GLOBAL JOURNAL

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The Volume 11
issue 9
version 1.0

ENG

GLOBAL JOURNAL OF MANAGEMENT AND BUSINESS RESEARCH

Global Journals Inc.

Publisher's Headquarters office

Global Journals Inc., Headquarters Corporate Office, Cambridge Office Center, II Canal Park, Floor No. 5th, **Cambridge (Massachusetts)**, Pin: MA 02141 United States
USA Toll Free: +001-888-839-7392
USA Toll Free Fax: +001-888-839-7392

Offset Typesetting

Open Association of Research Society, Marsh Road, Rainham, Essex, London RM13 8EU United Kingdom.

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Pricing (Including by Air Parcel Charges):

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　　　　22 USD (B/W) & 50 USD (Color)
Yearly Subscription (Personal & Institutional):
　　　　200 USD (B/W) & 250 USD (Color)

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Department of Accounting and
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CEIBS (China Europe International Business
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BA in Mathematics (Licenciatura)
University of Barcelona

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M.Sc. in Chemical Engineering, ETH Zurich

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Knowledge Management: A Key Strategic Element of HRD

By Dr.Syed Khalid Perwez, S.Mohamed Saleem

VIT Business School, VIT University, Vellore, Tamil Nadu, India

Abstract - The main objective of the current paper is to point to the dualistic nature of HRD practice: employee empowerment strategy juxtaposed with high levels of individualization. HRD practice contributes to a series of dualities in organizations such as flexibility vs. loyalty, commitment vs. individualization and responsibility vs. alienation. The paper will argue that current HRD strategies have an individualistic role rather than an interactive and interpersonal influence for better knowledge sharing and organizational learning. The research implies that HRD should change its interventions in terms of how the individual is conceptualized to make knowledge actionable in social contexts to create favorable conditions for knowledge sharing and organizational learning.

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GJMBR-A Classification : *JEL Code: M12, O15 FOR Code: 150305*

KNOWLEDGE MANAGEMENT A KEY STRATEGIC ELEMENT OF HRD

Strictly as per the compliance and regulations of:

Knowledge Management: A Key Strategic Element of HRD

Dr.Syed Khalid Perwez[α], S.Mohamed Saleem[Ω]

Abstract - The main objective of the current paper is to point to the dualistic nature of HRD practice: employee empowerment strategy juxtaposed with high levels of individualization. HRD practice contributes to a series of dualities in organizations such as flexibility vs. loyalty, commitment vs. individualization and responsibility vs. alienation. The paper will argue that current HRD strategies have an individualistic role rather than an interactive and interpersonal influence for better knowledge sharing and organizational learning. The research implies that HRD should change its interventions in terms of how the individual is conceptualized to make knowledge actionable in social contexts to create favorable conditions for knowledge sharing and organizational learning.

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I. INTRODUCTION

The information age caused important restructuring processes in the workplace and in occupational structures, which changed organizational behaviours. Knowledge management was recognized as an important strategic element of human resource development (HRD) strategy to provide functional organizational behavior and performance (Gibbons et al. 1994). In this respect, current debates in knowledge management literature could be placed into a wider context of the management of knowledge workers in knowledge - intensive firms (Bell 1973), institutional innovation (Castells 1996), knowledge creation (Drucker 1988), increasing flexibility of work conditions and autonomy and responsibility of the employees. The high growth rate of knowledge requires organizations to develop flexible organizational potential to match changing environments and keep up organizational competence (Laursen 2006). Increasing flexibility in the labour market and within organizations creates opportunities for employee mobility, which challenges organizations as they lose their best talents. It is a paradox that the willingness of knowledge workers to work hard and is because of shifts in traditional upward career development pathways (Carlsen, Klev, and Krogh 2004).

In increasingly flexible conditions, HRD managers try to retain workers by developing strategies that empower individual employees. The HRD department as a key strategic unit within an organization is responsible for creating favourable conditions for career development. This paper will analyse how developments in HRD empowerment practices for retaining knowledge workers paradoxically contribute to greater autonomy and independence. These practices have further implications for employee individualization and alienation from the workplace, resulting in greater mobility. Furthermore, increasing employee individualization contributes to outsourcing responsibilities and duties, which increase stress, doubt, uncertainty and ambiguity among the employees. The current paper will develop and present an analytical perspective from which to study empirical research based on secondary data from a HRD department in the Danish high-tech company Bang & Olufsen (B&O). Empirical material will be analysed and discussed to understand the need for change in current HRD practice in order to meet and accommodate the changing nature of flexible career development patterns.

II. ORGANIZATIONAL KNOWLEDGE AND THE KNOWLEDGE WORKERS

Addressing these research questions requires elaboration on the concept of knowledge necessary to view organization, organizational behavior and organizational learning as a certain analytical tool. According to Davenport (2005), organizational structures at the workplace become increasingly knowledge-intensive and involve people, processes and technologies, thus increasing the role of the knowledge workers. Furthermore, organizations become heavily dependent on this type of workers as long as most organizational work is dematerialized (Luker and Lyons 1997). However, concepts of knowledge work, knowledge worker and knowledge-intensive organization introduced by Drucker are quite ambiguous (Newell et al. 2002).

Knowledge-intensive firms are organizations where most of the work is of an intellectual nature (Alvesson 2001). Knowledge workers are defined as hard-working and committed employees with a high

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Author [α] : Assistant Professor (SG),
E-mail : khalid_mba@rediffmail.com.
Author [Ω]: P.GStudent, E-mail:saleemcse.saleem@gmail.com.[αΩ]*VIT*
Business School, VIT University, Vellore-632014, Tamil Nadu, India .

degree of expertise, education and experience. They add the most economic value to organizations, and determine growth and profitability. Knowledge work as 'thinking for living' is related to problem solving, decision making, collaboration and extensive communication. For knowledge workers, knowledge is simultaneously an input, medium and output of their work (Frenkel et al. 1995). Due to nature of their work, knowledge workers require high levels of autonomy, as they decide how to initiate, plan, organize and coordinate their own tasks (Gherardi 2006).

The discourse on knowledge management in organization studies appeared in the 1970s and embedded the concept of learning in organizational practice (Gherardi 2000).According to the early discourse, knowledge is stored in the heads of individuals; this is based on traditional cognitive theory. It rests upon high levels of individual autonomy, cognition and the banking concept of knowledge (Hooks 1994). The second discourse approaches knowledge through the knowledge management perspective as a productive strategic commodity in organizational management. There is no practical distinction between information and knowledge in this sense (Prahalad and Hammel 1990). Knowledge is embedded in organizational routines and the main objective is to provide knowledge transfer and not knowledge transformation. Arising from the first discourse is the problem of transferring individual knowledge and learning outcomes from knowledge workers to organizations (Elkjaer 2006). Hence, even a high level of individual competencies does not guarantee functionality of an organization.

In the second discourse, the limitation is that the focus is on a greater level of power of organizational management, thus ignoring the individual subjective knowledge processes. It focuses on the control of knowledge in the economic interests of organization. These individualized and static views on knowledge and knowledge work contrast with the perspective that strategically important knowledge of organization is produced in collective working practices, cooperation and day-to-day problem-solving. This paper focuses on the knowing process that is: knowledge embedded in practice (Cook and Brown1999). It will present knowledge as an active, highly situational and contextual concept where individuals give meanings to information and contribute to knowledge creation (Nonaka 1994).

The main assumption made in the paper is that knowledge in organization does not have any meaning on its own without enactment. In this respect, the organizational learning literature presents an active definition of knowledge where it represents not mere external representations but rather guides human activity (Argyris 1999; Argyris and Schon 1978; Ravn 2004). From a pragmatist's perspective, knowledge is

understood not as static and abstract phenomenon but rather as an active process of knowing that is embedded in dynamic human actions. Knowledge is not an object shared materially (Dewey 1916) but socially constructed through cooperative efforts with common objectives. It is built in the artifacts, behavioral pattern sand actions, and calls for an' epistemology of practice'. Consequently, knowledge is kept neither in the head of individuals nor is it a commodity of organization and its management (Tsoukas and Vladimirou 2004). Organizational learning in this perspective is a process that occurs as a result of the actions of organization's members being simultaneously influenced by the collectively accepted knowledge. The paper will develop a theoretical framework to address relationships between the individual, organization, knowledge and action. The paper will analyse how knowledge is connected to action and discover the prerequisites for HRD practices in order to make effective interventions, direct individual actions and knowledge-use in organizations.

III. ANALYTICAL FRAME AND CONCEPTS

The current paper will develop a theoretical framework that incorporates a theory of activity (Engestrom 1987) and a concept of learning progression (Laursen 2006). The paper will address a flexible organization structure and HRD practices with an active definition of knowledge. Namely, it will consider knowledge through 'know-how' rather than 'know-what' (Laursen 2006). The knowledge criteria are defined by knowing how they are primarily related to actions, intentions, relations and context (Polanyi 1966). Hence, this paper will be focused on knowing and how people 'do their knowing', and will present the organization as an infrastructure of knowing (Blackler, Crump, and McDonald 1999a).

The reason for choosing an active concept of knowledge is to analyse the process by which organizations create knowledge through individual actions based on autonomy, commitment and individual responsibility. Furthermore, it is necessary to consider the organizational context in which individuals undertake their actions. The concept of activity setting and theory of activity provides a significant departure point in current analysis of organizational context.

IV. ACTIVITY THEORY

An activity theory is a useful analytical tool to analyse relationships between knowledge and action, individual thoughts and collective beliefs (Blackler 1993). It bridges the literature of organizational learning between psychological and social, thought and action, theory and practice. The main concept to describe activity is the activity system presenting the context for individual actions (Engestrom 1987). The activity theoretical model of Engestrom displays the context of

actions in the activity setting through agents, their objectives, tools and language in use within the broader social and cultural setting of an activity system.

The goals and objectives of the given activity system are partly predefined for those involved through rules, culture and division of labour, and in part recreated and modified by individual actions. Tools and instruments mediate relationships between individuals and their contexts. Rules mediate relationships between individuals and community. The division of labour mediates relationships between actions and its members. The concept of mediation here refers to the fact that they transform the nature of contexts within which individuals act (Figure 1).

According to activity theory, knowledge is neither an individual nor an organizational commodity (Blackler, Crump, and McDonald 1999b). Knowing is active achievement and social construction through which individuals 'do their knowing'. Doing and knowing are achieved by culturally developed resources – character of practices, tools and technologies. In an organizational context, these resources represent a knowing infrastructure. Thus, how an organization knows depends on interactions between individual cognitive processes, community members and shared knowledge infrastructure. Rather than studying knowledge owned by individuals or organizations, activity theory studies knowing as something that they do and analyses dynamics of systems through which knowing is accomplished (Blackler 1995). An activity system represents relationships between individual knowledge and knowledge infrastructure, individual action and broader patterns of activity. Thus, activity links events to the context within which they occur. Organizations provide a context for actions while individuals interpret and negotiate context. This includes complex organizational routines (repetitive patterns of behavior) and conditions. Together these factors create knowledge infrastructure through which knowing and doing is achieved in organizations.
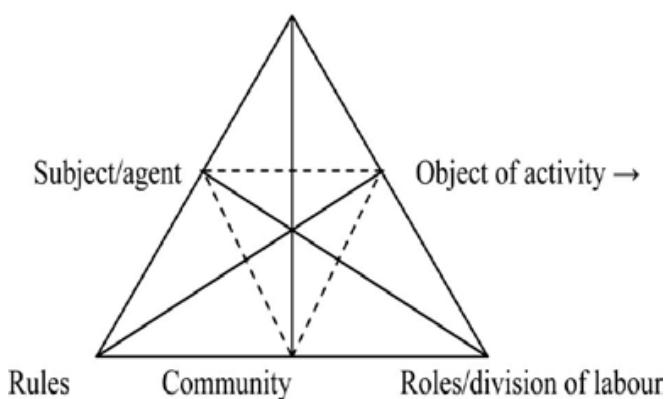
Fig.1. Engestrom's model of the structure of human activity.

V. Progression

The emphasis on knowledge in organizations raises fundamental questions of learning, namely how knowledge workers acquire relevant competencies and transform their actions (Elkjær 1995). In this respect, progression is considered as development of learning infrastructures, which lead to the development of learning opportunities (Laursen 2005). In response to individual actions, a learning organization facilitates the learning of its members and continuously transforms itself (Pedler, Burgoyne, and Boydell 1991). A learning organization develops a wide range of structured social situations – learning opportunities – described as learning infrastructure. In this learning infrastructure, the focus is on collective agency where a group constitutes a collective learning system and depends on how its structures meet the conditions of learning, i.e. Create learning opportunities (Salomon and Perkins 1998).

The social situation of learning represents the organizational capability for learning. The progression within a learning organization follows the development of social structures inside an organization and involves employees in learning. Here the flexibility of organizations is defined as a constant transformation of organizational resources that provide continuous opportunities for individual members to learn and expand their knowledge (Senge 1990). In this sense, individual employees have to decide how the job is done and what quality job performance is. However, social structures in organizational relations create a general framework and social context for individual learning in organizations (Laursen 2005). Consequently, organizational learning is not based on a banking concept of individual knowledge and competence container.

It is rather viewed as the development of social contexts and the existence of organizational infrastructure of learning and knowing through which knowledge is produced, acquired, evaluated and transformed. Integrating the analytical concepts of an activity system and learning progression makes it possible to develop a modified model of the knowing and learning inflexible organizations (Figure 2). In this model, learning and knowing are considered as situated activities – social interactions among social actors drawing on contextual resources that are knowledge and learning infrastructures (Layder 1997). The key elements linking processes of social interactions are tools, techniques, norms and social structures (Engestrom 1987). Social structures can function as constraining or facilitating elements for individual actions. Consequently, learning opportunities (progression) are social processes of interaction structured by sets of contextual resources transforming the knowledge base and producing progressive changes in individual actions.

(Activity system and learning progression)
Instruments/tools
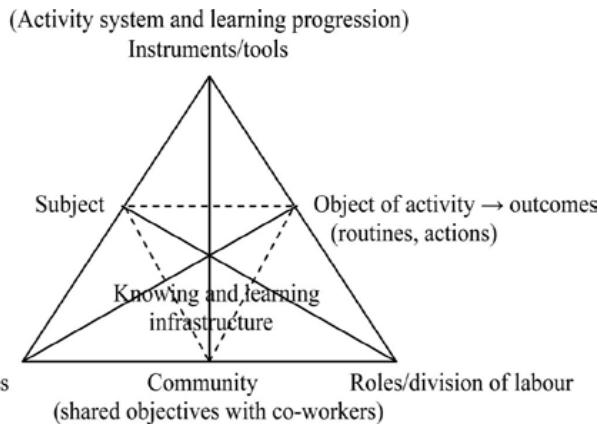
Fig.2. Model of knowing and learning in flexible organizations.

VI. BANG AND OLUFSEN: BACKGROUND FOR HRD DEPARTMENT

The qualitative analysis is based upon secondary data from the Danish high-tech company Bang and Olufsen (Krause-Jensen 2002). Analysis involves the study of data derived from documents, field notes, transcripts of interviews and observational records. Bang & Olufsen (B&O) is a Danish high-tech company distinctive for its design. At the end of the 1990s, the company launched a project that defined and communicated company values, which lead to organizational mobilization and cohesion.

HRD became a strategic element in transforming B&O from a product-focused to value-driven company. A human resources department was formed as the result of a fusion of two departments: an employee centre (medarbejdecenter) with fourteen employees and a smaller HRD unit with only four employees to overcome fragmentation and dispersal at the social level. The former employee centre was a personnel department that serviced mostly non-managerial employees. The latter HRD unit was a small group that worked with senior management on strategic issues of organizational development. The integration of the two departments and the appointment of a new head of HRD emphasized that personnel issues were given strategic importance in developing comprehensive personnel policy.

With the fusion of the two departments, the company decided to mobilize and empower employees through a value-based rhetorical strategy for creating organizational flexibility and autonomous self-managing employees (selvkorende medarbejder). The point of integrating 'medarbajdcenter' and HRD was to upgrade the entire personnel area and increase a sense of belonging to the company: 'all employees should feel that they contribute to strategic development of the company' (HRD top management).

The new HRD department tried to establish a clear departmental profile and have its contribution recognized by the rest of organization through legitimization of renewed HRD activities. At the first stage, HRD was struggling to get rid of its 'welfare image' associated with previous personnel policies. The change in policy involved giving HRD a new strategic vision. It implied a shift towards soft forms of control associated with value based management and facilitated autonomous self-managing employees. At the same time, the fact that HRD was considered strategically relevant and given unprecedented visibility within organization meant that it had to legitimize its activities in new ways, vis-à-vis hard business realities (competition, product development, etc.).

VII. EMPIRICAL ANALYSIS

The idea behind the fusion of the HRD department with the personnel department at B&O was to create structure with coherent, comprehensive employee policies to fit in with new values of the company. One of the most important tasks was to ease communication, help the vision of the HRD manager is based primarily on reciprocity between organizations and single individuals, and is based on contractual and exchange relationships. The reformed HRD strategy shows that employees are looked upon as a source of competitive advantage through their commitment, adaptability and high quality (Guest and Terence 1983).

In new vision, employees should be proactive rather than passive inputs into the productive processes and capable of development in exchange for increased personal autonomy and self-management. This clearly demonstrates a highly individualistic approach to empowerment and the motivation for development of employees. The centrality of the individual and the ways in which the individual is conceptualized are unchallenged: 'If I look at people's motivation for working, it is all about individuals' working to make a difference.

It is important to know where employeesfit into things, and it is vital that progress is noted and development monitored, so that people can see that their work is successful. Anything else would not be reasonable from both commercial points of view and individuals 'self- esteem' (HRD assistant).

Hence, HRD remains a management rather than a development function, and is linked to individualistic performance requirements (Taskin and Devos 2005). The vision of HRD demonstrates a clear dualistic view and thinking in terms of separation between individual and organizational thinking and knowledge. The given individualistic instrument of organization represents a tool to standardize an employee profile towards flexibility, autonomy, self-management, individual responsibility for development

and efficacy under the umbrella of 'individual self-esteem'.

By doing so, HRD acts as a political tool of regulation constituting individualized HRD practices. The vision of a 'new HRD' jeopardized the success of the HRD strategy from the very beginning by creating a gap between organization and individual, constituting the self-managing employee and contributing to the visions of a fragmented society in a position where managers needed to accommodate individual aspirations and interests within the strategic interests of the organization. It had to negotiate relationships between individuals and organizations in a particular way, so that HRD employees simultaneously represented producers, gatekeepers, communicators and consumers of the corporate messages bringing individual and organizational growth into alignment (Krause-Jensen 2002). SELF-MANAGING EMPLOYEE (SEVKORENDE MEDARBEJDER)

VIII. Self-Managing Employee (Sevkorende Medarbejder)

Aspiration depends on the negotiation process based on tact and diplomacy: 'People's attitudes towards me can be described in two ways: 1. I am the tool of the management to manipulate the staff, and 2. I am here to protect the staff from duality. Namely, HRD ended up According to the HRD manager of new integrated department, coherence between organizational and individual the company. They are both wrong. I am on the side of the work. Both the staff and the company share the interest in ensuring that the staff gets most out of their work and the company gets most out of their staff' (HRD manager).

However, the transformed HRD department faced the dilemma of individual aspiration vis-à-vis the organization's vision. The major challenge for the HRD department was to overcome individual organization However, it is questionable whether the mediatory role of HRD in B&O is able to bring the rhetoric of change and challenge has become prevalent in corporate discourse, and management stresses the ideal of developing a proactive, self-managing and 'self-starting' change agent: 'Only an HRD department with a clear and common understanding of its own ambitions vis-à-vis the business plan can accomplish its tasks. Growth is conceptualized as moving from a state of dependency and embeddedness with others to a relative state of independence and autonomy where individuals acquire tools 'to develop and find themselves'. B&O management stresses the importance of the ideal member of organization – the self-managing employee (sevkorende medarbejder), a presupposing motivated and entrepreneurial worker offering workplace knowledge and experience. In this sense, employees have to be directed through the inculcation of certain

attitudes, behaviours and views of themselves vis-à-vis the organization.

The strategy of the company is to create a situation where employees manage themselves and are guided by implicit motivations. According to Keat (1991), the ideal self-managing enterprising individual is one that is keen on responsibility; goal-oriented; concerned to monitor their own progress towards goal achievement; motivated to acquire skills and competencies; and has the resources necessary to pursue these goals effectively.

The meaning of subjective involvement of liberated individuals exhibiting autonomy and responsibility is implicit in the new social contract, best characterized by the notion of 'individual responsibility' (Schots and Taskin 2005). Namely, employees are given new responsibilities; they become proactive, show initiative and commitment, and take risks. HRD practice intends to increase the self-management of workers but in response encounters a trade-off in the face of increased individualization. According to an employee from the B&O Man/Machine Interface technology and multimedia department, 'If you want to move forward in a company like B&O, you have to fight for it. You have to draw attention to yourself. If you are not in demand and you can't deliver your goods, then you are out! If they cancel their appointments and your calendar gets empty, then you are in trouble. I have always been supposed to find my own assignments.'

Therefore, HRD development is leading to increasing individualization through greater in-group competition, mobility and flexibility related to the career progression of the workers as well as the transfer of risk to individual employees. Individual autonomy appears to be an ambivalent concept, as individualization of objectives and performances reinforces mental burden. The ambivalence is because the increase in autonomy and responsibilities transfers certain risks to employees: they become responsible for their own professional development and management in order to become visible in organizations: 'It is also true that when I put so many hours, they notice me, and creating a constant need to meet organizational requirements. While the HRD practice intended to constitute a social innovation –self-managing employee.
–it contributed to fragmentation of collectivity that exposed employees to high individual and social risks.

I get the benefits' (IdeaLand employee, R&D department). In reality, the risk transfer contributes to intensification of workload and may lead to increase in stress and alienation from the workplace (Taskin and Devos 2005). Consequently, while HRD practice makes people autonomous and self-managed, it constrains their actions Learning new skills and competencies. But these higher levels of participation are structured in less visible ways and employees become accountable for outcomes that were once the responsibility of

supervisors and managers (Krause-Jensen 2002). Hence, the empowerment of the employees paradoxically constrains and constricts their actions.

IX. Product Development Department-From Self-Management Towards Self-Development

The new communication strategy of the HRD department resulted in flattening and removing traditional hierarchies: 'Years back you would feel the bad breath of your subordinate over your shoulder. Now I meet my supervisor once or twice a week, and I appreciate the trust that the company puts in you, the space you are given to plan your own day and to arrange your own job, we have a lot of possibilities to develop' (Product Development Department employee).

However, in reality employees face the disappearance of aspects related to the reward system, security and career development. When hierarchies are flattened or removed, and where vertical movements previously served as external guides for sequences of work experience, employees are now forced to rely on the internal self-generated guides devolving responsibility for growth, learning and development. The product development (PD) department came to be seen by many employees as the core of company. According to the HRD recruitment officer, there was a clear migration pattern towards the product development department. Once employees were in the PD, it was difficult to convince them to move to other parts of the company.

This assumed prestige was because work in the PD was close to the product and because employees were engaged in development as opposed to other operational departments (Krause-Jensen 2002). This preference for development was reflected in the internal mobility of employees. On the product side, there was a migration pattern from operations towards product development, and from central purchasing and sales towards marketing. These movements' reflected orientations from areas concerned with operations to strategic spots closer to tasks related to strategic development. A young sales manager in the customer centre expressed a general preference for

PD: 'It is my dream job to work there (PD) where things are happening and what you do has impact. We are put into this world to be innovative, and that is the challenge, to take responsibility and break new ground all the time.' However, the employee mobility to PD implies that individual employees have a responsibility to develop their own competencies. The employee mobility trend shows employees need to 'fit in the organization', develop and offer the right competencies valued by the organization. Employees become self-

managers of their competencies and of their career paths as well as their development opportunities. However, due to nature of the job, employees carry out dematerialized knowledge work, which is not seen physically as tasks. Consequently, employees do not perceive their work to add value to their reputation and in 'becoming visible'. In their opinion, 'much of the work does not appear to the rest of organization as a genuine specialist activity involving unique knowledge and skills'. Consequently, employees intensively express a high need to 'become visible' implying the need to re-establish interaction with the organization and overcome social fragmentation. The new HRD practice in B&O demonstrates that the HRD strategy for employee empowerment – to develop self-managed, autonomous, and responsible and flexible employees – contributes to increased employee competition; creates alienation from the workplace; and produces less predetermined career path and employee mobility towards different units.

Furthermore, it had implications for increased individualization through the search for learning opportunities for personal growth and the need to fit into an organizational context rather than develop organizational commitment. All this reflects the employee's need to become 'visible' in the organization, thus constraining individual opportunities for action and increasing stress and competition. HRD practice constitutes a lack of knowledge creation and sharing, thus contributing to knowledge fragmentation and having negative consequences for organizational learning. Furthermore, HRD practice, in this perspective, acts as a tool of exclusion. It excludes the benefits of the group and teamwork, social interactions and those employees who are unable to position themselves in a favourable way according to the new vision

X. Results And Conclusions

The current paper questioned HRD practice at the workplace: a HRD strategy based on individual empowerment directed towards developing autonomous employees. The research demonstrates that individual self-management creates a high risk for employee individualization, alienation from the workplace and a lack of knowledge sharing leading to ineffective organizational learning. This individualizing HRD practice contributes at the same time to fragmentation of organization, exposes individuals to social risks and creates exclusion among the collective.
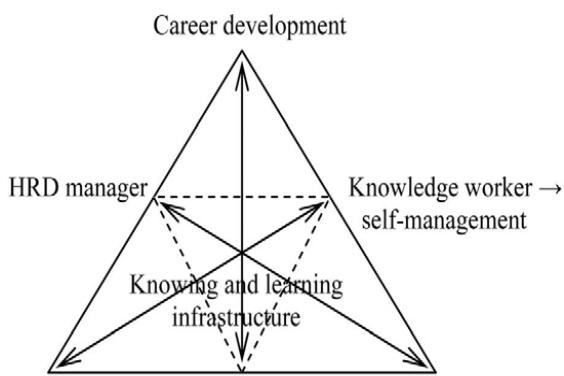
Fig.3 : Model of HRD practice in knowledge-intensive organizations.

The notion of individualization carries a dualistic character: it reflects the fact the relationships between organization and employee are based on an individualistic character such as individual motivation, talent, and performance; on the other hand, individuals become largely responsible for their career development (Taskin and Devos 2005). In this way, the relationship between individualization and HRD practice appears reflexive: individualization is a prerequisite as well as a consequence of HRD changes. Therefore, the HRD department no longer acts as an active intermediary between workers; it contributes to the paradox of employee empowerment and individualization.

In contrast, the successful managerial discourse of the company would mediate organizational paradoxes, considering dualities such as flexibility and loyalty, individual alism and commitment, responsibility and alienation. Such HRD systems could contribute to the capacity of an organization to learn by facilitating the development of organization- specific competencies in complex social relationships based on the company's history and culture, and generate organizational knowledge. Hence, the current analytical perspective gives the opportunity to view HRD practice through 'activity' and 'progression' lenses. The object of the current activity system is the knowledge worker, who represents raw material or the problem space in which activity is directed and transformed through appropriate tools into the outcome of the self-managed employee. Organizational values are the social rules presenting implicit and explicit regulations, conventions and norms constraining or facilitating the interactions with the activity system as well as the relationships between subjects and other employees (Boer, Baalen, and Kumar 2002).

The employees represent a community or group of actors sharing the same object of activity that is distinct from other groups. Finally, knowledge sharing is a process of division of labour, which refers to both a horizontal division of tasks as well as a vertical division of power and status. Hence, the model presents a multi-voiced HRD practice in a relationship between subject (HRD development) and object (knowledge worker) mediated and guided by a set of structural non-causal relationships.

The model proposes HRD practices as a system based on actions, tools, technologies, social structures, rules, and problems of particular organizational contextual conditions analytical framework is that it provides the possibility of analyzing organizational reality based on the conception of culture/competence. Furthermore, it points to the opportunities for development promised by engagement with knowledge and learning infrastructure where contexts are not seen as containers of behavior but as activity. The concepts and framework provide the possibility of overcoming dualistic thinking about the separation between individualistic and organizational thinking and knowledge. It presented a conceptually comprehensive and consistent structure in organizational learning and knowledge by presenting the organization in a wider social context.

The emphasis on individual development in the analysed case shows that HRD has an individualistic role rather than interactive and interpersonal influence for better knowledge sharing and organizational learning. The research implies that HRD should change its interventions in terms of how the individual is conceptualized to make knowledge become actionable in social contexts in order to create favorable conditions for knowledge sharing and organizational learning (Lopez2006).

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Effect of Audit on Profitability: A Study of Cement Listed Firms, Pakistan

By Muhammad Aves Arshad, Rana Amir Satar, Mudassar Hussain, Mohammad Akram Naseem

The University of Lahore

Abstract - An audit is an independent examination of financial information of an organization. Audit helps us to detect errors and frauds at early stage and gives true views about financial information. This study is based on secondary data which is collected from annual audited reports of the firms. Regression method is used for analysis; SPSS & MS Excel is tools of analysis. Conclusion of the study is, there is positive effect of an audit committee on firm's profitability ratio and on firm's performance.

EFFECT OF AUDIT ON PROFITABILITY A STUDY OF CEMENT LISTED FIRMS, PAKISTAN

Strictly as per the compliance and regulations of:

Effect of Audit on Profitability: A Study of Cement Listed Firms, Pakistan

Muhammad Aves Arshad[α], Rana Amir Satar[Ω], Mudassar Hussain[β], Mohammad Akram Naseem[ψ]

Abstract - An audit is an independent examination of financial information of an organization. Audit helps us to detect errors and frauds at early stage and gives true views about financial information. This study is based on secondary data which is collected from annual audited reports of the firms. Regression method is used for analysis; SPSS & MS Excel is tools of analysis. Conclusion of the study is, there is positive effect of an audit committee on firm's profitability ratio and on firm's performance.

I. Introduction

Late Middle English: from Latin auditus 'hearing', from audire 'hear', in Medieval Latin auditus (compoti) 'audit (of an account)', an audit originally being presented orally, is the history of audit. Oxford Dictionary defines an audit as "an official inspection of an organization's accounts, typically by an independent body." Internal and External are two types of audit. The objectives of an audit are effectiveness and efficiency of operations. Reliability and integrity of financial and operational information. Safeguarding of assets. Compliance with laws, regulations, and contracts. Auditing helps us to detect error and fraud at an early stage and also helps management to improve with better strategies to quality management system. The audit committee is a critical link between a firm's financial reporting function and its external shareholders. When this link is compromised, it can lead to even larger corporate governance failures. Proper alignment of the interests of the audit committee with the interests of the firm and its external shareholders should be a key element of corporate governance. This study focuses on the effect of audit committee on firm's profit.

II. Literature Review

Audit committee's works as a link in the communication network between internal and external Auditors and the board of directors, and their activities include analysis of nominated auditors, overall Range of the audit, results of the audit, internal financial controls and financial information for Publication (FCCG, 1999). In fact, the existence of an audit committee in a company would provide a Analytical control of the company's financial reporting and auditing processes (FCCG, 1999; Walker, 2004).

Author [α] : MBA ,E -mail :dr.love25@yahoo com
Author [Ω] : MBA,E -mail : rana.amir80@yahoo.com
Author [β] : MBA,E -mail : mudassar0044@yahoo.com
Author [ψ] : Assistant Professor . [αΩβψ] The University of Lahore

Audit committee could also increase auditor independence. Knapp (1987) discovered that an Audit committee is more likely to assist the auditor rather than management in audit disputes and the level of assistance is uniform across members of the committee, irrespective of whether the member is in a full-time or part-time position, such as corporate managers, academicians and retired partners of CPA firms.

In addition, audit committees could play a role in selecting auditors, determining their remuneration and in the dismissal/retention of auditors. Goldman and Barlev (1974) pointed out that audit committees could observe the financial reporting process and provide recommendations in the selection of auditors, negotiation of fees and termination of external auditors, which would ultimately reduce management's power over the auditor. An audit committee is expected to ensure that a business organization has adequate internal controls, proper accounting policies, and independent external auditors that will stop the incidence of fraud and promote high quality and timely financial statements.

Moreover, the existence of an audit committee was found to have an association with the trend to change from less credible to more credible auditors (Kunitake, 1983; Eicheneher and Shields, 1985). Kunitake (1981) believed that independent directors of audit committees might have 43 International Research Journal of Finance and Economics - Issue 8 (2007) exposure to larger and better-known CPA firms rather than to local or regional firms, through their involvement as officers or directors of other public corporations. In addition, Kunitake (1983) found that there was less frequent auditor switching in companies that had audit committees than companies that did not have audit committees. These results indicate that the audit committee acts as a promoter to enhance good financial reporting and support the role of auditors.

In addition, the formation of an audit committee would improve the credibility and reliability of financial statements through providing an guarantee of the objectivity of financial statements to shareholders (Auerbach, 1973; FCCG, 1999). However, in Malaysia, the Finance Committee on Corporate Governance (FCCG) (1999) is interested in the effectiveness of audit committees, and has noted, "We have very real experience in Malaysia in the form of audit committees, where Companies just abide by in form by setting up

such committees without giving attention to the spirit of the requirement by ensuring, for example, the quality of the people within the committee" (p. 64). In This respect, Mohamad et al. (2001) found that a large majority of companies listed on the BMB tend to abide by all regulations imposed on them, such as the requirement to disclose audit committee reports, without concern for the quality of these reports.

An active audit committee would improve their role to follow the terms of reference and objectives (FCCG, 1999; Treadway Commission, 1987). The frequency of audit committee meetings would indicate whether the committee was active or not. Although the presence of non-executive directors was linked with audit committee effectiveness, it is not certain.

Menon and Williams (1994) pointed out that audit committee independence did not guarantee effectiveness unless the committee was active. In addition, Kalbers and Forgarty (1993) supported this argument and indicated that audit committee effectiveness would only materialise if the members were committed to pursue their roles and duties. The BMB listing requirements (2001), BRC (1999) and the Treadway Commission (1987) suggested that audit committees should meet at least four times a year.To effectively pursue their objective, audit committees need clear, practical and flexible terms of reference, sometimes referred to as the charter (Mohamad and Sori, 2001). This charter should be considered on and accepted by the board of directors that govern the firm's operations. The charter should be re-evaluated periodically, sufficiently flexible to include a changing business environment and clearly explain the responsibilities of the audit committee.

Preferably, the charter should be disclosed in the financial statements to help shareholders assess the performance of the committee in communicating their responsibilities. Prior studies have documented the various roles of audit committees. Vanasco (1994) contended, "there seems to be a consensus among researchers in the field and the various national and international organizations that audit committees provide significant benefits to the corporation, public, investors and regulatory agencies"(p.38). He further provided the most cited functions of audit committees, as follows:"strengthening the internal and external audit functions", co-coordinating the work of the external and internal auditors", strengthening the position of non-executive directors", and assisting the board of directors to fulfill their legal responsibilities" (p. 38). Furthermore, audit committees are also expected to regularly assess a company's risk and management's responses to significant financial and non-financial risks facing the organization. Duncan (1991) argued that audit committees must take into account the following audit risk assessment: (i) the major risks facing the organization; (ii) the auditor examines the company's

efforts to control these risks through contingency plans, security measures and other means; (iii) the auditor compares the risks and company responses to determine adequacies; (iv) the auditor recommends improvements in company activities in the identification, control and financing of critical risks.

Cowan (2004) argued that risk management is crucial to corporate governance and it has became the main component of' effective modern management'. He further pointed out that the complexity of today's business environment necessitates the committee and the entire organization to understand the importance of risk management. Mohammad and Sori (2001) summarized an audit committee's responsibilities to include ensuring quality accounting policies, internal controls, and the independent and effective role of outside auditors to International Research Journal of Finance and Economics - Issue 8 (2007) 44

In a review of the literature, DeZoort et al. (2002) concluded that: (i) audit committee responsibilities are diverse and seem to be intensifying; (ii) the main areas of audit committee oversight include oversight of financial reporting, auditing and controls; (iii) audit committee authority is associated with written authority and management support. However, they pointed out several limitations of prior studies: (i) none of the prior studies focus on the ultimate source of the audit committee's authority (i.e. board of directors) or aspects linked with variations in such authority; (ii) there is a lack or absence of empirical research that addresses the relationship between audit committee effectiveness and audit committee authority.

III. Methodology

The data used for this study taken from the audited annual reports of the firms listed on the Karachi Stock Exchange (KSE). The data is Panel. There are nineteen listed cement firms on KSE and we take a sample of seventeen (89%) firms. For analysis SPSS & MS Excel 2007 is used as a tool. In this study regression method is used for analysis. Profit Margin (P.M) and Earning per Share (EPS) taken as dependent variables and Board Size (B.S), Audit Committee (A.C) taken as independent variables. In this study Eleven Years (1999 – 2009) data is taken.

Purposed Model :

$$EPS = \alpha + \beta 1\, BS + \beta 2\, AC + Ui \rightarrow 1$$
$$PM = \alpha + \beta\, AC + Ui \qquad\qquad \rightarrow 2$$
$$EPS = \alpha + \beta\, AC + Ui \qquad\qquad \rightarrow 3$$

Model 1 is considered as multiple regressions whereas model 2 & 3 are simple regression models. In all above models we assume Ui normal distribution with zero mean and constant variance.

Expected signs

For model 1 $\beta_1 < 0$ & $ss\beta_2 > 0$

For model 2: $\beta > 0$

For model 3: $\beta > 0$

Analysis

OLS regression analysis is performed on panel data by assuming all intercepts and slop coefficients are constant for individuals and for different time periods.

Estimated form of model 1

EPS = -1.82 – 1.55 BS + 3.48 AC ------------- R2 = 0.16
T-stat   -0.672   -2.962   5.849
P-value :   (0.00)   (0.00)

Estimated form of model 2

PM = -24.26 + 7.15 AC -------- R2 = 0.06
T-stat   -3.850   3.656
P- value   (0.00)

Estimated form of model 3

EPS = -8.28 + 2.56 AC ---------- R2= 0.118
T-stat   -4.957   4.491
P-value   (0.00)

IV. Conclusion

We conclude from model #1, there is negative & significant effect of BS on EPS; there is positive & significant effect of Independent Audit Committee on EPS. In model#2 there is positive & significant effect of Independent Audit Committee on PM. In model#3 there is positive and significant effect of Independent Audit Committee on EPS. Therefore conclusion of the study is, there is positive effect of an audit committee on firm's profit.

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A Study of Job Stress and Job Satisfaction among Universities Faculty in Lahore, Pakistan

By Muhammad Umair Manzoor , Muhammad Usman , Muhammad Akram Naseem, Malik Muhammad Shafiq

The University of Lahore

Abstract - Job is an essential part of life. Quality of life is affected if one is not satisfied with the job. Stress on job can actually affect the efficacy & efficiency of a person. This research paper examined the relationship between job stress and job satisfaction among the faculty members of universities in Lahore, Pakistan. Variables used to assess the level of stress and satisfaction includes management role, workload pressure, role ambiguity, and performance pressure. Questionnaire was used to extract the information. SPSS 16.0 was used to analyze the data. Results concluded that employees highly satisfied with their jobs (13.5%) or who were highly stressed on their jobs were few (2.5%); most of the employees were however averagely satisfied on each variable used in questionnaire to assess the level of job stress and job satisfaction.

A STUDY OF JOB STRESS AND JOB SATISFACTION AMONG UNIVERSITIES FACULTY IN LAHORE, PAKISTAN

Strictly as per the compliance and regulations of:

A Study of Job Stress and Job Satisfaction among Universities Faculty in Lahore, Pakistan

Muhammad Umair Manzoor[α], Muhammad Usman[Ω], Muhammad Akram Naseem[β], Malik Muhammad Shafiq[ψ]

Abstract - Job is an essential part of life. Quality of life is affected if one is not satisfied with the job. Stress on job can actually affect the efficacy & efficiency of a person. This research paper examined the relationship between job stress and job satisfaction among the faculty members of universities in Lahore, Pakistan. Variables used to assess the level of stress and satisfaction includes management role, workload pressure, role ambiguity, and performance pressure. Questionnaire was used to extract the information. SPSS 16.0 was used to analyze the data. Results concluded that employees highly satisfied with their jobs (13.5%) or who were highly stressed on their jobs were few (2.5%); most of the employees were however averagely satisfied on each variable used in questionnaire to assess the level of job stress and job satisfaction.

Keywords : Job Stress, Job Satisfaction, University faculty members.

I. Introduction

Job is an essential part of life, where different factors affect people. Job life is one of the important parts of our daily lives which cause a great deal of stress if employee is not satisfied with his/her job. Due to the competitive nature of the job most of the people in the world are doing their jobs with professional competence ignoring the stressor which influences their work and life. Usually people are more worried about outcome of their work but not consider facts that actually hinder their efficiency and affect overall quality of their life.

Job satisfaction and stress are inter-related things. If a person is stressed on his job and is not satisfied he will not be able to deliver 100% so efficiency will be affected. Good organizations try that such an environment should be provided to their employees that they remain satisfied and unstressed with aim that their organizations excel to the maximum. Those organizations that do not care their employees get ultimately vanished from this global market of competition. There are various parameters which effect the employee – organization / employer relationship. Job timings, work load, number of employees verses load, less armamentarium, employer attitude, peers attitude, pay, bonus, shares and holidays are the few of

the important factors which can lead to stressed job environment and less then 100% efficiency. This is a golden rule that until and unless input is 100% output cannot be approaching 100%. Various surveys have been conducted nationally and internationally to assess employers employee relationship, peers relationship, level of job satisfaction, with the aim to increase the satisfaction at work place and improve the efficiency of the organization which has lead to improvement in employee-employer relationship to some extent. It is also worth mentioning that sometimes stress from home complicate job but that phase is usually temporarily. Most of the stressors come form job environment which has impact on the job. Purpose of this study was to access level of job satisfaction and job stress among the faculty of the universities of Lahore, Pakistan.

II. Literature Review

Ahsan N et al found in their study that job stress, job satisfaction and overall performance in work depend upon management role, work pressure and role ambiguity (2009). Bytyqi F et el in their study examined employees' level of work stress, job satisfaction and organizational commitment and the impact these workplace dimensions have in one another and concluded high level of job satisfaction, organization commitment and work stress (2010). Khalid S and Irshad MZ examined five components of job satisfaction; work, pay, promotion, salary, and recognition besides overall job satisfaction. The results of their study revealed that employees of private banks were more satisfied with pay, recognition, and working hours as compared to public sector bank employees. Whereas, the employees of public sector were satisfied with job security as compared to private sector bank employees (2010)

Ram N defined in his study that most of the managers who were working within the different organizations were under stress. Results showed that 80% of the mangers do not fully utilize their potential because of the stress (2011). Jiunn-woei liana et el defined the information system that MIS focused on job stress and job satisfaction and found that Job stress was the source of burnout and turnover of IS employees and there existed a negative relationship between job stress and job satisfaction of IS employees (2007).Kerry F and James W in their study adopted Sparks and Cooper's job-specific model of stress and concluded

Author[α] : MBA, The University of Lahore
E-mail : mianumair20@gmail.com
Author[Ω] : MBA,The University of Lahore
E-mail : mianusman25@gmail.com
Author[β] : Assistant Professor, E-mail : iqra4ever@gmail.com
Author[ψ] : E-mail : shafiqsar@hotmail.com The University of Lahore .

that a general model of stress is unhelpful in identifying the predictors of stress and job satisfaction in specific job contexts. Instead, the authors recommended identifying salient workplace dimensions rather than a broad-brush approach when seeking workplace associations with stress (2002).Mrs. Vishal S analyzed the influence of various factors leading to job stress and job satisfaction like advancement in technology, management information system and IT. Due to these factors the performance of the employees was being affected (2011).

Villanueva et el discussed the relationship between the occupational stresses of employees in small and medium SMEs and their intention to leave the organization (2009). Nadeem, M analyzed in his study that there were different factors that causes stress among the private and public banks employees; overload, role authority, role conflict and lack of senior level support contribute more to the occupational stress. Timing was the main factor because there was unlimited off time (2001). Abdullah, Madi .Muhammad et el described the work dimension factors comprising pay, working condition, co-workers, promotion, work its self and supervision and concluded that secondary school teachers in Taiwan were generally satisfied with their job. Graduate student were more satisfied than non graduate students (2009).

III.   OBJECTIVES

- To access level of job satisfaction and job stress among the faculty members of the universities of Lahore, Pakistan.

- To identify determinates of job stress

IV.   METHODOLOGY

a) Sample

The population for this study composed of faculty in the universities. The target population of the study was universities of Lahore, Pakistan. Sample size for the study was 155. A survey instrument in the form of close ended questionnaire was developed for the purpose of collection of data for the study. A total of 155 respondents were selected as a sample of the study from universities. These respondents come from the various faculties in order to give better mixture about job stress and job satisfaction. The participants were 44% female and 56% male.

b) Instrument Development

Instrument used in this study was composed of 2 parts. The first part deals with job satisfaction and second part deals with job stress. The scale which has been used for the measurement of job satisfaction indicate 1 "strongly agree", 2 "agree" , 3 " Somewhat agree" , 4 "Somewhat Disagree" , 5 "disagree" and for the measurement of job stress 1 "No Stress", 2 "Slight Stress", 3 "Moderate Stress" 4 "High Stress",   5 "Excessive Stress"

V.   DATE ANALYSIS

The study was conducted on 155 university employees to access their level of job satisfaction. It was found that on the basis of variables assessed on the questionnaire most of the employees were satisfied with their jobs. However the employees who enjoy their jobs or who were poorly satisfied with the job environment forms statistically insignificant portion as shown in Table No. 1.

Table 1 : Job Satisfaction Questions

Questions / Satisfaction	Satisfaction with organization's Management (%)	Professionalism (%)	Satisfaction with facilities / Income (%)	Respectable Nature of Job (%)	Job Demands too Much Physically and Mentally (%)
Strongly Agree	6.5	31.0	9.0	19.4	21.9
Agree	40.0	38.1	20.6	52.3	30.3
Somewhat Agree	30.3	24.5	36.1	20.6	24.5
SomewhatDisagree	14.8	2.5	14.2	3.9	16.1
Disagree	8.4	3.9	20.0	3.9	7.1

It was found that on the basis of variables assessed on the questionnaire most of the employees were either slightly stressed or moderately stressed and thus were overall satisfied with their jobs (71%).

However the employees who enjoy their jobs (13.5%) or who were over stressed (2.5%) with the job environment forms statistically insignificant portion as shown in Table No. 2

Table 2 : Job Stress

Questions / Stress	Relationship with faculty (%)	Performance Evaluation by employer (%)	Pressure from comparison with colleagues performance (%)	Job Assignments (%)	Insufficient salary (%)	Assess Level of Stress in our job (%)
No Stress	30.3	28.4	34.8	38.1	15.5	13.5
Slight Stress	34.2	25.8	24.5	35.5	23.2	38.1
Moderate Stress	27.1	31.0	26.5	18.7	26.5	32.9
High Stress	2.6	11.6	9.0	7.7	21.9	12.3
ExcessiveStress	5.8	3.2	5.2	00.0	12.9	3.2

Reliability

The internal reliability of the item was compared by using reliability test, i.e. the data is reliable or not. The percentage reliability is .736 and this value is showing that the data is reliable.

A Theoretical Frame Work

Factors that affect the job satisfaction and job stress have been presented diagrammatically in figure 1.
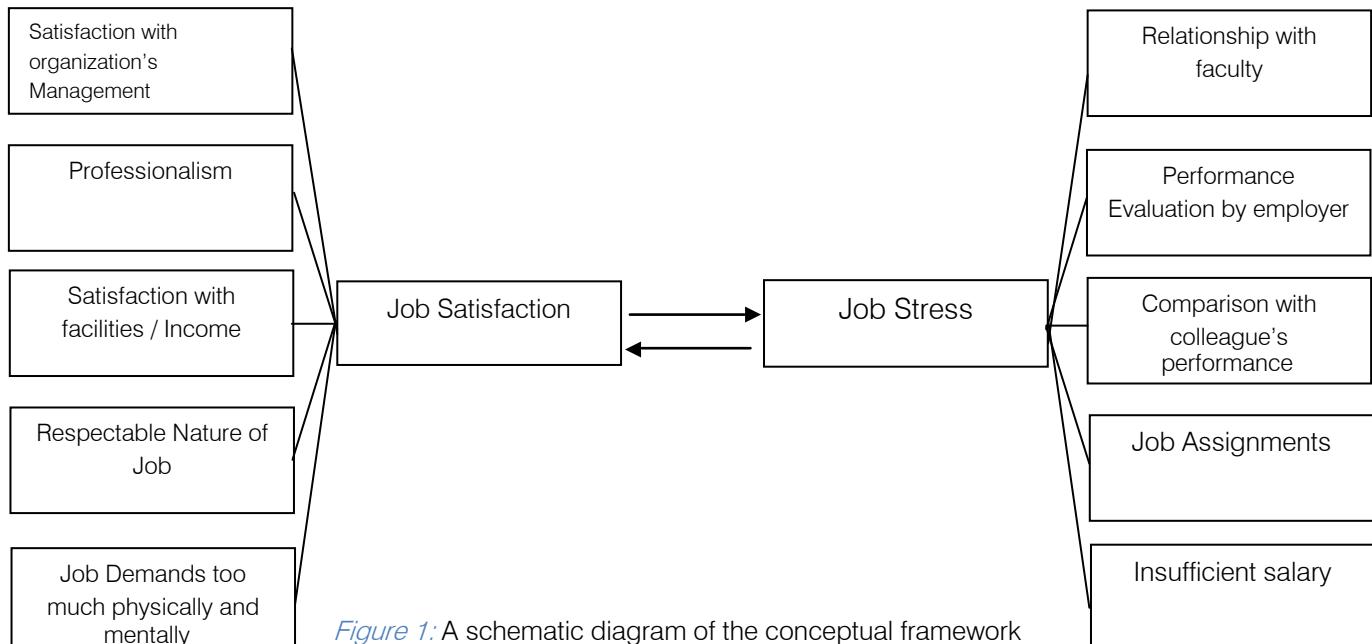
Figure 1: A schematic diagram of the conceptual framework

This study infers that mutual relationship exists between job stress and job satisfaction

Table 3 : Chi square analysis

S.No.	Variables	Chi-values	P-Values
1.	Satisfaction with organization's Management	19.343	.001*
2.	Professionalism	6.553	.162
3.	Satisfaction with facilities / Income	79.871	.000*
4.	Respectable Nature of Job	32.129	.000*
5.	Job Demands too Much Physically and Mentally	18.586	.001*
6.	Relationship with faculty	6.007	.199
7.	Performance Evaluation by employer	.566	.967
8.	Pressure from comparison with colleagues performance	7.246	.123
9.	Job Assignments	3.312	.346
10.	Insufficient salary	5.902	.207

VI. Discussion

Factors which have impact on job satisfaction and job stress in university employees were tested in 155 faculty members by a set of questionnaire shown diagrammatically in Figure 1. The P values are >0.05 are shown that there is significant relationships between job stress and job satisfaction as well as the values are <0.05 are showing that there is no significant relationship between job stress and job satisfaction in Table 3. This study revealed that most of the employees were satisfied with their jobs however they were either slightly or moderate stressed from their job environment. The scale which was used for the measurement of job satisfaction indicate 1 "strongly agree", 2 "agree", 3 "Somewhat agree", 4 "Somewhat Disagree", 5 "disagree" and for the measurement of job stress 1 "No Stress", 2 "Slight Stress", 3 "Moderate Stress" 4 "High Stress", 5 "Excessive Stress".

It was concluded that employees were mostly satisfied with their jobs and committed to their organizations. The level of satisfaction was dependent on: Satisfaction with organization's Management: The previous study revealed that most of the employees were satisfied with employer's role (p-value 0.001). This study revealed that professional approach during job by employer, peers and employee himself has statistically significant impact on level of job satisfaction Facilities / Income; This study revealed that proper facilities at job, salary, bonus, shares etc lead to a positive impact on level of job satisfaction (p-value 0.000) Respectable Nature of Job lead to satisfied faculty members as revealed by this study (p-value 0.000). Work Load; Several studies have highlighted the deleterious consequences of work overload. A study of work stress among professionals found that teachers were most likely to experience work overload and that is one of the cause of work stress. As expected, the results of this study showed that the relationship between workload pressure and job satisfaction was significant with (p-value 0.001). It was concluded that employees were mostly satisfied with their jobs and committed to their organizations but feel stressed due to the following facts: a) Performance Evaluation by employer and b) Pressure from comparison with colleagues' performance. The results in this study were is in line with the results found. Relationship with other faculty members; Results of this study showed that the association between relationship with other faculty members and job stress was not significant with (ρ=0.199). The study revealed that job assignments and work load pressures had an significant impact on job stress e) Insufficient facilities / salary (p-value 0.207); Most of the employees were satisfied with their pays and other facilities.

VII. Conclusion

It is concluded that employees highly satisfied with their jobs (13.5%) or who were highly stressed on their jobs were few (2.5%).Most of the employees were however averagely satisfied on each variable used in questionnaire to assess the level of job stress and job satisfaction.

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The Role of Strategic Vision Process in Business Development in Nigeria

By Dr. Ilesanmi O. A.

University of Ilorin ,Ilorin

Abstract - This paper examines the role of strategic vision in the present economic realities. In Nigeria. This paper proposes a managerial approach to strategic vision development for the future. The approach is developed in a way that attempts to respond to top management concerns regarding the need to manage by strategy in today's rapidly changing environment thus contributing meaningfully to business development in Nigeria.

THE ROLE OF STRATEGIC VISION PROCESS IN BUSINESS DEVELOPMENT IN NIGERIA

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Abstract - This paper examines the role of strategic vision in the present economic realities. In Nigeria. This paper proposes a managerial approach to strategic vision development for the future. The approach is developed in a way that attempts to respond to top management concerns regarding the need to manage by strategy in today's rapidly changing environment thus contributing meaningfully to business development in Nigeria.

Keywords : *Strategic vision, vision, strategy, corporate vision, strategic thinking, strategic direction, strategic intent, business development.*

I. INTRODUCTION

No business in the real world operates according to the clear-cut, on-off, black or white principle of the binary system. In recent years, it has been increasingly obvious that there is need to make a fundamental change in the way businesses are run. Low productivity, loss of customers, declining profits, recessionary pressures combined, have put a lot of strain on every business operation. Few executives would dispute that something of substance needs to be done in order to revive their declining enterprises. Today, more than ever, they are prepared to listen to new ideas. Business executives are no exception. The more severe the pressure and the more urgently a broader view is needed, the dangerously their mental vision seems to narrow down. This especially likely to be true of a business executive who is obsessed with the idea of winning and sees everything in terms of success or failure. Such an executive may be almost unable to perceive that there is any room for intelligent choice among various course of action. Yet if that executive would try changing the objective from success at all costs to avoiding the worst, he would be sure to find a great many possible choices opening up because some managers failed today as they lost sight of the range of alternatives that were still open and rushed with ever narrowing mental vision to their own destruction.

Strategic thinking in business must break out of the limited scope of vision that entraps failed organizations. It must be backed by the daily use of imagination and constant training in logical thought processes. Top management and its corporate planners cannot sensibly base their day-to-day work on blind optimism and apply strategic thinking only when confronted by unexpected obstacles.

Author : Department of Business Administration , University of Ilorin ,Ilorin.

Managers should develop the habit of thinking strategically, and they must approach it with real enthusiasm as a stimulating mental exercise. Managers who think strategically are able to envision their organizations in the context of world trends and events and to spot interdependencies, they focus on how organizations should act and react to emerging opportunities and obstacles. It may sound elementary to ask the question of why make changes to the structure of an enterprise. The answer may be that we can see the future.

The aim of this paper is to critically examine strategic process in the light of present realities with a view to improve corporate performance. The objectives of this paper are as follows:
i.To gain insights into the concept of strategic vision. ii. To ascertain the characteristics and five criteria for judging the organization's investigation of its vision. iii. To examine the reasons for developing a strategic vision for the future. iv. To describe strategic vision process and its values. To explain the approaches to communicating strategic vision and its associated factors for effective communication of strategic vision.

This paper is significant in that knowledge about vision will give organization a sense of purpose and a set of values that, together, unite workers in a common destiny. More so, managing an organization without first establishing a vision can be counterproductive. This paper about strategic vision will also provide focus and direction to the enterprise.

The following questions were raised to guide this paper: what is meant by vision, strategic vision? What are the characteristics and values of strategic vision? What are the steps in strategic vision for the future? What are the five criteria for judging the organization's investigation of its vision?

In writing this paper, descriptive method was utilized .

II. NATURE OF VISION, STRATEGY AND STRATEGIC VISION

A vision is a difficult thing to describe and no wonder most executives find it difficult to formulate a clear vision for their organizations. Many enterprises therefore, creating a mission statement which, though a step in the right direction, fails to provide a truly compelling vision (Osoka 1997). A vision is simply a shared mental framework that gives form to the future of

an organization. It must be challenging and create a sense purpose of a more tangible perception of a promise to brighter future.

Leaders are expected to create a vision for the firm. A vision is more than a goal. It's the larger explanation of why the organization exists and where it's trying to head. A vision is simply a picture of what the company would like to become. A vision is a mental picture of a now and better world that the manager wishes to create. A vision is a mental image, in that it is something that the manager carries around in the head to bring about the desired changes in the society. Vision specifies a destination and not a route.

The vision of the organization refers to the broad category of long term intentions that the organization wishes to pursue. It is broad, all inclusive, and futuristic.

Vision is a general statement of intended direction that evokes emotional feelings in venture member. Vision is clear perception especially of future developments.

According to Crupta, Crollakota and Srinivasan (2007) strategic direction involves developing a long term vision of the firm's strategic intent. The long term vision comprises of two parts- a heritage statement, and a vision statement. A heritage statement provides the ideological foundation to the firm's uniqueness, wile a vision a statement seeks to stretch this uniqueness and delight the stakeholders by committing to an entirely new value-adding scenario.

As the word 'vision' suggests, it is an image of how the organizations sees itself. It is in most cases a dream, the aspirations the organization holds for its future, a mental image of the future state. It might therefore be difficult for the organization to actually achieve its vision even in the long term, but it provides the direction for the organization to actually achieve its vision even in the long –term, but it provides the direction and energy to work towards it.

When people talk about shared vision in organizations, it is expected that members of the organization share a common mental image of the future, which integrates their efforts towards the future state. The vision statement clearly and crisply illuminates the direction in which the organization is headed. It should be highly motivating, inspiring and challenging. Good vision statement act like slogans that drive people towards a dream.

Good vision statements specify the category of intentions that are:
- Broad, all inclusive, forward looking.
- Aspirations for the future – ends rather than the means.
- Mental image of the future state.
- A dream that is hare across the entire organization.
- An ideal vision statement should be:

- Inspiring, motivating and challenging.
- A slogan – it could be encapsulated in an actionable slogan.
- Easily communicated and shared among the whole organization and its stakeholders.

Strategy can be described as an organization's sense of purpose. Ansoff and Drucker clearly refer to this aspect of strategy: mapping out the future directions that need to be against the resources possessed by the organization. Purpose alone, however, is not strategy. Plans or actions need to be developed to put the purpose into practice.

Chandler states that strategy is the determination of the basic long term goals and objectives in an enterprise and the adoption of courses of action and the allocation of resources necessary for carrying out these goals. General electric defined strategy as a statement of how resources are going to be used to take advantage of which opportunities to maximize and threats to minimize in order to produce desired result.

According to Wheelersand Hunger (2008), strategic vision is description of what the company is capable of becoming. It often communicated in the company's mission and vision statements. A mission statement describes what the organization would lie to become. People in an organization want to have a sense of mission, but only top management is in the position to specify and communicate this strategic vision to the general workforce. Successful CEOs are noted for having a clear strategic vision, a strong passion for their company and An ability to communicate with others. They are often perceived to be dynamic and charismatic leaders which is essentially important for the high firm performance and investor confidence in uncertain environment (Waldman, Ramirez, House and Puranam, 2004). They have many of the characteristics of transformational leaders, that is, leaders who provide and improvement in an organization by providing a vision for that change (Bass 1990). This transformational leaders are able to command respect and to influence strategy formation and implementation because they tend to have three key characteristics.

- The CEO articulates a strategic vision for the corporation as it envisions the company not as it is currently is but as it can become
- The CEO presents a role for others to identify with and to follow by setting an example in terms of behavior, dress and actions. The CEO's attitudes and values concerning the corporation's purpose and activities are clear cut and are constantly communicated in words and deeds.
- The CEO communicates high performance standards and also shows confidence in the followers' abilities to meet these standards. No

leader ever improve performance by setting easily attainable goals that provided no challenge. Communicating high expectation to others can often lead to high performance.

III. DEVELOPING A STRATEGIC VISION FOR THE FUTURE

When developing the strategic options of an organization, it is important to develop a vision of the future within which it will operate – that is, an awareness of why, where and how the organization and its competitors will be competing in the future. There are five reasons for this:

1. Most organizations will compete for business and resources. They will have ambitions that go well beyond the immediate future and it is important for options to reflect this vision. Even not- for – profit organizations or those in the public sector usually need to compete for charitable or government funds and often wish to increase the range of services that they offer; such organizations will also benefit from a picture of where they expect to be in the future.

2. The organization's mission and objectives may be stimulated in a positive way for the strategic options that are available from a new vision.

3. There may be major strategic opportunities from exploring new areas that go beyond the existing market boundaries and organization resources (Hamel and Prahalad 1994).

4. Simple market and resource projections for he next few years will miss the opportunities opened up by a whole new range of possibilities, such as new information technologies, biogenetics, environmental issues. New materials and lifestyle changes. Virtually every organization will feel the impact of these significant developments. Extrapolating the current picture is unlikely to be sufficient (Hamel and Prahalad 1994).

5. Vision provides challenge for both senior and junior mangers without the rigidities of an agreed mission and objectives.

Vision is therefore the backdrop for the development of the purpose and strategy of the organization. It is not the same as mission and objectives, vision is the future picture; mission and objectives describe the role and tasks that the organization chooses to adopt, based on the current situation. However, it may be that the vision will lead to the mission and objectives; for example the UBA vision led to the acquisition of Trade Bank.

However, vision will not always lead to mission, for example a small company competing against a new hypermarket sees its vision as being increased competition from a newly opened hypermarket. It might then change is mission and objectives to that of moving from that geographical area, rather than being driven out by the larger store in two years time. Hamel and Prahalad have suggested five criteria for judging the relevance and appropriateness of a vision statement. These are shown in Table 1 they are important because it would be all too easy to develop some wild and worthy that bore no relationship to the organization, its resources and the likely market and competitive developments.

Table 1 : Five criteria for judging the organization's investigation of its vision.

Criterion	Indicatives areas to be investigated
Foresight Breadth Uniqueness Consensus Actionability	What imagination and real vision is shown? Over what time frame? How broad is the vision of the changes likely to take place in the industry? And of the forces that will lead to the changes? Is there an element of uniqueness about the future? Will it cause our competitors to be surprised? Is there some consensus within the organization about the future? If not, there may be a problem if too many different visions are pursued at once. Have the implications for current activity been considered? Is basic agreement on the immediate steps required? Have the necessary core competencies and future market opportunities been identified?

Source : Hamel, A. and Prahalad, C.K. (1994) competing for the future. Harvard Business School Press, Boston, Mass p.122.

The important action parts that arise out of the vision investigation are connected with two issues:

- Core competencies: do we have the technology and skills to meet the vision?

- Market opportunities: what will this mean for market development? How can we take the opportunities as they arise?

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It is also necessary to consider how the vision of the organization is to be developed. It is likely that this will be guided by the Chief Executive Officer. To quote Bennis and Nanus (1985) in their well known text on leadership:

"To choose a direction, a leader must first have developed a mental image of a possible and desirable future state of the organization … The critical point is that a vision articulates a view of a realistic, credible, attractive future for the organization, a condition that is better in some important ways that what now exists".

IV. Strategic Vision Process

Vision does not simply descend from above. The creation of vision comes from a considerable amount of exploring; analyzing, and rooting around in the territory of the problem. First-hand data, from spending time with the people involved, is almost always needed, along with the more quantitative, impersonal data acquired by analysis.

Strategic vision process can be divided into six steps namely:
1. Identifying the opportunity; or problem formulation.
2. Creating the solution. 3. Planning the business. 4. Selecting the management team. 5. Implementation. 6. Evaluation and Monitoring.

The first three steps in the strategic vision process are largely mental, involving realization, creativity and reasoning. This is a period of intense concentration which is frustration to spouses and subordinates. The second three steps are more action-oriented; seeking partners and employees, producing, communicating, persuading and negotiating.

V. Values of Strategic Vision

A vision is beneficial to the organization in the following areas:
1. It provides a consistent and constant sense of direction to the organization by being the 'light at the end of the tunnel'.
2. It inspires the management to move towards a defined course. In doing so, it must seek to render conventional wisdom regarding possibilities and limitations. It must also cast off failures, frustrations and even cynicism that may have characterized previous managerial building efforts.
3. It helps the organization to define, set and clarify his or her goals.
4. It provides the management with a sense of warmth and encouragement when the going gets tough.
5. It gives the organization a moral content and helps define social responsibilities.
6. It guides the generation and development of strategies for the organization.
7. It plays a crucial role in supporting the Chief Executive's leadership and communication strategy in order to influence and persuade others to perform and

to elicit action on the part of the receiver of the message communicated.
8. It can be used to attract people to the venture and motivate them to support it; and
9. It can be used to communicate what the Chief Executive wishes to achieve to other people;
10. It should be a driving force to always pull management forward;
11. It should shape and change the Chief Executive's understanding of the personal motivations and motivation of others;
12. The strategic vision must create a new consensus and unite people behind common organizational aspirations or widely shared endeavours. Successful Chief Executive must rally followers or subordinates behind generally agreed ways of doing things and direction; and
13. A strategic vision should guide the voyage of a business. The strategic vision will serve as the compass to guide the Top management and the stakeholders in devising plans and strategies as well as actions required to get a desired future position.

VI. Approaches to Communicating Strategic Vision

Some important approaches to communicating vision are as follows:

a) *Chief Executive's Dream*

Here, the Chief Executive presents the vision as a coherent whole in order to create a unified picture. The Chief Executive's dream approach is an explicit explanation about their vision by describing the better world just as they see it with the notion that other people should find it attractive, shares his opinion and be drawn towards it.

b) *Relating Specific Goals*

The Chief Executive here breaks down their vision into series of specific goals by relating the economic outcomes, values to be gained, relationships to be created. Talking about the specific goals by the Chief Executive depends on his/her intention, situation, message (vision), time and the hearers' disposition.

c) *Talking strategy*

Here the Chief Executive relates about means. Strategy denotes a general program of action and development of emphasis and resources to attain comprehensive objectives. Strategy relates to the approach that the business venture will take to achieve goals and tasks that must be undertaken in order to create new world. The new world to be created by the Chief Executive will bring about the much needed and desired change in the society with a view to attract others to the journey as well as the destination.

d) *Story –telling*

In this approach Chief Executives think of their vision as a 'stage' on which the vision is on course as

the stakeholders played their parts as actors on stage. Chief Executives aim to motivate people by carrying them along to their roles in the future event within the story as he/she communicates their vision in a dynamic form of story-telling.

e) Benefits

The Chief Executive breaks down, package and communicates the vision to the target audience so as to be able to focus on the benefits that they will gain. The Chief Executive tailors the strategic vision in such a way that the commitment of his/her listeners is ensured. This approach should not be misused by the Top Management so as not to turn recipient to 'mercenary', self centered set of people purely motivated by personal gain or allowed the people to nurse the feelings that their commitment or loyalty is being bought.

f) Stating why things can be better

Here the top management state what things are done wrongly rather than what will be better in the New World. The aim is to push or arouse people curiosity in things they are dissatisfied with rather than pulling them forward by motivating or attracting them to new possibilities that will make life better. Too much emphasis on this approach will be detrimental to people as it demotivates and only encourages negative reasoning with no solution in sight. It should be noted therefore, that, the above discussed approaches are not mutually exclusive but they can be combined together to make up a meaningful overall communication strategy for the entrepreneur's vision.

g) Factors Accountable For Effective Communication of Strategic Vision

The particular strategy adopted by top management to communicate his/her vision depends on a number of factors. They are:

- The nature and detail of the vision being shared;
- The leadership style of the top management (authoritarian, democratic, participative, consultative, laissez faire (free rein) etc.
- The number and the personalities of the stakeholders.
- Desired commitment.
- The stakeholders' particular needs and motivations (economic, social, self-development).
- Type of communication (formal or informal, one to one, one to may, etc) and.
- Medium of communication transmission (face-to-face, verbal, written etc).
- The ability of the top management to build his or her leadership and power depends on articulate vision situation and effective communication to different stakeholders.

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Public Administration in "Small and Island Developing States": A Debate about Implications of Smallness

By Dr. Hemant B Chittoo

University of Ilorin ,Ilorin

Introduction- Much administrative theory is concerned with the role and function of the public service according to general principles. Thus, a small country's public service is a small version of that in a big country, especially, those of the United Kingdom or France as most small countries and islands were once colonies of these European colonial masters. But, is it realistic to assume this linearity? Or, does something change substantively once certain thresholds of size are passed? We assume, for instance, that the Maldives Islands take a place in the United Nations with the same voting rights as China or India, but is this uniform acceptance realistic when considering how the public service works, or does not work? The number of publications specifically addressing this problem, as opposed to the general problems of smallness, is remarkably limited (Dommen and Hein 1985; Hope 1983; Jones 1976; Kersell 1985, 1987; Khan 1976; Murray 1981; Richards 1982; Schahzenski 1990; United Nations 1969; Baker 1992, Commonwealth Secretariat, 1985, Collins and Warrington, 1997, UNEP 1998), and the amount of empirically based study is negligible. Thus, the main purpose of this paper is to explore the hypothesis that the nature of government changes with scale.

PUBLIC ADMINISTRATION IN SMALL AND ISLAND DEVELOPING STATES A DEBATE ABOUT IMPLICATIONS OF SMALLNESS

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I. Introduction

Much administrative theory is concerned with the role and function of the public service according to general principles. Thus, a small country's public service is a small version of that in a big country, especially, those of the United Kingdom or France as most small countries and islands were once colonies of these European colonial masters. But, is it realistic to assume this linearity? Or, does something change substantively once certain thresholds of size are passed? We assume, for instance, that the Maldives Islands take a place in the United Nations with the same voting rights as China or India, but is this uniform acceptance realistic when considering how the public service works, or does not work? The number of publications specifically addressing this problem, as opposed to the general problems of smallness, is remarkably limited (Dommen and Hein 1985; Hope 1983; Jones 1976; Kersell 1985, 1987; Khan 1976; Murray 1981; Richards 1982; Schahzenski 1990; United Nations 1969; Baker 1992, Commonwealth Secretariat, 1985, Collins and Warrington, 1997, UNEP 1998), and the amount of empirically based study is negligible. Thus, the main purpose of this paper is to explore the hypothesis that the nature of government changes with scale.

In fact, the scale (size) dimension has not featured prominently in discussions of the nature of public administration until very recently, and the number of empirical studies, as already pointed out, is extremely few. Furthermore, the issue is clouded by the fact that there is little agreement on what smallness actually means, and the fact that even when some consensus is reached, small states are also characterized by enormous diversity in terms of wealth, resource endowment, ethnic composition and diversity, isolation and other factors. Although the economies of some conspicuously rich small states are based on oil (e.g. Brunei, United Arab Emirates), gambling (e.g. Macao-China), or certain geographical peculiarities (e.g. Hawaii, Seychelles, Caribbean Islands), this paper focuses on poor countries that constitute the vast majority of small states.

Author : E -mail : schittoo@hotmail.com

In debating the contention that public administration in small and island developing states inadequately fits the traditional Weberian model, we are firstly going to argue what smallness means in the context of small and island developing states. Secondly, we are going to consider some of the specificities of such states in relation to the administrative variable. These arguments will then allow us to assess whether or not public administration in small and island developing states is just a miniature of those in large states or does something significantly change as scale is considerably reduced. If public administration in small and island developing states is problematic when considered within the Weberian tradition, there should be solutions to these human problems. These creative opportunities will also be considered before a conclusion is reached with a few generally applicable recommendations.

II. 'Smallness': Are Small Island Developing States a Distinctive Category?

Are 'small islands developing states' a distinctive category. The answer is as yet not clear and the issue is still on the agenda for debate. Considerable time could be spent in debating what does small precisely mean. Nevertheless, if we are searching for *qualitative* differences an attempt must be made to explore where the cut-off points occur. It is conceivable that they occur at different levels for different functions, and the issue clearly should be placed on the agenda for empirical and quantitative research (Baker, 1992). In this paper I will examine the conventional wisdom on the subject, most of which is purely arbitrary before pointing to recent developments. In 1969, the United Nations (UN) fixed upon the figure of one million people as defining small states (UNITAR, 1969). Population has consistently been the defining characteristic, as opposed to territorial area; had it been the case, Rwanda with its population of nearly ten million would have been considered as small on account of its territorial area, and Botswana, for instance, with its population of less than one million but a large territoria area would be considered as big. In terms of governance, a definition of *small* based on the number of people makes more sense than one based on

geographic area. For example, millions of people crushed into a geographically constricted area such as Hong Kong or Singapore still allow for many administrative differentiations, an adequate revenue base, and the possibility of a broad range of administrative skills. Still critiques may argue that Hong Kong and Singapore have developed a wide variety of administrative skills, and, in spite of limited or no natural resources have experienced unparalleled development because of sound government policies and not because of the mere size of their populations. Some may argue that they are small states. Also, the 1969 definition of the United Nations by taking population size of less than one million as the cut-off point to define a state as small may itself be outdated 33 years since it was prescribed. The population of the island of Mauritius that had been below one million for most of the last century cannot in 2003 just fall out of the definition because its population has slightly exceeded one million due to natural growth. The debate, although academic in this paper, should not downplay the importance of the issue especially in today's world of globalization where the mere qualification under a particular definition may qualify or disqualify a state, for example, for foreign aid, access to developed world markets, or the like, on which some small states are dependent for their survival.

More recent developments, especially when small states are joining hands to look for privileged derogation from WTO agreements or for other global issues such as the effect of global warming and the rise of sea level are bringing new members into the club. The United Nation's 'limited population' definition seems to be outdated. A recent conference on 'small and island developing states' held in Seychelles in 1997, for instance, was attended by seventy top administrators, politicians, scholars and consultants from seventeen territories. They included representatives of states having populations of 5 million persons or less. Singapore with a population of 2.9 million was also represented.

Within the general category of population size, enormous diversity exists. Some countries, such as Luxembourg and Bermuda, have high per capita incomes, and others figure very low on the table (Guinea-Bissau). Some countries are kingdoms (Tonga), and others are republics (Guyana, Mauritius); these states enjoy different constitutional status, and comprise various political systems. Some are ethnically homogeneous (Malta, Kiribati, Solomon Islands, Samoa); more are multi-racial societies, an important factor in past or present political tensions (Cyprus, Fiji, Mauritius, Singapore). While most are now multi-party democracies, several have weathered political crises including revolution (Grenada), invasion (Cyprus), military coups (Fiji, Lesotho, Seychelles), or contested electoral outcomes (Malta). Each territory has, in a nutshell, its own unique character – a compound of its history, geography, and demography. Each has a distinctive experience of transacting the business of government; a constitution that reflects local political developments and compromises; patterns of leadership, habits of thought and decision-making; well-defined administrative traditions, and accumulated experience, skill and ethos in public administration (Collins and Warrington, 1997). As Gayle (1986, 8) observes 'size is an elusive variable'.

One pertinent question which was raised at the conference in Seychelles was: "Which is more important from the point of view of governance: such shared characteristics as 'small and island states' may have, or those features that are distinctive?" Once again, no straightforward answer emerged. Though impossible to define, the notions of 'smallness' and 'islandness' have gained currency in international forum, giving diplomatic leverage to states and territories that would otherwise be disadvantaged. Besides, important patterns of organization, leadership and decision-making can be discerned, and there is much that is common in the experience of these diverse polities. This paper focuses, naturally, on shared characteristics and experiences especially for those states which complement smallness with developing country status.

III. SIZE AND THE ADMINISTRATIVE VARIABLE

Most of the administrative characteristics of small states are conventionally presented as *constraints* and they are examined in the context here. Later in the paper these same characteristics are evaluated in terms of the opportunities they may afford. A review of the literature on administration in small states, as Khan has done, shows that the negative picture is both overwhelming and extremely depressing:

Overextended personnel, small spare/reserve capacity, few specialists attracted or retained, inadequate compensation level, inappropriate and infrequent training, low turnover rate, small establishment, limited promotion and mobility, limited alternative employment, low morale and motivation, low job satisfaction, low productivity, low adaptability to changing conditions, shortage of management skills, low problem solving capacity, high level of fear and frustration, absenteeism, timid decision-making, continued systemic uncertainty, low level of innovativeness and entrepreneurship, excessive routine dependence…small size inhibiting the realization of rational-legal management systems. (Khan 1991, 11)

Khan found that all these characteristics in relatively recent writings on small states. With problems of this nature, it seems a miracle that these states operate at all. It also suggests that anything and everything may be attributed to the one very visible variable of size. Other variables, however, are

contributing factors. For instance, the overwhelming majority of small states share a common colonial heritage, and this produces its own generic administrative incapacity for purely inertial reasons. The colonial civil service was designed for law-and-order functions, for a local policy vacuum, and for the maintenance of 'ideal' investment conditions for the colonial economy. With independence there usually comes much examination of ideology and policy, but somehow the civil service scrapes through unchanged, perhaps because the myth has really been accepted that it is neutral and objective and, therefore, 'one size fits all'.

The second complicating factor is that, once more, the majority of the countries in the small-state category are in the lower-income group. Thus the problems of administrative incapacity must coexist with considerable per capita resource constraints. I would, however, focus only on those variables that have a direct relationship with administration.

3.1 Administrative Variable applied to Organization Culture, Policy-making and Human Resource

3.1.1 Administrative Variable Applied to Organization Culture

At the Conference held in Seychelles in 1997, during a workshop on Organization Culture in Small and Island Developing States facilitated by Ruth Hubbard, President, Public Service Commission of Canada and Dr. Roger Wettenhall, Faculty of Management, School of Administrative Studies, University of Canberra, Australia, the problems and challenges were identified as:

- civil servants in small and island states are highly vulnerable to the influence of relatives, friends, acquaintances, and political interventions due to the small size of their societies;
- many small and island states have long standing traditions of decision-making using community-based, highly consultative, consensual approach which can significantly reduce the speed with which decisions can be taken;
- small scale society makes it virtually impossible to operate according to conventions of an objective and somewhat detached public service;
- structures of government tend to emulate the divisions and hierarchies of larger governments, which is often unsuitable in smaller polities;
- in very small states 'power must be seen to be distributed throughout the diverse cultures and geographical areas of the country';
- there is a great deal of transparency in decision-making, but also a lack of confidentiality.

3.1.2 Administrative Variable and Policy-making

During the same conference, one Workshop on 'Improving Policy Development and Co-ordination', facilitated by Katarina Beroi of the Public Service

Division of Kiribati found that previously colonized sates inherited forms of government that:

- were previously geared toward maintaining stability and must now deal with rapid and dynamic growth and change;
- were previously apolitical serving directives developed elsewhere for purposes other than growth and development of the local society which now must assume a leadership role in the development of the country;
- were fractured functionally where smaller states might/would benefit from broad, simple structures;
- used half the talent in the parliament to oppose the work of parliament (i.e. the official opposition) whereas, in small states with so limited access to talent; all talent should be directed toward developing and guiding policy (e.g. through all-party committee systems).

3.1.3 Administrative Variable and Human Resource

During the same conference held in Seychelles, the Workshop on Managing Human Resources, facilitated by Dr. Rolande Degazon-Johnson, President, Caribbean Management Development Association, Jamaica, found the problems and challenges to be:

- single greatest limitation to effective human resource management is the serious shortage of skilled, experienced, educated human resources – small human resource pool and 'brain drain'.
- limited capacity to offer incentives and rewards to ensure maximum productivity among civil servants – a problem being exacerbated by increasing demands for service simultaneous with decreasing resources;
- diversity of issues of class, race and gender inhibiting recognition of human potential and limiting Human Resource Development;
- limited capacity to apply modern human resource development practice (i.e. in-career training programs);
- development of civil service leadership in an environment of changing administration and partisan political intervention;
- impact of state size on the professional conduct of the civil servant – distinguishing between the domains of private and public life;
- post-colonial/neo-colonial paradigms of status, hierarchy and power inhibiting fundamental change in human resource policy and practice.

The issue of human resource is of vital importance to small and island developing states because it affects other variables and therefore needs more in-depth treatment. The UNEP report (1998) writing on Human Resources profile observed that, small island developing states are at different stages of development, with per capita income, health and education indicators varying considerably from country

to country. Such differences notwithstanding, small island developing states share economic and geographic features that constitute serious constraints on their efforts to develop human resources. Recent studies on the vulnerability of small and island developing states agree that they suffer from the limitations of a small population. The majority of small island developing states have populations of less than one million people, in most cases less than half a million people. Factoring in the dependency ratios, their economically active labor force is extremely small. Except for a few small and island developing states, their local technical capacity is insignificant. For instance, in Kiribati, total personnel engaged in research and development and experimental development in all sectors numbers 3, in Tonga 15, in Seychelles 33 and in Cyprus 366. With a small population and labor force on which to build endogenous capacity, small island developing states experience great difficulties in developing local expertise to meet the wide-ranging and growing demands for sustainable development.

Economic factors of small and island developing states also hinder human resource development. With the exception of a few larger states, most have highly specialized and concentrated output structure as a result of their indigenous resource endowments and small populations. The highly concentrated pattern of the economy leads to a narrow range of locally available expertise since a small population does not allow the building of a critical mass except in a few selected sectors.

With the probable few exceptions of countries like Hong Kong and Singapore, a small country usually only has a small pool of skilled persons to perform the indispensable, key roles of the public service. Most researchers who have had the experience in the workings of a microstate have known of certain individuals who had unique skills in the context of a particular country (Baker, 1992). I have the privilege of being able to confirm this viewpoint being native of a small island state and having the experience of working visits in a few other states in a similar position. The relative shortage of shortage of skills is further exacerbated by the tendency to proliferate the number of vertical and horizontal divisions within the public service, in accordance with the inherited and emulatory practice, in the pursuit of a 'normal' administration. In addition to maintaining the basic functions of a public service, all truly sovereign small states have to hold the extremely expensive trappings of sovereignty such as United Nations membership, the diplomatic corps, some defense posture, and so on. Furthermore, because skilled personnel are so scarce, key persons must perform a broad range of functions, thereby diffusing their attention. It may be noteworthy that a public officer from a small country may not be a specialist like those in big countries but is often, as the

saying goes, a 'jack of all trade'. Along these lines of thinking, Murray (1985, 248) observed a 'blurring of job descriptions, often of quite radical nature between policy and administrative, public and private, public and parastatal board membership'. In these circumstances it is possible for the person to define the post, rather than the reverse, and the consequences of a single career-change decision can be an enormous dislocation as institutional expertise, memory, and wisdom depart with the incumbent.

Such a small environment may bring the satisfaction of considerable responsibility to those who have taken the time to complete the appropriate training, though even releasing some people for training can produce a short-term crisis. As a training manager I have even experienced the need to cancel training programs, or, conduct internationally funded programs with substandard trainees because of the inability to recruit enough or appropriate candidates. Even if some attend the programs, they are frequently called back to office.

In small countries, some employees rise faster and higher than similarly qualified employees elsewhere. Such rise may either be based on merit or at times as Max Weber had argued on the basis of *whom* one knows rather than *what* one knows. In a small country where people are aware of most events and are competing for scarce opportunities, one can consider the amount of frustration that normally follows. Baker (1990) points out that although this is often the case, this rapid promotion at home is often offset by the fact that these key personnel identify themselves not just with domestically marketable skills, but, with internationally marketable ones. Thus they are able to measure their positions against how they might be doing if they were employed in the U.S, Canada, Australia, Europe or even working for foreign organization and then coming back as an expatriate consultant. This process is visible when aid agencies turn up for country evaluation, and when lending teams turn up on a regular basis. Through this mechanism, key personnel are constantly made aware of where they might be if they changed jobs, and they are exposed to people who could make the move possible.

It is a fact that this type of poaching is only encouraged by the 'quota' approach of international organizations which ensures that everyone receives a fair chance at jobs in the international bureaucracy. This is also a controversial issue. On the one hand it is a fact that 'brain drain' affects developing countries. In the case of small states, only a few brains need to be drained before a serious crisis can occur. On the other hand, however, the limited opportunities offered by these same small states can be very frustrating to those who have worked hard to make it through but get stuck in their career for one reason or another. It is also a fact that there are dangers associated when foreign

consultants cannot be checked by people who have experiences of local realities, culture, politics and so on (Girishankar, 1999). All being said, brain drain remains a serious problematic issue for small states and the simple solution of trying to retain them by force is too inhuman. The issue has to be put on the research agenda for a more just approach. Not everyone in the public service has the same international visibility or marketability, but the pay scales in the public service take no account of that. How much is it worth to keep the one trained in New Public Management, one trained budget analyst the country possesses or for that matter any trained expert of any kind which most of the time can be counted on the single digit? Should it pay the international going rate and divide the public service into those the world is ready to poach and those who are trapped by their 'unmarketability'? Mauritius has already instituted contract employment for such skills in recognition of the need to remain competitive in the global market place. Some Caribbean islands have also done the same. This will surely lead to a lot of frustration and if not implemented carefully is likely to aggravate the problem. In Mauritius, it seems to be a clear return to the *spoils system* under the pretext of scarcity of skills with all the implications that goes with that and which are beyond the scope of this paper. It can be safely said that none of the top jobs carrying phenomenal salaries were filled following advertisements leading to general exacerbated frustration in the public service. Foreigners have also been employed under the pretext that local officials are incapable! Success or failure, time will tell. But any success will have to be carefully interpreted as being due to high salary, foreigner employment or political support to the person in the position or ability of the person in the position? Which is which? Unfortunately decisions are only in the hands of politicians.

Since the core of executive skills tend to be small in the small states, it follows that a large proportion of decisions will be referred to that level because many of the management steps may be missing. Furthermore there will be a fear to devolve decisions when management skills fall off quickly down the line. There is clear indication that they would be overloaded with day-to-day routines rather than being in a position to give strategic direction to their organizations and lead to the development of what Burns (1963) calls 'pathological systems' i.e. a situation where a heavy load of decisions find its way to the chief executive with resulting problems that such problems create for already bureaucratic civil services.

With the coming of independence to post-colonial small states, the public service had to adapt to a wide range of new specialized roles and turn to the technical assistance network to compensate for the loss of the colonial (expatriate) civil service. This sharply accentuated the critical mass situation relative to the local pool of skilled labor, and many of the local post-holders anticipated the same levels of benefits (such as Fiji's forty-five-year retirement age, subsidized housing, vehicle loans) that had helped induce the colonials away from the *'metropol'*. The previous difference between local salaries and expatriate ones became blurred, which helped make the civil service expensive. But it also produced a new problem, that of training. It was extremely difficult to justify a training base to produce the few high-level people needed or to retrain and update the relatively small public service. In the short run the only feasible course of action was expensive overseas training, which tended to lock the trainees into a large-country context and a different cultural environment. Reviewing the Caribbean experience, the Caribbean Center for Development Administration found that:

> *'There is a scarcity of manpower and technical personnel in these governments to perform new, complex functions of national development because of the small size of the population, the difficulties of recruiting and maintaining qualified personnel in view of the scarce financial resources of the public sector and the consequent low levels of the salaries; the difficulties of educating the officials to perform tasks requiring scientific and technical knowledge in view of the lack of opportunities for higher education, and the problem of retaining them when educated or trained externally. They tend to migrate to the larger, developed countries in which they have wider professional horizons, better remuneration for their work and better amenities for them and their families.'* (CARICAD 1988,14).

Further accentuating the financial problems of small-state administrations is the fact that they have to divert a disproportionately large proportion of their revenues to infrastructure costs such as roads and utilities (Agora, 1999). It is not that they have more infrastructure per capita, but that the per capita costs of these basic services are much higher because the pool of users is small, and the overhead costs do not diminish linearly with scale. Thus as Srinivasan noted:

> *'In building thermal capacity for power generation, for instance, it has been estimated that small countries face a cost disadvantage averaging 65 percent. However, for small countries with high population densities such as Barbados, this disadvantage is only 20 percent'* (Srinivasan, 1986, 211 citing Legarda)

At what point it becomes 'economical' to have an in-country training capacity for different skills remains uncertain, but clearly there is a critical minimum mass of trainees to make the conventional public service institute, or higher education establishment, viable.

3.2 The Personal Nature of Administrative Transactions.

In small states it is impractical to separate personality from function, since officials have to interact

with their constituents as neighbors, relatives, and friends to a much higher degree than in a larger country. In this context, it would seem that officials must operate in a climate strongly conducive to unavoidable partiality, since:

'In a socially small society the personalized and multiplex nature of human relationships makes it extremely difficult for partiality to be absent…. There is the difficulty of maintaining anonymity. If a difficult, unpopular decision has to be made in the national interest, all may know who is responsible. In a small environment, this may have repercussions in the individual civil servant's life… In tiny societies, all members of the public are a kind of extended family; networks of influence extend everywhere. To secure advances, the civil servant must tread a cautious path.' (Rajbansee, 1972, 217-221).

In small states, public officials are *personally identified* with the consequences of their decisions, which put those officials under great personal pressure. The problem is how such officials can avoid assuming brokerage roles for the communities or interest groups from which they come. Work for them does not end at 4 or 5 p.m., but continues in their after office social engagements and activities. Richards (1982) has described this as the 'ubiquity' of government, and it is difficult for a public servant to hide behind the rule-book or blame the consequences on the politicians, the government, or some institutional escape-goat. Decisions made or enacted by public officials are much more pervasive in such small systems than might be the case in a larger context. 'I was only doing my job' carries little weight under these circumstances. 'You let us down' does. One of the real challenges is not to perfect the institutional detachment, but to capitalize on the face-to-face nature of public life and turn that to an advantage without sacrificing the conventions of professionalism.

The repercussions of the personalization of the public service operate within the service as well, since public officials have to operate professionally within a hierarchy of people, with whom they are unavoidably personally acquainted, related or otherwise connected in a non-work environment. This coziness is often instinctively distrusted because of the dangers of partiality, nepotism, and 'done deals', though there is no empirical evidence to suggest that these extramural relationships are any more or less significant than government by golf course in Japan or the United states. Is this necessarily a bad way to do business? -- another controversial issue in my opinion. In a large country, blurring the boundaries between official and official roles is clearly seen as bypassing the rules of fairness and neutrality, but in small states it may well be the only practical way of doing business. Any claim of full neutrality and fairness is simply a pretense not to say a lie. The separation of roles may simply be unrealistic,

and this informal way of 'doing government' may itself need creative research and development as a reflection of the considerable difficulty of separating state and society in any operational way according to Western convenience.

3.3 External Dependency

Small-state governments face a particularly difficult problem when it comes to developing the nation's physical capital. Except when the countries are blessed with oil or some other high-value internationally marketable commodity, general revenue is small, and foreign exchange earnings may be particularly so in absolute terms. In addition, infrastructure costs may be disproportionately high, and these projects frequently require the importation of foreign skills and materials. This tends to make developing countries dependent on larger/richer nations, banks, and other foreign institutions for their capital development budgets. In some cases this may reach 80 percent (Tonga) or even 100 percent in the case of Tuvalu. Some writers have argued (though often without empirical evidence) that this produces an acute case of vulnerability. 'Local governments are often hopelessly weak, ill organized, or incapable of resisting gifts and onslaughts of international finance' (Cohen 1983, 11). The point is very valid if one considers strings often attached with financial aids. It is not a secret that Americans often have to 'buy' the votes of members of the United Nations Security Council. It may be noteworthy that America has come up with an Africa Growth and Opportunity Bill for the expressed objective of attracting investment and increasing exports of African countries to the US. However delicate to say, it is also an attempt to get the almost guaranteed support of these countries in international forum especially in the uni-polar world where the US is increasingly tempted to take unilateral decisions of all kinds. There are naturally tactful claims by writers that this excessive need induces governments to 'give away the store' to foreigners:

The dilemma of offering economic advantages to attract foreigners and foreign capital versus political disadvantages for the nations is reflected in the nationalist, anti-foreign sentiment over their presence, and the attendant effect on employment, housing, cost of living, and the unsettling influence onslaught on the traditional way of life and local culture. (Richards 1982, 158)

Rajbansee (1972, 211) has identified 'a need to align with other states to realize indigenous need… with a consequent danger of external dependence'. If so much of the capital dependence comes from abroad, then there is a real question about who has the ultimate decision-making authority over policy and priorities in the recipient country: the host government or the donors and lenders. Because of the critical mass problem and the shortage of essential skills locally, there is a natural

tendency for aid missions to assume the role of identifying projects and deciding whether they are acceptable for funding and all international conferences on the area never overlook that call (Commonwealth Secretariat, 1985, Collins and Warrington, 1997, UNEP, 1998). This occurs in all less developed countries, but its importance is bound to be more significant where the aid contribution and external borrowing represent a greater proportion of the capital budget. Furthermore, if these items are to be funded from a diversity of external sources, there are additional problems of varying criteria for design and approval, the 'spotting' of projects by donors, and the co-ordination of projects into any sort of cohesive unity. When there is an inadequacy of skills at the planning level, cozy relationships may develop between aid donors and the technical staff at the line ministry or departmental level, further confounding the prospect of cohesion and uniformity of purpose.

The intentions of the lenders are not necessarily malign, but the lenders want to have their own way unless they are confronted with well-thought-out programs detailing priorities, needs and the guidelines within which they operate. When this linkage between the aid/technical assistance personnel and the ministries exists, there is a danger that the internal logic of the project will dominate, rather than the overall development needs of the countries. One victim of this might be co-ordination, so that individual projects run ahead of one another, duplicate needs, put unsupportable pressures on existing local skills, and so forth. The project approach may also have a more short-terms perspective than wider-ranging development view, and it may not be sensitive to broader political considerations. Local governments are under pressure, however, because no one wants to turn away aid or look unprepared or foolish to the donors. So pressures abound for the development to be driven by the priorities of others and by international capital. I would like to add the rich but unpleasant experience I had to co-ordinate a European Fund Development project for my organization with all the problems depicted above.

In addition, because of overhead arguments, donors often prefer larger than smaller projects. It was estimated that the average overhead cost of preparing projects for the Asian Development Bank was around US$ 250,000, and the sum immediately predetermined the types of activities that seemed reasonable (Baker, 1990). It is also the case that in many small countries, apart from the difficulty of finding an array of suitable projects for donors and lenders, the capital side of development (the aid) tends to outrun the locally generated recurrent cost capacity and the available manpower to make these projects work. Thus the capital side of the budget can overheat unless it is carefully controlled. In the case I cited above, I would like to add that the cost of the project financed by the European Development Fund was bigger than yearly recurrent budget of the organization for which the project was meant, a project which was irrelevant by the time it was implemented being 3 years late on schedule. Also noteworthy was that 60 % of the budget was outright earmarked to pay for consultants from Europe all of whom were at least academically less qualified than our organizational professional staff. A report was produced which did not take local culture and realities into consideration. Who can dare refuse foreign aid?

One other observation that receives very little attention is that small-state governments have difficulty in the area of procurement because they are small operators and cannot negotiate with any degree of clout when buying capital good abroad. All this increases the unit costs of development. More delicate a problem is the insistence of donors that procurement from countries from which the funds come from if payments are to be approved by the donor. Often the products available do not suit local conditions. Worse is that at times the national procurement regulations have to be expertly 'violated' to be able to procure products/equipments from donor countries if the funds are to be successfully tapped. Failure to procure from donor countries can result in withdrawal of funding. If anything goes wrong, needless to say the public officer/s may have to bear the cap. Foreign aid is welcome but there is a price to pay in terms of sovereignty.

Also, new expenditures tend to overwhelm existing development, and maintenance often falls on the shoulders of the host country to such an extent that it cannot be supported. In general, aid donors and lenders, especially since the crisis of lending to governments following Mexico's debt interest default in 1982, have sharply reduced lending and do not favor loans for recurrent costs or maintenance on the grounds that the country should have planned to cover such costs before undertaking the capital development in the first place.

IV. Is Public Administation, Therefore, Size-Neutral?

From the above arguments, it can be deduced that public administration in small states are bound to have great challenges facing their administrations which are limited in capacity by size, quality and resources, as well as by specificities of smallness. But such differences are not easily admitted. For instance, there is no general agreement that factors influencing states change based on scale alone. At the economic level this has been contested for decades. As Gayle (1986,8) observed:

'It was in 1960 that Simon Kuznets argued that the economic structure of small nations was so different from that of larger nations that both could not be treated as comparable units in economic development theory.

In 1963 Wassily Leontief asserted that, to the contrary, smaller and less-developed countries could be expected to exploit available productive capital independent of immediate needs…. Using regression analysis of average annual GNP growth in 30 countries between 1951-57, Nadim Khalaf concluded that there were no statistically positive coefficients between economic development and country size, or economic growth and country size….For the Small Developing States, economic growth becomes much more closely correlated with effective involvement in international trade and finance than in the case of larger, poor countries.'

The argument that size has no determining effect on economic health was reaffirmed by Srinivasan (1986, 218): "Many of the alleged problems of small economies are either not peculiar to small economies, or can be addressed through suitable policy measures." This rather definitive conclusion does not prevent a litany of perceived scale-related economic disadvantages heading almost every paper about small states. These problems customarily include absence of scale economies, vulnerability of fluctuations in the world market due to their "openness"; frequent remoteness; limited domestic resource base and market; and high levels of emigration (Dommen and Hein 1985, Collins and Warrington, 1997). If the economic picture is confused, the administrative one, which is much less thoroughly researched or grounded in theory, is acutely so.

In a sense, some writers are raising a *critical mass* argument with regard to the application of conventional models and prescriptions, principles and norms, of public administration in small states. Citing the rather extreme case of Tuvalu, Murray (1981, 245) made precisely this point:

'Consider the standard prescription for effective administration in local government: "there should be a career civil service that provides reasonable prospects for promotion on merit and seniority …," and "… the requisites of a sound personnel system can be fulfilled where there is a separate personnel system for each authority" (United Nations Department of Economic and Social Affairs), and relate that to the circumstances of Tuvalu where, for the total population of 8, 000 distributed over seven islands, there is a local government council for each island served by one executive officer …. The likely reaction is that the prescription is inapplicable in Tuvalu, and that raises the question of how much conventional wisdom about effective administration assumes, without stating, a state with a certain size.'

It may appear tempting, therefore, from a theoretical standpoint, to apply to the small states the context often reserved for local government in other parts of the world where the small scale and personal nature of administration may prevail. However, a sovereign state has to conduct a range of functions quite unimaginable to a local government, even one that is bigger than many sovereign nations. Local governments do not print or issue money; they do not conduct relations with other states; do not maintain defense obligations, and so forth. Nor is it particularly helpful to try to cast these states into scale models of big government anywhere. Rather, it is necessary to consider their peculiar attributes and derive solutions to innovative approaches from these. Richards (1982, 170) rejects the temptation to try to scale down the doctrines on effective administration to suit the circumstances of mini-states, or scale up the mini-states to suit the doctrines in his plea for a clear recognition of the *qualitative* nature of the scale question:

'They (the microstates) are more than hybrids, or half-way-houses between the large states proper and local subdivisions within such states. The differences are qualitative as well as quantitative. It is the combination of social homogeneity and particularism associated with smallness; the strong self-conscious feeling of collective identity asserted against the outside world; the more intimate relationship of state and society; the differences between formal constitutional theory and political reality; the prominence of personality politics; the peculiar nature of political parties and cleavage systems; the relatively muted nature of the opposition—it is all these factors located together within a discrete area which give the micro-state its separate and distinctive character.'

The linear theory, therefore, with the obvious implications of public administration of small island developing states being a small version of those of big states seem not to play a propitious role. In fact as Lee (1989, 628) holds '… adapting (seminal ideas) to small societies was not just a question of reducing them in scale. Their very applicability to societies of a different scale itself posed a formidable intellectual challenge and called for sustained theoretical work.' The section below makes such an attempt.

a) *General Theory Implications*

The issue of scale calls into question the general assumptions about the Weberian model of the public service. "The scale issue remains largely off the agenda—Public Administration is considered to be scale neutral" (Murray 1981, 247). The conventions of an objective and somewhat detached public service often seem totally unrealistic in small-scale operations:

'Society in larger states is much more an autonomous aggregate of groups separate from the state, whereas in smaller polities society is still very closely enmeshed with the state and the state with society. This linkage takes place through individuals and personalities rather than through impersonal, organizational bureaucracies representing the state… The converse of this is that such differences that do

occur are more personal, more intense, and more emotionally charged. In the West we have moved away from the charismatic king toward 'rationalized legal' power… It is a major function of the institutions of the modern democratic state to help channel and resolve public conflict through formal and impersonal organizations rather than through informal face-to-face negotiations by the antagonists themselves.'

Nevertheless, the models prevailing in almost all smaller states are derived from the same Weberian type that larger countries use. Part of the problem is that most of the small-state models are *derived,* since the vast majority of such countries concerned were formerly colonial or dependent territories. The real challenge is to see whether those very aspects of weakness relative to the Weberian model may not offer some potential for innovative and more relevant systems of public administration. What really is the role of the public service in this context, and how can it best perform that role in the peculiar circumstances of small communities that are nations?

When small countries adopt the public service models of large countries, the best they can do is shrink them down. The net result is many tiny units whose effectiveness must be seriously doubted. Do countries such as Fiji or Mauritius really need twenty-five to thirty ministries? Do they need all the administrative grades? Do they need the same rigid, vertical separation that typifies much of the western system? What does objectivity mean? Above all, these remnants systems may prove costly, reaching the extraordinary situation in the British Crown colony of St. Helena, in which two-thirds of the active population work for the civil service. Other countries, the Bahamas, for instance, have hugely expensive bureaucracies that consume public revenue that presumably cannot be used for other investment and opportunities.

Our need is to differentiate "between those kinds of administrative practice that are appropriate and efficient, irrespective of the size of the state, and those that may be size- based" (Schahczenski; 1990,75). Hence, this paper examines not only the general dimensions of the problem, but also some possible solutions. In particular an attempt is made to determine whether some of the conventional 'disadvantages" of the current state of affairs cannot be turned into advantages.

V. Opportunities for Creative Administrative Change

Having categorized the array of perceived problems and constraints, it does not mean that everything is black. 'As a matter of fact, one of the blessings of small size is the opportunity it gives to avoid bureaucratic rigidities' (Rajbansee 1972, 216). This requires approaching the question of scale with a much more open mind, in accordance with the ideas suggested by Murray (1981, 249):

'It is in the spirit of Small is Beautiful to recognize that people in microstates have a knowledge and experience that can contribute both to solving problems in those states and to a wider understanding, but for such knowledge to be accessible it needs to be systematized and organized. This existing understanding is what Lindblom describes as ordinary knowledge, to distinguish it from professional social enquiry….and some of the ordinary knowledge of microstates concerns the development of forms of, and practices of administration, which in most such states involves molding and fashioning administration inherited from a colonial power to meet local needs and suit local circumstances. Judged by the standards of conventional wisdom of public administration many such improvisations could be regarded as examples of bad practice; but such expedients may alternatively be treated as experiments in developing forms of administration more appropriate to the circumstances of a microstate.'

There have been some genuine post-independence initiatives. One of these was the establishment in 1980, in Barbados, of CARICAD (Caribbean Center for Development Administration), which provides a base for training and consultancy for its fifteen regional members. It also serves as an exchange forum for innovative experiences and provides an alternative to sending administrative staff to larger, richer economies for training. The Islands of the Indian Ocean have created what is now known as the University of the Indian Ocean based on the same model as the University of the West Indies to provide high level education and training to people from member states. The presence of such organizations also allows for the creative expenditure of regionally directed investment and development funds from donors and lenders. In the South Pacific, regional organizations provide a vehicle for the establishment of regional services such as the South Pacific Forum shipping line. Naturally it is far from easy to provide comprehensive training and service for individual countries that have different staff designations, standards, and so on, and there is not always close harmony among states as to what the purpose of the public service may be. Regional funds and organization also represent, in the minds of some politicians and bureaucrats, the loss of control over resources. Nevertheless such regional initiatives may offer some possibility of achieving efficiency, or indeed of making some services possible at all. In the very small states of the Caribbean, fundamental developments have taken place in terms of currency issue and control, as well as joint foreign representation. Regional integration initiatives, notably among the English-speaking Caribbean states, have given even the smallest, poorest partners access to public goods such as quality tertiary education (University of the West Indies), as well as securing diplomatic leverage in regional or world affairs.

Sovereignty, which seemed a dubious proposition for small territories only two decades ago, has proved to be a precious commodity that many small states trade upon to good effect.

Within the individual states there has been less innovation, probably because of the inherited rigidities and the perception that there is a norm for the shape of administrations. The typical view of reform has been one that usually excludes the structure and function of the administration, concentrating instead on such factors as apply equivalency, pay rates, job descriptions and the like. As Murray (1981, 249) observes, the 'purpose, organizational concept and structures are often taken as given. Then we train people to fit these jobs.' Instead of working within the rigid hierarchies of the civil service, it might be more productive to look at more temporary, flexible, and collective arrangements that bring people together to face certain nationally perceived task priorities, as well as the ongoing role of government. All this flies in the face of standard practice and will doubtless meet strong opposition from entrenched power and privilege lobbies, as well as those who hold Max Weber in a messianic context.

Apart from the problems posed by size, there are some areas of comparative advantage. The concentration of population in a small area, except in such cases as the Kiribati, which has a tiny population spread across the Pacific, may offer greater access to decision makers and greater prospects for finding out what public opinion is and mobilizing it. There should also be easier oversight in a small context, and ready access to those who can provide the answers and the go-ahead for change. Small, concentrated populations should also permit the more efficient presentation of services, to some extent counteracting the high unit cost of infrastructure. Indeed, the formality of the whole arrangement could, and perhaps should, be turned to advantage instead of being kept at an unrealistic arm's length as it is at present. Where skills are scarce, it makes more sense to share them, rather than divide them vertically into watertight compartments.

But from where is this initiative to come? As has been observed, 'the administration' is normally taken as given, and who will stand up—or has the authority—to say 'let's put it all on the table'? Perhaps the public service commission? But, this would be seen by many as a threatening move, and relations between ministries and public service commissions are already tense in most places. What then of the executive? One problem here is that a broad subdivision of the public service keeps power bases to a minimum and allows the maximum potential for rewarding one's friends through the spoils system. We are, after all, considering possibilities to strengthen the public service, and not everyone sees that as advantageous. Once more we have the problem of the inherited colonial legacy in the developing-world members of the small state group.

During colonial times there really was no political function in dependent territories. Indeed you could be locked up if you ventured into that arena. The relationship between politicians and the bureaucracy is therefore an evolving one and still characterized by nervousness, distrust (the bureaucracy used to administer the colony, after all). The public service sees itself as having, the requisite knowledge and experience, whereas politicians are seen as potential wreckers and driven only by short-term political gains. From the political standpoint, the public service is often viewed as self-serving, inefficient and obstructive. All this has to be overcome by a sense of common purpose and mission, as well as by clearly defined roles and missions—which is not the same as rigid job descriptions and hierarchies prescribed by the Weberian model.

CARICAD (1988, 12) has pointed out the following: *'Administrative development, which is an important part of economic and social development, is usually isolated…Administrative change is an end in itself, and is not seen as the means to improvement of government action in concrete areas.'* Indeed, it is the effective and realistic pursuit of the development mission that should provide the 'greater purpose', enabling a realistic evaluation of the role and organization of the public service to be made. Small countries provide a most interesting laboratory for the examination of the conventional wisdom of public administration in the context of scale.

VI. CONCLUSION AND SOME RECOMMENDATIONS

This paper has argued that the rational-legal, impersonal and objective Weberian model of public administration used in large Western Countries may not be fully applicable in small island developing states. Most if not all of them have acquired their public administration systems from their colonial masters of the west and have perpetuated its traditions as replicate of the Weberian model in 'miniature'. They cannot be blamed for that. But, 'smallness' taken in this paper more as 'smallness of population' than anything else, makes the expected objectivity and ability to act in impersonal manner impossible in practice. Besides, the small populations of small developing states result in most cases in limited administrative capacity exacerbated by perpetuation of colonial legacy, low per capita income, low investment in education and training, brain drain, among other problems. The challenges facing small states are as big as the ones of big states in that they have to conduct all the functions of a big state including international ones. The mere adoption of the Weberian model in its totality can only result in expensive public administration coupled with inefficiency in the light of limited resources. While the paper does not take the risk to claim that the western model should

be replaced by a new system, it does make an appeal that adaptations wherever necessary should be welcomed.

In light of discussions in this paper about the administration problems in small and island developing states, I believe certain recommendations can be made which by and large could be applicable to most of them:

It is strongly recommended that governments of small island and developing states continue to accord priority to human resources development and training, and resource management in specific fields; Human resource is of prime importance as, it is in the case of many small and island developing states, the only resource which can make a difference and can further improve the administrative capacity;

Governments should create conditions, including through regional mechanisms, to retain newly acquired or updated endogenous expertise; For instance, instead of losing trained manpower to world 'metropol', the really 'marketable' people can take positions in regional public administrations with international salary scales and serve their countries and their regional association of nations. This will, all by retaining their services/expertise, avoid create frustration in country specific administrations and reduce dependence on expatriates who are usually not welcomed in any case.

Small island developing states should further strengthen regional co-operation through pooling resources and expertise, should increase the effectiveness of such cooperation through systematic identification of needs and planning projects, and should increase the efficiency of regional resource use through better coordination;

Regional organizations and the United Nations System should strengthen their support to small and island developing states. In particular, the organizations and bodies of the United Nations System should increase their operational activities for providing training and expertise to small and island developing states. Areas where local capacity is relatively insignificant should be accorded priority in the funding and provision of technical assistance.

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ICICI Bank: A Multivariate Analysis of Customers' Acceptability

By Miss Sangeeta Mohanty

Academy of Business Administration, Industrial Estate Angaragadia, Balasore, Orissa

Abstract - The explosive growth of the economy and the favorable demographic profile continue to drive consumption demand. This will lead to a market for a wide range of financial products and services for consumers. Many financial institutions have clearly embarked on the development of technology driven strategies, which will be translated in terms of customer preferences, and consequently, higher returns and market penetrations. New formats such as ATMs, telephone banking, e-banking can encourage customers to carry out more transactions. This increased usage can increase banks' customer. New technologies have been emerged in order to attract the customer as well as there is deadly competition among the private and the public banks to capture the market and the customer. Increasing competition is forcing the banks to pay much more attention to satisfy the customers. The existence of the bank is dependant on the customer's acceptability only. This paper is intended to study ICICI Bank-the largest private bank in India and the second largest in the entire banking sector, on the ground of customer's acceptability.

Keywords : ICICI Bank, Acceptability, Banking sector.

GJMBR -A Classification: FOR Code:150203, JEL Code: G21

ICICI BANKA MULTIVARIATE ANALYSIS OF CUSTOMERSACCEPTABILITY

Strictly as per the compliance and regulations of:

ICICI Bank: A Multivariate Analysis of Customers' Acceptability

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Abstract - The explosive growth of the economy and the favorable demographic profile continue to drive consumption demand. This will lead to a market for a wide range of financial products and services for consumers. Many financial institutions have clearly embarked on the development of technology driven strategies, which will be translated in terms of customer preferences, and consequently, higher returns and market penetrations. New formats such as ATMs, telephone banking, e-banking can encourage customers to carry out more transactions. This increased usage can increase banks' customer. New technologies have been emerged in order to attract the customer as well as there is deadly competition among the private and the public banks to capture the market and the customer. Increasing competition is forcing the banks to pay much more attention to satisfy the customers. The existence of the bank is dependant on the customer's acceptability only. This paper is intended to study ICICI Bank-the largest private bank in India and the second largest in the entire banking sector, on the ground of customer's acceptability.

Keywords : ICICI Bank, Acceptability, Banking sector .

I. INTRODUCTION

The banking sector has witnessed a dramatic change during the last few years. The emergence of NPSBs, expansion by the foreign banks, the changing business model transformed the ways banks in India. The government-owned commercial banks today have a market share of around 75% (down from the earlier 95%), the private sector banks about 20% and the foreign banks about 5% .In the wake of the liberalization policies, the traditional and the conservative face of the Indian banking has undergone a virtual change. The Indian banking industry is undergoing a paradigm shift in scope, context, structure, functions and governance. The information technology revolution is radically changing the operational environment of the banks. Universal banking, virtual banking and Merger &Acquisition are increasingly emerging as the order of the day. For the banks, technology has emerged as a strategic resource for achieving higher efficiency, control of the operation, productivity and the profitability. The Indian banking industry is on a major technology upgradation drive after having successfully absorbed international standards in its operating norms. The country's financial markets are now characterized by financial liberalization and technological advancement.

Author: Assistant Professor, Academy of Business Administration, Industrial Estate (S1/25) Angaragadia, Balasore, Orissa (756001). E –mail : sangeeta_mohanty@rediffmail.com.

When companies invest in new technology for customers, its success should be evaluated not only according to how efficiently it lowers the cost of operations, but also whether customers see it as delivering real benefits. There is a growing understanding among banks that to survive in the future, they not only need to be organized around information and knowledge but should also be customer-centric, market-driven, highly networked, on the constant look out for global opportunities and flexible in their ability to deliver superior value to the customer. Because of the converging pressure of the changing demographics, global politics, technology, the banks are forced to know the business opportunities from the customers' point of view and also to redefine the facilities provided by them accordingly.

II. BANKING SERVICES IN INDIA

Banking in India has been dominated by the offices/branches of the public sector banks. However, with the liberalization of the financial sector in the 1990's, the private-sector banks and the foreign banks have also set up their shops all over the country. These newly set up commercial banks are offering aggressive and technology –savvy competition to the public sector banks in the form of innovative products and services. With years, banks are also adding services to their customers. The Indian banking industry is passing through a phase of customers market. The customers have more choices in choosing their banks. A competition has been established within the banks operating in India. With stiff competition and advancement of technology, the services provided by Traditionally, banking players relied extensively on their banks have become more easy and convenient. reach to effectively put emerging banks out of competition. To describe the new potential scenario we must create a vision of what might constitute the new potential business concept. If we start a new bank from scratch, independent of history and based on a perception of the consequences of the rapid on-going change for the coming five years then we think of the different service channels and their range of services. Any channel, at the choice of the customer is always accepted. This forced new banks to develop strategies, that could help them reach out to end-customers cost effectively. The solution came in the form of a delivery channel known as Automated Teller Machines or ATMs, mobile banking, e-banking system etc. This turned out

to be one of the biggest growth drivers for private banks in India. All these facts automatically encourage the banks to expand in the field keeping in mind the acceptability of the customers'.

III. ICICI BANK IN INDIA

ICICI Bank India is the largest private bank in India and the second largest in the entire banking sector. Only State Bank of India (SBI), controlled entirely by the Government of India has a bigger business than ICICI Bank. ICICI Bank, founded in 1955 as Industrial Credit and Investment Corporation of India, ICICI Limited was established by the Government of India in the 1960s as a Financial Institution like Industrial Development Bank of India (IDBI) to finance large industrial projects. ICICI then, was not a bank and hence could not take retail deposits and was not required to comply with Indian banking requirements for liquid reserves. ICICI borrowed funds from various agencies like the World Bank, often at concessional rates. These funds were deployed in large corporate loans. However, the scenario changed drastically in1990s when ICICI founded a separate legal entity and named it "ICICI Bank".ICICI Bank, as the name would suggest, undertook normal banking operations like accepting deposits, issuing credit cards, providing car loans etc. The experiment was so successful that ICICI merged into ICICI Bank and this "reverse merger" happened in 2002. In 2001, ICICI bank acquired Bank of Madura Limited. ICICI Bank set up its international banking group in fiscal 2002 to cater to the cross border needs of clients and leverage on its domestic banking strengths to offer products internationally. ICICI Bank currently has subsidiaries in the United Kingdom, Canada and Russia, branches in Singapore and Bahrain and representative offices in the United States, China, United Arab Emirates, Bangladesh and South Africa. Today, ICICI Bank offers a wide range of banking products and financial services to corporate and retail customers through a variety of delivery channels and through its specialized subsidiaries and affiliates in the areas of investment banking, life and non-life insurance, venture capital and asset management.

IV. FRAMEWORK OF ANALYSIS

If a bank already has a reputation for technical innovation, its customers are more likely to feel comfortable with more technology. Bank marketing managers need to continuously assess the customer's decisions-making process as well as the formation of attitudes, preferences and satisfaction of the different delivery channels. The banking industry has tried to take advantage of the productivity and customers service gains associated with technology by provisions of ATMs, mobile banking, Credit card payment and Debit card payment system etc However, while these new technologies may offer significant advantages to the

consumers, many are unwilling to adopt them. It is very important to understand the customer's preferences, attitudes and adaptations of these services to properly use them as marketing tools to attract new clients and retain the existing clients. As ICICI Bank India is the largest private bank in India and the second largest in the entire banking sector, we need to know the customers acceptability of the said bank.

V. OBJECTIVE OF THE STUDY

The study is aimed at evaluating and appraising customer's priorities in regard to access the ICICI bank. In order to examine these, this paper has the following objectives before it:
1. To find out the most preferable type of the bank account.
2. To find out the Period of association of the people with the bank.
3. To know the relationship between the frequency of visits and Income level, occupation, Education level. To ascertain the relationship between the preferred choice of banking services and the educational level.
4. To find out the factors influencing the opening of a bank account among the respondents.
5. To find out the relationship between the rank and the factors influencing the opening of a bank account among the respondents.
6. To find out the relation of tracking transaction, credit card payment and demat services with the frequency of visits.

VI. COLLECTION OF DATA

In order to achieve the identified objective pertaining to the priorities and preferences and views, a sample of 125 investors was taken randomly from **Sahid Nagar, Acharya Vihar, Vanivihar**, **Ram Mandir in the city Bhubaneswar, Balasore.** A pre-tested questionnaire was administered to the ICICI bank customers. The data have been collected by personal interviews with the help of the pre-defined interview schedule. A structured questionnaire was used as a data collection tool, and the statistical **random sampling** was used for the purpose of the study. The survey was conducted during **August, September 2010**, among 125 geographically dispersed ICICI bank customers spread over the city.

VII. TOOLS AND TECHNIQUES USED

Tables' bar diagram and structures are used in explanations to bring out the point more clearly. Tabulation of the primary data was done. On the basis of these tables, trends came out more visibly. Other statistical techniques those used are,

- Percentage method – it shows the trend of the variable.
- Chi-square – it is used to test the independence of the attributes.

- Anova-it is used to test the variability of the different groups.
- Ranking method-its basic property is to arrange a number of attributes in a particular order.
- Kolmogorov-Smirnov test - It is used to test the relationship between the rank and the factors influencing the attributes.
- Multiple Regression technique - This statistical technique explores linear relationships between the predictor and criterion variable

VIII. ANALYSIS AND INTERPRETATION

a) Type of the Bank Account

The nature of the respondents' transactions was analyzed according to the type of account they had with the bank. For the purpose of this analysis the accounts were classified as **current account, saving account, term deposits and demand deposits**. The differences are analyzed statistically using **one-way ANOVA.**

Null Hypothesis:

H_0: There is no significant difference in service pattern of the different accounts .

Anova Table 1

Sources of variation	d.f.	Sum of squares	Mean Sum of squares	F
Column (type of account)	3	81.267	27.089	$F_1 = 4.21$
Error	12	77.2128	6.4344	
Total	15			

Level of significance : Desired level of significance is 5%

$F_{0.05} (3, 20) = 3.5874 <$ Cal. F_1 (type of account) ------ H_{01} is rejected

Interpretation: It is inferred that there are significant differences between various account services. We proceed further to know which account usage is preferable one.

Graph.1
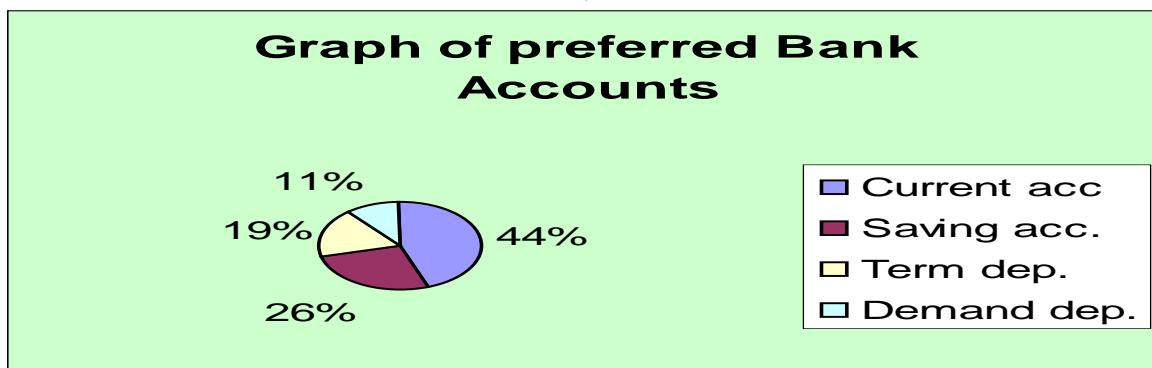
- It is observed that 44% of the people have the current account services followed by the saving account i.e. 26%

b) Period of Association with the bank

The Period of Association with the bank is measured as the number of months that the respondents had been operating the bank account with the service provider. For convenient analysis, respondents' are divided into four groups such as, the respondents having an account for less than six months (new users), between six to twelve months, between twelve to eighteen months and more than eighteen months. Adoption of the different services is analyzed statistically using **one-way ANOVA**.

Null Hypothesis:

H_0: There is no difference in service pattern of the different accounts with respect to age (period of association with the bank).

Anova Table 2

Sources of variation	d.f.	Sum of squares	Mean Sum of squares	F
Column (type of account)	3	81.267	27.089	$F_1 = 4.21$
Error	12	77.2128	6.4344	
Total	15			

*Level of significance :* Desired level of significance is 5%

$F_{0.05} (3, 20) = 3.5874 <$ Cal. F_1 (type of account) ------ H_{01} is rejected

Interpretation : It is inferred that there are significant differences between various account services in terms of the period of association with the bank.

c) *The Relationship between the frequency of visits and income level, occupation, educational level.*

The relationship is tested by using **two-way ANOVA**

(i) *The Relationship between the frequency of visits and income level*

To test the relationship between the income of the respondents and the frequency of the visits to the bank, the respondents' are divided into four groups according to their income level such as (>15,000), (15,000-25,000), (25,000-35,000), (35,000 and more).The data have been collected about the frequency of visits weekly or fortnightly or monthly or quarterly.

The following hypotheses have been formulated to analyze the data using **two-way ANOVA.**

Null Hypothesis:

H_{01}: There is no significant difference in the income levels.

H_{02}: The respondents' do not differ much with respect to the frequency of visits to the bank.

Anova Table 3

Sources of variation	d.f.	Sum of squares	Mean Sum of squares	F
Row (Frequency of visits)	3	83.621	27.873	4.22
Column (Income level)	3	79.856	26.619	4.0331
Error	9	59.4	6.60	
Total	15			

Level of significance : Desired level of significance is **5%**

$F_{0.05}$ (3, 15) =3.2874 < Cal. F_1 (Frequency of visits) ------ H_{01} is rejected

$F_{0.05}$ (3, 15) = 3.2874 < Cal. F_2 (Income level) -------- H_{02} is rejected

Interpretation: It is inferred that, the people have a wide difference with respect to the income level and also the frequency of visiting the bank.

We proceed further to know which income group people visit the bank most.

Graph. 2

Graph of Frquency of visits in six months
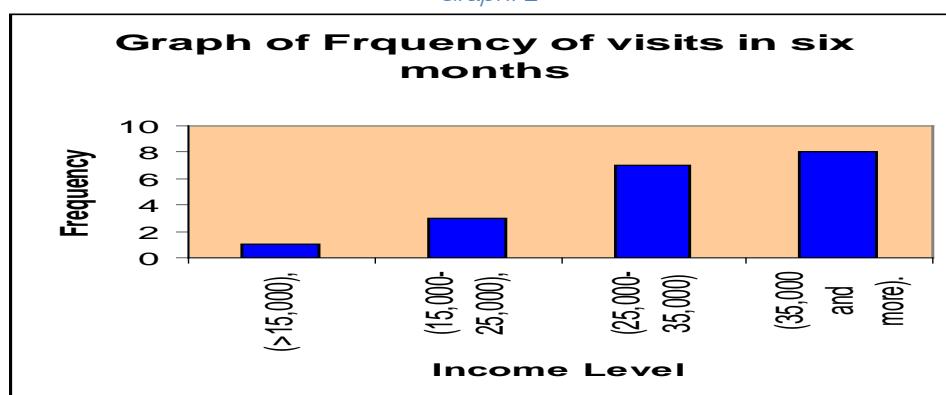
- It is observed that the people of higher income group visit the bank the most.

(ii) *The Relationship between the frequency of visits and occupation*

For the convenience of the analysis of the relationship between the occupation of the respondents and the frequency of the visits to the bank, the respondents' are divided into four groups such as government servant, professionals, private sector employees and the business men. The data have been collected about the frequency of visits weekly or fortnightly or monthly or quarterly.

The following hypotheses have been formulated to analyze the data using **two-way ANOVA**

Null Hypothesis:

H_{01}: There is no significant difference in the occupation.

H_{02}: The respondents' do not differ much with respect to the frequency of visits to the bank.

Anova Table 4

Sources of variation	d.f.	Sum of squares	Mean Sum of squares	F
Row (Frequency of visits)	3	71.9088	23.9696	3.87
Column (Occupation)	3	70.0344	23.3448	4.11
Error	9	41.12	5.68	
Total	15			

Level of significance : Desired level of significance is 5%

$F_{0.05}$ (3, 15) =3.2874 < Cal. F_1 (Frequency of visits) ------ H_{01} is rejected

$F_{0.05}$ (3, 15) = 3.2874 < Cal. F_2 (Income level) -------- H_{02} is rejected

Interpretation: It is inferred that, the people have a wide difference with respect to the occupation and also the frequency of visiting the bank.

We proceed further to find out which of the row-means differ significantly. For this we find out the Critical Difference (CD), i.e. the least difference between any two means to be significant.

Critical Difference

$$CD = t_{0.05 \; for \; error \; d.f.} \sqrt{MSE\left[\frac{2}{r}\right]} = 9.07, \text{ where } r= \text{No.}$$

of replications

Table 5

Frequency of visits	Row mean
A (Weekly)	1.87
B (Fortnightly)	4.21
C (Monthly)	8.6
D (Quarterly)	6.2

Finding out the critical differences and comparing these with each other, we find insignificant difference among the treatments A, B, C, D, E (row wise).

Critical Difference

$$CD = t_{0.05 \; for \; error \; d.f.} \sqrt{MSE\left[\frac{2}{r}\right]} = 9.07, \text{ where } r= \text{No.}$$

of replications

Table 6

Occupation	Column mean
A_1 (Govt.Ser.)	5.23
B_1 (Professional)	6
C_1(Pvt.Sector Employee)	7.89
D_1 (Business Men)	8.75

Finding out the critical differences and comparing these with each other, we find insignificant difference among the treatments A_1, B_1, C_1, D_1, E_1 (column wise).

- There exists insignificant differences among the people of the different occupation but, the mean score of the businessmen and the monthly visits to the bank are the maximum. So, business men visit the bank the most and the people visit the bank mostly quarterly.

c) *The Relationship between the frequency of visits and educational qualification*

The people assessing to ICICI bank are spread on a cross–section of the different education groups from under graduate to professional degree. A majority of the respondents are graduates and professional. This basic objective of the analysis is to find out whether there is an association among the people of different educational levels as well as the frequency of visits to the bank.

The following hypotheses have been formulated to analyze the data using **two-way ANOVA**

Null Hypothesis:

H_{01}: There is no significant difference in the occupation.

Anova Table -7

Sources of variation	d. f.	Sum of squares	Mean Sum of squares	F
Row (Frequency of visits)	3	121	40.33	$F_1 = 4.032$
Column (Education level)	3	54.6	18.2	$F_2 = 1.82$
Error	9	91	10	
Total	15			

Level of significance : Desired level of significance is 5%.

$F_{0.05}$ (3, 15) = 3.2874 > Cal. F_1 (Frequency of visits) ------ H_{01} is rejected.

$F_{0.05}$ (3, 15) = 3.2874 < Cal. F_2 (Education level) --------H_{02} is accepted.

Interpretation : It is inferred that, the people have a wide difference with respect to the frequency of visiting the bank and there exists insignificant differences among the people of the different levels education.

d) *The Relationship between the preferred choice of banking services and the educational level*

The association between the variables is tested by using chi-square test.

Table 8 : Educational Qualification

Preferred choice of Banking	Under	Graduates	Post Graduates	Professionals	Total
Phone Banking	19	12	6	5	42
Internet Banking	3	3	4	8	18
ATM	9	8	8	20	45
Evening extended Banking	6	5	5	4	20
Total	35	29	23	38	125

Null hypothesis H₀ : There is no significant association between the education level and the preferred choice of banking.

Statistical test : Chi square test is the most appropriate test for this purpose.

Level of significance : Desired level of significance is 5% = 0.05

Degrees of freedom : (4-1) (4-1) = 9

Test statistic :

Chi-Square Tests

Table 9

	Value	d.f	Asymp. Sig. (2-sided)
Pearson Chi-Square	18.125	9	.034
Likelihood Ratio	18.748	9	.027
Linear-by-Linear Association	5.684	1	.017
No. of Valid Cases	125		

x^2 (Chi-square) $=\sum[(O - E)^2/E]= 18.125$ Tab. Val of $x^2_{(0.05)}$ at 9 d.f is 16.9

As, $x^2_{cal} > x^2_{tab}$, H₀ is rejected and H₁ is accepted

Interpretation : So, H₀ is rejected and H₁ is accepted. In other words, there is an association between the education level and the preferred choice of banking.

*Phi coefficient :* It is used to test the strength of association between two variables i.e. education level and the preferred choice of banking.

$\varphi = \sqrt{(x^2 / N)} = 0.145$

The value φ is nearer to zero. It indicates that the association between two variables is not so strong.

We proceed further to know the most popular choice of the banking services.

Graph . 3

Graph of Preferred choice of Banking

Evening extended Banking 16%

Phone Banking 34%

ATM 36%

Internet Banking 14%
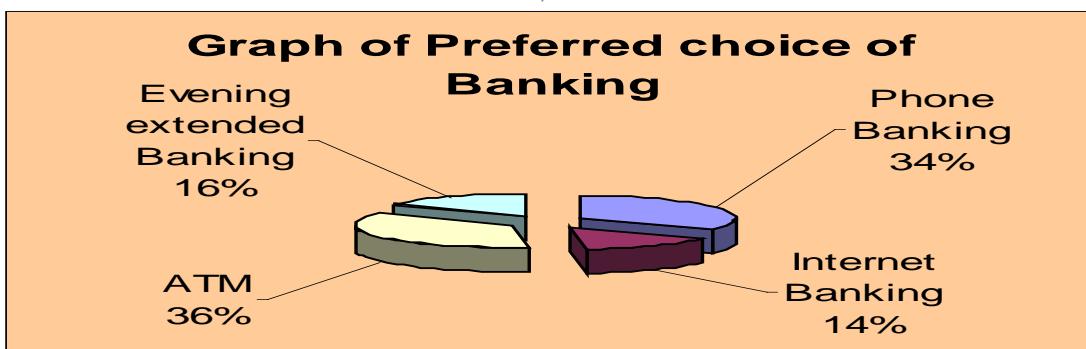
- It is observed that the people prefer to the ATM card services the most.

e) *The relationship between the rank and the factors influencing the opening of a bank account among the respondents*

Satisfaction is an important element to create demand for any banking services. When a consumer gets satisfaction from the services, he becomes the ambassador for that. It is therefore necessary to assess the relationship between the rank and the factors influencing the opening of a bank account among the respondents. The data have been collected on 5-point likert type scale in all five attributes. The statements were measurable on a Likert scale of 1-5; where 5 indicates strongly disagree and 1 indicates strongly agree.

Table 10 : Rank

Features	1	2	3	4	5	Total Rank	Weighted Average	Rank
Convenient bank	72	70	39	16	5	202	1.616	2
Convenient ATM	74	72	33	16	0	195	1.56	1
Loan / Deposits	50	54	81	44	50	279	2.232	5
Advertisement	60	56	63	40	30	249	1.992	4
Brand Name	63	56	60	36	25	240	1.92	3

From the above analysis we observed that two attributes **Convenient ATM location** and the **convenient bank location** have the lowest rank sum. So, we conclude that the **Convenient   ATM location** and the **Convenient bank location** are the more influencing factors of opening the bank account where as the least preference goes to **Loan / Deposits**.

Let us test the relationship between the rank and the factors influencing the opening of the bank account among the respondents by using **Kolmogorov-Smirnov** test.

Null hypothesis H₀ : There is no relationship between the rank and the factors influencing the opening of a bank account among the respondents.

Statistical test : Kolmogorov- Smirnov test is the appropriate test to be used for this purpose.
Level of significance : Desired level of significance is 5% = 0.05

Calculation :
O (Observed frequency) = Weighted average
E (Expected frequency) = (1 / Number of factors) = (1 / 5) = 0.20

Table 11

O (Observed	E (Expected frequency)	O - E
1.616	0.20	1.416
1.56	0.20	1.36
2.232	0.20	2.032
1.992	0.20	1.792
1.92	0.20	1.72

Test statistic : KS - calculated value is obtained by the following rule

$$\sum (O-E) = 8.608$$

KS - calculated value = $(1.36 / \sqrt{n})$ = 0.1225

Calculated Value > Tabulated value, H_0 is rejected and H_1 is accepted.

Interpretation : As H_0 is rejected and H_1 is accepted, there exists a relationship between the rank and the factors influencing the opening of a bank account among the respondents.

f) *The effect of tracking transaction, credit card payment and demat services on the frequency of visits.*

The frequency of visits of the customer to the bank is correlated with tracking transaction, credit card payment and demats services. Here the basic interest is to find out the weightage of the independent variables (tracking transaction, credit card payment and demat services) on the predictor, frequency of visits by using the Multiple Regression technique.

Let Y be the dependent variable = frequency of visits
B = the coefficient of determinant (a constant value)
X_1 = tracking transaction
X_2 = credit card payment
X_3 = demat services

$$Y = B_0 + B_1 X_1 + B_2 X_2 + B_3 X_3$$

Step-by-Step Multiple Regression

Table 12 : Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.989	.978	.968	1.63656

a *Predictors :* (Constant), X3, X1, X2

Adjusted R Square value tells us that our model accounts for 97.8% of variance in the frequency of visits and it signifies that it is a very good model.

Table 13 : Correlations

	Y	X1	X2	X3
Y	1	.975	-.985	-.932
X1	.975	1	-.967	-.905
X2	-.985	-.967	1	.943
X3	-.932	-.905	.943	1

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

This table gives details of the correlation between each pair of variables. There is a very good correlation between the criterion and the predictor variables. The values here are acceptable.

Table 14 : Coefficients

Model		Unstandardized		Standardized	t	Sig.
		B	Std. Error	Beta		
	(Constant)	29.509	14.506		2.034	.088
	X1	.603	.422	.340	1.427	.203
	X2	-1.886	.938	-.615	-2.010	.091
	X3	-.127	.518	-.045	-.245	.815

a Dependent Variable : Y

The Standardized Beta Coefficients give a measure of the contribution of each variable to the model. A large value indicates that a unit change in this predictor variable has a large effect on the criterion variable. The t and Sig (p) values give a rough indication of the impact of each predictor variable – a big absolute t value and small p value suggests that a predictor variables having a large impact on the criterion variable.

Tracking transaction has the highest beta value (.340), credit card payment and the demat services have the negative values of (-1.1886) and (-0.127).Error variance is explained by constant by 14.506, followed by tracking transaction (0.422), credit card payment (0.938), demat services (0.518).Sample t-test correlates positively for tracking transaction (1.427) with the frequency of visits to the bank.

$$Y = 29.509 + 0.603\ X_1 - 1.886\ X_2 - 0.127X_3$$

By substituting the values 0,1,2,3 for the predictor constant, the frequency of visits can be predicted for every account holder.

IX. Conclusion And Findings

India has a well developed banking system. Most of the banks in India were founded by Indian entrepreneurs to provide financial assistance to traders, agriculturists and Indian industrialists. Indian banks have played a significant role in the development of Indian economy by inculcating the habit of saving in Indians and by lending finance to Indian industry. The ICICI Group is well positioned to participate in and contribute to this process. ICICI bank is among the first to recognize the opportunity presented by the retail market. With the increase in employment opportunities, it has made it possible to open up the doors for the retail sectors which have led to access the banks more frequently. The purpose of measuring customers' acceptability of ICICI bank is to see whether the ICICI bank stands in this regard in the eyes of its customers, thereby enabling service and product improvements leading to higher satisfaction levels. The research is just one component in the quest to improve customer satisfaction. The major findings of the study are given below.

a. It is found that there exist significant differences between various account services such as current account, saving account, term deposits and demand deposits and 44% of the people have the current account services followed by the saving account i.e. 26%

b. It is inferred that there are significant differences between various account services in terms of the period of association with the bank.

c. It is observed that the people of higher income group visit the bank most.

d. There exists insignificant differences among the people of the different occupation but, the business men visit the bank the most and the people visit the bank mostly quarterly.

e. It is found that, the people have a wide difference with respect to the frequency of visiting the bank and there exists insignificant differences among the people of the different levels of education.

f. There is no strong association between the education level and the preferred choice of banking. At the same time it is observed that the people prefer to the ATM card services (36%) the most followed by phone banking (34%).

g. There exists a relationship between the rank and the factors influencing the opening of a bank account among the respondents.

h. It is found that the **Convenient ATM location** and the **Convenient bank location** are the more influencing factors of opening the bank account where as the least preference goes to **Loan / Deposits**.

i. The frequency of visits is positively correlated with the tracking transaction and it is negatively correlated with the credit card payment and demat services.

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A Study on ISO 9001 Quality Management System Certifications – Reasons behind the Failure of ISO Certified Organizations

By Durai Anand Kumar, Dr. V. Balakrishnan

Anna university of Technology, Coimbatore,Tamil Nadu, India

Abstract - The purpose of this research study was to evaluate the effectiveness of ISO 9001 Certified Contracting organizations at United Arab Emirates and identify the potential reasons behind the failure of ISO 9001 certified organizations.For conducting this study, an in-depth literature review was made. A pilot survey was organized to capture the perceptions of these contracting organizations. The pilot survey findings were reviewed and resulted in a fine-tuned main survey collected from a stratified random sample of 100 organizations out of 800 populations. Survey findings studied were hypothetically validated and the gaps were identified. In spite of ISO 9001 certification being a powerful framework for managing the quality systems, the study results revealed that there were common gaps found in those certified organizations, classified into 4 basic categories such as a) Leadership related issues b) Strategy related issues c) Quality system related issues and d) Social responsibility related issues. Out of the nine constructs tested hypothetically, eight constructs revealed a significant relationship impacting the overall system performance. Out of these 8 significant elements, only 4 have been specified in ISO 9001 Standard explicitly. Even though around 15 research studies have been made so far in the same subject worldwide, this study has evaluated the effectiveness of Quality Systems. Also it will make the Quality Management System (QMS) more vibrant and value-adding.

A STUDY ON ISO 9001 QUALITY MANAGEMENT SYSTEM CERTIFICATIONS REASONS BEHIND THE FAILURE OF ISO CERTIFIED ORGANIZATIONS

Strictly as per the compliance and regulations of:

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Durai Anand Kumar [α], Dr. V. Balakrishnan [Ω]

Abstract - The purpose of this research study was to evaluate the effectiveness of ISO 9001 Certified Contracting organizations at United Arab Emirates and identify the potential reasons behind the failure of ISO 9001 certified organizations.For conducting this study, an in-depth literature review was made. A pilot survey was organized to capture the perceptions of these contracting organizations. The pilot survey findings were reviewed and resulted in a fine-tuned main survey collected from a stratified random sample of 100 organizations out of 800 populations. Survey findings studied were hypothetically validated and the gaps were identified. In spite of ISO 9001 certification being a powerful framework for managing the quality systems, the study results revealed that there were common gaps found in those certified organizations, classified into 4 basic categories such as a) Leadership related issues b) Strategy related issues c) Quality system related issues and d) Social responsibility related issues. Out of the nine constructs tested hypothetically, eight constructs revealed a significant relationship impacting the overall system performance. Out of these 8 significant elements, only 4 have been specified in ISO 9001 Standard explicitly. Even though around 15 research studies have been made so far in the same subject worldwide, this study has evaluated the effectiveness of Quality Systems. Also it will make the Quality Management System (QMS) more vibrant and value-adding.

This study will be useful for all the organizations, regardless of their scale (Small / Medium / Large), scope of work & location of work , to evaluate the system effectiveness and identify the areas for improving the overall QMS performance.

Keywords : ISO, ISO 9001, QMS, Quality Management System, Certification

I. Introduction

International Organization for Standardization (ISO) is the world's largest non-profit organization to develop and publish international management system standards on various subjects such as ISO 9001:2008 (Requirements for a QMS), ISO 14001:2004 (Requirements for an Environment Management System), Food safety standard ISO 22000:2005, Information Security Management Standard (ISO 27001:2005), etc. ISO is having a network of more than160 member countries all over the world. The national standards institutions of countries represent country for governing the accreditation framework. Representatives from all these countries work as a team to generate the concept, draft it, brainstorm and finalize it as an international standard. Theses standards are generically defined to suit any organization in the world regardless of their size, scope and location.

It is optional for the organizations to select the individual standards for implementation as well as certification by third party competent organizations called typically as "Certification Bodies". Since the early 2001, bigger corporates started demanding the ISO certification for their suppliers, with a view to unify the systems of multiple suppliers. This demand, in one way added attraction to ISO standards, but on the other hand, caused these standards turn more theoretical and commercial, thus turning the credibility of certification a question mark.

As certification bodies also have to be more and more competitive, a considerable portion of such organizations are not aware of the real benefits of implementing systems are achieved fully or not.

After the main certification assessment for ISO, organizations are supposed to be visited periodically say at least once every year, but many of such assessments bring out the system performance is shocking and even for attaining a level of "minimum compliance" is a big deal for those so called "Certified" organizations.

Any ISO 9001certified organization is supposed to have an effective Quality System and achieve maximum customer satisfaction, profit, employee motivation, improvements and minimum rejections, reworks, customer complaints and problems. As the ground reality was questioning this theory, this study was initiated to evaluate how effective were the ISO certified organizations

II. Review of Literature

a) History of QMS ISO 9001 Certification

During World War II, there were quality problems in many British explosive industries, where bombs were exploding in factories during assembly. The solution adopted to address these quality problems

Author [α] : Anna university of Technology, Coimbatore,Tamil Nadu, India. E-mail : hai_durai@yahoo.com Handset +971501974975.

required factories to document their manufacturing procedures and to prove by record-keeping that the procedures were being followed. The standard was BS 5750, and it was known as a management standard because it specified not what to manufacture, but how the manufacturing process was to be managed. In 1987, the British Government persuaded the International Organization for Standardization (ISO) having member countries more than 180, to adopt BS 5750 as an international standard. The international standard was named ISO 9000 series. ISO 9000:1987 had the same structure as the British Standard BS 5750, with three models for quality management systems, the selection of which was based on the scope of activities of the organization

ISO 9000:1994 emphasized quality assurance via preventive actions, instead of just checking final product, and continued to require evidence of compliance with documented procedures. ISO 9001:2000 combined the three standards 9001, 9002, and 9003 into one, called 9001. Design and development procedures are required only if a company engages in the creation of new products. The 2000 version sought to make a radical change in thinking by placing the concept of process management front and centre ("Process management" was the monitoring and optimizing of a company's tasks and activities, instead of just inspecting the final product). The new ISO 9001:2008 was published on 15 November 2008. ISO 9001:2008 uses the same numbering system as ISO 9001:2000 to organize the standard. As a result, the new ISO 9001:2008 standard looks very much like the 9001:2000. No new requirements have been added. However, some important clarifications and modifications have been made like defining the scope of control on outsourced processes, validation of software, effectiveness of corrective/preventive action, control of external documents, etc.

b) *Specifications of ISO 9001:2008 Standard*

The overall requirements of ISO 9001:2008 are of 8 clauses in general, as below:-

Clause 1 -Scope
Clause 2- Normative references
Clause 3- Terms and definitions

Clause 4 – Quality Management System:
This clause requires the intent of documentation required on organizations starting from a Quality Policy, Quality manual and records appropriate for the organization.

Clause 5 Management Responsibility

This clause specifies the requirements from the top management in terms of top management commitment, appointing a management representative, establishing Quality policy, objectives and conducting management reviews.

Clause 6 Resource Management

This clause specifies the requirements to plan the resources, training them and maintaining records, including the work infrastructure and work environment.

Clause 7.0 Product Realization

This is the most important umbrella clause, where the sub-clauses can be excluded from the scope of certification, if such clauses are not applicable to the organization. This clause specifies the quality plan for the products and services (7.1), Customer related processes (7.2) from identifying customer requirements (7.2.1), Contract review (7.2.2), communication with customers (7.2.3), for managing the Design & Devlopment (7.3) such as planning the design, design inputs, outputs, review, verification, validation and control of changes.

Clause 7.4 Purchasing

The organization must ensure that purchased product conforms to the requirements. The type and extent of control will depend on the impact of purchased product on the subsequent product realization processes or the final product. The suppliers must be evaluated and selected based on their ability to supply conforming products and criteria for selection, evaluation and re-evaluation must be defined. The results of evaluations and necessary actions must be recorded and records must be maintained.

Clause 7.5 Production and service provision

This clause specifies the requirements on the production or service set up to plan, schedule, instruct, calibrate, validate and preserve the products to ensure conformity to customer requirements.

Clause 7.6

This clause requires the calibration of monitoring and measuring equipments, including the software validation.

Clause 8 Measurement, Analysis And Improvement

The organization must plan and implement measurement, monitoring, analysis and improvement processes needed to

*   Monitor the customer satisfaction level.
*   Plan and conduct internal audits
*   Control of Non-conforming products.
*   Manage the corrective and preventive action and estimate their effectiveness.

c) *Citations & Related Research works*

ISO management systems have gained a chronic importance developed in the fielding of managing quality since two decades. As remarked by Roger G.Schroeder (2008), "…ISO 9001 Certification has a major impact on worldwide quality practices. Many companies are demanding ISO certification from their suppliers as a condition for doing business". This

situation has caused lots of contracting organizations to register for ISO certification. Joseph Juran (2002) said, "Initially the suppliers resisted the Quality System mandated by their customers, afterwards, it became a part of life".

The minimum compliance requirements specified in the 9001 shall be implemented consistently, to make the business reach the real "excellence". Barak Michalle (2011) revealed "…the effective communication with customers, employees and stakeholders has become challenging, even when conducted with same cultural framework…" It is essential to think of that business, if the stakeholder needs are not identified, achieved and communicated to them, the business cannot flourish on long time, regardless of ISO certification. There are certain business elements crucial for the business excellence, which are not explicitly mentioned in the standard 9001.

I. As Juran (1996) highlighted, "Assumptions about organization's Vision, Mission & Competencies must fit reality", otherwise the organization's QMS may exist in the form of a certificate only. CEOs shall take due care before ISO certification, as what do they expect from ISO 9001 certification, in terms of value addition.

II. Translating the so called values into business equivalent is a challenging job, as revealed by John Garder(2004),"Most contemporary organizations and writers are reluctant or embarrassed to write explicitly about values".

III. The very purpose of going for ISO, to streamline the system for sustaining advantage. Markides (2000) confided that "…The sustaining advantage is achieved by organizing its various activities into tight systems, which support and reinforce each other. In essence the advantage is sustained because, while imitators may adopt various ideas and techniques, the ability to manage interfaces really well…". On the contrary, assuming the organization being certified for a mere compliance to the minimum requirements with a loose system, the advantages also will be minimum or one-time, cannot be sustained.

ISO management systems, regardless of their release since 1987, have not been undertaken for any research at India or in the gulf region till 2000. The wide acceptance of the ISO 9001 standard by more than a Million organizations in more than 160 countries and business economies (ISO Survey,2009) came from the generic requirements of the standard and it's applicability to all organizations, regardless of type, size and product / service provided (ISO 9001). As been highlighted by Pan (2003), ISO 9001 standard was initially adopted by firms in Europe and in countries with close relationship with UK such as Australia and New Zealand. Nowadays is becoming the most popular standard implemented by manufacturing as well as service organizations. The drivers for ISO 9001

certification vary from one company to another and from one country to another, though the basic themes supporting 9001 were the customer satisfaction and continual improvements.

➤ Johannsen (1996) summarized these drivers as pressures from existing customers, promotional value and the desire of improving management processes and enhancing customer service.

➤ Buttle (1997) ranked the benefits after conducting a survey on UK businesses and concluded that the most important benefit sought from certification is profit improvement.

➤ McAdam and Canning (2001) argued the importance of ISO registration in enhancing firm's chances of gaining work.

➤ Magd and Curry (2003) analyzed twelve motivations for ISO 9001 certification. A summary of the main reasons of why companies adopt ISO 9001 can be framed as follows:

1. Pressure from existing customers (Johannes, 1996; Buttle, 1997).
2. Pressure from parent organization (Johannes, 1996).
3. Promotional benefit (Johannes, 1996).
4. Competitors Registration (McAdam and Canning, 2001).
5. To improve internal efficiency (McAdam and Canning, 2001).
6. To maintain/increase market share (Magd and Curry, 2003).
7. To help improve customer service (Douglas et al., 2003).

➤ Many researches studied the ability of ISO 9001 in achieving its main objectives of adding value to organization's implementing it in different economies in general or by different sectors in particular. For example, Pan (2003) discussed ISO 9001 & ISO 14001 implementation in Far East Countries, namely in Taiwan, Japan, Hong Kong and Korea.The study involved investigating firms' motivation for certification, their implementation experiences and the benefits received. The main conclusion for implementing ISO 9001 in these countries was positive in general with some differences in motivation for and benefits gained after implementing ISO 9001. He concluded that there are common factors between these countries to go for ISO 9001 certification, namely, external pressure, gaining competitive edge, internal and external portions and improvement of public relations. The common benefits of ISO 9000 certification among these countries are improved competitive edge, and improved public relations.

➤ Naser et al. (2004) studied the effect of ISO 9001 certification on the performance of 162 public listed companies in Malaysia and they found an

association between ISO 9000 registration and performance of companies in Malaysia. Their study revealed that accredited Malaysian companies out performed the non-accredited ones during the period of their study.

➢ Casadesus et al.(2001) performed a study to evaluate benefits of implementing ISO 9000 by Spanish industries and they concluded that although ISO 9000 has many positive points, but these points must be used in right context to maximize the benefits gained from the standard. The overall conclusion for the study was: More than 90 percent of Spanish certified industries believed that ISO 9000 had benefited them and it is a good system for quality assurance.

➢ While in Canada, Bhuiyan and Alam (2004) studied implementing ISO 9001:2000 and they concluded that there were some difficulties faced by Canadian companies in implementing the new standard and these difficulties are varying based on different companies characteristics like size, and years of operation.

➢ In a study for evaluating implementation of ISO 9000 for 104 UK certified companies performed by Douglas et al. (2003). They concluded after considering the views of quality professionals participating in the survey that ISO 9001:2000 is very positive and it is less disputing the criticisms of the old revision. They concluded also that the main reason within UK organizations to seek ISO 9001 certification was to allow them to tender for work that otherwise unattainable.

➢ Magd and Curry (2003) studied ISO 9001 in Egypt and they concluded that the most common reasons for seeking certification in Egypt were to improve the efficiency of the quality system and pressures from competitors/foreign partners.

➢ Also identifying the impact of the certification, Tzelepis et al. (2006) concluded that the overall ISO's effects on managerial inefficiency are negative indicating that the adoption of ISO reduces managerial inefficiency.

➢ Quazi and Jacobs (2004) studied the impact of ISO 9000 certification on training and development activities in a sample size from Singapore and they reach to the conclusion of gaining significant improvements in training needs analysis, training design, training delivery, training evaluation, and human resource development activities were reported after implementing ISO 9000 by these organizations.

Out of these researches completed in the subject worldwide as cited above, most of them were comparing the specifications of standards one-another or evaluating the impact of 9001 on a specific area such as Staff motivation or market growth. So far there was no study conducted to evaluate the overall effectiveness of QMS and with suitable recommendations.

S. Rajaram (2008) mentioned that "ISO 9001 Certification had lot of advantages like Market competitiveness, Consistency in Quality, improved productivity, employee involvement, staff morale and Job satisfaction…", just similar to Mohamed Zairi and Yasar Jarrar (2005) remarked "The practical benefits of working towards and achieving the standard are many. They include improved earning, productivity and profitability…", on the contrary, Zairi reveals a practical situation when the ISO system does not add value to manage the business processes, by mentioning that "ISO 9000 Quality standard is not regarded as a major driver of process performance as the company has a policy on achieving these standards based on commercial needs criteria". If ISO 9001 is not a certification of choice, organizations, under pressure, might choose the shortest way to get certified, which may dilute the professionalism, make a mere bunch of papers, receiving no value addition, as mentioned by James Highlands, "…This has been a huge effort in the company executives struggled to develop what turned out to be a big dump documented system".

The above are the classic examples of how the ISO 9001 standard, in spite of its vast applicability, is being misused by certain organizations. This was the starting point to probe further on the effectiveness of ISO certified organizations in the contracting organizations of UAE, who are mostly mandated by their customers to go for it.

IV. MATERIALS & METHODS

A survey was organized with a target group of 100 contractors from UAE as responders. This included Mechanical , Electrical & Civil Contractors.

The survey was organized through a formal gathering of key staff from these contracting organizations. The important areas were discussed and their responses were reckoned to arrive at the survey.

Data Analysis

4.1. Customer Satisfaction : 56% of organizations stated that they maintain the same level of customer satisfaction before and after ISO Certification. 24% organizations were positive to improve their customer satisfaction, as a result of implementing ISO 9001 System. 20% of organizations did not agree on any such improvement.

4.2 Continual Improvements : 28% of respondents had a formal account of the continual improvements after ISO certification. 44% respondents felt improvements, but they were not sure whether it was because of ISO QMS and also they did not have any quantified figures behind such improvements.

28% organizations denied of any continual improvements after ISO certification.

4.3 Brand Image & Ease of Marketing : 60% of respondents were positive to agree that their brand image and ease of marketing were improved after getting certified to ISO 9001. Respondents with no change in this brand image & marketing before and after certification was 40%

4.4 Internal Audits : 32% of respondents revealed that their internal audit process was adding value to their business, 8% of respondents had been neutral whereas 60% organizations denied to agree on any value addition by internal audits.

4.5. Linking ISO with Business Strategy : 48% of respondents gave a shocking reply that the ISO model in their organization had no interface to Strategy and vice versa. 32% of respondents stayed neutral by accepting there was a strategy but unaware of how it was linked to systems. 20% respondents felt positively that their strategy and systems were linked well each other.

4.6 Documentation Issues : 52% of responded organization felt that the documents volume increased after ISO certification, 36% felt the same volume of documentation before and after certification where as 12% organizations were happy to streamline and reduce the paperwork after ISO certification.

4.7 Cultural & Behavioral Issues : 52% of organizations revealed it was very difficult to maintain the System culture and team relationships when the data and information need to be shared within the organization and people need to work as a team. 16% felt a refined culture and behavior in the organization since ISO certification. 32% remained neutral and did not comment anything.

4.8 Management Commitment : 32% of the respondents revealed a positive commitment from their top management, 52% did not agree on the adequate commitment by top management. 16% of organizations did not have any comments.

4.9 Motivation & Recognition : Even though most organizations had a HR mechanism for promotions, increments, etc 64% organizations felt the staff role in ISO system and achievements were not the basis for recognition, but the sales & operational performance only. 24% respondents were happy to get motivated and recognized for their contribution related to Quality improvements. 12% of respondents were neutral.

4.10 Bureaucracy in Systems : 56% of respondents feel the necessity to re-engineer their end to end processes and eliminate non-value adding processes. 24% respondents had no bureaucracy issues. 20% of them had no comments.

4.11 Customization : 52% of organizations responded as their system, policies and objectives were not tailored to suit their business and seemed so generic.44%

organizations claimed to have a well customized system. 4% of respondents were not aware on the level of customization.

4.12 Internal Communication : 68% of organizations were happy with a well established internal network of communication through Telephones, E-mails, Newsletters, meetings, seminars including the state of art technologies like GPRS. 20% felt a boring formal way of communication primarily by letters. 12% stayed neutral.

4.13 ISO Awareness : 64% of respondents felt that their staff were aware of their system, its policy and the objectives related to them. 20% of respondents were facing a challenge in promoting the system awareness and 16% stayed neutral.

4.14 Organizational Learning : 56% of organizations responded of no common mechanism to benchmark or learn the best practices within various departments of the organizations or outside the organization. 32% of the respondents replied that their organization encourages knowledge sharing and 12% did not have any relevant idea.

4.15 Customer Complaints : 36% of respondents claimed to reduce the customer complaints after certification. 24% of respondents did not accept to reduce customer complaints since certification. 40% of respondents were neutral that there is no change in the number of complaints before and after certification.

4.16 Customer feedback : 28% of the respondents agreed with an effective feedback system being available at their company. 52% did not agree that they have any effective means to measure the customer feedback. 20% stayed neutral

4.17 Job responsibility, Authority and Accountability : 36% of organizations were not aware of their job roles and the accountability behind it. 28% responded to know their roles well. 36% of respondents stayed neutral.

4.18 In-process Quality & Efficiency : 32% of the respondents stated a clear improvement in the in-process quality and efficiency since getting certified. 20% stayed with no comments whereas 48% did not agree with in-process quality and efficiency improvements since certification.

4.19 Sub-Contractor Development : 56% of organizations did not agree that the subcontractor's development initiatives were increased since certification. 28% agreed to have improved initiatives on the same since certification. 16% stayed neutral with no comments.

4.20 Key Performance reporting system : 12% respondents stayed neutral, 32% of the respondents had a balanced score card system and 56% of the respondents did not have any such reporting system.

4.21 Staff Capabilities : 16% organizations agreed that they had professional methods to plan and develop

staff capabilities. 24% organizations had no idea on the subject.60% organizations denied that they had any such system.

4.22 Stakeholder Perception : 56% organizations had no formal measure to understand and fulfil stakeholders' perception, but customers. 12% stayed with no comments and 32% respondents had a mechanism to obtain the perception of their stakeholders.

4.23 Management Review : 24% of the respondents agreed that the management review in their company conducted professional reviews beyond the minimum requirements of ISO. 56% did not agree that they have any effective review mechanism, but a typical document. 20% stayed neutral.

4.24 Corporate Social Responsibility : 36% of organizations were not aware of their corporate social initiatives. 28% responded to demonstrate social responsibility. 36% of respondents stayed neutral.

4.25 Overall System effectiveness : 44% of respondents had opinion that their organization has effective quality systems after certification, 56% respondents felt that their system was not effective even after certification .

4.26 Hypothesis Testing : Primary data collected were analyzed for the internal relationship between variables. Hypothesis testing was carried out for 9 constructs as below:-

As an example, the first one is illustrated below in the tables 2 & 3:-

HO : Null hypothesis: There is no relationship between internal audit and customer complaint

HA : Alternative hypothesis: There is a significant relationship between internal audit and reduction of customer complaint

Table 2 : hypothesis testing

	YES	NO	NEUTRAL	TOTAL
YES	32	-	-	32
NO	02	22	36	60
NEUTRAL	02	02	04	08
TOTAL	36	24	40	100

Table 3 : Hypothesis testing

Observed	Expected	(O — E)2/ E
32	11.52	36.4
2	21.6	17.42
22	14.4	4
36	24	6
2	2.88	0.26
2	1.92	0.003
4	3.2	0.2
Calculated value total =		64.28

$$x^2 = \sum_{i=1}^{k} (O_I - E_I)^2 / E_i$$

where is the observed frequency for bin i and is the expected frequency for bin i. The expected frequency is calculated by

$$E_i = N\,(F\,(Y_u) - F(\,Y_i\,)\,)$$

Calculated Chi Square = 64.28

Degrees of Freedom = (c - 1)(r - 1) = 2(2) = 4

Table Chi Square value is 9.488 (for 95% significance level)

Reject Ho because 64.28 is greater than 9.488 (for 95% significance level).

Thus, we would reject the null hypothesis and accept the alternative hypothesis that there is a significant relationship between internal audit and reduction of customer complaint.

Similar to the test indicated above, other tests were conducted and the result is as below:-

There is a significant relationship hypothetically proven between

a) Effectiveness of Internal Audit and reduction of Customer Complaints

b) Effectiveness of internal audits and overall System effectiveness

c) Top Management's commitment and overall system effectiveness

d) Specifically tailored system and overall system effectiveness

e) Stakeholder perception monitoring and customer satisfaction

f) Key performance indicators and overall system effectiveness

g) Organization Culture and Corporate Social Responsibility

h) Staff knowledge & learning and the overall system effectiveness

i) Top Management commitment and Internal Audit.

No significant relationship between

j) No. of years of organization's existence in the market and top management commitment.

V. Conclusion

a) Summary of Conclusion:

Even though more than a million organizations have been certified to ISO QMS 9001 standard till date, there were certain common problems faced by majority of these certified organizations, which influences their business performance.

These problems are broadly classified into three categories as

• Leadership related issues (Inadequate Commitment by Top Management, Lack of Motivation, Recognition, Organizational learning , Strategic Planning & long term focus)

- Strategy Related Issues (Mission, Vision, Values, Strategic Planning, Strategy Mapping, Cascading down the line, KPIs & Initiatives)
- Quality System related issues (Weak Plan-Do-Check-Act cycle, generic system, internal audit not in depth, non value adding meetings/trainings & excessive paperwork)
- Society oriented gaps (Corporate Social Responsibility, Environmental Management &Sustainability)

When an organization carefully eliminates these above mentioned gaps, it can be sure of the whole business model to be effective with value added processes, methods, systems and efficient resources contributing for continual improvements and towards business excellence.

b) *Scope for further Research:*

The study was used to evaluate the level of effectiveness of QMS 9001 systems and classify the broad categories of gaps.

As a matter of logic, when the organizations struggle to demonstrate a minimum compliance to QMS, it may not be possible for these organizations to reach the business excellence, unless a customized model bridges between the minimum compliance to business excellence through a strategic framework, tailored specifically to suit the organization in terms of scope, scale and core competencies.

It is concluded that beyond this study, there is a scope for developing a strategic framework to reach business excellence through developing a strategic management system.

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Corporate Social Responsibility : Existing Practices Vs Csr Framework

By Durai Anand Kumar , Dr. V. Balakrishnan

Anna university of Technology, Coimbatore, South India

Abstract - Purpose : The purpose of this paper is to study how effective was the social responsibility demonstrated by the Mechanical, Electrical and Civil contracting organizations of the United Arab Emirates, in relation to the CSR framework of European Foundation for Quality Management (EFQM), and to identify the areas of strength and challenges in such CSR practices. Design/Methodology/Approach : A comprehensive review was made on the CSR literature. The recently published articles and best practices in the related subject were taken into consideration, including the EFQM Publications concerned. Our focus in this study was to select a stratified random sample of 50 organizations in the UAE and study their CSR characteristics such as their methodology and evaluation of CSR activities in relation to the best-practices. In this study, 8 constructs were tested to experiment the inter relationship between the variables driving the CSR performance. All the 8 variables were hypothetically proven to have a significant relationship, including the 5 EFQM CSR approaches. Strong areas and deficiencies in CSR initiatives by these organizations were classified and elaborated accordingly. Findings : The existing CSR activities of UAE organizations were compared with the 5 basic approaches of EFQM CSR framework and validated that all these approaches had a significant impact on the CSR performance. Social responsibility was found to gain focus in the UAE, with strong areas being a clear strategic direction and a sound financial capability. Some deficiencies were revealed in demonstrating social responsibility, which were classified into 5 major categories. Considering the UAE Government's strategic destination termed as "Vision 2030", the social responsibility practices need to improve in certain areas as highlighted in this paper. Originality / Value addition in this paper : Even though the study focused on the organizations at UAE, regardless of their country of location, size and scope of work, this study is expected to be useful for any organization to get a overview on the method of planning, deploying, evaluating and refining the CSR performance.

Keywords : Corporate Social Responsibility , C.S.R.Social Responsibility, Corporate Conscience , Corporate Citizenship , Social Performanc , Sustainable Responsible Business.

GJMBR -A Classification: JEL Code: O15, O16, Z13, M14, FOR Code: 150305

CORPORATE SOCIAL RESPONSIBILITY EXISTING PRACTICES VS CSR FRAMEWORK

Strictly as per the compliance and regulations of:

Corporate Social Responsibility : Existing Practices Vs Csr Framework

Durai Anand Kumar[α], Dr. V. Balakrishnan[Ω]

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Findings : The existing CSR activities of UAE organizations were compared with the 5 basic approaches of EFQM CSR framework and validated that all these approaches had a significant impact on the CSR performance.

Social responsibility was found to gain focus in the UAE, with strong areas being a clear strategic direction and a sound financial capability. Some deficiencies were revealed in demonstrating social responsibility, which were classified into 5 major categories. Considering the UAE Government's strategic destination termed as "Vision 2030", the social responsibility practices need to improve in certain areas as highlighted in this paper.

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I. INTRODUCTION

The term "corporate social responsibility" came in to common use in the late 1960s and early 1970s, after many multinational corporations (MNC) were established in the corporate world. Since then , the

Author : Anna University of Technology, Coimbatore, South India.
E-mail : hai_durai@yahoo.com Handset +971501974975.

corporate companies gradually included a focus to add value for the society, in addition to their core operational strategies. Even though there are some criticisms on the CSR to divert the corporate performance, CSR is instrumental to benefit the society in compensating the imbalances and improvising the social values such as Health, Safety, Literacy, etc.

Now days, several organizations claim to demonstrate the "Corporate Social Responsibility (CSR)" through grand campaigns and publications. The term CSR has been so popular and demanding to the extent that the Google webpage displays 9,780,000 results by May 2011 on the search of "Corporate Social Responsibility" Though it is a good sign to add value to the society, the rationale behind the CSR approach needed to be analyzed further, as different organizations interpret their social responsibility with different themes, budgets and methods.

As Jeremy Moon (2004) has pointed out, CSR is a difficult concept to pin down. It overlaps with other such concepts as corporate citizenship, sustainable business, environmental responsibility, the triple bottom line; social and environmental accountability; business ethics and corporate accountability. It is highly contextual not only in terms of its corporate environment but also in terms of its national environment. Moreover, CSR is an essentially contested concept. Thus any definition will necessarily be challenged by those who wish to contest the reach and application of any version of CSR.

Since 1990, the growth of CSR lobby groups or interested parties was commendable, to name a few were the World Economic Forum, World Business Council for Sustainable Development, UK- Business in the Community (BITC), US- business for Social Responsibility, Global Reporting initiative (GRI) from Amsterdam, Corporate Citizen Research Centre from Australia, Quality Associates International Inc., which developed the Social Accountability norms SA 8000, International Organization for Standardization (ISO) from Switzerland which has established a lot of standards on the Environment, Risk Assessment, Food Safety and Sustainability elements and European Foundation for Quality Management (Belgium) and Malcolm Baldrige Excellence Program (US), etc.

Several organizations have the "CSR Season" on-going and associated budget as well, regardless how they have understood and customized their CSR

practices for creating the maximum benefits to society. Further, organizations shall monitor the extent, to which a social change has been achieved because of CSR. All the above needs became driving forces to initiate this study.

II. TERMS & DEFINITIONS

- CSR: Corporate Social Responsibility, a self initiative by organizations to serve the society.
- Initiatives : Systematic Plans or Approaches
- Management Systems: Frame work of coordinated activities with a specific objective to maintain and improve.
- EFQM – European Foundation for Quality Management, a non-profit organization owing a business excellence model.
- Sustainability: The state of survival with a capacity to endure for future.

III. LITERATURE REVIEW

The term, "Corporate Social Responsibility" has been defined with several perspectives. The European Commission's definition of CSR is "A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis." The World Business Council for Sustainable Development in its publication "Making Good Business Sense" by Lord Holme and Richard Watts used the following definition. "Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large", A study on Corporate Sustainability Reporting in Canada(2005) defines CSR as "A company's commitment to operating in an economically, socially and environmentally sustainable manner, while recognizing the interests of its stakeholders including investors, customers, employees, business partners, local communities, the environment and society at large. In a nutshell, "CSR is a corporate commitment for adding values to the society and community, through their economical, social and environmental performance. Corporate Social Responsibility (CSR) is about how businesses align their values and behavior with the expectations and needs of stakeholders - not just customers and investors, but also employees, suppliers, communities, regulators, special interest groups and society as a whole. CSR demands that businesses balance their economic, environment and social perspectives.

CSR refers to a whole range of fundamentals that organizations are expected to acknowledge and to reflect in their actions. It includes, but not limited to caring the sustainability of the environment, respecting human rights, fair treatment of the workforce, customers and suppliers, being good corporate citizens of the communities, fair trade with business ethics, etc. The literature for CSR is vast and growing dynamically.

a) Citations

As derived from the TQM Word press website, the CSR has the basic responsibilities, classified as below:-
- *Economic Responsibility :* To improve productivity, Sales and Profitability
- *Legal Responsibility :* Compliance to the Statutory, Regulatory and Subscribed requirements.
- *Ethical Responsibility :* To be ethical in doing the business
- *Discretionary Responsibility :* To contribute and add value to the society and community, which is not mandated by the core business.

CSR Approaches: There are so many approaches adapted by the organizations in demonstrating their social responsibility, a few primary approaches obtained from the Wikipedia have been improvised as below:-
- *Community Approach :* The community will be selected and their social needs will be identified, accordingly the CSR programs will be provided. E. g .Literacy Programs for the nearby village community, Educational Scholarship programs, employment for the people of special needs, etc.
- *Philanthropic Approach :* Financial and Physical contributions for the needy
- *Sustainability Approach :* This approach focuses on the conservation of energy, prevention of pollution and environmental sustainability related themes.
- *Health and welfare Approach :* This approach will make the organizations to organize health and public awareness related campaigns such as "Blood-Donation, Road Safety, HIV-AIDS Awareness, Anti-Tobacco", etc
- *Strategic Approach :* As a part of organizational Strategy, the CSR theme will be identified and organized. E.g. the energy conservation theme derived from organizational strategy.
- *Social Accountability Approach :* This approach makes the organization to ensure socially accountable business as a way to serve CSR through fair-trading, fair pay and work conditions, equality in treatment for all employees, ethical consumerism and human rights.
- *Emergency Response Approach :* Natural Calamity response and relief programs to those affected, such as provision of rescue, food, shelter, domestic appliances, relief fund and health care measures.

According to a survey published in 2008 by " Economist Intelligence Links (Canada)", carried out with 1200 managers from everywhere in the world, and who intended to benefit from the implementation of strategies and policies, the six principal advantages mentioned were:-

I.   Capacity to attract new customers,
II. A greater value for the shareholders,
III. An increased profitability,
IV. Better capacity to manage the risks,
V.   Products and processes of better quality and,
VI. Capacity to recruit first choice employees.

The Key advantages perceived on CSR, but not limited to are:-

• Balancing the society and community against poverty, illiteracy, ill-health and lack of awareness
• Equality in treatment of employees, civilians and corporate stakeholders such as customers, suppliers, etc
• Pollution free or safe environment
• Social balance and security
• Good health and well-being.

But CSR is not absolutely criticism- free, as

I.   Not all the organizations demonstrating CSR are having their scope of business appropriate for the society (Like Tobacco companies organizing health programs),
II. CSR might distract the focus of maximizing the returns to the investors, described as "It is wiser for firms to act strategically than to be concerned into making investments in CSR" (Husted and Salzar 2008:481)
III. Some Considerable percentage of organizations "Preach" CSR rather than demonstrating it and
IV. It is difficult to measure the real-time effectiveness of CSR. Managing societal responsibilities requires these organizations to use appropriate measures and the leaders to assume responsibility for those measures. (Malcolm & Baldrige Business Excellence criteria 2011:53)
V.   As revealed by the Middle East information web resources (AME info FZ LLC), During the World Economic Forum (WEF) May 2008, the Executive Chairman of Alshaya group remarked that the CSR practices at UAE were in the elementary stage, not significantly improved beyond the donations to charity.
VI. John Elkington (1999) puts forth that "Social reporting is now well-established, as of course is financial reporting. But further challenges lie ahead for companies looking to evaluate social indicators…" These above citations were instrumental to take a decision to study the CSR practices against a standard framework.

b)   EFQM CSR Framework
The European Foundation for Quality Management(EFQM) is a global non-for-profit membership foundation based in Brussels, Belgium. With more than 500 members covering more than 55 countries and 50 industries, provides a unique platform for organizations to learn from each other and improve performance.EFQM is the custodian of the EFQM Excellence Model, a proven framework for success that is helping over 30 000 organizations around the globe to strive for Sustainable Excellence. The EFQM Model is at the heart of many organizations who perform consistently outstanding beyond the minimum compliance.

The EFQM model 2010 explains the concept of CSR is put into practice in the following way:-
• Excellent organizations adopt a highly ethical approach by being transparent and accountable to their stakeholders for their performance as a responsible organization.
• They give consideration to, and actively promote social responsibility nad ecological sustainability both now and for the future.
• The organization's CSR is expressed in its values and integrated within the organization.
• Through open and inclusive stakeholder engagement, they meet and exceed the expectations and regulations of the local and where appropriate, the global community.
• As a well managed risk, they seek out and promote opportunities to work on mutually beneficial projects with society inspiring and maintaining high levels of confidence with stakeholders.
• They are aware of the organization's impact on both the current and future community and take care to minimize any adverse impact.
• Once the concepts are understood, EFQM highlights the following questions as challenges for the leaders of the organizations:
How should the CSR concepts be implemented in an appropriate manner to give benefit to the organization and its stakeholders?
How do we know what our stakeholders require?
How do we know where to focus our attention?
How do we know whether we are achieving the benefits we expected for our organization and our stakeholders?
The EFQM Excellence criteria 2010, criteria 8 on Society results, specified the societal requirements on Excellent organizations, as below.
Develop and agree a set of performance indicators and related outcomes to determine the successful deployment of their societal and ecological strategy and related policies, based on the needs and expectations of the relevant external stakeholders.
• Set clear targets for Key Results based on the needs and expectations of their external stakeholders, in line with their chosen strategy.
• Demonstrate positive or sustained good Society Results over at least 3 years.
• Clearly understand the underlying reasons and drivers of observed trends and the impact these results will have another performance indicators and related outcomes.

- Anticipate future performance and results.
- Understand how the Key Results they achieve compare to similar organizations and use this data, where relevant, for target setting.
- Segment results to understand the experience, needs and expectations of specific stakeholders within Society.

c) EFQM - 8a. Perceptions

- This is society's perception of the organization. This may be obtained from a number of sources, including surveys, reports, press articles, public meetings, NGOs, public representatives and governmental authorities.
- These perceptions should give a clear understanding of the effectiveness, from society's perspective of the deployment and execution of the organization's societal and environmental strategy and supporting policies and processes.
- Depending on the purpose of the organization, measures may focus on:

o   Environmental impact
o   Image and reputation
o   Societal impact
o   Workplace impact
o   Awards and media coverage

d) EFQM - 8b. Performance Indicators.

- These are the internal measures used by the organization in order to monitor, understand, predict and improve the performance of the organization and to predict the impact on the perceptions of society.
- These indicators should give a clear understanding of the effectiveness and efficiency of the approaches adopted to manage the organization's societal and environmental responsibilities.
- Depending on the purpose of the organisation,measures may focus on:

o   Environmental performance
o   Regulatory and governance compliance
o   Societal performance
o   Health and safety performance
o   Responsible souring and procurement performance

e) EFQM elaborates further

A five step approach for CSR, as below

a.   Create Awareness and commitment: Before starting along the CSR journey, it is important to create CSR awareness throughout the organization and to gain commitment from the senior management team.
b.   Identify stakeholders and their needs & expectations: The identification of all the appropriate stakeholders and the understanding of their needs, expectations and risks is a crucial starting point for organizations which want to be more socially responsible.
c.   Conduct a Self-Assessment: Self assessment for CSR is a comprehensive, systematic and regular review

by an organization of its activities and results against the EFQM framework for CSR. It aims to understand better the CSR maturity level of the organization and to drive improvement.
d.   Improve the organization's activities: Based on the outcomes of the self-assessment, an organization should identify the improvement activities. These should help the organization to progress in its CSR journey.
e.   Review and Report CSR Performance: Public CSR reporting provides insight into what the organization is doing for its stakeholders. It provides measurements and transparency, helping to increase the image of the organization.

V.   DATA ANALYSIS

This study investigated the effectiveness of demonstrating the Social Responsibility by the UAE organizations, represented by a sample group of 50 contractors out of the lot of 400 Contractors. (21 Mechanical Contractors, 22 Electrical Contractors and 7 Civil contractors and a stratified random sample of 6 organizations with 1-50 staff,41 organizations with 51-100 staff and 3 organizations with more than 100 staff) and the data was analyzed as below:-

a.   Commitment : 18% of the respondents revealed that their top management was committed towards serving the society, 14% of the respondents had their management unwilling towards social responsibilities, 68% of the respondents could not say whether their management was committed or not.
b.   Budget for CSR : 18% of the respondents had a clear idea as how much of budget was planned and allocated for CSR. 22% of the respondents revealed no budget for CSR and the remaining 60% had no idea about the budgetary figures related to their organization.
c.   Formal CSR Initiatives : Only 16% of the respondents accepted that their organizations had formal CSR initiatives implemented, 46% respondents denied of any such formal initiatives and the remaining 38% respondents had no idea on the CSR related initiatives of their organization.
d.   CSR Action Plan : Regardless of the CSR budget and initiatives, hardly 18% of the responded organizations had action plan framework for demonstrating CSR within their organization, 76% organizations did not have any such action plan and 6% respondents had no idea whether their organizations had action plan or not.
e.   CSR Approaches : 18% of the respondents revealed that their organizations had CSR initiatives in addition to donations. 64% respondents adapted a philanthropic approach only and not any other initiatives and 18% respondents had no idea on which CSR approach their organization had.
f.   CSR & Corporate Strategy : 16% of the organizations accepted that CSR was a part of their corporate strategy. 14% respondents revealed that CSR

was not aligned with their corporate strategy and the remaining 70% were not clear of the relationship between CSR and their corporate strategy.

g. CSR Performance Measurement : 16% organizations agreed that their CSR was linked with performance measurement framework such as Balance score card, 40% of organizations had not measured their CSR performance and the remaining 44% respondents had no idea about measuring their CSR performance.

h. CSR Reporting : 22% of responding organizations revealed that the CSR reporting was done in their organization, 34% respondents replied that CSR in their organization was not being reported. 44% respondents were not aware of CSR reporting mechanism.

i. CSR Indicators : 42% respondents agreed that their organizations had certain Key Performance Indicators (KPIs) related to CSR. 32% respondents did not agree with any such KPIs related to CSR. 26% organizations had no idea about the CSR related KPIs.

j. Tailor - Made CSR : 38% of the respondents replied that their organization's CSR framework is not generic and has been customized to suit its scope, scale and social needs. 4% of respondents mentioned that their CSR model was generic and not customized. 58% of respondents had no idea on the level of customizing their CSR model.

k. Code of Ethics : 22% respondents had got the statement of ethics developed in their organization, 76% of organizations did not have any such statement, 2% respondents stayed neutral.

l. Stakeholder Satisfaction : 38% of the respondents revealed a hike in the stakeholder satisfaction, as a result of demonstrating the social responsibility, 34% respondents did not notice any such increase in stakeholder satisfaction and 28% had no idea in this regard.

m. Corporate Compliance : 40% of respondents agreed with the idea that their corporate compliance to Legal and regulatory requirements got improved because of CSR implementation. 32% respondents did not agree with this idea and 28% respondents stayed neutral.

n. CSR Responsibilities : 6 % of responding organizations revealed that the CSR was everyone's responsibility in their organization, 42% respondents replied that CSR in their organization was the responsibility of a single person or that of department assigned for it. 52% respondents were not aware of whose responsibility CSR was how it was managed.

o. Internal Communication : 6% of respondents confirmed of an internal communication in their organization on their progress regarding CSR performance. 40% of respondents indicated no means of internal communication on their CSR performance. 54% respondents had no idea regarding such internal communication.

p. CSR Celebrations : Only 6% of the sampled organizations celebrate the completion of CSR related initiatives /achievements. 42% organizations don't celebrate the achievements and 52% respondents were not aware of their achievements at all.

q. CSR related Recognition : Hardly 26% of respondents motivate their staff by recognizing those who participated in the CSR related initiatives. 52% respondents revealed no motivation/ recognition related to CSR performance. 22% respondents stayed neutral.

r. CSR & Brand Image : 34% respondents agreed of improved brand image because of social initiatives and 30% denied of any such hike in the brand image due to CSR, 36% of respondents stayed neutral.

VI. Hypothesis Testing

Primary data collected were analyzed for the internal relationship between variables. To compare the existing CSR practices in relation to the EFQM CSR framework, Hypothesis testing was carried out for 7 constructs, including the 5 EFQM approaches on CSR framework:-

As an example, the first one is illustrated below:-

- HO : Null hypothesis: There is no relationship between Effectiveness of CSR Programs and identification of Stakeholder needs and expectations.

- Ha : Alternative hypothesis: There is a significant relationship between the CSR programs and Stakeholder needs identification.

The hypothesis was tested as represented in table 1. The null hypothesis was rejected and alternate hypothesis accepted, proving that the process of identifying the needs and expectations of stakeholders had a significant relationship with the effective CSR performance of the organization.

Similar to the test indicated above, other tests were conducted and the result is as below:-

There was a significant relationship hypothetically proven between

a) Top management's social commitment and the effectiveness of CSR programs. (EFQM CSR Approach 1 of 5)

b) Formal CSR initiatives and CSR effectiveness.

c) Identification of stakeholders' needs & expectations and CSR performance. (EFQM Approach 2 of 5)

d) CSR self assessment and CSR effectiveness (EFQM CSR Approach 3 of 5)

e) CSR effective implementation and improving Organization's activities. (EFQM CSR Approach 4 of 5)

f) Social Responsibility and Organizational Brand Image

g) Specific social programs tailored for organization and CSR effectiveness

h) CSR reporting and CSR performance improvement (EFQM CSR Approach 5 of 5)

VII. Conclusion

Corporate Social Responsibility has been a great tool for solving societal issues and improving the social values.

An in-depth review of CSR literature was made, supported by the EFQM's CSR framework.

The existing CSR activities of UAE organizations were compared with the 5 basic approaches of EFQM CSR framework and validated that all these approaches had a significant impact on the CSR performance.

Through statistical sampling, it is evident that a major proportion of UAE organizations have the following strength areas in their social responsibility:-

• Clear Direction setting in the social responsibility by the Government (Executive Council)
• Social responsibility set as a part of national and corporate strategy
• Community development initiatives are mandated such as employment of the UAE Locals, Females and those with special needs.
• A dedicated budget for the social responsibility.

There were a few challenges revealed in our study which affect the CSR effectiveness, especially at UAE:-

• CSR activities at UAE need to mature well, as in most organizations the scope of social responsibility stopped with donations or charity.
• Though organizations were allocated budget, Social responsibility initiatives were undertaken by a department or a team of staff only, rather than a direct involvement of Top management in partnering with the society and CSR programs. This resulted in a perception that CSR is a non-productive business element.
• Majority of organizations, regardless of their CSR programs, were not clear about which CSR approach they adapt in their organization as well as formal initiatives with action plan for implementation.
• CSR programs were not systematically monitored to evaluate the effectiveness and efficiency of demonstrating the social responsibility.
• CSR action planning, tracking and quantification of results were found inadequate.
• Internal communication of CSR progress and external communication of CSR performance were found inadequate, which need to be adapted.

The UAE organizations needed to fine-tune their CSR approaches and accountability according to standard frameworks such as the CSR framework approach by EFQM, so that it will be easy for them to quantify the social change contributed by them, in par with the expectations of the Stakeholders for the best interest of the society and community.

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Firm Technological Change and Its Effects on Management Accounting Change (Case Study of Iranian Manufacturing Firms)

By Akbar Allahyari , Morteza Ramazani

Zanjan Branch, Islamic Azad University, Zanjan, Iran

Abstract - Exact costing of productions and providing suitable and reliable information or reports for economic decision- making process are the main consideration in management accounting, meanwhile firms technological change causes the management accounting to change which we have tested the effects of suck technological change on management accounting change (MAC). The research method is descriptive survey and in applied type in which researcher have utilized four hypothesis to obtain the research objectives. The first hypotheses compare the rate of technological changes effect on management accounting change. While the second hypothesis is used to compare the needs of manufacturing firms to another costing system. Also in this research, the author has T test for both hypothesis. The third hypothesis deals with the sameness of technological changes item in which researcher have used Friedman test to examine it. Finally, the forth hypothesis , to compare the sameness of technological changes effect and the rate of firms need for other costing system by considering the firm size, researcher have applied Kruskal-Wallis test and the research results indicate the firms tendencies to develop the management accounting system.

Keywords : *Management Accounting Change, Technological Change, Manufacturing Firms, Iran.*

GJMBR-A Classification: *JEL Code: O33, M41, O32, L22, L60 FOR Code: 150307, 150102*

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I. INTRODUCTION

In 21 century the financial managers can specify only 10-20 percents of their working time to do the affairs of reporting and market price (market cost) definitions.

This point comes from the fact that the common and traditional methods of accounting and financial report have been developed into the automatic process which is common and clear these days. In this situation the financial management can be useful for their firms only when they assist them (firms); decision – making process and defining the strategies.

In this century, the financial managers must specify most part of their working time to access, analyze and interpret the changes and management decision- making process. (Hilton, 2000)

The designing of accounting system in Iran coincided with the arrival of accounting experts from western countries, mean while the performance history of system designing units of some international firms (institutions) such as coopers and others some who refer to the second half of 20 century. Fundamental changes in economy, manufacturing technology specially it have caused many tremendous changes in management method of the firms. Firms manufacturing managers are under pressure to find ways for balancing costs- cutting and quality improvement by considering profitability. In developed countries, firms not succeeded in defeating these challenges, often stop their performance or being purchased by other firms. As an example, is the case which happened for a firm among 100 large manufacturing firms in austerely between 1982-1993.

Since 1985, all discussions in academics and executives state that in many manufacturing firms the costing systems don't satisfy information needs (requirements) and analysis process during decision making and sometimes they reason that the costing system is an important obstacle to perform new technologies and understand firm's competitive advantages.

New approaches and philosophy in management area, specially total quality management and just in time system in some developed countries and developing countries , also change in it area, economic.

And business have made tremendous effects in manufacture method of productions and costing system performance method of organizations, mean while some new technics such as activity based costing (ABC) , objective costing , life cycle costing, reporting quality costing and strategic management accounting have been created and been utilized.

Therefore, in spite of carrying out new manufacturing methods by the firms to improve their competitive advantage and requirement to make change in manufacturing methods and tools, the costing system are faced with serious exotics in this essay not only we have management accounting literature but we are trying to examine the effects of technological changes including items as 1- automation 2- short production cycle 3- increase in overheads and analysis firms needs for costing system.

In understanding management accounting in a competitive business environment, much research has increasingly focused on the change aspect. When business organizations respond to challenges by embarking on a change management path, they will

Author[α] : Faculty Member of Payame Noor University, Abhar Center, Zanjan, Iran.
Author[Ω] : Young Researchers Club, Zanjan Branch, Islamic Azad University, Zanjan, Iran. E–mail : mortezaramazani@ymail.com

face the choice of which one of the alternative management methods, techniques and systems would be most effective (Waldron, 2005).

Moreover, the introduction of a 'fast information technology' environment, within which firms in manufacturing industries in Malaysia operate, has greatly affected the associated technological environment. Much literature has identified technological advancement, active competitors and demanding customers as potential predictors of organisational and MAC (Baines & Langfield-Smith, 2003; Dibrell & Miller, 2002; Innes & Mitchell, 1990; Kaplan & Norton, 1996; Shields, 1997). This aspect is important because the management accounting system (MAS) requirements can vary significantly depending on how well known are the causes of change in the external environment, and their indicators are to the organisation. This argument is supported by Waweru, Hoque and Uliana (2004), who found that an increase in global competition and changes in technology were the two main contingent factors affecting MAC in South Africa.

As the firm strives to achieve a better fit with its environment, and to be more successful, sustaining, and improving current performance will become critical. However, very limited research has taken place into how changes in technological and competitive business environments have caused management accounting and organisational change in developing countries. Most empirical evidence in this area originates from research in developed countries (Baines & Langfield-Smith, 2003; Burns, Ezzamel, & Scapens, 1999; Chenhall & Euske, 2007; Ling-Yee & Ogunmokun, 2008; J. A. Smith, J. Morris, & M. Ezzamel, 2005).

a) Management Accounting Change

MAC is not a uniform phenomenon. Consequently one might expect the causal factors of change to be varied and this has indeed been confirmed by management accounting researchers. It is evident that both the external factors (environmental) and internal factors (relating to the organisation concerned) have influenced the recent development of new management accounting systems and techniques. According to Shields (1997), the potential change drivers are competition, technologies, organizational design and strategies. These drivers of change also indicate the differing roles which causal factors can have in the process of change. Change in environment also implies uncertainty and risk which create a demand for further MAC in the form of 'non-financial' measures (Vaivio, 1999).

Many researchers have shown an interest in understanding MAC (Baines & Langfield-Smith, 2003; Chenhall & Langfield-Smith, 1998b; Innes & Mitchell, 1990; Libby & Waterhouse, 1996). For example Chenhall and Langfield-Smith (1998b) have explored the benefit of management accounting change, but less is known

about the forces that induce this change (Laitinen, 2006). The reasons for MAC are termed "motivational factors" (Laitinen, 2006), and many researchers have suggested a substantial list of motivational factors (Baines & Langfield- Smith, 2003; Laitinen, 2001; Libby & Waterhouse, 1996). For example, Innes and Mitchell (1990) found a different set of circumstances linked with management accounting change, which they termed as follows:

- Motivators (e.g., competitive market, organisational structure, and product technology)
- Catalysts (e.g., poor financial performance, loss of market share, organisational change)
- Facilitators (e.g., accounting staff resources, degree of autonomy, accounting requirements)

The interaction between these variables promotes change not only in management accounting but also other related disciplines2 (Innes & Mitchell, 1990; Laitinen, 2006). Laitinen (2001) classified these factors in six groups: information needs; changes in technology and environment; willingness to change; resources for change; objectives for change; and external requirements. Laitinen (2006), on the other hand, used four categories of factors to explain management accounting change: organisational factors; financial factors; motivational factors, and management tools.

While, various factors have been associated with management accounting change, this study considers three factors, i.e., motivational factors, organisational factors and financial factors. Changes in environment and technology are used as motivational factors in explaining MAC and changes in organisational factors (i.e., structure and strategy). Besides that, organisational structure and strategy (organisational factors) are considered as contextual factors inside the firm that may have a connection to changes in management accounting (Moores & Yuen, 2001). Financial factors are used as outcomes of management accounting and organisational change. Grandlund (2001) suggested that low financial performance may put economic pressure on the firm to change its MAS to increase performance. Baines and Langfield-Smith (2003) suggested that if MAC is accompanied by a greater reliance on accounting information, it may result in improved performance. Thus, financial performance may be an antecedent or an outcome factor of management accounting change.

II. Literature Review

The basic purpose of accounting information is to help users make decisions. Management accounting is the branch of accounting that produces information for managers and forms an important integral part of the strategic process within an organisation. It involves the

process of identifying, measuring, accumulating, analysing, preparing, interpreting, and communicating information that helps managers fulfill organizational objectives (Horngren, Sundem, Stratton, Burgstahler, & Schatzberg, 2007). Chartered Institute of Management Accountants (UK) (2000) views management accounting as an integral part of management which requires the identification, generation, presentation, interpretation and use of information relevant to formulating business strategy, planning and controlling activities, decision-making, efficient resource usage, and performance improvement and value enhancement.

III. Research Objectives

Research objectives are as follow:
1- To examine the effects of technical changes on management accounting of manufacturing firms.
2- To identify the rate of firms needs for other costing system.

IV. Research Hypotheses

1- Technical changes have no effects to change the management accounting of Iranian manufacturing firms.
2- Iranian manufacturing firms need other costing system.
3- Technical items occupy the same importance from the view points of their effects to change the management accounting.
4- Technical changes have same importance to change the management accounting by considering the firm size.

V. Research Methodology

Research method is descriptive- survey and applied one in order to enter research area field method have been used. In order to gather needed research information two series of data (primary and second) have been used in which documents, books, internet search motors and relative sites have been utilized in gathering data.

Also, in this research questionnaire and interview techniques have been used simultaneously to gather research primary data from statistical society.

Sampling method is based on random- class which has been applied to select sample level- in this research firms are classified based on firm size as follow: small (below 10 personals), middle (10-50 personals) , large (50-150 personals) and very large (more them 150 personals).The research statistical society – active manufacturing firms- were provided with 150 questionnaires in which 112 answered questionnaire came to obtain conclusion by researcher. Statistical analysis has performed in two sections, descriptive and deductive in descriptive section, frequency charts have been formed to examine the general features of studied sample (sex , age ,

professional experience , major course , degree and human resource number) and describe them.

In deductive analysis section, T- test has been utilized to compare the observed and theoretical means to decide on hypothesizes rejection or validation. If the observed mean of studied sample described for the first hypothesis is meaningfully more than theoretical mean ($3=1+2+3+4+5/5$) and fore second hypothesis it (observed mean) is meaininfuly more than theoretical mean of specified codes mean in LIKERT scale , we can conclude that the Frequency of much and very much options is meaningfully less than frequency of options little and very little , so the hypothesis is valid, in this assay Friedman test has been used to examine the uniformity of research variables and than kruskal- wallis non- parametric test has been utilized to analyze separately the effect of firm size on research variable.

Table 1: Frequency of Firms Size

Firm Size		Frequency	Percent
Small	>10	4	3.6
Middle	10 to 50	56	50.
Large	50 to 150	28	25
Very large	more than 150	24	21.4
Total		112	100

VI. Statistical Analysis

a) First hypothesis testing

Ho: the mean is equal to 3 (technological changes have no effect on MAC of Iranian manufacturing firms.

H1: the mean is opposed to 3 (technological changes have effect on MAC of Iranian manufacturing firms.

Considering the values in table No.2, p-value= 0.000 the assumption of Ho is invalid in the error level of %5. On the other hand, the observed mean is not equal to 3 and since the applied mean (2.08) is less than 3 or theoretical mean then we can conclude that the observations mean is meaningfully less than 3, in other word, the research hypothesis is accepted in the error level of %5 so we can state that the technological changes affect the management accounting to change.

b) Second hypothesis testing

Ho: the mean is equal to 2. (Iranian manufacturing firms need no their costing system)

H1: the mean is opposed to 2. (Iranian manufacturing firms need their costing system)

Table 2 : T Test Statistics

Description / Hypotheses	n	x̄	s	t	d.f	Test Value	P-value	Result
First Hypothesis	112	2.08	0.268	0.0254	11	3	0.000	Accept
Second Hypothesis	112	2.28	0.962	0.0909	11	2	0.002	Accept

Regarding the values in table No. 2, p-value=0.002, the assumption of Ho is rejected in the error level of %5.

In other word, the mean of the observation is not equal to s and since the applied mean (2.28) is more than 2 or theoretical mean then we conclude that the mean of the observation. Is meaningfully more than 2, in other word research hypothesis is valid in the error level of %5 therefore we can state that the manufacturing firms need no other costing system.

c) Third hypothesis testing

Ho: technological items have uniform importance to affect the management accounting change.

H1: technological items don't have uniform importance to affect the management accounting change.

In order to prioritize the important of each variable we have used Friedman test. This test is used when the statistical data are ordinal or we can classify them reciprocally based on ordinal conception.

Friedman test states that if there is a factor among all to be most important than or not, they have all uniform importance.

As you see in table 3, the statistical value, chi-square with Freedom degree 3 and sig=0.00 less than %5, H1 is rejected and the assumption of Ho is valid wit %95 trust level. And the prioritizations of independent variables are as table No.5.

Therefore we can conclude that the technological items have uniform importance to affect the management accounting change.

Table 3 : Friedman Test Statistics

N	Chi-Square	df	Sig	Result
112	23.155	3	0.000	Accept

Table 4 : Rank

Independent Variables	Mean Rank
Automation	2.84
Short Production Cycle	2.65
Quality Requirements	2.45
Increase in Overheads	2.27

d) Forth hypothesis testing

Ho: Technological changes have uniform effects to change management accounting by considering the firm size

H1: technological changes don't have uniform effects to change management accounting by considering firm size.

Considering the values obtained from sig in table No.6, we can conclude that the firm size affects the variables of technological changes. Therefore, we state that these effects are uniform based on different size of times.

Table 5 : Ranks

Factor	Firm Size	N	Mean Rank
The effect of technological changes	>10	4	12.50
	10 to 50	56	64.36
	50 to 150	28	50.79
	more than 150	24	52.17
	Total	112	
Other costing system requirements	>10	4	14.50
	10 to 50	56	63.64
	50 to 150	28	65.93
	more than 150	24	35.83
	Total	112	

Table 6 : Kruskal-Wallis Test Statistics

Description \ Factor	The effect of technological changes	Other costing system requirements
Chi-Square	13.838	23.428
df	2	3
P-Value	0.003	0.000
Result	Difference is meaningfully	Difference is meaningfully

VII. RESULTS AND FINDINGS

This essay describes the survey results obtained from active manufacturing firms sizes in this research are as follow: small, middle, large and very large.

Results obtained from research hypothesis testing show that the firm technological changes affect MAC and firm need other costing system.

In order to examine the uniformity research independent variables effect. Friedman test has been used which states that the effect of research independent to recognize the effect of research main variables based on firm size Kruskal-Wallis test was used and test results show agreement among studied sample hypothesis.

We can generally conclude that the firm's competition in world markets have been complicated and pressed in comparison with post and customers have many options to select their favorite productions. Now days, technology developments have brought more production and similar service and customers have many options to purchase the favorite items. In this situation firms can survive and continue their activity in production process by providing quality, suitable performance and competitive production with low net cost to increase their share in markets and earn their favorite been fit. The only tool to satisfy these is activity based costing (ABC) and promotion of manufacturing system and store which can be responsible against technological changes.

We can conclude that monopolistic or exclusive markets in Iran is a critical obstacle preventing Iranian firms to apply new costing methods and production and it is possible only in competitive atmosphere in which firms will apply these system to survive.

VIII. ACKNOWLEDGEMENT

We should thank for Professor Fereydoun Aghazadeh for his sincere assistance and guidance from Louisiana State University, USA.

IX. CONCLUSIONS

Considering the topic in importance and regarding the results obtained from research data some recommendations are provided as follow:

1. In Iran firms are inclined to change their management accounting system , but the absence of competitive nature in markets don't allow them to carry the costs of system change on his shoulder. So government must provide some facilitations in boundaries to import goods and productions from foreign countries , then national manufacturer will be encourage to compete with goods imported from foreign countries, so national manufacturers will consider key factors of management accounting systems change and costing in their manufacturing process.

2. Firms must replace traditional and individualized method of working in order to increase the quality and reduce cost price.

3. To develop the relation between firm and customers in order to identify their needs.

4. Costing is defined based on activity of a system which reduces costs and leads to the precise computation of cost price, so firms are recommended to replace traditional system of measurement and cost price definition with activity based costing.

5. Considering the Society of Iranian value engineering (SIVE) it is recommended to the firms to benefit from the guidelines of this society, value engineering, to improve their performance by referring to web site of Iranian value engineering Society (www.sive.org)

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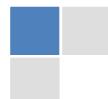
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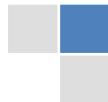
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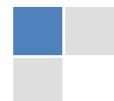
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You can use your own standard format also.
Author Guidelines:

1. General,

2. Ethical Guidelines,

3. Submission of Manuscripts,

4. Manuscript's Category,

5. Structure and Format of Manuscript,

6. After Acceptance.

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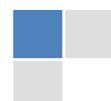
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Research letters: The letters are small and concise comments on previously published matters.

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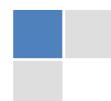
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Acknowledgements: Please make these as concise as possible.

References

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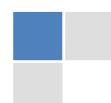
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- Please note the criterion for grading the final paper by peer-reviewers.

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· Present your points in sound order

· Use present tense to report well accepted

· Use past tense to describe specific results

· Shun familiar wording, don't address the reviewer directly, and don't use slang, slang language, or superlatives

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Choose a revealing title. It should be short. It should not have non-standard acronyms or abbreviations. It should not exceed two printed lines. It should include the name(s) and address (es) of all authors.

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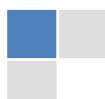
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- Reason of the study - theory, overall issue, purpose
- Fundamental goal
- To the point depiction of the research
- Consequences, including <u>definite statistics</u> - if the consequences are quantitative in nature, account quantitative data; results of any numerical analysis should be reported
- Significant conclusions or questions that track from the research(es)

Approach:

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- A conceptual should situate on its own, and not submit to any other part of the paper such as a form or table
- Center on shortening results - bound background information to a verdict or two, if completely necessary
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- Present a justification. Status your particular theory (es) or aim(s), and describe the logic that led you to choose them.
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- Present surroundings information only as desirable in order hold up a situation. The reviewer does not desire to read the whole thing you know about a topic.
- Shape the theory/purpose specifically - do not take a broad view.
- As always, give awareness to spelling, simplicity and correctness of sentences and phrases.

Procedures (Methods and Materials):

This part is supposed to be the easiest to carve if you have good skills. A sound written Procedures segment allows a capable scientist to replacement your results. Present precise information about your supplies. The suppliers and clarity of reagents can be helpful bits of information. Present methods in sequential order but linked methodologies can be grouped as a segment. Be concise when relating the protocols. Attempt for the least amount of information that would permit another capable scientist to spare your outcome but be cautious that vital information is integrated. The use of subheadings is suggested and ought to be synchronized with the results section. When a technique is used that has been well described in another object, mention the specific item describing a way but draw the basic

principle while stating the situation. The purpose is to text all particular resources and broad procedures, so that another person may use some or all of the methods in one more study or referee the scientific value of your work. It is not to be a step by step report of the whole thing you did, nor is a methods section a set of orders.

Materials:

- Explain materials individually only if the study is so complex that it saves liberty this way.
- Embrace particular materials, and any tools or provisions that are not frequently found in laboratories.
- Do not take in frequently found.
- If use of a definite type of tools.
- Materials may be reported in a part section or else they may be recognized along with your measures.

Methods:

- Report the method (not particulars of each process that engaged the same methodology)
- Describe the method entirely
- To be succinct, present methods under headings dedicated to specific dealings or groups of measures
- Simplify - details how procedures were completed not how they were exclusively performed on a particular day.
- If well known procedures were used, account the procedure by name, possibly with reference, and that's all.

Approach:

- It is embarrassed or not possible to use vigorous voice when documenting methods with no using first person, which would focus the reviewer's interest on the researcher rather than the job. As a result when script up the methods most authors use third person passive voice.
- Use standard style in this and in every other part of the paper - avoid familiar lists, and use full sentences.

What to keep away from

- Resources and methods are not a set of information.
- Skip all descriptive information and surroundings - save it for the argument.
- Leave out information that is immaterial to a third party.

Results:

The principle of a results segment is to present and demonstrate your conclusion. Create this part a entirely objective details of the outcome, and save all understanding for the discussion.

The page length of this segment is set by the sum and types of data to be reported. Carry on to be to the point, by means of statistics and tables, if suitable, to present consequences most efficiently.You must obviously differentiate material that would usually be incorporated in a study editorial from any unprocessed data or additional appendix matter that would not be available. In fact, such matter should not be submitted at all except requested by the instructor.

Content

- Sum up your conclusion in text and demonstrate them, if suitable, with figures and tables.
- In manuscript, explain each of your consequences, point the reader to remarks that are most appropriate.
- Present a background, such as by describing the question that was addressed by creation an exacting study.
- Explain results of control experiments and comprise remarks that are not accessible in a prescribed figure or table, if appropriate.
- Examine your data, then prepare the analyzed (transformed) data in the form of a figure (graph), table, or in manuscript form.

What to stay away from

- Do not discuss or infer your outcome, report surroundings information, or try to explain anything.
- Not at all, take in raw data or intermediate calculations in a research manuscript.

- Do not present the similar data more than once.
- Manuscript should complement any figures or tables, not duplicate the identical information.
- Never confuse figures with tables - there is a difference.

Approach
- As forever, use past tense when you submit to your results, and put the whole thing in a reasonable order.
- Put figures and tables, appropriately numbered, in order at the end of the report
- If you desire, you may place your figures and tables properly within the text of your results part.

Figures and tables
- If you put figures and tables at the end of the details, make certain that they are visibly distinguished from any attach appendix materials, such as raw facts
- Despite of position, each figure must be numbered one after the other and complete with subtitle
- In spite of position, each table must be titled, numbered one after the other and complete with heading
- All figure and table must be adequately complete that it could situate on its own, divide from text

Discussion:

The Discussion is expected the trickiest segment to write and describe. A lot of papers submitted for journal are discarded based on problems with the Discussion. There is no head of state for how long a argument should be. Position your understanding of the outcome visibly to lead the reviewer through your conclusions, and then finish the paper with a summing up of the implication of the study. The purpose here is to offer an understanding of your results and hold up for all of your conclusions, using facts from your research and generally accepted information, if suitable. The implication of result should be visibly described. Infer your data in the conversation in suitable depth. This means that when you clarify an observable fact you must explain mechanisms that may account for the observation. If your results vary from your prospect, make clear why that may have happened. If your results agree, then explain the theory that the proof supported. It is never suitable to just state that the data approved with prospect, and let it drop at that.

- Make a decision if each premise is supported, discarded, or if you cannot make a conclusion with assurance. Do not just dismiss a study or part of a study as "uncertain."
- Research papers are not acknowledged if the work is imperfect. Draw what conclusions you can based upon the results that you have, and take care of the study as a finished work
- You may propose future guidelines, such as how the experiment might be personalized to accomplish a new idea.
- Give details all of your remarks as much as possible, focus on mechanisms.
- Make a decision if the tentative design sufficiently addressed the theory, and whether or not it was correctly restricted.
- Try to present substitute explanations if sensible alternatives be present.
- One research will not counter an overall question, so maintain the large picture in mind, where do you go next? The best studies unlock new avenues of study. What questions remain?
- Recommendations for detailed papers will offer supplementary suggestions.

Approach:

- When you refer to information, differentiate data generated by your own studies from available information
- Submit to work done by specific persons (including you) in past tense.
- Submit to generally acknowledged facts and main beliefs in present tense.

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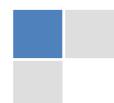
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Methods and Procedures	Clear and to the point with well arranged paragraph, precision and accuracy of facts and figures, well organized subheads	Difficult to comprehend with embarrassed text, too much explanation but completed	Incorrect and unorganized structure with hazy meaning
Result	Well organized, Clear and specific, Correct units with precision, correct data, well structuring of paragraph, no grammar and spelling mistake	Complete and embarrassed text, difficult to comprehend	Irregular format with wrong facts and figures
Discussion	Well organized, meaningful specification, sound conclusion, logical and concise explanation, highly structured paragraph reference cited	Wordy, unclear conclusion, spurious	Conclusion is not cited, unorganized, difficult to comprehend
References	Complete and correct format, well organized	Beside the point, Incomplete	Wrong format and structuring

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