-1898) made mass production of cheap steel, and again in 1856 he designed a converter. In 1876, the Welshman Sidney Gilchrist Thomas discovered that adding a chemically such as limestone to the converter draws the phosphorus which floats to the top of the converter where it can be skimmed off, resulting in phosphorus-free steel and promoted mass production of cheap steel in Europe and U.S. In the U.S., for instance, in 1867, 460,000 tons of wrought iron rails were made and sold for $83 per ton; only 2550 tons of Bessemer steel rails were finished, at eye-catching price of $170 per ton. By 1884, in contrast, iron rails had almost ceased to be made at all; steel rails had replaced them at an annual production of 1,500,000 tons selling at a price of $32 per ton. Andrew Carnegie's genius for lowering production costs would drive prices as low as $14 per ton before the end on the century.

In the 1860s, a rival appeared with open**-hearth process,** which is developed by the German engineer Karl Wilhelm Siemens. This process converts iron into steel in a broad, shallow, open-hearth furnace. Because of these advantages, by 1900 the open hearth process had largely replaced the Bessemer process. Unlike many of his competitors, Andrew Carnegie was quick to

recognize the importance of the Bessemer, Thomas basic and open-hearth processes. He was also among the first steelmakers to grasp the vital importance of chemistry in steelmaking. These became keys to his success as a steel manufacturer. These are some discoveries which accounted for the steel revolution in the production of railroads, oil and gas pipelines, refineries, power plants, power lines, assembly lines, skyscrapers, elevators, subways, bridges, reinforced concrete, automobiles, trucks, buses, trolleys, refrigerators, washing machines, clothes dryers, dishwashers, nails, screws, bolts, nuts, needles, wire, watches, clocks, canned food, battleships, aircraft carriers, oil tankers, ocean freighters, shipping containers, cranes, bulldozers, tractors, farm implements, fences, knives, forks, spoons, scissors, razors, surgical instruments, ball-bearings, turbines, drill bits, saws, and tools of every sort. Our standard of living today owes much to Carnegie's entrepreneurial drive, self-education, and genius for efficiency. Whatever his flaws – and who among us has none? – Carnegie embodied a type of human greatness that deserves our appreciation and gratitude. Without forgetting the contributions of others (especially his workers), we should make the same judgment about Carnegie that Stephen Ambrose makes about the men who built the first transcontinental railroad: "Things happened as they happened. It is possible to imagine all kinds of different routes across the continent, or a better way for the government to help private industry, or maybe to have the government build and own it. But those things didn't happen, and what did take place is grand. So we admire those who did it – even if they were far from perfect – for what they were and what they accomplished and how much each of us owes them."

Steel Industry in India

When we look at the history of India, in 400 BC Green emperors used to recruit Indian archers for their army and their arrows tipped with steel. There are so many evidences of steel making before the advent of Christ. When we look at the Mesopotamia and Egypt, Archeologists stated that iron and steel was known to the mankind before six thousand years. In India the pillar built near Qutab Minar in Delhi is of 350 and 380 AD and it is not rust so far. The first structurals were used at the famous Sun Temple at Konark in Orissa, and it was built around 1200 AD.

In 1830 Joshua Marshal Heath, set up a small plant at Porto Novo on Madras Coast. Again the Indian steel industry was revived on 1874 with the name Bengal Iron Works at Kulti, near Asansol in West Bengal but it unable to face the stiff competition from the British steel industry. It felt sick due to the source funds hence it was taken by the Bengal Government and renamed as Barkar Iron Works. The same company was acquired by the Bengal Iron and Steel Company in 1889. From 1900 it produced metal and it was taken over by the Indian Iron Steel Company in 1936.

As Swadeshi venture, on August 27, 1907 Tata Iron and Steel Company was formed and it started production in 1908. It faced so many up and downs by the British rulers as well as by the war of 1914-1918. Immediately after the war Indian Iron and Steel Company was created. In 1922 Mysore Government decided to start an iron works but it took 18 years to start its plant. In 1937 Steel Corporation of Bengal formed in 1937 and the same was merged with Indian Iron and Steel Company. In 1948 Government of India made first Industrial policy and in which all industries are categorized into four categories. Out of which second category covers six industries which included, among other, coal, iron and steel. With the spirit of the resolution the Government decided to start a chain of steel plants all over the country in the public sector. The first plan set up at Rourkels in Orissa, second came up at Madhya Pradesh,

third at Durgapur in West Bengal then at Bokaro and lastly as fifth one established in Visakhapatnam in Andhra Pradesh. Government's Industrial Policy has undergone changes in 1956 and later on in 1991. The new policy announced in 1991 exempted compulsory licensing and dereserved from the list of public sector which came into affect from May 24, 1992. The industry was included in the list of 'high priority' industry for automatic approval for foreign equity upto 51 percent and now it is 74 percent. Even export and import regime for iron and steel has also undergone major liberalization.

The World Steel Association said the world has produced 1,226.5 million metric tones of steel in 2009, down from 1,329.0 million metric tones in 2008. During the year 2009, Arcelor Mittal retained its position as the world's biggest steel maker by producing 77.5 mmt of steel. China's Baosteel stood at second place with a production of 31.3 mmt. The South Korea's POSCO became the world's number three company.

Arcelor-Mittal CSR

Project Radio: Community Engagement in India

Arcelor-Mittal chose the radio as a means to engage the people directly. It wants to provide a rounded insight about the affects of industrialization to the people in the villages and the periphery who are largely illiterate and have little or no access to objective news dissemination channels. It has been running since October, 2008 in Jharkhand, India on Radio Dhoom - a popular local FM radio channel. It aimed at creating awareness among local residents. It also tries to inform about the impact of industrial development on their lives. This project designed as a four-step engagement programme. The first two steps were covered by teasers and radio spots to interest people on issues of industry-led development. Radio spots run every day out of which some of the musical ones are quite 'hummable' and become popular. People are becoming more interested in knowing about industrialisation and what it could mean for their children and their future. As part of step three, a weekly programme, 'Saath Chalenge Sab' is aired from 5-6 pm every Sunday. It enables to get the views of other people from their own area and also learn more about the benefits of industrialisation. People are reassured by knowing that ArcelorMittal is a global company, guided by the best of industrial and corporate responsibility processes, that the company would follow the Resettlement and Rehabilitation policy guidelines as laid out by the state government. It also aim to create a powerful pool of listeners by incentivising a listeners' club concept whereby, each club would have 15-20 active listeners who will participate by airing their views and giving interviews on their programme and makes the active listeners as ambassadors of change.

The Results

The programme 'Saath Chalenge Sab' has taken major issues of villagers, such as issues of displacement, results of industrialisation, education and youth, creating awareness on our Resettlement and Rehabilitation policy, women empowerment, capacity building and skill development, sports and youth, corporate responsibility activities etc. The programme combines interviews with local people, songs and inspiring stories of people to come forward and be a part of the process of industrialization and at the end of the programme a question is asked with a theme. It attracts many answers from the listeners and four of the best answers are rewarded. Radio is a powerful force of mass communication which helps to facilitate public participation, promote awareness and create support for this project.

JINDAL SPL

The prime importance is given to social responsibility and desires to bring about a positive change in people's lives. It feels that corporates impacts the society and the environment through their operations, products and services. From the beginning, it has recognized this responsibility and worked towards the development of the wider community. It has Social Accountability System to maintain corporate awareness and conscientiousness. Its CSR is guided by its core values.

JSPL's CSR strategy includes:

- Development of model villages (Adarsh Grams)
- Government, corporate and public participation
- Address situational needs and demands of the villagers

With its many initiatives it touched and improved the lives of millions of people who are socially deprived. From the beginning it devoted itself entirely to the cause of the upliftment of backward areas of the country. Some of the initiatives taken are:

Supporting the under-privileged

With a social conscience, it is working towards forming a better society. Today, it is the largest private sector investor in the state of Chhattisgarh which focusing on the development of its basic infrastructure and has taken up number of programmes to improve the lives of the underprivileged out of which Raigarh, a tribal district in Chhattisgarh, is the best example. It has adopted around 40 villages and contributes to the development of the region with a great effort. It provided facilities like hospital, school, musical fountain, auditorium, etc. and offered a better lifestyle. The people of these areas are supported through various community-building exercises like providing sewage and sanitation facilities to building and maintaining roads and parks.

Education

It recognised education as a vital building block of any nation and considers it as a major priority area and aims to nurture young minds and educate them. So many initiatives have been undertaken in this respect and some of the important benchmarks achieved are given below:

Knowledge Park

Jindal Knowledge Park has been formed to provide a new world of opportunity in technical education which includes: Jindal Institute of Technology (**JIT**) and Jindal Institute of Power Technology (**JIPT**).

School

- O. P. Jindal School-A 10+2 co-educational school with all modern facilities at Raigarh.
- The oldest girl's school in the region (Raigarh) has also been renovated to offer better standard of education and facilities.
- Upgraded school infrastructure and distributed books and other educational materials in schools at Angul and other parts of Odisha, Patratu (Jharkhand) & Raigarh (Chhattisgarh).
- Established Adult Education Centres in Angul, Patratu & Raigarh

Community Teacher Support

- As there is teachers' deficiency in government primary, middle & secondary schools in rural areas, it generated employment opportunity and selected 60 teachers from local youth to augment the staff strength in various schools.
- The following facilities are upgrade in the schools of the adopted villages at **Raigarh & Patratu** -
  - Construction of additional class-rooms, toilets, sheds etc
  - Installation of computers and distribution of furniture to various schools
  - Arrangement of training classes for teachers and principals
  - Appointment of teachers on contract basis

Institute of Technology & Skills

- It established OP Jindal Institute of Technology & Skills in Angul (Orissa) & Patratu (Jharkhand)

IT Certificate Course

- A computer course is designed with duration of 3/6 weeks exclusively for tribal and marginalized girls of poor and remote villages of Kunjimora. It has been conducted after setting up a computer lab in the school in the village and Instructors and teachers have been outsourced. More than 200 girls have undergone this course.

Vocational Training

- It empowers women by supporting self-help groups. It imparts vocation training in tailoring and embroidery.
- It also imparting a beautician course for females, where already more than 70 were trained.

Financial support to meritorious and needy students

- It provides financial support to the poor, deserving students, who compete in national/technical and other professional courses but are unable to pursue their studies due to their financial condition.
- It established two coaching centres (English/Maths/Science) at the village level, for students from the economically weaker sections of the society.

Healthcare, Hospitals and Health Camps

It also concentrated on offering proper access to medical and other essential facilities. It has set up many charitable clinics and hospitals in the Raigarh district and also an ICU unit at the general hospital at Raigarh has been set up. It also provides World-class health facilities to the people of Raigarh at the 100-bed multi-specialty O. P. Jindal Hospital & Research Centre. Some of the disciplinary facilities are medicine, surgery, gynaecology, orthopedics and pediatrics. The hospital has four well-equipped Operation Theatres, a Cardiac ICU, a Burn ICU and a Neo-natal ICU and it is planning to launch a comprehensive pathological and other investigation facilities such as X-Ray lab, ECHO colour Doppler, Endoscopy, CT–Scan. Regular and integrated medical camps with super specialisty doctors from eminent hospitals are organised through mobile medical van services with specialist doctors in Patratu, Angul and Raigarh.

Camps for Disabled Persons

Special camps are organized for serving and assisting disabled persons of the society. Assistive equipment such as tricycles, wheel-chairs, crutches, hearing aids, etc are distributed in these camps. Persons with cleft lip/palate are identified and referred for surgery at Raipur.

Family Welfare Camps

Population control and family welfare is one of the important aspects of community welfare. It has been organising family planning camps in the region since 1996 which resulted in bringing couples under family welfare coverage and has ensured better health for the women and also contributed in controlling infant mortality rate in the community.

Eye Camps

As cataract and other ophthalmic disorders are very common in the district of Raigarh surgeons from all over India are invited for conducting cataract and lens implantation surgery. The surgery costing Rs.10,000 is done free of cost in the camp. Even cataract operations are conducted for patients annually, free of cost. Spectacles & fruits are distributed to all patients after the operation.

Pulse Polio Vaccination and HIV/AIDS Detection Camps

Pulse polio vaccination and HIV/AIDS detection camps are organized from time to time in Raigarh, Patratu and Angul. Blood samples of all workmen are examined. Suspected cases have been referred to agencies for counseling and further treatment.

Health and Hygiene

All employees in the areas of Chhatisgarh, Jharkhand and Orissa undergo periodic medical examination and regular physical fitness programmes are organized for them. Yoga classes are held for all employees and their family members.

Clean Drinking Water

Safe potable water is scarce Raigarh district hence most of them are very prone to water-borne diseases. The company took the initiative and installed water and hand pumps in the adopted villages. Till now, 45 pumps have been installed in the area.

Community Development

The company covers social welfare activities more than education and health care facilities. It has undertaken the responsibility of infrastructure up gradation in the villages through the following activities:

- Construction of approach roads.
- Construction of water tanks.
- Construction of drains.
- Repair and deepening of village ponds

Initiation of Kitchen Garden

As most people in the villages in and around Patratu lack basic food and nutrition it developed a model of kitchen gardens for providing vegetables to families. The company has aided mushroom cultivation in pockets, helping in income generation of the people here. The National Nutrition Week was organized from 1st to 7th September in 2007 & 2008, in

which nutritious vegetables, soyabean, iodized salt and fruits were distributed to 20 village schools.

Animal Husbandry

Farm animals in the areas of Raigarh, Patratu and Angul are checked from time to time and facilities such as de-worming, vitamins supplementation, vaccination, de-horning, etc. are done.

Renovation of Old Age Homes

An old age home is established by the Red Cross Society and the social welfare department, at Raigarh because of the resource crunch, some of the facilities could not be maintained or developed properly hence the company took upon the responsibility of maintaining this "Old Age Home" by establishing medical examination facilities, hospital and isolation ward and first aid center, developing land for a nursery and kitchen and installing hand pumps.

Steel Authority of India Ltd (Sail)

SAIL is committed to the of social responsibility with the following activities

Health & Medical

It built 20 hospitals with 4500 beds capacity through out the country for the benefit of employees, their dependants and peripheral population and are managed by 6000 doctors, medical and paramedical staff.

AIDS Awareness and Control Program

It partnered with National AIDS Control Organization, Ministry of Health & Family Welfare to bring awareness.

Peripheral Development

Several socio economic programs are undertaken by each plant in close co-ordination with the State Government, District Administration as well as the local Panchayats, social organizations and people's representative of the area. Since the last 5 years the major plants have spent Rs. 10 million each in their allocated budget to carry out various programs every year.

Education

It strives a lot to provide the best of Education for the children and wards of employees. Over the years it has opened about 200 schools in the Steel Townships, which employ more than 6000 teachers who impart modern day education to over 1,00,000 children. Bhilai Steel Plant has adopted 36 tribal children of Chattisgarh region and is providing free education, boarding and lodging facilities.

Sports and Cultural Activities

It developed and nourished sports and games over a period of time and established academies for handball, hockey and football at Bhilai, Rourkela and Bokaro respectively. It has joint ventures with Sports Authority of India for handball and hockey. It produced National, Commonwealth and SAF champions. It also gives scholarships, amounting to Rs.4,200/- per annum, which have encouraged about 30 SAIL family children to either win national medals or be selected to the national teams.

`Assistance during Natural Calamities

It always come forward to help and provide relief to the people affected by natural calamities such as floods, earthquakes etc. SAIL employees have given support in every possible form such as financial, relief materials, medical supplies, construction of houses & schools etc. in natural calamities which occurred in the recent past such as a severe earthquake in Jabalpur on 21/5/1997 and in Gujarat on 26/1/2001, cyclone floods at the eastern coast of Orissa in October 1999 and October 2001. In particular, relief material worth Rs. 1.00 crore was channelized through BSP on behalf of the entire SAIL collective in the 1999 cyclone flood in Orissa.

Tata Steels

Corporate Social Responsibility

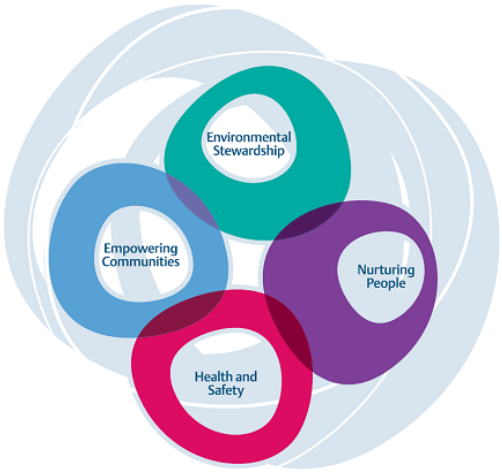
Tata Steel Group has focus on the various areas of corporate sustainability that impact people, environment and the society. It gives the prime importance to society. Tata Steel promotes and encourages economic, social and educational development within its communities while also giving active support to local initiatives as its policy. Its social activities covered in Jamshedpur and over 800 villages around it through upliftment initiatives in the areas of income generation, health and medical care, education, sports, and relief.

It always believes that industry plays a vital role in improving the quality of life of people. Every business has an impact on society, employees, environment, community and people. In the tradition of 100 years of society serving Pragati was developed to serve the long term perspective of CSR communication.

The Company also works in partnership with the Government, national and international development organisations, local NGOs and the community to ensure sustainable development. The Corporate Sustainability Services Division delivers these responsibilities through its institutionalised divisions that consist of:

- The Tata Steel Rural Development Society for rural communities in and around its operational areas of Jamshedpur, mines & collieries.
- Tribal Cultural Society is to work with the tribal communities.
- Tata Steel Family Initiatives Foundation is working in urban and peri-urban areas of Jamshedpur with family welfare activities and HIV/AIDS
- Urban services is working in the urban slums of Jamshedpur

Vedanta's Sustainable Development Strategy



Vedanta believes that Sustainability is a dynamic process and is not about finding the ideal status. Hence it is continuously innovating on our environmental and social performances. It started its sustainability journey with a focus on ensuring compliance and improving our social, health, safety and environmental performance; with emphasis on establishing robust management systems. The process deployed helps us in enhancing focus and gives direction to our sustainability roadmap.

Environmental Stewardship	Respect for nature, enhanced resource conservation and use of environment friendly technology are embedded in our working
Nurturing People	People are key assets. We are committed to building a flexible, flat and learning organisation with an engaged and high performing workforce. We believe in nurturing and mentoring leaders from within and providing opportunities for growth based on meritocracy, performance and integrity.
Health and Safety	We are committed to providing a safe, secure and healthy workplace for all employees by using the best technology and practices.
Empowering communities	Communities are integral to our business. We are committed to enhancing the quality of life of the communities near our operations and creating self sustaining communities. We work to gain and nurture our social licence to operate in the host communities.

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Employer branding Strategies: A Study with Reference to Indian Software Companies

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Introduction

Organizations around the globe are facing business challenges such as difficulty in attracting and retaining talented employees, lack of employee loyalty, increased overseas competition, enhanced generational change and shortage of skilled candidates. In turn, companies are increasingly being forced to compete on a global scale for human resources and they are struggling to understand how to position themselves and make themselves desirable to future employees. The basis of competitive advantage is really, "how many better people do the organizations have than their competitors?" The current economic slowdown and the pressure to cut costs and to increase productivity have made the need to get the best people in the right jobs even more crucial. Impulsive economic conditions make labour markets unsure; hence, many companies are tempted to reduce their investments in employer brands. After all, people are afraid of losing their jobs, so why spend capital trying to attract and retain them when dread of unemployment will do the same thing for free? Therefore, many organizations are focusing considerable attention on developing a strong employer brand. According to an Accenture Survey, 60% of Chief Executive Officers are very concerned about attracting and retaining people. The companies realize that employer brand is the intellectual capital, what is in the minds and hearts of people rather than the buildings, and the tools, the financial capital that has the power to truly differentiate and grow a business and beat the competition. Therefore, they do what is required to attract, grow and keep their people.

Concept of Employer Branding

A brand must deliver its promises. A product brand that markets itself as being cent per cent natural is promising that every ingredient is natural. At any time when the promise is broken, the brand is damaged and customer loyalty is threatened. Companies are beginning to realize that they need to make promises to their employees as well. Product brand promises are crafted by the marketing team and employer brand is managed by the human resources team. The concept of employer brand has gained importance since 1990's, and it is a result of global manic competition. It has become a magnetic force, a catalyst, an accelerator and a prime factor which determines an organization's success and its future. Unlike corporate brands, an employer brand is not visible in nature. Employer branding is the essence of the employment experience, providing points that commence with initial employer brand awareness, and continuing throughout the tenure of employment, even extending into retirement.

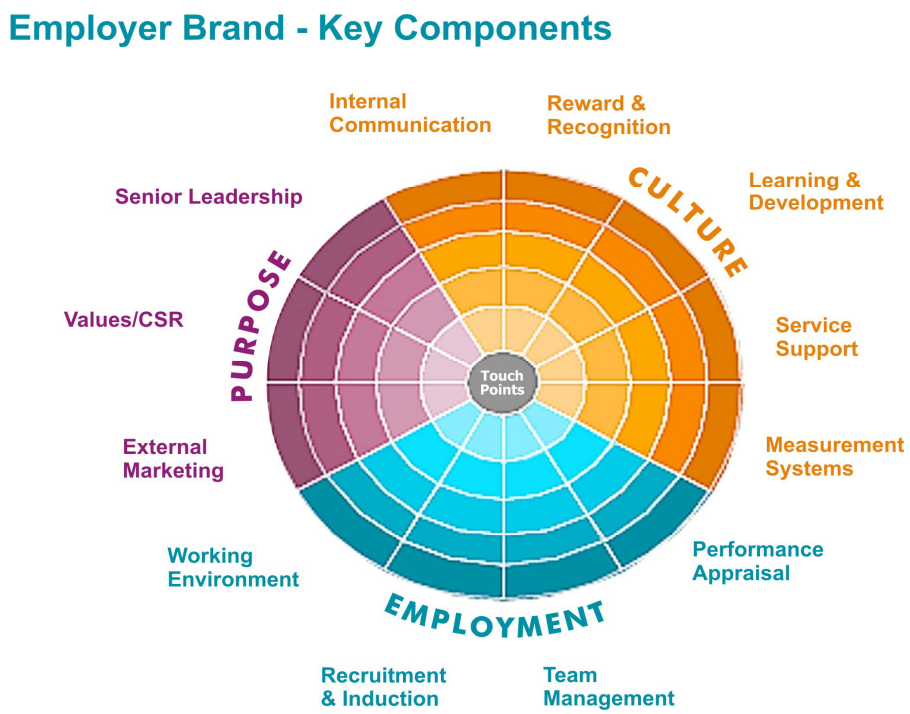
Minchington defines employer branding as "the image of the organization as a 'great place to work' in the minds of current employees and key stakeholders in the external market." It communicates the company's culture and values and ensures that employees are passionate about, and fit in with, the organizational culture. Just as product brands convey an image to customers, an employer brand conveys an organizational image to potential and current employees. The goal of employer branding is to create loyal employees. Companies that are considered good employers have a strong identity and an image in the marketplace. Building such a brand requires a lot of introspection by the company, and answering the questions, "what kind of company is ours, and we want it to become?" and "how do we live up to the expectations of our stakeholders?"

A "good company tag" is important to attract, motivate and retain the best and the brightest, thus gaining competitive advantage in the marketplace. Through right branding, the company can recruit the best talent and reinforce its positioning amongst its employees. A remarkable reputation, perception and image in the job market build on both the attractiveness in factors that are of fundamental importance to high performers as well as elaborate efforts, which make this attractiveness visible in the job market. According to the Wall Street Journal (March 23, 2009), "companies have long divided consumers into segments. They should do the same with potential and current workers."

What Makes an Employer a Brand?

In order to attract top candidates from today's shrinking talent pool, organizations need to stand out from the crowd. To build the employer brand, an organization must work from the inside out, with a consistent substance, voice, and authenticity throughout the employment relationship. Building a brand is typically a twofold process: one is for potential employees and the other, for the current employees. While building brand for potential employees, initiatives are targeted at building repute in potential recruits about the company as a preferred place to work. On the other hand, while building brand internally, the company has to live up to its standards and incorporate a culture of respect and trust for employees.

The four elements, namely, employment package, culture and environment, integrity, and management performance together make an employer brand. The employment package is the offer that an employee gets including job responsibilities, financial compensation, work/life balance, the employee's role in organization and professional development. Every organization as per its need, workforce, level of competition and business plan should match its expectation for both the employer and the employees to create a perfect brand name, resulting in satisfaction. The culture and environment include the physical working environment, the size of the organization, and the organization's approach to work. The consequence of a lack of integrity is that the employee does not stay with the organization for long, contributing to the organization's well-being. Management performance plays a vital role in the employer branding process. Therefore, the top management must be committed and involved in the recruitment of talented people.



Corporate Understanding of Employer Branding

Headlines like Rashtriya Ispat Nigam Limited's personnel department gets ISO 9000 for its excellent services for human resources, Standard Charted Bank employees to have 5 days week, ICICI plans to recruit 30,000 employees in the coming year, Accenture on course to hit 35,000 headcount in India, TCL a China based electronic company termed "creative life" for global market, Infosys to open BPO unit in Mexico, Wipro in Egypt acquiring Shaw Wallace. These statements as news of daily magazine or topic of discussion create what is known as brand image or the "trust mark".

Organizations like Google with strong employer brand hardly spend money in building the brand; instead they focus on living the brand. Organizations in India, such as Rashtriya Ispat Nigam Limited and Google, which already have strong employer brands, have their goal as "to live" the brand (Bhatnagar, 2009). Infosys, Wipro and TCS did not intentionally build their brands; rather, they focused on building a productive workplace, resulting in happy employees, and their brands were the result of that foundation. Sasken, for example, has a stated "people first" policy to emphasize that employees are the focus. Fedex has a core philosophy of "people-service-profit" to indicate what comes first. Bill Marriott of Marriott Hotels does not tire of repeating the founder's belief "take care of the associates, and they will take good care of the guests, and the guests will come back." These organizations reveal a high degree of trust in employer branding. American Express, Cisco Systems, Amgen, Starbucks, and Intel, all of which have received recognition on the list of 100 best companies to work for in America, are leaders in employer branding as well. They all share the common trait of treating their employees better than their peers and all invest heavily in employee training and development.

Statement of the Problem

Shortage of skilled workforce, and changing demographics within the organization, is making it increasingly difficult to align the skills on hand with the business at hand. Every company must compete globally if they are to thrive in today's interconnected economies. The competition for talent has gone global and businesses are struggling to fill key roles as staff demand new horizons and new challenges. There is a keen awareness in today's marketplace that talented individuals have more career choice than ever before, and that employees are demanding more career progression, greater salary advancement, excitement and new challenges, and will hold their employers to account for promises and commitment.

In this way employer branding is more than a rational idea; it is an emotional relationship between an organization and its employees. Therefore, successful employer branding reflects an organization's aspirations but is firmly based on the ability to deliver the promise. Employer branding is a tool to attract, hire, and retain the right fit; it also has an impact on shareholder value, creating positive human capital practices, and contributes to bottom-line. Strong employer brands have employer value propositions which are communicated in company actions and behaviour and evoke both emotive and tangible benefits for current and prospective employees. It is said that 'an unsatisfied customer tells ten people about his experience while an unsatisfied employee tells a hundred.' Companies which do not invest in developing an effective employer brand, will, in the long run, be less successful than those who are. They will not be able to recruit and retain the high-performing employees.

Whether in a recession or a growing economy, successful management requires an effective employer brand (SHRM, 2009). As Indian firms focus on strategies of turnaround, diversification, expansion and internationalization, human capital performance in India becomes increasingly important. The rush by multinationals to set up Indian operations and the rapid growth of Indian outsourcing companies has resulted in a war for talent (Kumar, 2009). Employee engagement has emerged as a critical driver of business success in today's global marketplace (Lockwood, (2007). The most important factors include the organization's reputation as a good employer, career advancement opportunities, challenging work, ability to balance work and personal life, the organization's financial status, and use of ethics by the top level management in business decisions (Towers Perrin, 2008).

A company's employer brand is reflected in the actions and behaviors of leaders and is affected by company policies, procedures, and practices and the same, when well-planned and implemented, results in profitability**.** When properly planned and executed, an employer branding initiative can generate lively dialogue between an employer and its employees, build a rationale for a "mutual working arrangement", and establish compelling reasons to commit to the arrangement. An employee expects fair treatment, trustful and open channeled communication, ability to provide security and benefits in present and future, planned and systematic career and succession planning, motivating, morale building, team management, smooth disciplinary procedure, industrial relations, employee benefit oriented culture and practices, adequate talent acquisition, management, retention and utilization, proper advancement and upgradation of employees, participatory management, industrial democracy, clarity in roles and goals, clearly defined authority-responsibility charting, timely decision making, and impartial, fair and growth promoting organization structure.

Globally, 32% of companies currently have an employer branding strategy in place. The United Kingdom (44%) and Japan (42%) currently lead the world, while Germany lags behind with 47% having no plans to implement an employer branding strategy in the future. Finding and

retaining quality talent continues to be essential to business sustainability, but it is difficult in global markets that may act differently in terms of opportunity and salary movement. Traditionally, companies in India had philanthropic and community programs. As Indian organizations move into the international marketplace, it is imperative to integrate corporate social responsibility into the company business goals. The trend for Indian businesses to focus on corporate social responsibility initiatives both to build the brand and to stand out among other organizations has increased in the past decade. The growing awareness of corporate social responsibility as a socially responsible business practice can be observed in some multinational corporations operating in India. In the Indian context, corporate social responsibility has been found to increase the ability to attract and retain employees. The big corporate houses in India realize this aspect and have set up initiatives (Agarwal, 2008). Corporate social responsibility outcomes have a strong impact on the company's public image, improve employee morale, increase employee loyalty and position the organization as an employer of choice (SHRM, 2007).

A mantra coined during this economic recession, "there is high pressure to cut costs and increase productivity," which has made the need to get the right people in the right jobs even more crucial. Hiring and retaining top performers is essential for growth and to maintain a competitive edge. Employees who have the right skills, experience and knowledge, in relation to the critical areas of a business to drive growth, are strategically important. If a company is viewed as being an unpopular employer, it will consequently affect everything else and cause disequilibrium in the corporate ecosystem. Being an attractive employer provides a company more bargaining power, as employees will want to work for them more than anyone else, even those that have rare or most in demand skills irrespective of salary levels. An attractive employer will be able to create for employees an illusion that their choices are limited outside of the organization, constantly maintaining an image of being the most desirable employer, and giving the right reasons for their top performers to stay.

Building such a brand requires a lot of introspection on the part of the company, and answering the questions, 'what kind of company we are, and want to become?' and 'how do we live up to the expectations of our stakeholders?' To answer these questions, a systematic enquiry is required. What types of employees are fundamental to the success of the business, and what do the high-performing employees expect from the company? Answering the above questions enables the employer to build a brand that reflects its business and culture and to attract employees. In this context, an attempt was made to study the perception of employees towards employer branding strategies of the software companies.

Objectives of the Study

- To study the need and importance of employer branding in general.
- To review the employer branding practices of the select software companies in Tamil Nadu.
- To study the perception of the employees towards employer branding practices of the select software companies in Tamil Nadu.
- To suggest suitable measures for the effective employer branding function of the select software companies.

Testing of Hypothesis

The study is based on the formulation of the following null hypothesis. H_0: The demographic variables of the respondents such as gender, age, educational status, cadre, length of experience, and the company they belong do not have any influence on their perception towards employer branding practices of the select software companies in Tamil Nadu.

Scope of the Study

The scope of the study is evaluating the employer branding practices of the select software companies in Tamil Nadu. This study is restricted to three software companies, namely, the Tata Consultancy Services (TCS), Infosys and HCL Technologies. In the present study, the most common employer branding practices that are implemented in the select software companies such as internal communication, reward and recognition, learning and development, service support, measurement system, performance appraisal, team management, recruitment and induction, senior leadership, values and corporate social responsibility and external marketing only were studied.

Research Design

This study is empirical in nature based on survey method. The employees of TCS, Infosys, and HCL were selected for this study. As an essential part of the study, the primary data were collected from 525 employees. By adopting the stratified random sampling, 525 respondents i.e. 240 employees from TCS, 210 employees from Infosys, and 75 employees from HCL Technologies were selected. For this study, the employees are categorized into executives, supervisory staff and workmen. Questionnaire method was employed to collect the primary data. The secondary data were collected from journals, reports, books, and records of the software companies. In order to study the attitude of employees, chi square test, analysis of co-efficient of variation, multiple discriminant function analysis, multiple regression analysis, and percentage analysis were employed. The chi square test was employed to measure the association between the satisfaction levels of the sample employees belonging to different demographic variables towards employer branding practices of the software companies. The co-efficient of variation was employed to find out the consistency in the attitude of respondents towards employer branding practices. Multiple discriminant function analysis was used to study how the different dimensions of employer branding and other socio-economic variables were discriminated among the respondents of the 3 companies. Multiple regression analysis was used to examine the impact of the personal variables of the respondents on the employer branding practices of the software companies.

Findings

1. No significant difference is found in the satisfaction level of the respondents belonging to different gender, age, salary and cadre towards employer branding practices of the software companies. However, there exists significant difference among the respondents belonging to different educational status, length of service and the company they belong to towards employer branding practices.

2. The consistency in the satisfaction level was high among the male employees, among the employees belonging to 31-40 years, among the employees having postgraduation and

above qualification, among the employees drawing salary Rs.10001-15000, among the executives, among the employees having 11-20 years of experience and among the employees of Infosys towards employer branding practices.

3. The average satisfaction score reveals that the male respondents, respondents of the age group 31-40 years, respondents belonging to postgraduation and above qualification, respondents belonging to monthly salary Rs.10001-15000, executives, respondents belonging to the length of service 11-20 years and employees of Infosys are more satisfied with the employer branding practices.

4. The MDA technique applied resulted in two discriminant functions, of which the factors relating to "employee affairs," reward and recognition and performance appraisal predominantly contributed to the first function "employee affairs" and the variables learning and development and recruitment and induction contributed to the second discriminant function "planning and administration." The efficiency of these functions was tested using classification matrix, which predicted 68.60 per cent of the cases correctly. The MDA results further show that the HCL Technologies differs more in "employee affairs" factors and Infosys differ in the "planning and administration" of the employees. The TCS employees are found to be lower than Infosys in "planning and administration" and lower than both Infosys and HCL Technologies in "employee affairs."

5. There was a moderate correlation between the employer branding practices of the HCL Technologies and the selected independent variables. The correlation between the employer branding practices of the Infosys and TCS and the selected independent variables is very low.

6. Out of the 525 respondents, 17.33%, 40.76%, 27.24%, 9.71% and 4.95% of the respondents are highly satisfied, satisfied, neither satisfied nor dissatisfied, dissatisfied, and highly dissatisfied respectively towards the internal communication system. The employees of Infosys have higher average satisfaction score with the internal communication system followed by the employees of HCL Technologies.

7. 18.29%, 43.24%, 25.52%, 9.33% and 3.62% of the respondents are highly satisfied, satisfied, neither satisfied nor dissatisfied, dissatisfied, and highly dissatisfied respectively with reward and recognition. The employees of TCS have high level of satisfaction towards reward and recognition followed by the employees of Infosys.

8. 19.62%, 45.33%, 22.67%, 9.52% and 2.86% of the respondents are highly satisfied, satisfied, neither satisfied nor dissatisfied, dissatisfied and highly dissatisfied respectively with learning and development. The employees of TCS have higher satisfaction score with regard to learning and development followed by the employees of Infosys.

9. 21.33%, 43.05%, 22.10%, 10.10% and 3.43% of the respondents are highly satisfied, satisfied, neither satisfied nor dissatisfied, dissatisfied and highly dissatisfied respectively with service support. The employees of TCS have higher average satisfaction score regarding service support followed by the employees of Infosys.

10. Out of the 525 respondents, 20%, 41.52%, 25.71%, 9.14% and 3.62% of the respondents are highly satisfied, satisfied, neither satisfied nor dissatisfied, dissatisfied and highly dissatisfied respectively with measurement services. The employees of TCS have high level of satisfaction towards measurement services followed by the employees of Infosys.

11. 15.24%, 42.48%, 28.19%, 22.92% and 3.62% of the respondents are highly satisfied, satisfied, neither satisfied nor dissatisfied, dissatisfied and highly dissatisfied respectively with performance appraisal system. The employees of Infosys have higher satisfaction score regarding performance appraisal system followed by the employees of TCS.

12. 16.19%, 48.57%, 23.24%, 8% and 4% of the respondents are highly satisfied, satisfied, neither satisfied nor dissatisfied, dissatisfied and highly dissatisfied respectively with team management. Employees of TCS have high level of satisfaction towards team management followed by the employees of HCL Technologies.

13. Out of the 525 respondents, 15.05%, 45.71%, 29.14%, 7.05% and 3.05% of the respondents are highly satisfied, satisfied, neither satisfied nor dissatisfied, dissatisfied and highly dissatisfied respectively with recruitment and induction practices. The employees of Infosys have high level of satisfaction with regard to recruitment and induction practices followed by the employees of TCS.

14. Out of the 525 respondents, 17.33%, 30.86%, 23.43%, 22.29% and 6.10% of the respondents are highly satisfied, satisfied, neither satisfied nor dissatisfied, dissatisfied and highly dissatisfied respectively with senior leadership. The employees of TCS have high level of satisfaction towards senior leadership followed by the employees of Infosys.

15. 15.05%, 45.71%, 29.14%, 7.05% and 3.05% of the respondents are highly satisfied, satisfied, neither satisfied nor dissatisfied, dissatisfied and highly dissatisfied respectively with values and corporate social responsibility. The employees of Infosys have high level of satisfaction with values and corporate social responsibility followed by the employees of TCS.

16. 9.52%, 44.57%, 35.43%, 7.24% and 3.24% of the respondents are highly satisfied, satisfied, neither satisfied nor dissatisfied, dissatisfied and highly dissatisfied respectively with external marketing. The employees of the HCL Technologies and Infosys have high level of satisfaction with external marketing.

Suggestions

1. In order to ensure that an employee succeeds in accomplishing his job tasks and other responsibilities, scientific performance appraisal becomes necessary. It provides feedback to the employees on how well they performs. Moreover, performance evaluation is essential with regard to promotion, transfer, replacement and termination of services of the employees. The respondents have lower satisfaction towards the system of performance appraisal particularly in HCL Technologies. Therefore, the human resource managers of the software companies should be given up-to-date job chart, and whenever certain functions are added or deleted, the job chart should be revised suitably. While determining promotions or increments, performance evaluation reports should have a greater role to play. Further, the self-appraisal technique of performance appraisal shall also be followed and it should be put into action in order to create confidence in the minds of the employees.

2. The select software companies, particularly HCL Technologies, shall establish and develop service support to ensure that the safety of employees is watched over. It is a moral as well statutory responsibility and also a matter of increasing productivity. With a humanitarian approach to employment, it is impossible to accept that man's most valuable possessions,

life, health, physical integrity, aptitudes, professional skills and human dignity should be endangered by his employment. Therefore, regular inspection of compliance with rules and regulations of safety shall be undertaken.

3. Learning and development forms a larger and vital part of human resource development. Therefore, the select software companies shall take necessary efforts to have adequate infrastructure facilities for the conduct of successful need-based training programmes. The respondents state that the trained employees are not recognized. So, due recognition should be given to trained employees by giving special increment and promotion.

4. The employees of HCL Technologies have low level of satisfaction with team management. Therefore, the software companies shall take necessary steps to promote team management. The committees to be established at various levels such as Works Committees, Joint Management Council, Joint Council, etc. should look after the problems of employees seriously and make valuable suggestions to the top management to overcome these problems.

5. As far as respondents are concerned, there exists poor pay and allowances in software companies due to economic slowdown. The select software companies can revise their pay structure. However, within the structure, pay scale may vary depending on the skill, nature and designation of employees.

Conclusion

In recent years, the world has witnessed the dramatic entrance and success of Indian corporations in the global marketplace. With the continued influx of multinational corporations in India as well as Indian corporations expanding beyond their own borders, the opportunities for India to contribute to the world economy have significantly increased, with the likelihood of favorable outcomes in the domestic and international markets. Thus, the employer brand as a strategic HR tool will take on greater importance in Indian organizations. There is ample evidence that employer branding and employee engagement, when linked, can have significant impact on the company's performance. The author has suggested suitable measures for the effective employer branding function of the software companies. If this study provokes the people concerned to take some positive measures in order to improve it, the researcher will feel amply rewarded.

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"Corporate Social Responsibility - Some reflections related to Labor Rights"

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Introduction

In this paper we will first expose the consequences of globalization and technological developments and their influences on productive and commercial processes including their effects over the traditional conceptions of enterprise, labour relationships and labour contract.

As a second point we will characterize the notion of Corporative Social Responsibility (CSR) from the catalogue of typifying notes that ILO has set up regarding respect to international labour rights and fundamental principles. It is important to remark that those standards, are based on the ILO Declaration of 1998, represent the minimum ones allowed and are strongly encouraged to be overcome in higher levels to better life's quality of employees.

As a third aspect we will describe the instrument that introduces CSR in Enterprise management such as Internal Codes and Global International Agreements; we will also analyze the surveillance and control mechanisms mainly to see the way it impacts in the labour relationships. Finally we pointed out our conclusions.

Globalization Phenomena

The world has changed due to development of new technologies that pictures a global world, where all commercial agreements can be made without interference and the market money has become the predominant one.

That whole situation described produces changes in:

Enterprise's Traditional Concept and its changes. (Fragmentation, Subsidiaries, Contractors, Subcontractors)

The needs of the global market generated new types of commercial organizations such as commercial agencies, franchising, leasing, consulting enterprises, joint ventures and transitory enterprises unions. The corporation is not anymore a unique cell where all the work is done, Thirds parties' presence impact on labor relationship and in many cases may create difficulties in order to guarantee the payment of fees and social securities' contributions.

These new ways of relationships often collide with labour rights of profound historical and legislative tradition and requires a careful analysis in order to prevent precarious effects in labour rights under a hypothetical welfare –up to day not verified- due to the relax of rules and labour controls.

The production's processes and methods (new high technologies) have transformed the enterprise.

The organization has developed from an integrated technologic structure to the conformation of "an extended net of autonomous or partially autonomous units linked by flexible systems of management" (Sanguinetti Raymond, 2009).

This means that are several small companies, though linked to the principal, that may have different wages and labour conditions for the workers.- In many situations the employee believes he is working for the enterprise that is demanding his task, but formally he depends from another one. Uncertainty and lack of confidence in the company's future may affect workers feeling of belonging to an enterprise whose only reason to survive is to provide to the main company.

Labour relationships: bond becomes commercial reaching the point where the principal instead of being "employer" turns to be "customer".

In times of globalization and high competitiveness, independent worker turns to be "more competitive" and cheaper than subordinated traditional worker (Raso Delgue, 2000).

Work becomes a service performed by worker for employer's benefit and it is regulated only by market's laws.

In this relationship, workers take mainly the risks and employer is considered a client (sometimes the only one).

The civil/commercial nature of the contract rejects labor jurisdiction that cannot intervene in these claims, excepts in cases of fraud.

In other hand the lack of strong Trade Unions avoid enterprises to face a tough opponent.

As well, a false independent work is developing, whose target seems to be getting cheaper labour costs, though in reality only carries a plus of flexibility in labor organization and the weakness of Trade Unions.

The analysis of this theme arrives to the question if the independent work is the answer of a real market's requirement or if it remains only as an instrument of fraud against labor public order.

Problems emerge when modifying contracts' conditions (either by lowering the commissions or decreasing or eliminating client district) or by circumstances not due to parties' desires (such as accidents or labour diseases and their reparation possibility)

Besides appear the so called "gray areas": those contracts whose elements will characterize, beyond nominations, the existence of a labour contract or will frame a civil or commercial link.

New contract relationships are characterized by these following guidelines:

- self perception of autonomy
- weakening of social solidarity which leads to
- minimization of trade unions' power
- decrease of contribution' payment for retirement systems and social security with
- private scheme to provide social health system

Technologies and worldwide spread location of the enterprise produces changes in traditional model of labour contract (for instance tele-work).

One of the new ways of human work caused by technological advances which has altered the traditional forms and definitions of dependent work is tele-work.

It has been defined as a flexible way of work's organization that consists in development of professional activity without physical worker's presence in the enterprise, during an important part of his work schedule. It comprehends a broad kind of activities and it can be performed in whole or partial labour timetable. The professional activity in tele-work implies frequent use of electronic and informatics devices and permanent use of some kind of telecommunication in order to link the worker with the enterprise (Gray, Hodson, Gordon, 1995).

Besides, in a report of the European Commission it is pointed out that this kind of work comprehend those tasks which are performed away from enterprises' headquarters (also called job performed at distance) through deferred communication or directly by using new technological means[3].

Tele-work lacks of one essential element of the traditional scheme of labor contract such as the performing of the task in a physical place ("the establishment") that not belongs to the worker. In addition, the principal's powers of control, surveillance and direction are diminished.

Finally and in order to increase the difficulties in framing this atypical contract in the law, there is an auto perception from the teleworker of being independent in the performance with autonomy in the schedule organization through choosing freely not only the timetable but also the wide possibilities among the technical means.

New concept of State's Regulation: Due to Placing of Multinational Companies Beyond Frontiers

Technological progress strike on productive processes and let their phases to develop in different places. Locations are chosen by enterprises following their convenient patterns always looking for advantages in juridical security and expenses, in which labour costs are included.

This capability of multinational companies has been identify as a "corrosive factor of States' sovereignty" because usually move in a space not bonded to rules of any country. This space is created only to fit their interests' measures (Sanguineti Raymond, 2009).

Additionally in underdeveloped countries there is strong disapproval towards inefficient politics promoted by States in order to solve extreme poverty's problems. More over in this uneasy point, community waits an adequate assumption of responsibility from private sector.

Effects on Labour Contract

States' internal rules are avoided (laws and collective bargaining). It is relatively easy for multinational companies to dilute its responsibility in the different "articulations" that integrate the productive chain. These characteristics make multinational companies entities difficult to control by internal States' authorities.

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3. "Le travail a domicilie dans l'Union Europeenne" – Rapport du groupe de travail ad hoc (Work at home in the European Union – General Report from a Special Group). Rapporteur Jane Tate.

Nevertheless it is easy to perceive that if multinational companies achieve standards of self regulation, these standards' effects will certainly expand to all workers linked to the net no matter in which country they are living or working.

Which is the function of ILO? Fundamental Principles and Rights at Work. Impact on worldwide regulations

ILO's standards must be accomplish by all companies no matter where they developed their activities or if the country has approved or ratified that rule or convention.-

It is understood that main liberties proclaimed by ILO (Fundamental Principles and Rights at Work, 1998) cannot be negotiated or allowed not to be fulfil under any circumstances. Such clauses are: to forbid slave work (elimination of all forms of forced or compulsory work), non discrimination (elimination of discrimination in respect of employment and occupation), to vanish child work under minimum age and school requirements (effective abolition of child labour) and freedom of association and collective bargaining (the effective recognition of the right to collective bargaining)

The economic and social conditions of a particular country, at a particular time cannot be a reason or an argument to introduce interpretations or variation of ILO Conventions not allowed in the text (Von Potobsky, 1997)

International Labour Organization (ILO) describes Corporate Social Responsibility (CSR) as a "business-driven voluntary initiative" which refers to activities that are considered to exceed the compliance of law. ILO asserts that CSR "cannot substitute legal regulation".

ILO depicts CSR as a handful of actions decided by enterprises in order to reflect that their activities produce positive repercussion over society.

Also CSR's initiatives are taken in order to assert the enterprise's principles and values in force and to regard not only their own methods and internal practices but the relationships with stakeholders.

The responsible management of the company implies that the entity works to reach a break even point between business' interests and community's requirements.

Big companies are aware of these circumstances and get advantages of expectation generated by CSR to get competitive profits (help others by helping themselves).

ILO's main instrument referred directly to enterprises in order to work over social politics is Tripartite Declaration for MNCs. 4th revision, 2006.

The principles enunciates in the Declaration are aimed to guide multinational companies, governments, employers and workers' trade unions in order to assume social policies and to stimulate good practices both for multinational and national companies.

Its target consists on accomplishing the utmost contribution that multinational enterprises can bring to social and economic development reducing negative impacts (ILO-Library and Information consulted in web site on 2010-8-26).

Leo Voigt, Brazil Vonpar Institute Director, when visited Buenos Aires-Argentina to attend X Meeting of Managers organized by IARSE, addressing Innovation in Programs with the Community said that nowadays people is coming from an Ecologic Revolution to CSR's Revolution.

Paradox of Globalization

Due to the power of negotiation and insertion in the market, multinational companies set themselves the standards of Corporate Social Responsibility in Business (CSR).

In general terms, responsibility is directly proportional to the amount of power that an entity can achieve and therefore the potential damage that may cause.

As an addition to multinational transformations remarked before, the entity has become a social space that organize people's life meanwhile work has turned out to be not only an economic income but a mechanism to incorporate people into society (Morello, 2008).

CSR's initiatives frame in ethic discussion beyond obligatory rules and must consist on deliberate actions assumed both voluntary and freely with permanent vocation and continuous performances in benefit of human dignity.

These characteristics make the difference between CSR and philanthropy.

Another aspect that distinguishes CSR from philanthropy is the objective pursued. Thus the latter aims to assist requirements and to help needy persons, performances mainly assumed by charitable organizations or Non Governmental Organizations (NGOs).

Activities that are not considered precisely CSR's initiatives include volunteering programs organized by some enterprises' workers in order to assist poor groups.

Instead CSR involves choose of a production or commercialization way that respect humanity and environment.

However in a paper written by professors of Austral University School of Business it is shown that in Argentina evidence suggests that more than a hundred big enterprises make social activities and most of the enterprises' foundations strengthen theirs social compromises but in general these initiatives are philanthropic, intermittent, disrupted and seldom incorporated to the enterprise's strategies (Paladino, Mohan, 2002).

Nonetheless social consequences due to marketing and propaganda increase importance of trade mark's value more than humanist aim of work conceived as an instrument of human improvement or an altruistic concern in order to achieve mankind welfare.

What is Corporate Social Responsibility in Business?

CSR has been defined as set actions planned to benefit human dignity. These activities must be voluntary undertaken by enterprises, are related to growth of business and always go beyond laws and collective bargaining. (Morello, 2008).

The concept point at a space further than State's rules' submission that frame in the orbit of freedom in choosing behaviours and procedures by companies to carry on with their production and commercialization and how that selection may affect workers.

The notion of CSR overpasses the focus of "shareholder" that identifies the company's purpose as an economic target that only looks for profits and entails a spotlight on "stakeholder" that without loosing that goal, looks forward at long time to best approach of sustainable production not only by opportunistic means but also managing relationships with all parts involved. (Rubio Romero, 2010)

In these components it is include workers' welfare.

CSR could –although in a tangential way- frame into constitutional prescription contained in art. 14 bis Argentina's National Constitution that guarantees that workers share enterprises' profits, assuring employees possibility of production's control and partnership in management. That aspect up to date has entered into a strong debate about the possibility of enforcing that constitutional rule that has been in latency for more than fifty years.-

The legislative projects proclaims that all companies that have more than 300 employees or belongs to the so-called "high technology users" may share a percentage of their profits and distribute it yearly to the workers. If the law is approved, 10% of the companies' utilities will pass directly to the employees.

Also in labour legislation in Argentina, art. 103 bis, deals with the so called "social benefits" that consists on performances whose legal nature it is framed in social security. They are not considered salary because they are not valued or converted into money. They cannot be cumulative nor replaced for money. The employer gives them to workers and can be carried out by the employer himself or by other persons. These benefits seek to improve the employee's life or his family's.

Even though as they are considered in the law, they get away from the strict notion of CSR, nevertheless they could be enrolled in CSR's initiatives that point to integral human promotion. This idea has its roots in modern conception of enterprise that goes beyond economic point of view in production of goods and services, without loosing this specific aim, moves forward to perceive the venture as a community of persons with social responsibility to improve life quality.

In this line that cast enterprise to a greater scope than production, we can reflect that labour contract add to worker's validation in society and overtake a mere wage pact (Morello, 2008).

Yet this point of view of the social benefits has been disapproved by some authors. They have entitled the "food tickets" (nowadays removed from the text of art. 103 Labour Contract Law) as a kind of subterfuge given instead of wage. A judicial sentence argued that in general there are not sensible reasons to presume that employers want only improve the workers' quality of life or their families' because this is not a role of the entrepreneur. Besides the same purpose could be accomplished, if it is desired, by the natural, normal, proper and socially accepted way: increasing wages. Anyway the principal pays a salary to the worker as consequence of labour contract in return for the worker's strength put in benefit of the company. If the compensation that the employee receives improves his life level, this improvement does not change the essence of payment. However it is different when the employer gives money benefits or when facing specific unforeseen events, showing social solidarity, assumes reimbursement of medical, laboratory or funerary expenses, books or school implements, etc[4].

CSR' conception refers intimately with the way enterprises' activities knock into society.

CSR as well has been characterized as a new system of making business. From this position we can watch that in order to grow and to compete with efficiency enterprises' activities must contribute to generate an "enabling environment" in order to make easier their business (Sturzenegger A., Flores Videla & Sturzenegger G., 2003).

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4. Case: "García F.A. vs Buenos Aires British Hospital Civil Association", Buenos Aires, 2004-10-25, Judge Maza, Miguel, Labor Court Nº 62.

However the opinions agree on this direction: in spite that it cannot be rejected that specific endeavour of every enterprise is to obtain profits, it is reproached that this objective could be obtained no matter prices or costs that involve "workers' exploitation, environment's destruction or public functionaries' bribery" (Sturzenegger A., Flores Videla & Sturzenegger G., 2003)

CSR as responsible behaviour is considered a power which looks for a more rightful and sustainable society. It is remarked that CSR has a value that displays in four aspects: economics, society, environment and ethics (Roca, web www.iarse.org 2010-8-23).

Keeping this target in mind it can be held that the enterprise has rights but also duties. The latter do not only consist in respect to juridical commitment but also it is recommended to go forward not only in productive and commercial aspects but also to focus on ethics, social and environment sides.

It is understood that CSR must be considered more an investment than a useful expense as good as quality management and prevention of labour accidents (Rostagno, 2010).

To adopt measures to prevent labour risk not only will be profitable in terms of worker's health but also in avoiding long-term trails and complications with local labour law administration that may impose fines or factory's closing.

In this collective creation that means CSR it is underlined that a chief strategic could be to involve press and mass media, because their huge power to outline public opinion set up a new technique to adjust enterprise's management ((Roca, web www.iarse.org 2010-8-23).

Following this line it can be assumed that advertising promotion being so important is a benefit not to disregard but the focus must be enlightened on education and awareness to prevent the harmful and irreversible effects in social and ecological environment. The challenge to set must be to promote habits that incorporated as a way of life generates high levels of compliance and obedience.

The opinions on this subject (Morello, 2008) suggest that managements' communication framed in CSR must be reported through different systems such as: a specific account included in annual reports, or the obligation to fix a social balance, considered as an instrument of evaluation of company's policies in a specific period of time, or through certification of particular standards or by labels in the packaging where it is explained the high-quality action.

Local legislation referring to social balance set the following requirements:

Companies that employ more than 300 workers should elaborate annually a social balance with information related to working conditions and employment, labour cost and social securities benefits assumed by enterprise. This document will be sent to participating union in collective bargaining within 30 days of elaborated. Another copy should be sent to local working's authority. Confidentially must be guaranteed. (Toselli, 2009)

It must describe:

a) Annual economic balance showing profits and losses, including complementary charts;

b) Economic and financial evolution of the company and the market where it operates;

c) Labour cost incidence;

d) Evolution of average wages (payroll), distribution according to working levels and categories;

e) Evolution of workers' hiring and timetable distribution;

f) Workers' rotation depending on sex or ages;

g) Training;

h) Permanent Workers;

i) Apprenticeships and rented fellowships:

j) Statistics about working accidents and illness:

k) Fragmentation, subsidiaries, contractors, subcontractors;

l) Technological and organizational programs which may affect workers (in number or in wages) or impact in working conditions.

The assurance regulation AA1000 is a standard of general implementation in order to evaluate, witness and strengthen credibility and quality of the report in relation to the viability of an organization and its main processes, systems and competences. Besides it is a guide about key elements of the assertion's procedures (web 2010-9-22).

The rule SA8000 is a verification system performed by third parties and details CSR's requirements (web 2010-9-22).

The rule SGE21 is a European standard that let accomplish the certifying of the management carried on with concern to ethics and social responsibility (web 2010-9-22).

The rules OHSAS 18001 and 18002 about labour security are also worthy of note.

Management Behaviour Codes

It is pointed out that the observance of these codes by multinational enterprises involves assuming criteria such as to select its commercial partners. Besides it is suggested that the fulfilment must be surveyed by certification systems and penalties for norm breakers.

Therefore the core enterprise compels and controls the adherence to these settlements through different techniques to measure the observation of the code with commercial impacts for the contracting ventures that do not meet the terms (Sanguineti Raymond, 2009).

It is indicated that to be effective CSR must: 1) formalize its policies and management system; 2) make clear the information; 3) external surveillance of enterprise's initiatives and activities (Rubio Romero, 2010).

Business Ethics Comprehend all Related Enterprises Reaching Workers of Underdeveloped Countries

It must show consideration for the whole features linked to labor contract not only related to labor conditions but also by recognition and resolve in time of conflictive points about laboral working day extra time, enough wages, non discrimination, abolition of disciplinary measures that means mental intimidation, exercising of gremial rights, etc.-

To be effective Business Ethics should be applied in equal way either in the country where company's central office is located, but also in all the subsidiaries that intervene in the process

of making the product. Otherwise will be only a make up to disguise incorrect behaviour in poorest countries where working conditions will be likely slavery and salaries close to poverty line.

Try to overcome those mere unilateral declarations that only attempts advertising or marketing effects watching over the effective accomplishment of Business Ethics with well-organized controls of the levels of "social quality" that contracting enterprises and purveyors have reached.

This point is perhaps one of the most problematic to achieve, because multinational company seems to be fighting to improve the standards required but in terms of reality, it is only a mask to calm the complaints against the company.

Commercial relationships subjected to strong compromise of observance from the related enterprises based on the idea that trade mark assure certain minimum labour standards.

Thus the control of successful use of Business Ethics is performed through the whole chain of production and commercialization and no only remains reduced to the sole core enterprise.

If it is not verified the whole fragmentation process, part of it may as well ignore all this regulations in order to increase benefits, though formally appears to observe a behaviour tending to accomplish satisfaction of employees.

Global International Agreements set general regulation for the activity, with the participation of regional unions in order to bargaining with enterprises placed in more than one country, with the main idea, and that's the way it is developed, to obtain similar working conditions, such as in the productive field are the regulation ISO 9000 and ISO 14.000.

This problem is not easy to solve because economic conditions are uneven in different countries, which may lead to provoke inflation or price control by local authorities in order to protect the consumer.

To deal with Regional Unions is also a pending task for the multinational companies, mainly in the Third World countries where only a few tries have been made in that sense, like the automobile workers with Volkswagen company in Brazil and Argentina where the agreement set clause of social peace at work and the idea that progress of the company will, at the end, bring benefits to all the ones involved in production.-

Persist fear in the main companies about the responsibility of unions' leader at time of bargaining and the executive preference to avoid that gathering and that aspect is one of Corporate Social Responsibility's weakest point: the lack of consensus with Unions.

As en example, International Metalworker Federation has set the following requirements to negotiate Global International Agreements:

a) It must be accepted all the fundamental rules and regulations set by the I.L.O.

b) It should involved all the companies and subsidiaries in the entire world.

c) It must include a strong and unmistakable compromise of the Multinational Company to counsel subcontractors and suppliers to adopt similar regulations for their own workers.

Fundamental ILO's labor regulations will prevail over national laws in case of local laws become less favorable than ILO Conventions.

A Federation's representative must sign the Agreement or in defect a person authorized by the Federation.

The Multinational Company has to guarantee that the Agreement will be diffuse to the workers in local spoken or understood languages

It also must be diffused to all workers and company's managers, suppliers and subcontractors.

Maximum effort should be done to include other questions such as:

- Union's permission to enter into the factories.
- To ban use of replacement's workers
- Procedure of application

Up to date there are several of these Agreements signed with Multinational Companies such as Accor, Danone, Telefónica, Carrefour, Citroen, Peugeot.

Mechanisms of Observance and Surveillance

The problem appears because fulfilment depends mainly on willingness and unilateral assumption from the enterprise, meaning a kind of "auto certify" of compliance as a first answer.

The critics to this mechanism settle on its unilateral starting point and consequential reduced neutrality, because the control is mandatory and exclusively performed only from the enterprise itself.

However it is advised that involvement and supervision from Trade Union would strengthen the verification of observance.

Trade Unions' control and international collective bargaining can be useful and powerful means in order to get Global Agreements celebrated between multinational companies and international trade unions.

These instruments of bilateral foundation would be binding for the whole enterprises' net and would expand their effects to all workers that fit in to the activity no matter in which country they reside (Sanguineti Raymond, 2009) or move to work on.

Conclusion

CSR fits in the idea of sharing more than bargaining. It demands both parts to conciliate particular interest and to diminish individual positions in order to obtain a common objective that if achieved will mean that both part win or al least not lose too much, making clear that not finding a satisfactory answer could result in a extreme negative consequence for the future (for instance if the goal of the company is to obtain profits at any cost, not caring about heath or even life of their workers, it will come a moment in which they won't find workers willing to work in their site)

CSR fits a place beyond law and collective bargaining. Due to that should offer advantages that represent personal satisfactions for the workers that get involved in the enterprise. It's aimed not only to respect human dignity and labor law public order, but also to generate enthusiasm in their workers to be part of their social validation space.

Through CSR core enterprise or certifying organisms should measure levels of solving conflicts of all the linked subsidiaries companies, because if it a superior scope beyond law it should point out not only at social peace but also it should be able to create a good labor climate and good will from the workers.

CSR initiatives must orientate to workers' capability to get higher educational and formative levels not only focus in task fulfillment but also as a contribution to knowledge and human development.

It is easily noticed that accomplishment of these rules in both cases –contained in Ethic Behaviours Codes or in Multinational Global Agreements - in spite that they can be a determining factor at the time of selecting a commercial bond, is subjected to unilateral and volunteer assumption from core enterprise and depends basically on auto determination and self control. Then it seems that only cruel competition to win the market may act as an incentive to obey.

Nevertheless from a renewed focus, Corporate Social Responsibility in Business considered as an instrument of competitiveness[5] can be conceived as a way to increase profits.

We share the opinion that depict the enterprise as social responsible will be in short time one of the most important competitive benefit that can differentiate and place it above other competing firms (Sturzenegger A, FloresVidela & Sturzenegger G, 2003).

Nevertheless, in many companies appear different situations than can be considered cases of "violence at work" (Toselli, Grassis, Ferrer, 2007) that not only affect workers but constitute a source of inconveniences for the enterprises.

Those situations involve "bossing", defined as an irrational way of leading the office with the only idea of imposing undisputable authority, no matter the cost of it; "burning" considered as an experience of long-term exhaustion and diminished interest. It brings suffering due to stress caused by excessive levels of labor requirements. Some countries in Europe have included work stress and burnout in occupational health and safety standards, and hold organizations (at least partly) responsible for preventing and treating burnout (concept obtained from Wikipedia- web site consulted on 2010-9-23) and "mobbing" referring to different aggressive and humiliating behaviours that by action or omission search to remove or expel workers from the job. It is a kind of "psychological terror" performed in the labour site whose objective is that the employee leaves his job by resignation allowing the company to obtain its objective without paying any compensation for retirement.

A working environment with such a hostile performance easily may lead to generally conflicts and disagreement, and situation like the ones described above should be forced to eradicate in the compromise that may lead to subscribe a Multinational Agreement and should necessarily be specifically involved in Corporate Social Responsibility.

By other side, taking a look through the subject only from an economic angle, it is clearly spot that social unsteadiness generates uncertainty for investments and development of the enterprise.

No one can deny that this field is awfully sensitive to the harmful consequences that bring insecurity, unemployment or precarious jobs and climb of levels of extreme poverty.

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5. That was the title of the I Inter American Conference about Corporate Social Responsibility, celebrated in Panamá, October, 2003.

Perhaps similar tools that which are nowadays used in marketing allow to construct a new publicity paradigm through measures as "labels", the convenience of publication a social balance with the financial one or the quality certifications following rules as AA1000, SA8000 and SGE21 or Multinational Agreements let us forecast in the near future an approach to the ILO's notion of "decent work".

In addition we can see in CSR a progress to accomplish the purpose depicted in art. 4 Labour Law of Argentina (law 20.744) when it points out in its last paragraph that labour contract has as main objective the productive and creative activity of mankind. Only after fulfilling this chief aim the relationship between employer and worker can be understood as an economic exchange.

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Corporate Social Responsibility Practices and Motivations in a Peripheral Country: Two Portuguese Illustrative Cases

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Abstract

The purpose of the paper is to provide an illustrative picture of how large corporations in a peripheral country such as Portugal engage in corporate social responsibility (CSR) practices and discuss the motivations underlying these practices. In this study, a case study methodology was used to explore CSR practices and the underlying motivations in two Portuguese companies. The results obtained suggest that some specificity may be present in the way of defining corporate responsibility for society by Portuguese companies. The Portuguese companies analysed seem to display the same historical preference for corporate paternalism. This suggests that moral reasons can motivate firms (and individuals within them) to engage in social responsibility activities. This work focuses on two specific case studies. It adds to the scarce research on CSR by Portuguese companies by providing new empirical data. It contributes to the growing body of evidence which seems to suggest that cultural differences associated with different countries affect CSR dynamics.

Introduction

The notion of CSR is one of ethical and moral issues surrounding corporate decision making and behaviour. Knowing if a company should undertake certain activities or refrain from doing so because they are beneficial or harmful to society is a central question. The European Commission defines CSR as "a concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment" (European Commission, 2001, p. 5). It is related to complex issues such as environmental protection, human resources management, health and safety at work, relations with local communities, relations with suppliers and consumers.

Maignan and Ralston (2002, p. 498) distinguish three main types of motivations to engage in social responsibility activities. First, following the economic or utilitarian perspective, CSR can be viewed as an additional instrument used by companies to achieve the traditional corporate objectives. Second, according to the negative duty view, companies engage in social responsibility activities in order to conform to stakeholder norms and expectations about how their operations should be conducted, thus constituting mainly a legitimacy instrument used by a company to demonstrate its adherence to such norms and expectations. Third, according

to the positive duty approach, companies may be self-motivated to engage in social responsibility initiatives and actively promote social interests, even when they are not expected or demanded by society.

Moral reasons can motivate firms (and individuals within them) to engage in social responsibility activities. Social issues may merit moral consideration of its own apart from their interest to stakeholders and lead managers to consider the social impacts of corporate activities in their decision making. Many companies have a business culture that is committed to certain business principles, including moral duties (Graafland and van de Ven, 2006).

However, some argue that the contribution of concepts such as CSR is just a reminder that the search for profit should be constrained by social considerations (Valor, 2005, p. 199). The concept of CSR has evolved from being regarded as detrimental to a company's profitability, to being considered as somehow benefiting the company as a whole (see, for example, Porter and Kramer, 2002, 2006; Smith, 2003). Some companies expect that having good relations with their stakeholders is susceptible of leading to increased financial returns by assisting in developing valuable intangible assets (resources and capabilities) which can be sources of competitive advantage because such assets can differentiate a company from its competitors. Other companies engage in CSR activities to conform to stakeholder norms and expectations about how their operations should be conducted, thus constituting mainly a legitimacy instrument used by a company to demonstrate its adherence to such norms and expectations.

Increasingly CSR is analysed as a source of competitive advantage and not as an end in itself (Branco and Rodrigues, 2006). Some authors argue that decisions regarding CSR should be treated by managers "precisely as they treat all investment decisions" (McWilliams and Siegel, 2001, p. 125) or that "it should be considered as a form of strategic investment" (McWilliams et al., 2006, p. 4).

There are many cases in which CSR activities are explained by straightforward efforts to enhance sales. However, there are many other cases in which such direct association is impossible to establish, but in which it is undoubtedly the creation of things such as organizational commitment or a publicly favourable corporate reputation that appear as likely reasons to engage in CSR. As McWilliams et al. (2006, p. 4) put it "even when it is not directly tied to a product feature or production process, CSR can be viewed as a form of reputation building or maintenance."

Our study examines empirical evidence from Portugal because there is a paucity of research on CSR by Portuguese companies. The aim of the paper is to provide an illustrative picture of how large corporations in a peripheral country such as Portugal engage in CSR practices and discuss the motivations underlying these practices.

Neves and Bento (2005, p. 307) characterized the state of CSR divulgation in Portugal as "incipient". They argued that this situation could be explained by the passive attitude and the low priority given to CSR by the governmental bodies. However, they asserted that the situation was changing and, since 2001, a group of events within CSR had taken place in Portugal to promote the concept and socially responsible practices. Writing in 2004, Pinto (2004, p.7) argued that since March 2000 (when the European Council approved the 'Lisbon Agenda 2010', a strategy for economic, social and environmental renewal of the EU), new organisations dedicated to CSR appeared in Portugal and CSR experienced a significant boom. However, the topic was just emerging as an autonomous management discipline and remained a low priority for most business managers and owners.

Although it is a high-income country, Portugal is one of the less developed European countries and social issues are deemed very important. There is also a strong emphasis on the philanthropic tradition in Portugal (Pinto, 2004). Portugal has a tradition of social intervention institutions, with a strong linkage to the Catholic Church (like the 'Misericórdias') (Gago et al., 2005). Under the dictatorship regime (1926-1974), some of the larger companies developed a paternalistic approach towards their employees, which may still persist in some of companies in Portugal (Pinto, 2004).

Most of the extant literature is based on companies operating in English-speaking countries, with little known on CSR in other geographical, cultural and institutional environments. In contrast to the understanding of CSR in Anglo-Saxon countries (Australia, Canada, UK, USA), the concept of CSR in continental Europe, particularly in Portugal, is still relatively unknown. Our purpose is to understand whether large Portuguese companies see CSR predominantly as an investment from which they can obtain economic benefits. Given the historical background presented above, we expect that this will not be the case.

This article tries to contribute to the understanding of the motives for companies to engage in social responsibility activities. Bronn and Vidaver-Cohen (2009, p. 106) argue that "understanding what compels corporate decision-makers to direct a company's resources toward improving society can provide the key to encouraging more of such behavior over time". Our study tries to advance this effort. The remainder of this article is organized as follows. In the following section, the theoretical background is presented. Then, the paper presents two case studies of two of the largest industrial Portuguese firms that operate in Europe, Asia, Africa and America and discusses their CSR practices and the motives behind them. Finally, a discussion of the findings and some concluding thoughts are offered.

Theoretical Background

The motivations for engaging in CSR initiatives differ significantly (Aguilera et al., 2007; Brønn and Vidaver-Cohen, 2009; Pedersen and Neergaard, 2009). Some may simply believe that commitment to CSR is morally right, whereas others think of CSR as an instrument to improve the relationship with the stakeholders, to increase operational efficiency and reduce costs, or to obtain or increase reputation as a good corporate citizen (Pedersen and Neergaard, 2009).

To understand why firms engage in CSR activities it is increasingly necessary to integrate different theoretical perspectives. Bansal and Roth (2000) emphasize the need to apply "ideas rooted in institutional theory, economic theory, and individual values" (*op. cit.*, p. 733) in the analysis of CSR. These authors investigated the motives for adopting environmentally responsible operations exploring economic rationales, institutional forces (such as regulatory, market and social pressures) and ethical reasons. They identified three basic motivations: those related to the improvement of long-term financial performance (competitiveness); those related to the desire to comply with established regulations, norms, values or beliefs (legitimation); and those related to a concern for doing the right thing and promoting the social good (ecological responsibility).

A company will engage in CSR activities driven by various motives. Some engage in CSR activities due to external pressures, either to conform to what other companies do – as they believe that not doing so would harm them in terms of their profitability and survival – or to respond to discrediting events – as they believe them detrimental to their profitability and survival, and in need of addressing in order to mitigate their effects. Companies engage in

socially responsible activities in order to conform to the norms and expectations of their stakeholders on how their operations should be conducted. These motivations are consistent with the discussions offered by the proponents of institutional theory perspectives, specifically legitimacy theory (see, for example, Deephouse and Carter, 2005; Zimmerman and Zeitz, 2002).

Institutional perspectives emphasize the social context within which firms operate and try to explain their behaviour by asking how choices are determined by the institutional environment. The analytical focus of institutional perspectives is on social legitimacy, which refers to the acceptance of the firm by its social environment, by its external constituents. Firms consider the expectations of various social constituents in their behaviour in order to achieve social legitimacy. Legitimacy "is a social judgment of appropriateness, acceptance, and desirability" (Zimmerman and Zeitz, 2002, p. 418). It is viewed as an imperative that firms must obtain and maintain by conforming to the dominants practices within their institutional field. The importance of social legitimacy comes from the theoretical assumption that firms are embedded in the social environment in which they operate, and that their performance and expectations are affected by the environment. The firm's success, even survival, is determined by this interface.

Some companies believe that being seen as socially responsible will bring them a competitive advantage, allowing them to achieve better economic results. They expect that having good relations with their stakeholders will lead to increased financial returns by assisting in developing valuable intangible assets (resources and capabilities) which can be sources of competitive advantage because such assets can differentiate a company from its competitors.

Engaging in social responsibility activities when these are expected to benefit the company is a behaviour which can be examined through the lens of the RBP (Branco and Rodrigues, 2006; McWilliams et al., 2006). The RBP suggest that companies generate sustainable competitive advantages by effectively controlling and manipulating their resources that are valuable, rare, cannot be perfectly imitated, and for which no perfect substitute is available (see, for example, Barney, 1999; Bowman and Ambrosini, 2003).

The number of studies devoted to CSR which adopt a RBP, albeit in many cases combining it with other theoretical perspectives, has been growing in recent years (Branco and Rodrigues, 2006). This tendency has begun by focusing on environmental aspects (see, for example, Hart, 1995; Russo and Fouts, 1997), but has subsequently extended to more general issues of CSR (see, for example, Bansal, 2005; Hillman and Keim, 2001).

Companies engage in CSR because it is acknowledged that some kind of competitive advantage accrues to them. From a RBP, CSR is seen as providing internal or external benefits, or both (Branco and Rodrigues, 2006; Orlitzky et al., 2003). Investments in socially responsible activities have internal benefits by helping a company in developing new resources and capabilities which are related to know-how and corporate culture. These resources and capabilities, which are acquired internally, would then lead to more efficient use of resources. Investing in social responsibility activities has important consequences on the creation or depletion of fundamental intangible resources, namely those associated with employees.

While companies may have access to valuable human capital, its deployment to achieve strategic goals is dependent upon such things as the design of work or the management of people. Even within prescribed organizational roles, employees exhibit discretion that has either positive or negative consequences to the company. Thus it is important to obtain and develop human capital with high levels of skills. It is also necessary to achieve a good

alignment between the skills represented in the company and those required by its strategic needs. This is done through the attraction, development, maintenance, and retention of people. However, it is also fundamental to motivate employees to behave in such a way as to have positive consequences to the company (Wright et al., 2001).

Effective human resource management can cut costs and enhance employees' productivity. CSR can be demonstrated to have positive effects on employees' motivation and morale, as well as on their commitment and loyalty to the company (Peterson, 2004). Socially responsible employment practices such as fair wages, a clean and safe working environment, training opportunities, health and education benefits for workers and their families, provision of childcare facilities, flexible work hours and job sharing, can bring direct benefits to a company by increased morale and productivity, while reducing absenteeism and staff turnover. As well as productivity benefits, companies also save on costs for recruitment and training of new employees.

Carmeli et al. (2007) argue that when firms are perceived to be socially responsible, their images will foster organizational identification since the ideals and values of followers will be highly engaged. They investigated the role of organizational performance (as assessed by organizational members) in evoking employees' identification, adjustment, and job performance. The results of their study indicate that perceived social responsibility and development performance had a larger effect on organizational identification than perceived market and financial performance. The results obtained by these authors also confirm the importance of organizational identification for the employees' level and quality of performance.

The external benefits of CSR are related to its effect on corporate reputation (Branco and Rodrigues, 2006; Orlytzky et al., 2003). Companies with a good social responsibility reputation are able to improve relations with external actors such as customers, investors, bankers, suppliers and competitors. They also attract better employees or increase current employees' motivation and morale as well as their commitment and loyalty to the company, which in turn may improve financial outcomes. Disclosure of information on a company's behaviours and outcomes regarding social responsibility helps in building a positive image with stakeholders.

Teece et al. (1997, p. 521) see corporate reputations as shaping the responses of external actors, because they summarize a good deal of information about a company's current position and behaviour and also its probable future behaviour. These authors contend that external actors' responses are based on what they know rather than what is knowable about a company. Because asymmetry exists between what is known inside and outside the company, reputations sometimes are more important than the true state of affairs in shaping responses of external actors.

Another motive could be that, for some companies, the engagement in socially responsible activities is a reflection of their managers' personal values (Hemingway and Maclagan, 2004). Social issues may merit moral consideration and lead managers to consider the social impacts of corporate activity through their decision making. On the other hand, many companies have a business culture that upholds certain business principles according to which CSR is perceived as a moral duty of the firm (Graafland and van de Ven, 2006). However, it is unlikely that companies will make decisions which they know will be detrimental to their financial performance.

To understand firms' engagement in CSR activities it is also necessary to understand the cultural contexts in which they operate. Matten and Moon (2008) have compared CSR in Europe versus in the United States, and proposed a distinction between "implicit" and "explicit" CSR. They define explicit CSR as that seen in the United States, where companies have traditionally been expected to contribute to social improvements and in response therefore, companies have developed explicit CSR policies and communication. In Europe, corporate engagement in social initiatives has been embedded in the national institutional systems, and European companies, therefore, have not developed explicit and articulated CSR strategies. Matten and Moon (2008) argue that US companies make more explicit their commitment to CSR than their European counterparts.

Methodology

In this study, a case study methodology was used to explore CSR practices and the underlying motivations in two Portuguese companies. This methodology is suited for exploratory research (Eisenhardt, 1989) and it offers advantages not found in more quantitative research tools (Yin, 2003). Qualitative data allows the researcher to explore more fully complex relationships difficult to capture in a quantitative study using tools such as surveys. Moreover, while quantitative methods are suited to deal with situations characterized by homogeneity of behaviours and routines, case studies are important when dealing with situations in which creativity and innovation prevail.

Despite the advantages presented, this methodology has been criticized for its lack of objectivity and accuracy (Patton and Appelbaum, 2003). It is particularly relevant the central role that the researcher assumes, since the results of the study depend, more than in quantitative studies, upon the researcher's personal interpretation of the data. Furthermore, the methodological flexibility is also associated with obtaining data from many different sources, for which it is difficult to find standard procedures of treatment. Qualitative research does rely on data collection methods that may be subject to biases such as researcher bias or over-reliance on one source. To mitigate the possible effects of some of these biases the researcher must develop a documented, systematic approach to data collection to allow other researchers to assess potential bias. Utilizing triangulation will also help increase research robustness (Patton and Appelbaum, 2003). Triangulation is defined as occurring when data from multiple sources from different data collection methods support the same conclusion, or at the least, do not contradict it (Miles and Huberman, 1994).

This paper compares two case studies of companies belonging to two different sectors in Portugal in order to investigate how they understand and manage CSR. The chosen companies are by no means representative for the industries, but rather study units that are selected with a desire to explore different experiences and perspectives.

Two companies were chosen for the analysis. First, we have selected two sectors with a high contribution for the Portuguese economy. Both the footwear sector and the construction sector have contributed highly to the Portuguese economy. Portugal is traditionally specialized in labour-intensive industries with just a few product differentiations as textiles, clothing and footwear. In Portugal, construction accounts for around 50% of gross fixed investment, 7% of GDP output and 12% of employment, according to 2004 data. The sector has been one of the main engines of economic growth in recent years. Its activities also generate multiple effects in other sectors.

We then selected a company among the largest in each one of these sectors. Both companies selected occupy an important place in the Portuguese economy: A is one of the leading companies in the footwear industry and B is one of the leading companies in the construction industry.

The primary method of data collection was in-depth, face-to-face interviews to the most important agents involved in the CSR process. The in-depth interview was considered the most appropriate tool for the present research. It was seen as offering more flexibility in identifying understandings of the CSR concept as well as in identifying the CSR practices exercised by the companies.

Within both companies, the interviewees are the persons in charge for the CSR practices: in company A, the human resources managers and the general manager; in company B, the human resources managers and the communication department manager. In the flowchart of B the Communication Department and the Human Resources Department are managed by the same person.

All interviews were conducted in May and June of 2007 at the corporations' headquarters. The duration of interviews was between 1-2h each. The interviews were recorded and later transcribed. A previously developed interview guide was used during the interview. Where possible, the results were enriched by the analysis of information obtained from sources such as annual reports, internal reviews, brochures, catalogues, newspaper clippings, websites documentation.

Findings and Discussion

Main Findings

Company A

A has implemented a code of ethics that applies to all the companies within the group, as well as to all the sub-contracted companies, suppliers and partners. The code of ethics includes issues such as: health and safety at work, working conditions, facilities for employees, recruitment of young employees, human rights, etc. A respects the rules and codes of conduct and works with partners that respect the same rules and codes of conduct. A has implemented several activities for employees' children, actively contributes to community development (educational projects, charity and philanthropy, sponsorships), has its policies of environmental protection audited and a good exchange of know-how with suppliers. Its facilities provide a friendly working environment, equipped with coffee corners, paper recycling points, and a canteen for employees.

The code of ethics adopted by A also concerns other aspects such as: hygiene of the factory, bathrooms and kitchen; tables' settings and the number of employees per table in the canteen, etc. All A suppliers have to comply with the same rules. A develops spontaneous philanthropic activities and most of the time these activities are answers to different kind of requests. Areas considered to enhance financial performance are not specifically targeted. Donations are made to holy houses of mercy, institutions children in need; they make contributions for schools in the community around. The ethics code adopted by A contributes to the benefit of communities where the firm is located.

CSR activities in company A seem to be driven by caring. Managers of this company do not simply want to create wealth for shareholders. They want also to manage for social welfare. They organize different CSR projects, such as: Recycling Project in collaboration with AMI or Tsunami Project; special days (for example, "World Environment Day"); they care and encourage groups of artists (for example, local Children Chorus and National Group of Mandolins). A employed 15 persons with disabilities.

The human resources manager of A asserted that:

> *"We've been doing CSR since a long time ago, but now it has a name. We've been always preoccupied with CSR issues. It was this type of attitude that allowed us to become what we are today; it wasn't called CSR, it wasn't known as a concept inside the group, but certainly it is included and constitutes a part of our identity."*

The managers of A do not see CSR from the "business case" perspective. They do not seem to be looking for functional, value-creating solutions. They never look for needs, they are not proactive, they are not synergistic in CSR field, but just reactive.

However, they are well aware of the benefits that such policies might bring for the company. For example, some years ago A started a summer activity for young children – the holiday camp. The human resources manager says that during the summer holidays, when kindergartens and schools are closed, the parents have a problem with their children. Some of them parents took sickness absence without actually being ill, or some were too anxious while working, spending the whole day making phone calls to their sons and daughters. The managers of A decided to organize the summer holiday camp on the factory land. Children arrive in the morning, have lunch, and attend educational games according to their age with special animators.

Regarding this CSR activity, the human resources manager declared that:

> *"We ascertained that this activity was very profitable for us. We win four times as much:*
>
> - *parents work more happily with their children around;*
> - *children always enjoy their parents' workplace. Who knows one day they might choose us for their workplaces – the relationship we establish with these potential employees will be stronger;*
> - *children talk about their parents' workplace more frequently at home. That in return solidifies parents' support for the group;*
> - *it helps increasing the brand awareness.*
>
> *We gain much more than we invest in this activity!"*

A does not communicate externally their CSR activities. The general manager's belief is that communicating the social responsibility actions amounts to transforming CSR in a marketing instrument. He says that: "We don't want to transform our social actions in a marketing gun; that's why we don't want to externally advertise them." However, he is well aware of the benefits that CSR activities might bring for the corporation and the need to communicate them. There is an internal communication of social responsibility activities the group exercises through the group's internal journal (monthly publication). A's general manager recognized that "The internal magazines work as a motivation factor for our employees."

According to A's general manager: "All these concerns we have, all these codes of conducts us, our partners and suppliers respect, are the ones which make our product socially worthy!"

Company B

B has diverse educational programs for local schools, contributes to the development of the community by way of donations and collaborative projects. It offers money loans or other necessary supports to help its employees frequently. These actions are not communicated (neither internally nor externally).

In terms of environmental protection, besides having an ISO 14001 certification, a special environmental policy called the "3 R's" policy (Reduce, Reuse, Recycle) has been implemented. All the employees are compelled to attend the environmental protection trainings. In these trainings they learn a set of internal rules concerning the minimal usage of resources (paper, electricity, water, industrial materials, etc.). In accordance with their policy, a recycling point is found in each floor of the facilities.

B does not communicate its CSR actions (neither internally nor externally). According to the human resources manager, CSR actions are not communicated because the company does not want create embarrassing situations for those who have been helped and also avoid multiple requests for assistance. He says that the company would have to decline the majority of these requests and this would be embarrassing for those who have their requests refused and also somehow detrimental for the company's image.

B's headquarters have been built in an ergonomic spirit oriented towards employees. Rooms are equipped with good natural lightings and a corner for coffee and breakfast was created on each floor. A recycling point is found in each level. There is an employee in the group whose job description includes the organization of spaces. B desires to be a contributor to the world welfare, starting with their own employees.

The motives for exercising CSR in the case of company B is do not seem to be associated to profitability. CSR activities are not communicated. The motive is related with caring for people. B does not look for charity opportunities, but always answers positively to them.

Discussion

A has implemented strong CSR policies: it has an official code of ethics and there is a department within the company devoted to its implementation and control. A makes important contributions to the local community and has a good health care assistance for its employees. The managers of this company do not target strategically areas they believe would enhance financial performance and are not fully aware of the impact that a good image of the company could have on the financial performance. Their philanthropic activities are not planned; they just occur spontaneously every time there is a call for them. CSR actions developed by company A are mainly nourished by the willingness to bring a contribution where governments have failed.

B uses CSR for reduction of poverty, trying to contribute where governments have failed. The firm offers money loans for their employees, makes donations to social insertion centres and social solidarity houses, and helps local schools in their educational projects. However, in some cases there are some strategic objectives for action is protection of brand. For example, the managers of this company choose not to communicate the company's CSR actions in part because this would by detrimental for the company's image.

B has a small number of CSR practices: charity, community activity (money donations, sponsorships for sports teams). However, this company has a strong policy concerning environmental protection: the firm is certified (ISO 14001); there is a special policy within the group regarding the reduction of the use of natural resources, reuse of products and recycling of every possible item; environment protection trainings are compulsory provided to all employees; each floor of the headquarters building has a recycle point.

Cases A and B show that managers have different understandings of what being socially responsible means. The managers of A consider that a company is socially responsible when its activities are "socially worthy" and this is related to the nature of the concerns that the company has, through the issues included in the code of ethics that the company respects (for example, wages above the minimum national income, no child labour, safety of workers, safety of product, facilities for employees).

On the other hand, B understands that a company is socially responsible when it contributes to sustainable development (there is a permanent concern within B for protecting the environment; the firm continuously train its employees in the spirit of recycling, reuse and reduce).

Although they do not adhere to none of the main principles and codes of practice regarding CSR (for example, the SA 8000 norm), these two Portuguese companies comply with strong CSR principles developed in a unique manner. We have discovered that A has a powerful code of ethics which includes aspects such as the dormitories of worker in different parts of the world or the distribution of employees per table in the canteen in addition to the usual prescriptions (for example, no child labour).

Complying with CSR issues is not always a matter depending solely on the company. The context in which the company operates is an important aspect to consider. For example, the experience of company B revealed that finding out the age of a young employee in order to avoid child labour might be a difficult issue to address (for instance in some places where the firm operates a lot individuals do not posses any kind of identity card).

The two cases show that CSR may be mainly driven by caring. Companies may be trying to improve the welfare of the community. Both firms practice spontaneous, unplanned philanthropic activities, not specifically targeting those areas they believe will enhance financial performance. Both companies refuse to communicate their CSR activities to external stakeholders. They are not looking primarily for the financial benefits that might come up out of it.

Some companies are interested in motivating their employees with their CSR actions, while other may hide them because they believe that revealing such actions may be embarrassing for those who are helped. Company A designs some CSR activities to motivate employees (the holiday camps; the attention given to public awareness events like the "World Environment Day", the "International Ozone Day"; the "x-ray films recycling project"). These activities exist because the managers consider that these activities contribute to higher motivation levels of the employees and higher interest in the company itself. This is the reason to communicate internally these CSR activities. Thus, in the case of company A managers, are aware that the human resource management benefits derived from CSR are a key way through which it can lead to improved financial performance.

Company B frequently offers money loans to employees and support them by other means, but no one within the group except the employees who are helped know about it. Communicating these actions is considered embarrassing and humiliating for those who received help. On the other hand, B is concerned with the environmental protection not because it might motivate its employees but because it is perceived as a correct behaviour.

We may contend that these companies overlook that a good reputation can help attract better job applicants, retain them once hired, and maintain employee morale (Backhaus et al., 2002; Carmeli et al., 2007; Greening and Turban, 2000; Turban and Greening, 1997). This does not restrict itself to those aspects which affect them most directly, such as a clean and safe working environment or training opportunities. Other dimensions of social performance, such as those related to the environment or community relations are also fundamental to motivate employees to behave in such a way as to have positive consequences to the company, because working for socially responsible companies enhances their self-esteem. This happens probably because they do not perceive CSR activities primarily as means of enhancing financial performance.

Furthermore, it appears as if they not considering the importance of communicating their CSR activities to create, protect or enhance their images or reputations. CSR communication can assist a company in the creation of a competitive advantage because "creating a positive image may imply that people are to a great extent prepared to do business with the company and buy its products" (Hooghiemstra, 2000, p. 64). It will be difficult for companies investing in social responsibility activities likely to create positive reputation to realise the value of such reputation without making associated disclosures (Hasseldine et al., 2005; Toms, 2002).

However, Morsing et al. (2008) suggest that, in addition to an expectation by the public that companies engage in CSR activities, the public may not appreciate that companies communicate in excess about this engagement. They call this the "Catch 22", and suggest that it be of relevance for companies operating in welfare states, like Denmark, as they possibly move from expectations about implicit to more explicit CSR approaches (Matten and Moon, 2008). Morsing et al. (2008, p. 108) point out that although companies located in these countries are likely to achieve favourable reputations if they engage in CSR initiatives, their managers should be also concerned with how and to what extent communicate CSR initiatives.

Concluding Comments

This study is exploratory and descriptive and has as main goal providing insights on how companies exercise CSR in Portugal and what motivates them. Few studies on CSR practices and motivations in peripheral countries have been made. Thus, this paper may contribute with some useful insights to CSR literature. We found that it is necessary to consider the personal values of managers and their alignment with CSR values.

Moral reasons can motivate firms (and individuals within them) to engage in social responsibility activities. Social issues may merit moral consideration of its own apart from their interest to stakeholders and lead managers to consider the social impacts of corporate activities in their decision making. Regardless of any stakeholders' pressures, actions which lead to increased social welfare are in themselves morally praiseworthy. Being social responsible may be a part of corporate culture. The result that CSR implementation is more related to moral reasons than profit maximisation implies that one should be careful when emphasising the

financial benefits of CSR (Graafland and van de Ven, 2006). Stressing financial advantages from CSR may drive out intrinsic moral motivations (ibid.).

However, as Pedersen and Neergaard (2009, p. 1274) put it "CSR is not just a question of either instrumentalism or altruism, shareholders or stakeholders, public relations or genuine commitment. Instead, the managerial perceptions of CSR are characterised by a great deal of heterogeneity." Our results may lead us to similar conclusions. Although managers stress that CSR implementation is more related to moral reasons than profit maximisation, they seem to be well aware of some of the benefits associated with CSR policies and activities.

Our analysis suggests that some specificity may be present in the way of defining corporate responsibility for society by Portuguese companies. The Portuguese companies analysed seem to display the same historical preference for corporate paternalism. Matten and Moon (2008) suggest that companies from liberal economies, such as the US, choose a more explicit form of CSR, whereas the social responsibilities of companies from coordinated economies, such as the European, are embedded in and regulated by institutional and legal frameworks. Gjølberg (2009, p. 11) considers that their analysis makes a convincing argument for the decisive role of national business systems and institutional underpinnings for CSR practices across nations, but it is supported by only a few empirical examples. Our study presents further evidence of the usefulness of Matten and Moon's (2008) framework on implicit and explicit CSR. It contributes to the growing body of evidence which seems to suggest that "cultural differences associated with different countries affect CSR dynamics, with companies in different contexts exhibiting varied responses to this change in the business conduct landscape" (Prado-Lorenzo et al., p. 2008).

The convergence in corporate practices which is promoted by the impact of globalized stock markets and has as consequence a seeming lack of importance of general contextual factors in determining communication practices of listed companies (Branco and Rodrigues, 2008; Cormier and Magnan, 2003) may not be has apparent if unlisted companies are analysed. Although further analyses are required to validate this claim, it is a promising avenue for future research.

This paper also presents several limitations. First, the paper used two illustrative cases, but other cases might find diverse findings. Second, only the people responsible for CSR in the two companies were interviewed and it is very unlikely that they will suggest that they engage in CSR strictly to increase sales so the motivations they provide might not be entirely accurate. There is still much to learn about CRS practices and motivations, in particular in peripheral countries such as Portugal. An interesting possible extension of this study would be to interview other employees of the organization and other stakeholders to find out how CSR is viewed by a number of different stakeholder groups.

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Globalization versus Regionalization: Strategies and Policies in the Emerging Economic Environment

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The World is, today, witnessing two opposing market forces: - Globalization and Regionalization. The strategy for production and marketing of commodities in the global market has undergone a dramatic change over the years. Globalization for countries and for firms is characterized by openness of economies and a global market in which firms' strategies focus on optimum resource allocation along with synergies and standardization. Regionalization is characterized by preferential trading arrangements among countries and a regional network approach to resources, markets etc. The managers of the so-called "**Global Industries**" have been urged to introduce off-shore manufacturing, cut costs by adopting worldwide economies of scale and subsidize national market-share battles through international cash flows.

A longitudinal data analysis on international commodity trade using the social network approach shows that the world became increasingly globalized between 1959 and 1996. As a result, the world trade network became denser. At the core of this process has been the development of countries in the middle strata.

The structure of world trade network became decentralized over time, a change that provides greater support for neo-classical economic theory than for world system/dependency theory. This change in international business environment came due to the operation of strong push and pull factors. Push factors derive from new technologies adopted by firms while pull factors from new foreign direct investment and trade policies of the countries and blocs. There has been a reduction of technological and policy related barriers in FDI, trade and communication. Foreign affiliates, which earlier appeared to be a miniature version of the parent firms', have now acquired a fully functional independent identity. There is an increase in the value of MNCs' foreign local production.

The value of intra-firm cross border trade among MNCs' worldwide affiliates, now account for more than one-third of the total world merchandize trade. Thus, intra-regional trade density is growing at a faster rate as compared to inter-regional trade density. FDI outflows and aggregate world FDI stocks have also increased. Consequently, many firms' foreign assets are growing bigger than their domestic assets when they are producing and selling goods abroad than at home.

The paper is divided into five sections. Section 1 deals with the relationship between Globalization and Regionalization. In Section 2, the impact of Globalization and Regionalization

on factors of production and on income has been sought to be analyzed. Section 3 discusses at length the problem of exchange rate fluctuation and its impact on firms and trade. The relevance of the traditional theories of international trade in the in the prevailing global market structure has been discussed in section 4. Section 5 includes a summary and conclusion of the whole discussion. .

Relationship between Globalization and Regionalization

The process of globalization is marked by rapid spread of information technology and reduction in barriers to international transactions. The process has led to increasingly integrated and interdependent world economy coupled with higher production, trade and service outsourcing as well as the migration of highly skilled professionals. It has also strengthened economic integration at regional levels due to substantial pressure from market forces. The trade between member countries within these regional blocs is free from all trade barriers while trade with non-member countries is discriminated against. In this context, the fundamental questions that arise in our minds are:- Are globalization and regionalism part of the same phenomenon, which leads to closer economic relationships between countries? How has the process of regional economic integration affected the functioning of the global economy? Does globalization increases regionalism? What has been the impact of globalization and regionalization on production processes and on domestic economies? And above all, What kind of economic adjustments are required in terms of factor mobility and relative costs?

During the last few decades, the trade between countries under regional trade agreements has increased many folds as compared to global trade. This is more prominent in mature trade groups of Europe and America. In Asia, however, the share of trade within regional groups has grown but remained well below the share of trade taking place with the rest of the region (Table 1).

Regionalism can be depicted in two ways:- (1) Open regionalism aimed at integrating participating economies in the global world or (2) it can be used to resisit global market forces. Thus, regionalism emerges either as an outcome of globalization or as a response to globalization depending on whether the relationship is accommodating or antagonistic (Nesadurai, 2002).

There are divergent views regarding the impact of regional integration on globalization. Bhagwati and Panagaria (1996) argue that countries who are members of RTAs prefer to trade between member countries and they lose interest in multilateral trade system.

TABLE 1: Share of intra-regional/group trade as a percentage of total trade by region (1970-2004)

Region	Trade Group	Type of Trade	Average 1970s	Average 1980s	Average 1990s	2000-04
Europe	EU 25	Within group	60.8	61.1	65.6	67.0
		With rest of region	10.4	9.6	6.9	6.7
	EU 15		59.9	60.9	62.2	61.4
	Eurozone		51.9	50.4	51.7	50.5
America	FTAA	Within group	46.2	46.6	53.0	60.3
		With rest of region	1.3	0.7	0.4	0.5
	Mercosur	Within group	9.0	7.7	18.5	14.5
		With rest of region	26.1	30.7	28.7	34.3
	NAFTA	Within group	36.8	39.4	47.0	55.0
		With rest of region	8.7	6.9	6.3	5.5

Africa	SADC	Within group	2.6	1.6	8.5	9.0
		With rest of region	0.6	0.5	1.9	3.1
	UEMOA	Within group	8.6	10.1	11.2	13.1
		With rest of region	6.0	6.9	13.5	15.9
Asia	ASEAN	Within group	18.2	18.4	22.1	22.4
		With rest of region	38.7	40.5	35.1	37.7
	BA	Within group	2.2	1.8	5.8	9.4
		With rest of region	36.5	46.1	46.8	41.0
	GCC	Within group	3.2	6.1	6.8	5.1
		With rest of region	33.2	46.2	54.4	59.1
Inter-regional		Within group	58.1	64.6	70.5	72.8

Note: FTAA= Free Trade Area of the Americas; Mercosur= Southern Common Market; NAFTA= North American Free Trade Agreement; SADC= Southern African Development Community; UEMOA= West African Economic and Monetary Union; ASEAN= Association of South-East Asian Nations; BA= Bangkok Agreement; GCC= Gulf Cooperation Council; APEC= Asia-Pacific Economic Cooperation.

Source: United Nations Conference on Trade and Development (UNCTAD).

However, Bergsten (1997) argue that RTAs , in fact, enhance rather than reduce the prospects for global trade liberalization as trade creation exceeds trade diversion. The vicinity of trading partners also decide the quantum of trade. Normally, trade is more between countries having common border.

An emerging trend in present increase in globalization is the associated changes in production processes. While there was greater exchange of final goods in earlier times, the current wave features "**trade in tasks**" (which is also called 'outsourcing' 'off shoring' or 'production fragmentation'). The outsourcing of production has resulted in rapid growth of trade of final goods. Also, the degree of dependence on trade in parts and components is proportionately larger in East Asia than it is in North America and Europe. The decision of outsourcing depends on a large extent on the change of productivity, quality and the resulting change in profit margin. The production fragmentation in East Asia increased when China got integrated with the regional production network.

The process of globalization and regionalization has resulted in global transmission of upswings and downswings of economies involved in material trade. The changes in inflation rate and output get transmitted due to trade and financial linkages between nations. These economies become more sensitive to such shocks because of high import from low cost countries and high import content of export.

Impact of Globalization and Regionalization on Factors and Income

On Labour Market

The increasing global integration of emerging markets, in conjunction with rapid technological changes, has exerted significant pressure on the labour market of developed countries. The trade openness has increased and as a result, there is attribution of low-skilled jobs in certain sectors to developing countries, with growing imports of labour-intensive manufactured goods from developing countries. Further, the technological changes have also contributed to a sector reallocation of production which is biased against low-skilled workers in developed economies. Since technology diffusion and adoption are closely linked to trade, they affect it both directly and indirectly.

The various trade agreements at regional levels have affected the labour market developments. These trade agreements may both create and divert trade which may affect the country's specialization. The labour market development is maximum in those sectors which are open to trade and competition is intense.

Isabel Vansteenkiste and Paul Hiebert in their article entitled " Gauging the labour market effects of international trade openness: an application to the US manufacturing sector" have analyzed the conditions of US manufacturing labour market and concluded that the manufacturing sector has shown relative sluggishness in employment during mid 1970s. In the mid 1990s, this sluggishness in employment aggravated and was attributable to a sizeable expansion in trade deficit in goods and services. The growing trade deficit, in turn, is due to domestic factors like skill-biased technical changes. Also, higher trade openness has mostly affected employment in the lower-skilled manufacturing sector. The labour compensation in advanced economies has been raised due to the going globalization of labour. This helps in boosting productivity and output. However, labour compensation has remained sluggish in the manufacturing sector.

On Capital Movement

The movement of capital across borders is largely influenced by the global and regional market conditions. It is generally believed that emerging markets of developing countries would provide beneficial investment opportunities to advanced economies and attract capital flows from them. But, on the contrary, it has been found that international capital flow is more towards advanced economies than developing countries. A number of factors are attributable to this phenomenon. Firstly, the developing countries, particularly China, have increased their commodity trade with developed countries, implying that commodity exporting countries benefited from higher revenues. Secondly, the prevailing socio-economic conditions in the developed countries still attract huge investments, thus absorbing a large share of savings. Thirdly, the distance between the investor country and the country attracting investment often affects investment decisions. Investors normally prefer neighboring countries for investment. Here, the example of European countries may be considered. Most of the investment in countries having Euro as common currency is amongst member countries. The investment is both in equity and bond markets.

Exchange Rate Fluctuations and its Impact on Firms and Regional Trade

Firms operating in the global market are largely affected by the exchange rate fluctuations in the market. The quantum of exports and imports is determined by the prevailing exchange rate. The theoretical wisdom says that exports increase when the value of currency depreciates and vice versa in case of appreciation in its value.

The impact of exchange rate fluctuations on the firm depends on their stability and the strength to withstand such fluctuations. Dr. Bulent Ayber and Dr. Arul Thirunavukkarasu in their paper entitled "Exchange Rate Exposure and Firm Value: An Analysis of Emerging Market Multinationals" have divided MNCs into two categories (1) Emerging Market Multinationals (EMNCs) and (2) Developed Country Multinationals (DMNCs). Their study reveals that 60% of the EMNCs and DMNCs are significantly exposed to exchange rate fluctuations. Also within these two categories, the EMNCs are exposed more to such volatility than DMNCs. EMNCs are, in fact, positively exposed to exchange rate fluctuations .i.e. the firm value increases with real appreciation in local currency. This positive real exchange rate exposure can be attributed to either import orientation or large foreign currency liabilities. The

positive relationships between leverage and magnitude of exposure lend further support to this conclusion. The expansion strategies followed by DMNCs and EMNCs are entirely different. The export oriented developed country multinationals follow an expansion strategy where they first move into other developed economies and, only at the later stages of market expansion, they prefer to move into emerging markets. On the other hand, the EMNCs first seek the markets of their peer emerging markets before expanding into economically and institutionally more developed economies. The economic and political instability prevailing in these emerging markets make the EMNCs more vulnerable to internal and external shocks and to volatile currencies. The EMNCs find it difficult to establish their operations in developed economies because of sophisticated and mostly unfamiliar institutional infrastructure complexity, intensity of rivalry in developed economies, resource constraint and lack of experience. Further, getting external fund is also a big problem for the EMNCs while DMNCs are not constrained to raise capital in foreign currency in international capital market.

Thus, we find that the exchange rate volatility does have its impact on the functioning of multinationals in the global market. High exchange rate volatility discourages the establishment of an affiliate by MNCs. Moreover, high exchange rate volatility causes the shift from inter-firm to intra-firm transactions.

These findings imply the importance of maintaining a stable exchange rate environment in order for MNCs to expand their production and distribution network.

Traditional theories of International Trade and Global Market Structure

The classical theories of international trade as given by eminent economists like Adam Smith and David Ricardo emphasizes that countries involved in trade tend to specialize in the production of those goods in which they have relative cost advantage. But in the modern global market structure, we find that countries which do not have cost advantage in the production of a particular commodity are still producing the same by establishing their affiliates in some other country where production cost is relatively low. Further, classical economists believed in free trade between nations. But such free trade, today, is only between regional trading groups. Any trade outside such trading groups is subject to a number of tariffs.

Production and distribution network in today's world is governed more by the opportunity cost of production. As a result, multinationals are setting their affiliates abroad. Thus, the classical theories have given way to opportunity cost concept of trade in modern times.

Conclusion

This paper studies the relationships between globalization and regionalism and assesses the extent to which the increased global and regional integration has changed economic relationships at the level of firms, countries, region and world.

Globalization and regionalism are inseparable and the concepts cannot be studied in isolation. Regionalism has created trading blocs and trade is generally preferred within these blocs than with the rest of the world.

The process of global and regional integration has affected the production process as well. The outsourcing of production through regional production network has actually fostered the development of international production fragmentation within regions. This fragmentation of the production process has accelerated the globalization of national economies and has

allowed firms to take advantage of low wages, wherever they are to be found, and where important, to locate production facilities close to their customers. This expansion in international trade and production mobility has resulted in new sources of gains that contribute to the new economy.

The international trade, now, is characterized more by 'Trade in Tasks' rather than trade in final goods. The use of labour-intensive technologies in developing countries and the abundant supply of labour has shifted the production of labour-intensive manufacturing goods to developing countries and developed countries are importing such goods from them. This, sometimes, tends to increase the trade deficit of developed countries and sluggishness in their labour market.

As regards capital movement in the new set up is concerned, it has been found that the developing countries have not attracted as much capital flows as developed countries because of the composition of trade and the prevailing socio-economic conditions in developed countries.

Exchange rate fluctuation has its own impact on the working of firms and on regional trade. Multinationals of developing countries are more sensitive to exchange rate volatility as compared to developed countries multinationals. Firm prefer to establish their affiliates in those countries where the exchange rate I relatively more stable. Hence, exchange rate stability is essential for expansion of production and distribution network.

And finally, an analysis of the relevance of classical theory of international trade in the modern set up reveals that factor endowments and cost advantage no longer sets the criteria for trade across borders. However, the modern theory of trade based on opportunity costs of production still finds its relevance in modern trade.

In summary, globalization and regionalism have been responsible for significant changes in the global economy. By increasing trade flows and fostering the internationalization of production processes, economies have become more sensitive to global and regional factors. By going global, firms have had the opportunity to outsource some parts of their production processes, increasing their efficiency and therefore their performance, but implying also in the short term some adjustment in their factor allocation. In particular, the delocalization of tasks from industrialized countries to low-cost countries has led to concerns in terms of developments in the labour market. But still, it is generally recognized that globalization and regionalism have mostly positive effects at the domestic and global levels.

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Knowledge Management: A Boon for Information System

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Knowledge is viewed by many philosophers in many ways. But the term 'knowledge' has no universal definition. Knowledge is regarded as the most powerful tool which is increasingly regarded as the central for both organizations and also in every aspect of life as well. It is the greatest asset in this competitive world of business. Knowledge comprises of strategy, practice, method, or approach. Knowledge is intangible, dynamic, and difficult to measure, but without it no organization can survive. The increasing importance and need of high intellectual, effective strategic management, practices, methods or approaches etc. in the growth and development leads to the emergence of a new area of study and analysis. It is an emerging field which is known to us as Knowledge Management. Knowledge as its name implies, is the management of knowledge through which information and intellectual assets are transformed into enduring value. Knowledge Management brings to mind many things to many people. Managing knowledge will provide a scope for exploring the nature and place of knowledge in this contemporary world of business and also a way to achieve competitive advantages.

Knowledge Management is a new area of management for managing proper intellectual and knowledge based issues. Knowledge management is a new field and there is no consenses regarding the claim for it. But authors like Broadbent (1998), Streatfield and Wilson (1999), claim that firms and information professionals have been practicing for years KM-related activities.

They argued that the concept of knowledge is over-simplified in KM literature, and they seriously question the attempt to manage what people have in their minds. Nevertheless, there is a real interest and enthusiasm in KM as revealed by the increasing number of publications relating to the topic since 1995. KM systems encompass both human and automated activities and their associated activities and their associated artifacts. Defining Knowledge Management (KM) is not an easy task. It is not a simple task. It is not a technology, not directive, not a business strategy but a culture that requires faith in collectively sharing and thinking. KM refers to the process of leveraging of collective wisdom to increase responsiveness and innovation. it is also a process of systematically and actively managing and leveraging the stores of knowledge in an organization. KM can also be defined as the process through which organizations value from knowledge. KM is not the means but an end in itself and is has to process as an on-going process.

Why Knowledge Management

This question can be answered only after knowing the details of knowledge economy. The new source of wealth is knowledge, and not labour, land, or financial capital. It is the intangible, intellectual assets that must be managed and the key challenges of knowledge-based economy are to foster innovation.

"For several decades the world's best-known forecasters of societal change have predicted the emergence f a new economy in which brainpower, not machine power, is the critical resource. But the future has already turned into the present, and the era of knowledge has arrived" as quoted by "The Learning Organization,' Economist Intelligence Unit. The move from an industrially based economy to information based in this era of great competition demands a top-notch knowledge management system to secure a competitive edge and a capacity for learning. The knowledge economy rest on three pillars:

- The role that knowledge plays in all forms of transactions- transactions can be of raw materials or finished goods or any services.
- The concurrent rise in importance of knowledge assets, which transform and add value to knowledge products.
- Emergence of different ways to manage these assets (KM)

Knowledge Management

The move from an industrially-based economy to a knowledge or information has always associated with a very effective and efficient knowledge management system. Knowledge Management is a conscious strategy for moving the right knowledge to the right person at the right time to assist sharing and enabling the information to be translated into action to improve the organizational performance. In an organizational context, data represents facts or values of results and relation between data and other relation have the capacity to represent information. And the patterns of relations of data and information and other patterns have the capacity to represent knowledge. For this purpose, the knowledge or information must be understood by the one who is going to need and use it. The value of KM relates directly to the effectiveness with which the managed knowledge enables the members of the organization or a company or a place to deal with today's situations and effectively envision and create their future.

According to Davenport and Prusak, "Knowledge is a fluid mix of framed experience, values, contextual information, and expert insight that provides a framework for evaluating and incorporating new experience and information. It originates and is applied in the minds of knower. In organizations it often becomes embedded not only in documents and repositories but also in organizational routines, processes, practices and norms." KM can also be termed as the process of capturing, organizing and storing information and experiences of workers and groups within an organization and making it available to others.

Knowledge Management (KM) and Information Management (IM): Some people have thinking that Km and IM are equal or IM is a subset of KM. Knowledge and Management are not static but rather move through organizations. Strictly speaking, IM focuses on the "plans and activities that need to be performed to control an organization's records" (Place & Hysop, 1982). For Wilson (1989), IM is the management of information resources of an organization and involves the management of information technology. IM is interdisciplinary field which focuses on information as resources. IM is concerned to provide transparent and standardized access to information both within and outside the organization. IM is the tools and technologies to store and organize information.

KM makes sense of information in the context of its users. According to Blair, "Knowledge Management is not so much the management of tangible assets such as data or information, but the active management and support of expertise" (Knowledge Management: Hype, Hope, or Help?). KM implies to the most important drivers relate to knowledge, human behaviour and interchange.

What is the Need of KM?

The need and importance of KM is a big area of importance in this global 21st century. If an organization think of optimum utilization of talented people, them KM is the way for achieving the target. Moreover, reuse of knowledge can help in saving of work, reducing communication costs, and allows a company to take on more projects. In this world of stiff and rigorous competition all around, competitive success will be based on how strategically intellectual capital is managed. With KM, knowledge inside the minds of employees can be shared across the enterprise. Moreover, the solution to the increase in fragmentation and globally-dispersed workforce is leveraging organizational knowledge. The essence of KM is the understanding and valuing intangible assets over tangible. And KM is also to understand that human and intellectual capitals are the greatest resources. KM is the management of the skills and competencies that lie within an organization, and also allowing them to blossom. It is also optimizing of the performance of people.

Some of the importance of KM is summed up as under:

- Learning is always faster with KM.
- It always helps in making ourselves more competitive.
- KM software and technological infrastructures allow for global access.
- KM reduces costs by decreasing and achieving economies of scale in acquiring information.
- Knowledge is made available to all and hence there is an increase in productivity.
- Workers are made to work under a democratic place to work by allowing everyone access to knowledge, etc.

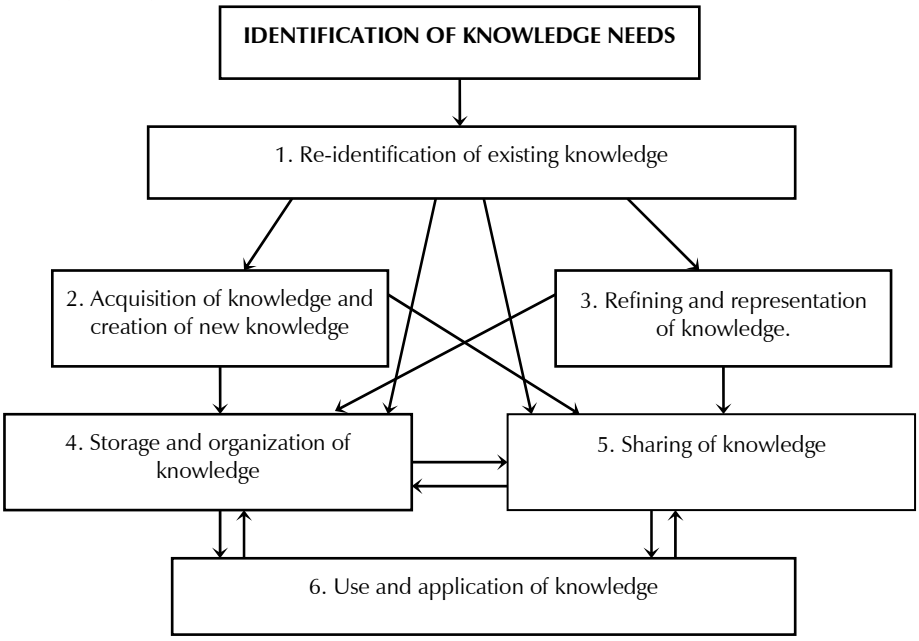
The student, scientist, faculty and management demand more knowledge and information that can be stored in one brain or several. Bur in reality, information mushrooms and quickly become obsolete. So, to provide the right amount of information to their right destination to produce a right decision is the need of the hour and this is achieved with KM.

Process of KM: Attempts to define KM processes are numerous. Different authors have given different views regarding the process or framework of KM. Ruggles identified three main types of activities. They are:

- Generation of knowledge involving the creation of new ideas and new patterns.
- Knowledge codification.
- Knowledge transfer.

But this process is too narrow. So, another author name Vukovic (2001) presented a new model of knowledge processing comprising of 5 steps in the chain. They are: gathering, organizing, refining, representing and disseminating. However, these steps closely resembles information life-cycle processes suggesting the interrelated aspects of IM and KM. However, a simple framework is shown in the figure given below:

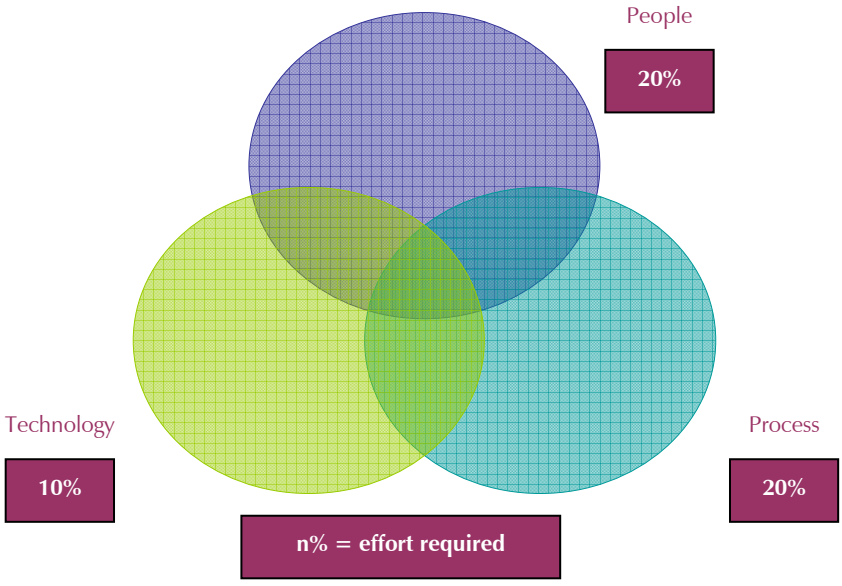
FIGURE 1: Knowledge Management Process.



In the figure 1, the first thing that is needed is to determine the need of information. Without this, there will be no further steps or actions regarding this particular system. The most important thing is the issue of how knowledge may be created through organizational sharing and is useful for the management of knowledge. After knowing the need of the company, the next step is the discovering of existing knowledge which is to be converge with new knowledge. It is to be followed by acquisition and creation of knowledge. Next is the refining process which is not a major step but has got its own place in the knowledge flow. Representation is a part of storage and organization process although it is given as a separate step. Then, knowledge which has been stored is to be shared and lastly to put it into application. Sharing of knowledge involve s transfer of knowledge from one person to another.

KM depends on three components i.e. people, technology and process. Following chart will show the KM-components:

FIGURE 2: KM-components



In the figure given above, the components can be seen. But it has got its sub elements as well which is given as under:

People: Attitudes, sharing, innovations, skills, team work, visions/objectives, etc.

Process: Work flows, integration, best practices, business intelligence, etc.

Technology: Data stores & formats, Networks, Internet, Data mining & analysis, etc.

But the area where these three components meet and converge is the on-going learning process in the organization.

The contribution of people towards the success of KM is very high and large comparing to the other components. The role that people plays in KM is very important because it is the people who give birth to this particular culture. But this people should combine with a good and a very effective practice to support the people. Again these two elements i.e. people and practice is given value and converts into achievement with the aid of technology, which is very vital and complex in nature. Different software are available for KM. For example: Globalserve, Imagination, Imaging Solutions, MicroStrategy, etc. Measuring of knowledge and its management is essential because it will affect the type of tool to be used i.e. data collection instruments. Some of the common tools are; surveys, storytelling, activities reports etc. Key Performance Indicators (KPIs) is one aspect of KM.

Implementation of KM

Successful implementation of KM is closely related to the need of the time. In the context of the implementation of knowledge management activities, it is important to interact with the culture and also to find out how the culture can be changed with the need of time. Competencies and motivation of employees also influence the implementation of KM. It should be viewed as a step by step learning process. KM can achieved the goals only with the support from management of other areas. Knowledge processes should be integrated with the organization's process. Moreover there will be a great need and demand of new information and technologies everywhere. After thorough analysis of this vital requirements and also after fulfillment of this need KM can be easily implemented in an organization. Knowledge Management (KM) is measurable and is measured by evaluating performances. Success of KM can be evaluated and success of KM is assured if:

- Information is widely disseminated throughout the organization. It is to be accessible wherever it is needed.
- Accessible at a fast rate of speed.
- Independence of virtual communications i.e. global fashion, independent of time zones and other geographic limitations.
- Business boundaries are broad and virtual in nature.
- Collaboration to support continuous innovation and new knowledge creation.

There are enablers of KM, who add meaning to it, bring development in the concern field as well as in achievement of goals after an easy competition with tough competitors. These enablers are none other than Leadership; Knowledge Champions, such as CKOs; Culture; Access; Technology; Learning.

With the brief presentation of KM and its importance, everyone will be very much tempted to mention some of purposes served by KM again. Such as:

- Evidence can be gathered.
- Monitoring Progress and Development.
- Learning from past activities.
- Gaining competitive advantage.
- Better communication etc.

However, there are many issues or challenges which are always associated with KM like:-

Lack of psychological safety and workforce trust; Arrogance of people; No internal learning communities; Lack of communication within the organization; Negativity and unrealistic expectations, are few. In order to meet these challenges following steps can be taken:

- Awareness program to the people as a whole.
- To have a goal to reach in the future
- Rethinking and recreating.
- Learning culture, etc.

Conclusions

KM is much more complex and is also the process of creating, capturing and using knowledge to ascertain organizational performance. In fact, it has evolved from IT but it is applied in non-IT sectors or areas as well. Data and information are everywhere. There is explosion of information all around. Data and information have patterns to represent knowledge to be understood by the one who needs it. The real value of knowledge and information should be presented. This will lead to achievement of organizational goals and objectives. Information and knowledge should create the value which defines past results and necessary data associated with the unit, the market, the customer, competition, etc.

This paper is totally focused on the significance of KM in the achievement of success and growth in organizations and also in the global scenario as well. It will enable an organization to capture and reuse the foundation for the dissemination of knowledge cum understanding where it will be fit. In short, it enables the organization or an institution to convey meaningful information to all the interested groups of people. It relates directly to the effectiveness and efficiency of flow of knowledge and information which is an integral part of Information System. Further it the nature of KM as the driver to Information System making the Information System a powerful and an effective tool.

With the goal of KM to develop the potential for learning of individuals and organizations can be seen as platform for innovations in organizations. KM is another name of effectiveness and learning.

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Quality of Work Life in Hospital Management

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Abstract

The Healthcare sector has recognized the importance of human resource management that has involved with efforts to improve organizational growth, effectiveness and Quality of Work Life (QWL). The concept of quality of work life has been used in a variety of ways encompassing approaches to industrial relations, team decision making, good working environment, fair compensation, movement to enhance organizational effectiveness and so on.

This paper studies factors for quality of work life in the hospitals. The paper highlights the quality of work life of the employees of the hospital that has a concern reinforced by a mounting evidence of links between staff burnout, competition in the hospitality sector, gap between service provider and the actual recipient of the services and its satisfaction. Nevertheless, the professional excellence is also an important factor which is required to blend optimally the core and peripheral services. The paper will provide an insight to the hospital administrators and to employees about the concept quality of work life and significant role of QWL in managing and coordinating activities in an organisation.

Area of Research: Human Resource Management.

Introduction

Hospital is perhaps the most complex organization that exists in the most turbulent industry environment. Hospitals constantly deal with life or death matters and must address customer needs from customers who are not directly paying for the services they receive. In many cases, the patient customer is completely unaware of the cost incurred in hospital treatments and procedures. Basically in a hospital a manager/administrator has little say in the whole process of decision making. The medical service providers are a mere employee of the hospital. In a nutshell, a hospital must reform and continuously improve the human resource management system.

As per WHO, a hospital is an integral part of a social and radical organization, the function of which is to provide for the population complete healthcare both curative and preventive and whose outpatient services reach out to the families and its home environment; the hospital is also a centre for training of health workers and biosocial research.

Health here includes the state of complete state of physical, mental, and social well being and not merely removing diseases from our bodies. So, the ultimate purpose of the health services or the hospital management is to meet effectively the total health needs of the community.

Some Realities of Hospital Organizations

A hospital is by nature a complex organization that can be described variously as a factory, an office building, a hotel, an eating establishment, a medical care agency, a social service institution, and a business organization. In fact, a hospital includes all these characteristics and it may run by business means but not necessarily for business ends. A hospital is a system which can be explained as depicted below:

TABLE 1: Hospital as a System

INPUT	PROCESS	OUTPUT
1. Man – Physician – Nurses – Paramedical – Supporting Staffs – Officers & Managers	1. Communication – Communications within the organisation – Communication Between Organisation and the society – Communication Between Organisation and its suppliers and customers	
2. Material – Drugs – Equipments – Diets – Other Infrastructures	2. Decision making Processes	Efficient and Effective Patient Care
3. Money – Maintenance of staffs – Facilities – Procure Materials – Cash balances	3. Actions Taken by the Organizations	

A hospital system is an open system which interacts with its environment. The output of a hospital system is not clearly measurable because it is highly qualitative in nature in most cases and it differs from individual to individual. Such a system is a function of a large health care system. Few criticalities of the hospital management are:

1. **Too many divisions of work**: The work assigned to each worker should be clearly defined and activities of the organisation precisely clarified. This is the beauty of the management. But in the hospital management because of too many specializations and divisions of work, there arises problems of coordination and integrations. At the same time it is difficult to deal with matters without having on hand experience of the situation.

2. **Absence of Unity of Command:** The Modern Management Principles talked about the Unity of Command means a subordinate should receive order from one boss only. But this concept is a failure in the hospital management. In the hospital organisation, on one hand, there is the chief executive or the medical superintendent. This authority flows to the Matron, housekeeping, accounts etc. from the top to the bottom. On the other hand, there is the doctor and consultants.

3. **High level of interdependence:** Because of extensive level of division of labour and accompanying specialization of work, a person working in a hospital cannot take a decision easily. Say for example a heart surgeon cannot operate a patient easily unless all other formalities of investigations are complete and the assisting doctors are available at that time.

4. **Span of control:** This concept focus on the number of person one could effectively control or influence in an organisation. To be precise, in the hospital organisation, there may be a

question of life or death and so one should be very particular about this issue. Since hospitals demand high levels of coordination, interaction and engagements, a closer supervision is needed in many cases. Such a situation demands a smaller span of control.

5. **Problem of maintaining Quality of Work Life:** Hospitals are generally a stagnant workplace where there is no such great motivation for career growth and development for the staffs in general. At the same time the present day pressure for better health care delivery system and better customer relationship management system created more trouble to the hospital staffs. The shift working schedule system of nursing and other staffs of the hospitals make the processes of the administration more cumbersome in building the culture of quality of work life in the hospital organizations.

What is Quality of Work Life?

Quality of work life focuses on the problem of creating a human working environment where employees work cooperatively and achieve results effectively. The term QWL was introduced in late 1960s on the effects of employment on health and general well being and ways to enhance the quality of a person's on the job experience. Many scholars have offered a variety of definitions and suggestions of what constitutes QWL. For instance, recent definition by Straw et al (1984) explained that the QWL is a philosophy, a set of principles, which holds that people are the most important resource in the organisation as they are trustworthy, responsible, and capable of making valuable contributions and they should be treated with dignity and respect. According to Walter (1975), QWL requires employee commitment to the organisation and an environment in which this commitment can flourish. He also proposed eight major conceptual categories relating to QWL as 1) adequate and fair compensation, 2) safe and healthy working condition, 3) immediate opportunity to use and develop human capabilities, 4) Opportunities for continued growth and security, 5) social integration in work organisation, 6) Constitutionalism in work organisation, 7) Work and total life space, and 8) Social relevance of work and life. Several studies on motivation theories can also be taken up with relation to the concept of QWL. It is closely related to the human psychological characteristics. QWL is also related with the degree of stress to the occupation and the degree of satisfaction experienced by the individual from his/her occupational role.

As work culture changes drastically in recent years, the olden concept of work to fulfill basic human needs are also changing. The basic needs are continued to diversify and change accordingly to the evolution of the work system and the standard of living of workforce. Thus a definition by Suttle (1977) on QWL as the degree to which works are able satisfy important personal basic needs through their experience in the organisation is no longer relevant. It is very true here that organisation cannot generalize a specific guideline or pay package to satisfy or motivate one and all. Because the need levels and their settings are different completely from one individual to another on the basis of their connection and life styles and not on the basis of his or her income or social status. Income becomes important factor because it plays a significant role in determining the QWL. There are three related interventions according to Lawler (1982), 1) a concern about the effect of work on people as well as organizational effectiveness, 2) the idea of worker participation in organizational problem solving and decision making, and 3) the creation of reward structure in the workplace which consider innovative way of rewarding employees input into work process such as gain sharing etc.

Further, Hackman and Oldhams (1980) emphasized that the personal needs are satisfied when rewards from the organisations, such as compensations, promotion, negotiation, and

development meet expectations of the employees. As per their thesis core dimension of the entire QWL in an organisation is to improve an employee's well being and productivity and it demands delegation of power to the employees to design their own work. However, it is difficult for the organisation to fulfill everybody's expectation. In this regard, a definition by Lau, Wong, Chan and Law (2001) can be recalled. They highlighted QWL as the favorable working environment that support and promote satisfaction by providing employees with rewards, jobs security and career growth opportunity. Indirectly, the definition indicates that an individual who is not satisfied with reward may be satisfied with job security and to some extent would enjoy career opportunity provided by organisation for their personal as well as professional growth.

It would be more appropriate to represent the Quality of Work Life in a diagrammatic form for a better understanding of the forces that interplay in it. The following table 1.2 shows it clearly.

TABLE 2: Factors that interplay in QWL

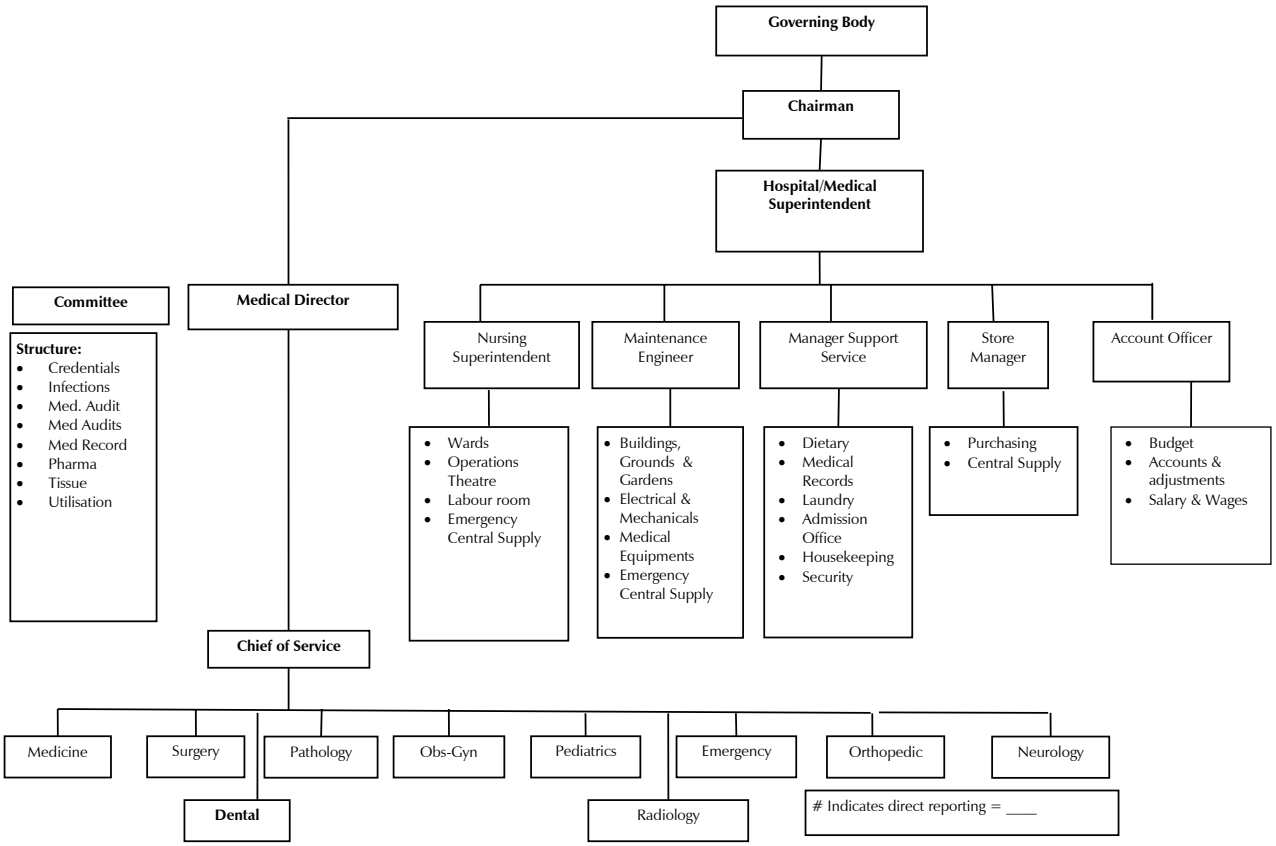


Relevance of QWL in Hospital Management

Hospitals are complex but purposeful organizations that exist in the highly dynamic industry environments. The administrators, doctors, nursing staffs, and their supporting teams may even be the patient- customer in the same hospital. For the management of the hospital, providing quality health care service, and patient safety are the most important objective. Achieving such objective at the optimum level requires efforts and supports from all directions. In short attracting support from all angles demand a very good culture of quality of work life in the organisation.

But because of extensive specialization of work and high level of demand for interdependency across the multiple functional areas every person is ultimately depending upon some other person(s) for completing a particular task. Table 1.3 highlights an imaginary organisation chart of a hospital that shows very clearly all the standard possible relationships.

TABLE 3: Organisation Chart of a Hospital



From the above table it is seen that there is wide spread teams one which is directly reporting to the Medical director and the other which is directly reporting to the medical Superintendent. But the one who reports to the director cannot work without the team reporting to the superintendent and vice versa. Rather than the formal chain of information flow or what we call the formal line of authority, there lies a very important chain of communication for the success of the hospital. It is because of the spirit if the QWL of its employees. Some of the points that construct the foundations for strong needs for QWL culture and its relevance in the hospitals are highlighted in the following points:

1. Works are highly interdependent and specialized and super- specialized in the hospitals.
2. Many of the works are executed only on team work and team plays significant role in completing most of major tasks in the hospitals.
3. Timing of the specific work or activity is decided by the importance of the work or the demand of work. It means many of the actions are driven by the importance of the work not by personal factors or timing of the organisations. People should adjust to requirements in the hospitals. Means doctors, nurses, patients should adjust themselves as per the needs and requirements of life and death situation of the patients.
4. Inflow and outflow of patients are not symmetrical throughout the year. Due to these seasonal fluctuations stress levels are sometimes very high to the staffs and doctors attending the patients. Work life balance is almost disturbed many a times.
5. Satisfying the patient and the patients party became the priority of the hospital and the hospital administration but all decisions related to the patient that need to be taken at any

point of time is decided by the doctor(s) and not by the hospital administration in generally. The same may be conveyed by the doctors to the patient party directly in most cases. That way the hospital administration is indirectly dealing the customer but the doctors are directly dealing with the customer. Because of this factor, the hospital administration needs to focus extra care towards the welfare of the doctors and staffs who are directly attending the patients and their party.

Considering the above highlighted studies on the QWL and its relevance in the hospital management great emphasis are still required for further improvement. It is a great challenge for hospital organisations to maintain QWL as it has diversities in various disciplines with multiple reporting systems as has been practiced in the matrix organisation structures as per the principles of modern management. Teams and task based team development; requirement based emergency clusters of expert personnel, etc. demand high level of honesty, openness, cooperation, low level of conflict situation, leader credibility, and goal orientation. These are all components of QWL. These things exist only when the factors of QWL, discussed in the paragraphs above, are present in the organisation may be hospital organisation or any other organisation.

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Liquidity Risk Management in Central Europe during the Global Crisis

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Abstract

This paper deals with liquidity risk management in Central Europe before and during the current global crisis. Although market liquidity deteriorated both globally and in Central Europe, major liquidity problems were avoided by individual financial institutions in some Central European countries such as Czech Republic, Poland or Slovakia due to their strong banks´ balance sheets and relatively strong macroeconomic fundamentals in the pre-crisis period. On the other hand, Baltic states such Lithuania or Latvia were hit by the global turmoil significantly because of their strong reliance on foreign exchange funding and huge current account imbalances. As a consequence of the liquidity crisis, liquidity risk management regulation needs to be revised. We see five main regulatory issues requiring revision in coming years: liquidity measurement, intra-day and intra-group liquidity management, contingency planning and liquidity buffers, liquidity systems, controls and governance, and finally models testing the viability of business liquidity models. Moreover, we constructed a new market liquidity index for Slovakia (called the VT index) based on the calculation of using traditional indicators of market depth, resiliency, tightness, volatility and liquidity for four markets (money, foreign exchange, bond and stock market) and back-tested the index for the years 2001-2008. Although the research is done as a case study on Slovakia, its basic idea might be easily applied to other countries as well.

Keywords: liquidity risk, Central Europe, bank, crisis, regulation, VT index

Purpose of the Research

The purpose of this paper is to analyze liquidity risk management in Central Europe before and during the current global crisis. In 2007, the sub-prime mortgage crisis undermined the US financial market, resulting in global credit and liquidity shortages and impacting the structure of the world financial market. The pending turmoil started as a credit crisis from mid-2007 until August 2008, evolved into a liquidity crisis occurred from September 2008 until December 2008 and ultimately led to a global financial crisis since early 2009 (Teplý, 2010a). The definition of liquidity risk can be written in many ways, as it is not so easy to separate this risk from all other risks and still capture all of its drivers. However, liquidity in its broadest sense might be defined as a capacity to obtain funding when needed at a reasonable cost (CESB, 2008a). Liquidity risk is then defined as a threat to this capacity to generate cash at fair costs. Many liquidity indicators can be found in risk management literature encompassing Golin (2001), Sinkey (2002), Mejstrik et al. (2008), Sironi and Resti (2008) or Mishkin (2009).

Volume liquidity indicators include, for instance, a liquid assets-to-total assets ratio, a liquid-assets-to-short-term liabilities ratio, a loan-to-deposit ratio or a newly proposed liquidity coverage ratio defines as total value of high quality liquid assets/net cash outflows (BCBS, 2009). On the other hand, trading liquidity indicators encompass an average bid-ask spread or an average daily turnover ratio in financial markets. However, these indicators were not very reliable during to the global crisis since market prices were not available for some assets, and the key role played off-balance sheet exposures and the main financial soundness indicators were, consequently, in many instances inaccurate.

In this paper we discuss the liquidity risk that materialized during the global economic upheaval. Moreover, we create a new market liquidity index for Slovakia based on a liquidity index developed by Gersl and Komarkova (2009) for the Czech financial market. This paper is organized as follows: after a brief introduction, we describe the background of liquidity risk management before and during the global crisis. In section three we discuss a methodology for the creation of the new liquidity index. The fourth section presents results our empirical study of market and funding liquidity risk in Central and Eastern European (CEE) countries. Finally, in conclusion we summarize the paper and state final remarks.

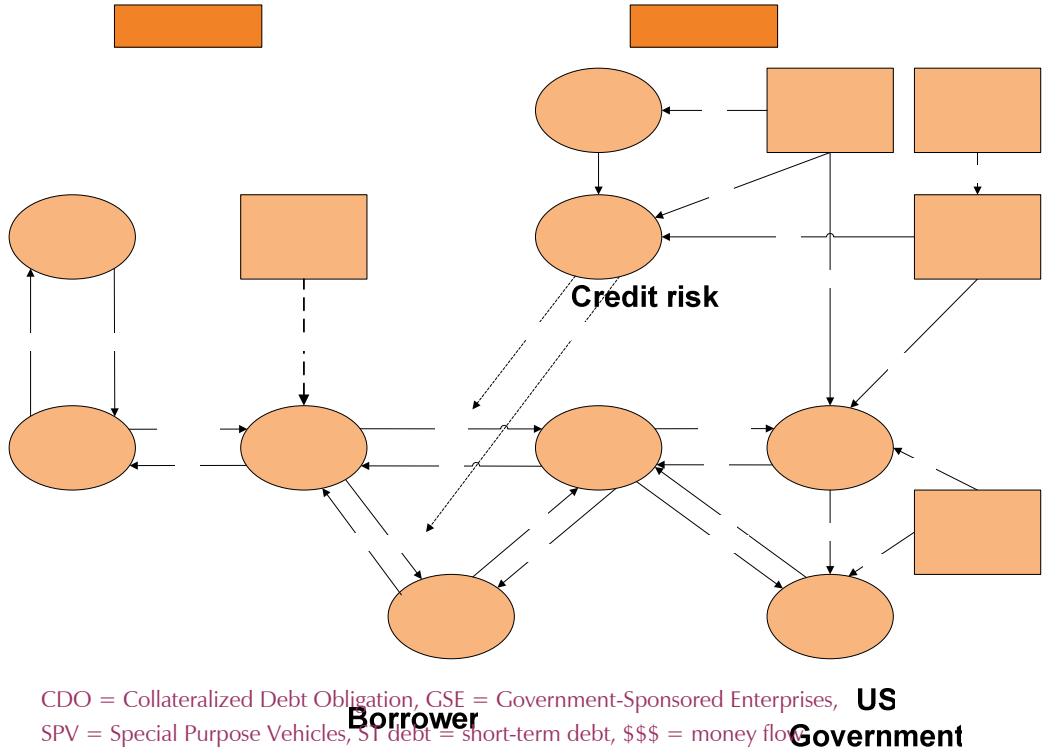
Liquidity Risk Management before and during the Global Crisis

Many definitions of liquidity risk exist; for example BIS (2008) defines banks´ liquidity as is the ability of the bank to fund increases in assets and meet obligations as they come due, without incurring unacceptable losses. This definition is related to the funding liquidity problems of the bank, but when defining liquidity in general, we should always distinguish its two main types: market liquidity defines how difficult is to trade assets while funding liquidity defines how difficult is to obtain funding. The liquidity management currently faces two challenges: to ensure availability of adequate sources of cost-effective funding and to ensure appropriate use of these sources. Moreover, liquidity management is getting to be more challenging as the new complex financial products and derivatives are used.

Liquidity Risk in the World Markets during the Crisis

Figure 1 illustrates that the pending crisis started as a credit crisis (from mid-2007 until August 2008) and later became a liquidity crisis (since September 2008). Although this figure is simplified (for example only Collateralized Debt Obligations (CDOs) and general Special Purpose Vehicles (SPV) structures are considered), it shows the main money flows during the crisis. We should note that the existence of US government guarantees on behalf of government-sponsored enterprises (GSEs) - Fannie Mae and Freddie Mac - have distorted the CDO market significantly. As a result of triple-A rated rating agency reviews, market players considered CDOs as safe financial instruments, even though they were backed by low-quality underlying assets such as subprime mortgages. Central banks reacted to the market stress and provided emergency liquidity (discount windows, extra credit lines, special currency swap agreements, bailouts etc.) into the financial system in order to refresh confidence among market players and stabilize the situation. For instance, as of June 2009 the European Central Bank (ECB) provided extra short-term facilities to banks worth EUR 340 billion compared to June 2007, while the Federal Reserve (FED) increased short-term financing to banks by USD 190 billion during the same period (IMF, 2009b). However, despite this central bank liquidity support and lower policy interest rates, the crisis has deepened and spread around the world to become a global economic crisis (Teplý, 2010b).

FIGURE 1: The credit and liquidity risk during the 2007-2009 crisis



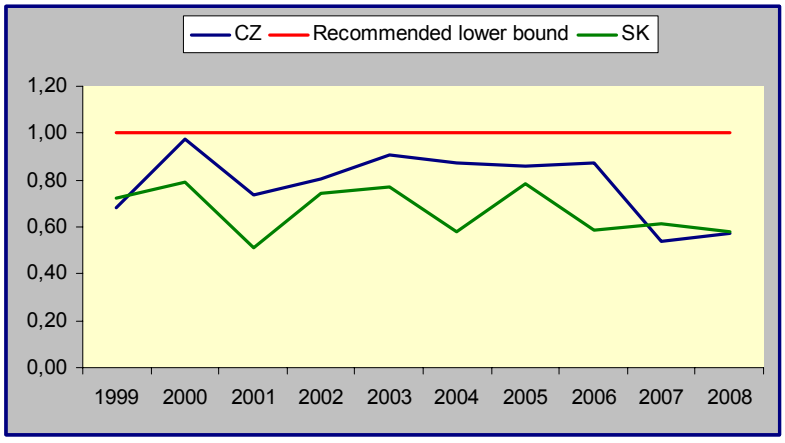
Notes: CDO = Collateralized Debt Obligation, GSE = Government-Sponsored Enterprises, SPV = Special Purpose Vehicles, ST debt = short-term debt, $$$ = money flow

Source: Teplý (2010a)

Liquidity risk in Central European banks during the crisis

In this section we analyze liquidity risk in Central European banks based on a liquidity ratio defined as a ratio between assets and liabilities with maturity up to three months that should show the ability of banks to cover sudden withdrawals of deposits. In theory, the ratio equalled to one indicates „the safest" bank, but in reality banks are not willing to keep that much of liquidity on their accounts as they try to minimize the assets not earning satisfying interest. For instance, in the Czech Republic and Slovakia we found that this ratio was lately on the level slightly under 0.6 (Figure 2). This ratio fell from 0.9 to 0.6 in 2007 in the Czech Republic, but still Czech bank were resilient enough to face the global upheaval without any serious problems.

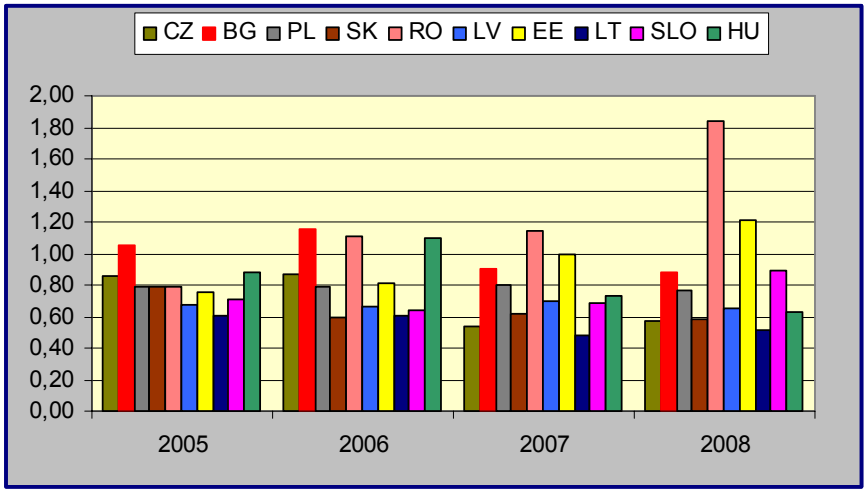
FIGURE 2: Averaged ratio of liquid assets (with maturity up to 3M) and liquid liabilities (with maturity up to 3M) of banks in Czech and Slovak banking sector



Source: Author's calculations based on Bankscope

When comparing these results with other CEE countries we can see that the ratios are mostly similar without any significant trend in the last four years (Figure 3). Besides the Czech Republic, a decreasing trend was observed in Hungary in the last years. On the other hand, banks in countries as Estonia and especially Romania significantly increased the ratio of liquid assets to liquid liabilities. Not surprisingly, the lowest ratio was reported in Lithuania in every year, i.e. in the country seriously hit by the crisis. On one hand, high liquid assets imply a high liquidity cushion of a bank. On the other hand, high liquidity ratios might indicate can be a sign of inefficiency of a bank. When looking at Romania, the banks held almost twice more liquid assets than liquid liabilities at the end of 2008; it seems to be more ineffective than cautious behaviour, even with the ongoing financial crisis and liquidity problems around the world.

FIGURE 3: Averaged ratio of liquid assets (with maturity up to 3M) and liquid liabilities (with maturity up to 3M) of banks in CEE countries, annual data (%)

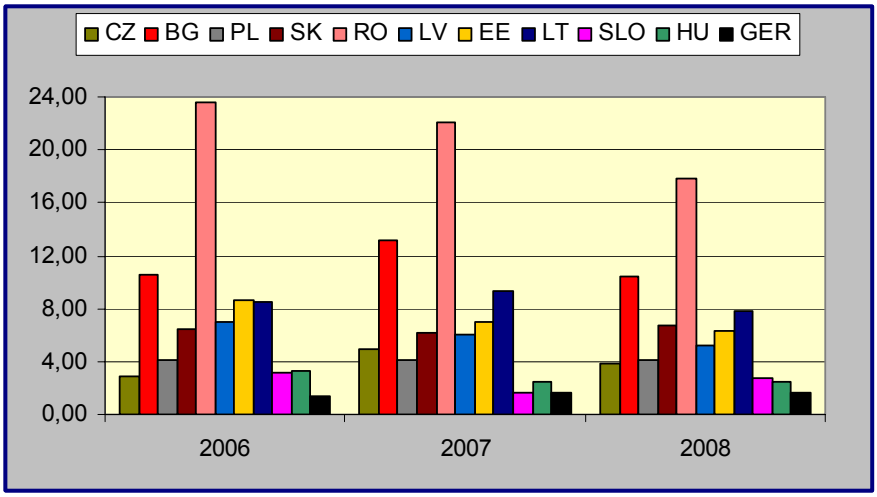


Note: BG = Bulgaria, CZ = Czech Republic, EE = Estonia, HU = Hungary, LV = Latvia, LT = Latvia PL = Poland, RO = Romania, SK = Slovakia, SLO = Slovenia

Source: Author's calculations based on Bankscope

Another liquidity indicator describing the liquidity position of a bank is a cash-to-total assets ratio (in other words the measure of the portion of bank's assets held in cash or marketable securities). For comparison with CEE countries we used TOP 100 German financial institutions and the UK as a benchmark. As an historical example we refer to a liquidity ratio in the UK where this ratio oscillated around 30-40 % in the 1920-1970 period with a dramatic fall in the beginning of 1980´s to 5 % (i.e. around the current levels of the ratio in the UK). On the other hand, German banks posted this liquidity ratio below 2% in the 2006-2008 period. When looking at CEE banks, many countries showed values of the ratio under 5 % - Slovenia (with an average 2.52 %), Hungary (2.75 %), Czech Republic (3.94 %) and Poland (4.12 %). On contrary, the highest levels were reported in Romania (21.16 %) and Bulgaria (11.39 %).

FIGURE 4: Averaged ratio: (Cash & Due from central banks) / Total assets in CEE countries and Germany in 2006-2008 (%)



Note: BG = Bulgaria, CZ = Czech Republic, EE = Estonia, GER = Germany, HU = Hungary, LV = Latvia, LT = Latvia PL = Poland, RO = Romania, SK = Slovakia, SLO = Slovenia

Source: Author's calculations based on Bankscope

Table 1 displays more detailed data of both mentioned liquidity ratios for each country, while reporting averaged ratios of the biggest banks according to total assets as of December 31, 2008. Last but not least, banks with the highest and the lowest averages are reported as well.

TABLE 1: Liquid assets / Liquid liabilities ratio and Cash and due from central banks / total assets ratio in CEE countries

Czech Republic	Bank	L.A. / L.L.	Cash/T.A. (%)
TOP 3 Average	Česká spořitelna	0.30	2.79
	ČSOB	0.48	2.70
	Komerční banka	0.52	2.18
Highest Average	Česká exportní banka	1.76	
Lowest Average	GE Money Bank	0.27	
Highest Average	PPF banka		5.26
Lowest Average	Českomoravská zar. a rozv. Banka		0.30
Bulgaria	**Bank**	**L.A. / L.L.**	**Cash/T.A. (%)**
TOP 3 Average	Unicredit Bulbank	0.95	10.61
	DSK Bank	0.65	9.60
	United Bulgarian Bank	0.67	12.26
Highest Average	Bulgarian Development Bank	3.11	
Lowest Average	Eurobank EFG Bulgaria	0.27	
Highest Average	Allianz Bank Bulgaria		26.86
Lowest Average	Investbank		5.78
Poland	**Bank**	**L.A. / L.L.**	**Cash/T.A. (%)**
TOP 3 Average	Powszechna Kasa Oszczednosci Bank	0.64	4.40
	Bank Polska Kasa Opieki	1.16	5.65
	BRE Bank	0.58	3.80
Highest Average	Noble Bank	1.32	
Lowest Average	Bank Zachodni WBK	0.23	
Highest Average	Fortis Bank Polska		14.81
Lowest Average	Nordea Bank Polska		0.62

Slovakia	Bank	L.A. / L.L.	Cash/T.A.(%)
TOP 3 Average	Slovenská sporiteľňa	0.48	6.62
	Všeobecná úverová banka	0.40	5.06
	Tatra banka	0.58	2.51
Highest Average	Prvá stavebná sporiteľňa	0.90	
Lowest Average	Všeobecná úverová banka	0.40	
Highest Average	Dexia banka		18.12
Lowest Average	Citibank Slovakia		0.13
Romania	**Bank**	**L.A. / L.L.**	**Cash/T.A.(%)**
TOP 3 Average	Banca Comerciala Romana	0.71	25.68
	BRD - Groupe Societe Generale	0.89	28.49
	Volksbank Romania	2.86	31.06
Highest Average	Alpha Bank	4.24	
Lowest Average	Raiffeisen Bank	0.70	
Highest Average	Volksbank Romania		31.06
Lowest Average	Alpha Bank		2.68
Latvia	**Bank**	**L.A. / L.L.**	**Cash/T.A.(%)**
TOP 3 Average	Swedbank	0.61	7.79
	Parekss banka	0.37	1.62
	SEB banka	0.61	6.54
Highest Average	Latvijas Tirdzniecibas Banka	1.11	
Lowest Average	Parekss banka	0.37	
Highest Average	Privatbanka		10.35
Lowest Average	Aizkraukles Banka		0.34
Estonia	**Bank**	**L.A. / L.L.**	**Cash/T.A.(%)**
TOP 3 Average	Swedbank	0.55	8.92
	SEB banka	0.55	5.84
	Eesti Krediidipank (E. Credit Bank)	0.83	1.86
Highest Average	Lohmus Haavel & Viisemann	2.05	
Lowest Average	Marfin Pank Eesti	0.26	
Highest Average	BIGBANK		10.27
Lowest Average	Eesti Krediidipank (E. Credit Bank)		1.86
Lithuania	**Bank**	**L.A. / L.L.**	**Cash/T.A.(%)**
TOP 3 Average	SEB banka	0.37	4.22
	Swedbank	0.66	5.28
	AB DnB NORD Bankas	0.27	4.06
Highest Average	UAB Medicinos Bankas	0.89	
Lowest Average	AB DnB NORD Bankas	0.27	
Highest Average	Bankas Snoras		29.65
Lowest Average	AB DnB NORD Bankas		4.06
Slovenia	**Bank**	**L.A. / L.L.**	**Cash/T.A.(%)**
TOP 3 Average	NLB - Nova Ljubljanska Banka	0.83	4.91
	Abanka Vipa	0.88	3.88
	UniCredit Banka Slovenija	0.83	0.86
Highest Average	Probanka Maribor	1.08	
Lowest Average	Gorenjska Banka Kranj	0.44	
Highest Average	NLB - Nova Ljubljanska Banka		4.91
Lowest Average	Volksbank-Ljudska Banka		0.63

Hungary	Bank	L.A. / L.L.	Cash/T.A.(%)
TOP 3 Average	OTP	0.40	4.49
	K&H bank	0.90	3.88
	CIB bank	0.46	2.61
Highest Average	FHB Jelzalogbank Nyrt.	1.90	
Lowest Average	OTP	0.40	
Highest Average	Allianz bank		6.53
Lowest Average	FHB Jelzalogbank Nyrt.		0.06

Note: L.A. = liquid assets, L.L. = liquid liabilities, T.A. = total assets
Source: Vrábel (2010)

Perspectives of liquidity management regulation

During the global crisis, inter-bank lending stalled and capital markets froze, resulting in a liquidity crisis that subsequently highlighted inadequate liquidity buffers and poor liquidity risk management within banks (Oliver Wyman, 2010). As a consequence, liquidity risk management regulation needs to be revised. The already-mentioned liquidity coverage ratio proposed by BCBS is one of the first new regulatory liquidity standards for financial institutions expected in the future (Table 2). However, global coordination of liquidity standards is needed otherwise there could be an overall cost to a country or region's attractiveness from more aggressive regulation underpinning competitiveness of financial institutions affected by this regulation.

TABLE 2: Perspectives of liquidity management regulation

Regulatory topic	Possible future action	Implications	Examples
Liquidity measurement	Prescriptive measurement methodology and stressed parameters per product	Significant upgrade of data gathering, liquidity measurement and MIS* system capabilities	Europe: CEBS** guidance to compute stressed liquidity position by projecting cash/collateral flows
Intra-day, intragroup liquidity management	- Demonstrate self-sufficiency across all group entities - Buffers/commitments to withstand severe intra-day stress	- Need to quantify liquidity risk contribution by each group entity and account for trapped liquidity - Management of intraday exposure across settlement/payment systems	UK: FSA*** guidance on measurement and management of intra-day and inter-group liquidity management as part of a bank's systems/controls requirements
Contingency planning and liquidity buffers	Formulaic specification of contingency/buffer requirements	- Construction of liquidity buffer from diversified set of highly liquid assets, capability to execute contingency plans under stress - Regional parameter calibration	Switzerland: SNB**** outline on increased liquidity buffers across wholesale and retail funding to be finalized by Q2 2010
Liquidity systems, controls and governance	Inclusion of regulatory oversight on an operational basis	Establish and demonstrate robust capabilities to measure and monitor evolving liquidity situation with senior management oversight	USA: Inter-agency guidance on liquidity management including corporate governance, strategies, policies, procedures and risk limits
Liquidity viable business models	- Forced separation of business areas to isolate and contain liquidity risks - Limitations on asset options available	- Implied shift in the source and maturity of funding and assets held by institutions - Quantification and inclusion of liquidity premium in pricing	Global: BCBS*****consultation paper outline on differential buffer requirements (e.g. wholesale vs. retail funding)

Notes: *MIS = Management Information System, **CEBS = Committee of European Banking Supervisors, FSA***= Financial Services Authority, ****SNB = Swiss National Bank, ***** BCBS = Basel Committee on Banking Supervision
Source: Author based on Oliver Wyman (2010)

Methodology

For the creation of a new market liquidity index for Slovakia we follow Gersl and Komarkova (2009), who developed an overall liquidity index for the Czech financial market based on the methodology applied by major central banks such as ECB (2007) or Bank of England (2007). Gersl and Komarkova (2009) set five dimensions for four types of markets – money, foreign exchange (FX), bonds and the stock market. The first dimension –tightness of the markets– is measured by the narrowness of bid-ask spreads on the markets: the spread between Prague Interbank Offered Rate (PRIBOR) and Prague Interbank Bid Rate (PRIBID) on the money market, the exchange rate with four main world currencies on the FX market, bid/ask spread of government bonds on the bond market and spreads of stocks to the PX index on the Prague Stock Exchange. The second dimension –market depth– is measured by daily turnovers in the markets except the FX market, while the third dimension –market resiliency– is measured by a return-to-volume ratio defined as daily changes in volume of traded bonds (stock prices respectively) to daily turnovers on bond markets (stock markets respectively). The fourth dimension –liquidity premium– is defined as spreads between alternative assets with different degrees of liquidity. Fifthly, volatility is measured as 30-day historical volatility of the Czech Overnight Index Average (CZEONIA) index for the money market, of CZK/EUR exchange rate for the FX market, of 10-year benchmark bond yield for the bond market and as volatility of the PX index for the stock market. This indicator is also connected to market resiliency, where higher volatility implies higher potential changes in asset prices. Gersl and Komarkova (2009) calculate four specific indicators for each of four markets with respect to five dimensions.

For instance, Gersl and Komarkova (2009) constructed the Market-based funding liquidity (MIFL) indicator with the use of adjusted bid (AB) defined as:

$$AB_{it} = \frac{(\text{repo rate}_t - \text{bid rate}_{it}) * \text{volume}_{it}}{\text{total volume}_t}$$

then the MIFL indicator of a bank for given time span equals to:

$$MIFLi = \log\left[\frac{1}{\sum_{t=1}^{T} AB_{it} + \varepsilon}\right]$$

where ε is a non-zero constant that ensure the existence of inverse value in every case, but also set the range or the highest value that can this indicator reach. This highest value is reached „if a bank (or banks for the day's MIFL) enters repo tenders with the CNB at the limit rate, i.e. the highest possible rate (Gersl and Komarkova, 2009, p.585).

When creating a new market liquidity index for the Slovak financial market (named as VT index after author and co-author of this study), we use a similar approach applied by Gersl and Komarkova (2009). However, not all data were available for all four markets (money, foreign exchange, bond and stock markets) and for all five dimensions (tightness, depth, resiliency, volatility and liquidity premium). As Table 3 demonstrates, all five dimensions have their own indicators only in the case of the money market.

TABLE 3: Variables used for the calculation of the VT index

Dimensions	Description	Money Market	FX Market	Bond Market	Stock Market
Tightness	Bid-ask spreads	O/N,1W,2W, 1M,2M,3M (Spread BRIBOR vs BRIBID)	-	-	-
Depth	Daily Turnover	SKONIA volume	-	Total daily bonds trading volume on Stock market Bratislava	Total daily stock trading volume on Stock market Bratislava
Resiliency	Return-to-volume ratio	Daily change in SKONIA index/daily turnover	-	-	-
Volatility	30-days historical volatility	SKONIA index	SKK/USD	-	SAX Index
Liquidity Premium	Spreads between assets with different degree of liquidity	2W BRIBOR and NBS 2w repo rate	-	-	
Indicator		MM indicator	FX indicator	BM indicator	SM indicator
		Market Liquidity Indicator			

Note: O/N = overnight, W = week, M = month, BRIBOR (BID) = Bratislava InterBank Offered (Bid) Rate, SAX Index = main stock price index of the Bratislava Stock Exchange, SKK = Slovak Koruna, USD = United States Dollar, SKONIA = SlovaK OverNight Index Average

Source: Author based on Gersl and Komarkova (2009)

Based on limited data availability we assigned specific weights on the sub-indices that create the market liquidity indicator (VT index): the Money market indicator (MMI) has a weight of 2.0 (5 indicators available), the Stock market indicator (SMI) has a weight of 1.0 (3 indicators available), while the Foreign exchange indicator (FXI) and the Bond market indicator (BMI) were assigned by a weight of 0.5 (1 indicator available only). Market liquidity indicator (MLI) is then defined as:

$$MLI = \frac{2.0 * MMI + 1.0 * SMI + 0.5 * FXI + 0.5 * BMI}{4} \quad \ldots (1)$$

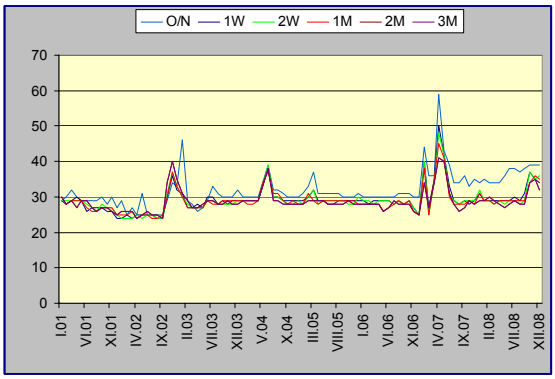
Empirical Findings

In this part we present empirical findings of our research. We have gathered data from public available sources such as the National Bank of Slovakia (NBS) and the Stock Exchange Bratislava (BSSE) for Slovakia and the Czech National Bank (CNB) Prague Stock Exchange (PSE) for the Czech financial market (for comparison of the Slovak and Czech market). For every out of four markets we finally get a standardized time series from 1 January 2003 to 31 December 2008, i.e. covering both the pre-crisis period (until August 2008) and the liquidity stress period (September – December 2008). The original data were available daily but they were averaged to get the same duration for all factors enabling the calculation of monthly historical volatilities of these factors and consequently the creation of the market liquidity indicator (called the "VT index").

Tightness of the money market was calculated through spreads between Bratislava Interbank Offering Rate (BRIBOR) and Bratislava Interbank Bidding Rate (BRIBID) for the six lowest maturities. These six spreads were standardized, as all of the factors in the sub-indices, to

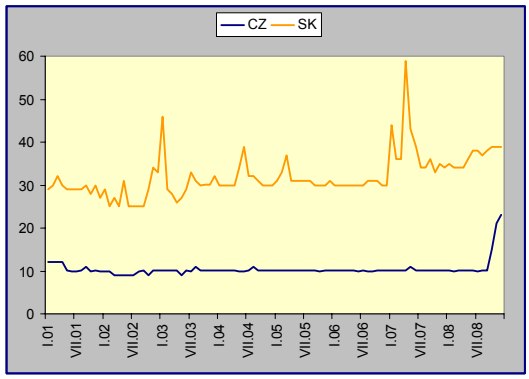
normal distribution with a mean 0 and a standard deviation 1 and then averaged to get a measure for tightness of the money market. Figure 1 shows that spreads oscillated around 30 basis points (bps) in the 2001-2008 period. The movements of all six in steady periods were close to each other with one exception - the O/N spread in times of bigger oscillation (1Q 2003, 3Q 2007, 4Q 2008) differs from other spreads. In early phase of the crisis in April 2007 the O/N spread widened from 36 to 59 bps and did not return to the initial level from early 2000s. The market liquidity stress in August 2008 affected money markets resulting in higher spreads on the Slovak money market. Figure 2 shows that the spread oscillation in the Slovak interbank sector was much higher than in the Czech Republic. Moreover, spreads in Czech Republic are three times smaller. On the other hand, Czech spreads soared dramatically compared to Slovak ones in 4Q 2008 indicating that Slovak spreads already reflected higher market uncertainty while Czech spreads did not. Moreover, the Czech money market seemed to be less risky than the Slovak market what could be seen also from lower Czech CDS spreads over government bonds at that time.

FIGURE 1: Spread between BRIBOR and BRIBID (Slovakia) in 2001-2008 (monthly averages, in bps)



Source: Author based on the NBS

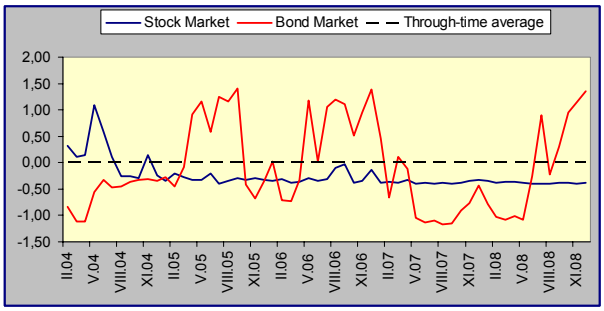
FIGURE 2: Spread between O/N PRIBOR and O/N PRIBID and Spread between O/N BRIBOR and O/N BRIBID in 2001-2008 (in bps)



Source: Author based on the NBS

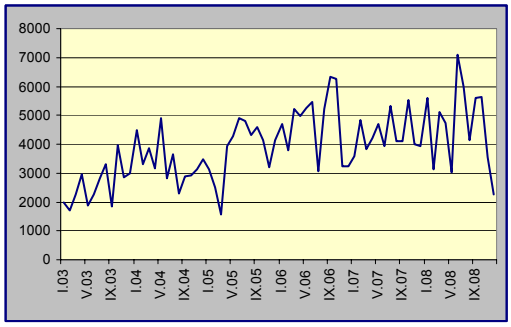
Market depth is measured by SKONIA volumes for the money market and by total trading volumes in both bond and stock markets. The higher trading volume should represent higher market depth implying better liquidity conditions. Trading volumes in bond and stock markets were calculated as an average daily volume for each month. **FIGURE 3** demonstrates standardized values for both markets in the 2004-2008 period. The upper part of noticeable "cycle" started in May 2008 followed by a sharp drop in August of the same year. This increasing trend continued also in the rest of 2008 during the period of worldwide liquidity stress. SKONIA volume development was deteriorating in the second half of 2008 (Figure 4). After reaching its highest value of 7,084 in June 2008, it fell down to 2,248 in December 2008 indicating higher liquidity uncertainty of the Slovak financial market.

FIGURE 3: Average daily trading volume of Shares and Bonds in February 2004 - December 2008 (standardized - *N(0,1),* monthly data from as standard deviation from periods´ average)



Source: Author based on the NBS

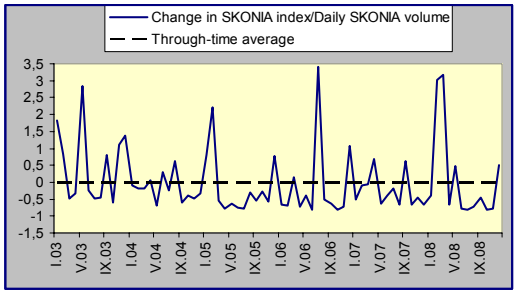
FIGURE 4: SKONIA volumes in January 2003 – December 2008 (monthly data)



Source: Author based on the NBS

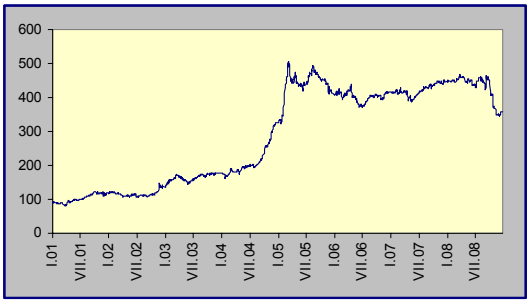
The indicator for market resiliency was defined for the money market as daily changes in the SKONIA index over a daily turnover. In general, the amount of daily trading volume should have a higher impact on the price under tightened liquid conditions on the market. In the observed period, the higher daily change of the SKONIA index with respect to the daily trading SKONIA volume, the more illiquid is the money market (Figure 5). Market volatility was measured by 30-day historical volatilities calculated as a standard deviation from an average in each month. For the money market we used the SKONIA index, while for the FX market we have chosen the exchange rate of SLK/USD (Slovakia adopted Euro as of 1 January 2009, so we have opted for USD instead of EUR in order to some observe market volatility at the end of 2008.). Stock market volatility is defined by volatility in the SAX index. The more volatile is the indicator, the less liquid is the market. Figure 6 shows that the SAX index the index reached the record level of 478.97 in May 2005. However, during the time of liquidity stress the index plunged from 458.78 in August 2008 to 352.47 in December of the same year. On the other hand, volatility of the SKONIA index stood at the same level at that time (Figure 7).

FIGURE 5: Daily changes of SKONIA index/ SKONIA volume in January 2003 - December 2008 (standardized - *N(0,1),* monthly data from as standard deviation from periods´ average)



Source: Author based on the NBS

FIGURE 6: The SAX index in January 2001 – December 2008 (daily data)

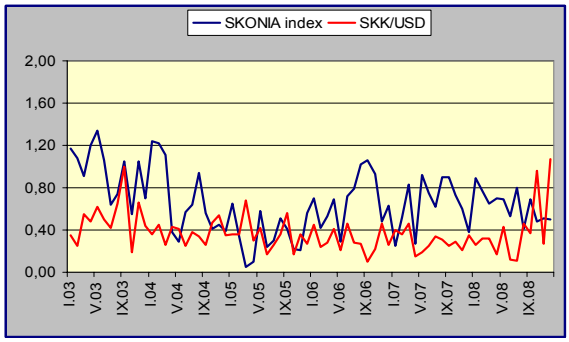


Source: BSSE

We calculated liquidity premium for the money market as a spread between 2W BRIBOR and 2W REPO rate set by the NBS. The wider the spread, the higher liquidity premium is requested and the market is less illiquid (Gersl and Komarkova, 2009). Figure 8 illustrates that the spread in the Czech Republic are more steady than the one in Slovakia. At the end of 2008 the spreads moved in different direction in both countries, however. While the Czech Republic recorded a steep increase indicating lowering liquidity, the Slovak spread was falling only slightly, which

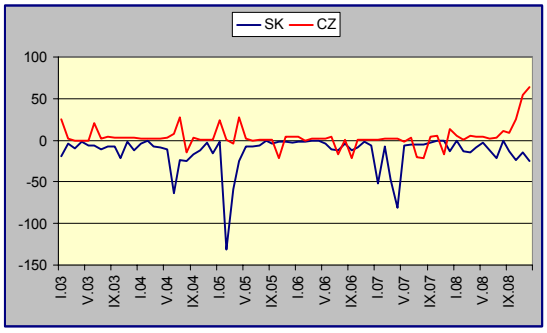
corresponds to the above-mention discussion on spreads on interbank markets (Figure 2). Another reason might be connected with Euro adoption in Slovakia as of 1 January 2009, because in late 2008 Slovak repo rates were already synchronized to the repo rates of the ECB.

FIGURE 7: 30-day historical volatilities of SKONIA index and SKK/USD and of the SAX index in January 2003 - December 2008 (monthly data)



Source: Author based on NBS and BSSE

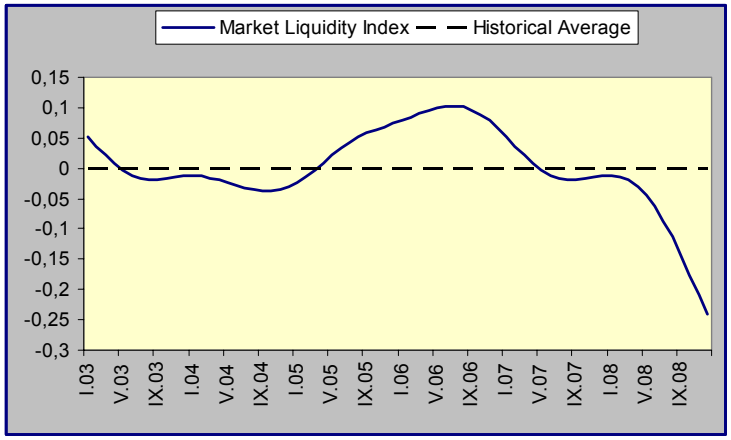
FIGURE 8: Spread between 2W BRIBOR and 2W Repo Rate (NBS) in Slovakia and spread between 2W PRIBOR and 2W REPO Rate (CNB) Jan 2003-Dec 2008, monthly data



Source: Author based on NBS

In the last stage of our empirical analysis, we get a standardized time series for every market in the period of 1 January 2003 – 31 December 2008 through using the Hodrick-Prescott filter. After getting a smoothed time series, we applied Equation (1) and got an overall market liquidity index for the Slovak financial market (VT index), defined as a standard deviation from historical average (Figure **9**). Evolution of the VT index looks very similar to the index for the Czech financial market developed by Geršl and Komarkova (2009, p.587). The VT index started to fall in the first half of the year 2008 and continued to fall after Lehman Brothers' collapse in September 2008. When comparing to the Czech market, Slovakia reported a smaller magnitude of decrease of the VT index, what corresponds to our previous findings.

FIGURE 9: The VT index development in 2001-2008 period



Source: Author´s calculations based on Vrábel (2010)

Summary of findings and limitations of the research

However, due to limited data available our research has been done only until the end of the year 2008 and based on fewer indicators than used by Geršl and Komarkova (2009), what affected our conclusions. When constructing the VT index, we assigned different weights for each market mainly due to the missing data for the Slovak bond market, which partially reverse the decrease of this index at the end of 2008. As a consequence, one could argue that

the decrease of the VT index should have been a little stronger. The highest weight was put on the money market, where the fall in the index was mainly driven by higher bid-ask spreads and a fall in SKONIA volumes. The other factors decreasing the deterioration of the index were higher volatilities of the SAX index on the stock market and of the SKK/USD exchange rate on the FX market. Not surprisingly, the VT index decreased in 2008 indicating tightening liquidity conditions on the Slovak financial market. On the other hand, the Slovak banking sector was resilient due to the relatively strong macroeconomic fundamentals of the Slovak economy.

This proves the fact that the Slovak financial markets has not been strongly affected by the liquidity crisis in late 2008 (NBS, 2009), which was caused by several reasons. Firstly, Slovak banks held a minimum amount of toxic assets, partly because of the strong focus on a traditional banking business deposit-loan model (demonstrated through a lower loan-to-deposit ratio of Slovak banks), and partly due to a limited exposure allowed by their parent Western European banks. Secondly, Slovak banks have provided less FX loans to their clients than other CEE countries such as Hungary or Baltic states and recorded lower private credit growth than these countries in the pre-crisis period. Last but not least, Slovakia did not report significant external macroeconomic imbalances in terms of current account deficit and government indebtness. All these factors have contributed to the resiliency of the Slovak economy during the global turmoil and although market liquidity deteriorated, it did not cause huge liquidity problems for individual financial institutions in Slovakia and no bank runs occurred.

Despite the above-mentioned findings, there are still several ways in which our research can be improved. Firstly, the research provided on other Central European countries may reveal interesting facts about different liquidity risk features among these countries. Secondly, a similar paper can be done on a larger sample of data (we used the monthly data covering the 2001-2008 period) and using more variables in dimensions in four markets. Finally, other research might include other econometric methods such as a panel data analysis and others.

Conclusion

The pending global economic upheaval started as a credit crisis from mid-2007 until August 2008, later a liquidity crisis occurred from September 2008 until December 2008 followed by a global crisis since early 2009. In this paper we focused on liquidity risk management before and during the pending crisis. As a consequence of the liquidity crisis, liquidity risk management regulation needs to be revised. We see five main issues to be updated in coming years: liquidity measurement, intra-day and intra-group liquidity management, contingency planning and liquidity buffers, liquidity systems, controls and governance, and finally liquidity viable business models.

We developed a new market liquidity index for the Slovakia (called VT index) based on the calculation of using traditional indicators of market depth, resiliency, tightness, volatility and liquidity for four markets (money, foreign exchange, bond and stock market). Evolution of the VT index looks very similar to the index for the Czech financial market developed by Geršl and Komarkova (2009). Although the research is done as a case study on Slovakia, its basic idea might be easily applied to other countries as well. The VT index started to fall already in the first half of the year 2008 and continued to fall after Lehman Brothers' collapse in September 2008.

On the other hand, the Slovak banking sector was resilient due to relatively strong macroeconomic fundamentals of the Slovak economy. This proves the fact that the Slovak financial markets per se has not been strongly affected by the liquidity crisis in late 2008, what was caused by several reasons. Firstly, Slovak banks held a minimum amount of toxic assets, partly because of the strong focus on a traditional banking business deposit-loan model and partly due to a limited exposure allowed by their parent Western European banks. Secondly, Slovak banks have provided less FX loans to their clients than other CEE countries and recorded lower private credit growth than most of these countries in the pre-crisis period. Last but not least, Slovakia did not report significant external macroeconomic imbalances in terms of current account deficit and government indebtness. All these factors have contributed to the resiliency of the Slovak economy during the global turmoil and although market liquidity deteriorated, it did not cause huge liquidity problems for individual financial institutions in Slovakia.

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The Pending Global Crisis: A Dark Future ahead of US?

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Abstract

While the details of financial crises may change over time, their essence remains the same; these crises are recognized by a cycle of abundant liquidity, rapid credit growth, and a low-inflation environment followed by an asset-price bubble implosion. Understanding the underlying weaknesses inherent in these bubbles has been a hard lesson for market participants to learn, but the most important lesson is how to prevent crises from repeating. The current market turbulence began in the mid-2000s when the US economy shifted to an unbalanced macroeconomic position. By 2007, mounting defaults in the US sub-prime mortgage market led to US market instability, unleashing a global fiscal contagion that spread around the world, roiling markets and causing world economic upheaval. This contagion led to, for example, the nationalization of big financial institutions, bank failures, the end of an era in investment banking, increased federal insurance on banking deposits, government bailouts and opportunistic investments by sovereign wealth funds. In this paper, we discuss the history, macroeconomic conditions, and milestones of the US mortgage crisis that later resulted in the global liquidity and credit shortages and provide an ethics-based platform for deriving preventative strategies. Specifically, we describe key investment banking and risk management practices that exacerbated the impact of the crisis, such as relying on an originate-to-distribute model, risk-shifting, securitization techniques, ratings processes and the use of off-balance sheet vehicles. Consequently, we address key lessons for risk management derived from the current crises and recommend policies that should help diminish the negative impact of future potential crises. In addition, we present an ethics-based platform for students, academics and professionals to progress into the necessary ethical and judgment-oriented didactic models that will ultimately serve to impede many of these crises from arising in the future.

Introduction

In 2007, the sub-prime mortgage crisis undermined the stability of the US financial market, resulting in global credit and liquidity shortages and impacting the world financial market. In this paper, we discuss the history, macroeconomic conditions, and milestones of the US mortgage crisis. We also describe key investment banking and risk management practices that exacerbated the impact of this crisis, such as the industry's reliance on ratings assessments, an originate-to-distribute model, risk-shifting, securitization techniques, and the use of off-balance sheet vehicles. Moreover, we address key lessons for risk management derived from the current global market turbulence and recommend policies that should help diminish the negative impact of future potential crises.

Nepalese Academy Of Management
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VOLUME 2, NUMBER 1, 2011
PP. 221 - 233

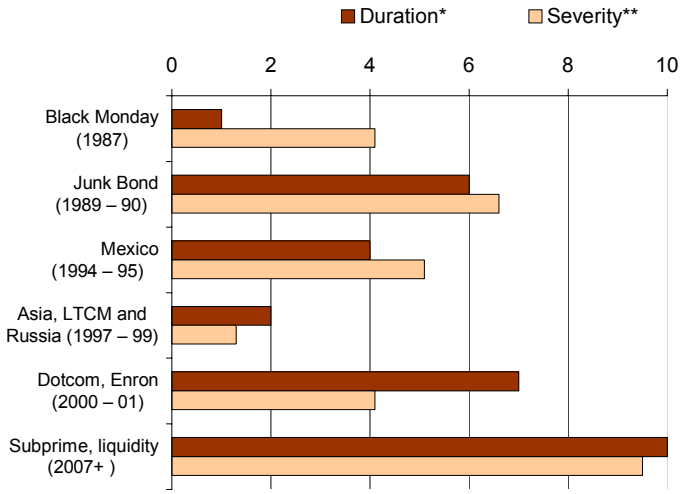
This paper is organized as follows: after a brief introduction, we describe the background of the 2007 crisis (history of the US mortgage market, milestones of the crisis and key principles of securitization). In section three, we define key market players, risks and relevant risk management issues. The fourth section presents both negative and positive lessons emerged from current financial problems, and discusses the role of ethics in preventing a future crisis. The fifth section reviews how troubles of a virtual economy might affect a real economy in the US and subsequently spill over to the rest of the world. Finally, in conclusion we summarize the main points of the paper and state final remarks.

Background of the Crisis

Comparison of the Current Crisis with Other Crises

Before discussing the main aspects of the 2007-9 crises, we provide the historical context needed to better understand the issues. When compared to other financial crises (see Figure 1), the 2007-9 turmoil has caused serious problems for many institutions around the world and resulted, among others, in the end of an era in investment banking.

FIGURE 1: Impact of recent capital-market crises on investment banks



Notes: *Number of quarters till earnings at pre-crisis levels, ** Earnings lost, number of pre-crisis-quarter earnings
Source: Morgan Stanley, Oliver Wyman

When comparing the dot.com bubble implosion in late 1999 and the 2007-9 crisis, it is evident that both crises accounted only for relatively-low market shares in US market capitalization (6% of US equities market capitalization in 1999) and securitized mortgage debt outstanding in the US respectively (14% share in 2007). However, the consequences of these crises affected the whole economy and world financial markets significantly, in addition to eroding assets. Specifically, the dot.com bubble was followed by a 49% fall in the S&P 500 index over the next two and a half years (and a recession), while the latter crisis caused a US market crash and roiled world financial markets, initiating a recession and threatening the US with a full-scale economic depression (Teply, 2010).

Macroeconomic Imbalances in the US

No economy can live perpetually beyond its means and the case with the US proves this theorem. Both an increasing current deficit, as well as growing consumption (spurred by outsized US consumer demand and reliance on credit), led to negative consequences such as low savings, hazards in the financial markets and unrealistic goals of consumption and home

ownership for low-income borrowers leading to an increased demand for mortgages and credit in the US. Last but not least, the Federal Reserve's (FED) monetary policy supported this imbalance by maintaining low interest rates that fostered excessive borrowing, as discussed below.

First, in the period from 1995-2006, the US current account deficit jumped from 1.5% of GDP to 6% and was financed through foreign market lenders who hold dollars as the world's reserve currency.[6] The question remains if such unrestrained borrowing is sustainable.

Second, in the mid-1990s, the shift in US consumers' preferences caused another problem – the consumers started to prefer asset-based savings (e.g. home equity) to income-based savings. As a result, US personal consumption rose by 3.5% p.a. in the real terms in the period from 1994 to 2007, becoming the highest increase in a protracted period for any economy in modern history (Roach, 2008). Between the years of 1997 to 2007, household sector indebtedness jumped from 90% to 133% of disposable personal income. Moreover, the ratio of personal consumption on the US GDP grew from 67% in 1997 to 71% in 2007. However, the decline in the US household consumption might cause problems to Asia's export-led growth dynamic, which is highly-dependant on continued exports to the US.

The History of US Mortgage Market

Although the problems in the US mortgage market first surfaced in 2005, the underlying problems really started earlier, for example, in 1977, when the US Government enacted a new federal law called the Community Reinvestment Act (CRA) (see Table 1). The CRA changed credit standards for the US commercial banks and savings associations since it now required the provision of loans for the whole market, specifically encouraging low- and moderate-income loan applicants. In 1995, the credit standards were further eased as new US regulation required banks to provide more loans to low-income borrowers (in terms both the number and aggregate dollar amount) or risk serious sanctions. These government regulations fuelled further risky lending which later resulted in massive balance sheet writedowns on the lenders' financials as the borrowers faced default.

TABLE 1: Background milestones of the mortgage crisis

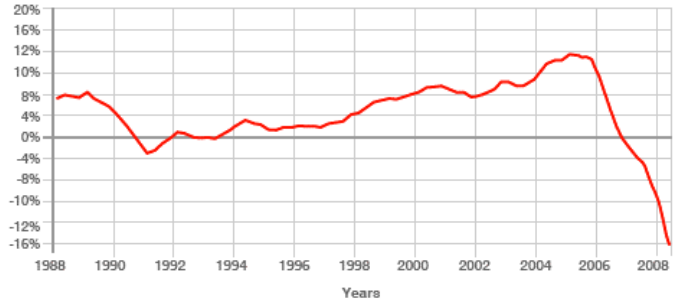
Year	Event	Short description
1977	Community Reinvestment Act (CRA)	Relaxing lending standards -> mortgages for "everyone"
1995	Introduction of systematic ratings of banks in terms of CRA compliance Permission of securitization of CRA loans containing subprime mortgages	Loosing credit standards for banks -> more loans to low-income borrowers
1997	First securitization between Union Bank (later taken over by Wachovia) and Bear Stearns (later taken over by JPMorgan)	This securitization started a wave of similar transactions/ investment structures
2003	Guarantees from US government to Federal National Mortgage Association (Fannie Mae) and Federal Home Loan Mortgage Corporation (Freddie Mac)	Explicit guarantees -> lower risk -> issuance of debt with lower rates than competitors
Mid 2005	Surging delinquencies on US sub-prime adjustable-rate mortgages (ARM)	Delinquency rates are good harbingers of future foreclosure rates
Mid 2006	Falling house prices in the US Homeowners' equity started declining	Higher loan-to-value ratio (best predictor of future defaults) Higher delinquency rates on both sub-prime and prime mortgages

Source: Authors based on Zeleny (2008) and ECB (2007)

6. Some researchers were talking about a new "Bretton Woods II" arrangement, whereby "surplus savers such as China could forever recycle excess dollars into US assets in order to keep their currencies competitive and their export-led growth models humming" (Roach, 2008).

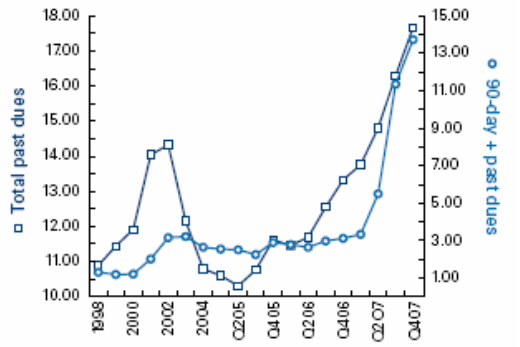
By mid-2005, the US market saw increasing delinquency rates on sub-prime adjustable-rate mortgages (ARM), which historically has been a good predictor of future foreclosure rates. Consequently, in mid-2006, the situation deteriorated as the US housing prices started to fall (see Figure 3) and delinquency rates surged on sub-prime mortgages (see Figure 4) and later also on prime mortgages (to a lesser extent).

FIGURE 2: US house prices in 1998-June 2008



Source: S&P/Case Shiller

FIGURE 3: The US subprime mortgage delinquency rate in 1998-2007



Source: ADL (2008)

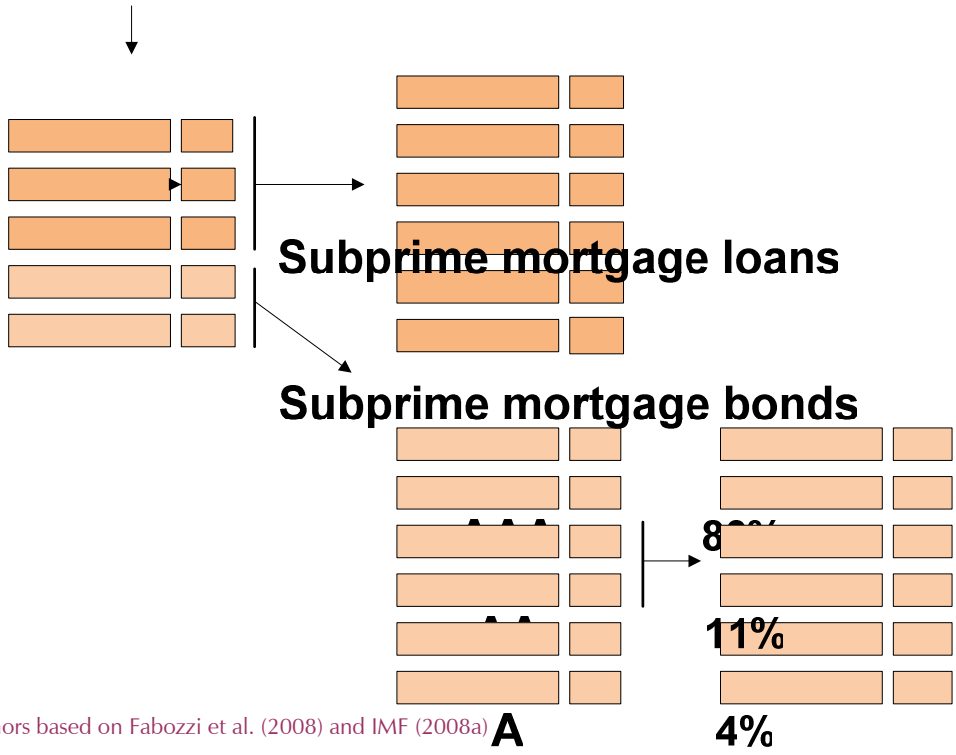
Securitization

Securitization is a modern financial process whereby cash flows from traditional bank assets (for example, mortgages or receivables from credit cards) are pooled and repackaged into securities that are then sold to investors. An example of securitization is the asset-backed securities (ABS) markets, which in 2007 exceeded $2.4 trillion (see Figure 5). With securitization, a bank can issue a bond with pooled assets serving as collateral, but the credit rating assigned to the new security is based on the reserve requirements, often leading to AAA rated securities. Meanwhile, the assets are included in any computation of the bank's capital ratio. However, the essence of securitization is that banks can avoid these constraints if a separate entity is established (special purpose vehicle or SPV). The bank sells then the asset pool to the SPV, which pays for the assets from the proceeds of the sale of securities[7].

Figure 4 explains main principles of securitization and implicates that, among others, mezzanine structured-finance CDOs with AAA rating were backed by subprime mortgage bonds below BBB rating.

7. For more details about securitization see Fabozzi, Kothari (2008) or Mejstrik, Pecena, Teply (2008).

FIGURE 4: Matryoshka – Russian Doll: multi-layered structured credit products



Source: Authors based on Fabozzi et al. (2008) and IMF (2008a)

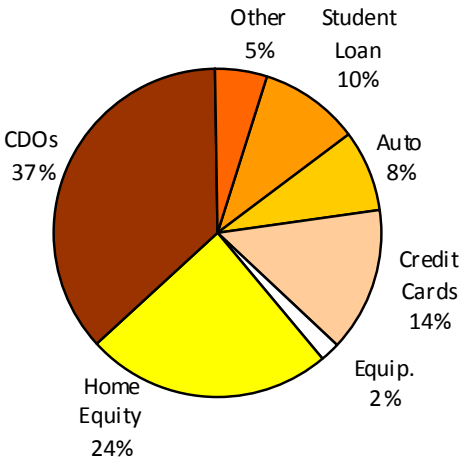
Figure 5 demonstrates that the global issuance of bonds backed by mortgages saw a rapid annual growth until the year 2005. However, not only mortgages have been securitized; Figure 6 depicts how securitized credit card receivables amounted 14% (USD 346 billion) of total ABS outstanding in the US in 2007, while securitized auto loan receivables reached 8% (USD 198 billion).

FIGURE 5: Global issuance of bonds backed by mortgages in 1995-2008



Source: Bank of England

FIGURE 6: ABS outstanding by collateral in the US as of the end of 2007 (total = USD 2,472 billion)



Source: Authors based on SIGMA

Risk Management During the Crisis

Key Market Players

Before presenting risk management lessons, the key players during the 2007-9 global financial turmoil need to be identified. We have divided these players into six groups: mortgage originators, risk shifters/transformers, investors, insurers, rescuers and others (see Table 2).

TABLE 2: Key players during the crisis

1. Mortgage originators
- Lenders
- Commercial banks

2. Risk shifters/ transformers
- Commercial banks
- Investment banks/prime brokers
- Government-sponsored enterprises
- SPVs (ABCP/SIV/conduits)*

3. Investors
- Commercial banks
- Investment banks
- Hedge funds
- Pension funds
- Insurance companies
- Investment funds
- Private investors

4. Insurers
- Insurance companies
- Monoline insurers
- Reinsurence companies

5. Rescuers
- Central banks
- Governmental institutions
- Sovereign wealth funds
- International Monetary Fund
- Private investors

6. Others
- Rating agencies
- US government
- Regulatory bodies

* ABCP = asset-backed commercial paper, SIV = structured investment vehicle

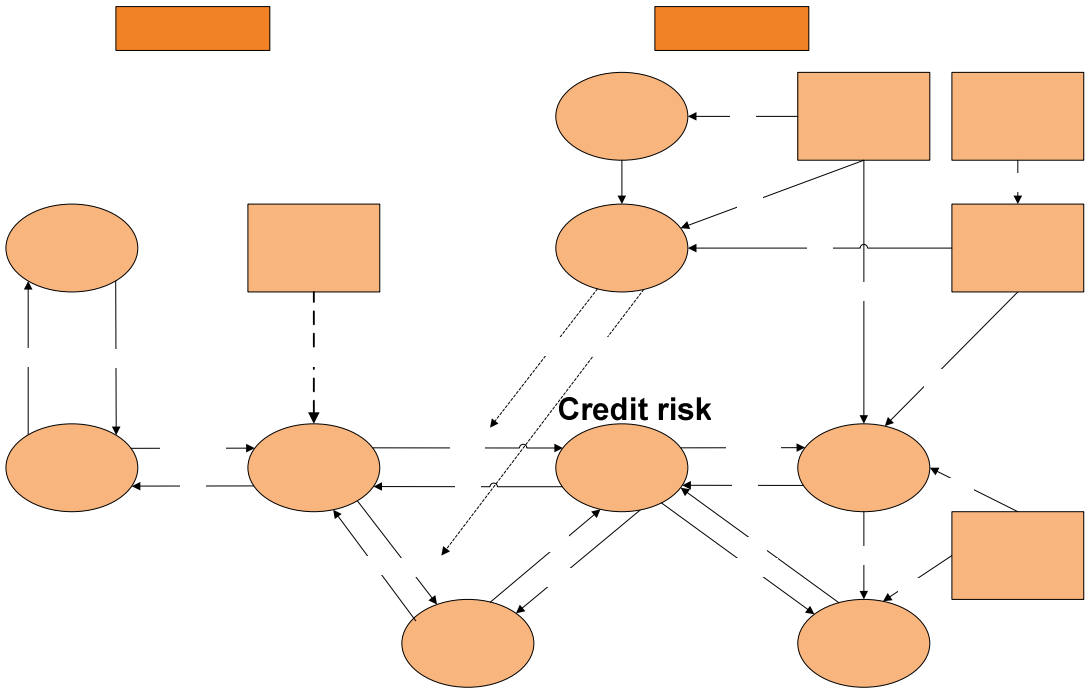
Source: Authors

Main Risks Involved

As Figure 12 indicates, the pending crisis started as a credit crisis (from mid-2007 until August 2008) and later became a liquidity crisis (since September 2008). Although this figure is simplified (e.g. only CDOs and general SPV structures are considered), it shows the main money flows during the crises. We should note that the existence of US government guarantees on behalf of government-sponsored (GSE) - Fannie Mae and Freddie Mac - have

distorted the CDO market significantly. As a result of these state guarantees, market players considered CDOs as safe financial instruments, although they were actually backed by low-quality underlying assets such as subprime mortgages.

FIGURE 7: The credit and liquidity risk during the pending crisis



Source: Authors

Other than credit and liquidity risks, risks such as operational, market, off-balance sheet, contagion, systematic, regulatory and globalization risk have materialized concurrently (Table 3). We should note that only credit, market and operational risks are covered in Basel II requirements, while the others are not.

TABLE 3: Risk typology

Risk	Short description	Example
Credit	Risk to a financial institution of losses resulting from the failure of a counterparty to meet its obligations in accordance with the terms of a contract under which the financial institution has become a creditor of the counterparty	Default of mortgage borrowers Bankruptcy of Lehman Brothers
Liquidity	The probability of a situation when a financial institution cannot meet its proper (both cash and payment) obligations as they become due.	Overall lack of liquidity in inter-bank markets
Operational	Risk to a bank of loss resulting from inadequate or failed internal processes, people and systems, or the risk to a bank of loss resulting from external events, including the legal risk	Mortgage frauds by dealers Misconduct of managers
Market	Risk to a financial institution of losses resulting from changes in prices, exchange rates and interest rates on the financial markets	Sudden increase in interest rates
Off-balance sheet	Risk that off-balance assets/liabilities appear on a balance sheet of a financial institution	Off-balance sheet SPVs became balance-sheet items
Contagion	Risk of a negative indirect impact of other financial institutions on a financial institution itself the transmission of an idiosyncratic shock affecting one bank or a group of banks to other banks or other banking sectors	Mistrust in inter-bank/short-term markets
Systematic	Risk that cannot be diversified through portfolio diversification	Worldwide market crash
Regulatory	The risk of potential loss due to the violation or a sudden change of the regulatory framework	Change in regulatory framework of credit derivatives/OTC market
Globalization	The risk of worldwide contagion - increasingly correlated markets and a decoupling of markets	Worldwide global turmoil

Source: Authors based on various sources

Lessons from the crisis

The current global financial upheaval raises more than a few issues related risk management tools, processes and techniques, which collectively reveal several lessons for the future development of the financial markets. Although they may be difficult for the market as a whole to appreciate, we find both negative and positive lessons from this crisis.

Negative lessons

The negative lessons can be divided into three groups: financial products and valuation, processes and business models, and strategic issues (see Table 4).

TABLE 4: Negative lessons

Issue	Description	Who failed	Lesson
Financial products and valuation			
Adjustable-rate-mortgage (ARM)	Lack of information about ARMs for borrowers	Mortgage originators, regulators, GSE	More publicly-available information for consumers
Credit default swaps	Unregulated credit default swaps/OTC market	Regulators, risk managers	Sensitive regulation of OTC markets
Financial innovations	Financial innovators were one step before regulators	Regulators, rating agencies	Sensitive regulation of new products
Structure product valuation	Nobody understood risk inherent in structured products	Rating agencies, internal auditors, risk managers, regulators, GSE, investment banks	Better both external and internal regulation of structure products
Processes and business models			
Basel II requirements	Reliance on rating RWA concept failed	Regulators	Failed rating assessment Broker-dealer had low RWAs but higher leverage
Mortgage frauds	High fees for dealers/low lending standards	Mortgage dealers, mortgage originators, GSE	NINJA /stealth loans
Originate-to-distribute model	Banks with no incentives to assess borrower's creditworthiness	Regulators, internal auditors	Better regulation of risk management processes
Rating agencies	RAs did not evaluation true risk of securitized products	RAs, investors, regulators, risk managers, internal auditors	RAs should evaluate credit + liquidity + systematic risk
Reliance on rating	Strong reliance on incorrect rating assessment	Investors, regulators, risk managers, internal auditors	Investors should do own valuation of investments
Risk management process	Inadequate process, weak supervision	Internal auditors, regulators, top and risk managers	Better regulation of processes
Use of OBS vehicles	Banks used OBS vehicles to avoid capital requirements	Top and risk managers, regulators	Better regulation of OBS vehicles (e.g. Basel II)
Wholesale funding	Reliance on wholesale funding possible in good times	Risk managers	Liquidity risk might be stress-tested
Strategic issues			
Corporate governance (principal-agent problem)	Top managers preferred own interest to company's interest	Top managers, regulators, shareholders	Motivation of managers on long-term goals of a company
Fair-value accounting	Fair-value accounting caused further price falls (fire-sale prices)	Risk/finance managers	Fair-value accounting is a good concept
Government guarantees	US government guarantees to GSEs totally distorted the financial market	US government	"Careful" state guarantees
Moral hazard	State bailouts/support of private financial institutions	Governments	"Careful" state intervention
Too-big-too-fail doctrine	State rescues of AIG, GSEs, Icelandic and UK banks etc.	Governments, international institutions	"Careful" state intervention

Too-connected-too-fail doctrine	State rescues of AIG, GSEs etc.	Governments, international institutions	"Careful" state intervention
Transparency	Lack of transparency in securitization process, blurred structures of SPVs	Regulators, securitization originators (investment banks, GSEs)	Encouragement of self-discipline of market players

Notes: ARM = adjustable-rate-mortgage, GSE = government-sponsored enterprises, OTC = over-the-counter, OBS = off-balance sheet, RA = rating agency, RWA = risk-weighted assets, SPV = special purpose vehicles

Source: Authors

Positive Lessons and Winners

Despite the above-mentioned negatives, we can find several positive lessons and winners from the current situation (Table 5).

TABLE 5: Positives and winners of the crisis

Positives	Winners
1. Governments were not the only buyer	1. Politicians (takes power over nationalized companies)
2. Central banks provided liquidity support to banks/insurers	2. Institutional investors (JPMorgan, Nomura etc.)
3. Investments from sovereign wealth funds (now decreasing, though)	3. Private investors (Warren Buffet etc.)
4. Valuation techniques worked (some investors bought distressed assets)	4. The International Monetary Fund (will justify its existence)
5. Proper regulation/new prudence rules are expected (Basel II revision[8])	5. Bankruptcy lawyers/advisors (will assist to companies in trouble)
6. Falling (speculative) oil prices; assets more realistically priced	6. Academics (will write about the crisis and produce future outlook)
7. World-wide inflation threat receded.	

Source: Authors

The Role of Ethics in Decision-making

Derived from moral philosophy, ethics are the study of moral values and guidelines that focus on defining concepts such as right and wrong or justice versus criminal. There are many applications of moral philosophy that have filtered into the structure of how entire industries operate. For example, doctors swear the Hippocratic Oath, lawyers adhere to rigid standards or face disbarment and accountants are required to follow ethical standards. As other industries have acknowledged the need for addressing conflicts of interest as new technologies arise, such as the field of bio-ethics, the field of finance has somehow eluded this age-old consideration.

The recent scandals and crises attest to the need for some kind of standard or value to be added to the purely capitalistic profit motive so that short-terms profit goals do not disrupt or destroy entire firms or economies in the long-term. The question of how to accomplish this has been posed in board rooms, government forums and in the media. . Cohan (2010) raises the question that if the incentives on Wall Street had been arranged to punish excessive risk-takers by causing the executives in charge to lose their jobs and homes if they were undertaking excessive or dangerous risk, wouldn't that have averted the crises from the last 25 years? Cohan (2010) also points out that in the partnership business model, partners shared in the profits of the firm but also were also responsible for covering for the financial losses of the partnership during an unprofitable period. Cohan's point is that "Rewarding prudent risk-taking on Wall Street while punishing recklessness would result in a new ethic on Wall Street,

8. For more details about Basell II requirements see Teply et al. (2007) , Mejstrik et al. (2008) or Teply (2010).

one not solely driven by generating as much revenue as possible in a given fiscal year with no regard to the long term."

Moreover, Lewis (2000) and Cohan (2010) have suggested that aligning incentives on Wall Street, specifically compensation and other rewards, with a longer-term, financial stability-oriented perspective would provide the guideline that would prevent crises. Others have suggested that government oversight needs to be strengthened. "The cozy relationship between FINRA and the securities industry has resulted in pervasive conflicts of interest, and ought to raise doubts about whether FINRA can ever be an effective regulator," wrote the nonprofit group, Project On Government Oversight (POGO) in the latest salvo on the ineffectiveness of a self-regulating authority to protect Wall Street from Ponzi schemes to outright theft and excessive risk-taking. The POGO is requesting government oversight of the business sector, which appears to fly in the face of the capitalist creed, but given the pervasiveness of certain aspects of human nature, there may be a need for independent oversight.

Certainly, eliminating conflicts of interest, adding transparency and the separation of duties are basic ethical standards that need to be reinforced in throughout the finance industry. Regardless of the method, by changing incentives or creating new government authorities, encouraging a value-driven perspective to compete against the drive to garner short-term profits at the expense of the whole makes sense. We suggest that an ethics-based didactic needs to be introduced both at the academic level (theory) and in the daily operations (praxis) of financial firms. Since the tone of operating comes from the top, it is incumbent on academics and senior corporate managers to promote a standard of right from wrong, to support business models and processes that are in alignment with ethical concepts and to provide a method for correction when necessary. As an example, the Financial Executives International, an independent organization for business executives specifically outlines in its code of ethics that all members will act with honesty, integrity and will avoid actual or apparent conflicts of interest and will also report members who violate this standard to the organizations' board for resolution according to the rules of procedure. In this case, the authors are focusing on the fact that there is a built-in method for addressing and resolving ethics issues. Currently, on Wall Street, while each member firm can claim to operate within accepted legal standards, relying on Sarbanes-Oxley (2001) or the willingness of employees to come forward to report violations is apparently an insufficient resource.

In summary, the discussion of ethics can revolve around definitions of auditing, competence, diligence, prudent man standards versus fiduciary care and other care standards. What is not in debate however is the standard of professionalism, where the integrity of the investment and banking profession is upheld and is not in conflict with putting the interests of the clients above Wall Street's interests. Ultimately, by introducing an ethics-based didactic model and a professional standard for industry participants, the long-term integrity of the market as a whole can be protected and financial crises may be averted without sacrificing growth or development.

Future Outlook

As we noted earlier, the US sub-prime crisis had roots in the macroeconomic imbalances of the US economy and Federal government policies. On a related note, the credit crisis has spread over the global financial markets and negatively effected global macroeconomic situation. We believe that the 2007 credit crisis was the first phase of the overall global crisis (Table 6). In the

first phase, the virtual or "intangible" economy –encompassing paper losses in financial institutions´ books– was affected through the subprime meltdown (cross-product contagion from mortgage-backed securities to credit derivatives markets, inter-bank markets, leverage lending markets etc.) and the accounting requirement to mark assets to market, resulting in asset price write-downs that often reflected illiquid markets but not actual value on a cash flow basis.

During the second phase starting in 2008, the real (or more tangible) side of the US economy was affected. Household consumption fell, foreclosures on home-equities are rising and higher unemployment resulted in lower disposable personal income. The US households had less money to repay their debts (mortgages, auto loans, credit cards) and aggregate demand will fall deeper. Responsible individuals are cutting spending and putting off investments (e.g. home improvement) as a response to the economic instability, leading to spiraling down economies for many local US areas.

Finally, during the third phase s, due to economic inter-dependence the US troubles spread cross-border and would negatively affect foreign trade and global capital flows. Consequently, export-dependant economies would see a decline in their export, what would further harm a global economic situation. Further, the inter-dependence of the global economy has been demonstrated by the recent instability of the Greek economy affecting the US and other world markets. Consequently, if the US market falters, then the impact on other economies is thus correspondingly more destabilizing.

TABLE 6: Taxonomy of a crisis

Impacts	Transmission mechanism	Outcome	Period
First-order	Cross-product contagion: derivatives and structured products VIRTUAL ECONOMY	De-risking De-leveraging	2007-2010
Second-order	Asset-dependent real economies REAL ECONOMY	Consolidation of consumption and homebuilding	2008-2013
Third-order	Cross-border linkages trade and capital flows REAL ECONOMY	Export and vendor financing risks	2009-2015

Source: Teply (2010)

Conclusion

While the form of crises may change, their essence remains the same – repeating cycles of abundant liquidity, low interest rates, rapid credit growth, and a low-inflation environment followed by an asset-price bubble. The current market turbulence began in mid-2000s when the US economy shifted to an imbalanced macroeconomic position. By 2007, mounting defaults in the US sub-prime mortgage market led to US market instability, unleashing a global fiscal contagion that spread around the world, roiling markets and causing world economic upheaval. This contagion led to, for example, the nationalization of big financial institutions, bank failures, the end of an era in investment banking, increased federal insurance on banking deposits, government bailouts and opportunistic investments by sovereign wealth funds.

The 2007-2009 global financial upheaval has taught risk management lessons that will be crucial for future financial markets development. We have extrapolated both negative and positive lessons deriving from these crises. The negative lessons are divided into three groups: financial products and valuation (e.g. failure of rating agencies when valuating structured

products), processes and business models (e.g. the failed originate-to-distribute model), and strategic issues (e.g. moral hazard or principle-agent problem). The positive lessons suggest that some parties can benefit from upheaval. Moreover, the recent crises ended the decoupling myth by heralding an emphasis on globalization risk as a function of increasingly correlated and contagious market performance, limited (discontinuous) exits and illiquidity.

The discussion of ethics can revolve around definitions of auditing, competence, diligence, prudent man standards versus fiduciary care and other care standards. What is not in debate however is the standard of professionalism, where the integrity of the investment and banking profession is upheld and does not conflict with putting the interests of the clients above Wall Street's interests. Ultimately, by introducing an ethics-based didactic model and a professional standard for industry participants, the long-term integrity of the market as a whole can be protected and financial crises may be averted without sacrificing growth or development.

The pending global market turbulence negatively affected financial institutions' performance. To offset this drop in profits, pressure on lower costs and related cost-cutting initiatives might be expected in financial institutions during coming months. Moreover, we recommend the following four policies to protect against repeating these errors and limiting future risk exposure: internationally-coordinated policy when funding private financial institutions, tighter regulation and a higher level of transparency for financial markets, revision of Basel II requirements, and a change in financing rating agencies. These steps should help diminish the negative impact of future potential crises by adding higher credibility, accountability, transparency and risk diversification of the world financial markets.

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Acknowledgements

Financial support from The Czech Science Foundation, project The Institutional Responses to Financial Market Failures, under No. GA P403/10/1235, The Research Institutional Framework Task IES (2005-2010 - Integration of The Czech Economy into The European Union and its Development), The Grant Agency of Charles University (GAUK 114109/2009 - Alternative Approaches to Valuation of Credit Debt Obligations) and The Czech Science Foundation (GA 403/10/P278 - The Implications of The Global Crisis on Economic Capital Management of Financial Institutions) is gratefully acknowledged.

Top Managements' Perspective of Human Resource Development in Indian Enterprises

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Abstract

The perception of top management in the initial stages of development of human resource function was noted to be not very encouraging. The human resource development as a function (in whatever form it existed) was not given / accorded its due place in the corporate hierarchy in the Indian enterprises (though there is now noted to be a distinct change in this respect). The top management did not pay due attention to the growing needs of professionalism and empowerment of human resource department and the person heading it. Its perception though variously expressed to include its support and commitment in creating climate and culture for HR, adopting best industry-wise practices was missing. The human resource ratio was very low. That, the function is not profitable, and it does not contribute much to the corporate growth were some of the most common grouses of the top management against the function. Human resource people were not accorded a place in the organisational hierarchy. The initial perception as was noted by the Drucker in his famous book on practice of management when he asked a question as title of one of the chapter Is personnel bankrupt? The reasons for not taking a more positive view of the human resource activities by the top management .were noted to lie in its attitude vis-a-vis other corporate functions. As late as in early nineties, the Public Enterprises Survey reported personnel and human resource activity as an under-represented area at the chief executive level in the public sector undertakings in India The study team on Administrative Reforms Commission also noted personnel and human resource as a less attended area while establishing large sized public enterprises in the economy. This was noted to have resulted in poor growth of personnel and human resource policy and practices with its obvious impact on corporate productivity and profitability. This gave rise to the question of sustainability of the function and expected future roles

The present paper aims at analysing the top management's perspective of human resource development function vis-a-vis other corporate functions in Indian enterprises. Some of the parameters selected to analyse top managements' perspective towards human resource function are: codification of human resource policies , nomenclature of HR department and its head, level of HR function, place of HR department in the corporate hierarchy, HR ratio, the time lag involved between the establishment of human resource department and the enterprise, operating mode of the HR function, reporting by head of the HR department to the chief executive officer, responsiveness of line managers towards HR programmes, budgetary support to human resource function, time devoted by the top management towards the function, and its ranking and credibility vis-a-vis other functions in the enterprise.

Nepalese Academy Of Management
CONFERENCE PROCEEDINGS

VOLUME 2, NUMBER 1, 2011
PP. 234 - 251

Key Words: Management Perspective, Human Resource Development (HRD), Human resource, Commitment, Corporate Hierarchy, Human Resource Policy HR department, and people.

Introduction

The primary role of the HR system in any enterprise is to develop-the capabilities of the employees in relation to their present and expected future roles, a sense of team spirit, team work and inter-team collaboration, organisational health and culture, and generate systematic information about human resources. In order to achieve these the system relies on certain components as its sub-systems namely, training and development, performance appraisal, career planning, organisation development, employee welfare and quality of work life, and human resource information system. All these are linked with organisational process mechanisms. The study on the primary role of human resource development and its ranking suggest the initial emphasis in the HR programmes being mainly on training and development, and performance appraisal followed by employee welfare and quality of work life, career planning, organisation development, and human resource information system.(Table A, Annexure 1). *The primary role of the human resource department in providing training and development to its employees was considered in many enterprises as the starting point for establishing the HRD as an activity; though in some HRIS and Performance Appraisal were treated as the starting point. Managements commitment to training and development as an activity cannot be denied in view of* increasing competition and technological changes, and currently due to challenges being offered in the era of globalisation and emerging world markets. Traditionally training and development was not viewed as an activity that could create value and successfully deal with competitive advantage. Currently, this is not noted to be so. This was followed by performance appraisal, employee welfare, career planning, organisation development and human resource information system. *If the top management desires to introduce HRD as a total system within the organisation and is committed to it, it is reflective of positive commitment towards the function.* For the top management to reflect its real commitment to human resource function, the CEOs of the organisation are expected not only to develop a mission for the HR activities, allocate necessary funds, encourage employees to participate in HR programmes, place HR function in a visible high level position close to the chief executive, create an atmosphere of open communication between the CEO and human resource personnel but also to review, evaluate and support the HRD activities regularly. But on closer analysis this may be noted otherwise.

Objectives of the Study

In the context of above perspective, the present paper aims at analysing the top management's perspective of human resource development function vis-a-vis other corporate functions.

Hypothesis and Methodology

The main question examined in the study is that the top management has not accorded human resource development function its due place in the corporate hierarchy in the Indian enterprises, and to analyse its commitment towards the function. For the purpose of the study, companies, both from the public and private sector enterprises were selected from The Economic Times – Top 500 Companies. Adequate responses were gathered from 122

companies, despite personal and official communication with all the chosen companies. The study basically is a survey research. The research methods used are:

- Questionnaire and personal interviews; and
- Analysis of documents e.g. Annual Reports, Organisational Manuals and the like. The techniques used for collecting information are questionnaire, content analysis, and statistical compilation.

Codification of Human Resource Policies

Efficient utilisation of resources, projecting an image of fairness in managements' conduct towards employees, and a cordial relations between the management and the employees warrant a statement on management's intention concerning its people or formulation of a policy on HR in every organisation. Such a statement incorporates management's philosophy and provides specific guidelines for making decisions on matters relating to management of human resources. It is a statement of general belief and intent which provides guidelines for making decision on specific course of action. The managements' own conviction is reflected in designing such a policy statement as it is the result of top managements' philosophy towards the human resources. The image of the management in the minds of employees and the relation between them is influenced by the HR policy. Such a policy not only constitutes the basis for sound human resource practices, but is also regarded as a yardstick by which accomplishments of HRD programmes can be measured. While it is desired that every organisation has a codified HR policy, in practice however, the managements may, due to its priorities and constraints, choose to codify only one or more of the components of the human resource function. A written declaration of policy is considered to be of great importance in promoting uniformity and consistency in managements' philosophy and actions towards HR function. Appley has rightly stated "Readiness to commit oneself to a written policy statement indicates bigness. Readiness to alter policy with changing conditions in favour of a wise course of action is indicative of greatness." If the policy is not in writing it is not likely to be taken seriously. Writing ensures firmness and uniformity of application, and providing something concrete on which to base an appeal if there is any disagreement as to what the policy is. It is a valuable means of instructing new employees and supervisors.

The study notes existence of a corporate policy on human resource, but When sought a clarification 'if it is in writing', only 48 units reported that their HR policy was codified i.e. they had it in writing. However, 68 units were reported to have codified corporate policy statement on only some of the HR activities. Remaining 6 units did not have a corporate HR policy statement. Amongst the HR activities chosen for codification - *training and development, performance appraisal, career planning, employee welfare and quality of work life, and human resource information system are noted to be the main target areas. Codification of HR policies, in view of its virtues, was not noted to be in vogue in majority of the organisations surveyed. It may be reflective of 'not a positive' perspective of the top management towards the activity. As is noted later, a close relation is established between codification and mode of HR department's operation.*

Nomenclature of the HR Department

Another parameter considered in the study to ascertain managements' perspective of human resource was through identifying the nomenclature of department entrusted with the task of developing human resources, since an appropriate nomenclature is presumed to be a reflection

of managements' philosophy towards, and the level of importance it attaches to the HR function. Only in a few enterprises, the emphasis was noted to lie on Personnel, Personnel & Administration and Personnel & Industrial Relations, while in the majority of organisations the emphasis was on Human Resource Development. With the shift in the managements' philosophy towards HR function from the one that was initially concerned primarily with the personnel administration and industrial relation matters to the one concerned with development of human resources, an appropriate change in the nomenclature of the HR department was carried out from time to time. Out of 122 units surveyed, 112 were noted to have entrusted the responsibility of developing human resources through HRD department. The number of units designating their department as Personnel / Personnel and Administration / Personnel and Industrial Relations were noted to be 10 only. *Such a change is certainly reflective of Managements' perspective which is more committed towards development rather than mere maintenance of human resources or looking at it merely as a function of maintaining law and order as was the case in Industrial Relations era.* The growing importance of service sector in the economy and relative sluggishness in the manufacturing sector has also minimised industrial relations problems requiring lesser attention from the management on labour relations problems.

It was also observed that, initially the organisations that had established Personnel / Industrial Relations departments shifted to HR later in view of the changes in the economic environment due to increasing competition, and technological advancements. These necessitated a change in the attitude of employers towards HR .The need to provide adequate training to employees to cope up with the changes, improvements in the quality of the product, efficiency at the work place and the like became the dominant considerations. Hence, the need to redefine strategy in terms of human resources was realised, and human resource department came in existence in a formal form. There was also noted to be a time- gap in establishing the enterprise, and the HR department in it entrusted with the task of managing human resources. *Such a time-lag was less pronounced (less than 5 years) in case of enterprises established after 1990. This may be regarded as an evidence of commitment of top management towards the HR function. .* The time lag between 1960 – 1990 which was more pronounced during this period was presumably on account of the initial pre-occupation of the top management with administrative, financial, engineering, constructional and operational problems. During the course of study it was also noted in many cases, the cost involved in setting up separate HR Department was felt to be too high earlier in view of the profit objective. So much so, that in some cases, the managements felt that the cost involved was not worth it. Such a view may not be acceptable to one. The gap is noted to be more rampant in case of organisations that were established before 1990 than those established thereafter. Though the gap in establishing the enterprise, and the HR department is not indicative of managements' support to the function, yet a change in the management's attitude in minimising the gap is indicative of its growing commitment to the human resource function.(Table B, Annexure 1)

Level of HR Function

Being closer to the top management signifies increased strategic importance of human resource people in policy formulation and advisory role. It is also reflective of a positive perspective of the top management towards this activity.

Various patterns of reporting by human resource people to top management are noted to be in existence. The designation of the head of HR department indicates the status accorded to the

function and the level of attachment. Generally, the designation of the head of HR department indicates the status accorded and the level of function in the corporate hierarchy. Where the company had a Director-HR / President-HR / Vice-President-HR who is a member of the top management team and entrusted with full responsibility as regards policy formulation and administering HR function, the function is stated to be effective (77 units). But in companies where the Manager-HR is directly responsible to the chief executive but not a member of the top management team, the HR men struggle for the due status (35 units). This is also so where the individual in charge of the HR functions is responsible to someone, who in turn reports to the chief executive, the HR department has the responsibility of managing and advising on particular function, subject to periodic review of its effectiveness. There also human resource people struggle for the status (10 units).

Place of Human Resource Department

The importance of HR department as well as the HR function in an enterprise is largely indicated by the place assigned to it in the corporate structure. Higher the level of HR department's location in the corporate hierarchy, greater is the breadth and dimension of its activities. Indeed, location of HR department in the corporate structure may be regarded as an indicator of its importance as well as the range of its functions. Needless to point out, the status accorded to human resource people depends upon the recognition by top management of HR as a specialised function.

By and large it is noted that the organisational arrangement regarding the role of human resource people is dependent upon such factors such as the importance attached to specialised HR functions by top management, size of the organisation and operating units, occupational categories of employees, and the management-employee relations and the problem thereof. Besides, where human resource people are engaged and HR department is in existence under a designated officer, the actual influence of the human resource people on HR policies and practices is dependent to a large extent on the specialised skill and the effectiveness with which various human resource activities are carried out. The recognition and the place of the specialised HR functions in the corporate structure are, naturally, the outcome of how helpful the HR people are in their role.

The formal structure of an organisation is depicted in an organisational chart. The organisational chart is a useful document for it provides information on managers' span of control, number of levels of authority, functional and line relationship, and assist in the preparation of management development programmes (as it may contain such information like age, years of service in the organisation as well as in the present position of persons in the organisational hierarchy). Such information is stated to help in planning for managerial positions. In western countries, the growth of enterprises resulting in the creation of additional levels in the management hierarchy, and separation of the top management from the shop level employees has led to an ever increasing demand for HR people with a clear responsibility to view the organisation from the human resource angle. Hence, large organisations have well organised and placed HR departments. This requires top management support to enable them to function effectively if the intention is to make a positive contribution to the organisation integrating human beings into the system of operations. Human resource organisation being a part of the entire organisation structure, an organisation chart for it shows the place assigned to 'human resource as a function in the corporate hierarchy'. In the survey it is noted that 112 organisations out of 122 maintained a chart for the HR department. *Thus, it appears that*

organisation for HR department has received importance in the units surveyed, if maintenance of departmental chart is taken to reflect the same. This is reflective of the growing realisation of the significance of HR function on the part of top management which, in turn, is considered to be reflective of its' commitment towards the function.

Human Resource Ratio

The size of the HR department, during the course of the study, was noted to vary from organisation to organisation. A study of the size of HR organisation helps in calculating HR ratio, thus, indicating the range or extent of human resource activities in an organisation. It was possible, in the course of the study, to obtain necessary information regarding the number of employees engaged in the HR department in respect of all the 122 units. *HR ratio is taken to be the ratio of number of full time employees excluding clerical staff in the HR department per 100 employees in the unit.* The ratio may be said to reflect the HR philosophy of top management in the sense that the number of employees, particularly of supervisory and managerial cadre, to be engaged in the HR department relative to the total number of employees, is considered to be a variable depending on the management outlook towards HR function. Thus, if the management outlook is such that human resource function is recognised to be important, the HR ratio is likely to be higher than otherwise. The ratio is crude but convenient measure of the pervasiveness of the HR as a distinct function. It also suggests the degree of concern the management feels in human resource matters and the extent to which an integrated HR programme has been developed.

A survey conducted by *SHRM Human Capital Benchmarking Study in 2005* found that the average number of full time equivalents in the HR department was 12. *The HR Department Benchmark and Analysis Report 2007* reported a trend towards human resource departments becoming increasing skilled. This trend was reflected in declining numbers of secretarial and clerical workers and increase in the proportion of professional and technical staff. The study conducted by *HR Department Benchmark and Analysis 2008* stated that HR ratios declined compared with the ten years highs recorded in 2005 and 2006. The decline in the HR staff ratio was coincident with a softening US economy particularly in the manufacturing sector. During the course of our survey, the HR Ratio is found to vary between 2.0 to 4.0 as shown in the Table C Annexure 1.

The study notes Pharmaceutical, Oil & Petroleum, Engineering, Telecom and Software industries having a high HR ratio greater than 3. The reasons for this may be attributed to the fact that these industries are comparatively less affected by recession or have a high degree of professionalism, dealing with newer range of activities and challenges, consequent with wide range of HR activities. Other industries such as Banking, Insurance and Real Estate have low HR Ratios i.e. 3 or less than 3 as these are considered to be the most affected by recession, have comparatively low degree of professionalism, dealing with repetitive tasks, and have narrow range of HR activities. The average ratio is three, which is very low. *The HR ratio is primarily dependent on the human resource philosophy of the top management. Thus, it may be inferred that the top management has not paid adequate attention towards organisation of HR functions wherever the ratio is noted to low.*

Operating Mode of the HR Department

The operating mode of HR departments was noted to vary. It was noted that only in 40 out of 122 units (32.8 percent) surveyed had an independent HR departments, 78 (63.9 percent)

combined it with personnel, and the remaining 4 (3.3 percent) with other major departments of the enterprise.

The human resource activities in the personnel phase were noted to centre predominantly around recruitment, selection, and personnel welfare. With the growing economic development and globalisation of economic activities, majority of the units have, in the last few decades, recognised HR as a separate set of activities but could not adopt it as an independent operating mode, hence, combined it with hitherto, 'personnel' functions. However, since 1990s a good percentage (32.8 percent) of the enterprises surveyed could identify HR as a separate set of activities with emphasis on development of individuals in accordance with their needs and aspirations so as to motivate them to make their best contribution towards the accomplishment of common goals, thereby, separating the entire gamut of, hitherto, 'personnel' from HRD. *This is reflective of the growing concern of the top management to develop HR function by entrusting them to an independent department. This may be regarded as a 'positive' change in the perspective of the top management towards the HR function.*

The study attempted to find the relationship between the operating mode of department with codification of corporate policy on HR, nomenclature of HR personnel, the reporting pattern and the like. The significance of relationship has been tested by applying 'Chi-square Test' , the value of 'p' ascertained and, thereafter, these are compared with the critical values of χ^2 with the relevant degrees of freedom at the appropriate levels of significance as noted from the table of chi-square distribution. The value of 'p' expresses the level of significance i.e. the extent of association between the categorical variables.

Top Managements' Encouragement to HR function and the Operating Mode of HR Department

During the course of survey, information on top managements' commitment was elicited by way of its encouragement to human resource people to closely work with other departments to influence HR programmes. The findings have been cross tabulated in Table D, Annexure 1. In none of the units with independent mode of HR department, the level of top managements' encouragement was noted to be 'Low'. The level of top managements' encouragement ranged from 'Moderate' to 'High' .*The findings may be taken to suggest that there is a distinct association between 'Operating Mode' of HR in the units surveyed and the 'Level of top managements' encouragement' in so far as the percentage of units receiving top managements' encouragement increases with independent mode of HR department functioning.*

The Chi square test, when applied on the data given in Table D shows *significant* relationship between the 'operating mode' and the 'level of top managements' encouragement' to HR people to closely work with other departments and influence HRD programmes, with Chi-square value of 8.593 with 2 degrees of freedom and value of 'p' equal to 0.014; the value of 'p' lying between 0.01 to 0.05 suggesting that the chosen two categorical variables are not independent or that these are closely associated. *It was inferred that the level of top managements' encouragement tends to be 'High' with the independent mode of human resource department.* This might, presumably, be due to the philosophy of the top management to entrust HR department independently with a much wider range of human resource activities emanating out of a definite HR policy directing HR efforts for the entire organisation.

Codification of Corporate Policy on HR and Operating Mode of Human Resource Department

The relationship between the operating mode of HR departments and codification of corporate policy on human resource was noted to be 'Not Significant' with Chi square value of 19.769 and value of 'P' 8.738. *It would be inferred that the codification of corporate policy on HR and the operating mode of department were mutually independent.* However, the main influencing factor in the codification of corporate policy was noted to be the top management's philosophy and its attitude towards the human resource function vis-a-vis other functions in the enterprise, and not the operating mode HR department. Besides, the corporate policy on HR was also noted to be influenced by variables such as aims and strategic objectives of the organisations, its size, traditions, prevailing culture, top management's view on the value of learning and training, past and current HRD policies and practices, learning and experience of its line managers, calibre of its specialist HRD staff, availability of resources for the function and expectations of employees and their representatives.

Nomenclature of HR Personnel and the Operating Mode of HR Department

The attitude of management towards human resource is partly reflected in the nomenclature of HR personnel which also determines its operating mode. Designation of the head of HR department indicates the status given to HR function. The status accorded to the head also depends upon the recognition given by top management to HR as a function vis-a-vis others. This is depicted in Table F. Out of 40 units which had an independent HR department, 52.5 percent of the units designated their head as President / Director-HR, 30 percent as Vice President-HR and 17.5 percent as General Manager-HR. On the other hand, out of remaining 82 units where HR department is combined with personnel or some other major departments, 20.7 percent units designated their heads as President / Director, 33 percent as Vice-President-HR, 34.1 percent General Manager-HR and 12.2 percent as General Manager.

The study reveal a 'highly significant' relationship between the operating mode and nomenclature of HR personnel with Chi square value of 14.85 and value of 'P' less than 0.001. I*t may be inferred that the top management, by assigning HR activities to the levels of President / Director, Vice-President, General Manager-HR, has recognised HR personnel parallel to line in terms of authority in the organisational structure and is more committed to HR function where there is an independent mode of HR department.*

Reporting by Head of HR and Operating Mode of HR Department

The relationship between the operating mode of HR departments and reporting by human resource people to the Chief Executive Officer was noted to be 'highly significant' with chi square value of 24.80 and value of 'P' less than 0.001. Where the head of HR reports to the CEO, the top management believed in establishing direct contact in view of human resource being considered as an important function in the organisation. *It also reflected that the head of HR department was involved in strategic decisions and the top management was more committed in cases where organisations had an independent mode of HR department as compared to the ones where HR department is combined with personnel and other major departments.* In a study by *HR Focus in 2005,* it was noted that 54 percent of the responding HR departments report to CEO, COO or President of their company. In another survey by *HR Focus in 2007* it was stated that HR's ongoing emphasis on professionalism is an important indicator of how they are positioning themselves to serve their organisations better and more strategically. The *HR Department Benchmarking and Analysis 2008* in its report indicated that HR departments had access to the highest level of management in their organisations. It also reported that the head of HR reports

to the CEO or President of their organisation and are involved fully or substantially in the strategic decisions made in the organisation.

HR Activities and Operating Mode of HR Department

The researchers also attempted to ascertain the relationship between the most critical human resource activities like: training and development, performance appraisal, career planning, organisational development, employee welfare & quality of work life, and human resource information system, with the operating mode of the HR department by using Chi-square test, value of 'p' and the resultant level of statistical significance.

Training and development activities are concerned with training policies, need assessment, designing, implementation, evaluation and follow-up of the training and development programmes. *It was noted that top management regards training and development as the most important HR activity for the success of the organisation and believed that to maintain competitive advantage it has become imperative to provide training and development to its employees.* The relationship with ***performance appraisal*** was found to be 'not significant' with a Chi-square value of 3.62 and the value of 'P' equal to 0.057. I*t was inferred that performance appraisal as an activity was not dependent on the operating mode of HR departments.* However, it may be taken to be a variable dependent on the philosophy of the top management, and that for survival and success, it is imperative for an enterprise to remain competitive in the global environment, and that continued competence can be maintained only through ceaseless development and growth of human resources for which performance appraisal is a potential mechanism. The ***career planning*** activities include identification of career opportunities within the organisation, plans for organisational growth, feedback and counselling, and identification of career paths for the employees. The top management was noted to consider career planning as an integral part of human resource and corporate planning aiming at individual and organisational development, and effective achievement of organisational goals. It reflected top management's belief that by designing career plans for its employees, it would be in a position to attract and retain competent people and decrease in turnover, absenteeism and dissatisfaction of employees. Career planning and the operating mode of HR department showed a 'highly significant' relationship with a Chi-square value of 13.08 and the value of 'P' less than 0.001.T*he top management was noted to be more committed for career planning where there is an independent mode of HR department with an objective to develop and retain the best of its employees by creating and rewarding meaningful careers and giving them a sense of satisfaction of knowing the direction of their work-life.*

The relationship between the operating mode of HR departments and **organisational development** was noted to be 'not significant' with Chi-square value of 1.265 and the value of 'P' equal to 0.261. I*t was inferred in this context that organisation development is not dependent on the operating mode of the HR department but on the philosophy of the top management to change beliefs, attitudes, values and, the culture of the organisation so that the organisation may better adapt to newer technology and cope with the pace of change.* The measures related to ***employee welfare & quality of work-life*** as a part of human resource activity was noted to be in existence in 93 units out of 122 surveyed. The top managements' objective in undertaking this activity was to implement policies that make the work more rewarding and satisfying for employees. The relationship between the operating mode of HR department and employee welfare & quality of work-life as HR activity was noted to be 'significant' with a Chi-square value of 4.172 and the value of 'P' equal to 0.041.I*t was noted that employee welfare & quality of work-life as HR activity is dependent on the operating mode of the HR department. It may be taken to mean that the top management was more committed to HR activity involving employee welfare & quality of work-life in units where an*

independent mode of HR department exists. The top management aims at establishing proper conditions of work for the overall development of employees so that human dignity of employees can be elevated, a sense of self-fulfilment is developed and mutual co-operative efforts are promoted. The relationship between the operating mode of HR department and ***human resource information system*** was noted to be 'not significant' with a Chi-square value of 1.042 and the value of 'P' equal to 0.307. I*t might be inferred in this connection that adoption of human resource information system is not dependent on the operating mode of the HR department.* Nevertheless, the top management was noted to have implemented human resource information system as it helped in providing HR data in an accurate and timely manner, speed up decision making process, and reduce HR operational costs while upgrading performance service. *The findings also point out to a higher level of top managements' commitment by way of higher budgetary allocation for HR activities in case of units having an independent mode of HR department as compared to the units where HR department is combined with personnel or some other major department* (Table E Annexure 1).

Line Management and HRD

Line managers play a significant role in ensuring the realisation of HRD goals. While the top management make available the resources required for people, HRD department provides instruments and systems that can be used; it is ultimately the line management which translate these into action. This requires realisation on the part of line managers what responsibility they have to bear in utilising the employees. *During the course of the study, it was observed that the nature of responsibility for learning and training, and the manner in which it is exercised, varied with the levels of management. The senior managers bear the main responsibility for creating and sustaining a positive attitude to human resource in all its forms. They also make decisions about HR policies and the budget to be allocated in respect of it. Their personal involvement in making decisions about learning and training, formal training and development, and their own self development practices set an example to their subordinates. The HR intervention provided a quality control for the activities.* On the other hand, middle and junior managers were responsible for implementing the HR policy within their own spheres of influence and communicating the information linked with work plans, new work schedules and work targets.

The commitment of line managers helped organisations in maximising the benefits of formal training, and developing a climate that expects and supports learning and training intervention as a normal part of organisational life. *The commitment of top management to HR activities including its process and mechanism is manifested through involvement of its managerial people in the process While the very existence of the corporate policy on human resource is the manifestation of top managements' philosophy towards HR as a function, the line managers' involvement in its codification seems indispensable* indicating that formulation of corporate policy on HR shapes line managers' action plan by specifying what learning and development is to be provided for different levels of employees. A high percentage of line managers' responsiveness to the implementation of HR programmes may be seen as a pointer to the fact that these programmes have to be implemented by the line managers themselves. On the other hand, as the 'HR programmes' is not the domain of human resource executives only, the line managers partake the characteristics of HR executives when it comes to deciding about various parameters that are determinant to the HR programmes. During the course of the survey it was noted that the level of responsiveness of line managers is predominantly 'moderate' when they were involved in implementation of HR programmes. It was noted that in 68 percent of the

units surveyed line managers are 'moderately responsive', in 22 percent cases they are 'highly responsive and in 14 percent cases 'less responsive' towards implementing HR programmes.

The study found a 'highly significant' relationship between the involvement of line management and their responsiveness towards HR programmes with Chi-square value of 77.07 and value of 'P' less than 0.001. *Thus, it was inferred from the study that there exists a direct relationship of dependence between the 'moderate level of involvement' of line managers and the 'moderate level of their responsiveness, towards implementation of HR programmes.* This is corroborated from the findings of the survey in so much so that in maximum cases i.e. 68 percent of units surveyed, the level of responsiveness of line managers was 'moderate'. Moreover, irrespective of the level of involvement of line managers, barring 'less involvement' category, the level of line managers' responsiveness falls under 'moderately responsive' category i.e. 76.1 percent in case of 'highly involved' line managers, and 73.8 percent in case of those who are 'moderately involved'. 'Most urgent work has to be given priority' and 'general pressure of work' are the usual reasons given by line managers for being less or moderately responsive towards implementation of HR programmes

Time Devoted to HR Function

In the study we proceeded on the hypothesis that the top managements' attitude is noted to be 'highly influencing' not only in determining the operating mode of HR department but also in its size, nomenclature of Head-HR, and the reporting system. The factors shaping such attitude could be management's own conviction towards people as a resource, the time devoted by it to human resource activities vis-a-vis others, the credibility of the function itself in the organisation and the functional speciality of the CEO of the organisation. The ranking of the broad functional areas of an organisation based on the average mean time (as percentage of top management's time) devoted by it is depicted in Table F (Annexure1). It may be observed that in terms of the average mean time devoted to various functions by the top management, production / Manufacturing (with 35 percent of Top management's time) is ranked the most important and credible function followed by Marketing / Sales (with 25 percent time), Engineering / R & D (with 16 percent time), Finance (with 14 percent time), and Personnel / HRD (with 10 percent time).I*t would be noted that the perspective of top management towards HR was not very positive in view of the lowest ranking occupied by Personnel / HRD function due to the least time devoted to this function by top management.*

It is our well established thinking that HR as a function is as essential as any other operative function in an organisation. While establishing an organisation (particularly, big sized) employing thousands of people at a time, having a full- fledged HR / Personnel department with persons having an adequate back ground of HRD becomes a necessity. However, among various aspects of management, HRD is noted to be the last to get attention from top management. This is true not only in private but public sector industries also. Even as late as in 1981/1982 personnel management was reported to be an under-represented area in public enterprises not only at the chief executive but at senior executive level too, as per the findings of Public Enterprises Survey, 1981-82 of Bureau of Public Enterprises, Government of India depicted (Table G Annexure 1). Analysing the results of our survey and relating it with what has been pointed, it was noted that CEO of the company mostly belongs to engineering and R & D area (51 units) followed by finance (30 units), marketing/sales (20 units), personnel/HRD (13 units) and production/ manufacturing (8 units).*The perspective of top management towards HR may be noted to be not very positive in view of the lower number of CEOs belonging to Personnel / HRD area.*

Credibility of HR Function

The HR department need to develop credibility if it has to implement human resource activities and help the organisation derive benefits from it. In the absence of credibility, the investment in human resources will not yield the desired results. Credibility is the extent to which employees rely, respect and believe in what is said. It includes trust, faith, trustworthiness and positive image towards the HR department. The current survey analysed the credibility of the various functions at the organisational level. It was noted that the production / manufacturing which not only occupies the first position in terms of time devoted but also rated to be highly credible function in 26 out of 122 units surveyed and was ranked first in terms of credibility. This was followed by marketing / sales in 22 units, engineering / R & D in 18 units and finance in 16 units, ranking as second, third and fourth respectively. The HRD / personnel, in terms of credibility was noted to be last in ranking as only in 13 out of 122 units (10.7 percent), it was recognised as highly credible function. The results of the ranking and credibility are depicted in Table I (Annexure 1). The human resource function was noted to be not credible because it is not perceived as an important function in the organisation. It is necessary that HRD be instituted at a higher level and head of HR department classified as a member of the top management's team. Both credibility and usefulness of the HRD function depends on this. I*t was thus inferred that the perspective of top management towards HR is not very positive in these respect, and the function occupies the last rank the credibility criterion.*

Measuring Top Management's Perspective of HR

An effort was made in the study to analyse various parameters reflecting management's perspective of HR function. The perspective was noted to vary with the attitude and philosophy of top management towards it. A higher degree of commitment was noted to be associated with relatively successful organisation. The results of individual parameters reflecting management's perspective, however, may not be enough to quantify and provide a check list for measuring the perspective in the enterprises studied. However, an effort was made in the study to measure it and quantify the results in general so as to enable the organisation to judge their perspective towards the function as such. The test under consideration was based on 10 parameters combining the results of various questions asked for ascertaining the managements' perspective. Each parameter is assigned a score of 1 (one) which it would obtain if response is in 'Yes'. The number of 'Yes' scores to the parameters determine the degree of commitment to the HR function. The parameters for the purposes of the check list are stated in Table J(Annexure 1).The survey results in terms of 'Yes' / 'No' scores to the chosen parameters were analysed in terms of frequency analysis to draw an appropriate inference as to the HR perspective of top management.(Table K Annexure 1)

The maximum score, thus, for all parameters (i.e. if all the responses are 'Yes') is 10 i.e. 100 percent as percentage to the total score. An organisation obtaining 'Yes' score of more than 8 out of 10 (i.e. more than 80 percent) was interpreted as having excellent commitment; those with a score between 6 and 8, both included (i.e. score results between 60–80 percent were branded as 'Good commitment' organisations. 'Poor commitment' was noted in organisations with a score of 4 or more but less than 6 (i.e. results between 40 – 59 percent), and 'no commitment' in the organisations with a score of less than 4 (i.e. results less than 40 percent). The results of the score obtained for the chosen parameters are summarised in Table L (Annexure 1).Further analysis of the scores obtained in line with the pre-determined method of

frequency analysis to ascertain the top management's perspective under a particular 'level' to the total number of units surveyed is given in Table M (Annexure 1).

In the Indian scenario, the level of top managements' commitment to HR function may be taken to be **'Excellent'** in 4.9 percent of the units surveyed; only 29.5 percent of the units surveyed fall in **'Good'** category of commitment leaving enough room for such units to move to the 'Excellent Commitment' category. This would also call for a change in the attitude, support and philosophy of top management towards the HR function. It is worth noting that in majority of the units surveyed i.e. 44 out of 122 (36.1 percent) the level of top managements' commitment to this function is categorised as **'Poor'**. The remaining 29.5 percent units, (36 in number) belonged to **'No commitment'** category with a score of less than 4 (i.e. less than 40 percent)

Concluding Observation

Thus, contrary to the well established feeling, HR, as a function, in the Indian corporate enterprises needs a lot of top managements' support to grow and flourish. It has to be conceded that there are differences in the management out look which exist today and are in the process of transition. However, transitional phase should not persist too long or changes should not depend upon compulsions which may be brought to bear on management in the changing scenario of human resource management. *It would entail a deeper meaning than merely a pledge or promise on the part of management. It would require an action on the part of top management to allocate resources and lend support to HRD efforts in the organisation. It would also mean involvement of professionals outside the HRD department in HR programmes. The amount of commitment may not depend upon the size or nature of the organisation. It, usually, is believed to depend on the manner in which the human resource function has evolved, the attitude and philosophy of top management group towards HR and the manner in which the HRD function is administered. A vicious cycle may be noted here. The top management's perspective would presumably be positive when HR programmes yield the desired results. However, commitment is necessary to build an effective programme from which desired results can be obtained; and when this happens, commitment may be said to increase .The* CEOs of the organisations would do well to develop a mission for HRD, allocate necessary funds for it, allow employees to participate and get actively involved in HRD programmes, and require others also to do so. The test suggested may be taken by the management to know its commitment It can be an eye opening exercise and can have a positive impact on the thinking of the CEO. Needless to suggest it all requires locating HRD in a visible and high level position close to the top management.

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Annexure 1

TABLE A: Primary Role of HRD

Primary Role	No. of units out of 122	Ranking
Providing for Training & Development	122	I
Providing for Performance Appraisal & Feedback	115	II
Career Plannings	91	IV
Organisation Development	80	V
Employee Welfare & quality of work life	93	III
Quality Circles	44	VII
Human Resource Information System	53	VI

TABLE B: Time Lag between Establishment of HR Department and the Enterprise

Year of Establishment of the enterprises	Time Lag (In years)	No. of enterprises
1960 – 1990	> 5	81
After 1990	<5	41

TABLE C: Industry-Wise HR Ratios

Industry	HR Ratio
Pharmaceutical	4.0
Oil and Petroleum	4.0
Engineering	3.8
Telecom	3 .5
Software	3.6
Banking	2.9
Insurance	2.7
Real Estate	2.2

TABLE D: Top Managements' Encouragement and Operating Mode of HR Department

Encouragement by Top Management	Operating Mode		Total No. of units
	Independent mode of HR Department	HR Department combined with Personnel or other major department	
High	25 (62.5%)	35 (42.7%)	60 (49.2%)
Moderate	15 (37.5%)	34 (41.5%)	49 (40.2%)
Low	0	13 (15.8%)	13 (10.6%)
Total	40 (100%)	82 (100%)	122 (100%)

Note: Figures in parentheses represent respective column percentages
Chi-square value: 8.593; Degree of Freedom: 2, Value of 'p' 0.014,
Level of significance: 'Significant'

TABLE E: Codification of Corporate Policy on HR and Operating Mode of HR Department

Codification of corporate policy on HR	Operating Mode		Total No. of units
	Independent mode of HR Department	HR Department combined with Personnel or other major department	
Non existence of codified corporate policy	13 (32.5%)	61 (74.4%)	74 (60.7%)
Existence of codified corporate policy	27(67.5%)	21(25.6%)	48 (39.3%)
Total	40 (100%)	82 (100%)	122 (100%)

Note: Figures in parentheses represent respective column percentages
Chi-square value: 19.769; Degree of Freedom: 1, Value of 'p' 8.738,
Level of significance: 'Not significant'

TABLE F: Ranking and the Time Devoted by Top Management

Function	Ranking	Average Mean Time (In %)
Production/ Manufacturing	I	34.88
Engineering/R & D	III	16.00
Personnel/HRD	V	10.62
Marketing/Sales	II	24.62
Finance	IV	13.87

TABLE G: Statement Showing Professional Background of Senior Executives of Public Enterprises in the Scale of Rupees 2250 – 2750 and above (Excluding Insurance Enterprises)

Professional Categories	Chief Executive	Functional Directors	General Manager and Equivalent posts	Total
1	2	3	4	5
General Industrial Management including Economics	37	43	147	227
Financial Management	13	35	124	172
Marketing	1	2	9	12
Personnel Management	0	2	8	10
Mechanical Engineering	29	13	270	312
Electrical Engineering	12	24	131	167
Metallurgical Engineering	9	5	44	58
Chemical Engineering	10	9	94	113
Electronics	2	0	11	13
Mining Engineering	14	11	94	119
Civil Engineering	13	16	140	169
Production & Industrial Engineering	1	3	15	19
Aeronautical Engineering	1	0	7	8
Marine Engineering	2	2	5	9
Telecommunication Engineering	0	0	8	8
Textile	4	8	10	22
Leather Technology	1	0	1	2
Computer Technology	0	0	2	2
Oil Technology	2	0	8	10
Other Technical specialisations	31	46	247	324
Aviation	0	6	24	30
Agriculture Engineering, Dairying and Animal Husbandry	3	0	6	9
Forestry	0	0	2	2
Hotel & Tourism	0	0	2	2
Company Secretary	0	0	5	5
Total	185	225	1414	1824

Source: Public Enterprises Survey, 1981-82, vol. I, Bureau of Public Enterprises, Ministry of Finance, Govt. of India, New Delhi, pp. 251-252

TABLE H: Functional Area to which Chief Executive Officer of Company Belongs

Functional Area	No. of Units
Production /Manufacturing	8
Engineering/ R & D	51
Personnel / HRD	13
Marketing / Sales	20
Finance	30
Total	122

TABLE I: Ranking and Credibility of Different Functions
Figures: Number of units

Function	Ranking	Highly Credible	Credible	Does not enjoy good reputation	Not credible	Not Applicable
Production/Manufacturing	I	26	68	0	0	28
Engineering/ R & D	III	18	70	6	0	28
Personnel / HRD	V	13	55	52	2	0
Marketing / Sales	II	22	70	25	5	0
Finance	IV	16	69	34	3	0

TABLE J: Top Management: Check your commitment to HRD

Parameters	Yes/No
1. Corporate policy on HRD in writing	
2. Time lag between establishment of the organisation and HR Department (Less than 5 years)	
3. Level of HR Department	
4. Independent mode of HR Department	
5. Line managers' responsiveness towards HR programmes	
6. Functional ranking and credibility of HR in the organisation	
7. Managements' vociferous support to HR function	
8. Regular review of HR activities	
9. HR budget	
10. Resistance on cutting the HR budget	

TABLE K: Frequency Analysis of Parameters Measuring HR Perspective of Top Management

Scores in Responses to Parameters	Inference as to the Level of HR Perspective of Top Management
More than 80 percent i.e >8	Excellent commitment of top management, usually related to a very successful organisation
60 -80 percent i.e ≥ 6 but ≤ 8	Good commitment of top management, but room for additional emphasis
40-59 percent i.e ≥ 4 but < 6	Poor commitment of top management, requires substantial efforts for HR Department to be effective
Less than 40 percent i.e < 4	Almost no top management commitment; bare existence of HR department in the organisation

TABLE L: Top Management Commitment as per Survey Results

Scores in terms of parameters	Corresponding number of companies
1	8
2	11
3	17
4	28
5	16
6	21
7	12
8	3
9	6
10	0
Total	122

TABLE M: Summary of the Results Measuring Top Managements' Commitment

Level of Top Managements' Perspective	No. of units	Percentage to the total units surveyed
Excellent	6	4.9%
Good	36	29.5%
Poor	44	36.1%
No Commitment	36	29.5%
Total	122	100.0%

Soft Tools Supporting Innovation- Based on the Case Study of ZPAS Group

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Abstract

The article shows areas material for creating a pro-innovative work environment and describes specific solutions applied by Polish enterprise ZPAS. The purpose of the research was to identify tools for supporting innovation in the entity. Both hard measurements (which resulted in innovative achievements) and employees' opinions on the company and management activities towards stimulating innovation were analyzed. In this process, managers and the personnel department played a very important role. For this reason, it may inspire readers towards the introduction of innovation-supporting changes in other entities, while identifying a group of issues to be considered in that process.

Keywords: innovation, personnel procedures, corporate culture, HRM, Poland

Introduction

Innovation of enterprises is largely dependent on their potential to introduce changes: from intellectual, to organizational and financial capacities necessary to create and implement them. However, in the era of knowledge-based economy, an increasing group of researchers emphasizes the importance of employee attitude supported by the organizational climate and HRM practices and strategies in this respect (Wright et al, 2001, Lau, Ngo 2004). The role requires the skill of translating a business strategy of an organization into personnel strategy, with a particular emphasis on business development strategy of the enterprise and its strategy of attracting, developing and rewarding its personnel. They, in turn, should be translated into motivation, training, recruitment and selection procedures and into a competence model. Human resources management is facing ever-stronger challenges of a growing global competition and new technological capacities. These challenges can only be faced with innovative and flexible organizations with top staff. According to G. Hamel, innovation is the only way to achieve above-average performance when fighting rival companies on the market.

Literature puts a lot of emphasis on the importance of personnel competences as the source of a competitive advantage (Breen, Hamel 2007). Therefore, personnel strategies should evolve continuously to adapt to ever-changing environment and needs of an enterprise.

Corporate Value and HRM System

Analyzing discussed issues there was noticed that organizational culture influence economical growth, competition and innovation, that it is the factor which decides about success or failure

of organizational innovations (Detert et al 2000). Organizational cultures oriented to creating area for innovative activity of the employees are prepared for overcoming obstacles in communicating, sharing knowledge, team work and creating atmosphere of learning. In open to individual needs and its freedom cultures, mistakes are tolerated and discussed in the context of reasons and future prevention and not blaming particular individuals. The culture supporting creating behaviors, where innovation is rewarded and appreciated, inspires people and creates an innovation-friendly climate. Culture and leadership in an organization are very closely correlated. Kanter (2005) emphasizes that innovation, even when purely technical in nature, require strong leaders with outstanding relationship-building and communication skills, who can find partners in their own or external enterprise.

Some authors (Lau, Ngo 2004) go as far as to point out to the organizational culture as the intervening factor between the HR system and product innovation. In the context of supporting innovation based on HRM practice significant meaning is placed to three types of practice. These are: training oriented to using employees' competence, rewarding based on contribution and results, supporting team work (Lau, Ngo 2004).

Many authors point out the necessity of a close connection between training policy with the strategy, organization's targets, systems of work and expected results in order to ensure the highest effectiveness possible (Valle et. Al. 2000). It is also mentioned that training constitutes an important element in the process of sharing knowledge in the organization (Sitko-Lutek 2009). The importance of training focused on improving communication skills is essential in team work. For this reason, its role in the process of supporting innovation in a company cannot be emphasized enough.

Purposes

The aim of the paper is: to identify tools for supporting innovation in the enterprise ZPAS GROUP. This is an indigenously Polish enterprise that is dynamically developing in the sector of new technologies and has been operating on the Polish market for 37 years. The products of ZPAS Group mainly involve supporting elements used in advanced telecommunications, IT and electric power systems. The enterprise is proud that its capital involves not only state-of-the-art machinery but also highly qualified, young and creative staff pursuing innovation and making use of the experience of more than thirty years gained by experts who have been working in the enterprise from the very beginning. ZPAS exports about 50% of its products to European countries. ZPAS products are used by such companies as: Ericsson, Simens, Polkomtel, and the European Organization for Nuclear Research (CERN) for the most advanced solutions they develop.

The informed choice of innovation as a component of the company's strategy is made by building with full awareness the company's culture and strengthening its value, motivation system, the competence model and its training. In the light of the above, it would be interesting to learn whether the vision of the innovation is clear, uniform, and coherent and communicated to everyone. Is open communication one of the company's values? Does the company support and create opportunities of team work? Does the company organize internal training events to improve the level of enterprise and innovation?

The article also presents the program of supporting innovation implemented in the company in 2005 together with figures concerning the number of proposals which have been put forward and implemented.

Methodology/Approach

The research refers to individual tools of human resources management analyzed from the perspective of supporting innovation in organizations. Having analyzed the literature and results of research to date, it was assumed that personnel procedures may have a significant impact on supporting pro-innovative work environment and on stimulating innovative attitudes in organizations. Given that an organization receives from its employees what they are rewarded for, it can be expected that a properly carried out human resources policy contributes to shaping desirable attitudes in organizations. In addition, selected aspects of organizational culture and innovation-supporting values promoted in enterprises were analyzed. The belief shared by respondents that innovation or openness to changes is appreciated in an organization contributes to fostering and promoting innovative attitudes. The innovative activity of employees was also taken into account, including, implemented and filed patents and proposals as well as the employees' activity in propagating the ideas of sharing knowledge, such as publications in relevant trade press, company's Internet fora, carrying out a blog on work, and participation in trade conferences.

The research is based on the questionnaire method as well as interviews with key persons in the enterprise who are responsible for creating the innovation policy. The following statistical methods were applied in the research: Mann-Whitney's U test, ANOVA test for analyzing variance between means of several groups (qualitative and quantitative attributes), Pearson's chi-square test (in the case of an analysis of relations between two qualitative attitudes as well as analysis of Pearson's linear correlation of two quantitative attributes).

Findings

Description of the Group under Research

113 employees participated in the research. 43% of them have a university degree, 42% have secondary education, others – vocational education. Most of the sample consisted of people aged 25-45 – 61%, over 46 years – 34% and 4.6% of respondents is under 25. The group under research has been employed in the company for quite a long time which is probably a result of little choice on the local labor market. As much as 34% of the employees have been working in the company for 19 years or longer, between 9 and 18 years – 18% of the sample, 3 to 8 years – 35%, and others – less than 3 years. Because of the position held, the largest group of employees comprises experts – 41%, management staff – 12%, others are production and administrative workers. Employees who take business trips constitute over a half of the sample – 55%, including 11% per 10 and more trips annually. 14% of the group under research participates in works of the Lean Management group. The same number of the employees are members of the Employees Activity Program which aims at gathering and assessing proposals concerning suggestions of improvements in the company. 40% of the sample have, within last 3 years, put forward proposals to the Employees Activity Program, and 5 may boast developing patent-protected innovations.

Employee Activity Program

In mid 2005, ZPAS initiated the Employee Activity Program (EAP). The program was inaugurated with a series of trainings for the whole staff, the rules and regulations of EAP as well as placing suggestion boxes in several places within the company premises. The main objective of the Employee Activity Program is to identify problems which are encountered in the workplace as well as to solve them effectively. The program allows to identify problems

which cause waste of time, waste of quality and to communicate the problems to competent persons. EAP guarantees that all the problems raised will be handled, each proposal examined by competent persons and if assessed positively, implemented. The program also ensures that the time for implementation will be set. As a result, the program facilitates productivity, generates financial savings and improves quality of work and products.

It is necessary for the Employee Activity Program that the company has the EAP Committee which coordinates works as part of the program, registers proposals, replies to applicants, and activates employees to take part in the program.

The EAP Committee comprises four persons who are representatives of the main areas of the company business activity, i.e. Technology, Production, Marketing and Quality.

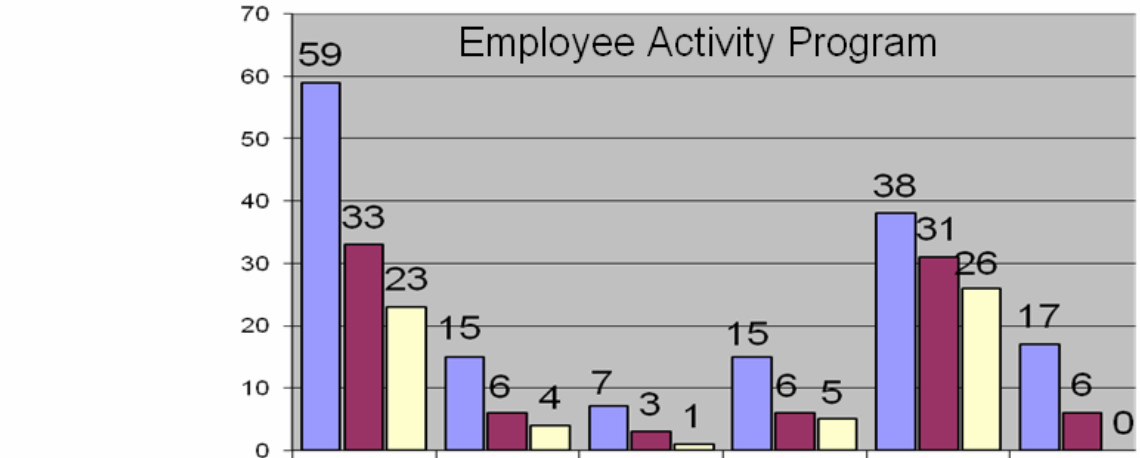
It deals with initial selection of proposals, appointing persons competent to solve problems described in the proposals as well as taking decisions on implementing a given solution.

The Committee is responsible for observing proper operation of the procedure, appointing persons expressing opinions (experts) who bear responsibility for presenting suggestions of solutions, giving opinions on a given solution, implementing and calculating suggestions, supervising the circulation of contents included in a proposal, enforcing deadlines, assessing the usefulness of suggestions for ZPAS needs, deciding on further steps concerning suggestions, setting deadlines and appointing persons responsible for implementing and coordinating the implementation, as well as granting rewards to initiators of innovative solutions.

The suggestions related to the Employee Activity Program should be placed in boxes with "Employee Activity Program" on them which are located within the company premises. Each Wednesday, a member of the EAP Committee checks the boxes and registers each proposal by assigning it a number in the EAP Committee Register of Proposals. After analyzing the proposal, the Committee takes a preliminary decision whether the problem described or solution suggested are worth further action and appoints a competent person or a company's organizational unit (expert) in order to present the suggestion of the problem solution or to assess a given suggestion. Then, the proposal is sent to the appointed person and an author of the proposal is notified. The person expressing opinion who has been sent the proposal presents a proposal of solving the problem or provides an opinion on the solution suggested by the employee. After receiving response from that person, the Committee analyzes the suggested solution and decides whether to implement or reject it. If the decision is positive, the Committee appoints a person responsible for implementing the solution and for the deadline of implementation. Then it notifies the author about the decision. The person appointed by the Committee supervises timely implementation of the solution. After implementation, the person assesses the obtained effects and sends information on the implementation and effects.

The figure below presents an overview of the proposals put forward and implemented as part of EAP in subsequent years.

FIGURE 1: An overview of proposals put forward and implemented as part on EAP in subsequent years



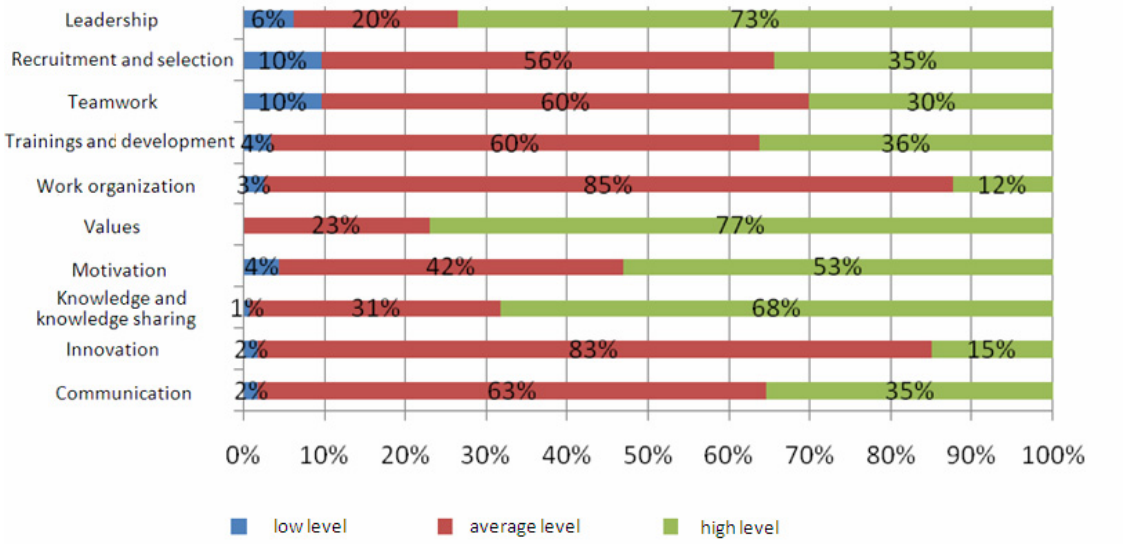
	2005	2006	2007	2008	2009	2010
number of applications	59	15	7	15	38	17
examined positively	33	6	3	6	31	6
implemented	23	4	1	5	26	0

Source: own study

Research Results

In the first step, the company employees gave their opinions on the realization of individual aspects of the policy supporting innovation. Below, there is a percentage overview of respondents' answers from low through average to high level.

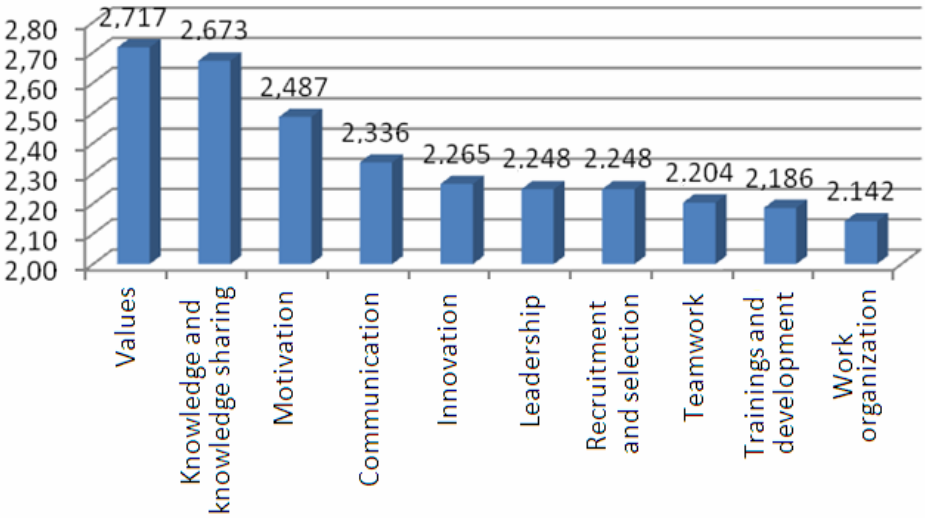
FIGURE 2. An overview of respondents' responses at a low, average and high level in areas under research.



Source: own study

The analysis of results made it possible to present a hierarchy of the respondents' assessment of areas under research (the respondents assessed the presented areas on a 5-point scale, where 1 stood for 'no', 2 – 'rather not', 3 – 'hard to say', 4 – 'rather yes', 5 – 'yes').

FIGURE 3: An assessment hierarchy of areas under research.



Source: Own study

The presented results may suggest that, according to most respondents, the areas under research are realized in the company at the average level at most. The presented areas are discussed as follows.

Corporate Values

The realization of corporate values supporting innovation in the company were rated highest. However, the highest rates in this area were obtained in response to the questions for expectations towards employees in the scope of displaying competences, such as flexibility and adaptation to changes (means on the 1-5 scale amounts to 4.58), creativity expectations (4.31), and initiative expectations (4.12). Assuming that the expectations of superiors influence the behavior of employees, the expectations may contribute to creating the climate supporting innovation. Corporate climate, which is like culture surface or context for action in an organization, is even more important when it is consciously observed by participants in an organization. Most authors admit that the climate may impact productivity, creativity, orientation towards client, and therefore, each organization should attempt to create climate which contributes to the company's success (Kim, Mauborue 2003). Barnard (1997) points out that corporate climate has an influence on many decisions taken by employees concerning participation, productivity or change of an employer. The elements which definitely create the climate supporting innovation involve the employees' beliefs that the company supports their innovative initiatives (average 3.68) and that new solutions are accepted by the company (3.61). However, most of the respondents is not sure if the company accepts risk-taking; even a smaller group of respondents claims that the employees decide to take risk (5.3% of yes-answers, 26% – rather yes).

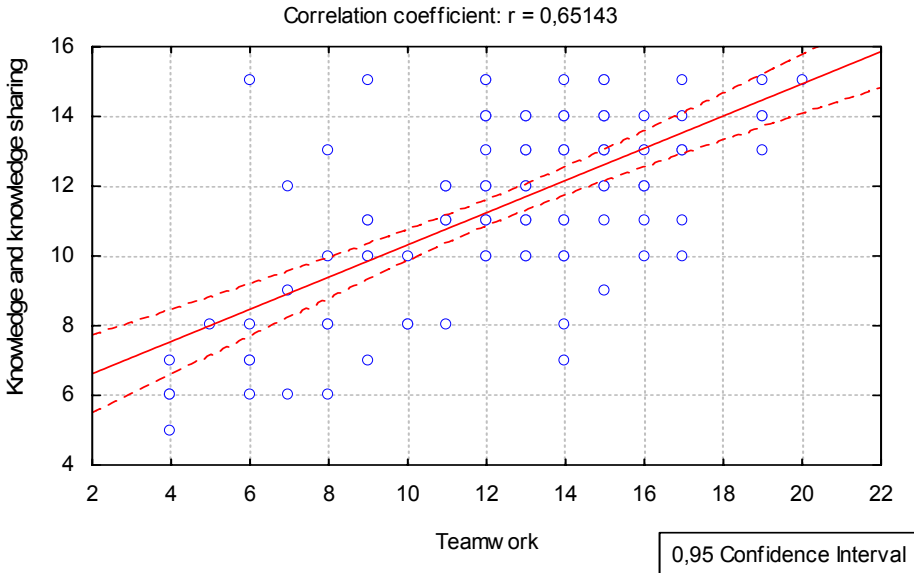
Free access to Knowledge – Results

Second highest rated answer given by the respondents involves the knowledge-related area, free access to knowledge and knowledge sharing in the company. Most employees claim that the company offers free access to knowledge (average 3.5). Particularly interesting is also a tendency confirmed in research carried out on other groups that the employees consider themselves as more prone to sharing their knowledge (average 4.46) than their colleagues (3.49). Free access to knowledge is an extremely important element of supporting innovation in

everyday work. On the one hand, the employees should be encouraged to share their knowledge and a cooperative attitude in the company and a belief that, for instance, loss of monopoly on knowledge will not endanger the employee's position is a prerequisite for fostering such attitudes. On the other hand, an enterprise itself should promote the idea of exchanging information and knowledge between employees by organizing frequent meetings and providing appropriate infrastructure for virtual meetings (e.g. remote meetings, such as web-conferences), as well as e.g. communicators, services and social network services.

The above thesis is confirmed by an identified connection between opinions on teamwork and access to knowledge and knowledge sharing.

FIGURE 4: A graph of statistical dispersion between teamwork and access to knowledge and knowledge sharing



Source: own study

The correlation coefficient is high, r=0.065, which means that according to 65% of answers, opinions on these two areas overlap and influence each other. The respondents who are convinced of a high level of teamwork in the company also point out that the level of access to knowledge and knowledge sharing is high. That is why, it may be assumed that the low rated area of cooperation in the company may have a negative impact on the employees' opinions on the process of knowledge sharing.

Motivation

Innovation is based on creativity of individuals. In turn, the creativity is a function of three following components: knowledge, creative thinking and motivation (Amabile T. M 1998). In a creative thinking process, more importance is attached to internal motivation, connected with attractiveness of a task and driven by an internal passion or interest. In the process of stimulating the internal motivation, external rewards such as bonuses and promotions do not play the key role. However, Moss Kanter R. (2006) warns against dividing employees in an organization into those who work for their living and those who feel satisfaction from their work. Certainly, innovators cannot go unrewarded - otherwise their creative energy will be wasted or dispersed.

In ZPAS, more than half of the employees believe that the company has a motivation system which promotes innovative initiatives known to all employees (average of answers given

amounts to 3.28) and that innovation is rewarded (3.55). Yet as many as one per three employees claims that such a system probably does not exist. Just under 23% of respondents claim that innovation is rather not rewarded.

The table below presents types of rewards that the company employees may expect for putting forward innovative solutions.

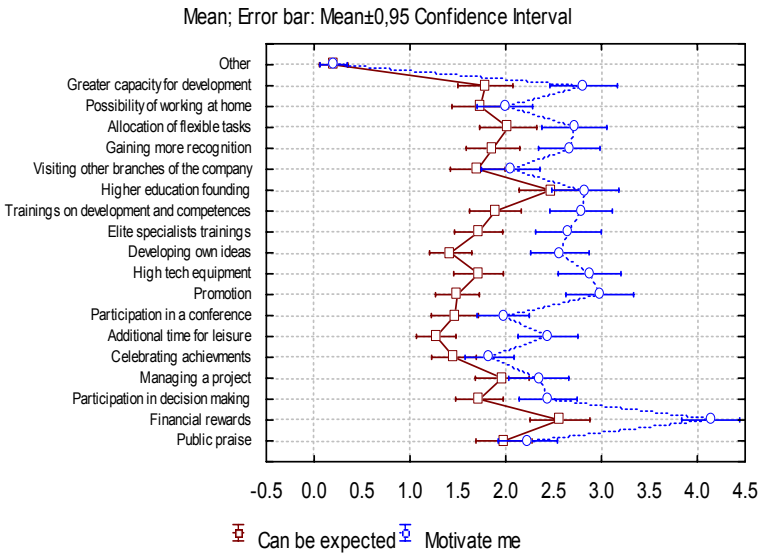
FIGURE 5: Rewards that employees may expect for putting forward innovative solutions

Reward	can be expected					
	1	2	3	4	5	No answer
Public praise	31.9	14.2	15.0	13.3	8.0	17.7
Financial rewards	20.4	17.7	14.2	18.6	16.8	12.4
Participation in decision-making	29.2	24.8	15.9	7.1	3.5	19.5
Managing a project	21.2	16.8	22.1	13.3	4.4	22.1
Celebrating achievements	37.2	16.8	15.0	5.3	1.8	23.9
Additional time for leisure	46.0	18.6	7.1	3.5	1.8	23.0
Participation in a conference	41.6	13.3	13.3	5.3	3.5	23.0
Promotion	36.3	24.8	8.8	7.1	1.8	21.2
High-tech equipment	29.2	18.6	18.6	8.0	3.5	22.1
Possibility of devoting part of working time (10-20%) to developing own ideas which also facilitate the development of the company	38.1	19.5	13.3	5.3	0.9	23.0
Elite specialist trainings	30.1	21.2	17.7	7.1	3.5	20.4
Trainings on developing competences	28.3	14.2	23.9	9.7	4.4	19.5
Higher education founding	16.8	8.8	16.8	23.9	13.3	20.4
Visiting other branches of the company	36.3	9.7	15.9	8.0	7.1	23.0
Gaining more recognition	23.9	17.7	19.5	10.6	5.3	23.0
Dealing with more challenging tasks, projects	19.5	15.0	19.5	15.9	6.2	23.9
Possibility of working at home	37.2	9.7	11.5	10.6	8.0	23.0
Greater capacity for development	25.7	11.5	18.6	14.2	3.5	26.5
Other	6.2	0.0	1.8	0.0	1.8	90.3

Source: own study

As can be seen in the table, the most frequent rewards for innovative activity involve high education founding and financial rewards (as claimed by 1/3 of the respondents), and subsequently, dealing with challenging tasks and projects, the possibility of working at home as well as public praise and gaining more recognition among colleagues. At the same time, a relatively large group of employees (also at least 1/3 of them) would not expect such rewards. The respondents were also asked what rewards for innovative initiative they would appreciate. The graph below presents divergence in this issue.

FIGURE 6: A frame graph of average assessments of expected incentives in relation to desirable incentives (motivating the most)



Source: own study

The Mann-Whitney's U test identified considerable differences in terms of applied and desired incentives. The discrepancy is greatest in the case of a financial reward (p=0.000000), additional time for leisure (p=0.000000), possibility of devoting part of working time to developing own ideas (p=0,000000), promotion (p=0,000000), as well as purchasing high-tech equipment (p=0,000001). A complete list of presented relations is depicted in the annex, Table 1. The "Motivate me" section is in contrast with "Can be expected" section. Answers seem to reflect the dichotomy between what is offered to employees and what the best incentive for their innovative actions would be. As it can be expected, the dichotomy translates directly into a team which is not rightly motivated to show innovation.

On the basis of the research, a statistically significant difference in reference to education was identified. The test revealed a relation in the case of celebrating achievements $p<\alpha$, (p=0.008942) which means that the higher education a respondent has, the more he or she expects his innovative achievements to be celebrated. One statistically significant difference was recognized – sex of the respondent. The test showed a relation in the case of expecting greater capacity for development $p<\alpha$, (p=0.036783). Women displayed a definitely smaller discrepancy in this case than men. It can be understood that women have lower expectations concerning trainings and development in comparison to men.

On the basis of the research, two statistically significant differences concerning working careers in the company were recognized. The test revealed a relation in the case of promotion $p<\alpha$, (p=0.023620) and greater capacity for development $p<\alpha$ (p=0.014754). In the case of both promotion and greater capacity for development, the greatest differences were observed in a group of employees with working careers of less than 3 years. The employees with longer working careers felt this discrepancy to a lesser degree while employees with working careers of more than 19 years did not feel it almost at all. On the basis of the research, two statistically significant differences concerning current posts were recognized. The test showed a relation in the case of celebrating achievements $p<\alpha$, (p=0.034018) and gaining more recognition $p<\alpha$ (p=0. 025574). The largest difference in both celebrating achievements and gaining more recognition can be observed while performing duties of an expert. This discrepancy is

significantly less visible as far as managers are concerned. Probably, in ZPAS, as in many other companies, managers are better motivated than other employees.

Communication

As for the communication area, the questions concerned, for instance, whether the employees knew how to put forward their proposals. The average of the answers given was very high (4.40 on a 5-point scale) which meant that the employees were well-informed in this context. Most employees also declared that they knew how they can contribute to improving the company's innovation (3.66) and that they understood the innovative value communicated in the company. Still, about 20% of employees are not aware of it ('no' and 'rather not' answers). The majority of employees claim that they are not familiar with examples of innovative activities (58% of 'no' and 'rather not' answers), and over 40% - that the information, such as the mission, objectives and rules concerning inventiveness is not easily available to employees. Further analysis showed two statistically significant relations concerning this area. The higher the post, the better the area of communication was assessed ($p=0.000825$). Membership in the Employment Activity Program also contributed to assessing this area higher in comparison to other areas ($p=0.000825$). This relation is not surprising then. Managers who are also co-authors of the policy of communication are therefore best informed. In turn, members of the program supporting innovation, managers in majority, should also present a higher level of knowledge on the topic.

Innovation

For the purpose of the research, an innovative enterprise has been defined as follows (after the Main Statistical Office): an innovative enterprise is an enterprise which has introduced at least one technological innovation: a new or improved product or a new or improved process, which is a novelty at least from the enterprise's standpoint, over the period covered by the research (typically three years) (http://www.stat.gov.pl/gus/definicje_PLK_HTML.htm?id).

In response to this question, 64.3% of the respondents answered 'yes' or 'rather yes' and 16.9% gave 'no' or 'rather not' answers. The average of answers equaled 3.63. A factor analysis of the above-mentioned question was supplemented with 4 aspects of an innovative company described in literature (Borkowaska 2008, Lewicka 2010): tendency to risk-taking, gaining more recognition by innovators, thinking of the future as well as creating interdepartamental groups for solving problems, given that opinions of the employees on the company innovation should be verified by means of other features. As supposed by the Author, the test answers did not give such a high average. Interdepartamental problem-solving and tendency to risk-taking were assessed particularly low (2.64 and 2.84, respectively). Further analysis displayed significant differences in the scope of assessing the company innovation. The higher the post a respondent held, the higher mark was given to the company innovation ($p=0.018591$).

Innovation-targeted Leadership

A leader is a model to be followed. Such a person usually has wider professional experience, and therefore, also builds authority on expert knowledge. Whether the leader gains authority among colleagues depends, to a large extent, on his managerial skills and results of his work (e.g. achievements in inventiveness). It is thus significant whether the leader is a talented originator, supports other members of the team in their work and encourages them to think creatively.

As emphasized by R. M. Kanter (2006), innovation based on proportion between exploitation (achieving maximum profits from present activity) and exploration (looking for new sources of income) requires flexibility and devoting a lot of attention to interpersonal relations. The author also highlights that, from time to time, innovations develop into strategic growth factors, however, each phase of enthusiasm brings the same errors made by managers. She claims that innovations may become the basic causative factor of success if only managers will be able to draw conclusions from the "lessons from the past". One of the recurring errors involves underinvestment and underecognition of human innovation (Kanter 2005). It is timely to examine the results of research carried out by the author which show that innovative managers deal more with convincing than giving orders, concentrate on building their team, seek engagement of other persons and willingly share rewards and recognition. Such actions facilitate not only innovation but motivation to work in general. Therefore, changes in competence models and training and development systems of managers need to be introduced.

R. M. Kanter (2006) also emphasizes that innovations, including strictly technical ones, need strong leaders with outstanding skills at building relationships and communication who know how to find partners in their own or outside company.

In this area, the respondents were asked whether their managers support innovation (average 2.96), whether their style of management facilitates creative activities (average 3.04) and whether managers openly communicate to the employees their expectations concerning innovation (average 2.80). Over one-third of employees do not feel sufficiently encouraged to innovation by the style of management and other supporting activities. The same number of respondents claim that superiors do not openly communicate their expectations concerning innovation to the employees. The results obtained suggest the existence of a competence gap within leadership competencies. It is characteristic that there exists a statistically significant relation between assessment of this area and a job post held. The higher the post a respondent held, the better he or she assessed the aspects of leadership in the company ($p=0.036653$). A similar relation is observed in reference to membership in the Employee Activity Program. Persons who are members of it assessed leadership in the organization higher ($p=0.010459$).

Training Policy

Training and development may serve as important tools developing innovative attitudes. Moos Kanter R.(2007) does not hesitate to emphasize that companies, which develop leadership skills of their staff are more prone to creating successful innovations. It also shows the importance of developing employee communication and cooperation skills in this aspect. For training programs to serve as tools supporting innovative and entrepreneurial attitudes, they should meet the following criteria:

- they should be created on the basis of binding competence models, support development of key competences of a company, primarily those connected with innovation and enterprise,
- any planning of training events should be preceded by an analysis of needs, which involves people participating in training and their superiors (questionnaires, interviews, realization of the concept of a training quintet).
- the training should be available and delivered to the majority of employees and not to a selected group. Drucker (2004) criticizes the so-called promotionality concept i.e. investing

into some employees only. He points out that benefits from preparing a chosen group will not counterbalance losses which may result from inhibiting development and dissatisfaction of those omitted/neglected."

- training should be delivered by using methods, which promote proactive attitudes, by solving real life problems of an organization.
- training objectives and goals should be specific and realistic and expressed in categories of competences.
- as early as at the stage of designing training, tools should be created to evaluate them,
- the organization should apply extensive systems evaluating training projects, which monitor the impact of training on changes in behaviors and attitudes of employees, described in categories of individual competence, the impact of training on the operation and performance of organizational units (Lewicka 2010).

The research was aimed at determining whether the attitude towards trainings in the entity under research met the requirements imposed on the trainings in order to support innovation. More than 70% of employees believe that trainings are delivered to some employees only. Only 27% point out that trainings include interesting examples which stimulate creativity and a little more of respondents – 30%, claim that trainings help to solve current, real problems. Only 35% of respondents believe that objectives and expectations are formulated towards trainings as tools supporting innovation and that during the trainings, managers learn how to develop their skills of supporting innovation of their subordinates. The results presented prove that trainings in the company do not fulfill many requirements imposed on trainings as tools of supporting innovation.

Moreover, a relation concerning the area of trainings and development referring to a given job post as well as membership in the Lean Management group and Employee Activity Program was recognized. The higher the post, the greater the capacity for trainings and development in the company is perceived by respondents ($p=0.002891$). Employees who participate in Lean Management groups ($p=0.011026$) and Employee Activity Program ($p=0.003860$) are convinced that they may undergo more trainings and develop themselves more effectively within the company's structure than other employees.

Analysis of other Areas under Research

The area of recruitment and selection of employees involved questions concerning the selection and verification procedure of their competences. Only 27% of respondents believe that, during the selection procedure, the issues of innovation are tackled and that these skills are verified. Most respondents claim that candidates are expected to be creative and innovative (59% of respondents). Therefore it can be assumed that although these competences are desirable, probably no or few procedural actions are taken at the level of seeking and selecting candidates.

Another important factor for stimulating innovation refers to the possibility of deciding on a manner of work, time for innovative activity as well as support offered in the form of essential tools. If employees are overloaded with work, they are not able to develop own ideas. The majority of employees point out that the abundance of duties inhibit the process of developing new ideas (65% of 'yes' and 'rather yes' answers). What is more, only 29% of them are convinced that, as a result of entrusting them with tasks on innovation, they will be given a

limited time, whereas 21% - that they will be provided with crucial support, computers, room, finances for buying relevant literature, licenses and software.

The analysis of correlation between the areas conducted by means of the Pearson chi-squared (χ^2) test proves that all the relations between the areas are positive and all coefficients are statistically significant $p<\alpha$. It means that an increase in the assessment of one area causes increase in the assessment of another area. Some of these relations are very strong, e.g. the level of innovation assessed by the employees is to a great extent related to the appreciated values (p=0.74), assessment of teamwork (p=0.71), and policy of trainings and development (p=0.67).

An ZPAS Innovator's Profile

As a result of the analysis of innovative activity, the employees of the company have been divided into 3 categories based on the synthetic indicator. When developing the indicator, individual aspects of activity were assigned significance (the greatest significance assigned to obtaining a patent and implementing a proposal for improvement), and then the innovative activity of the employees was summarized taking into account the number of individual achievements. The research shows that innovators constitute 59% of the respondents. Among them, there are two groups of people: those who have many achievements on their scorecards (synthetic indicator >6) and those whose achievements are not so impressive. The group consists of experts mainly (p=0.04633). It is not surprising that there is a significant difference in answers referring to the number of proposals submitted to the Employee Activity Project within last three years (p=0.00000), proposals implemented (p=0.00000), ideas filed for patent (p=0.02354), and those which are patent-protected (p=0.01061). Innovators publish their articles more often and their publications are typically in-house articles, helpful at work and addressed to other employees (p=0.03750). They more often participate (p=0.00929) and present (p=0.00792) their achievements during brand meetings, e.g. conferences.

Innovators have better understanding of the value of innovation communicated in the company (p=0.044805) and better knowledge of reporting and communicating new ideas (p=0.04982). The latter feature might simply come as a result of their experience. Moreover, they definitely more frequently admit that new solutions are accepted in the company (p=0.03326) and that the company accepts spying on competition to observe their innovations (p=0.04614).

Conclusions

As mentioned above, several conclusions can be made from the above case analysis, which are of value for the investment climate in contemporary enterprises.

It seems that most employees is capable of creating innovation. As much as 59% of the company's employees have innovative achievements on their accounts, some of them involve submitted proposals only, others implemented solutions or patents. The research has shown that differences between innovators and non-innovators exist mostly in terms of identification with goals and values, commitment to work. Similar relations have been revealed while examining the case of IBM (Lewicka 2010). It leads to the conclusion that support for innovation is largely a managerial function. The first task of the management is to present a comprehensible and credible vision of innovation in an enterprise. Jack Welch, the former General Director of General Electric emphasizes the importance of creating a vision, expressing the vision, propagating it incessantly and support it until the very end (Tichy, Charan 1989).

Pro-innovative climate is a product of pro-innovative work environment, including a leader-selection policy, access to knowledge, information and technology, training and HR management methods (Lewicka, 2008). A proper policy of motivating to innovation is extremely important. It is alarming that it is the experts who are the driving force of innovative activities in the companies that feel underestimated (significant differences in both celebrating achievements and expectations of gaining more recognition as a result of innovative initiatives in relation to other groups of respondents).

The HR Department and the management take a joint action of preparing leaders to supporting their staff in their pro-innovative efforts. In the light of above, if leaders are equipped with adequate HRM knowledge and can combine it with their familiarity with technical issues, they are better prepared to offer the right support to their staff in order to create innovative solutions.

E.g. supporting innovators may involve reserving a percentage of employees' time which they may deduct from their weekly hours and devote to new ideas. Another suggestion is to finance purchase of literature or software licenses, provide equipment, hardware or offices (Luecke, 2003). It can be concluded that the areas under research are realized at the average level at most. The highest results were obtained in the values supporting innovation area. It seems that the values are as if the basis for creating pro-innovative attitudes. Therefore it is worth considering to implement solutions driven by innovation, paying special attention to motivating both innovators by providing them with rewards as well as the remaining employees to stimulate innovative attitudes.

Results of the research improved our understanding of the impact that soft factors have on innovative attitudes. They gave us comprehensive information required for creating innovation-supporting work environment. As this research sample was not representative, some trends showed in the research were only vaguely described. They require continuation of empirical revision. At the next stage, comparative research in this area was necessary, covering both enterprises which have some achievements in the field of innovation and enterprises without such achievements, in order to improve our understanding of interdependencies existing in this aspect.

In addition, broader comparative research should be considered to analyze methods of implementing the described in this paper in enterprises operating in different countries and culture. In would be also interesting to compare the analyzed aspects within countries with low innovative factor (in acc. with the European Innovation Scoreboard 2008) to countries leading in the ranking.

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Annex

TABLE. 1: Results of the Mann-Whitney's U test on differences in terms of applied and desired incentives

	U	Z	p
Public praise	*5865.5*	*-1.05*	*0.291431*
Financial rewards	2961.0	-6.96	0.000000
Participation in decision-making	4716.0	-3.39	0.000689
Managing a project	*5526.0*	*-1.75*	*0.080852*
Celebrating achievements	5395.5	-2.01	0.044295
Additional time for leisure	3843.5	-5.17	0.000000
Participation in a conference	5127.5	-2.56	0.010571
Promotion	3581.0	-5.70	0.000000
High-tech equipment	3928.0	-5.00	0.000001
Possibility of devoting part of working time (10-20%) to developing own ideas which also facilitate the development of the company	3793.0	-5.27	0.000000
Elite specialist trainings	4494.5	-3.84	0.000121
Trainings on developing competences	4409.5	-4.02	0.000059
Higher education founding	*5597.0*	*-1.60*	*0.109310*
Visiting other branches of the company	*5652.5*	*-1.49*	*0.136652*
Gaining more recognition	4665.0	-3.50	0.000469
Dealing with more challenging tasks, projects	4923.0	-2.97	0.002952
Possibility of working at home	*5756.0*	*-1.28*	*0.201325*
Greater capacity for development	4359.5	-4.12	0.000038
Other	*6280.0*	*-0.21*	*0.832413*

Source: Own study

Sweated Labor and Garment Homeworking in the Developed World

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Abstract

This paper investigates the claim that sweating has re-emerged among garment homeworkers in the developed world. It describes the method of identification of 119 homeworkers and the data collection. A qualitative study is conducted, using content analysis and textual analysis. The findings demonstrate that unskilled homeworkers operated under conditions of sweating, working extensive hours at very low pay rates. Those who worked the longest hours reported the highest levels of job satisfaction because they were able to earn a living. This was particularly the case for workers with long experience, because they perceived they were trapped in the occupation.

Introduction/Purposes

Homework, outwork or domestic production is "work carried out by a person ... in his or her own home or in premises he or she has chosen; for remuneration; which results in a product or service as specified by the employer, whether the equipment, materials or other inputs are provided by this person, the employer, or the intermediary" (International Labor Organization, 1996: 160). The garment industry has long been associated with sweated labor in major developed countries (e.g., Blythell, 1978; McIntosh, 1993; Collins, 1996; Blackburn, 1997; 2007; Ross, 1997; Ross, 2004). Sweating describes low rates of pay, excessive and irregular hours, poor working conditions, seasonal layoffs, household labor and the extreme exhaustion of the workers. It was initially observed in the artisan-based "putting-out" or subcontracting system of domestic garment production in pre-industrial times (Lazerson, 1995). It has been widely held that efficient, centralized factory production would eventually replace the inefficient practices and poor quality output of unmonitored, unskilled domestic workers (e.g., Blythell, 1978; Williamson, 1980; North, 1981).

Since the 1970s, however, a stream of studies has purported to identify manifestations of sweated labor in textile homeworking in developed countries (e.g., Mitter, 1986; Allen and Wolkowitz, 1987; Peck, 1990; Ellem, 1991; Hiebert, 1990; Ross, 1997; Ross, 2004; Hale and Willis, 2005). The drawback of most studies is that only a handful of homeworkers are examined, making it impossible to validate or generalize findings. The problem for academic research is that homeworkers are hidden or invisible (Pennington and Westover, 1989; Dangler, 1994). Primary data are extremely hard to collect because of the difficulty of identifying homeworkers, the need to access individual homes on a "cold call" basis, and the problems associated with interviewing immigrants with few English language skills (Phizacklea, 1990). The aim of this paper is to fill this major gap in the literature by gaining access to a sample of over a hundred homeworkers in the garment industry.

This study began in 1999 and the major policy recommendations were completed by 2003. The study took place in Melbourne, the capital city of the state of Victoria in Australia.

Literature Review: The survival of industrial homework

Despite predictions that domestic production in the garment industry would decline, a "homeworker labor force grew alongside the factory labor force and a symbiosis developed between factory and non-factory production" (Schmiechen, 1984: 2). This situation came about because the garment industry remains labor-intensive and small scale. Resistance to sophisticated advances in the production process is due to technological constraints inherent in clothing manufacture. Operators cannot keep up with the speed of advanced sewing machines, and handling time -- comprising 70-90 per cent of the sewing process -- cannot be reduced (Ellem, 1991).

The persisting old-style character of the industry has meant that manufacture of garments in the home continues to be feasible. The production process comprises small, low cost machinery, easily operated by an individual, and transportable raw materials with a high "labor input to bulk" ratio (Peck, 1990). Homeworkers can buy their own machine(s), operate them in their home and receive sufficient raw materials to keep them occupied for several days. Manufacturers save on the purchase and maintenance of sewing machines, and on lighting and heating expenses; they avoid payroll tax, payment of employee benefits and provision of health and safety requirements (Hiebert, 1990; Phizacklea and Wolkowitz, 1995; Senate Commission, 1996; Mayhew and Quinlan, 1998).

However, a major drawback of subcontracting is that quality of work may be compromised by the factory's loss of direct control over the labor process (Grieg, 1992). In consequence, for most of the twentieth century, garment manufacturers minimized fixed labor costs by using factory workers for long run standardized production and subcontracting unskilled homeworkers for overload work (Phizacklea and Wolkowitz, 1995).

Rapid change, however, took place in the later decades of the twentieth century in the form of the emergence of global competitive pressures. These pressures arose from deregulation and import competition, especially from low-wage developing countries. Manufacturers sought to increase or retain market position by a shift from the production of standardized goods to product differentiation (Kelly, 1984).

Product differentiation led to a new emphasis on the production and marketing of quality garments with high fashion content, especially in relation to sportswear and women's fashion (Mitter, 1986; Peck, 1990; Ellem, 1991). Electronic sales and inventory systems allowed for a swift assessment of production requirements on individual lines: by the early 1980s, about 20 per cent of fashion styles were discounted each year compared with 5 per cent previously (Mitter, 1986). Batch production for fashion styles, however, was not amenable to the long run organization of many factories (Kelly, 1984) and homework made sense for small production runs (Ellem, 1991). Moreover, increased fragmentation of garment production gave factories the potential to subcontract part of the process while ensuring that quality was maintained. Following electronic advances in pattern-making, cutting, pre-programming and inventory control, the sewing of a garment or part-garment, could more easily be sent to the homeworker, with cutting and checking, carried out in the factory: "Quality and brand image can be maintained by adequate supervision of the pre-assembly and finishing stages in the factory" (Mitter, 1986: 67). Finally, the need for speed of delivery of fashion goods meant that

domestic homeworkers had locational advantages in relation to offshore garment workers because retailers could be left with unsold out-dated products if goods were not delivered speedily (Peck, 1990).

In a situation of competitive pressures, "access to a captive labor force ... willing to work under such conditions is the major qualification for firm survival" (Mitter, 1986: 53). In Australia, in the late 1970s, these immigrants were mainly Vietnamese "boat people" who were followed by later arrivals, especially from the Chinese mainland (Senate Commission, 1996).

Methodology/Approach

In March 1999, I made my first call on the central office of the Textile, Footwear and Clothing Union of Australia (TCFUA) in Melbourne. The union utilized the federal government's program to provide English language training to non-English speaking workers. This made it possible for me to identify and contact a sizeable sample and arrange translations in just one language. By February 2001, 8 workers had volunteered as interviewers: 7 women and one man. During 2001, the team was trained in my presence in snowballing techniques and interview skills by a bilingual Vietnamese union employee and the English-speaking Outwork Co-ordinator. Eight meetings with the team took place between February and October, 2001, six at union headquarters and, as trust developed, the final two in my university department. The aim was to encourage the team to contact around 100 workers by a snowballing method. I developed semi-structured interview questions and a closed-question survey. The data collection began in September 2001. I called a halt in November 2001 when no further contacts could be made. There were 119 completed surveys, 49 recorded interviews, 32 of which respondents agreed could be linked to their survey response. All written responses were translated by two separate agencies and validated by detailed comparison.

Sample Characteristics

All of the 119 homeworkers had come to Australia from 1979 onwards, some arriving each year, the last in 1999. All respondents were ethnic Vietnamese. Nearly a sixth had been educated only to primary school level, over a half just to high school level and the remainder, nearly a sixth, had attended a tertiary institution. There were 116 females and 3 males. Their ages ranged from 17 to 64. The average age was 39 and the mode (8 workers) was 50. None of the sample had worked outside the garment industry since arrival in Australia. Two fifths had previously worked in a clothing factory. Mainly, homework was found through friends (70 per cent), followed by newspaper advertisement (15 per cent) Over 80 per cent had been in the occupation for at least 5 years. The average length of time that had been spent in this work was seven and a half years, though a few had been homeworkers for more than 15 years. The overall level of English was very low. Only about ten per cent -- those raised and educated in Australia -- said they were fluent.

Qualitative Analysis

The main source of qualitative data consisted of replies from 49 of the respondents who agreed to participate in the administered interview. Interviews lasted between 10 minutes and an hour, with most workers talking for about 15 and 20 minutes.

Findings: Content Analysis

Content analysis is "the systematic, objective, analysis of message characteristics" (Neuendorf, 2000:1). It comprises the process of coding: the manual sorting and aggregation, resulting in the identification of similar groups of responses. "Coding is the heart and soul of whole text analysis." (Ryan and Bertrand, 2003: 274). It consists of an initial grouping of written text into categories and a further grouping of categories into broader themes. The first stage in the process was the development of a comprehensive series of categories based around a similar words or phrases (Neuman, 2000). The construction of the categories "is a rather involved process with repeated revisions" (Neuendorf, 2002: 37). Each of the 49 workers' set of responses was sorted into separate groups or categories based around a word or phrase, for example, *long hours, gap between jobs*. This resulted in a final comprehensive list of 21 separate categories. The second stage involved the aggregation of similar categories into themes. A week later there was a blind matching of responses from the initial category list to the new group themes (Neuman, 2000). Any lack of consistency led to a reconstitution of groups. This procedure was carried out on two further occasions until the responses could be allocated with some precision.

This two-stage sorting process was carried out by two different coders independently. The outcomes of both coders were compared periodically and a coding manual, consisting of definitions of all the categories and themes, was drawn up. "The process of coder training is inextricably linked with the process of development" (Neuendorf, 2002: 46). When the coding manual was finalized, each coder independently applied the definitions to every individual worker's responses, discussing any inconsistencies. A coefficient of intercoder reliability -- Cohen's kappa -- was calculated from the two coders' sets of results, based on agreement or otherwise regarding the coding of each category and theme. The overall coefficient was 0.752. Values between .75 and .80 are indicative of high reliability (Ellis, 1994).

The coding resulted in 8 themes, each comprised of 2 or more categories. The 8 themes and 21 categories are set out in Table 1.

TABLE 1: Content Analysis

Themes and Categories			Number of Respondents
1.	Hours		
	a)	long hours	41
	b)	rush jobs	27
2.	Pay		
	a)	Low pay	44
	b)	Homogenous	14
	c)	Declining rates	19
3.	Irregularity of work		
	a)	Gaps and indolence	29
	b)	Need for regular income	24
4.	Intimidation and controls		
	a)	Returned work	17
	b)	No work; difficult work	19
5.	Work embedded in household		
	a)	Work focus of household routines	37
	b)	Household labor	14
6.	Health effects		
	a)	Aches and exhaustion	23
	b)	Stress and anxiety	27

7.	Worker characteristics	
a)	Length of time as an outworker	25
b)	Reasons for becoming an outworker	16
c)	Occupation, education	11
d)	Age, gender	12
8.	Attitude to homework: number of responses†	
a)	Like it	6
b)	Neutral	24
c)	Dislike but accept	22
d)	Dislike and not accept	7

† There were 58 separate responses from 42 respondents. 30 workers gave one response, 8 gave two responses and 4 gave three.

The first six themes concerned homeworking characteristics: hours: 1(a)-(b), pay 2(a)-(c), the irregularity of work: 3(a)-(b), intimidation and controls: 4(a)-(b), the embeddedness of work in the household: 5(a)-(b), and the effect on workers' health: 6(a)-(b). The seventh theme consisted of worker characteristics: 7(a)-(d). The eighth theme comprised worker attitudes to homeworking: 8(a)-(d).

Two steps were taken to ensure the reliability and validity of the results of the content analysis. First, 43 per cent of the responses could be immediately categorized objectively by the use of the same words or phrases, for example, *low pay*. This objective sorting provided a firm basis on which to categorize the remainder of the responses (Neuman, 2000). As the success of this investigation depends on the accuracy and consistency of the categories and themes, the 58 examples of individual responses in the following textual analysis section will be presented within their theme and category references so they can be related back to Table 1 as a check on reliability and validity. Second, consistency in judgment was achieved because, although there was a large amount of text, it was possible for the same researcher to carefully analyze all of them without danger of coder fatigue, thereby applying the same personal evaluation; moreover, the two-stage process that involved sorting/aggregation into categories, then into themes, enforced a high standard of accuracy; further, the iterative examinations and analysis of the data carried out through the judgment of the same researcher was a form of self-reliability over time via repeated measures (Neuendorf, 2002).

Findings: Textual Analysis

The themes and categories derived from the content analysis provided a framework for a detailed analysis of the text. The purpose of textual analysis was to detect causality. Illustrations of text relating to work and worker characteristics are presented in Table 2. Those that relate to worker attitudes are presented in Table 3. The numbering sequence in Tables 2 and 3 -- 1(a), etc. -- refers to the themes and categories listed in Table 1, providing further opportunity for internal validation. Individual examples of text are directly referenced, to the relevant survey employee identification number (e.g., #*14*).

Work characteristics. The text relating to worker characteristics (see Table 2) unequivocally demonstrated that homeworking in the garment industry comprises sweated labor: long hours, low pay, irregular work, intimidation and controls, household labor and ill health. The text provided strong internal cross-validation with regard to the sample characteristics.

TABLE 2: Textual Analysis: Work and Worker Characteristics

HOURS

1. (a) Long hours
   - (i) I get up at 5, exercise and have a shower. At 6, I start to sew then I have breakfast/lunch, maybe in the sewing room. I work till 5pm then stop to cook. After having dinner, I take a shower then resume my sewing until 11 or 12 midnight. #14.
   - (ii) I get up at 7, do physical exercise for 15 minutes, have breakfast for 10 mìnutes. I start to sew until 12:00, then have lunch for half an hour and resume work until 6 ... I have dinner for one hour. After that I work again until 11:00 and then go to bed..#41

1. (b) Rush jobs
   - (i) When there's a rush job, I'll stay up to work late at night. I remember once I worked finishing at 5 am. I felt exhausted. #5.
   - (ii) When there was a rush job, I dared not go to bed, even dared not spend time on meals! #21
   - (iii) I'd rather work longer hours than have no work at all. #29

PAY

2. (a) Low pay
   - (i) In fact, I am paid under $3 per hour..... #8; ... $4 #21; ... $5 #18
   - (ii) Employers compelled me to accept a low fee and I had to agree because if I didn't there were many other outworkers willing to do it. #10
   - (iii) Of course the big bosses make a lot of money. I saw dresses like the ones I made sold at $99.95 each but I was paid about $2 to $3, no more. I've always accepted whatever price I'm offered because I'm not the only outworker to be offered that price. #25.

2. (b) Homogenous rates
   - (i) With an easy job, I can work fast. But with a difficult job, I work harder.
   - (ii) If it's a difficult job, I'll get less garments ... If it's an easy job, I'll take more.

2. (c) Declining rates
   - (i) (In the past), I sometimes used the quality of my sewing to bargain for a better price. Sometime I won. But now the work is scarce, the boss won't give in. They're very smart. If the boss finds someone who can do it cheaper than me, he gives my work to that person. #37.
   - (ii) The competition between workers makes the price lower and lower than previous years. Then the rumor of outsourcing to China discourages me a lot. #39

IRREGULARITY OF WORK

3. (a) Gaps and indolence
   - (i) When I don't get many garments to sew, I spend more time on housework . Instead of cleaning the house at the weekend, I do it on a weekday - whenever I have some free time - just in case I may be busy working the next weekend. #24.
   - (ii) In Australia, garments for sewing aren't like grain in a storehouse that you can get access to at any time. There are times when jobs are scarce and not regular. #16.

3. (b) Need for regular income
   - (i) The really horrible thing is when there is no work, or irregular work, therefore no money for the family. That's the true nightmare. While working, my mind is worrying whether there will be more work after this lot #33.
   - (ii) I need more garments to sew, more regular work, so that I can have a stable wage, and a stable family life. #6.

INTIMIDATION AND CONTROLS

4. (a) No work; difficult work
   - (i) Sometimes I argue. As a consequence, the employer doesn't like me very much. He allocates garments difficult to sew #30.
   - (ii) .If I don't deliver in time I might get an earful and threatened not to get a job anymore .#17

4. (b) Non-payment; returned work
   - (i) Sometimes there are troubles. I don't know whether I made any mistakes but that's what they told me. They deducted money from my payment because they said the had to ask someone else to repair the garments I sewed. Sometimes they even don't pay you.
   - (ii) While working, I worry about whether work will be returned. I am usually afraid that the employer will not be pleased with my products .#17

WORK EMBEDDED IN HOUSEHOLD

5. (a) Work focus of household routines
   - (i) I wake at 6.30am. At 7, I give my children breakfast. Take them to school. Go home. Sit at the sewing machine and work. Sometimes I skip lunch. If I am very hungry, I eat instant noodles. At 3.15, on the way to school to pick up the kids, I drop by the grocer. Get something for dinner. Back home, I prepare dinner in

one hour, feed the kids, then continue working till midnight. #38.

(ii) I often shout at my children. They are noisy and they make me feel more stressed. Or I shout at them to put their toys away, to finish their meal. When they play in the front yard, I feel uneasy because of the traffic - I am afraid that they might be an accident. It seems to me that I am mentally ill. Every time I hear a car coming, I rush out to see whether my children are alright. #

5. (b). Household labor

(i) (Male) I work in the factory from 8.30 am till 4.30 pm. After dinner, I start overlocking till 10pm.

(ii) I get up at about 8, have breakfast then go to school. I come home at 5, have dinner, have a rest for a short while, then study until 9. After that I sew until 12 then I go to bed.

HEALTH EFFECTS

6. (a). Aches and exhaustion

(i) When I feel dizzy, I'll go out to relax, look at the trees and plants. #16

(ii). Every time I finish a job, I see a doctor about backache, shoulder ache or pain in the legs. #20

6. (b) Stress and anxiety

(i) I usually use sleeping pills. They are my closest friends. #6

(ii) Oh yes, sometimes my legs actually moved while I was sleeping, as if I was sewing ! #21

(iii) I dream of winning Tattslotto. #10

WORKER CHARACTERISTICS

7. (a). Length of time spent in job

(i) Over the years, I have wanted to quit many times but the situation hasn't been good enough for me to get another job so I am still an outworker #47.

(ii) Although I'm tired of working too hard for many years, I can't quit because I can't get other work. If I quit, what will I live on? #2

(iii) No, no, no, I don't like it at all. In a few years' time, when my children grow up and go to primary school, I will be freed. #15.

7. (b). Reasons for becoming a homeworker

(i) I chose it from the beginning because it gives me a chance to look after my young family. But I don't have much time to spend with them because I work so hard. #6.

(ii). When I came here I couldn't get a job in any factory so I had to work as an outworker #7

7. (c) Previous occupation/education

(i) (Teacher in Vietnam.) How could I know ... what was going to happen in my life in Australia? #6.

(ii) I was a peasant carrying bags of rice from the fields. Now I work as hard as a buffalo.#1

7. (d). Age/gender

(i) I do not like this job. It's very monotonous, very solitary. I am enclosed within the four walls. No-one to talk to. At my young age, I prefer to work outside, to have more fun. #34.

(ii) During the school holidays, I carry on sewing while my wife stops and looks after the children. #14.

Respondents described very long hours of work. They worked from very early in the morning to midnight or later: 1(a)i-iii. Rush jobs involved the longest hours of work: 1(b)i-ii. Rush jobs were accepted because any job was needed: individuals gained jobs if they were prepared to meet a tight deadline 1(b)iii.

Very low hourly rates of pay were reported: 2(a)i. The low pay reflected weak bargaining power due to competition with many other workers: 2(a)ii. Workers knew that they received a very small proportion of the selling price of the garments they made: 2(a)iii. Hourly rates of hourly pay seemed to be homogeneous. Most workers described unskilled work but a few reported difficult jobs that sometimes paid a higher rate but took more time to sew: 2(b)i-ii. Declining rates of pay were reported: 2(c)i, and rumors of outsourcing offshore: 2(c)ii.

Workers constantly worried about irregular work -- gaps between the end of a job and the beginning of a new one. Work could be interspersed with weeks of inactivity and no earnings: 3(a)i-ii. When they had no job, homeworkers had insufficient money to carry out costly leisure pursuits. Some walked round shopping complexes, looking at the kind of clothes they sewed and knowing they could not afford to buy them: 3(a) iii. Regular work was crucial to achieve

stability of income and payment of ongoing bills: 3(b)i-ii. Workers needed to actively search as job opportunities declined: 3(b)iii.

Homeworkers were intimidated and controlled by their need for work and pay. If workers did not deliver on time or argued with the agent or factory, they received no more work or difficult work: 4(a)i-ii. Quality control was exacted by non-payment, return for re-sewing, or even fines (payment for spoiled material) for low quality work, alleged or real; sometimes the worker was cheated out of pay, even when meeting the deadline: 4(b) i-ii.

The work was embedded in the household. The homeworker and the imperative of the deadline were at the centre of the home. During the day, workers sacrificed leisure and breaks for food and household routines were staging posts in the race to finish jobs: 5(a)i. Women looked after the family and carried out household chores as well as homeworking. They felt unable to look after children as well as they might and suffered great anxiety about their welfare: 5(a)ii. Other members of the household also contributed to homeworking. There were examples of husbands who did double shifts, working in a factory by day, followed by several hours of homeworking at night: 5(b)i, and occasional examples of older schoolchildren helping out at night: 5(b)ii.

Excessive hours and worry led to health problems: physical and emotional. Physical problems included exhaustion, dizziness, eye problems and aches and pains: 6(a)i-ii. After a long day, workers had difficulty getting to sleep: 6(b)i. When they slept, work invaded their consciousness: 6(b)ii. Dreams reflected their hopelessness 6(b)iii.

Worker characteristics. Illustrations of text relating to worker characteristics are also presented in Table 2. Individuals remained homeworkers because they felt trapped. Longer term workers described a series of failed attempts to find other work: 7(a)i-ii.. Those who had been in the job for a shorter time hoped they would eventually be able to leave: 7(a)iii-iv. Workers had initially taken up the occupation for several reasons. There were descriptions of lack of other opportunities: their inability to find any occupation other than homeworking: 7(b)i. Women reported taking up the work to look after children 7(b)ii. There were varying reports of previous occupations and educational achievements: 7(c)i-ii. Workers were of different ages and both genders: 7(d)i-ii.

Worker attitudes to the job. Illustrations of text relating to worker attitudes are presented in Table 3.

TABLE 3: Textual Analysis: Attitudes of Workers

WORKER ATTITUDES TO THE JOB	
8. (a)	Like it
	I like outworking. I make a living. But the wages I get are very low and I don't get enough sleep because I work long hours. #30.
8. (b)	Neutral
(i)	I just want to work to earn some money to support my family. That's it.
(ii)	I earn money to pay the bills, to meet my needs in daily life. To me, it's a means to make a living. #7
(iii)	It's just ordinary. Not heaven, nor hell. #35.
(iv)	This job is just ordinary. I do not think of anything. Robotic. #36.
(v)	It provides a living. #11.
8. (c).	Dislike it but accept
(i)	I work by myself from morning till night. The low payment and the hard work are disappointing but we have to put up with this work, for financial reasons. #37.
(ii)	I am annoyed that the pay rates are so low. But what can I do? Nothing. #22

(iii) I don't like it but I try to seek happiness in the work. What else can I do? #3.

(iv) I can't find words to describe this job apart from hard work. There are inequalities in society, but we have to accept them. I can't do anything to change the situation. #16.

(v) I am very discontented, disheartened, because of the low payment and long hours. But if (my family) are happy, so I am happy, and proud, too. #31

8. (d). Dislike it and not accept

(i) I want to cry many times. I feel so miserable. Especially when my children fall sick and I am in a middle of a rush job, I nearly go mad (laughs). Sometimes I feel angry that I have to work so hard in order to support my 3 small children. I wish my husband could earn more money so that I can quit this job or that I could find a job in a factory. #15.

(ii) Every day of my life is exactly the same, one day after another. I usually feel pity for myself because I have to work 12 hours, 14 hours a day ... The pressure from work is so much that I often get unreasonably angry with my family. #24.

All workers found the job harsh -- they were dissatisfied with their wages and conditions -- but there were four different levels of satisfaction in the form of tolerance or acceptance. First, there were those who reported they liked the occupation, although they disliked the wages and hours: (8(a)i-ii. Second, there was a group of neutral responses: 8(b)i-vi. Both of the latter sets of responses held that homework provided workers with a living for their families in a situation where they had no other choice. Third, there were those who disliked the job but were accepting: 8(c)i-vi. Finally, there were those who disliked the job and were not accepting: 8(d)i-ii.

Theory Development

Job tolerance

"Job satisfaction refers to an overall affective orientation on the part of individuals towards work roles they are presently occupying" (Kalleberg, 1977: 126). Job tolerance is a form of job satisfaction that can be applied to occupations where many workers are likely to exhibit negative attitudes. Levels of tolerance have been used to describe individual reactions to situations that are extreme, unpleasant, and currently inescapable. (Oberdiek, 2001). n my sample, homeworker responses described different levels of tolerance/intolerance in a situation where they could not find or take up alternative work. The literature describes four levels of tolerance/intolerance (Kavanagh, 2001; Oberdiek, 2001). They represent categories inductively-derived from the textual analysis. Three of the levels concern acceptance of the situation: first, full tolerance or positive acceptance (like job conditionally); second, mere tolerance or passive acceptance (neutral), and, third, a bare tolerance or grudging acceptance (dislike job but accepting); and, finally, non-acceptance (dislike job and not accepting). Similar themes of acceptance and non-acceptance have been used in relation to prisoner of war responses to their incarceration (Ursano and Norwood, 1996), and disadvantaged group responses to perceived inequalities (Taylor, Mogghadam, Gamble, Zellerer, 1987).

Determinants of Job Tolerance

In most studies, pay and conditions of work are major predictors of job satisfaction (March and Simon, 1958; Kalleberg, 1977; Furnham and Argyle, 1998). Pay was of major importance to the unskilled garment homeworkers in my sample because, for most individuals, it was the sole reward offered by the occupation. Unskilled garment homeworking is not intrinsically satisfying, nor does it offer extrinsic satisfaction in the form of "solid creature comforts, relationships with co-workers, career prospects or resource adequacy" (Kalleberg, 1977). Its rewards are confined to the extrinsic financial satisfaction of lower order needs: individuals

work solely for wages, seeing "neither the fruits of their labor nor any reason to work other than to obtain wages" (Lee, 1997: 167). Pay, therefore, is a major element in the influences that allow the homeworker to tolerate the occupation.

Standard theory holds that individuals on low wages will choose to work a low number of hours, preferring to substitute leisure for low wage work. Nevertheless, in practice, it is often observed that low-waged workers choose to work as many hours as they can (Blythell, 1978; Lazerson, 1995; Furnham and Argyle, 1998). For example, "people in impoverished circumstances appear to be working longer hours as wages fall to maintain income constant" (Dessing, 2004: 433-434). A desire to work long hours comes about due to the "binding subsistence needs" of the workers (Dessing, 2002: 549). A subsistence or social wage describes the income that workers must be paid to live the most basic daily life in their particular world or society. Subsistence is partly determined by the income needed to physically survive but also by the social and cultural norms of a consumer society: the value of labor in every country is determined by a traditional standard of life (Glickman, 1999). The contemporary social wage in a developed country must cover, not just daily living expenses, but the regular and often retrospective payments of bills and credit (Lee, 1997). As income is the major determinant of job satisfaction for low-wage workers, it follows that the longer the hours of work, the higher the level of job tolerance.

The garment homeworkers that I investigated earned homogeneous hourly rates of low pay: more difficult jobs took longer to sew. They desired long hours of work to maintain wage levels. They worked round the clock to meet the deadline in order to obtain payment and further work. They competed with other workers for scarce jobs. They had no surplus income, so their choice regarding their daily allocation of hours lay not between work and leisure but between work and anxiety-causing indolence. They needed to work as long as possible to achieve and maintain the social wage. Consequently, the income effects of long hours of work overcame the sweating effects of long hours of work. Consistent with observations of the behavior of low-wage workers, garment homeworkers who work the longest hours gain the highest incomes and the greatest levels of job tolerance.

Proposition 1. The greater the number of hours worked, the higher the level of job tolerance.

Long hours of work -- high income -- also has an impact on job tolerance in combination with the strength of a homeworker's adaptive learning process. Adaptive learning involves "changes in behaviors ... or beliefs in response to negative feedback" (Tyre and Von Hippel, 1997). Adaptive learning has cognitive and behavioral aspects (Fiol and Lyles, 1985). The homeworker comes to an understanding of the futility of ongoing job search and also ceases to look for other opportunities. A reduction or cessation of job search activities may be a "rational method of safeguarding one's psychological state in the face of persistent rejection" (McFadyen and Thomas, 1997: 1472). Moreover, while the physical and social isolation of homeworkers negatively affects their potential to gain other work, over time, adaptive learning leads to a development of "place-based personal networks (that) are an important component of survival strategies" (Gilbert, 2004: 595). My analysis of the qualitative data demonstrated that homeworkers remained in the job because they could not leave. Those who had been in the job the longest time had experienced most disappointment in relation to their lack of alternative job opportunities. Although individuals reported isolation from the broader labour market, they also received help from family, friends, neighbors and other homeworkers in their own community.

In consequence, individuals with most experience of constant failed search attempts -- homeworkers with long years of experience -- come to terms with their incapacity to escape their present circumstances by lowering their aspirations (March and Simon, 1958; Levitt and March, 1988). Aspirations are adjusted downwards as a result of the adaptive learning process. Lowered aspirations *per se,* however, do not lead to increases in job tolerance. In situations where income meets or protects social wage considerations, job tolerance will be higher where workers accept their "lot". In contrast, "long-term sustained entrapment" in an ongoing humiliating situation (in this case, where workers cannot provide for themselves or their family) "devalue(s) an individual in a core role", and is associated with depression and anxiety (Kendler et al., 2003: 789). Thus, workers with low aspirations who earn a living wage (i.e., work the longest hours) will have greater job tolerance than workers with other combinations of aspirations and income levels.

Proposition 2. Years of experience will moderate the impact of hours of work on job tolerance such that workers with the longest experience of homework who also work relatively long hours will have greater levels of job tolerance than their low hour counterparts,.

Discussion and Limitations

My findings demonstrated that this sample of garment homeworkers labored under conditions of sweated labor: long hours, low pay, irregular work, intimidation, ill health, and household labor. Their home was their workshop. The sewing was the focus of their household routines. The occupation consumed their lives and their health. Homeworkers worked "round the clock" in order to make a living. They competed with increased numbers of garment workers for available jobs. They had perceived falling pay rates and work was becoming more irregular. This pattern of work indicated that they were being paid at subsistence level. Excessive hours of work and low pay are the core of sweating. Sweating results from underpayment: "the payment of rates at which a worker fully employed would be unable to earn the minimum for a healthy and tolerable life." (Blackburn, 1997). Long hours of harsh work left no time for the acquisition of long-term skills, education, English training or information about the wider labor market.

These findings are derived firm the first major systematic investigation of the wages and conditions of garment homeworkers in an era of competitive pressures. They demonstrate the re-emergence of "grossly depressed labor standards, interminable hours of work, and wretched pay within the garment trades" (McIntosh, 1993: 106) in a wealthy nation. They are very important results because of the large numbers of homeworkers involved in the industry: estimates ranged between 50,000 and 330,000 in Australia at the time of the survey (Senate Commission, 1996). I identified relative wages and conditions that swayed public opinion and politicians to bring about major legislative change a hundred years ago.

Finally, limitations of the study need some comment. This is not a representative sample. Attitudinal responses may reflect in part a South Vietnamese culture. Homeworkers who attended the English classes are likely to over-represent the literate and proactive. Team members and respondents who agreed to speak out displayed stronger traits of courage and altruism than those who declined to be part of the study. Males were under-represented in the sample: 50 per cent of female respondents worked with a male partner. Moreover, the results from a snowball sample need to be assessed with considerable caution: "those with many contacts with other members of the rare population are more likely to be included in the survey than those with few contacts" (Kalton and Anderson: 78). Yet comparisons with

contemporary findings gave confidence that this sample did represent garment homeworkers in Melbourne (TCFUA, 1995; Senate Commission, 1996; Mayhew and Quinlan, 1998; Scull and Nguyen, 2004).

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A Study of Total Quality Management and Patient Satisfaction in ISO Certified and Non-Certified Health Care Units

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Abstract

The perception and expectation of patients regarding the quality of medical care, general satisfaction has been assessed in the present research paper. This article reports the findings of a survey aimed at understanding the relationship between patient satisfaction and total quality management in ISO certified hospital and non-certified hospitals. In this empirical study sample comprised of 196 patients and doctors each from five ISO certified hospitals and non-certified hospitals. Data for the study were acquired using two different structured questionnaires; (i) Customer satisfaction Instrument, and (ii) Continuous quality improvement (CQI). The study captures the relationship between vision, leadership, resources, momentum, teamwork, training, and outcome with behavior of doctors and medical assistants, quality of administration. Data were analyzed with the help of Chi Square-test. Significant difference in the relationship between TQM and customer satisfaction is observed in certified hospitals and private hospitals .Based on findings article suggests that hospitals should go in for ISO certification process.

Introduction

Total quality management has great potential to resolve quality problems in healthcare because the methods and ideas help managers work with health professional to improve systems of care, and the methods which enable different professional to work together in teams. Yet this potential has not often been realized.

Outside of healthcare, quality is defined in as exceeding customer expectations. In applying TQM in healthcare, many have viewed customer satisfaction as one of three dimensions of quality.

1. Patient Quality whether the service gives patients what they want;
2. Professional Quality: Professional's views of whether the services meets patients' needs as assessed by profession (outcome is one measure), and, whether personnel correctly select and carry out procedures which are believed to be necessary to meet patients needs, (process); and

3. Management Quality: the most efficient and productive use of resources to meet client needs, without waste and within limits and directives set by higher authorities (Ovretveit (1992)).

Some researchers have discussed service quality (Groonroos 1982; Lehtinen and Lehtinen 1982), these writings as well as other literature on services suggest three underlying themes: Service quality is more difficult for the consumer to evaluate than goods quality. This holds true for (i) health care service quality as well, (ii) Service quality perceptions result from a comparison of consumer expectation with actual service performance, (iii) Quality evaluation are not made solely on the outcome of a service, they also involve the evaluations of the process of service delivery.

One of the goals of TQM is to create a customer driven organization as stated in the earlier paragraph. In a customer-driven organization, every employee must resolve that his or her most important duty is to the customers; the primary reason for the organization's existence. Also top management must resolve that the employees are the organization's most important assets. Any form of weakness in either of these two resolutions would confound constancy of purpose. If TQM is to become a part of the corporate strategy of any hospital, Top management must create an environment that would foster these ideals.

Review of Literature

Richard et al. (1995) positively linked the perceived patient outcomes and greater human resource development. Swinehart and Ronald (1995); Tomes and Chee Peng Ng (1995**)**; Benson, Saraph and Schroeder (1995) identified a relationship between quality management and organizational factors. Effective relationship was observed between TQM and customer satisfaction in the studies conducted by Babacus and Mangold(1992**);** Stephen M. Shortell (1995); and Dean and Bowen(1997).Thomas and William (2001) explored the relationship between the degree to which total quality management (TQM) practices were adopted within organizations and the corresponding competitive advantages achieved.

Methodology

Sample

Researcher selected a sample of 196 hospital staff (98 staff of certified hospitals, 70 staff of non certified private hospitals, and 28 staff of government hospitals) and 196 hospital patients (98 patients of certified hospitals, 70 patients of non certified private hospitals, and 28 patients of government hospitals) from Jaipur, Dehradun and Hardwar. The base of research work was to study the relationship between TQM and patient satisfaction in certified hospitals, non-certified hospitals, non-certified private hospitals, government hospitals and private hospitals.

Measuring Tools

A standardized instrument **CQI** Questionnaire (Canadian Council of Health Facilities Accreditation, 1993) and CONSUMER SATISFACTION (Sharma and Chahal, 1995) was used. It has been used to study the relationship between TQM in hospitals and satisfaction of patients in certified hospitals, non-certified hospitals, non-certified private hospitals, government hospitals and private hospitals. CQI Questionnaire has sixty items covering seven broad measures Vision, Leadership, Resources, Momentum, Teamwork, Training and

Outcome. Vision has fourteen items, Leadership eleven items, Resources three items, Teamwork two items, Training eight items and Outcome twelve items, all measures comprising of questions related to the seven broad measures. CQI comprises questions having seven-point response scale. Items of the scale are in question from demanding information for each in any of the 7 options mentioned below. When response is strongly agree score is 7, when response is indifferent score is 4 and when response is strongly disagree then score is 1. Patient satisfaction Questionnaire has ninety items covering five broad measures: Attitude towards availing the services of health care unit has seven items, Attitude towards doctors has twenty five items, Attitude towards medical assistants has twenty eight items, Attitude towards management has fifteen items and Attitude towards sanitations, cleanliness and facilities has fifteen items.

Results

Obtained data were analyzed with the help of Chi-square test, and presented in the following tables.

TABLE1: Chi-square test of TQM and patient satisfaction of certified hospitals

Percentage Table

TQM \ PS	BA	A	AA
BA	15	61	23
A	24	67	8
AA	6	44	50

Contingency Table

TQM \ PS	BA	A	AA	TOTAL
BA	2 (2.5)	8 (8.2)	3 (2.2)	13
A	16 (12.9)	46 (42.4)	5 (11.6)	67
AA	1 (3.5)	8 (11.4)	9 (2.9)	18
TOTAL	19	62	17	98

$X^2 = 18.25$, df = 4

PS = Patient satisfaction

TQM = Total Quality Management

AA = Above Average, A = Average, BA = Below Average

A close look at Table 1 showed that value of Chi-square (18.25) was significant at .01 level of confidence. It indicated that the TQM and patient satisfaction in certified hospitals were significantly related. Percentages of patients of above average quality of certified hospitals with less satisfied, average satisfied and more satisfied are 6%, 44% and 50% respectively. It indicates that ISO certification play significant role to provide satisfaction to the patients. The findings of study confirmed the research finding of Stephen M-Shortell (1988). The results in their study showed significant relationship between high TQM scores and satisfaction with nursing care by the patients.

TABLE 2: Chi-square test of TQM and patient satisfaction in non-certified hospitals.

Percentage Table

TQM \ PS	BA	A	AA
BA	0	75	25
A	8	74	18
AA	10	80	10

Contingency Table

TQM \ PS	BA	A	AA	TOTAL
BA	0 (1.1)	12 (11.9)	4 (2.9)	16
A	6 (5.2)	53 (53.6)	13 (13.3)	72
AA	1 (.7)	8 (7.5)	1 (1.8)	10
TOTAL	7	73	18	98

$X^2 = 2.16$, df = 4

Referring to the Table 2, it was clear that the value of Chi-square in case of non-certified private hospitals is (2.16) which is not significant at .05 level of confidence. Hence the hypothesis there would be significant relationship between TQM and patient satisfaction in non-certified hospitals is not accepted. However, percentage shows that higher scores were found on average satisfaction level, which is indicative of more patients, are satisfied in all three categories of quality in non-certified hospitals. Sharma and Chahal found that (1999) overall satisfaction is a result of number of factors like performance of doctors, performance of medical assistants, good level of communication, promptness in delivering the services, responsiveness to customer needs, information and report requirements of the patients, cleaned atmospheric conditions, availability of necessary and essential facilities and drugs, etc.

TABLE 3: Chi-square test of TQM and patient satisfaction of non-certified private hospitals.

Percentage Table

TQM \ PS	BA	A	AA
BA	8	67	25
A	9	65	25
AA	14	71	17

Contingency Table

TQM \ PS	BA	A	AA	TOTAL
BA	1 (1.2)	8 (7.9)	3 (2.9)	12
A	5 (5.1)	33 (33.5)	13 (12.4)	51
AA	1 (.7)	5 (4.5)	1 (1.7)	7
TOTAL	7	46	17	70

$X^2 = .529$, df = 4

The results of Table 3, shows the scores of TQM and patient satisfaction were compared and the results were not found statistical significant in case of non-certified private hospitals. Hence the hypothesis there would be significant relationship between TQM and patient satisfaction in non-certified private hospitals is not accepted. However, the percentage shows higher scores on the average satisfaction of patients which indicates more satisfaction in case of below average quality, average quality, and above average quality are 67%, 65% and 71%respectively.

TABLE 4: Chi-square test of TQM and patient satisfaction in government hospitals

Percentage Table

TQM \ PS	BA	A	AA
BA	30	60	10
A	8	69	23
AA	0	100	0

Contingency Table

TQM \ PS	BA	A	AA	TOTAL
BA	3	6	1	10
	(1.4)	(7.1)	(1.4)	
A	1	9	3	13
	(1.9)	(9.3)	(1.9)	
AA	0	5	0	5
	(.7)	(3.6)	(.7)	
TOTAL	4	20	4	28

$X^2 = 5.14$, df = 4

On the basis of Table 4, it was clear that the value of Chi-square in case of government hospitals is (5.14) which was not significant at .05 level of confidence. Hence, the hypothesis there would significant relationship between TQM and patient satisfaction in government hospitals is not accepted. Percentage in this case shows that scores of satisfaction of patient at average level of quality are 8%, 69%, and 23% respectively. Hence, it is clear that average level of satisfaction shows higher scores at all categories of hospitals. Hospitals should be able to demonstrate improvement in treatment processes, cost savings as well as improvements in patient (consumer) satisfaction. This is possible with the focus on core processes (Ojha 2000).

TABLE 5: Chi-square test of TQM and patient satisfaction of private hospitals.

Percentage Table

TQM \ PS	BA	A	AA
BA	8	54	7
A	19	61	20
AA	44	48	7

Contingency Table

TQM \ PS	BA	A	AA	TOTAL
BA	2	13	9	24
	(5.1)	(13.9)	(5)	
A	22	71	24	117
	(25.1)	(67.5)	(24.4)	
AA	12	13	2	27
	(5.8)	(15.6)	(5.6)	
TOTAL	36	97	35	168

$X^2 = 15.07$, df = 4

By a close look at Table 5 it is concluded that there is significant relationship between TQM and patient satisfaction in private hospitals. Value of Chi-square (15.07) is found significant at .01 level of confidence. Hence, the hypothesis there would significant relationship between TQM and patient satisfaction in private hospitals is accepted. Percentages of patients of below average quality of hospitals with less satisfied, average satisfied and more satisfied are 8%, 54% and 37%respectively. On the basis of these percentages we can say that private hospitals are more concerned about patient satisfaction. The findings of study confirmed the studies that the different renowned patients of private health care units are more satisfied in terms of, providing all type of services Tull and Albaum (1973), and (Sharma and Chahal, 1995).

Conclusion

This study draws out a picture of relationship between TQM and customer satisfaction in certified hospital, non-certified hospitals, non-certified private hospitals, government hospitals, and private hospitals. Significant difference in the relationship between TQM and customer satisfaction is observed in certified hospitals and private hospitals. On the basis of our results it is concluded that the relationship between TQM and customer satisfaction is more in private hospitals and certified hospitals in comparison to non-certified hospitals. It indicates that ISO certification play significant role to provide satisfaction to the patients. On the basis of our interpretation of results we may conclude that hospitals should go in for ISO certification process.

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Management Education - Changing Expectations of Corporate - An Indian Scenario

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Abstracts

Globalization has changed the expectations of corporate from business graduates. Corporate want more focused, technically competent, visionary and ethically sound manpower at managerial cadre. Expectations are beyond these points. Corporate also want students to be adaptive to rapid changes. Because this is the world where "today's best is not good enough for tomorrow."

On other hand most of the B-schools are remaining rigid and inflexible towards changing business scenario. They care about their results than transforming students towards industry expectations. This is the era where classroom teaching is not sufficient. MBA education is beyond lecture. It's not about mugging concepts; it's about questioning the relevance of those concepts in today's era. It is felt that most of the B-schools don't understand what is expected from them by the corporate? This paper studies the gap between corporate expectations and B-school delivery. The paper would also provide measures to fill the gap.

Introduction

Corporate world is ever changing. Corporate always believe in "survival of fittest". Today competition demands "to stand where you are, you have to run faster than before, because others are running hard to beat you." Corporate success depends upon many things such as updated technology, reciprocating market, need base innovations, goodwill, business continuity & so on. Here, quality manpower is one of the most important aspects of the success for the corporate. Hence they are focusing hard on recruitments. And when it comes to hiring fresh MBA's, corporate expects more. The survey conducted by The Higher Education Forum, supported by 1SOS & Westat found that industry has the highest expectations for newly hired MBAs in the area of Attitudes, followed by Skills, and finally by Knowledge. The consensus view, as shared by one of their respondent, was clear: "We hire people for attitude and train them for the skills". The emphasis is on soft skills as well as on hard skills.

Most of the B-schools are good in providing hard skills, i.e. technical knowledge but fails in developing soft skills including attitude among students. The problem lies in traditional approach of B-schools. Most of the B-schools are focusing on "marks base mechanism". This is the last priority of corporate. Here is the real problem. B-schools are producing MBA's for corporate, without giving much focus on the changing needs of the corporate.

Objectives

- To identify gap between B-school performance and corporate expectations
- To provide measures to bridge the gap between B-school performance and corporate expectations

Research Methodology

The research is based on secondary data. The author has gone through the available literature and tried to find out the problems with Indian B-schools. The data is mainly collected through authentic sources. After collecting data, the author has analyzed the same. The findings are presented in the paper along with necessary suggestions and conclusion.

Scope

- The study is limited to business education in India only.
- The study is based on secondary data.
- The period of study is between years 2006-2010.
- Possibility of Individual bias has been reduced but presence of the same may not be denied.

Corporate Expectation

The Skills Gap Survey[2] found the following areas were most important to industry:

- Industry expects new MBAs to come to the corporate world with the proper attitude.
- MBAs must be committed, dedicated, self-disciplined, self-motivated, and show an aptitude and willingness to learn.
- MBAs must possess strong analytic, listening, and communication skills, and they must be able to work in a team and collaborate.
- MBAs must come in with at least a basic knowledge of the organization and processes within the organization, and an understanding of products, solutions, and services – including those of competitors – as well as consumer behavior.

On other hand, the industry expects people with an MBA degree to have fundamental knowledge on the basic tenets of accounting, economics, finance, organizational behavior, marketing, sales, operations and statistical analysis. Imparting working knowledge in these domains is at the core of any MBA program. Students who specialize in various areas of management like finance, marketing, operations, human resource or systems are expected to delve deeper into these areas.

B-school Performances in India

Prof. Shubhasheesh Bhattacharya[1], in his article, wrote that educational service providers basically fall under three categories. The categories and their performance are listed below.

1st Category

Govt. aided Universities. Except a few of these universities, which are maintaining top class quality in educational service, others are functioning with typically bureaucratic, rigid,

inflexible approach. Such universities are least bothered about having syllabi of the professional courses which are in tune with the industries.

2nd Category

Some private institutes which have mushroomed in last few years, they are said to have focus on 'making money', rather than focusing on 'excellence' as educational service provider. Such institutes have least concern and sincerity about updating the syllabi of professional courses that meets the needs of the industry.

3rd Category

There are some private institutes/ universities which really mean business. They are not mere teaching shops. Faculty in such Institutes put lot of effort in Research Work and hence continuously improves the quality of teaching. They are sensitive about the needs of the market, industry. They treat the students as the ambassadors of their institutes. They put-in lot of effort for value-addition in their students, which will be useful to the industry. They spend a lot of energy & effort in industry-academic interface. Hence, they are very proactive, flexible, and always ready for changing & updating the syllabi of professional courses.

The Top B Schools in India aspire to distinguish the most talented brains amid the student's community of India and toil hard to train them appropriately so that they can make a distinguished mark for themselves in the global scenario. They eventually have it in mind to generate a team of influential and industry ready managers who will achieve unprecedented success in pertaining arenas.

There are over 2,400 b-schools [6] in India of which 1,999 are approved by the All India Council for Technical Education (AICTE) and 400 functions as unapproved private b-schools. However there are very few good B-schools in India, which fall under category 3. One can count them on fingers, e.g. IIMs, XLRI, MDI, and ICFAI & So on. The article is focusing on the average B-schools which are plenty in India. As they are plenty, thousands of students taking admission in these B-schools. As per the statistics[6] available 3.5-4 hundred thousand MBA aspirants sit for the national and state-level MBA entrance exams against the total intake capacity of all these b-school of around 1,90,000 seats.

Gap between B-school Delivery and Corporate Expectations

Prof. Neeraj K. Dubey, et, al [3] identified the 12 factors (namely-soft skills, leadership qualities, suitability, analytical power, ethical component, dressing sense, language, appearance, manageability, training needs, industry's view and professional commitment), which are expected by corporate in management graduate. The author has tried to consider some of these factors for gap analysis. The gap found after observing industry practices over the period of last 8 years are as under.

Soft Skills

Soft Skills comprise of various skills but the main element is communication skill. Maximum graduates fail in this area as they are unable to communicate properly. The commonly identified reasons are language barrier, poor self confidence, and stage fear and so on. Unfortunately most B-schools fail to develop these soft skills. They consider it as a value added ingredient, rather than essential ingredient.

Leadership Qualities

Today's corporate demand leaders. One who can take effective decision on time in line with the organizational goal. B-schools are lacking here as they are unable to provide sufficient stimulus in classroom to develop leadership skills among students. It requires good case study, proper method to solve and experienced and well trained faculty to run the case study in class room. Maximum B-schools recruits the faculty in order to comply with the norms of AICTE. It is really difficult to expect recruitment of quality faculty from them. Salary paying capacity of the private self financing institutes is also contributing to this issue.

Suitability

This factor has emerged 3rd most important factor contributing towards the study. Whether the graduate able to adapt the industrial scenario. Will he/she suit to the job? Off course, maximum B-schools don't want to burden themselves with such thoughts. They feel it's the problem of industry and students.

Analytical Power

Corporate expects that the business problems to be analyzed from all angles, such as social, political, economical, and cultural and business angels. This requires competent system and faculty which is missing in most of the B-schools. Again students are not carrying any positive approach in solving multidisciplinary problems. They were never taught this and they won't be able to do this. Business problems often require multidisciplinary approach, which is not taught rigorously in most of our B-schools.

Professional Commitments

Most of the B-schools don't ask students to fulfill their commitments on time. Students submit the assignments late and it is readily accepted by B-schools after charging "Late fine". If students won't learn fulfilling commitments during studies, how will they be committed to their profession? Industry doesn't like to recruit those individuals who don't fulfill their commitments. Unfortunately, even industry does not know whether the fresher be committed or not. And no academic data is been kept for "commitments".

Other Factors

Professional ethics are far away from maximum students. The dressing sense and appearance of student's is not matching to corporate expectations. Author may not call it a fault of students. The responsibility lies with B-schools to develop these things among students.

The industry follows the latest innovations in technology, process and methods. These innovations make them competitive. Unfortunately most of the universities and B-schools don't update their syllabus in time. Most of the times, students learn the outdated technology, process and methods because it is a part of their curriculum. The B-schools have failed till date to find appropriate solution to this problem.

What should B-Schools Do?

Availability of information in a mouse click has transformed global consumers - Internet and telecom revolution have made customers more informed than in the past. Organizations have to offer competitive values and reasonable pricing to gain market share -they can also innovate and create a new product class based upon demand-supply equilibrium.

Apart from basic product offerings, organizations have to think for variants of same product, after sales, reach, competitor's movements, visibility and many other facets. Even after all such right combinations, success of a product depends upon consumer's ultimate choice. So, consumer psychology and market-place both are equally important.

Unless students are exposed to these practical ground realities of a market, no theoretical exposure can make them great manager. The important task is to relate the B-school education with industry. B-schools must send students to industries so that they can observe and feel the application of theory, they are learning in class room.

The b-schools should try to improve following factors[4].

Faculty

The institute must have permanent or regular faculty in all the main areas of Management like Marketing, Human Resources, Economics, Information Technology, Accounting & Finance, Quantitative Methods and Production.

Each of these faculty members must meet at least one of the three criteria - senior managerial experience with a leading organization along with ability to relate the same to the management concepts, consultancy experience in the corporate world and research experience in management. If the faculties were simply graduates, post-graduates or Ph.D. without meeting this criterion then they would be just teaching the theories from the books which are not really relevant for a managerial career. Management career is about practice of management, which can be taught only by experience, expertise and exposure together-with the relevant concepts.

Facilities

The infrastructure and facilities must include classrooms with multimedia and projection facilities, latest computers and peripherals and a good library with collection of books on all management subjects.

Courses and Programs

The courses and programs must be in line with the requirements of the corporate world and other organizations. It means these must have regular inputs incorporated from these organizations and not based on some books authored by someone who never had any exposure to the management career, consultancy or research.

Networking

The institute must have extensive networking with the corporate world and other organizations nationally and internationally.

This networking, on the one hand, makes it possible for the regular interaction of their senior managerial personnel with the students while, on the other hand, provides these organizations a platform to assess the institute being equipped to develop the required capability in the students. This also enables these organizations to consider the students for placement when they complete the program.

Consultancy

The advancements of knowledge in the field of management have been spearheaded by Management Consultants and Business School faculty who have devoted considerable attention to corporate problem solving. There is a need for promoting management consulting in Indian Business Schools. Most B schools faculty in India is the best teachers, disseminators

of management know-how; they have hardly advanced management knowledge, either through basic research or applied research. This glaring gap has to be met.

Just as medical schools have hospitals which provide opportunity for its faculty to practice, similarly B-Schools need a platform and management development programs provide them the same. Leading B-Schools have management development programs but majority have nothing of that sort. This scene should improve.

Guest Lecture by Industry Experts

Maximum time the syllabus is full of outdated units. The industry experts can introduce students with latest technology, process and methods, which are been used by the industry. This contemporary knowledge enhances the employability of the students.

Conclusion

The paper analyzed the gap between Corporate Expectations and B-school performance. The Gap in the areas of soft skills, leadership qualities, suitability, analytical power, ethical component, dressing sense, language, appearance, and professional commitment have been discussed. It is found that B-school should also focus on developing soft skills among students along with hard skills. B-school can cater to the expectations of corporate by improving faculties, facilities, course, networking, consultancy and industry institute interface.

At last, the gap between academic output and industrial requirement must be bridged to improve the employability of the students and enhance the quality of higher education.

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Quality Assurance in Nepalese Higher Education: A Case Study of Tribhuvan University

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Abstracts

Purpose: The purpose of this paper is to discuss the ongoing process of quality management in higher education of Nepalese Universities which was conducted by researcher in 2009.The issue of quality assurance has become the focus of many institutions to enhance quality of higher education. **Design/methodology/approach -** There are six universities to provide higher education in Nepal. And Tribhuvan University (TU) is the oldest and largest university which covers major stake near about 93% in Nepalese higher education system. The internal and ordinal scale data were analyzed by using descriptive statistics, chi-square test with the help of SPSS 13.0 and Microsoft Excel. Additionally, reliability of the responses on interval-scaled questions was test by calculating Chronobach's Alpha and an analysis was also made for subjective or open-ended questions.

Research limitations: With the aim of examining the practices of quality assurance in TU, this study has been conducted by selecting the faculty members and other staffs of the faculties of management, education and humanities & social sciences as its respondents.

Findings: It is found that the propositions: Faculties play prominent role in assuring the academic quality has the highest average value and strict affiliation criteria set by the university influence positively in the quality performance of an institution has the lowest average value. Average value of the responses regarding factor determining is the highest on well trained and experienced resource persons. Therefore, well trained and experienced resource person is the main factor to determine quality assurance in higher education. It is found that improvement on curriculum, faculty development, establishing reward system, discouraging political pressure and providing strict rules and regulations assure the quality in higher education of TU.

Originality/value: The paper focuses on the real scenario of the TU as context of quality management in higher education. It consequently focuses on the value creation towards the maintaining quality in higher education to assure the global market.

Background

Nepal is a landlocked Asian country in the Himalayas, bounded on the north by Tibet and on the other three sides, by India. Population is about 36 million people, of which approximately 54 percent are literate. The literacy rate among women is 42 percent.

Followers of Hinduism constitute a large majority (about 81 percent). Its monarchy of more than 240 years almost ended in 2006, when violent protests by tens of thousands forced King Gyanendra to end over 15 years of absolute rule and hand over power to a seven-party alliance headed by late G.P. Koirala (Manorama, 2008).

In Nepal a student enter higher education after completing 12 years of schooling. During these 12 years, the first national-level school-leaving certificate (SLC) examination is conducted at the end of 10th grade, qualifying a student for entry into the higher secondary stage, consisting of 11th and 12th grades. The Higher Secondary Education Board (HSEB) supervises all the higher secondary schools, which are mostly under private management (Nepal, 2006). Previously, the higher secondary stage was overseen by the university system, which awarded a proficiency certificate on the basis of an examination conducted at the end of 12th grade. Some universities still offer these programs. However, the policy now is to integrate 11th and 12th grades into the school system. Higher education consists of bachelor, master and doctoral levels. The language of instruction in most universities is English.

The higher education system in Nepal is less than 90 years old. Tri-Chandra College, the first higher education institution, was established in 1918. Before establishment of this college, higher education in Nepal was nonexistent. In the beginning, only some privileged families and members of the higher castes and wealthier economic strata had access to college education. Some parents of high-caste elite families sent their children to universities in India, such as Patna University and Banaras Hindu University, for a higher academic or technical education. Before the 1950-1951 revolution, Nepal had only two colleges, one school for teacher education and one special technical school. At the higher education level, there was only one doctoral degree-granting institution, Tribhuvan University at Kathmandu, which was chartered in 1959 (Wagle, M.P. and Lamichhane, S., 2006). In the early 1960s, TU registered a few thousands students. While most students were at proficiency certificate level, a small number undertook bachelor level studies in a few disciplines of social and natural sciences. However, TU was not able to offer bachelor level programs in technical subjects, excluding agriculture, until 1975. TU has now grown into a complex school of higher education institutions and offers a wide range of undergraduate and postgraduate programs in many professional and technical areas, the social sciences, and business management (Lohani, 2001). This university enrols more than 90 percent of the students who go on to higher learning in the country.

In the early 1980s, the government developed the concept of a multi-university system for the country. The most important characteristic behind this concept was that each new university should have a distinctive nature, content, and function of its own. The first new university established under the multi-university system was Mahendra Sanskrit (Presently Nepal Sanskrit) University. Soon it was followed by Kathmandu University, which is in the semi private sector. At present, Nepal has six universities: Tribhuvan University, Nepal Sanskrit University, Pokhara University, Purbanchal University, Kathmandu University and Lumbini Bouddha University.

In recent years the numbers of colleges near about 750, has grown significantly. Most of them occupy private as well as community. Present policies are aimed at facilitating private-sector participation in higher education to help meet the increasing demand and relieve pressure on the government exchequer for financing public education. There is, however, a public discontent about commercialization and the higher cost of private education. Allaying this discontent will require a strong and well-designed mechanism for monitoring private colleges and overseeing their fees.

Quality and quality assurance clearly have become key issues for higher education in the 1990s throughout the world (Kells, H.R. and Van Vught, F.A., 1988). They may even prove to be the key issues for higher education systems and institutions are concerned about quality and how to put in place appropriate quality assurance mechanisms. Governments are concerned about the huge costs of providing credible academic and professionals' awards, while rapid increases in enrolments and often falling support per student unit raise doubts about whether quality is being maintained.

Quality issues dominate the higher education debate in many countries, as ministers, bureaucrats, employers and business interests become increasingly concerned about the outputs of higher education institutions and the suitability of graduates to meet the needs of employers. Many people question whether their societies are getting real value for their massive investment in higher education and urge the adoption by governments of mechanisms to achieve more control over the work that higher education institutions do. Quality and accountability thus have become key elements in the efforts of many countries to become and remain internationally competitive in a world where interdependence in trade is rapidly growing. Apart from this, there is more emphasis on quality associated with increased mobility of professional and skilled labour and the greater needs for recognition of qualifications obtained by workers from institutions in different countries. As Craft (1994) points out: 'globalization' and international migration mean that academic and professional qualifications need to be 'portable' across national borders, and so both institutions and nation states are keen to learn more about each other's procedures tertiary education provision (Craft, 1994).

Objectives

The main issues in the quality debate about for assuring the quality of higher education in many countries are the maintenance and improvement of levels of teaching, learning, research and scholarship, improvements in the quality and adaptability of graduates, how to define and measure quality, management approaches likely to improve outcomes from universities and colleges, the use of benchmarking and performance indicators, and how to convince stakeholders that institutions and systems are doing a competent job in ensuring quality outputs.

Therefore, this study specially focuses on examining the practices and implementation of quality assurance system in Nepalese Higher Education system. The specific objectives of the study are: to examine the roles of different propositions in quality assurance process in Nepalese higher education and to identify major factors influencing on quality assurance system in Nepalese higher education institutions.

Hypothesis of the Case Study

This study mainly aims to examine the practices of quality assurance system in Nepalese higher education, therefore, to test following propositions by using null hypotheses based on the practices and the views of different administrators and faculty members of TU.

- Ho: all propositions of quality assurance in higher education are equally likely.
- Ho: all the factors of determining quality assurance are equally likely with respect to quality assurance in higher education.

Limitations of the Study

The major limitation of the study lies in its relatively small sample size and only TU. This was mainly attributed to the limited time and resources available for the study. Therefore, the findings of this case study should not be generalized across the entire Nepalese higher education system. This study is a cross-sectional study and thus fails to assess the changes in attitudes of respondents towards quality assurance over time.

Brief Discussion Analysis of the Study

Teaching faculties are considered as the key factor to assure quality in any education system. Likewise administrators have also high value in the quality assurance process. In order to evaluate the responses and attitudes of faculty members and administrators, these employees, about 100 questionnaires forms were distributed to the respondents, however, only 72 respondents successfully filled and returned the distributed questionnaire forms. The responses were ranked on the basis of five points Likert Scale. The categories and no. Of respondents are as follows:

TABLE 1: Categories of Respondents

Categories	Total
Professors	3
Readers	11
Lecturers	51
Dean/Principal	4
Department Head	3
Total	72

The responses of teaching faculties and administrators of higher education representing different faculties under Tribhuvan University to the 9 propositions regarding the attitudes towards quality assurance in higher education.

TABLE 2: Propositions of Quality Assurance (QA)

SN	Propositions	Rank					
		1	2	3	4	5	Total Scores
ieiqas	Institution's efforts in implementing quality assurance system will have a positive influence on quality education in the long term.	1	4	24	124	150	303
aqepd	To assure quality education is a prime duty of educational managers.	1	6	60	32	200	299
eaab	Efficient administration can achieve better quality performance.	2	16	24	136	100	278
qico	Quality is influenced by the curricular objectives.	3	4	36	160	75	278
fppra	Faculties play prominent role in assuring the academic quality.	3	8	12	104	185	312
ssmb	Student selection on merit basis will have a positive influence on educational quality in the long term.	4	16	24	144	80	268
sacsu	Strict affiliation criteria set by the university influence positively in the quality performance of an institution.	2	16	90	112	20	240
sphaq	Stakeholders' participation helps to assure quality.	1	6	60	128	80	275
isdcns	Institution should develop certain norms and standards to assure the quality in education.	3	8	12	120	155	298
	Total						2551

TABLE 3: Reliability Statistics

Cronbach's Alpha	N of Items
.953	9

The table 3 shows the value of responses on 9 propositions; reliability of responses was tested by calculating Cronbach's Alpha in the SPSS 13.0 program. It revealed the reliability statistics as 0.953 for which is fairly good. Generally, value of Cronbach's Alpha is considered to be good if it is 0.7 or higher and the value of Alpha is higher than the lower limit of prescribed value the data are reliable for the further test.

TABLE 4: Calculation of Mean and Standard Deviation of Respondents' view on Propositions of Quality Assurance

	ieiqas	aqepd	eaab	qico	fppra	ssmb	sacsu	sphaq	isdcns
N Valid	5	5	5	5	5	5	5	5	5
Missing	0	0	0	0	0	0	0	0	0
Mean	60.60	59.80	55.60	55.60	62.40	53.60	48.00	55.00	59.60
Std. Deviation	70.899	81.824	58.896	65.362	80.295	58.350	49.457	53.141	72.251
Sum	303	299	278	278	312	268	240	275	298

From table 4, it is inferred that out of nine propositions, the maximum average figure is 62.4 of fppra and the minimum average value is 48 of sacsu. The average value of all variables is 43.2. Similarly, in the case of standard deviation, the highest value and the lowest value are 81.82 and 49.45 of aqepd and sacsu respectively.

Under 5% level of significance at 8 degree of freedom the tabulated value of Chi-Square is 15.507 but the calculated value is only 13.81 which is less than tabulated value. Therefore, the null hypothesis is accepted. The result indicates that all propositions are equally likely with respect to quality assurance in higher education.

TABLE 5: Analysis of Respondents' responses regarding various factors determining QA in HE

Factors influencing QA	Rank					
	1	2	3	4	5	Points Secured
Well equipped classroom	20	24	12	2	10	68
Well trained and experience resource persons	95	28	12	8	7	150
Laboratories	20	8	12	2	4	46
Library	10	4	12	10	5	41
Hostel facilities	20	4		4	4	32
Well fascinated modern building	15	4	3	6	4	32
Admission of the students on merit basis	20	40	12	8	4	84
Discipline of the students	10	40	12	8	8	78
Job security of the teachers	20	12	6	20	4	62
Sufficient budget	5	16	6	8	4	39
Incentives to the teachers	5	12	12	8	8	45
Attractive scholarship program	5	8	12	8	3	36
Regular assessment	5	16	12	22	4	59
Assignment, project work and other research activities	10	40	48	8	12	118
Outstanding result of the students	20	8	12	8	3	51
Changed behaviour of the students	35	8	24	6		73
Market performance of the students	5	16		2	4	27
						1021

Table 6: Reliability Statistics

Cronbach's Alpha	N of Items
.75	17

Table 6 shows the values of responses on quality assurance factors; reliability of responses was tested by calculating Cronbach's Alpha in the SPSS 13.0 program. It revealed the reliability statistics as 0.75 for which is fairly good. Generally, value of Cronbach's Alpha is considered to be good if it is 0.7 or higher and the value of Alpha is higher than the lower limit of prescribed value the data are reliable for the further test.

While calculating mean value and Std. Deviation, it is referred that out of 17 factors, the maximum average figure is 30 of well trained and experienced resource person and the minimum average value is 5.4 of market performance of the students. The average value of all variables is 12.25. Similarly, in the case of standard deviation; the highest value and the lowest value are 37.3 and 6.23 of well trained and experienced resource person and market performance of the students respectively.

Finally, it is found that the following listed five factors are the first five prime factors to determine quality assurance out of 17 factors.

TABLE 7: Prime Factors Determining Quality Assurance

SN	Prime Factors	Sum	Average	Standard Deviation
1	Well trained and experienced resource person	150.0	30.0	37.30281
2	Assignment, project work and other research activities	118.0	23.6	18.88915
3	Admission of the students on merit basis	84.0	16.8	14.25482
4	Discipline of the students	78.0	15.6	13.74045
5	Changed behaviour of the students	73.0	14.6	14.44991

TABLE 8: Test Statistics

	Value	df
Pearson Chi-Square	273.56	16

Under 5% level of significance at 16 degree of freedom, the tabulated value is 26.296 but the calculated value is 273.56 which is highly greater than tabulated value therefore null hypothesis is rejected. It can be said that all the factors determining quality assurance are not equally likely with respect to quality assurance in higher education.

In the context of subjective respondents, three questions are asked with one option and multiple choices related with existing system of quality assurance, difficulties faced while applying quality assurance system and yes/no question asking whether quality assurance practices increase the overall performances on institutions or colleges. Moreover, one open-ended question was asked to address their views.

TABLE 9: Existing System of Quality Assurance in Tribhuvan University

QA Systems	No. Of Responses
Accreditation	37
Assessment	28
Auditing	5
Combination of above or other	2
Total	72

It is inferred that there is not a single method of quality assurance in TU. However, 51% responded that TU has been following accreditation system of quality assurance in existing situation.

TABLE 10: The major difficulties in applying QA

Causes of difficulty	No. of Responses
Rapidly increasing no. of institutions	12
Substantial increase in the no. of faculties	9
Emergence of different kinds of institutions	21
Internationalization of higher education	30
Total	72

By analyzing the responses from table no. 10, it is found that 41% respondents think the internationalization of higher education has caused to make difficulty in the application of quality assurance in higher education. Likewise, 29%, 17% and 13% respondents think emergence of different kinds of institutions, rapidly increasing number of institutions and substantial increase in the number of faculties respectively to be the cause of making difficulty in the application of quality assurance.

TABLE 11: Moral view of respondents about the increment of overall performances of institutions due to quality assurance system

Responses performance of QA	No. of Responses
Yes	69
No	3
Total	72

By analyzing the responses from the table no. 11, shows that there are 96% respondents in favour of quality assurance practices increases the overall performances of any institution.

Finally, there was an open ended question for the respondents on about mentioning some suggestions to improve the quality assurance system in Nepalese Higher Education. Most of the respondents focused on improving curriculum, faculty development, establishing reward system, discourage political pressure and implementing strict rules and regulation.

Major Findings

- Faculties play prominent role in assuring the academic quality.
- Affiliation criteria somehow weak to promote the quality in higher education in TU.
- Well trained and experienced resource persons are the pillar in the higher education to provide quality education in TU.
- Well trained and experienced resource person, assignment, project work and other research activities, admission of the students on the basis of merit, discipline of the students and changed behaviour of the students are the first five prime factors determining quality assurance in higher education.
- It is inferred that there is no single system of quality assurance in TU. However, according to 51% respondents, TU has been following accreditation system of quality assurance in existing situation.

- Internalization of higher education has caused mainly to make difficulty in the application of quality assurance in higher education.
- It is found that quality assurance practices increases the overall performances of any institutions.

Concluding Remarks

Education has been accepted as the primary means of a country's all round development. TU is a pioneering autonomous institution of higher education in Nepal. As a leading university, TU has been offering about 2079 subjects in different program in higher education. However, it has a great challenge to assure quality to its all type stakeholders in the globalized world. Out of various stakeholders, faculty members and administrative staffs obviously play prominent role in the quality assurance process. Faculties play prominent role in assuring the academic quality because they are key factors in higher education. TU has not followed the single system of quality assurance but research activities, exposure visit of faculties, refresher training has been provided.

Recommendations

- The prominent factors of quality assurance like resource persons, assignments, admission process, and discipline of the students should be advanced as the indicators of quality in HE.
- Proper system of quality assurance should be adopted and an autonomous quality assurance department should be developed.
- Different challenges like internationalization of higher education, emergence of different kinds of institutions should be identified and make appropriate strategy to institutionalize the quality assurance system.
- Curriculum should be revised and reviewed regularly.
- Effective faculty development program should be established.
- Strict rules and regulations should implement to control helmet teachers in TU.
- Political interference should be stopped in TU, is highly required to maintain the quality.
- Government should responsible for whole financial management in TU.

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External Managerial Networks, Strategic Flexibility and Organizational learning: A Quality Management perspective

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Abstracts

This paper studies the effect of external managerial social networks on strategic flexibility and organizational learning. The literature on external social networks suggests that they can affect strategic flexibility and organizational learning positively. Quality management also contributes to developing these networks. However, there is currently a wide variety of alternatives for managing quality in organizations, such as ISO Standards or the EFQM model. Thus, different alternatives will influence the external social networks differently in ways that have repercussions for strategic flexibility and organizational learning. Through a comparative ANOVA analysis and different regressions, we observe that external social networks affect strategic flexibility and organizational learning positively, primarily through greater size of the networks. On the other hand, we find that, depending on the kind of QM initiative implemented in the organization, other effects vary. For example, in organizations without QM, the range of external social networks influences strategic flexibility negatively, whereas in organizations with ISO standards, this negative effect disappears. In organizations with TQM, we find the positive effect of both size and strength of relations in the networks. For organizational learning, a negative relationship between this capability and network range was found for Non-QM firms group. This relationships turned positive for TQM firms group. The current paper includes these and other conclusions, as well as future lines of research.

Introduction

In increasingly unpredictable environments, organizations need the capacity to carry out the strategic changes necessary to find timely solutions to solve the problems they face (Shimizu and Hitt, 2004). Abbot and Banerji (2003) stated that the established paradigm of organizational stability and sustainable competitive advantage has limited applicability and that strategic flexibility solves this problem. Besides through organizational learning, which takes knowledge as an input and generates new knowledge as an output (Levitt and March, 1998), top managers are brought together to achieve permanent changes in organizational behavior (Senge et al., 1994).

Nepalese Academy Of Management
CONFERENCE PROCEEDINGS
VOLUME 2, NUMBER 1, 2011
PP. 303 - 322

As a result of their turbulence, current environments require more information and knowledge. Managers thus play a crucial role (Anderson, 2008), as they make the determining strategic decisions for the organization (McDonald and Westphal, 2003; Zaheer and Bell, 2005), using the resources that reach them through their social networks (Geletkanycz and Hambrick, 1997; Ruey-Kei and Jason, 2005). Thus, our research tests the nexus between the informational benefits of networks and their utility in generating organizational learning and more strategic flexibility. To explore this relationship in greater depth, we will study how the different dimensions of networks (Collins and Clack, 2003) can have different effects on these variables, as they contribute heterogeneous resources. Network dimensions observed include size, range and strength. Network size represents the total group of links that a person has with another ones, total of information channels. Network range represents the diversity of contacts in a social networks, it is, the variety of groups (clients, suppliers, etc.). The strength of the ties[9] is a multifaceted construct consisting of interaction frequency, and the emotional intensity or closeness of a bond (Granovetter, 1973). Therefore, this study proposes first to analyze the relation between external social networks of managers and the organization's strategic flexibility and organizational learning.

The second task of this paper is to attempt to observe empirically the behaviour of the relationships established between the dimensions of external social networks and strategic flexibility and organizational learning, depending on the QM initiative developed in the organization. The importance of quality management (QM) in current competitive environments has already been shown (Kaynak, 2003; Nair, 2006; Prajogo and Sohal, 2006). In spite of the importance of QM, McAdam et al., (2008) and Mellat-Parast and Digman (2007) argue that there is a need to look at quality management from the strategic view of the firm, and we argue the need for the network perspective. There is a serious lack of studies that analyze the relation between QM practices and external social networks. Thus, "there is no evidence on how the principles of quality management can be implemented within a network of firms" (Mellat-Parast and Digman, 2007, p. 804). Managers face a wide range of possibilities for implementing QM in their organizations (ISO standards, TQM, EFQM model, Malcom Baldrige, etc). In this respect, as a result of the study, we seek to offer firms a criterion of differentiation between three different alternatives (non-QM, ISO Standards and TQM[10]), based on the behaviour of social networks, strategic flexibility and organizational learning. This result will contribute to QM literature testing the relationship between the implementation of QM initiatives and external social networks effects behaviour.

In summary, the goal of this paper is to study how the dimensions of external social networks (size, range and strength) affect strategic flexibility and organizational learning in the firm and whether there are significant differences in these effects depending on whether the organizations have implemented one QM initiative or another. The paper is structured as follows: After this introduction, we present a literature review that covers the relationship between external social networks and strategic flexibility and organizational learning; and the role of different QM initiatives in the previous relationship. After we review the literature, we describe the methodology and the analysis performed. Subsequently, we discuss the results obtained and present the main conclusions, limitations and recommended directions for future research.

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9. In this paper strength of the ties, links or bonds are considered as synonyms.
10. At the present ISO standards are the most extended initiative for QM (Magd and Curry, 2003) and TQM, also constitutes a QM representative initiative as it is associated with other alternatives such us EFQM model (Van Marrewijk et al., 2004), Six Sigma (Green, 2006) or Malcom Baldrige model (Samuelsson and Nilsson, 2000).

Theoretical Background

External Social Networks, Strategic Flexibility and Organizational Learning

The CEOs' external social networks are defined as the systems of relationships that CEOs have with other actors outside of their organization. These networks are widely recognized as a crucial determinant of their access to knowledge (Anderson, 2008; Cross and Sproull, 2004; Morrison, 2002). Accessing to information through social networks is usually a source of potential opportunities (Alder and Kwon, 2002; Burt, 1992, 2004). In general, the literature supports positives linkages among the access to manager´s information and their action repercussions and the corporative outcomes (Dyer and Singh, 1998), for example through the construction of new capabilities (Cross et al., 2001; Lee et al., 2001). The quantity and the quality of obtained information through the networks could be decisive for effective and quick adaptation or for anticipating or changing the environment. Thus, it is logical to propose a nexus of influence among social networks dimensions and strategic flexibility, and social networks dimensions and organizational learning.

Reffering to strategic flexibility, the importance for firms of adapting to their environments is well-known. One way to achieve a good fit is being strategically flexible (Aaker and Mascarenhas, 1984; Volberda, 1996). Managerial social networks are also sources of resources and capacities (Baum et al., 2000; Gulati et al., 2000) that can help the organization to be more flexible. Strategic flexibility is referred to the joined capacities with the organization´s goals and with the environmental adaptation to unusual changes (Volberda, 1999). Therefore, strategic flexibility is very sensitive and dependent with to information gathering, as social networks.

On the other side, observing organizational learning, sharing extant knowledge between different partners in a social network can also jointly create other specific knowledge by decomposing and recombining their complementary knowledge bases of each other. The learning process requires collaborative action among individual members to accomplish a given task during a given period (Powell et al., 1996), and members need to overlap roles, engage in coordination, and establish mutual interests. Dyer and Nobeoka (2000) find that learning teams in Toyota supplier networks contribute to members' joint new practice adoption by increasing their confidence and capabilities to move forward together in the new direction.

The size and range of the network and the strength of the links are three primary variables of social networks structures (Collins and Clark, 2003; Cross and Cummings, 2004; Reagans and McEvily, 2003). Network size is important because each link that a person has, represents an information channel. Network range represents the diversity of contacts in social networks. Large and diverse networks enable firms to develop a comprehensive awareness of new opportunities and hence to develop new resources and to change their competitive posture quickly by promoting better inference of continuously shifting competitor moves. These networks generate a greater variety of perspectives and stimulate criticism, as they have more access to new and diverse information (Burt, 1992), thus reducing the gap between the real and actual adaptation to the environment, that is, increasing their strategic flexibility. Thus, we propose that:

Hypothesis 1a: External social networks size of CEOs will be positively related to strategic flexibility.

Hypothesis 1b: External social networks size of CEOs will be positively related to organizational learning.

Hypothesis 2a: External social networks range of CEOs will be positively related to strategic flexibility.

Hypothesis 2b: External social networks range of CEOs will be positively related to organizational learning.

Another key concept of networks that affects information flows is the strength of the links. Strong networks facilitate the exchange of detailed information (Krackhardt, 1992; Uzzi, 1996), due to the fact that these networks are characterized by frequent interaction, a common history and mutual trust (Anand and Khanna, 2000; Granovetter, 1982, 2005).

Regular patterns of interaction among individuals permit the transfer, recombination and creation of specialized knowledge (Grant, 1996) and promote the exploitation of existing knowledge (Rowley *et al*., 2000). In this respect, the strength of social ties might be expected to influence firm's range of organizational learning. Strong ties encourage reciprocity, a long-term perspective and joint problem-solving arrangements (e.g., Larson, 1992; Uzzi, 1997), stimulating knowledge transfer, learning and protection in interorganizational settings (Dyer & Nobeoka, 2000; Kale *et al*., 2000), promoting adaptation to environmental changes (Kraatz, 1998) and learning about other firms' competencies and reliability (Kale *et al*., 2000). This is likely to lead to improved strong social ties and to foster the creation of strategic flexibility and organizational learning via an integration of external perspectives, fine-grained information exchanges and trust-based governance. Thus, we propose that:

Hypothesis 3a: External social networks strength of CEOs will be positively related to strategic flexibility.

Hypothesis 3b: External social networks strength of CEOs will be positively related to organizational learning.

Quality Management Initiatives and External Social Networks

Few studies in the literature analyze the relation between quality management and external social networks. However, we find some studies that observe the effect of quality management practices on particular cases. The contact most analyzed is that of the supply chain (Flynn and Flynn, 2005; Lin et al., 2005) and strategic alliances (Mellat-Parast and Digman, 2007; 2008). These are two examples of positive relations of quality management practices on external contacts with providers and other firms. However, the same result would occur with other contacts, such as those with customers, competitors or financial institutions. Thus, practices such as orientation to the customer, which constitute one of the principles of quality management (Dean and Bowen, 1994; Prajogo and Sohal, 2003; Sitkin et al., 1994), cultural change (Black and Porter, 1996; Douglas and Judge, 2001) or benchmarking activities (Ahire et al., 1996; Powell, 1995) will collaborate in the development of these networks, and specifically for accessing to information.

The positive effect of quality management practices on external social networks seems clear. However, the degree to which these practices develop is not the same in all QM initiatives (Gutiérrez et al., 2010). Currently, for example, the most widely QM initiative used is the implementation of ISO Standards. The literature on QM shows that ISO Standards lead to higher levels of QM practices implementation than basic QM (Gotzamani, 2005; Vouzas and Gotzamani, 2005). But also, these standards represent a significant initial step for manufacturing organizations on the way to TQM, since they involve a lower initial degree of commitment to their principles. Some studies rank TQM above ISO Standards (Bendell, 2000), although others argue that the new version of ISO Standards has some quite close to TQM (Boulter and Bendell, 2002; Gotzamani, 2005; Vouzas and Gotzamani, 2005).

These differences between ISO Standards and TQM, and obviously between both and basic Quality Control, lead us to establish that there are different alternatives for QM, whose elements development degrees differ among them. Thus, the development of the QM elements depends on the QM initiative in use (ISO Standards, Quality Control, Malcolm Baldrige, Six Sigma, EFQM, etc.). Elements such us leadership, product/service design, supplier management, process management, etc., as we observed, have a positive effect on external social networks. However, if the elements development degrees differ among QM initiatives, their effects on external social networks, probably will be different. This study will therefore attempt to observe whether the effects included in Hypotheses 1a) b), 2a) b) and 3a) b), differ depending on whether the organizations observed have implemented one QM initiative or another. We thus propose the fourth hypotheses:

H4a: The effect of the dimensions of external social networks of managers (size, range and strength) on organizational strategic flexibility differs between non-QM organizations, organizations with ISO Standards, and TQM organizations.

H4b: The effect of the dimensions of external social networks of managers (size, range and strength) on organizational learning differs between non-QM organizations, organizations with ISO Standards, and TQM organizations.

Research Method

Data Sample

The context chosen to test these hypotheses is the geographical region of Spain. We selected this area to minimize the impact of variables that we cannot control in the empirical research. Literature recommends selecting a sample of firms located in a relatively homogeneous geographical, cultural, legal and political space (Alder, 1983; Hofstede, 1980).

We conducted systematic random sampling of 900 companies from a mailing list Amadeus database and Dun and Bradstreet Spain. The search criterion was medium-sized and large manufacturing and services firms, as defined by the guidelines of the Fourth European Directive[11] (2009). Because our research focuses on strategic actions—that is, on decisions that depend on the CEOs of the companies—we chose CEOs as the key informants. The procedure for data collection consisted of sending a letter by mail (754 questionnaires) or email (146 questionnaires), to different Spanish firms' CEOs. The letter explained the reasons for and objectives of the research. Finally, questionnaires answered could be sent back by mail or email.

We received 226 questionnaires, of which 203 were valid. The response rate was 22.6%. This response rate by economic sector was 24.3% manufacturing firms -94 received- and 21.2% services firms -109 received-. Of the total of 203 firms, 5.9% reported annual sales of 7 million euros or less, and 27.6% of the firms had annual sales between 7 and 40 million of euros. The firms that had annual sales of more than 40 million of euros comprised about 66.5%. As to the number of employees in each of the firms surveyed, 9.8% of the firms had less than 50 employees, 29.6% from 51 to 250, and 60.6% over 250 workers. According to the previous

11. "Small" companies are companies which, on their balance sheet dates, do not exceed the limits of two of the following three criteria: a) balance sheet total: EUR 4 400 000; b) balance sheet total: EUR 4 400 000 and c) number of employees: 50. The corresponding figures for "medium-sized" companies are: a) balance sheet total: EUR 17 500 000; b) balance sheet total: EUR 17 500 000 and c) balance sheet total: EUR 17 500 000.

guidelines of the Fourth European Directive (2009), companies were categorized in the group in which achieve at least two of the three criteria of the Directive. The result showed that 43.3% were medium-sized companies and the 56.7% were large companies.

Using the same database, we checked for non-response bias. The mean differences between the responding and non-responding companies concerning these variables were tested using an unpaired t-test. The results demonstrated that all t-statistics were non-significant at the level of 0.05.

Measurement and Tests for Reliability and Validity (see Appendix A)

External social networks of managers. External social networks of managers were measured observing the size, range and strength of the links that they maintain with their contacts (Collins and Clark, 2003) in seven categories: members of other managerial boards of the same industry and other industries, providers, clients, financial institutions, competitors and members associations. The *size* of the network refers to the total number of the director's contacts that give him/her relevant information. We requested that the directors give the rough rate for each category (see Appendix A). To measure this rate, we asked directors to identify the number of their relevant contacts for each of the seven external categories (Collins and Clark, 2003; Hansen, 1995), using a Likert-type scale of 7 points where 1 indicates "none", 2 "few (1-3)" and 7 "many (>25)" to respond to the following question: "On average, how many people are important sources of information regarding important business or industry trends and issues?" (Cronbach's Alpha= 0.841). The *range* of the network represented the diversity of the respondent's contacts. Network range observes if managers interact with different contacts (suppliers, customers, etc.), or only with one or two contacts, for example, other managers. This variable was measured as the number of different categories which the manager has contact with, referring to the total categories observed (Powell and Brantley, 1992; Scott, 1991). This was measured as the number of different categories with which the manager has contact (Powell and Brantley, 1992; Scott, 1991). Tie strength was operationalized as an index measuring frequency of communication or interaction and emotional intensity or closeness of the relationship (Fischer, 1982; Hansen, 1999; Marsden and Campbell, 1984; Reagans and McEvily, 2003). The frequency of the relationship was provided through the responses to the question: "On average, how often do you communicate with the people in each category?" Emotional intensity was measured through the response to the question: "On average, how would you characterize your relationship to each category?" For these cases, we provided a 7-point Likert scale to which the CEO's could respond. In the case of frequency, 1 indicated "very often" and 7 "very infrequently." In the second case, 1 indicated "distant or very far" and 7 "very close" (reverse-score). Strength was measured jointly as a linear combination of the standardized point values of the two components (Collins and Clark, 2003, Granovetter, 1973) (Cronbach's Alpha= 0.71).

Strategic Flexibility. To measure strategic flexibility, we studied the contributions of Volberda (1996; 1999). Since the perspectives of both studies were different, we used an adaptation of the scales. Our research is based on a large number of firms and performs cross-sectional analysis. Finally, managers had to indicate their level of agreement or disagreement with the statements, using a seven-point Likert-type scale (Cronbach's Alpha = 0.865).

Organizational learning. Various studies have measured organizational learning in organizations (e.g. Edmondson, 1999; Lähteenmäki, Toivonen and Mattila, 2001).We selected the first two items from the scale of Kale, Singh and Perlmutter (2000) and added two items

based on Edmondson (1999). We developed a confirmatory factor analysis to validate our scale and showed that the four-item scale was unidimensional and had high reliability (α=0.919).

Classification variable: Implementation of quality management initiatives

To identify the implementation of quality management initiatives, the questionnaire included a list of the different alternatives (non-QM, ISO Standards and TQM). The firms would choose the initiatives that they had underway.

Control variables: Incomes

Large companies have a greater number of advantages due to their resources (Barney, 1991). Therefore, we include annual sales incomes as control variable. Different income levels affect to the information required from external networks, to carry on flexible behaviours and to QM implementation.

Data Analysis

Sample Distribution

We began the investigation by dividing the total sample obtained (n=203) into three groups. For the first group, we selected firms that did not choose any of the quality management initiatives included in the questionnaire. This group (Group 0, non-QM firms) was composed of 73 organizations. The second group included organizations that had implemented only the ISO standards. This second group (Group 1, ISO firms) was formed of 67 organizations. Finally, in the third group we included those firms that had chose the TQM initiative or the EFQM model, having or not the ISO standards implemented. This group (Group 2, TQM firms) was composed of 63 organizations. Table I includes group distribution, means, standard deviations, medians, maximum and minimum for each observed variable. For all four variables observed, highest means values are associated with TQM firms group, followed by Non-QM firms group and finally by ISO-firms group.

TABLE I: Means and standard deviations

Variable	n	Mean	S.D.	Median	Min	Max
Size (Non-QM firms)	73	3.93	1.13	3.57	1.59	7.00
Size (ISO firms)	67	3.80	1.01	3.57	1.59	7.00
Size (TQM firms)	63	4.71	.85	4.57	2.00	7.00
Strength (Non-QM firms)	73	3.89	.79	4.00	1.00	5.69
Strength (ISO firms)	67	3.73	.77	3.86	1.00	5.90
Strength (TQM firms)	63	4.38	.67	4.36	2.50	6.10
Range (Non-QM firms)	73	.85	.18	.86	0.14	1.00
Range (ISO firms)	67	.80	.21	.86	0.14	1.00
Range (TQM firms)	63	.92	.10	1.00	0.57	1.00
Strategic Flexibility (Non-QM firms)	73	4.21	1.10	4.13	2.13	6.25
Strategic Flexibility (ISO firms)	67	4.12	1.00	3.88	2.25	6.50
Strategic Flexibility (TQM firms)	63	5.01	0.92	5.25	2.25	6.88
Organizational Learning (Non-QM firms)	73	5.24	1.18	4.12	2.50	7.00
Organizational Learning (ISO firms)	67	5.47	0.98	3.87	3.00	7.00
Organizational Learning (TQM firms)	63	5.89	0.68	5.25	3.75	7.00

Variable	n	0-50	51-250	>250
Numer of employees (Non-QM firms)	73	5	21	47
Numer of employees (ISO firms)	67	7	18	42
Numer of employees (TQM firms)	63	8	21	34
		0-7*	7-40*	>40*
Annual sales (Non-QM firms)	73	5	26	42
Annual sales (ISO firms)	67	4	19	44
Annual sales (TQM firms)	63	3	11	49

* Millions Euro

ANOVA Analysis

Once the sample was distributed into the three groups described, using the statistical program SPSS 15.0, we performed an ANOVA analysis of the means of the three groups relative to all observed variables "size", "range" and "strength" of external social networks, strategic flexibility, and organizational learning. This test enabled us to observe if the observed variables generate significant differences among the three groups. Normality of dependent variables and homoscedasticity assumptions were confirmed. The results of the comparisons of means are shown in Table II. All variables, size (F=7.822; p=.001), rage (F=6.793; p=.001), strength (F=6.931; p=.001), strategic flexibility (F=15.025; p=.000) and organizational learning (F=7.526 ; p= .001) generate significant differences between groups.

TABLE II: ANOVA analysis between Non-QM firms, ISO firms and TQM firms

Variable	F	p-value
Size	7.822	.001
Strength	6.793	.001
Range	6.931	.001
Strategic Flexibility	15.025	.000
Organizational Learning	7.526	.001

Regression Analysis

In order to contrast the hypotheses 1, 2 and 3, we proceed to study the relations of the variables amongst themselves. To achieve this, we perform a regression analysis by steps for each of the groups. Before performing this analysis, we confirm the assumptions through multiple regression analysis. Thus, linearity, homoscedasticity, normality and multicolineality assumptions were observed. Results showed that all these assumptions could be confirmed.

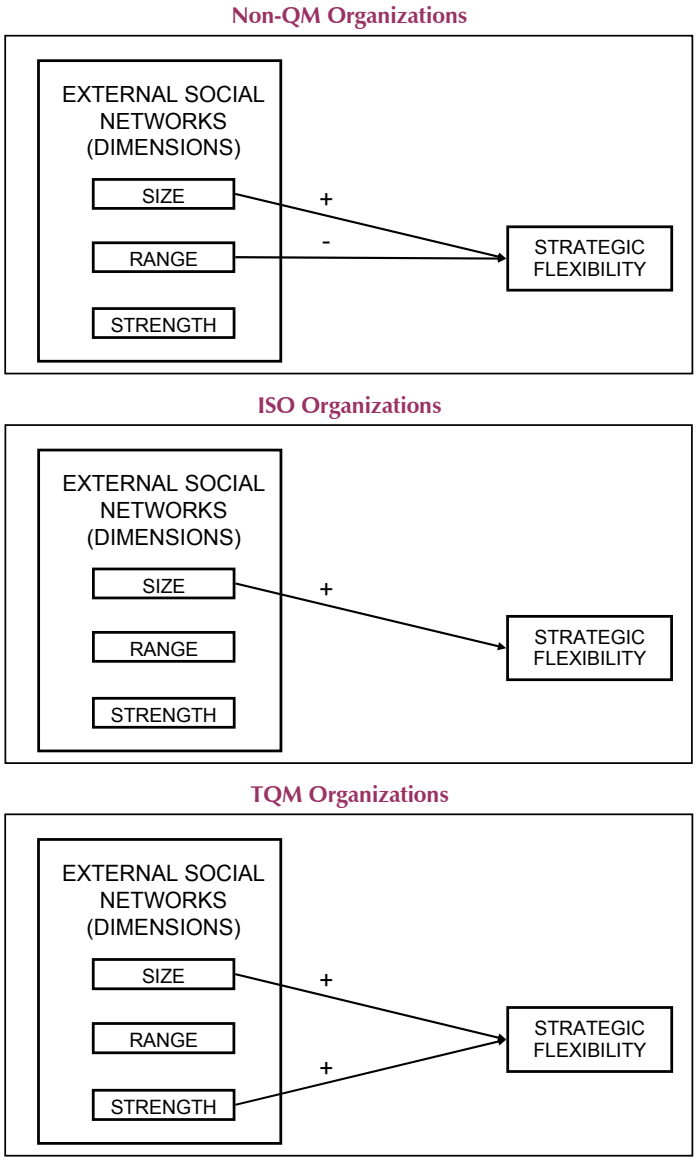
Tables III and IV show the results of the regression analysis for the independent variables size, strength and range and the dependent variables strategic flexibility and organizational learning, for each of the groups analyzed. Independent variable "Incomes" is used as control variable. There is not any significant difference between groups. Therefore, income level is not determining factor for flexibility level, independently of QM initiative implemented. As we can see in table III, the variable "size of network" was included as a significant variable in the three regressions (β=0.825, β=0.366, β=0.437, p<0.01, to non-QM group, ISO group and TQM group respectively). Thus, Hypothesis 1a founds strong support. However, there are differences in the other variables. Thus, in addition to size, for Non-QM group, the range exercises a negative and significant influence on strategic flexibility (β=-2.171; p<0.01). If we study ISO group and TQM group, this significant influence does not occur. Hypothesis 2a is rejected. Finally, TQM group adds a positive and significant effect of strength on strategic flexibility (β=0.395; p<0.05). Hypothesis 3a is confirmed only to TQM group. We find that external social networks influence organizational strategic flexibility positively through their dimensions, except in the

first case, where the range has a negative influence. . On the other hand, there are differences in the effects of the variables "size", "strength" and "range" on strategic flexibility, depending on the quality initiative implemented in the organization. Based on this result, we can accept Hypothesis 4a.

TABLE III: The effect of external social networks on strategic flexibility in non-QM, ISO and TQM firms

Non-QM firms				ISO firms				TQM firms			
Variables	Strategic flexibility Model			Variables	Strategic flexibility Model			Variables	Strategic flexibility Model		
	Coefficient	t	p-value		Coefficient	t	p-value		Coefficient	t	p-value
Constant	3.755	7.655	.000	Constant	3.131	9.488	.000	Constant	2.303	3.584	.001
Incomes	.233	1.945	.056	Incomes	.550	.393	.696	Incomes	.830	.594	.555
Size	.825	6.807	.000	Size	.366	3.218	.002	Size	.437	3.576	.001
Strength	.156	1.114	.269	Strength	-.050	-.355	.739	Strength	.395	2.566	.013
Range	-2.171	-2.882	.005	Range	-.085	-.537	.593	Range	-.022	-.137	.891
R^2	.429			R^2	.137			R^2	.244		
F	26.294		.000	F	10.356		.002	F	9.702		.000

FIGURE I: The effect of external social networks on strategic flexibility according to different QM initiatives



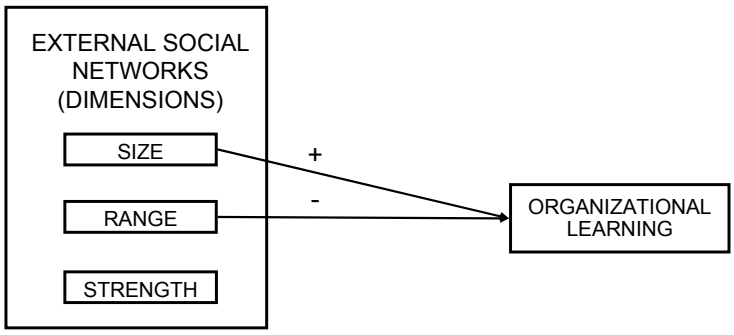
Referring to table IV, the variable "size of network" shows a significant relationship with the dependent variable "organizational learning", for Non-QM firms group and ISO firms group. Network size for TQM firms group is not related significantly with organizational learning. Thus, hypothesis H1b is partially supported. Secondly, network range shows a positive relationship with organizational learning only for TQM firms group. For ISO firms there is not any significant relationship, and for Non-QM firms, there is a negative relationship between network range and organizational learning. As a consequence, hypothesis H2b is confirmed only to TQM firms group. Thirdly, network strength does not show any significant relationship with organizational learning, in any of the groups. Thus, hypothesis H3b is rejected. Finally, there are significant differences in the effects of the variables "size" and "range" on organizational learning, depending on the observed group. These differences are not observed for "strength" variable. Thus, hypothesis H4b is partially supported.

TABLE IV: The effect of external social networks on organizational learning in non-QM, ISO and TQM firms

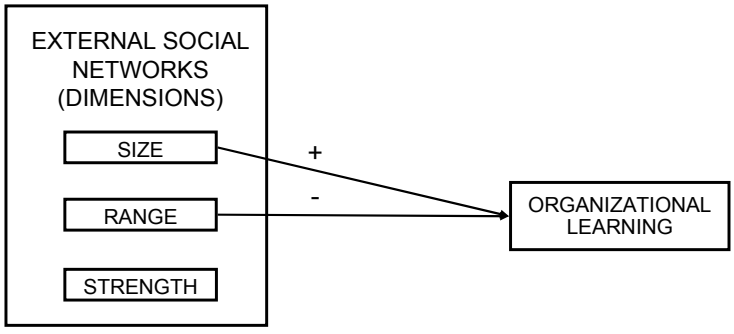
Non-QM firms				ISO firms				TQM firms			
Variables	Organizational learning Model			Variables	Organizational learning Model			Variables	Organizational learning Model		
	Coefficient	t	p-value		Coefficient	t	p-value		Coefficient	t	p-value
Constant	5.343	10.300	.000	Constant	4.440	13.802	.000	Constant	3.662	5.117	.000
Incomes	.114	.987	.327	Incomes	.006	.046	.963	Incomes	.222	1.796	.078
Size	.942	7.376	.000	Size	.379	3.416	.001	Size	.124	.832	.409
Strength	.202	1.480	.143	Strength	-.111	-.751	.455	Strength	.215	1.711	.092
Range	-3.200	-4.017	.000	Range	-.260	-1.703	.093	Range	2.428	3.144	.003
R^2	.447			R^2	.152			R^2	.139		
F	28.296		.000	F	11.672		.000	F	9.883		.003

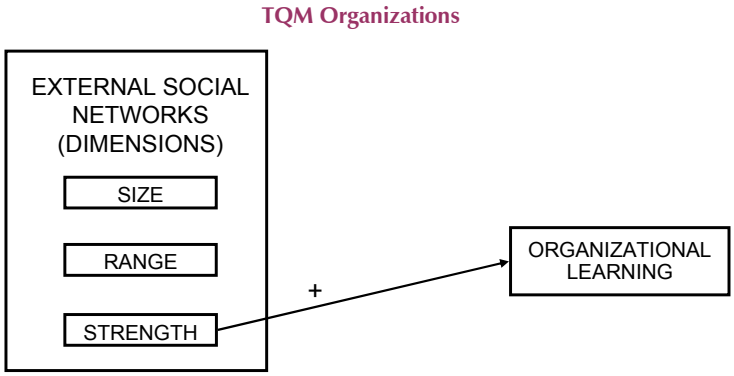
FIGURE II. The effect of external social networks on organizational learning according to different QM initiatives

Non-QM Organizations



ISO Organizations





Conclusions and Future Research

Conclusions

The belief that results are related to the intensity and kind of CEO social networks in the organization has continued to inspire questions and research by professionals and academics. Our study seeks to analyze the influence of size and range of network and strength of ties on two capacities highly dependent on knowledge management: strategic flexibility and organizational learning. The factor of quality management is also included, testing how this effect can be influenced by the kind of quality management initiative that organizations are implementing. In general, our information reinforces the importance of contacts, which can become crucial strategic assets (Kang, 2008). In particular, the dimension of size affects strategic flexibility positively in the three groups observed, and organizational learning in Non-QM firms group and ISO firms group. As we established, a greater number of contacts generates a higher number of points of view, which contributes to knowing more ideas and creating new ones (Burt, 1992; Obstfeld, 2005). The absence of significant relationship between size and organizational learning in TQM firms group will be discussed below.

For both capabilities, strategic flexibility and organizational learning, strength is developed significantly to a greater extent in TQM firms than in ISO firms or non-QM firms, constituting an example of QM's contribution to external networks. For example, we have mentioned the importance of trust, a key element in TQM in forging strong relations (Larson, 1992; Dyer and Nobeoka, 2000; Lorenzoni and Lipparini, 1999; Zaheer et al., 1998). On the other hand, strong networks require detailed information exchange (Krackhardt, 1992; Uzzi, 1996) characterized by frequent interaction (Granovetter, 1982). This study has shown that TQM firms generate greater strength in external social networks through their structural practices, including supply management, cooperation, benchmarking, knowledge sharing or learning, develop stronger external social networks, which contribute significantly to strategic flexibility and organizational learning. Finally, it is important to pause over the negative effect detected in the case of the dimension "range" for non-QM firms for both capabilities, and for ISO firms for organizational learning. This result implies that, as the different categories of agents with which we associate increase, strategic flexibility and organizational learning decreases. A greater range implies a greater number, complexity and even juxtaposition of ideas and information received. This can lead to immobility or delayed reactions (Simon, 1959; Szulanski, 1996). Although variety increases the range of the organization's potential behaviours, it can also create confusion and generate costs (Borgatti and Cross, 2003). Thus, this result can be due to the high number of categories of different agents that were used. However, in observing the range in the other two groups, we confirm that—in spite of the fact that it is lower for the

group of ISO-firms and higher for the group of TQM-firms—its influence is not significantly negative for any of the cases.

Observing all variables, if we divide the sample into non-QM firms, ISO-firms and TQM-firms, we can draw two important conclusions. Firstly, TQM-firms develop all of the dimensions of external social networks, strategic flexibility and organizational learning to a greater extent. Secondly, we see that the importance of the influence of the dimensions of external social networks on strategic flexibility and organizational learning, decreases significantly when we move from non-QM firms to ISO-firms and TQM-firms, with other factors inherent in them, such as strategic leadership, teamwork or stimulating decision-making processes, possibly achieving more relevance. This fact could be an explication for the absence of significant relationship between size and organizational learning in TQM firms group. Ruiz et al. (2005) studied 127 service firms from European Union and observed the positive relationship between TQM practices and organizational learning. However, the authors established that some of the relationships were indirect, instead of direct relationships. This is the case of leadership, policy and strategy, resources and partnerships, and people. The indirect relationships between partnerships and organizational learning, could be an explanation for the absence of relationship between network size and organizational learning. However, as a significant relationship has been found between network range and organizational learning, further studies could be directed to this line of research.

As we have observed, at the present, managers face a wide range of possibilities for implementing QM in their organizations (TQM, ISO standards, Six Sigma, etc.). Our conclusions may help them with this kind of decision, as the fact that TQM firms develop to a greater extent strategic flexibility, organizational learning and external networks dimensions, is an important aspect that should be consider when TQM alternative and ISO standards alternative are compared.

Our research has several implications for business practitioners. This study provides evidence that external networks serve as important informational resources for firms. Firstly, firms may be able to purposefully develop and manage the networks of their top managers. However, since different network characteristics affect firm performance differently, companies should be careful to create the network characteristics that are most likely to affect performance in their particular environmental context. Managers and firms must also be conscious of the fact that social networks have both different potential benefits and significant costs (time, resources, etc.) (Adler & Kwon, 2002). Managers' networks could be significant factors in the choice, training and remuneration of managers (Collins & Clark, 2003; Geletknaycz, Boyd & Finkelstein, 2001; Jensen & Roy, 2008; Sumelius, 2009). The "right" manager with the "right" kind of social network, in size and strength, may be able to access new and relevant information and knowledge, contributing to improvements in the firm's performance (e.g., Collins & Clark, 2003).

Secondly, the organization should encourage the acquisition, implementation, transformation and use of new and relevant knowledge. Managers must devote continuous and substantial effort to developing knowledge management in the organization. These include encouraging more modern organizational structures and compensation policies and stimulating organizational flexibility and learning to encourage better knowledge transfer (Lane & Lubatkin, 1998; Nonaka & Takeuchi, 1995). The manager should be a good leader and mentor, capable of guiding the other members of the firm in their professional trajectories, that is, of supporting their growth because he or she has faith in people's capacity to learn and innovate.

Finally, strategic flexibility is significant in shaping firms' potential to generate greater performance by promoting successful diversity in strategic response and rapid shifts from one strategy to another (Sánchez, 1995). If the CEO manages strategic flexibility properly, using it to change competitive posture and respond quickly, the firm can obtain competitive advantage (Young *et al.*, 1996). Organizations with more available knowledge, can thus formulate better solutions (Nonaka & Takeuchi, 1995). In flexible organizations, CEOs learn continuously, adapting to and initiating changes in the organization and its environment. Strategic flexibility encourages entrepreneurial behavior and strengthens motivation to improve the organization's results.

Limitations and Future Research

Among the limitations of our study, we must include the fact that QM alternative implementation is observed using a single item, instead of a compound construct. The sample of firms is not distributed uniformity according to the number of employees and annual sales incomes. Together with the cross-sectional character of the research, this factor somewhat limits generalization from these results. Thus, longitudinal research that analyses a greater number of cases and that observes effects on different kinds of organizations could enrich the literature on the external social networks and quality management initiatives.

Further, one could analyze internal managerial social networks, as well as those established between workers themselves, to determine their effects on the generation of different dynamic capabilities. We intuit that these are a significant direct and moderating variable, as they would influence the levels of capturing, creating and transforming resources. On the other hand, one could study the influence of the social networks on the different kinds of flexibility (strategic, structural and operative). This would deepen our understanding of the influences of managerial networks on strategic and structural levels, as well as the effects of the networks with workers and the influence of networks between workers on levels of operational flexibility. Finally, establishing direct multiple comparisons between these (ISO and TQM) and other QM initiatives (EFQM model, Quality Control, Lean Manufacturing) could bring deeper understanding of their functioning, helping managers differentiate between them.

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Financial Sector Reforms: A Case of Nepal

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Introduction

Financial sector is that part of economy concerned with the transaction of financial institutions. Financial institutions provide many transmission services and loan facilities and influence the working of the real economy by acting as intermediaries in channeling saving and other funds into investment users. The financial sector together with the corporate sector and personal sector constitute the private sector. The private sector, the public (government) sector and foreign sector make up the national economy.

Financial sector reform means gradual liberalization of financial market and the players and opening of all types of depository and non-depository financial institutions to the private sectors. Depository institutions include commercial banks, development banks, finance companies, cooperative banks etc. The other financial institutions include life and non-life insurance companies, mutual funds, credit unions, mortgage banks, money market mutual funds, deposit insurance corporation/company, pension fund/ provident fund, unit trust, savings and loan associations and so on. In most developing transition economies, the financial sector is dominated by the banking sectors, which are the largest mobilizers of deposits and providers of credit.

The main objective of this study is to analyse the impact of financial sector reforms undertaken by Nepal mainly in the context of commercial banking sector. The specific objectives are (a) examine the growth in commercial banks and finance companies (b) analyze the growth in the commercial bank braches (c) indicate the distribution of commercial bank branches in rural and urban areas (d) to determine the trend in total deposits and credits of commercial banks (e) to assess the interest rate spread and the level of Non-performing Assets (NPA) in Nepal.

The study has been organized into four sections. The general introduction indicating the objectives of the study is shown in Section I. Section II describes the brief review of literature while Section III describes analysis of data. Finally, the findings are summarized in Section IV in the form of concluding remarks.

Review of Literature

It is stated that financial sector reform aims at establishing a modern financial system capable of acting as the 'brain of the economy' and allocating the economy's savings in the most productive way among different potential investments' (Williamson, 1999). The specific objectives of the FSR as highlighted in the policy paper on FSR prepared by Government of Nepal during NDF 2002 included:

- Create sound, stable and healthy financial system.
- Broaden and deepen the financial system in the economy.
- Enable and policymaker to fully and timely avail sound financial statistics.
- Canalize adequate resources on lowest possible cost, to promote sustained, broad-based growth momentum.
- Build the institutional capacity to identify and tackle the problems in the financial system.
- Increase the autonomy and capacity of central bank and other regulatory institutions for making their respective policy institutions, supervisory and regulatory functions effective.
- Improve and update the legal and judicial framework for the financial system, and
- Drastically reduce the NPA, improve the financial intermediation efficiently and build a strong and stable financial system, thereby promoting growth and reducing poverty.

The FSR represents the phasewise program focussing on the three broad objectives:

- Strengthening and developing, regulatory and supervisory framework and the macro economic management capability of the central bank.
- Reforming the commercial banking sector which is dominated by two large ailing commercial banks the fully state-owned and controlled RBB and the recently majority privatized or party state-owned, NBL.
- Reforming the development banking and other government-owned financial institutions like ADB, NIDC, etc.

In particular, the proximate objective of FSR is to extend, widen and deepen financial markets. The introduction and establishment of financial instruments and financial institutions is not important in absolute terms. What is important is that there exists a positive relationship between growth of financial and non-financial sector i.e., the development of financial market has direct bearing on the growth of the real sector. Hence, the objective of FSR relates to transmitting the impulses of financial sector to the real sector through certain channels. "FSR attempts to strengthen these channels. In essence FRS envisage attending higher economic growth through (1) allocative efficiency (2) operational efficiency, and (3) dynamic efficiency" (Fischer 1993, 497).

Allocative efficiency: The removal of financial constraints with the deregulation of interest rates helps financial resources to move to high yielding sectors. Interest rates help ration out low yielding investment. This leads to efficient use of scarce resources. Thus, financial reform helps to achieve higher economic growth through improved allocative efficiency of the available resources. "The allocative efficiency increases the return on investment and promotes the growth of the real sector of the economy."

Operational efficiency: The FSR, with the removal of entry and exit barriers, helps foster and enhance competition in the financial market. Improved competition helps lower financial intermediation cost. This also has a direct bearing on economic growth through induced savings and investments.

Dynamic efficiency: The FSR helps to improve the quality of financial services making financial market deepen. Both depositors and borrowers in particular and economy in general benefit from the diversified services. Thus, the financial liberalization is expected to support economic growth through increased savings in the financial sector and high quality economic investment.

The ultimate objectives of FSR in Nepal are not different from the theoretical propositions made above. However, when financial liberalization began, Nepal had typical problems with its typical stage of financial system. There were only two commercial banks operating in the government sector. The banks tightly regulated and there was no competition. The non-performing loans were increasing and the quality of banks services was poor. Financial saving mobilization was very low. "There were no non-banking financial institutions other than two specialized financial institutions Agricultural Development Bank (ADB/N) and Nepal Industrial development Corporations (NIDC), and a few insurance companies and the Employee Provident Fund. The financial market was virtually in a state of monopoly." Against this background, the financial sector liberalization process was initiated onwards in the middle of 1980s. "The intermediate objectives of FSR in Nepal are competition, positive real deposit rate, reduction in the interest rate spread, financial deepening, financial widening, promotion of private sector investment, and reduction of non-performing assets."

Competition

Financial growth cannot take a desirable path unless financial institutions operate vibrantly. In order to grow the financial institutions vibrantly, new financial products have to be innovated and the quality of their services has to be improved. This can take place only when there is competition among the financial institutions. Financial institutions do not generally operate competitively if they are limited in numbers.

Reduction in Interest Rates Spread

Interest rate spread indicates the cost of financial intermediation. Higher the interest rate spread, the higher is the intermediation cost. Persistent higher interest rate spread causes financial disintermediation and as a result, inhibits financial development. Therefore, liberalization of the interest rate spread is important aspects of FSR.

Financial Deepening

Financial deepening is measured as financial assets or border monetary aggregates to GDP ratio, involves the introduction and intensive use of new financial products for economic growth. "Financial deepening would indicate greater financial resource mobilization in the formal sector, an ease in liquidity constraints of banks and enlargement of funds available to finance the projects" (Shaw 1973, 23). Thus, larger financial deepening provides a possibility for increased resources deployment in the economy. This enhances the change for accelerating economic growth was one of the objectives of financial liberalization in Nepal.

Financial Widening

It refers to the greater use of money while exchanging goods and services, thus facilitating financial deepening. Definitely, there had been a greater use of money following the establishment of NRB and two state-owned commercial banks. However, there was still scope for financial widening mainly because of the existence of vast non-monetized activities in rural areas in general and agriculture sector in particular. This prevents commercialization and hence specialization of economic activities and the economy lost its efficiency gain. Although the state-owned commercial banks extended their branches in the rural areas of the country to provide the required banking and financial services but it was not sufficient. Therefore, commercialization of the economic activities and financial liberalization was initiated (Fischer 1993, 502).

Promotion of Private Sector Investment

One objective of FSR is to promote private sector investment. If the private sector is more efficient than public sector, the public sector can play a supporting role in to accelerate economic growth. In a financial repressed economy, private sector investment is crowed out by the public sector investment, so it adversely affects economic growth. In liberalized financial system, there would be higher level of saving mobilization enhancing deposits and lending that need for efficient financial system. More saving can be mobilized with a wide range of investment and activities and they are readily available for investment at competitive rate of interest. Private sector investment activities need not suffer from lack of capital.

Reduction of Non-performing Assets

Non-performing assets implies the bad quality of loans/debts that means the loans in snot paid at maturity period and which is responsible to bring banking and financial crisis. Due to the mistake in lending or investment process by the various reasons the two big state-owned banks RBB and NBL have been facing problems of increasing in NPA during the liberalization. And, not only these banks, the joint venture banks and financial institutions also have the same problem. According to latest directive issued by NRB, the loan of banks and other financial institutions has been classified into four groups:

- Good loans, if over due period is not exceeded or exceeded by three months.
- Sub-standard loans, if overdue period is exceeded by three to six months.
- Doubtful loans, if overdue period is exceeded from six month to one year.
- Bad loans, if over due period is exceeded more than one year.

Among these four categories, sub-standard, doubtful and bad loans are taken as non-performing loans. In this contest, the main objective of FSR is to improve the quality of loan portfolios of the financial institutions and thereby reduce their non-performing assets.

Financial Sector Liberalization in Nepal with Reference to WTO

Nepal became 148th member of WTO from the decision of Cancun Ministerial of September 2003. After accession into WTO, Nepal grasps the opportunities in the global flora, even though there are certain costs and challenges of financial sector liberalization.

Benefits of Financial Service Liberalization

The financial sector reform has many positive impacts such as growing direct foreign investment, easy access to modern technology, development and growth of various financial institutions and increase in quality and variety of services. These benefits can be classified into three different headings:

To the banking industry: It helps in benefiting as stronger banking industry in the country performing with the latest technology. It will bear many positive effects on the domestic banks as well. The new banks will introduce various products and services in the market at low costs.

To the customers: The entry of the foreign banks through joint venture brings down the costs of financial intermediation. The Nepalese customers can enjoy banking and financial services at a cheaper price because they provide new and competitive services.

To government: The strong banking system by the financial sector liberalization will not require any government help and may not accept the intervention as well. There would not be any danger of collapse of the financial industry in the near future. But it determines the

direction of the financial industry. So the government can be benefited by receiving increased tax revenues. Liberalization of financial sector, on the one hand, plays an important role in increasing GDP and, on the other hand, it helps in reducing unemployment and poverty.

Cost of Financial Services Liberalization

The financial sector liberalization is not free from any negative impacts. Nepal as one of the developing countries paces many problems along with the benefits of liberalization. On the one hand, people of this country are less conscious about financial sector and most of the rural areas are non-monetized and on the other hand, the government and even the central bank are continuously losing the control over banking and financial services. Joint venture banks have established most of the banking and financial services in urban center and capture the elite, middle and upper class people. Similarly the government is deprived form the targeted rural banking services through the banking and financial system like productive sector, priority sector, deprived sector and some other directed credit programs. Weak domestic banks and financial institutions may loose in competition caused by the financial openness and liberalization.

Commitments in Financial Services Set Forth in WTO

Entering into WTO, Nepal has been committed on the provision of WTO's financial and major commitments, which are as mentioned below:

- Branches of foreign companies will be allowed including insurance services and wholesale banking after January 1, 2010.
- Financial services in the form of operations can be carried out inside the country through a locally incorporated company.
- Foreign equity participation will be allowed in financial sector up to 67% of the issued share capital.
- Composition of Board of Directors of financial institution is proportion of their equity participation.
- Opening financial advisory/consultancy services.
- Assurance of full competition in financial sector.
- Entry in the financial sector is to be regulated by NRB and Insurance Board.
- Status quo has to be maintained and no further restriction can be imposed.

WTO and the Challenges of Financial Sector Liberalization

Financial sector liberalization has started since 20 years. The membership in the WTO opens many alternatives and opportunities but it has some challenges also. It is a big challenge for the country like Nepal to explore the potential market for its services and to hold that market in the long run. It is a fact that Nepal is landlocked by India and China, it would be a challenge to explore a good access to growing economies of neighboring countries and to get easy access in their huge markets. It is also a challenge to explore the space in the competitive market and sell services. Besides, there are some challenges within the country like financial policy and political instability, formulation and implementation of legal framework, future direction and speed of financial sector reforms.

When considering whether to liberalize the financial sector, it is important to compare the potential benefit with the possible cost. A benefit of financial sector liberalization is that it

causes more saving to flow through the banking system, producing higher investment when financial repression is replaced by the financial restraint (McKinnon 1973, 45).

FSR Activities

The following are some of the major FSR activities:

- Reengineering of NRB: Amendment of NRB Act 1995 in 2002.
- Amendment of the Commercial Bank Act, and Finance Company Act
- Freedom for limited banking services to saving and credit cooperative societies.
- Deregulation of interest rates
- Freedom to establish development bank and to perform banking activities
- Capital adequacy ratios
- Loan classification and loan loss provision
- Single borrower limit
- Reforms in disclosure norms
- Liberalization of monetary policy instruments
- Establishment of Credit Information Bureau
- Establishment of Credit Information Center
- Establishment of call money market
- Reforms in capital market
- Reforms in priority sector rule

Process of RBB and NBL Management Contract to International Expert

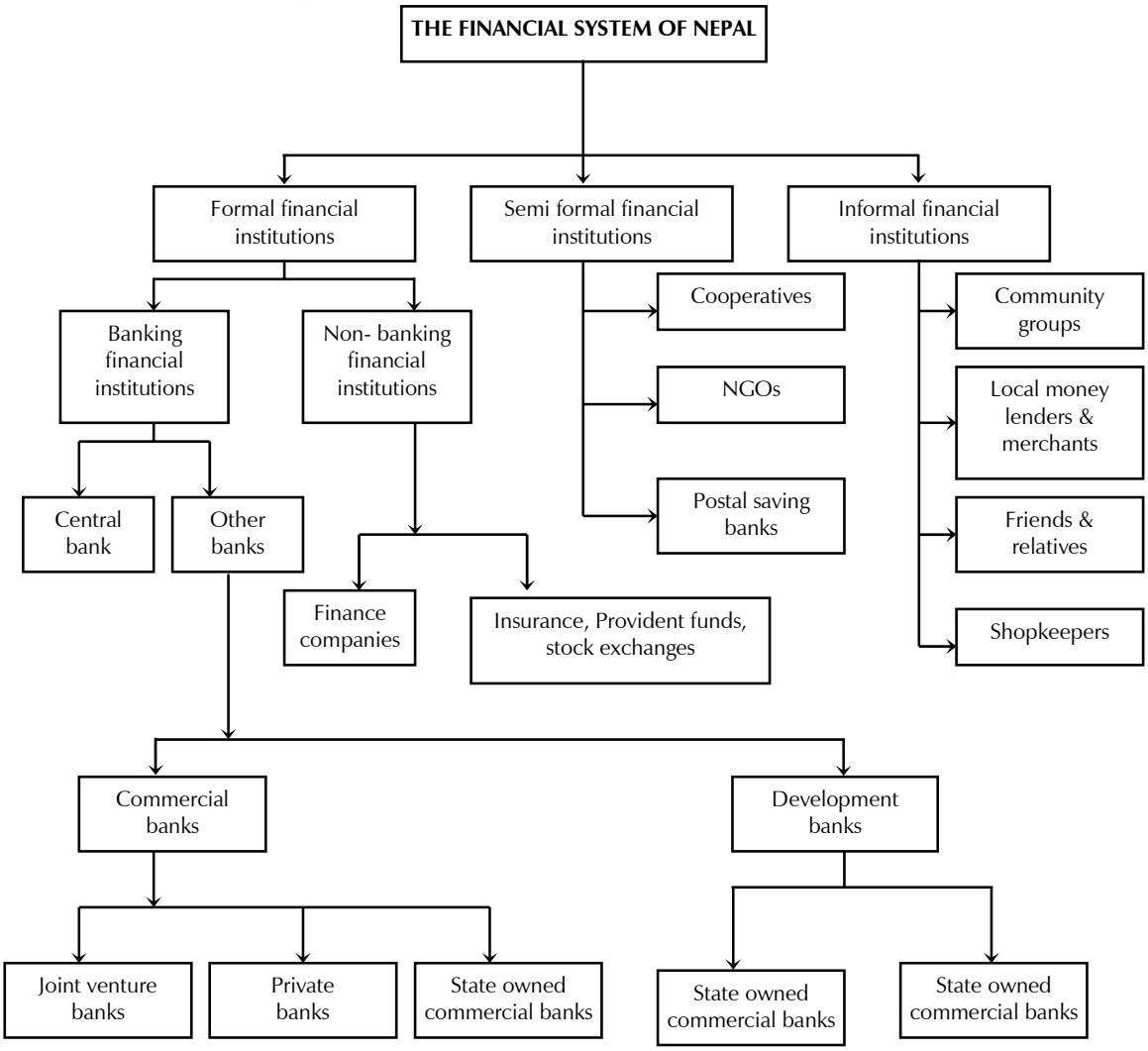
Considering the historical background of the two state-owned commercial banks RBB and NBL, they were already ailing even before the establishment of joint venture commercial banks. From that period they had financial, managerial and organizational problems. "According to the commitment of Government of Nepal to reform RBB and NBL, Government of Nepal and NRB established the Nepal Banking Reform Project and started to work with funding assistance of World Bank (IDA) and DFID (UK). In this banking reform project, KPMG Barents Group, an international expert team was associated and started reform project from November 1999. They found that both banks RBB and NBL were deeply impaired in all areas of their operations (KPMG Barent Group 2000).

Analysis of Data

The financial system of Nepal as shown in Figure 1 indicates that the Nepalese financial sector is dominated by the banking system, where commercial banks are largest and important constituent. In the sphere of commercial banks two government controlled banks Nepal Bank Limited (NBL) and Rastriya Banijya Bank (RBB) together control about two-third of the banking business and thus dominate the arena of commercial banks. The status and development of financial system in Nepal, thus largely depends upon the performance of these two government-controlled banks.

Financial sector reforms also covers and includes the area of competition, transparency, financial deposits and governance. The process of financial sectors reform begins with deregulation of interest rates on deposits and lending, phasing out or margin rates, statuary reserve requirement, and targeted credit programs, open foreign currency account to commercial banks, current account convertibility and it competes with free entry and exits barriers to foreign investors in banking. Security trading, insurance services and privatization of government owned banking and financial institutions are examples of financial sector liberalization.

FIGURE 1: financial system of Nepal



Financial sector reform is related 'to establish a modern financial system capable of acting as the brain of the economy and allocating the economy's savings in the most productive way among different potential investments" (Williamson & Molly, 1998)

Presently, the financial networks of the country have been widened with the operation of the increased number of commercial banks up to 25, and number of branches is 555. Prior to the financial sector reform, only two commercial banks were under the operation. Even the insurance services sector has developed with the establishment of joint venture insurance companies. There are altogether 21 life and non-life insurance companies in the country. The number of listed companies in the Nepal Stock Exchange has reached 194. The number of development banks are 58, and the number of rural development banks are 5, number of

finance companies are 78, number of cooperative societies are 16, number of micro-finance non-government organizations are 46 in the country.

In spite of financial sector liberalization in Nepal, the contribution of financial sector GDP is not far appreciable. Gross domestic saving has not shown a steady and constant growth trend. Lack of transparency, non-performing assets, over-staffing, interest rate spread, weak financial management information, weak legal and low standard accounting process, low skillful manpower operating with under utilization and deep flows in lending process, loan files and loan portfolios are the major issues of financial sector liberalization in Nepal.

After more than two decades of financial liberalization, Nepal's financial sector remains particularly weak and extremely fragile largely benefiting a narrow base of users in the main urban areas and having very little impact upon the mass of Nepalese people.

Table 1 shows the increase in commercial bank branches over a period of time. The total branches increased from 381 in 1985 to 558 in 2008. More recently, the number of branches has increased much more in Terai than in Hills. The number of branches in Kathmandu Valley increased from 52 in 1985 to 159 in 2008. In Hills, the number of branches decreased from 163 in 1985 to 156 in 2008. However, the number of branches increased tremendously from 166 in 1985 to 243 in 2008.

TABLE 1: Number of commercial bank branches in Nepal

Year (Mid-July)	Kathmandu Valley	Hills	Terai	Total
1985	52	163	166	381
%	14%	43%	44%	100%
1990	65	192	184	441
%	15%	44%	42%	100%
1995	65	190	189	444
%	15%	43%	43%	100%
2000	75	164	200	439
%	17%	37%	46%	100%
2005	92	122	161	375
%	25%	33%	43%	100%
2008	159	156	243	558
%	28%	28%	44%	100%

Table 2 shows the increase in commercial bank branches by 10.7 times in 2008 over 1985. In Kathmandu Valley, the total branches increased by 3.1 times while the same is observed to be 3.0 times in 2008 over 1985. In Terai, the number of bank branched increased by 4.6 times in 2008 over 1985. More recently, the number of branches has increased much more in Terai than in Hills. The number of branches in Kathmandu Valley increased from 52 in 1985 to 159 in 2008. In Hills, the number of branches decreased from 163 in 1985 to 156 in 2008. However, the number of branches increased tremendously from 166 in 1985 to 243 in 2008.

TABLE 2: Growth index of commercial bank branches in Nepal

Year (Mid-July)	Kathmandu Valley	Hills	Terai	Total
1985	100	100	100	100
1990	125	369	354	848
1995	125	365	363	854
2000	144	315	385	844
2005	177	235	310	721
2008	306	300	467	1,073

Table 3 shows the rural urban distribution of commercial bank branches over a period of time. The commercial bank branches decreased in rural areas over time.

TABLE 3: Rural urban distribution of commercial bank branches in Nepal

Year (Mid-July)	Rural	Urban	Total	Rural as % of total
1985	267	116	383	70%
1990	300	160	460	65%
1995	310	134	444	70%
2000	285	193	478	60%

Table 4 shows the increase in total deposits of commercial bank branches over a period of time. It increased from Rs.8.5 billion in 1985 to 426 billion in 2008. The highest growth rate has been observed in 1995 leading to the average growth rate of 36 percent. However total deposits declined during the most recent periods leading to the average annual growth rate of 14 percent.

TABLE 4: Total deposits of commercial banks in Nepal (Million Rs.)

Year (Mid-July)	Total deposit	% increase	Average annual growth rate, %
1985	8,560.1	-	-
1990	21,942.5	156%	31%
1995	61,193.3	179%	36%
2000	154,943.0	153%	31%
2005	252,409.9	63%	13%
2008	426,080.3	69%	14%

Table 5 shows the increase in total credits of commercial bank branches over a period of time. It increased from Rs.6.5 billion in 1985 to 306.6 billion in 2008. The highest growth rate in total credits has been observed until 2000 leading to the average annual growth rate of 28 to 30 percent. However average annual growth in total credits declined during the most recent periods leading to the average annual growth rate of about 17 percent.

TABLE 5: Total credit of commercial banks in Nepal (Million Rs.)

Year (Mid-July)	Total credit	% increase	Average annual growth rate, %
1985	6,464.4	-	-
1990	16,009.4	148%	30%
1995	38,779.1	142%	28%
2000	96,324.8	148%	30%
2005	163,718.8	70%	14%
2008	306,638.0	87%	17%

Table 6 shows the increase in priority sector credits of commercial bank branches over a period of time. It increased from Rs.0.4 billion in 1985 to 37.5 billion in 2008. The highest growth rate in priority sector credits has been observed in 2000 leading to the average annual growth rate of 48 percent. However average annual growth in total credits declined during the most recent periods leading to the average annual growth rate of about 36 percent.

TABLE 6: Priority sector credit of commercial banks in Nepal (Million Rs.)

Year (Mid-July)	Total credit	% increase	Average annual growth rate, %
1985	432.8	-	-
1990	1,312.3	203%	41%
1995	2,797.1	113%	23%
2000	9,520.7	240%	48%
2005	13,499.2	42%	8%
2008	37,539.6	178%	36%

Table 7 shows the pattern of credit deposit ratio of commercial banks over a period of time. The credit deposit ratio of commercial banks was 0.75 times in 1985 which declined to 0.622 in 2000 and increased to 0.72 times in 2008.

TABLE 7: Credit deposit ratio of commercial banks in Nepal (Million Rs.)

Year (Mid-July)	Total credit	% increase	Average annual growth rate, %
1985	0.755	-	-
1990	0.730	-3%	-1%
1995	0.634	-13%	-3%
2000	0.622	-2%	0%
2005	0.649	4%	1%
2008	0.720	11%	2%

Table 8 shows the interest rate structure of commercial banks over a period of time. The savings deposit rate declined from 9 percent in 1985 to 4.3 percent in 2008. Similarly, the industrial lending rate declined from 17 percent in 1985 to 10 percent in 2008. The interest rate spread declined from 8 percent in 1985 to 5.8 percent in 2008.

TABLE 8: Interest rate of commercial banks in Nepal (Million Rs.6

Year (Mid-July)	Saving deposit Interest rate	Industrial lending interest rate	Interest rate spread
1990	9.0%	17.0%	8.0%
1995	7.5%	16.0%	8.5%
2000	5.3%	13.0%	7.8%
2005	3.4%	10.9%	7.5%
2008	4.3%	10.0%	5.8%

Table 9 shows the NPA structure of commercial banks over a period of time. The NPA was 31 percent of total credit for RBB in 2000 which increased to 60 percent in 2003 and declined to 21.6 percent in 2008. In case of NBL, the NPA was 26 percent of total credit in 1985 which increased to 60.5 percent in 2003 but declined more recently to 8.95 percent in 2008. The NPA has however been observed to be the lowest for JV banks. For JV banks, the NPA was 10.9 percent of total credit in 2001 which declined to 4.4 percent in 2008.

TABLE 9: NPA of commercial banks in Nepal (% of total credit)

Year (Mid-July)	RBB	NBL	JV Banks
2000	31.00	26	-
2001	45.10	50.8	10.9
2002	55.10	56.3	9.9
2003	60.10	60.5	7.8
2004	57.60	53.7	4.8
2005	53.00	49.6	5.3
2006	45.30	25.1	7.5
2007	27.60	13.5	6.2
2008	21.60	8.95	4.4

Table 10 shows the purposewise outstanding loans of commercial banks over a period of time. The outstanding loans decreased in agriculture, and commerce sectors while it increased in industrial sector. The outstanding loans in agriculture sector declined from 13 percent in 1990 to 4 percent in 2008. In commerce, it declined from 44 percent in 1985 to 26 percent in 2008. The loans however increased from 19 percent in 1985 to 50 percent in 2008.

TABLE 10: Purposewise outstanding loans of commercial banks (%)

Year (Mid-July)	1985	1990	1995	2000	2005	2008
Agriculture	3	13	12	8	3	4
Industry	19	32	39	45	58	50
Commerce	44	29	33	33	26	26
General use & social credit	30	24	12	7	2	3
Others	4	3	4	6	12	16

Table 11 shows the number of banks and financial institutions over a period of time. The number of commercial banks increased from 15 in 2000 to 25 in 2008 while the number of development banks increased from 15 in 2000 to 58 in 2008. Likewise the number of finance companies increased from 44 in 2000 to 78 in 2008.

TABLE 11: Number of banks and financial institutions

Year (Mid-July)	Commercial banks	Development banks	Finance companies
2000	15	15	44
2001	15	17	45
2002	16	21	50
2003	17	21	56
2004	17	25	56
2005	17	26	60
2006	18	28	69
2007	20	38	78
2008	25	58	78

Concluding Remarks

- After FSR, the number of financial institutions and their branches increased significantly.
- After FSR, commercial bank branches in rural areas decreased significantly.
- Growth rate of total deposit and total credit shows increasing trend.
- FSR shows negative impact on agricultural and commercial credit and positive impact on industrial credit.
- Non-performing loans and assets shows decreasing trend after FSR.
- NRB adopted effective regulatory role for financial sector of Nepal after FSR.
- Interest rate spread reduced after FSR.

Annex 1

Chronology of financial sector reforms

Removal of entry barriers

Policy measures	Year	Desired objectives
Entry barriers were erased for joint venture banks	1984	Increase private sector participation to foster competition in the financial sector
ADB/N was allowed to undertake commercial banking activities	1984	Foster competition in mobilizing resources from urban areas to lend in the agricultural sector.
Establishment of Citizen Investment Trust	1991	Mobilize contractual saving.
Establishment of regional rural development banks	1993	Enhance access of rural poor to the formal credit.
Legal and institutional reforms		
Enactment of Finance Company Act	1985	Avail consumer credit and promote competition
Establishment of Credit Information Bureau	1989	Discourage risky lending, enhance recovery of loans.
Creation of Rural Self Reliance Fund	1991	Improve rural credit system
Introduction of privatization act	1994	Minimize government's role in public sector utilities.
Enactment of International Financial Centre Act	1997	Develop a regional offshore financial centre.
Enactment of financial intermediaries act	1999	Formalize the informal finance.
Enactment of Nepal Rastra Bank	2002	Increase autonomy.
Establishment of debt recovery tribunal	2003	Reduce NPL.
Enactment of BFI ordinance	2004	Umbrella Act to remove legal fragmentation.

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When Strategic Focus is Needed: Strategy Development at Emirates Identity Authority

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Abstract

This article presents a strategy development process followed at Emirates IDentity Authority (Emirates ID); a federal government organisation in the United Arab Emirates (UAE), tasked to implement the national ID program for all national and residents population. It is concluded with some lessons learned from both the previous strategy, as well as the new strategy development exercise.

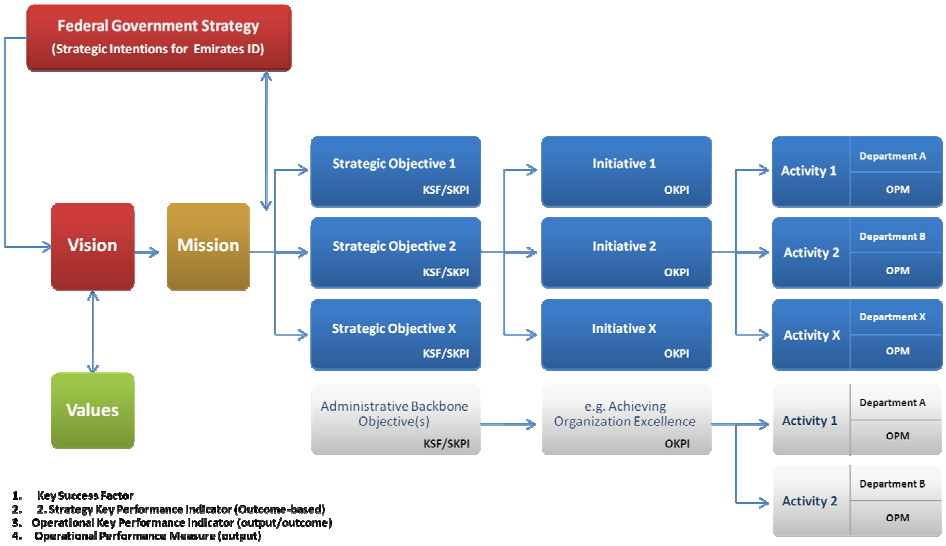
Keywords: Emirates ID, Strategy Development, National ID.

Introduction

The Emirates IDentity Authority (Emirates ID) is a Federal Government Entity (FGE) in the United Arab Emirates (UAE) that has been mandated by the federal government to enroll all UAE citizens and residents into a unified population register and supply them with a value added ID Card. Emirates ID had undergone a preliminary strategy development exercise in early 2007 which resulted in clear goals designed to address the organisation's initial infrastructure, technology, and organisational requirements.

Given a foreseen shift in the 's operating model, Emirates ID's leadership team decided to undergo a second strategy development exercise in order to prepare the for the challenges that lay ahead (i.e., technological, structural, etc.), while maintaining alignment between its strategy and the UAE Federal Strategy.

FIGURE 1: Strategy Development Framework



The Approach

Strategy Development Framework

The strategy development framework depicted in Figure 1 was applied in order to arrive at the new strategic direction, and to link it with the organisation's day-to-day activities.

This framework started with articulating the high level strategic direction embodied by the Vision and the Mission, and Strategic Intents of the Federal government. This high level strategic direction was then cascaded down through the organisation in a structured manner in the form of strategic objectives, key success factors, initiatives, as well as activities for the departments and functional units. This structured framework ensured explicit linkages between every level of the strategy; from vision all the way down to activities; hence providing a coherent road map to deliver Emirates ID's mandate. This also provided clarity for staff as to how their work directly contributed to the achievement of an element of the strategy.

Project Approach

The above strategy development framework was applied through the project approach (shown below) to set the new strategic direction. The project approach consisted of the three distinct phases as shown below in Figure 2:

FIGURE 2: Project Approach



Diagnostics

This phase started with a thorough review of the organisation's current strategy, as well as discussions with the leadership team to understand the Strategic Intents based on which the orgnisations was formed. Furthermore the strategy development team gained insight into the leaderships vision for the organisation, on how that vision should be realised and challenges that may be faced in achieving the vision.

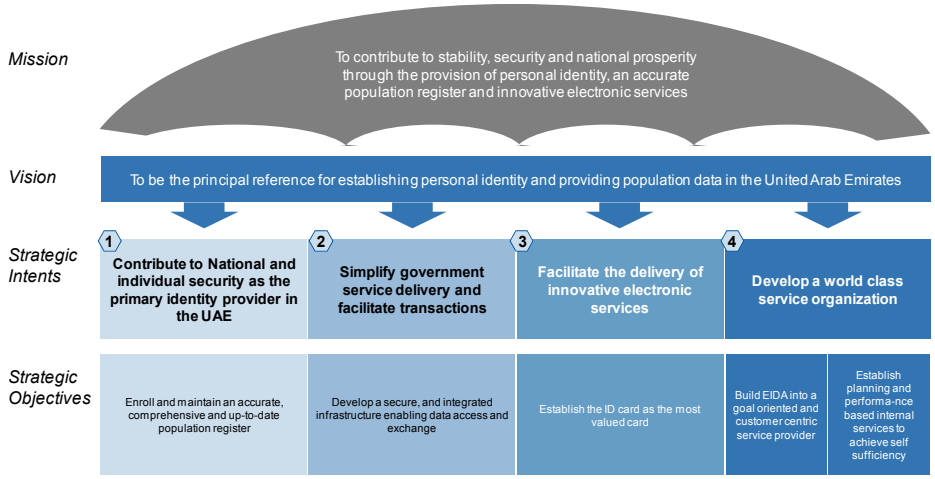
An important element of this phase was to articulate the current, and foreseen, operating model in order to better understand the dynamics of the interaction between the services and the customers. An external assessment (i.e. benchmarking) was done in order to compare existing services with those of similar international organisations; considered to be pioneers in the issuance of value added ID cards. This exercise helped the project team envision the potential evolution of the ID card and associated e-Services value chains, so as to better understand and account for future direction in the next phase of the project.

Next, an intense internal assessment was conducted. This assessment entailed studying organisational enablers (i.e. people, processes, technologies, etc.) to understand their readiness to support a change in strategic direction. Having conducted both an external and an internal assessment, the strategy development team was now able to develop a SWOT analysis that was used at a later stage in the Development phase to leverage both in developing the Strategic Objectives, as well as in the definition of initiatives needed to achieve the Strategic Objectives.

Development

Using the output from the first phase (Diagnostics) coupled with the Strategic Intents of the Federal Government; the strategy development team worked in close collaboration with leadership team to develop the high level strategic direction for the organisation consisting of its Mission, Vision, Strategic Intents and Strategic Objectives. The result was four Strategic Intentions that were cascaded into five distinct Strategic Objectives cumulatively capturing the entire organisation, while maintaining alignment with the UAE government's intentions for the organisation.

FIGURE 3: Emirates ID's Strategic Direction



For every Strategic Objective, a series of measurable Key Success Factors (KSFs) – strategic enablers - were identified in order to guide progress towards achieving the respective Strategic Objective to which they belong. In total, sixteen KSFs were established and assigned Key Performance Indicators (KPIs) which would measure the progress in achieving each KSF; hence, the overall Strategic Objective to which it belongs.

FIGURE 4: Sample KSFs and Related KPIs

Strategic Intention	Strategic Objectives	Key Success Factors	Strategic KPIs
1 Contribute to National and individual security as the primary identity provider in the UAE	Enroll and maintain an accurate, comprehensive and up-to-date population register	■ Accessibility to enrollment services	■ Daily enrollment ■ Daily enrollment as a % of maximum capacity (i.e. utilization) ■ % of target population enrolled ■ % of total population enrolled ■ % of registered customers updating status (over a defined period of time)
		■ Ability to manage flow	
		■ Accuracy of data	

Next, taking into account the gaps identified (during the Diagnostics phase), the shift in operating model requirements, as well as the KSFs; twenty distinct initiatives were identified which would cumulatively address all organisational gaps and operating model requirements, with the aim of ultimately delivering all of the Strategic Objectives.

This structured strategy development process ensured that all proposed initiatives were linked to potential gaps and KSFs, which were in turn linked to Strategic Objectives.

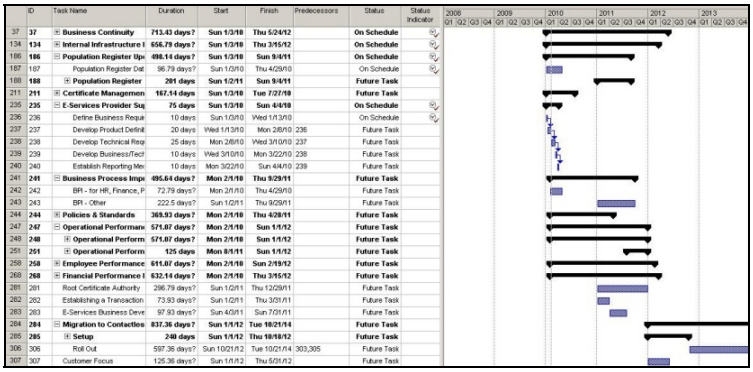
FIGURE 5: Linking Strategic Objectives, KSFs, Gaps, and Initiatives

Strategic Objective	Enroll and maintain an accurate, comprehensive and up-to-date population register	
Key Success Factor / SKPI	Gaps	Initiatives / Sub Initiatives
■ Accessibility to enrollment services – Daily enrolment applications / issuance	■ Lack of defined plan outlining population forecasts for enrollment by area by time	■ **Enrollment and Renewal Planning** – **Access Channel Enhancement:** Establish additional enrollment channels to enable more rapid enrollment – **Enrollment Incentivization Plan:** Develop and execute a marketing plan designed to attract and enroll a consistent flow of enrolees – **Staffing Ramp up:** Deploy a clear plan for recruiting, hiring and retaining front and back end staff need to support future enrollment targets – **Core Enrollment System Upgrades:** Carry out necessary software and hardware upgrades required to expand daily enrollment capacity – **Enrollment Support System Upgrades:** Update support system required to expand daily enrollment capacity - i.e. online/offline registration, etc.
■ Ability to manage flow – Daily enrollment n/ issuances as a % of capacity – % of target population enrolled	■ Outdated plan for ensuring consistent flow of population into registration centers ■ Understaffing in registration centers will prevent ability to enroll expected daily volume in the future ■ Software and hardware limitations will constrain capabilities to cross check expected future volumes with MOI database	
■ Accuracy of data – % of registered customers updating status	■ Lack of integration mechanisms and automated processes to permit continuous updating of the population register - either by government entities, or the general population	■ **Population Register Accuracy:** Implementing a plan for managing automated and user drive updates and implement integration layer to allow for secure update/query access

Implementation Planning

In this phase of the project, high level activities (with a strong focus on detailed activities for Information and Communications Technologies), planned timelines, estimated budgets, and accountabilities were detailed out for each initiatives. Furthermore, KPIs were designed and set to measure progress against achieving initiatives and associated activities. This exercise resulted in an elaborate four-year work plan linking day-to-day activities within departments and functional units to the overall strategy.

FIGURE 6: Work Plan Illustration



As another critical aspect of implementation planning, an initiative management training program was developed with the aim of instilling a common approach, methodology, and reporting processes, to be followed during strategy execution.

The Result

This project represented application of a structured strategy development process introducing the element of measurability (through linked KPIs) at every level of the strategy. Moreover, clear linkages between all levels of the strategy were established; from Mission/Vision to Strategic Intents to Strategic Objectives, to Key Success Factors, to Initiatives, and finally, to day-to-day activities (where appropriate) in the organisation. This ensured that the services of every department were accounted for within the strategy; resulting in awareness of how each department is contributing to the realisation of the strategy, and how its performance in doing so would be measured.

Another key outcome of this project was the prioritisation of organisation's technological needs. In do so, Emirates ID was able to sequence the rollout of the technologies that will serve as building blocks in fulfilling its aim of facilitating the delivery of innovative electronic services.

Finally, this project resulted in the commitment and buy-in from the leadership team, as well as the wider organisation, on the new strategy for EMIRATES ID – which is a 'must have' for any winning strategy.

Lessons Learnt

Lessons Learnt from Previous Strategy

Although Emirates ID's previous strategy addressed its initial infrastructure and organisational needs, it did not have as clear linkages between every level of the strategy. This resulted in a sense of 'vagueness' - leaving many in the organisation with no clear link between the strategic direction and their day-to-day activities.

Moreover, the previous strategy included too many un-prioritised initiatives causing an over stretching of organisational resources during execution. This resulted in implementation delays and in some even cases even cancelation.

Finally, the previous strategy did not clearly articulate specific execution and reporting mechanisms needed to ensure efficient implementation. This led to a lack of regular information sharing and in turn the inability for management to make proactive decisions.

Lessons Learnt from current Strategy Project

A key recipe for the success of this project was the power of a structured process guiding the development of the strategy – ensuring measurement at every step, and linking all the different steps together, while also accounting for the organisation in its entirety.

Another key contributing factor to the success of this project was the continuous involvement and contribution of key internal stakeholders across multiple levels of the organisation. This ensured a swift buy-in process and solid commitment to the new strategy.

The final factor contributing to the success of this project was a detailed and accurate work plan which brought the strategy 'to life' by providing a mechanism that linked the strategy to the day-to-day activities of every department within the organisation. This was reinforced with a comprehensive initiative management training program aimed at aligning all initiative managers to a common approach to initiative execution, as well as common reporting timelines and mechanisms that needed to be adhered to on an ongoing basis.

Acknowledgment

The author would like to thank Mr. Marc Hormann and Mr. Dennis DeWilde from OC&C Strategy Consultants.

Organizational Learning in Nepalese Organizations

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Abstract

The purpose of this study is to investigate the learning environment in the Nepalese enterprises and how the ownership pattern moderates the learning environment and organizational learning. Organizational learning is a dynamic process that involves moving between different levels of action, going from the individual to the group level, from there to the organizational level, and vice-versa. The analysis of learning as a process reveals the human resource as the main aspects; first, knowledge, or, more specifically, its acquisition or creation and its dissemination and integration within the organization. Second, the creation & dissemination of knowledge implies the existence of internal changes that may come about both on a cognitive and behavioral level. The descriptive and analytical research designs were used to draw the conclusions supported by the empirical studies. Primary data were collected through the questionnaires using judgmental sampling from the Nepalese institutions especially from the financial sector, because, the financial sector are the growing sectors and it is assumed that the financial sectors cover all the characteristics of the Nepalese organizations for the purpose of the study. Questionnaires were distributed to 125 officers of the financial institutions. Questionnaires were developed in five scales and mean, standard deviation and correlations coefficients were used as tools and alpha test was done to test the reliability of the data.

The findings indicated that there is significant level of learning environment in Nepalese institutions. The result further indicates that learning environment in private sector was found significantly higher than the public sector.

Introduction of the Study

Organizational development is increasingly becoming necessary to be able to withstand the ever changing challenges in the market and growing competition caused by opening up of the market, increasing preparedness of the competition and dynamism of the environment. Human resource is an important aspect of OD but the traditional concept of training and development are not considered adequate to initiate the process of OD and organizational preparedness. In the perspective, new concepts like organizational learning has emerged that help to create a learning environment in totality in the organization system. In the eighties and nineties, it has become as issue of serious concern and research.

The individual is key factor to organizational learning because it is the thinking and acting of individual practitioners that produce learning. This, in turn, means that keys to learning are the reasoning processes that human beings use to design, invent, produce and evaluate their actions. Supra individual units such as groups, inter-groups, and organizations are keys to enabling learning.

There is little opposition to the premise that organizational learning is a competence that all organizations should develop in fast-changing and competitive environments. It concentrates on the observation and analysis of the process involved in individual and collective learning inside organizations (Argyris and Schon, 1978; Dodgson, 1993; Foil and Lyles, 1985; Huber, 1991; Kim, 1993; Levitt and March, 1988; Romme and Dillen, 1997; Shaw and Perkins, 1992; Human resource Srivastava, 1983; Stata, 1989). In addition to distinguishing between the above 'means' (organizational learning) and 'ends' (learning organization) Finger and Brand, 1999 conceptualize the learning organization as a strategic objective 'like, for example, increased profitability or customer satisfaction'.

Organizational learning is a dynamic process that involves moving between different levels of action, going from the individual to the group level, from there to the organizational level, and vise-versa (Huber, 1991; Crosssan et. al., 1999). The analysis of learning as a process reveals the Human resource as main aspects. First, knowledge, or, more specifically, its acquisition or creation and its dissemination and integration within the organization, becomes a key strategic resource (Grant, 1996; Zander and Kogut, 1995; Teece et. al., 1997), the basis of a firm's learning capability. Second, the creation and dissemination of knowledge implies the existence of internal changes that may come about both on a Cognitive and behavioral level (Foil and Lyles, 1985). Lastly, these changes lead to a continuous process of improvement that allows the firm's performance to be maintained or augmented (Foil and Lyles, 1985; Grravin, 1993; Slocum et al., 1994) and even to achieve competitive advantage based on firm's varying capabilities to learn (Mahoney, 1995; Brenneman et al., 1998). Although organizational learning has traditionally been considered a uni-dimensional construct, various studies have highlighted its complexity and multidimensionality (e.g. Senge, 1990; Nicolini and Meznar, 1995; Salter and Narver, 1995). In line with these studies, we deem learning to be a multidimensional construct, since various aspects must be present in order for an organization to develop an effective learning capability.

Organizational learning is related to descriptive and normative stands of the field. Scholarly, descriptive work reveals some of the conditions under which organization learns independently by the efforts of leaders and consultants. It points to the intra and inter-organizational processes by which organization build on knowledge in their internal or external environments to solve problems that are currently relevant. It identifies the types of resources and social arrangements that scaffold certain types of learning. At the same time, this descriptive strand provides sanguine warning about the substantial barriers to learning that are attributable to features of learners, of interaction, and of organizations. Individual cognition sacrifice accuracy for efficiency, groups sacrifice accuracy for cohesion and organizations sacrifice learning for stability.

Organizational learning has been an important research topic within organization studies (e.g. Cyert and March, 1963; Cangelosi and Dill, 1965; Daft and Weick, 1984; Senge, 1990; Huber, 1991). The current interest in the subject among academics and practitioners reflects the idea that firms need to improve their products and processes constantly in order to create and maintain competitive advantage (Smith7 et. al., 1996).

Organizational learning can be viewed as a metaphor derived from the understanding of individual learning. In fact, according to Kim (1993), organizational learning is ultimately derived from individual members. Theories of individual learning are crucial for understanding organizational learning. Organizational learning is more complex and dynamic than a mere magnification of individual learning. The level of complexity increases from a single individual to a large collection of diverse individuals. Although the meaning of the term "learning" remains essentially the same, the learning process is qualitatively different at the organizational level.

Learning occurs when knowledge is processed and a range of potential behaviors changed (Huber, 1991). Organizational learning is learning that occurs as knowledge is transformed from an individual to a collective level (Spender, 1996). Knowledge which is generated through double-loop learning supports a firm's ability to understand the consequences of past actions, respond to new environmental stimuli, and establish new mental models that override the existing ones (Argyris and Schön, 1978).

Solingen et al. (2000) argues that organizational learning encompasses different levels, such as, individual learning, team learning and organizational learning. In individual learning, each person takes responsibility for learning. In team learning, teams and work groups utilize the capability of each member for the benefit of all. Teams learn to share a common approach, supporting each other in individual learning objectives, and cooperating with other teams in the learning process. Individual learning becomes organizational learning when new knowledge is transferred across unit boundaries to others in the organization that can benefit from what has been learned (Hamel, 1991). Mills and Friesen (1992) point out that an organization learns through its members. People may be hired because of a specific competence and knowledge, which may be gained on the job or received in formal training. Learning is an individual phenomenon, which benefits the organization entirely through the individual. Individuals learn if the individual doesn't use the knowledge or leaves the firm, then there is no impact. The organization has learned nothing. Organizational learning needs to be systematized into practices and processes.

Because organizational learning is more than the sum of the learning of its individual members, this approach encompasses collective learning, including knowledge acquisition; sharing and utilization of both individually held and commonly shared knowledge. Both types contribute to learning outcomes.

Objectives of the Study

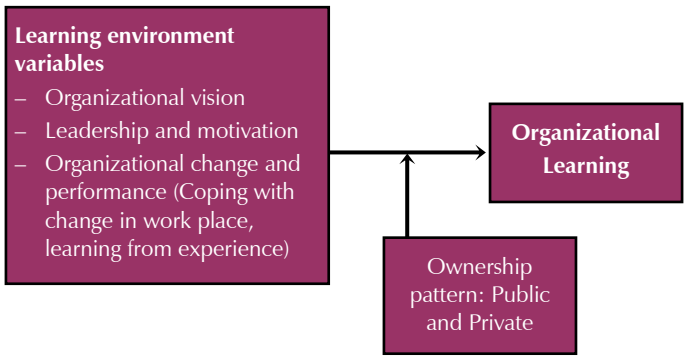
The objective of the study is to see whether there is learning environment in the Nepalese enterprises and how the ownership pattern affects the organizational learning?

Theoretical Framework of the Study

Human resource in the organization plays important role to achieve the competitive advantage. The competency can be achieved through the organizational learning which is the new concept in the management studies. There are different types of organizational learning such as behavioral leaning, cognitive learning and action learning. All of these types of learning are achieve either by an individuals or the collectively by the people in the organization. There are four dimension of organizational learning all the four dimension of leaning is gained by the people either through informal or formal means. The learning enables

the people to do the work differently as they have learnt form their leaders and seniors. The leaning in the organization will develop the competency in the people through the knowledge acquisition.

From the study of the literature the following theoretical model can be developed.



The organizational learning is the important for the development of the employees as well as the organization itself. There is also the theoretical base that organizational learning has positive relation with organizational vision, leadership and motivation and organizational change and performance (coping with change in work place, learning from experience).

Research Questions

Research question1: Do organizational vision, leadership and motivation, organizational change and performance (coping with change in work-place and learning from experience) have positive relationship with organizational learning?

Research question 2: Does the ownership pattern moderates the relationship between learning environment and the organizational learning?

Methodology

Descriptive, analytical and comparative research design have used in this study. It was completely the social psychological study, so the primary data were used to fulfill the requirement of the study. The primary data were related with the exploration of organizational learning environment because it was completely the perception of the employee in the organization. The perceptions were collected through the distribution of the questionnaires to the respondents related with the three major factors identified by Teare (1997). The components of learning environment were: organizational vision, leadership and motivation and organizational change and performance. Similarly, the commitment variables were used in this study was tested by Allen and Meyer (1990). All the information regarding this study was collected through the primary data in the Nepalese Banking sectors located in the Kathmandu valley.

The primary data were collected in different stages. In first stage 75 questionnaires were distributed to the Nepal Bank limited, Agricultural Development Bank, Standard Chartered Bank, Everest Bank and Prime Chartered Bank. In second stage the questionnaires were distributed to Nepal Bangladesh Bank, Nepal Rastra Bank, Siddarth Bank. Total questionnaires distributed were 125 and out of 125 total 100 responses were received.

Fully structured questionnaires were developed based on the work of Richard Teare, (1997) and modified to make the questionnaires understandable related with the learning environment. The study has contained three aspects to represent the learning environment that are organizational vision, leadership and motivation and change and performance. All these three components of the organization indicate whether there was learning environment in the organization or not. The objective was to study whether there was learning environment in the Nepalese financial institutions specially in banking sectors.

The organizational vision containing 8 elements were related with the definition of organizational vision, relating future impacts to organizational competence, implementing and updating organizational vision, future plans and organizational direction, integrating complexity, information, organizational structure and learning, establishing an evolutionary organization, future scenarios for organizational development and towards flexible, intelligent relationship management strategy.

Similarly, the leadership and motivation contained the role of the company director, the attributes of organizational leadership, leadership contexts and roles for learning, the politically aware leader, executive leadership development, leadership for a cultural change process, learning from leadership and harnessing individual and team learning. All of these elements supposed to indicate the role the leader play for the employee to create the learning environment and motivate the employee in learning process.

The organizational change and performance containing 9 elements that were adapting to the needs of flexible working, information flow and organizational performance, integrating intelligence system and learning, organizational self-reflection, using decision rules to guide organizational decision making, learning partnerships and organizational performance, diversity as a means of enhancing organizational performance, career and management development using a soft system approach and performance measurement.

Simple average, Correlation Coefficient, regression coefficient were used for the analysis of information and P-value, Alpha test have also been used to test the information.

Presentation of Data

Individual learning (IL) is an important component of overall learning environment in an organization. Individual learning is the base for organizational learning. When an individual in the organization learns then only the organization learns and utilizes the knowledge in favor of the organization.

Early research demonstrates a strong emphasis on the role of individual learning in an organizational learning. At the extreme end, the organizational learning system is viewed as one depending wholly on individual learning as against practice of knowledge sharing for all the organizational members (Shrivastava, 1983). The main stream within this focus of organizational learning considers individuals as 'agents' for organizations to learn (Argyris and Schon, 1978).

A learning organization evolves as a result of the learning and behavior of its people (Honey and Mumford, 1992; Burgoyne and Pedler, 1994; Senge, 1990; Marquardt and Reynolds, 1994). The ability of workforce in an organization to learn faster than those in other organizations constitutes the only sustainable competitive advantages at the disposal of learning organization (De Geus, 1998). Organizational learning should be where the individual

consciously interact with others through the process of education and as a result of experience (Kolb, 1984; Honey and Mumford, 1992).

Therefore, a learning organization should primarily focus on valuing, managing and enhancing the individual development of its employees (Scarbrough et. al., 1998). Under this viewpoint, organizational learning is in a sense the collectivity of individual learning within the organization. Collective occurs in addition to the learning process at the individual level, and may even occur independently of each individual.

Organizational Vision

Individual learning consists of different components such as skill, knowledge, training, development needs, learning opportunities, helping hand or direction, empowerment, participation, exposure, feedback, social activities etc. It has been tried to assess the status of individual learning opportunities in Nepalese Banking enterprises, both form public and private sectors. The result showed that the overall status was moderately satisfactory with majority agreeing to the existence of the learning opportunities.

The responses from the officers from the banks are relatively satisfactorily for the statement "we have future action plan in our organization", and "organization's report represents the view of the organizational leader regarding development, responsibilities, succession and social issues "with the mean values ranging from 4.07 to 4.12. Hence, it can be explained that they have future action plan and the organizational leader's report presents the view regarding the development, responsibilities, succession and social issues and implemented accordingly.

The moderate result have been observed for all the statement whose mean value were more than 3.50 but there was a statement which only 3.21 mean value and it is quite below which is due to the disagreement from the private respondents. The private respondents do not agree with the statement that the decision making process is depend upon the ecological environment. Even, the private respondent does not agree with this statement but the public respondent's mean value rating was found satisfactory.

Overall, the rating indicated relatively satisfactory situation with the mean value of 3.54 to 3.97. It clearly explains that all the stated statement included in the study were moderately positively perceived by the respondents and ranked more than 3.54.

Organizational vision representing private, public and overall enterprises in the Nepalese banking sectors

	Organizational Pattern					
	Public		Private		Total	
	Mean	Std. Deviation	Mean	Std. Deviation	Mean	Std. Deviation
We have future action plan in our organization	3.94	.843	4.22	1.042	4.07	.948
Visioning action plan representing all organizational stakeholders are presented in my organization	3.70	1.015	3.91	1.145	3.80	1.078
Throughout the visioning process we follow the participative approach	3.44	.993	3.64	1.026	3.54	1.009
It is our thinking that organizational members should agree with the vision and put into daily practice	3.84	.817	3.96	.952	3.89	.881
we consider the implications for developing required strategic competencies in organization by assessing the number of related trends occurring in business environment	3.62	1.028	4.02	.892	3.81	.982

organization's report represents the view of the organizational leader regarding development, responsibilities, succession and social issues	3.72	.948	4.56	6.118	4.12	4.262
We analyze the current strategic planning and re-engineering thinking that they are not enough to address the future problems while planning ahead	3.58	.883	3.53	.968	3.56	.919
The stakeholders knowledge and resources are utilizes by promoting and including the appropriate approach	3.64	1.005	3.96	.796	3.79	.921
We regularly try to evaluate the position of the business in complex situation	3.74	1.046	4.13	.991	3.93	1.034
The thinking of managers is considered as most critical factor while dealing with change	3.92	.966	3.80	1.079	3.86	1.017
There is promotion of active learning culture in our organization while dealing with change	3.36	.964	3.91	1.203	3.62	1.113
We predict the future considering the different opinion and the pace of change	3.70	.763	3.91	1.019	3.80	.894
Ecological factors are considered while making decisions	3.60	1.125	3.76	.802	3.67	.983
The decision making process is depend on the ecological environment	3.60	1.178	2.78	1.146	3.21	1.228
the corporate commitment to stakeholders is needed to achieve the competitive advantage	3.76	1.205	4.16	1.021	3.95	1.133
We treat all stake holders equally and obtain customers loyalty through trust	3.64	.921	4.33	.977	3.97	1.005

Leadership and Motivation

Another essential factor containing in the organizational learning environment is leadership and motivation. It consists of ten items which try to explore the leadership style, leadership culture and so on. The response from the respondents is satisfactory in this regard. The mean value response from the private and public bank officers calculated ranging from the 3.25 to 4.31 which explains the situation more favorable for the learners in the organization.

There were few statements on which the respondent's rating was satisfactory. The satisfactory statements rated by the respondents were "the director should possess a strong sense of purpose and a vision for the long-term', 'we believe that leadership van develop insights in an experimental manner by listening, hearing and responding', 'An individual can learn from their experienced leaders' and 'leadership plays vital role to increase employee's performance' with the mean value response ranging from 4.14 to 4.31. Hence, it can be clearly explained that they have clear vision about the director's role in the organization and the directors play the role explained by the management.

Besides this statement, all other statements were moderately satisfactory except those which less than 3.50 mean value response. The moderately satisfactory statement are 'while directing and guiding an organization we conduct in-depth interview with business leaders focusing on the qualities and skills', ' the job of organizational leader is to implement classically administered productivity improvement and alternative approach to facilitating self-organizing learning network', 'the changes of self-enacted realities of market place are examined', and ' the role and procedure of leadership development program for the future are examined and executed' whose mean value response lies above the 3.50 and below the 4.00.

Hence, the statement whose mean value response rated below the 3.50 is also positive but it was considered as below the line of moderately satisfactory. Except those response all other

rated below the 3.50 but were more than 3.00. It was also the agreement from the respondents but they donor fully agree with this statements.

Relatively the response from the respondents shows that there were good environment for the employee to learn in the banking sectors from the part of their eldership role and the leader motivate them in the learning activities.

Leadership and motivation representing private, public and overall enterprises in the Nepalese banking sectors

	Organizational Pattern					
	Public		Private		Total	
	Mean	Std. Deviation	Mean	Std. Deviation	Mean	Std. Deviation
The company director plays the role for short-term cost reduction and rationalization	3.52	.814	3.29	.869	3.41	.844
The director should posses a strong sense of purpose and a vision for the long-term	4.08	.829	4.49	.895	4.27	.881
While directing and guiding an organization we conduct in-depth interview with business leaders focusing on the qualities and skills.	3.62	.805	4.00	.798	3.80	.820
The job of learning organization leader is to implement classically administered productivity improvement and an alternative approach to facilitating self-organizing learning network	3.68	.768	3.80	.726	3.74	.747
The changes of self-enacted realities of the marketplace are examined	3.64	.693	3.58	.723	3.61	.704
The role and procedure of leadership development program for the future are examined and executed	3.44	.884	3.87	.991	3.64	.956
Directors in organization relate cultural change with politics	3.48	1.129	3.00	.640	3.25	.956
We believe that leadership can develop insights in an experimental manner by listening, hearing and responding	4.24	.847	4.02	1.076	4.14	.963
As individual can learn from their experienced leaders	4.00	1.088	4.40	.889	4.19	1.014
Leadership plays vital role to increase employee performance	4.20	1.212	4.42	1.138	4.31	1.177

Change and Performance

The component of the learning environment for the employee in the organization is change and performance which represents the coping with change and learning from experience. The people can learn only when they have good environment. People in the organization can learn when they cope with the change and try to adjust themselves according to the changing environment. They need the environment to experience different situation which enhance their practical knowledge to solve the problem related to their work.

The response from the respondents was found encouraging. It was very much satisfactory that they have rated all the statement more than 3.21. The mean value response ranging from the 3.21 to the 4.05 from the officers were found. It clearly shows that there is the space to cope with the change and they have an opportunity to gain the experience. Overall mean value indicate that there is good environment for the employee to learn in the organization.

Hence, the respondents rating regarding the statement 'we discuss on problems to describe a process for facilitating organizational self-reaction to increase organizational performance', 'we believe that empowerment and decentralization of power achieve the benefits from the unity in diversity' and ' the empowerment and decentralization power achieve the self- management

to integrate different views guided by organizational vision and shared set of values' with mean value response of 4.01 to 4.05. It clearly explains that there is an environment for the sharing culture in the banking sectors which strengthen the learning environment.

There was some statement where the respondents rated moderately satisfactory with the mean value rating ranging from 3.64 to 3.99. the statements rated moderately satisfactory are 'the considerations of flexible working methods have become tolerable feature of modern employment market', ' knowledge acquisition is obtained relating with knowledge, information and data', 'the tool for organizational learning presents framework for integrating intelligence system supported by information technology', 'we have certain norms which help future decision-makers to differentiate between similar and dissimilar situations', 'Research findings are used to maintain flexibility and encourage innovative response to new events', and ' partnership with external partners facilitates for creating of strengthening organizational learning using managerial approach'. Hence, the responses from the officers were found encouraging for the leaning environment in the banking sectors.

Besides this few statement are satisfactory but rated as poor satisfactory with the mean value ranging from 3.21 and 3.42 which is just below 3.50. They agree with these statements but the private officers do not agree fully with the statement 'we increase the business performance by reviewing the literatures' with the mean value response of 2.84.

Overall responses from the respondents were found relatively satisfactory and rated them with the mean value more than 3.00.

Change and performance response representing private, public and overall enterprises in the Nepalese banking sectors.

	Organizational pattern					
	public		private		Total	
	Mean	Std. Deviation	Mean	Std. Deviation	Mean	Std. Deviation
The considerations of flexible working methods have become tolerable feature of modern employment market	3.62	.725	3.73	.618	3.67	.675
Knowledge acquisition is obtained relating with knowledge, information and data	3.80	.857	4.13	.944	3.96	.910
The tool for organizational learning presents framework for integrating intelligence system supported by information technology	3.90	.763	4.09	.874	3.99	.819
We discuss on problems to describe a process for facilitating organizational self-reaction to increase organizational performance	3.86	.700	4.18	.936	4.01	.831
We have certain norms which help future decision-makers to differentiate between similar and dissimilar situations	4.14	4.257	3.73	.963	3.95	3.150
Research findings are used to maintain flexibility and encourage innovative responses to 'new' events	3.68	.844	3.60	1.053	3.64	.944
Partnership with external partners facilitates for creating of strengthening organizational learning using managerial approach	3.88	.872	3.98	.866	3.93	.866
We believe that empowerment and decentralization of power achieve the benefits from the 'unity in diversity'.	3.94	.740	4.18	.984	4.05	.867
Empowerment and decentralization of power achieve the self management to integrate different views guided by organizational vision and shared set of values	3.94	.978	4.16	.767	4.04	.886
We use the soft system to analyze career aspiration and map them against personal needs and organizational development and performance criteria for building nationwide society	3.36	.921	3.49	1.180	3.42	1.048
We increase the business performance by reviewing the literatures	3.54	.885	2.84	.706	3.21	.874

The table below clearly shows that there is positive relation between organizational vision, leadership and motivation and change and performance that are the environment variables which creates learning environment in the organization.

Correlation Matrix indicating correlation between organizational learning, vision, leadership and motivation, and change and performance

		Vision	Leadership and motivation	Change and performance	Organizational Learning
Pearson Correlation	Vision	1	.532(**)	.559(**)	.894(**)
	Leadership	.532(**)	1	.608(**)	.798(**)
	Change and performance	.559(**)	.608(**)	1	.815(**)
	Organizational learning	.894(**)	.798(**)	.815(**)	1
Sig. (2-tailed)	Vision		.000	.000	.000
	Leadership and motivation	.000		.000	.000
	Change and performance	.000	.000		.000
	Organizational Learning	.000	.000	.000	
N	Vision	95	95	95	95
	Leadership and motivation	95	95	95	95
	Change and performance	95	95	95	95
	Organizational Learning	95	95	95	95

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

The above correlation matrix clearly shows that there is positive relationship between the organizational vision and leadership and motivation. The leadership explains 53.2% of the vision and same relation have been found with the performance and with the vision with 55.9%. The leadership and performance have 60.8% explanation of the change and performance. The overall organizational learning is also positively related with organizational vision, leadership and motivation, and change and performance with the correlation of 89.4%, 79.80% and 81.50% respectively. It clearly explains that the organizational vision, leadership and motivation, and change and performance have significance relationship with organizational learning. Moreover, it indicates that theses variables create the learning environment in the organization which has been the perception of the bank officers.

All the veritable included in the study's relationship were highly significance with the calculated P-value of .000.

The significance difference was found between the organizational learning moderated by the ownership pattern. From the above calculation, it was found that there was satisfactory learning environment in the banking industry with mean value response more than 3.00. Almost all the variables have more mean value as mentioned above. There was satisfactory commitment level found in the organizations. The learning environment in the private bank was found more satisfactory than the public banks. All the learning environment components studied in this study were positively related with .01level of significance. The organizational learning environment components were also positively related with the organizational learning. There was significant difference between the learning environment in the private and public banks.

Table representing mean value response of vision, leadership and motivation and change and performance mediating ownership pattern:

	Organizational pattern					
	Public		Private		Total	
	Mean	Std. Deviation	Mean	Std. Deviation	Mean	Std. Deviation
Vision	55.2000	8.75517	59.8000	11.11633	57.3789	10.15537
Change and performance	41.6600	6.17635	42.1111	5.53182	41.8737	5.85324
Leadership and motivation	37.9000	6.19826	38.8667	5.24664	38.3579	5.75736

Discussions

The study was based on primary information collected from nine banking enterprises including private and public banks. Reliability tests shows 89.7 values of Cronbach's Alpha which is near to 1 that shows very good result. Hence, the questionnaire is considered to be highly reliable.

The study has contained organizational learning aspect based on the learning environment variables like organizational vision, leadership and motivation, and change and performance which include coping with change and learning from experience.

In the Nepalese context, learning environment containing different components such as defining vision, relating future impacts to organizational competence, implementing and updating organizational vision, future planning and organizational direction, interrelating complexity, information, organizational structure and learning, establishing and evolutionary organization, future scenarios for development, towards 'flexible, intelligent relationship management strategy' as an organizational vision. The role of the company director, the attributes of organizational leadership, leadership contexts and roles for learning, the politically aware leader, executive leadership of a cultural change process, learning from leadership, harnessing individual and team potential are studied in leadership and motivation variables. Adapting to the need of flexible working, information flow and organizational performance, integrating intelligence system and learning, organizational self-reaction, learning partnerships and organizational performance, diversity as a means of enhancing organizational performance, career and management development using a soft-systems approach, performance measurement as a change and performance.. It clearly state that there is positive relationship between the organizational vision and organizational learning as the same result have been expected by Teare (1997).

Regarding the leadership and motivation statements, the respondent's mean value rating is compared with the average of the average mean value response which was calculated as 3.836. The mean value response regarding the leadership and motivation statement, there are four statements which have more than 4.00 mean value response which are the satisfactory result of the study. The statements that have more than 4.00 mean value responses are 'the director should posses a strong sense of purpose and a vision for the long-term (4.27)', 'we believe that leadership can develop insights in an experimental manner by listening, hearing and responding (4.14)', an individual can learn from their experienced leaders (4.19)', and 'leadership plays vital role to increase the employee performance (4.31)'. Some of the statement that have poor response rating were '(3.25) directors in organization relate cultural change with politics' and '(3.41) the company director plays the role for short-term cost reduction and rationalization'. These are the poor rating but are more than 3.00 so the result was poor satisfactory. Except the above statements all the statements have moderating results.

The correlation matrix finds the correlation value of 0.798 (79.8%) which shows that there is significant positive relationship between the leadership and motivation and organizational learning.

Regarding the change and performance component of the leadership environment, the average of the average of all statement calculated was 3.80 and the mean value ratings more than 3.807 were considered as satisfactory. There were few statements whose mean value response were highly satisfactory with mean value rating more than 4.00 were, 'we discuss on problem to describe a process for facilitating organizational self-reaction to increase organizational performance (4.01)', 'empowerment and decentralization of power achieve the self management to integrate different views guided by organizational vision and shared set of values (4.04)', and we believe that empowerment and decentralization of power achieve the benefits from 'unity in diversity' (4.05)'. The poor satisfactory result were obtained for the statements, 'we increase the business performance by reviewing the literatures (3.21)', and 'we use soft system to analyze career aspiration and map them against personal needs and organizational development and performance criteria for building nationwide society (3.42)'. Except these statements all other statements have moderating results obtained from the study.

The correlation matrix of change and performance with organizational learning clearly indicate that there is positive and highly significant with 0.815 that is 81.5%.

From the study, it can be explained that there is significant relationship between the organizational learning and organizational learning environment variables in the Nepalese Banking industry. It was also explained that the ownership pattern have significant impact on the organizational learning with positive correlation.

Conclusions

The empirical study clearly says that Nepalese enterprises have satisfactory organizational learning environment. The positive correlation clearly shows that there is relationship between the organizational learning and organizational learning environment in the banking industry. The private banks have higher level of organizational learning environment than the private bank. There is significant difference between the organizational learning in the public and private bank.

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Effect of HR Strategies on Organisational Commitment and Job Embeddedness in IT firms in India

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Abstract

The growth of the IT sector in India during informational revolution was tremendous but it brought together the problem of employer retention for the firms due to the increase in the opportunity and falling attachment to the job. The study reported here was motivated by a need to better understand theoretical and pragmatic issues related to the acquisition and retention of information technology (IT) human resources. It builds on earlier work in which the researcher describe an empirically grounded theoretical concept-IT human resource (HR) strategy –that should help IT managers and researchers comprehend alternative approaches to coping with recruitment and retention challenges. This study looks into the relationship of company strategies employee attitude and behavior factors like Organisational Commitment (OC), Job Embeddedness (JE) with HR Strategies for the IT firms in four major companies in India. From the study the researcher found that Tata Consultancy Services is following Strategy A that is Long Term Investment Strategy (LTI), Infosys is following Strategy B ie., Balanced Professional Strategy (BP), US Technology is following Strategy C ie., High Performance Professional Strategy (HPP) and IBS Software Services are following Strategy D ie., Short-Term Professional Strategy (STP). This study revealed that the choice of different strategies among four IT companies have a significant impact on the Job Embeddedness and Organisational Commitment of the employees. The findings in this are based on the direct and indirect measures of the Strategies of the company and also through discriminant analysis

Keywords: HR Strategies, Organisational Commitment, Job Embeddedness, IT firms

Introduction

Measured by the age of many industries, the computer or information technology (IT) software industry in India is still in its infancy. Yet, its growth and development has caught the attention of the world market so much so that India is now being identified as the major powerhouse for incremental development of computer software. The reason for this attention is not the actual size of the industry but its rapid growth rate during the 1990s and its projected growth rate in first decade of 2000. According to the National Association of Software and Services Companies (NASSCOM), India's quasi-governmental software industry promotion organization, the software industry in India was worth Rs. 243.5 billion or US$ 5.7 billion in 1999-2000, whereas ten years back its worth was not more than Rs. 3 billion or US$ 150 million.

While still a relatively small share of export market, India's software export business is mushrooming and export revenue has been growing at an increasing rate. In terms of Indian rupees, the compound annual growth rate (CAGR) for India's software export revenues over the past five years has, according to NASSCOM's statistics, been as high as 62.3 percent, compared to 46.8 percent of CAGR for its domestic market revenue during the same period. With a modest beginning in 1984-85, software exports have moved up from Rs. 25.2 billion or US$ 734 million in 1995-96 to Rs. 171.5 billion or US$ 4 billion in 1999-2000. Furthermore, NASSCOM's survey in 2000 indicates that more than 185 of Fortune 500 companies, i.e., almost two out of every five global giants, outsourced their software requirements to India during 1999-2000.

In the midst of this information revolution and increasing dependence on IT, we are confronted with a peculiar paradox. The effective utilization of IT is critically contingent upon the availability of human resources to plan for, develop, maintain, and integrate information systems (IS) applications; however, escalating organizational demands for IT services have created a severe market imbalance where the demand for appropriately qualified IT professionals far outstrips supply. To state facts attrition is at an average of 15% to 20% and compensation has soared, job-hopping has become the norm and only eight out of 10 IT positions get filled with qualified candidates (McNee et al., 1998). These trends place both IT executives and human resources (HR) managers under intense pressure.

Job embeddedness is a construct which explains why people stick on to a particular job (Yao, Lee, Mitchell, Burton, Sablynski, 2004). It was a term used to summarise a broad constellation of factors affecting retention (Mitchell, Holtom and Lee, 2001). Mitchell et al. (2001) put across three components to this construct.1) Extent to which individuals have connections or relations with people and/or activities. 2) Extent to which they feel they are suitable for the organization. 3) Sacrifice of material and/or psychological benefits which would be lost as a result of quitting.

Organisational commitment has emerged as a key concept in the study of work attitudes and behaviour (Cohen, 2007). Meyer and Allen (1991) propose that commitment comprises three separate components, each reflecting a unique underlying psychological state. Affective commitment refers to employees' emotional attachment to the organisation such that they continue employment because they want to do so. Continuance commitment refers to an awareness of the costs associated with leaving the organisation, where employees remain because they need to do so. Finally, normative commitment is associated with feelings of obligation, where employees feel that they ought to remain with the organisation. However, as Meyer and Allen (1997) point out, 'we know even less about the mechanisms involved in the development of normative and continuance commitment than we do about those implicated in the development of affective commitment'. Most studies viewing commitment as multidimensional have reported consistent relationships between affective commitment and performance.

Theoretical Framework

As the theories cannot be generalized for all job titles, department and industries it is with some ambivalence that the researcher proposes the study of IT workers in particular. The study reported here was motivated by a need to better understand theoretical and pragmatic issues related to the acquisition and retention of information technology (IT) human resources. It builds on earlier work in which the researcher describe an empirically grounded theoretical

concept-IT human resource (HR) strategy –that should help IT managers and researchers comprehend alternative approaches to coping with recruitment and retention challenges (Agarwal & Ferratt, 2001,1999).

HR strategy is defined by an organization's coherent bundle of practices in several IT HR areas, including recruitment and selection, appraisal, reward, and development. HR practices designed to achieve productivity are essential components of any IT HR strategy (Becker and Gerhart, 1996). Some researchers adopt a more contingent approach to understanding the effects of HRM practices, arguing that the relationship between the use of specific practices and outcomes such as performance or turnover is moderated by situational and individual contingencies (Delery and Dory, 1996).

The strategic human resource management (SHRM) literature offers five rich theoretical perspectives that can enable managers to make decisions on IT HRM strategies. First theoretical perspective, the universalistic approach, argues that there is a set of HRM practices that is effective across multiple organizational contexts regardless of situational contingencies (e.g., Pfeffer, 1998). A second perspective, the contingency approach, suggests that the effects of HRM practices on outcomes are moderated by a variety of contingency variables such as firm strategy (Youndt et al., 1996). The third strategy i.e., the configurational perspective focuses attention on *patterns* of HRM practices that exhibit nonlinear, synergistic effects on outcomes (Doty and Glick, 1994). Configurational theories therefore focus on the identification of *sets* of practices, recognizing that the benefit of adopting one practice may increase with the adoption of other complementary practices (Barua et al., 1996, Milgrom and Roberts, 1990, Pil and MacDuffie, 1996).

Walton (1985) offers one of the earliest conceptualizations of human resource strategy. He distinguishes between two types of employment, namely, 1) Imposing control 2) Focused on eliciting commitment. Youndt, Snell, Dean and Lepak (1996) argue that the impact of an HR system on operational performance is moderated by the manufacturing strategy adopted by a firm. In particular they examine this prediction for two HR systems; an administrative type system and a human capital enhancing type of system.

The administrative strategy is one which mirrors the control strategy of Walton (1985). A human capital enhancing HR system represents a shift in focus from physical work to knowledge work. Delery and Doty (1996) describes two ideal types of employment systems - the market type system and the internal system. These are differentiated on the basis of seven high performance work practice categories ; internal career opportunities, training, results oriented appraisal, profit sharing, employment security, participation, and job descriptions. During recruitment of IT professionals firms seek a mix of two very different skill sets; IT skills and business skills (Lee, Trauth, Farwell, 1995).

Organizations manage human capital by instituting a variety of human resource and work practices (Huselid, 1995; Malos and Campion, 2000; Agarwal and Ferratt, 2001). Collectively this set of practices for managing workers is an organization's configuration of HRM practices. And is a proximal determinant of significant outcomes such as employee turnover, job performance, job satisfaction, and firm performance (Huselid, 1995; Delery and Doty, 1996; Lepak and Snell, 1999).

Rational HR system- Researchers suggest that because employees contribute so much to the organization HR systems or practices should be designed purposefully and according to employee behaviour.

Enacted HR system-In the enacted HR system view, a key assumption is that the HR practices experienced by individual employees might be different because they are affected by the behaviours of those responsible for HR practices thus creating gap between the intended HR system and the realized HR system. The IT HR strategy varies due to managerial choice variation in strategy implementation and is likely ot be affected by the firm's business strategy (Miles & Snow, 1978), role of IT in business strategy (Applegate, McFarlan, 1996) as well as an outcome of path dependence, i.e., the context within which the strategy evolved (Becker & Gerhart, 1996).

The Four ideal IT HR strategy types represent a range of different types distributed over the space defined by this underlying dimension.

1. **Long-Term Investment Strategy (LTI):** An organization which follows a long-term investment strategy views IT people as worth developing and retaining due to their specific knowledge and competencies relative to the organization, as well as to IT.

2. **Balanced Professional Strategy:** An organization following this strategy sees IT people as a relatively scarce resource providing valuable contributions to the organization, for a number of years. It believes that beyond professional achievement, people have a number of short and inter mediate term needs which need to be fulfilled. Compared to LTI strategy organizations follow this plan for a shorter tenure and hence more attention is paid to staff replacement (Agarwal & Ferrat, 1999).

3. **High Performance Professional Strategy:** An organization following a high performance professional strategy needs productive IT people and focuses its attention on achieving high performance. They do not consider building commitment and loyalty among IT professionals as important. IT professionals in organizations following this strategy may tend to experience greater stress and burn out (Agarwal & Ferrat, 1999).

4. **Short term producer strategy:** An organization following this strategy too faces a need for productive people. This strategy faces more emphasis on compensation and recruitment and shows less concern for the individual and the least emphasis on practices related to career development and security. This is appropriate for IT professionals having high marketable skills and a strong desire to maximize their compensation. Such organizations experience the most turnover and have the lowest intentions to stay (Agarwal & Ferrat, 1999).

Five Strategic Levers

The two factors, length of employment relationship and concern for the individual and productivity, lead to a range of IT HR strategies managers should consider.1)Recruiting posture, focusing on HR practices essential for influencing the joining behaviour of IT professionals; 2)Compensation and benefits, essential for competing in the labour market, given the relative scarcity of IT professionals; 3)Concern for productivity, arising from focus on the work of IT professionals, while maintaining their productivity, work arrangements, performance measurement, and employability training and development; 4)Concern for the individual, arising from the same strategic factor as concern for productivity and consisting of HR practices related to opportunities for advancement, recognition, quality of leadership, sense of community, and lifestyle accommodation; and 5)Career development and security, arising from length of employment and including HR practices associated with longer-term

career development, organizational stability, and employment security (*Agarwal & Ferratt, 2001).*

Definition and Dimensions of Job Embeddedness

Prior research on employee withdrawal behaviour has its focus on voluntary turnover. The traditional models of voluntary turnover state that job attitudes and ease of movement are the major predictors of voluntary turnover (Mobley, 1977; Price and Mueller, 1981; Steers and Mowday, 1981). In this line of research, turnover is said to develop as a consequence of accumulation of affective reactions over time which in turn lead to decisions of quitting.

Within the framework of organizational attachment research, two bodies of research inspired the development of the concept of Job Embeddedness. One body of research focuses on off the job factors which influence individual attitudes and behaviours. These include non work commitments and spill over models (Cohen, 1995; Marshall, Chadwick and Marshall, 1992). The other body of research looks at on the job factors such as attachment due to team membership (Cohen and Bailey, 1997). In addition, Lee and Mitchell's (1994) unfolding model of turnover indicates factors other than job dissatisfaction, such as shocks, which can trigger the decision to leave. Combining these aspects it can be said that Job Embeddedness is a construct that aims at the diverse aspects of one's life in relation to the job and subsequently predicts one's action and reaction on the job.

Job embeddedness is defined as ''the combined forces that keep a person from leaving his or her job'' (Yao, Lee, Mitchell, Burton, & Sablynski, 2004). While job embeddedness comprises two dimensions, organizational and community embeddedness (Mitchell, Holtom, Lee, Sablynski, & Erez, 2001), researchers have found that the organizational dimension better predicts employee job performance than the community dimension (Allen, 2006; Lee, Mitchell, Sablynski, Burton, & Holtom, 2004). Furthermore, when job relocation is not a factor, the organizational dimension better predicts employee retention than does the community dimension (Allen, 2006; Lee et al., 2004). Mitchell et al. (2001) conceptualized job embeddedness as including one's links to other aspects of the job (people and groups), perceptions of person-job fit, and sacrifices involved in leaving the job. The links aspect of embeddedness suggests that employees have formal and informal connections with other entities on the job and, as the number of those links increases, embeddedness is higher (Holtom, Mitchell, & Lee, 2006). Finally, sacrifice concerns the perceived costs of leaving the organization, both financial and social.

Job embeddedness captures components of one's attachment to his or her job, similar to the proposed role of engagement in attachment (Gonza´lez-Roma´, Schaufeli, Bakker, & Lloret, 2006). Both work engagement and job embeddedness have grown out of the movement toward positive psychology (Maslach, Schaufeli, & Leiter, 2001; Mitchell et al., 2001).

Job embeddedness is a multidimensional construct that describes the various attachments that an individual has with the organization and community (Mitchell & Lee, 2001). Put simply, job embeddedness attempts to capture the totality of the forces that encourage an individual to stay in a particular job (or hold back an individual from leaving his/her job). Mitchell and Lee (2001) suggest that an individual's decision to leave an organization is not made in isolation but is shaped by the environment (both work and non-work) in which the individual is 'embedded.' Thus, an individual is 'embedded' when s/he has multiple links to people in the organization and community, when the organization and the community are a good fit for the

individual, and when the individual has to sacrifice a lot to leave the organization and community. This section, first describe the dimensions of embeddedness and then describe a new addition to the job embeddedness model – family embeddedness - that expands the job embeddedness model to include a new perspective.

The job embeddedness model (JE) by Mitchell and Lee (2001) has 6 original dimensions – organization links and community links (individual connections with people in the organization and community), organization fit and community fit (individual perception of fit within an organization and community), and organization sacrifice and community sacrifice (what the individual gives up when leaving the organization or community). JE has been found to explain variance in turnover above the most significant predictors, such as job satisfaction and job alternatives in the US, but has not been explored in collectivistic cultures.

Levels of Job Embeddedness

There are three levels of Job Embeddedness namely, overall job embeddedness level, the two factor level (on and off the job), and the six factor level (i.e., fit-organization, fit-community, links-organization, links-community, sacrifice-organization, sacrifice-community).

Unified Level: The overall construct explains those factors which keep a person from leaving his job Granovetter (1985) describes embeddedness with an emphasis on the economic behavior of individuals and institutions that is constrained by social relations. Uzzi (1996, 1997) says that embeddedness is a concept that has been used to refer broadly to the contingent nature of economic action with respect to cognition, social structure, institutions, and culture. Since turnover clearly has economic implications, the idea of social relationship constraining action comes into importance.

On and off the job level: Most of the theories on turnover have multiple on and off the job factors. Off the job factors are grouped into two broad categories - "job alternatives "and "market forces" (Hom & Griffeth, 1995; Mobley, 1982; Steers and Mowday, 1981).

Sacrifice Organisation - Six factor level: The part of job embeddedness that is most like other constructs in the field is the sacrifice-organization composite. There exist four similar ideas: Side bets, Continuance commitment, Cost of quitting and Job investments.

IT HR Strategies and Job Embeddedness

In the knowledge economy where intellectual capital is the key sustainable competitive advantage, attracting and retaining talent are strategic competitive weapons. Retention strategy cannot be viewed and analyzed in isolation. No HR strategy, including retention, can succeed unless the organization has an overarching HR philosophy that assures its employees that they are working for a caring, nurturing, trust-worthy organization. Pfeffer (1998) proposes a set of universal best practices in HR, namely, employment security, selective hiring, self-managed teams and decentralization, performance pay, extensive training, reduced status differences, and sharing information.

As life-long careers disappear, people are focusing on employability. They prefer employers who give them the opportunity to work on skills that are in demand today and in the foreseeable future. Those employers who are committed to providing ongoing training and reskilling and those who practice internal job rotation and promotion are the ones who are likely to be treated as the employer of choice (Meyer & Allen, 1997).

Social networks at work also act as powerful glue to bond and retain people. Social relations with colleagues are an important consideration for people and often result in "job embeddedness" that is characterized by links (i.e., connections with other people and groups), fit (i.e., compatibility with the job, organization and community) and sacrifice (i.e., cost of what people have to give up if they leave a job) (Mitchell, Holtom &Lee, 2001). Further, in today's uncertain and competitive world, it is neither possible nor desirable to aim at retaining all employees the competitive environment calls for employees who perform beyond contractual obligations. It is these employees that organizations should identify and try to retain, while periodically weeding out chronic poor performers (Bartlet & Ghoshal, 2002).

Organisational Commitment

Mowday, Steers and Porter (1979) defined commitment as 'the relative strength of an individual's identification with, and involvement in a particular organisation'. Although many definitions of commitment have been presented since the seminal work of Mowday et al. (1979), it is the conception of Meyer and Allen (1991), which identifies three distinctive dimensions – affective, normative, and continuance – that has been the cornerstone of extant theorising in the area of commitment. The three dimensions highlight commitment from the perspectives of attachment, obligation, and necessity respectively. Research on commitment has generally focused on either the antecedents or the consequences of commitment. Early studies of commitment explored the antecedents of commitment and found four general antecedents, namely: personal characteristics, job characteristics, work experiences, and role-related characteristics (see Mathieu and Hamel 1989; Mowday, Porter and Steers, 1982).

Employees with a high level of organisational commitment tend to display higher levels of job performance (Benkhoff, 1997; Cohen, 1992; Eby et al., 1999) and productivity, and lower levels of tardiness, absenteeism and employee turnover intention (Koslowsky, 1991) than their less committed counterparts (Cohen, 1992). Thus, with its overall positive effect on organisations, it is important for managers to understand and foster organisational commitment within employees. Literature suggests that employee attitudes and behaviours are affected by managerial decisions and the resource allocation of firms (Hartline and Ferrell, 1996; Heskett et al., 1997; Lytle et al., 1998). For instance, managerial decisions regarding training, compensation and promotion can affect employee performance (MacKenzie et al., 1998). Organisational policies and managerial decisions need to be conveyed in a way that is understood by employees responsible for implementing them (Kreitner et al., 2002). In the past few decades, scholars and practitioners have shown increasing interest in workplace empowerment, a managerial strategy that endorses the sharing of power and control between managers and subordinates (Bowen and Lawler, 1992; Conger and Kanungo, 1988; Koberg et al., 1999).

IT HR strategies and Organisational Commitment

This study integrated the HR practices with the current understanding of the relationship between employee outcomes (Dyer and Reeves, 1995) i.e. organizational commitment and turnover intentions. Organizational commitment is defined either as an employee attitude or as a force that binds an employee to an organization. According to Suliman and Isles (2000), there are currently four main approaches to conceptualizing and exploring organizational commitment, attitudinal approach, the behavioral approach, the normative approach and the multidimensional approach. The most popular approach to organizational commitment is the

multidimensional model of Meyer and his colleagues. Meyer and Allen (1984), based on "Side Bets" theory (Becker, 1960), introduced the dimension of continuance commitment to the already existing dimension of affective commitment. As a result, organizational commitment was regarded as a bi-dimensional concept that included an attitudinal aspect as well as a behavioral aspect. Later, Allen and Meyer (1990) added a third component, normative commitment to their two dimensions of organizational commitment. They proposed that commitment as a psychological attachment may take the following three forms: the affective, continuance and normative forms.

Affective commitment is one of the three components of Meyer and Allen's (1991) multidimensional model of commitment. This form of commitment concerns an employee's "emotional attachment to, identification with, and involvement in, the organization". Employees with high affective commitment remain with an organization because they want to. The second component of commitment, continuance commitment, is based on the costs that employees associate with leaving the organization. Continuance commitment is rooted in "Side Bets" theory, which proposes that employees accrue certain benefits (e.g., bonuses, pensions, status) by working for an organization over a period of time. If these employees decide to leave, such "side bets" will be forfeited. Thus, employees who maintain strong continuance commitment continue to work for an organization because they feel they need to (Meyer and Allen, 1991).The last component of commitment, normative commitment, focuses on an employee's feelings of obligation to remain in an organization. Employees with high normative commitment believe that they ought to continue working for their organization because it is the "right and moral" thing to do (Meyer and Allen, 1991; Meyer and Allen, 1997; Meyer, Stanley, Herscovitch and Topolnytsky, 2002; Wiener, 1982).

Methodology

The main objective of the present study was to understand the effect of Organisational commitment and Job embeddedness with IT HR Strategies. The specific objectives are the following:-1) To find out the organizations IT HR strategy for managing people.2) To assess the level of job embeddedness and organizational commitment among the IT employee's in different IT firms.3) To ascertain the relationship between job embeddedness and IT HR strategies.4) To ascertain the relationship between organizational commitment and IT HR strategies.

The study reported here was motivated by a need to better understand theoretical and pragmatic issues related to the acquisition and retention of information technology human resources. The researcher sought to identify effective and innovative practices for recruiting and retaining IT (Information Technology) professionals.

The present study also attempted to understand the differences between the IT HR strategies with respect to Organisational Commitment (OC) and Job embeddedness (JE).

The present study was carried out in four IT companies selected on the basis of an expert's opinion survey; the companies are IBS Software Services, Tata Consultancy Services, US Technology, and Infosys. All the organizations included in the present study were identified by at least 50% of the experts interviewed as having a reputation of being innovative in their HR practices. The organizational commitment questionnaire and Job embeddedness questionnaire were personally administered to the executives and employes of these organisations.

Organisational Commitment (OC) Questionnaire

There are 10 questions included in the questionnaire to find out the Organisational Commitment of the employees in different IT firms. Out of which 5 questions were Affective Commitment and 5 questions were Continunance Commitment.A seven-point scale is used to indicate the level of job embeddedness of the employees. 7 refer to strongly-agree and 1 refers to strongly-disagree. The data collected through survey were analyzed by using percentages, Discriminant analysis. Further the analysis of perceptions of the respondent executives about IT HR strategy and its effect on Organisational Commitment in respective firms is carried out.

Job Embeddedness (JE) Questionnaire

There are 36 questions included in the questionnaire to find out the job embeddedness of the employees in different IT firms. A seven-point scale is used to indicate the level of job embeddedness of the employees. 7 refer to strongly-agree and 1 refers to strongly-disagree. The data collected through survey were analyzed by using percentages, weighted averages and Analysis of Variance. Further the analysis of perceptions of the respondent executives about IT HR strategy and its effect on Job embeddedness in respective firms is carried out.

HR Strategies Questionnaire

Raters of each firm's IT HR strategy include both the researcher and the participants. Researcher ratings are qualitative, based on discussions with participants, observations during the site visit, and subsequent reflections and discussions. Participant ratings are based on participant responses to surveys that include both direct and indirect measures of IT HR strategy. The instruments were iteratively tested and revised prior to the first site visit.

For the direct measures, descriptions of the four strategies as conceptually defined were presented to participants, who were asked to indicate which description best represented the strategy in their company. A single-item, absolute measure asked participants to check the strategy that best described their organization's dominant strategy, and a multiple-item, relative measure asked participants to rate the extent to which they believed their organization's human resource strategy followed each of the four strategies.

Slightly different instructions were used in the surveys given to higher level information systems managers. They were asked to describe "the dominant strategy you and other managers in your organization follow for managing information technology professionals" rather than "the one that you believe best describes your organization's dominant strategy for managing you.

For each case, one measure of a case's IT HR strategy is determined by the strategy category having the highest percentage of participants selecting that strategy on the single-item, absolute measure. A second measure is to classify each case's strategy based on whichever item of the four comprising the multiple-item, relative measure has the highest mean for that case's participants. As a third direct measure, the four items of the multiple-item, relative measure is used in a cluster analysis procedure to classify participants into one of the four strategy categories; the category with the highest percentage of participants is used as the organization's strategy.

For the indirect measures, participants were presented with 15 items representing various aspects of management's human resource vision or human resource practices (e.g., helping people balance personal and professional demands is critical to success). These items are consistent with or counter to one or more specific strategies as conceptually defined.

Participants were instructed to check seven items out of 15 that most strongly described management's vision or practices. Scores for each strategy are calculated based on the items checked to yield four indirect strategy scores, where each score represents one of the four ideal strategy types.

For each case, one indirect measure of strategy is to classify the case according to whichever of the four indirect strategy scores has the highest mean across that case's participants. A second indirect measure is to use a decision rule for classifying each participant's perception of strategy into one of the four categories based on the relative strength of the four indirect strategy scores; for example, if the LTI (long term investment) score is greater than all other scores for a particular participant, that participant would be classified as LTI. With the decision rule, a case's strategy is determined by the strategy category with the greatest percentage of participants. As a third indirect measure, the four indirect strategy scores are used in a cluster analysis procedure to classify participants into a strategy category; the category with the highest percentage of participants is used as the organization's strategy.

Sample

The questionnaires were administered to the executives and employees of the four IT companies that participated in the study. A total of 68 respondents

Analysis

In order to analyze the significant effect of different HR strategies on the Organisational Commitment and Job Embeddedness Discriminant Analysis were conducted and to measure and classify different strategies researcher used direct and indirect measures.

Results

The results pertaining to the Direct and indirect measure of IT HR Strategy discussed first, subsequently, the Job Embeddedness and IT HR strategies, and finally Organisational Commitment and IT HR strategies.

Demographics

Characteristics of HR respondents and their Organizations for finding IT HR strategy: There are six HR respondents from IBS Software services, four from Tata Consultancy services, five from US Technology and one from Infosys. 37.5 percent of the respondents are from IBS Sofware Services, 25 percent from Tata Consultancy Services, 31.25 percent are from US Technology and 6.25 percent from Infosys. 16 HR respondents eight were senior managers and Managers. 50 percent of the HR respondents belong to Managerial level, 43 percent of the respondents belong to HR executive level and only 6.25 percent belongs to HR Trainee. The 16 participants are well educated, with most having a bachelors, master's degree and Doctorate. 81.25 percent of the respondents are having Masters Degree, 12.5 percent are having Doctorate and 6.25 percent of the respondents are having bachelor's degree. It may be observed that nine out of 16 executives are having more than 5 years of experience. 56 percent of the executives belong to the group of more than five years of experience.

Characteristics of Participants and their Organizations for finding the effect of IT HR strategy on Job embeddedness: The sample constitutes mainly equal percentage of HR employees from IBS software Services and US Technology and followed by Tata Consultancy Services and Infosys. Out of the HR respondents more than half of the respondents are from non management category followed by first line managers, middle managers and senior level Managers respectively. About two third of the respondents have technical qualification and rest of the sample constitutes the non technical background respondents.

Results of Direct and indirect measure of IT HR strategy

TABLE 1: Direct and indirect measure of IT HR strategy

Direct and indirect measure of IT HR strategy				
		Direct Measure		Indirect Measure
Sl.No	Organization	Item 1	Item 2	
1	IBS Software Services	B	D	BP/STP
2	Tata Consultancy Services	A	A	LTI/BP
3	US Technology	C	C	BP/HPP
4	Infosys	B	B	BP

From the above table researcher found that Tata Consultancy Services is following Strategy A that is Long Term Investment Strategy (LTI), Infosys is following Strategy B ie., Balanced Professional Strategy (BP), US Technology is following Strategy C ie., High Performance Professional Strategy (HPP) and IBS Software Services are following Strategy D ie., Short-Term Professional Strategy (STP).

Discriminant Analysis Results

TABLE 2: Summary of Discriminant Analysis on Job Embeddedness and HR strategies

Wilks' Lambda				
Test of Function (s)	**Wilks' Lambda**	**Chi-square**	**df**	**Sig.**
1 through 3	0.613	30.361	18	0.034
2 through 3	0.83	11.564	10	0.315
3	0.961	2.485	4	0.647

Structure Matrix			
Job Embeddedness	Function		
	1	2	3
jelkorg	.841*	-0.343	-0.009
jescforg	.788*	0.415	-0.303
jelkcom	.352*	0.336	-0.22
jefitorg	.351*	0.014	0.122
jefitcom	0.14	0.408	.585*
jessfcom	0.212	0.108	-.325*

Job Embeddedness is divided in to two factors, these are function 1-jelkorg (Job embeddedness link organization, Jescforg (job embeddednes sacrifice organization, Jelkcom (job embeddednes link community), Jefitorg (Job embeddednes fit organization) and function 2-Jefitcom (job embeddednes fit community, Jescfcom (Job embeddedness sacrifice community). when we see the mean TCS is highly rated in Job Embeddedness on all factor (i.e., both the function). US Technology is rated low on the function 2 Jefitcom, Jessfcom and IBS was rated low on function 1.

TABLE 3: Summary of Discriminant Analysis on Organisational Commitment and HR strategies

Wilks' Lambda				
Test of Function (s)	Wilks' Lambda	Chi-square	df	Sig.
1 through 2	0.868	9.027	6	0.172
2	0.993	0.478	2	0.787

Structure Matrix		
Organisational Commitment	Function	
	1	2
avg_affective	.993*	0.117
avg_continun	0.282	.960*

But for organizational commitment there is no significant difference between no discriminant dimension when compared on basis of affective commitment and continuance commitment.

Conclusion

High costs associated with the recruitment and socialization of new employees as well as loss of firm-specific knowledge with turnover makes it desirable for managers to devise strategies that will be effective in retaining valuable workers. Of course, if a high level of turnover is desired, IT organizations can choose to implement strategies such as the STP which, as suggested by our conceptual development and empirical findings, should yield higher rate of turnover.

In conclusion, the major contribution of this work is the validation of IT HR strategies through the descriptions and measures of IT HR strategy in four organizations in India. As recruitment and retention are likely to be persistent issues for IT managers, it is imperative to shift the focus from myopic solutions, such as one time inducements and bonuses, to more holistic approaches that offer systemic solutions.

The definition of an IT HR strategy also serves another crucial purpose. To the extent that there is broad-based participation in this visioning activity, it will allow all IT managers to also be on the "same sheet of music" with regard to how IT professionals are to be managed. The study has provided insight into the concept of IT HR strategy. Researcher leave it to future research to further refine the conceptualization and operationalization of IT HR strategy and develop a more complete set of theoretical relationships.

Implications for Future Research

One contribution is the illustration of different approaches in measuring an organization's IT HR strategy. Being able to measure IT HR strategy is an essential requirement for researchers interested in empirically testing further theoretical developments as well as for managers interested in ascertaining whether IT managers and professionals share a common understanding of the desired strategy and its implementation.

The results indicate that even though the four strategy types are conceptually distinct, not all organizations fit cleanly into one of the four types. One possibility is to determine how to rate the degree of common understanding across IT managers and professionals regarding the IT HR strategy as desired and implemented. Yet another possibility is to determine how to rate the degree of success in fully implementing a strategy. Finally, it would be informative to

investigate whether organizations implement one strategy with variations in specific practices to adapt to different types of IT professionals, or whether they implement more than one strategy.

Another contribution of this study for academics is that there is so far no empirical study linking HR strategies and Job Embeddedness which is a direct measure of retention of human resources in IT companies. The study is also an eye opener for the practicing managers both HR and Project in IT companies as it clearly shows that there is a distinction in the level of retention of talent in organizations when there is change in the HR strategies.

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An Exploratory Research of Services Sector for Establishing Elements Vital to HRD Climate Survey: An Indian Perspective

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Abstract

HRD climate is widely studied concept, which helps to understand the perception of HR practices by employees and its impact on day to day activity. Several HRD climate questionnaires have been developed and tested worldwide but there is dearth of studies in the Indian service sector. Service sector in India is growing rapidly and so is the need of Human Resource Development (HRD). Having a valid questionnaire to measure HRD climate would help practitioners in many folds. The data to understand the HRD climate of service sector has been collected during the recession period to get the true picture of the HRD climate.

The current paper focuses on finding the factor structure of HRD climate questionnaire developed by Daftuar (1996). The HRD climate questionnaire has 27 items measuring 10 different parameters on five point scale. The parameters (Participation, Succession planning, Human Resource information, Organisation Development, Training, Appraisal, Counselling, Career Planning, Reward and welfare and Job Enrichment) seemed to be overlapping conceptually. A new factor structure with six factors is more comprehensive and has given emphasis on factors like reward and recognition and training.

Introduction

Economic Slowdown or should we say 'Recession', a more popular term, is the time when companies become stringent & particular about low performance or no-performance. This situation presents us with challenges not experienced before and thus many of the HR practices change during a downturn. Some of the foremost challenges are as below:

1. Rightsizing the organization
2. Stratifying the performance
3. Retraining
4. Realigning HR to current business scenario
5. Managing the social upheaval
6. Retaining talent

Nepalese Academy Of Management
CONFERENCE PROCEEDINGS
VOLUME 2, NUMBER 1, 2011
PP. 373 - 384

While India does have a large talent pool, not all are 'industry-ready' or equipped with the necessary skill sets to become useful to the companies. This means that while there is plenty of supply at the entry level, there are huge gaps in the middle management and senior management levels. Due to the high demand and supply gap and scaling attrition numbers, many companies are moving towards 'B class' cities to attract talent and set up their operations. There is also a change in employee profile, with organizations looking for older and experienced people who will bring in stability. Thus HR practices play a major role in the recession situation where organization wants stability and sustainability. The current paper focuses on identifying the important factors of human resource development climate which helps organization as well as employees to sustain and bridge the gap. The paper also intends to establish a factor structure of HRD climate questionnaire for the use of service sector organizations.

Literature Review

Krishnaveni, Ramkumar, (2006) conducted research on HRD climate and its impact on role satisfaction. The data was collected from five medium-sized organizations from different sectors. They include Textiles, Automobile ancillaries and Engineering, and Motors and Pumps. The middle level management staff including the heads and staffs of functional departments like purchase, production, marketing, finance and HR were taken for the purpose of universality of the sample. The sample size was 49. The result showed that a significant positive correlation exists between the two.

Human Resource Development (HRD) encompasses the development oriented activities of the organization. Various research studies have been taken up to determine and analyze the factors affecting the HRD climate prevailing in organizations. Jain, Singhal and Singh (1997), Rohmetra (1998), Alphonsa (2000), Kumar and Patnaik (2002), and Mishra and Bhardwaj (2002), have conducted studies on the factors to be considered for analyzing the HRD climate in various organizations. In these studies, corporate philosophy, superior-subordinate relationship, training and employee development practices, OCTAPACE culture, etc. were considered to determine the HRD climate in various organizations like public and private sector organizations, banks, educational institution.

The literature on HRD climate provides a clear picture on the nature of the work undertaken in this field. Most of the researchers have followed the typology, 'HRD climate questionnaire' as developed by Rao and Abraham (1986). It had 38 items grouped under three categories: General climate, OCTAPAC culture and HRD mechanisms to assess the level of HRD climate. 'General climate' provide the views on the top management support for HRD; 'OCTAPAC culture' depicts the degree of openness, confrontation, trust, autonomy, pro-activity, authenticity and collaboration that exists in the organization and 'HRD mechanisms takes' into account potential appraisal, performance appraisal, training and development, career planning and development, and related activities. In the later days, researchers have made subtle changes to the instrument to fit their study.

Later the researches shifted from not only analyzing the factors that contributed to the HRD climate in an organization, but also on the effect that the climate had on the effectiveness of the organization. The impact of HRD practices on organizational level outcomes has gained importance as a research issue. The study conducted (Jain, Singhal and Singh, 1997) had shown encouraging results, that there exists a significant and positive relationship between HRD climate, organizational effectiveness and productivity.

The researchers conducted studies to know the influence of the HRD climate on the individual's attitudes and behaviours. Eisenberger, Fasolo and Davis-LaMastro (1990) found that increased performance and positive work attitudes came from those employees who perceived that the HR department is concerned about them. From a practical point of view, this suggests that Job satisfaction can be an important barometer of HRM effectiveness. Rohmetra (1998) found out that there exists a positive relationship between developmental climate and the level of satisfaction of the employees. As per the study of Kumar and Patnaik (2002), HRD climate had a positive association with job satisfaction, attitude and role efficacy. Locke (1976) summarized a large amount of literatures on job satisfaction, which gives a view that the job satisfaction is a resultant of favourable HR practices.

Duane, Philip & Phillip (1978) examine the interdependent relationships between organizational climate and communication climate. Researchers identified three types of organizational climate- power motivated climate, affiliation oriented climate, achievement oriented climate. The power-motivated organizational climate is one wherein employees perceive that most decision-making processes are designed and enacted at the top of the hierarchy; that patterns of communication activities are clearly defined; and that a minimal quantity of discretionary action is offered to them (e.g., the military). If the organization places a greater degree of emphasis upon the development of warm working relationships instead of formal task accomplishment, it may be characterized as displaying an affiliation-oriented organizational climate. Within such a climate, it would not be uncommon for mangers to fulfil a paternalistic role of counsellor to employees (e.g., a charitable organization or a family-operated business). The achievement-oriented organizational climate is described as one where the "institutional" level of management allows other managerial levels to participate in goal-setting processes. An MBO approach, in which the entire managerial subsystem communicates expectations of high performance to all employees, might typically be adopted to facilitate accomplishment of organizational and member goals. Continual task-oriented feedback would be provided to individual workers in order that they might develop their abilities to the fullest extent.

Muchinsky, (1977) found the dependency of organizational climate on communication within the organization. Organizational climate is related to the whole of organization whereas psychological climate pertains mainly to individuals or it is an individualistic evaluation of events. The article contains exploratory study of relationship of climate with organizational communication. The questionnaire for the study involved inquiring about dimensions like trust, influence, mobility, desire for interaction, accuracy, summarization, directionality(upward, downward and lateral), modes of communication and degree of satisfaction. The dimensions of both communication and organizational climate were correlated, and this correlation suggests that the employees, who are satisfied with the flow of information within the organization, had better perception about the climate of the organization. Along with communication accuracy of information is considered as important. If directionality of information was upward or downward, it was positively correlated with the climate and if it lateral, it was negatively correlated.

Ekvall, (1996) discusses the role of organizational climate in creating climate conducive for creativity and innovation. Organizational climate is regarded as an attribute of the organization and a conglomerate of attitudes, feelings and behaviours which characterize life in the organization and exist independently of perceptions and understandings of the members of the organization. Organizational climate influences processes like decision making, problem solving, communication, coordination and psychological processes like

learning, creating, motivating, creativity and innovation. To measure the creative climate of the organization a creative climate questionnaire (CCQ) was formed which covers 10 dimensions namely freedom, idea support, trust/openness, challenges, dynamism, playfulness, debates, conflicts, risk taking ability, idea time. There are many variables that impact the organizational climate for innovation which include centralization, formalization, goal clarity and order clarity. The first two have negative correlation with the creative climate except for conflicts. Another variable that impacts the creativity of the organization is the leadership as it impacts many dimensions like risk taking, coordination, problem solving etc.

The organizational climate (Litwin and Stringer, 1968) refers to the 9 key factors of the working environment, namely, structure, responsibility, rewards, risk, warmth, support, standards, conflict and identity. Organizational climate in an organization is very important especially in times of downturn when the organization faces the biggest challenge both internally in terms of the morale of its employees and the externally whereby affecting its business. As per a research conducted organizational climate has impact of 33.3% on the success of the organization.

Clark (2002) examines the relation between organizational climate and its effect on customer retention in a major UK bank. The research revealed that there is a positive relationship between the employee perceptions of organizational climate and customer retentions. Clark (2002) defines organizational climate as a broad group of organizational and perceptual variables that reflect individual's organizational interactions and affect employee's behaviour in organizations. One key to enhancing customer satisfaction would be to have an appropriate climate where employees see the major priority as the satisfaction and retention of customers. This is very important during recession as this can have a severe impact on the customer relations a company has because the low morale of the employees during times of recession can result in loss of customers which has bring significant and irreparable loss to the company. This is because there is high probability that dissatisfied customers can bring in more loss to the company by word of mouth. Schneider and Bowen (1985) found that when employees identify themselves with the norms and values of an organization, they are less inclined to leave and this in a way will increase the customer satisfaction.

There are two kinds of climate psychological and organizational. The former is studied at the individual level and the latter at the organizational level. However both are considered to be multidimensional phenomenon that are descriptive of the nature of employees perceptions within an organization (Glick, 1985). As employee perceptions of organizational climate can have significant influence on their behavioural outcomes, a good organizational climate will help in better customer satisfaction resulting in higher customer retention which can help an organization very much in times of recession.

The research by Patterson, et.al, (2004) brings forward the association between organisation climate and productivity. It states that perception alone provides no impetus for action as it was predicated that associations between organizational climate and productivity would be mediated by average level of job satisfaction. In a study it was found that productivity was significantly correlated to 8 aspects of organizational climate. Measures of climate seek to represent employees' experiences of important organizational values and processes, and thus have often been thought of as possible predictors of organizational performance. Studies carried by Denison (1990) and Gordon and DiTomaso (1992) concluded that climate that encouraged employee involvement in company decision making was found to have better financial success. Studies by Kopelman, Brief and Guzzo (1990) presented a model that states

that Organizational climate is viewed as influencing organizational productivity through various states such as employee work motivation, their feeling of job satisfaction, job involvement and feelings of trust and commitment. Productivity will be improved through three kinds of behaviour namely attachment behaviours' (attending and staying in the organization), role-prescribed behaviours' (tasks in one's organizational role) and citizenship behaviours' (helpful contributions that are not mandatory). An exploratory analysis on the respondents revealed that participation, HR information, Training, Appraisal and Career planning has been identified as significant factors influencing employee productivity.

It is inferred from the literature discussed that, the studies linking climate and satisfaction of employees was dominant. The continuous development in the field of HRD had given importance to the concept of roles in the organization (Rao and Pareek, 1981). Therefore, the trend of measuring role satisfaction, which is a core and micro component compared to job satisfaction, has emerged. But whether all this holds good in the current global meltdown scenario is yet to be debated. Various HRD interventions are being used to institutionalize organizational change in multinational corporations (MNCs) of different countries. *Institutionalizing* organizational change has emerged as an issue among organization researchers and managers alike. Institutionalizing organizational change appears the best way to describe the relative perseverance of planned change efforts (Cummings & Worley, 1997). Perseverance means that the change effort has received sufficient acceptance by individuals and groups over a period of time to achieve the intended goals (Beer, Eisenstat, & Spector, 1990; Mirvis & Berg, 1977). This change is especially necessary when the economy has become dynamic to such an extent that it takes no more than a day to declare the fiascos like Satyam, Lehman Brothers and AIG

- Results showed that in the institutionalization process, communication and training initiatives play more significant roles over other change management strategies.
- Regarding the new concept of cascade training, a general lack of awareness has been found, although many companies are using it in various ways.
- Socio-cultural issues have also been shown to have significant influences on several aspects of the change management process.
- Effectiveness of determination of the change was significantly affected by the several types of training programs. Also training interventions have been observed to be more effective in institutionalization of organizational changes compared to non-training interventions. This signified the role of HRD in organizations from all national cultural background.
- A recommendation says organizations should review existing strategies and explore the ways to make HRD strategies more integrated with other organizational functions to ensure better success in institutionalization of change.

Metcalfe & Rees (2005), responses to the debate of HRD and globalization, as suggested, HRD can play a role in developing and shaping industrial competitiveness and overall advancement of societal well-being. The researchers have not restricted the scope of HRD. In fact, they see HRD as encompassing a diverse range of activities that affect the lives of people both in terms of their experiences as employees and, as importantly, as they affect fundamental human rights. Thus, we see a developing country's education policy, designed to improve national literacy levels (Rees, 2004), as a mainstream HRD initiative. It also supports commentators who stress the importance of the HRD profession having a social responsibility beyond tightly defined employment-related boundaries.

Objective

The objective of the study is to test factor structure of the HRD Climate Questionnaire developed by Daftuar (1996). The questionnaire has 10 factors measuring different aspects of HRD climate. The Study also highlights the climate factors which are considered important at the time of economic recession.

Research Methodology

This research was conducted at different service sectors of India (Bank, IT, Consultancy). The research was conducted during the time of recession to get the true picture of HRD climate. It is perceived that when economy is good and companies are making profit it is easy to implement and follow good HR practices and thus have good HR climate. This survey tried to capture the HRD climate perception of executives and managers during economic downturn. The questionnaire used was HRD climate questionnaire developed by Daftuar (1996). Using the data the attempt is made to study the factor structure of the questionnaire.

Sample

Simple random sampling was chosen for data collection. In all 112 managers and executives of different service sector in India were chosen as a sample. The questionnaire was distributed personally and the explanation was given on spot to avoid error and missing answers.

Questionnaire

It consists of 27 items rated on a five point scale (5- quite true to 1- quite false). These items were selected from the 40 items questionnaire based upon the responses of 150 officers and managers from private, public sector and co-operative organisations. All these 27 items had correlation of more than 0.50 with the total dimension score. This instrument measures ten dimensions of the HRD climate. Mean score on each dimension gives the relative position of the climate on each dimension. This gives the dominant HRD climate and the areas of HRD concern.

Definition of Dimensions

Participation: Participation refers to active involvement and interaction of the employees in the day-to-day functioning of the organisations.

Succession planning: Succession planning refers to evaluation and preparations before hand to fill a likely vacancy in future by someone occupying a junior position or who may fit in a given position. It helps to let employees have a prior idea of the demands and difficulties of being in the next higher positions.

Human Resource Information (HRI): Human resource information refers to making available details regarding human resource, their potentials their capabilities etc. These are undertaken through house journals, newsletters, circulars, pamphlets, etc. these details help the employees to know or have an idea of how much he can contribute from his present position and this will be of great help both for the employees and management.

Organisation development: Organisation development refers to the efforts or measures undertaken to develop the organisations. Using different types of interventions in reply to the

problem or short comings of the organisation, an attempt is made to solve those problems in way that organisation grows and achieves greater efficiency and productivity.

Training: Training refers to the coaching given to the employees to enrich their potentials and to do away with their faults and short comings. It helps the employees to know from the faculty more about their jobs and solve problems they face on their jobs.

Appraisal: Appraisal refers to evaluation of each employee with a particular objective in mind. Two main types of appraisal undertaken for evaluation of employees are performance appraisal and potential appraisal

Counselling: It refers to verbal, help or guidance given to the employee in connection with their on the job problems or personal problems which are directly or indirectly affecting their performance on their job in particular and productivity in general.

Career planning: Career planning refers to the plans set for paper career advancement to reach greater possible heights as years sail by. As a result of this, the employees are oriented towards different courses or programmes and good incentives are paid in return to excellent performance in each area of study or specialisation.

Reward and Welfare: Reward and welfare refers to different measures undertaken as an effort to let the life of the employees be safe, happy and secure. This includes insurance policies, medical facilities, sports facilities, educational facilities, transportation facilities, recreational activities, etc.

Job enrichment: it refers to addition and modifications brought about in a job to let the job be more challenging and less boring or monotonous, these efforts may have direct bearing on efficiency, and amount of job satisfaction that the employee receives as he performs the task.

Reliability

The Chronbach α reliability for the total scale was 0.73 (Daftuar, 1996). Chronbach α reliability for the present paper was also calculated and found to be 0.92. The reliability is high probably because of the sample chosen was only from service sector to have more consistency in answer where as originally the sample was from varied sector.

Results and Discussion

Factor analysis is a statistical method to identify underlying dimensions or factors of a complex phenomenon. It clusters the items that tap the phenomenon in such a way that the common theme within each of the clusters is meaningfully configured. The common themes are given names in order to identify them as variables. The items of a cluster exhibit greater homogeneity and reliability. The loading of an item on a factor reflects the extent to which the content of an item contains the common theme.The sub-programme 'factor' from the statistical package for the social science (SPSS) was used to identify the factor structure which was most representative of data from the HRD climate questionnaire. The method of factoring selected was Principal component analysis. Both orthogonal rotation (utilizing varimax method) and oblique rotation (utilizing direct oblimin method) were completed.

After careful examination of the resultant factor structures, it was determines that the factor structure which best represented the data from the questionnaire was that of the six factor orthogonal rotation which is shown in table 1 to 6.

The factor loading above 0.3 is generally considered for analysis. In the present article loadings above 0.4 is considered for analysis because of low sample size. The Eigen value criterion for factor extraction is above the value 1. The overall percentage of variance explained by six factors is 68.12.

Factor I

Nine items are showing high factor loading (loading above 0.5) on factor I. 16.9 % of variance has been explained by factor I. It can be identified as ***reward and recognition for performance***. The variables/items having high loading on factor one describes the linkage of reward with performance, it also has items like identifying capabilities and potentials, training for performance improvement, preparation management does by exposing employees to challenges required for higher positions.

Item 2 and item 26 has high loading on factor I as well as in factor IV. Both the items -Item 2 and 26 fits in this factor conceptually also as it shares perception about reward, and it has been retained in the final version of questionnaire.

TABLE 1: Factor I

Item nos	Factor I	Factor II	Factor III	Factor IV	Factor V	Factor VI	Communality
Item 2	**.584**	.108	.236	.483	-.197	.0071	.685
Item 3	**.762**	-.0030	.111	.202	.215	-.0061	.686
Item 4	**.691**	-.0012	.0035	.0065	.148	.263	.574
Item 6	**.616**	.421	.129	.0068	-.280	-.0074	.663
Item 7	**.521**	.240	.476	.235	.132	-.0061	.633
Item 14	**.593**	.126	.292	-.112	.0023	.246	.526
Item 17	**.511**	.458	.0069	.399	.0084	.0076	.648
Item 26	**.565**	.110	.312	.535	-.106	.109	.738
Item 27	**.605**	.327	.179	.231	.151	.209	.625

Eigen value for factor I- 36.39

Percentage of variance- 16.9

Cumulative percentage of variance- 16.9

Factor II

This factor has five items which explains 14.1% of variance. All these five variables have factor loading above 0.5. Factor II can be named as ***training and level of participation in the organisation***. This factor identifies the way employees perceive training programmes and how these training programmes help them in their development. Variable 15 has high loading on factor 4 also (0.424) and it shows perception of employees about management initiatives on participation of employees on day to day functioning of organisation.

TABLE 2: Factor II

Item nos	Factor I	Factor II	Factor III	Factor IV	Factor V	Factor VI	Communality
Item 15	.000074	**.601**	.349	.424	.00326	.293	.750
Item16	-.0068	**.740**	.120	.168	-.128	.372	.750
Item 18	.237	**.603**	.269	.289	.0095	-.0045	587
Item 19	.111	**.793**	-.0079	.0079	.241	.0056	.711
Item 25	.465	**.590**	-.0097	-.0097	-.0096	.272	.700

Eigen value for factor II- 9.3

Percentage of variance- 14.1

Cumulative percentage of variance- 31.0

Factor III

This factor has 3 items which explains 9.9% of variance. All the three items have factor loading above 0.5. This factor can be named as ***employee and organisational development*** as it comprise of items dealing with the efforts management is taking to develop employees for higher position and overall development of an organisation.

TABLE 3: Factor III

Item nos	Factor I	Factor II	Factor III	Factor IV	Factor V	Factor VI	Communality
Item 1	.118	0112	.751	.276	-.0056	.253	.736
Item 2	.284	.302	.563	.0024	.288	.00107	.572
Item 3	.389	.00204	.665	.128	-.0017	.181	.644

Eigen value for factor III- 8.2
Percentage of variance- 9.9
Cumulative percentage of variance- 41.0

Factor IV

This factor has two items explaining 9.8% of variance. Both the items have factor loading above 0.5. Item 2 also has high loading (0.432) on factor 6. This factor can be named as ***freedom to present ideas and opinions***. The items are dealing with statements like "Chance to present ideas" and "chance to suggest opinions".

TABLE 4: Factor IV

Item nos.	Factor I	Factor II	Factor III	Factor IV	Factor V	Factor VI	Communality
Item 10	.101	.110	.0084	**.802**	.274	-.004	.751
Item 22	.303	.136	.185	**.519**	-.00099	.432	.600

Eigen value for factor IV- 4.8
Percentage of variance- 9.8
Cumulative percentage of variance- 50.9

Factor V

This factor has three items explaining 9.7% of variance. All the three items have factor loadings above 0.5. This factor indicates the problem solving attitude of seniors. In other words if subordinates have any problem, seniors listen to the issues and counsel them. This factor can be termed as ***counselling***. Item 21 have high loading on factors II (.435) and III (.459) also. This item is a little ambiguous as it deals with training as well as problem solving aspects. This item was not considered for final questionnaire.

TABLE 5: Factor V

Item nos.	Factor I	Factor II	Factor III	Factor IV	Factor V	Factor VI	Communality
Item 5	.0023	-.150	-.164	.229	**.813**	.0066	.767
Item 20	.147	.126	.139	-.00023	**.872**	.0076	.822
Item 21	.114	.435	.459	-.128	**.594**	-.0079	.789

Eigen value for factor IV- 4.7
Percentage of variance- 9.7
Cumulative percentage of variance- 60.6

Factor VI

This factor has three items explaining 7.4 % of variance. All the three items of this factor has loading above 0.4. This factor is a general factor which indicates perception of employees about

the efforts management takes for training, information sharing and growth of employees. This factor can be termed as ***organisational efforts***.

TABLE 6: Factor VI

Item nos.	Factor I	Factor II	Factor III	Factor IV	Factor V	Factor VI	Communality
Item 11	.283	.373	.157	.363	.222	**.471**	.647
Item 12	.0079	.375	.154	-.0079	.0032	**.783**	.791
Item 13	.394	-.171	.137	.227	.453	**.535**	.746

Eigen value for factor IV- 4.4
Percentage of variance-7.4
Cumulative percentage of variance- 68.12

Conclusion and Implications

Daftuar's 1996 HRD Climate questionnaire was used in this study to assess the HRD climate of the service sector organisations in India. Reliability of the scale has been found higher in the current research than it was found by the author himself. It was found a few questions were repetitive in nature and were ambiguous, thus did not appear as a clear factor structure. The questions which were not clear were dropped from the further analysis.

The factor structure of six factors emerged (whereas the original scale was of ten factors), which covered all the relevant points of HRD climate. It also substantiated the fact that reward and recognition and training are still considered as important factors which builds healthy climate. Both together explained 47 % of variance. Counselling also emerged as clear and important factor. In summary, the factor structure derived from administering Daftuar's 1996 instrument to samples in this research appears to be a meaningful and reliable structure.

The findings of the study and the proposed organization climate dimensions have far reaching implications on HR policies, organization structure and its functioning. A better understanding of the expectations of the employee's perception enables better HRD. Climate is the all-pervading support for employees to perform at their best. Therefore a climate conducive and supportive to the employees is expected to get the best out of them.

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1st International Conference, March 10-12, 2011

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