

GLOBAL JOURNAL OF MANAGEMENT & BUSINESS RESEARCH

DISCOVERING THOUGHTS AND INVENTING FUTURE

Innovations to
9 Sketch Your
Business

Issue 1 | Version 1.0
The Volume 11

Lets concentrate..

Strategic Planning Process

Human Resources Practices

Independent Directors in the Board

Empirical Study of Employment

February
2011



GLOBAL JOURNAL OF MANAGEMENT AND BUSINESS RESEARCH

GLOBAL JOURNAL OF MANAGEMENT AND BUSINESS RESEARCH

VOLUME 11 ISSUE 1 (VER. 1.0)

GLOBAL ASSOCIATION OF RESEARCH

© Global Journal of
Management and Business
Research. 2011.

All rights reserved.

This is a special issue published in version 1.0
of "Global Journal of Management And
Business Research." By Global Journals Inc.

All articles are open access articles distributed
under "Global Journal of Management And
Business Research"

Reading License, which permits restricted use.
Entire contents are copyright by of "Global
Journal of Management And Business
Research" unless otherwise noted on specific
articles.

No part of this publication may be reproduced
or transmitted in any form or by any means,
electronic or mechanical, including
photocopy, recording, or any information
storage and retrieval system, without written
permission.

The opinions and statements made in this
book are those of the authors concerned.
Ultraculture has not verified and neither
confirms nor denies any of the foregoing and
no warranty or fitness is implied.

Engage with the contents herein at your own
risk.

The use of this journal, and the terms and
conditions for our providing information, is
governed by our Disclaimer, Terms and
Conditions and Privacy Policy given on our
website <http://www.globaljournals.org/global-journals-research-portal/guideline/terms-and-conditions/menu-id-260/>.

By referring / using / reading / any type of
association / referencing this journal, this
signifies and you acknowledge that you have
read them and that you accept and will be
bound by the terms thereof.

All information, journals, this journal,
activities undertaken, materials, services and
our website, terms and conditions, privacy
policy, and this journal is subject to change
anytime without any prior notice.

Incorporation No.: 0423089
License No.: 42125/022010/1186
Registration No.: 430374
Import-Export Code: 1109007027
Employer Identification Number (EIN):
USA Tax ID: 98-0673427

Global Journals Inc.

(A Delaware USA Incorporation with "Good Standing"; **Reg. Number: 0423089**)

Sponsors: *Global Association of Research
Open Scientific Standards*

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

Global Journals Inc., City Center Office, 25200
Carlos Bee Blvd. #495, Hayward Pin: CA 94542
United States

Packaging & Continental Dispatching

Global Journals, India

Find a correspondence nodal officer near you

To find nodal officer of your country, please
email us at local@globaljournals.org

eContacts

Press Inquiries: press@globaljournals.org

Investor Inquiries: investers@globaljournals.org

Technical Support: technology@globaljournals.org

Media & Releases: media@globaljournals.org

Pricing (Including by Air Parcel Charges):

For Authors:

22 USD (B/W) & 50 USD (Color)

Yearly Subscription (Personal & Institutional):

200 USD (B/W) & 500 USD (Color)

EDITORIAL BOARD MEMBERS (HON.)

John A. Hamilton,"Drew" Jr.,

Ph.D., Professor, Management
Computer Science and Software
Engineering
Director, Information Assurance
Laboratory
Auburn University

Dr. Henry Hexmoor

IEEE senior member since 2004
Ph.D. Computer Science, University at
Buffalo
Department of Computer Science
Southern Illinois University at Carbondale

Dr. Osman Balci, Professor

Department of Computer Science
Virginia Tech, Virginia University
Ph.D.and M.S.Syracuse University,
Syracuse, New York
M.S. and B.S. Bogazici University,
Istanbul, Turkey

Yogita Bajpai

M.Sc. (Computer Science), FICCT
U.S.A.Email:
yogita@computerresearch.org

Dr. T. David A. Forbes

Associate Professor and Range
Nutritionist
Ph.D. Edinburgh University - Animal
Nutrition
M.S. Aberdeen University - Animal
Nutrition
B.A. University of Dublin- Zoology

Dr. Wenying Feng

Professor, Department of Computing &
Information Systems
Department of Mathematics
Trent University, Peterborough,
ON Canada K9J 7B8

Dr. Thomas Wischgoll

Computer Science and Engineering,
Wright State University, Dayton, Ohio
B.S., M.S., Ph.D.
(University of Kaiserslautern)

Dr. Abdurrahman Arslanyilmaz

Computer Science & Information Systems
Department
Youngstown State University
Ph.D., Texas A&M University
University of Missouri, Columbia
Gazi University, Turkey

Dr. Xiaohong He

Professor of International Business
University of Quinipiac
BS, Jilin Institute of Technology; MA, MS,
PhD,. (University of Texas-Dallas)

Burcin Becerik-Gerber

University of Southern California
Ph.D. in Civil Engineering
DDes from Harvard University
M.S. from University of California, Berkeley
& Istanbul University

Dr. Bart Lambrecht

Director of Research in Accounting and Finance
Professor of Finance
Lancaster University Management School
BA (Antwerp); MPhil, MA, PhD
(Cambridge)

Dr. Carlos García Pont

Associate Professor of Marketing
IESE Business School, University of Navarra
Doctor of Philosophy (Management),
Massachusetts Institute of Technology (MIT)
Master in Business Administration, IESE,
University of Navarra
Degree in Industrial Engineering,
Universitat Politècnica de Catalunya

Dr. Fotini Labropulu

Mathematics - Luther College
University of Regina
Ph.D., M.Sc. in Mathematics
B.A. (Honors) in Mathematics
University of Windsor

Dr. Lynn Lim

Reader in Business and Marketing
Roehampton University, London
BCom, PGDip, MBA (Distinction), PhD,
FHEA

Dr. Mihaly Mezei

ASSOCIATE PROFESSOR
Department of Structural and Chemical
Biology, Mount Sinai School of Medical
Center
Ph.D., Eötvös Loránd University
Postdoctoral Training,
New York University

Dr. Söhnke M. Bartram

Department of Accounting and Finance
Lancaster University Management School
Ph.D. (WHU Koblenz)
MBA/BBA (University of Saarbrücken)

Dr. Miguel Angel Ariño

Professor of Decision Sciences
IESE Business School
Barcelona, Spain (Universidad de Navarra)
CEIBS (China Europe International Business School).
Beijing, Shanghai and Shenzhen
Ph.D. in Mathematics
University of Barcelona
BA in Mathematics (Licenciatura)
University of Barcelona

Philip G. Moscoso

Technology and Operations Management
IESE Business School, University of Navarra
Ph.D in Industrial Engineering and
Management, ETH Zurich
M.Sc. in Chemical Engineering, ETH Zurich

Dr. Sanjay Dixit, M.D.

Director, EP Laboratories, Philadelphia VA
Medical Center
Cardiovascular Medicine - Cardiac
Arrhythmia
Univ of Penn School of Medicine

Dr. Han-Xiang Deng

MD., Ph.D
Associate Professor and Research
Department Division of Neuromuscular
Medicine
Davee Department of Neurology and Clinical
Neuroscience
Northwestern University
Feinberg School of Medicine

Dr. Pina C. Sanelli

Associate Professor of Public Health
Weill Cornell Medical College
Associate Attending Radiologist
NewYork-Presbyterian Hospital
MRI, MRA, CT, and CTA
Neuroradiology and Diagnostic
Radiology
M.D., State University of New York at
Buffalo, School of Medicine and
Biomedical Sciences

Dr. Roberto Sanchez

Associate Professor
Department of Structural and Chemical
Biology
Mount Sinai School of Medicine
Ph.D., The Rockefeller University

Dr. Wen-Yih Sun

Professor of Earth and Atmospheric
SciencesPurdue University Director
National Center for Typhoon and
Flooding Research, Taiwan
University Chair Professor
Department of Atmospheric Sciences,
National Central University, Chung-Li,
TaiwanUniversity Chair Professor
Institute of Environmental Engineering,
National Chiao Tung University, Hsin-
chu, Taiwan.Ph.D., MS The University of
Chicago, Geophysical Sciences
BS National Taiwan University,
Atmospheric Sciences
Associate Professor of Radiology

Dr. Michael R. Rudnick

M.D., FACP
Associate Professor of Medicine
Chief, Renal Electrolyte and
Hypertension Division (PMC)
Penn Medicine, University of
Pennsylvania
Presbyterian Medical Center,
Philadelphia
Nephrology and Internal Medicine
Certified by the American Board of
Internal Medicine

Dr. Bassey Benjamin Esu

B.Sc. Marketing; MBA Marketing; Ph.D
Marketing
Lecturer, Department of Marketing,
University of Calabar
Tourism Consultant, Cross River State
Tourism Development Department
Co-ordinator , Sustainable Tourism
Initiative, Calabar, Nigeria

Dr. Aziz M. Barbar, Ph.D.

IEEE Senior Member
Chairperson, Department of Computer
Science
AUST - American University of Science &
Technology
Alfred Naccash Avenue – Ashrafieh

PRESIDENT EDITOR (HON.)

Dr. George Perry, (Neuroscientist)

Dean and Professor, College of Sciences

Denham Harman Research Award (American Aging Association)

ISI Highly Cited Researcher, Iberoamerican Molecular Biology Organization

AAAS Fellow, Correspondent Member of Spanish Royal Academy of Sciences

University of Texas at San Antonio

Postdoctoral Fellow (Department of Cell Biology)

Baylor College of Medicine

Houston, Texas, United States

CHIEF AUTHOR (HON.)

Dr. R.K. Dixit

M.Sc., Ph.D., FICCT

Chief Author, India

Email: authorind@computerresearch.org

DEAN & EDITOR-IN-CHIEF (HON.)

Vivek Dubey(HON.)

MS (Industrial Engineering),

MS (Mechanical Engineering)

University of Wisconsin, FICCT

Editor-in-Chief, USA

editorusa@computerresearch.org

Sangita Dixit

M.Sc., FICCT

Dean & Chancellor (Asia Pacific)

deanind@computerresearch.org

Luis Galárraga

J!Research Project Leader

Saarbrücken, Germany

Er. Suyog Dixit

(M. Tech), BE (HONS. in CSE), FICCT

SAP Certified Consultant

CEO at IOSRD, GAOR & OSS

Technical Dean, Global Journals Inc. (US)

Website: www.suyogdixit.com

Email: suyog@suyogdixit.com

Pritesh Rajvaidya

(MS) Computer Science Department

California State University

BE (Computer Science), FICCT

Technical Dean, USA

Email: pritesh@computerresearch.org

CONTENTS OF THE VOLUME

- i. Copyright Notice
 - ii. Editorial Board Members
 - iii. Chief Author and Dean
 - iv. Table of Contents
 - v. From the Chief Editor's Desk
 - vi. Research and Review Papers
-
- 1. How to Manage Guest Complaints:Global Implications from Hong Kong Hoteliers. *1-14*
 - 2. Le Management de Développement en Afrique (Agir sur les Capabilités) *15-26*
 - 3. Contemporary Issues Relating to Labour Relations and Human Resources Practices in the Lumber Industry in Quebec. *27-38*
 - 4. Analyzing the Terrorist Activities and Their Implications in Pakistan through Datamining. *39-44*
 - 5. Empirical Evaluation Test of the Strategic Planning Process on the Overall Performance of the Company. *45-54*
 - 6. Corporate: Independent Directors in the Board. *55-64*
 - 7. Performance comparison of Islamic and Conventional banks in Pakistan. *65-70*
 - 8. Empirical Study of Employment Growth Rate in Small and Medium Enterprises. *71-76*
 - 9. A Model to Measure the Quality Service in a Local Company of Pizza in Los Mochis, Sinaloa. *77-87*
-
- vii. Auxiliary Memberships
 - viii. Process of Submission of Research Paper
 - ix. Preferred Author Guidelines
 - x. Index



GLOBAL JOURNAL OF MANAGEMENT AND BUSINESS RESEARCH
Volume 11 Issue 1 Version 1.0 February 2011
Type: Double Blind Peer Reviewed International Research Journal
Publisher: Global Journals Inc. (USA)
ISSN: 0975-5853

How to Manage Guest Complaints: Global Implications from Hong Kong Hoteliers

By Erdogan H. Ekiz, Neethiahnathan A. Ragavan, Kashif Hussain

Tourism Taylor's University

Abstract- In today's competitive business environment most, if not all, of the service companies aim at satisfying their customers to the fullest extent. However, mistakes and/or failures are prevalent incidences in service businesses particularly in hospitality industry. What distinguishes the few successful companies from the rest is their dedication to hear their customers' complaints. Seeing complaining customers as 'problem creators', not paying attention to their problems and failing during recovery attempt cause considerably significant losses in today's business environment. In this sense, receiving complaints and recovering these failures are vitally important for service companies in general and for hotels in particular. Given that customers' evaluations of organizations' responses to their complaints in service encounters are important elements of their satisfaction judgments and loyalty intentions, it is imperative for hotel managers to have well-established service recovery systems. Thus, this study attempts first to find out the current complaint handling practices in Hong Kong hotel industry, a well-performing destination in complaint handling, and second to highlight factors influence organizational responses to guest complaints. Results indicate important issues which should be benchmarked by hoteliers around the world.

Keywords: *Complaint Management, Benchmarking, Global Lessons, Hotels, Hong Kong.*

Classification: *GJMBR-A FOR Classification: 150503*



Strictly as per the compliance and regulations of:



How to Manage Guest Complaints: Global Implications from Hong Kong Hoteliers

Erdogan H. EKIZ, Neethiahnathan A. RAGAVAN, Kashif HUSSAIN

Abstract- In today's competitive business environment most, if not all, of the service companies aim at satisfying their customers to the fullest extent. However, mistakes and/or failures are prevalent incidences in service businesses particularly in hospitality industry. What distinguishes the few successful companies from the rest is their dedication to hear their customers' complaints. Seeing complaining customers as 'problem creators', not paying attention to their problems and failing during recovery attempt cause considerably significant losses in today's business environment. In this sense, receiving complaints and recovering these failures are vitally important for service companies in general and for hotels in particular. Given that customers' evaluations of organizations' responses to their complaints in service encounters are important elements of their satisfaction judgments and loyalty intentions, it is imperative for hotel managers to have well-established service recovery systems. Thus, this study attempts first to find out the current complaint handling practices in Hong Kong hotel industry, a well-performing destination in complaint handling, and second to highlight factors influence organizational responses to guest complaints. Results indicate important issues which should be benchmarked by hoteliers around the world.

Keywords: *Complaint Management, Benchmarking, Global Lessons, Hotels, Hong Kong.*

I. INTRODUCTION

The growing awareness of consumerism and its concomitant consequence of consumer complaints have made it challenging competing companies to acquire and retain a pool of loyal and profitable customers. Moreover, even though most of the companies aim at satisfying their customers to the fullest extent, mistakes and failures are frequent occurrences in service businesses as is the case in hospitality industry. When the inseparability characteristic and labor-intensive nature of the services added on top of these, providing services with zero defects is a rigid and unrealistic target. As Zemke and Bell (2000) adequately put forward, in the quest to provide high quality, cutting-edge, customer-pleasing services, mistakes do happen through no fault of the

customer or service provider. While companies may not be able to prevent all mistakes and failures, they can and must learn how to recover from these problems (Hart, Heskett and Sasser, 1990). What distinguish the few successful companies from the rest are their own efforts to reach out to their customers and hear their complaints (Andreassen, 2000). Not paying attention to customer complaints may cause considerable losses in today's business environment (Nadiri and Hussain, 2005; Yuksel and Yuksel, 2008).

Service companies in general, hotels in particular have been increasingly encouraging their customers/guests to voice their complaints directly to them since these complaints are chances given to alter what is going wrong in the provision of service (Blodgett, Hill and Tax, 1997). Once guests decide to complain, hoteliers have to be well prepared in both tangible (structure, employees, procedures etc) and intangible (prejudgments, skills etc) ways to offset the guests' negative reaction to the service failures. To do so, all the necessary actions should be taken by companies to move a customer from a state of disappointment to a state of satisfaction (Bell and Ridge, 1992).

Guests' evaluations of organizations' responses to their complaints in service encounters are important elements of complaint management, which, if well handled, can lead to guest satisfaction and long-term loyalty. In order to ensure this, hoteliers should have clear understanding of importance and necessity of guest complaints, be focused and committed to guests needs, have a clear, practical yet comprehensive complaint handling procedures and have trained and motivated employees to deal with complaining guests (Day *et al.*, 1981; Kowalski, 1996; Blodgett and Anderson, 2000; Hedrick, Beverland and Minahan, 2007).

Above discussion plainly shows that receiving complaints and recovering these failures are vitally important for service companies in general (Christiansen and Snepenger, 2002) and for hotels in particular (Ekiz and Au, 2009). Given that customers' evaluations of organizations' responses to their complaints in service encounters are important elements of their satisfaction judgments and loyalty intentions (Chebat, Davidow and Codjovi, 2005), it is imperative for hotel managers to have well-established service recovery systems. Thus,

About- Graduate School of Hospitality and Tourism
Taylor's University, Lakeside Campus, No. 1,
Jalan Taylor's, 47500 Subang Jaya, Selangor Darul Ehsan, Kuala
Lumpur, Malaysia.

Emails: erdogan.ekiz@taylors.edu.my, erdogan.ekiz@gmail.com
Webpages: www.taylors.edu.my www.ib-ts.org

this study attempts first to find out the current complaint handling practices in Hong Kong hotel industry, a well-performing destination in complaint handling (Ekiz, 2009), and second to highlight factors influence organizational responses to guest complaints. First Hong Kong hotel industry will be briefly introduced. Followed by literature review which will include; some basic definitions of study constructs and linkages found in previous studies. After proposed hypotheses and conceptual model, basic methodological issues will be addressed. Finding, discussion and conclusion sections will be followed by implications to hoteliers based on research findings. Lastly, limitation and venues for future studies will be given.

II. LITERATURE REVIEW

1) *Hotel Industry in Hong Kong*

Hong Kong, with a total area of 1,092 square kilometers, is about 70 miles southeast of the southern Chinese city of Guangzhou. The territory consists of Victoria (commonly known as Hong Kong Island), the Kowloon Peninsula, the Lantau Islands, and more than 200 small other islands (Lloyd, Lopa and Braunlich, 2000). There are approximately seven million people (95% Chinese) living in Hong Kong (<http://partnernet.hktb.com>).

In, overall tourism arrivals to Hong Kong reached 29,590, 654 with a steady rise compared with the 2008 figures (HKTb, 2010a). Furthermore, figures released by the Hong Kong Tourism Board show an outright record of 16,856,016 visitor arrivals to Hong Kong in the first six months of 2010. The figure represented not only a year-on-year increase of 23.1%, but also the highest half-yearly figure ever recorded. Also reaching a new mark was the arrival figure for the month of June, which increased by 43.5% to reach 2,619,722 (HKTb, 2010b).

"The rapid growth of the tourism industry in Hong Kong in 1990s and early 2000s stimulated the rapid development of the local hotel industry" (Law and Jogaratman, 2005, p. 171). Hong Kong Tourism Board (HKTb) classified its members into three categories based on their tariff levels and staff-to-room ratio. Qu, Ryan and Chu (2000, p. 66) provided detailed information about this classification "...High-Tariff A hotels as those with a room tariff above HK\$ 2,400 (US\$ 300) and with a staff-to-room ratio of 1.60 or above; High-Tariff B hotels with a room tariff between HK\$ 1,750 (US\$ 225) and HK\$ 2,400 (US \$300) and with a staff-to-room ratio between 0.97 and 1.60; and Medium-Tariff hotels with a room tariff below HK\$ 1,750 (US \$225) and with a staff-to-room ratio of 0.97 or below". By May 2010, there are 142 hotels in operation. The number of hotel rooms has increased over the years to reach 62,423 in May 2010 with the occupancy rates 83

percent with 3.57 nights as average length of stay (HKTb, 2010b).

Law and Hsu (2006, p. 308) underlined the importance of hotels for the Hong Kong tourism industry by stating "...hotel expenses are one of the major sources of tourism receipts in most tourist receiving destinations...hotel expenditure is the second largest source of income for the tourism industry...". Furthermore, Yeung and Law (2003; 2006) highlighted that hotels in Hong Kong are doing well in terms of meeting visitors' expectations as well as basic usability criteria they are performing well regardless of their classification.

2) *Theoretical Framework*

The primary objectives of companies in any industry are to develop and provide offerings that satisfy their customers' needs and expectations, in doing so ensuring their economic survival. Companies offering services in general and hotels in particular are no exemptions. In order to acquire and retain a pool of loyal and profitable customers, many hotels centered their attention on providing a flawless high quality service to their customers (Kotler and Armstrong, 2006). Nonetheless, mistakes and failures are frequent occurrences in hotels as service companies (Babakus *et al.*, 2003). Hoffman and Bateson (2006) argue that because of the unique characteristics that distinguish services from goods, failures are inherent events in service encounters, yet companies should recover these failures in the best possible way.

A synthesis of the related literature shows that how organizations respond to customer complaints (Davidow, 2000; Karatepe and Ekiz, 2004) is associated with whether; they are focused and/or committed to their customers' needs and wants (Firnsthahl, 1989; Barlow and Moller, 1996), they have prejudgments towards complaining customers (Bitner, Booms and Tetreault, 1990; Boden, 2001), they understand the general importance of complaint management (Heskett, Sasser and Schlesinger, 1997; Barlow and Maul, 2000), they have an effective organizational structure to handle these complaints (Diener and Greyser, 1978; Zeithaml, Bitner and Gremler, 2006), their systems, policies and procedures of complaint management are capable to deal with customer complaints (Gilly and Gelb, 1982; Zemke and Bell, 2000), their actual complaint handling practices are proper or not (Hart, Heskett and Sasser, 1990; Tax, Brown and Chandrashekar, 1998) and they have required skilled and trained human resources to solve complaints (Hoffman, Kelley and Rotalsky, 1995; Liao, 2007). These issues are described and linked to the organizational responses, in the following section.

a) *Guest Focus and Commitment*

Companies must understand customer needs and wants to satisfy, if not delight, them. Tocquer and Cudennec (1998) stated that although it is easy to define customer focus it can be challenging to make it real and meaningful since to do it well all the resources and operating systems need to be driven by customer needs and expectations. In other words, companies should give the top priority to satisfy their customers. In order to do so, companies should put themselves in the customers' shoes to spot and solve potential problems before their customers even aware of them (Firnsthahl, 1989; Zemke and Anderson, 2007).

Another indicator of a customer focused and committed company is how they make complaining easy for their customers. Since complaints are gifts (Barlow and Moller, 1996) and must be seen as opportunities given to companies to correct their mistakes (Cranage, 2004), companies need to go the extra mile to make complaining easy (Gilly and Hansen, 1985). Welcoming complaints creates a positive environment where companies become more open to respond their customers' complaints (Davidow, 2003a). Furthermore, once the customer problem is reported and solved successfully, corrective actions need to be taken to prevent the reoccurrence of that particular failure. By doing so, company can avoid future dissatisfaction and complaints (Zemke, 1993) which is a sign of their focus and commitment towards their customers / guests, in the hospitality setting. Focusing on guests also increases the efficiency of organizational responses that will be offered to the customer when the next failure occurs. Based on the preceding discussion, following hypothesis is proposed:

H_1 : Guest focus and commitment will have a significant positive relationship with organization's responses to guest complaints.

b) *Prejudgments towards Guest Complaints*

Many managers cultivate and maintain some kind of presumption towards customers who voice their dissatisfaction. Barlow and Maul (2000) noted that many companies try to distance themselves from hearing bad news or attempt to eliminate complaints all together. Furthermore, Barlow and Maul (2000) claimed that even some managers become schizophrenic about complaints where they have strong prejudgments towards complaining customers. When the managers have prejudgments towards the communication of complaints, this will have serious negative effect on formulation of complaint handling policies and guidelines of organizational responses (Stauss and Seidel, 2004).

The most obvious indicators of prejudgments are; seeing complainers as adversaries and/or grumblers, having the belief that number of complaints

should be minimized which is usually followed by the certainty that low number of incoming complaints is a good sign (Plymire, 1991; Stauss and Seidel, 2004). When managers have these kinds of prejudgments, they not only affect their peers and employees negatively but also create unwritten guidelines that discourage company to take constructive steps while responding to customer complaints (Kotler, Bowen and Makens, 1999). Above discussion leads to the following hypothesis:

H_2 : Prejudgments towards guest complaints will have a significant negative relationship with organization's responses to guest complaints.

c) *Understanding of the Importance of Complaints Management*

Having an effective complaint management is important in retaining customers when problems occur and winning their loyalty. Beyond the opportunity for recovery, complaints also provide an opportunity to gather information that can be disseminated and used throughout the organization for product modification, service enhancements, and preventative measures (Gursoy, Ekiz and Chi, 2007). To do this right, everyone in the company should have the understanding of the importance of complaints as a quality improvement tool. Thus, company should consider handling complaints to be an investment not expenditure and encourage guests to register their complaints instead of taking their businesses to competitors (Heskett, Sasser and Schlesinger, 1997; Kotler, 2003).

Management initiatives and resources devoted to capturing and responding to complaints serve as one indicator of understanding the importance and necessity of complaint management. Consequently, affects how company reacts and responds to customer complaints (McAlister and Erffmeyer, 2003). Thus, the following hypothesis is proposed:

H_3 : Understanding of the importance of complaints management will have a significant positive relationship with organization's responses to guest complaints.

d) *Organizational Structure*

A company's structure is an important element in both physical, being visible to approach, and operational, how many administrative levels must a registered complaint need to travel until it reaches to management. The more complicated the formal structure is, the less number of complaints registered and solved successfully (Grönroos, 2007). No doubt that the way a company organized can make it easy for customers to reach the right individual or area when they have a complaint or question (Davidow, 2003b; Karatepe, 2006). Having well structured departments/divisions makes responding guest complaints easier and more efficient which are

necessary in providing effective organizational responses. This is true also when inter-organizational communication, among departments and/or individuals, is concerned while dealing complaints (Bell, Zemke and Zielinski, 2007). Therefore, it will not be misleading to argue that a well structured organization is more likely to provide better solutions to guests' problems. Hence, the following hypothesis is proposed:

H₄: Effective organizational structure will have a significant positive relationship with organization's responses to guest complaints.

e) *System, Policy and Procedures of Complaint Management*

Given that complaint-handling process is a strategic tool, service organizations need to establish appropriate complaint mechanisms, systems and procedures (Blodgett, Hill and Tax, 1997). To make full use of this strategic tool, an effective complaint management system should be developed which should be tailor-made by considering the customer profile, company mission, industry specifications etc. Boden (2001) suggested that a successful complaint policy should be; easy to understand, simple to implement and effectively communicated to all staff. Grönroos (2007), taking this one step further, recommended that the complaint procedures should be as unproblematic and free from bureaucracy as possible, given the fact that companies should make the complaining process very easy not to further frustrate complaining customer. It is always good to have written policies to handle different levels of complaints in creating a consistency among each occurrences as well as train employees (Suh *et al.*, 2005). Another advantage of having predetermined and communicated policies and procedures is assisting the complaint handling process in providing clear guidelines for employees in providing responses to complaining customers (Susskind *et al.*, 2000). This discussion suggests the following hypothesis:

H₅: Clear system, policy and procedures of complaint management will have a significant positive relationship with organization's responses to guest complaints.

f) *Handling the Complaints*

Understanding the importance of guest complaints, not having prejudgments or having a system and written procedures may not be enough to solve the guest problem unless their complaints properly handled. Yim *et al.*, (2003), consisted with Hui and Au (2001), recommended timely and fair solution as fundamental components of complaint handling. Brown (1997) suggested that in case of delays in complaint resolution, reasons and justifications should be provided to guests. A proper explanation of the situation may

prevent further annoyance of the guest who is already feeling frustrated, angry or even hurt.

Although having procedures are very important while dealing with complaining guest, companies should not be rigid as analyzing specific the situations. In other words, as they are reacting to guest complaints, individual circumstances of each case need to be taken into account (Etzel and Silverman, 1981; Fornell and Wernerfelt, 1988). This flexibility may create a positive environment in which guests may be more willing to cooperate in the solution of their complaints. Above discussion leads to the following hypothesis:

H₆: Proper handling the complaints will have a significant positive relationship with organization's responses to guest complaints.

g) *Human Resource Aspect of Complaint Management*

Due to the inseparability characteristic of the services; production and consumption cannot be separated in services, human interaction becomes very important during the complaint handling. Bitner, Booms and Tetreault (1990) claimed that the way a complaint is handled is the most important determinant of complainants' outcome perceptions of recovery. In labor-intensive industries, such as tourism and hospitality, companies should spend extra effort on selecting the suitable frontline employees and training them with complaint handling skills (Gilly, 1987; Olsen, Teare and Gummesson, 1996).

Empowerment is another central issue in complaint management which is neglected most of the time. Due the facts that faster the problem solved the more customers satisfied (Davidow, 2000) and employees represent the company (Zemke and Bell, 2000), they are expected be as efficient as possible in solving problems. Similarly, Boshoff and Leong (1998) affirmed that empowerment can contribute towards the speedy solving of customer problems and reduce the raised tension between customer and the company. For instance, while handling a complaining guest, a frontline employee should be allowed to make value-added atonement gestures, such as offering discounts or free services, without special permission from their seniors or managers (Strauss and Seidel, 2004). Therefore the following hypothesis is proposed:

H₇: Effective human resource management will have a significant positive relationship with organization's responses to guest complaints.

h) *Organizational Responses to Guest Complaints*

Examination of the related literature demonstrates that much of the recovery studies are based on anecdotal evidence (Firnsthahl, 1989; Hart, Heskett, and Sasser, 1990; Zemke and Bell, 2000). Specifically, several studies suggested actions such as

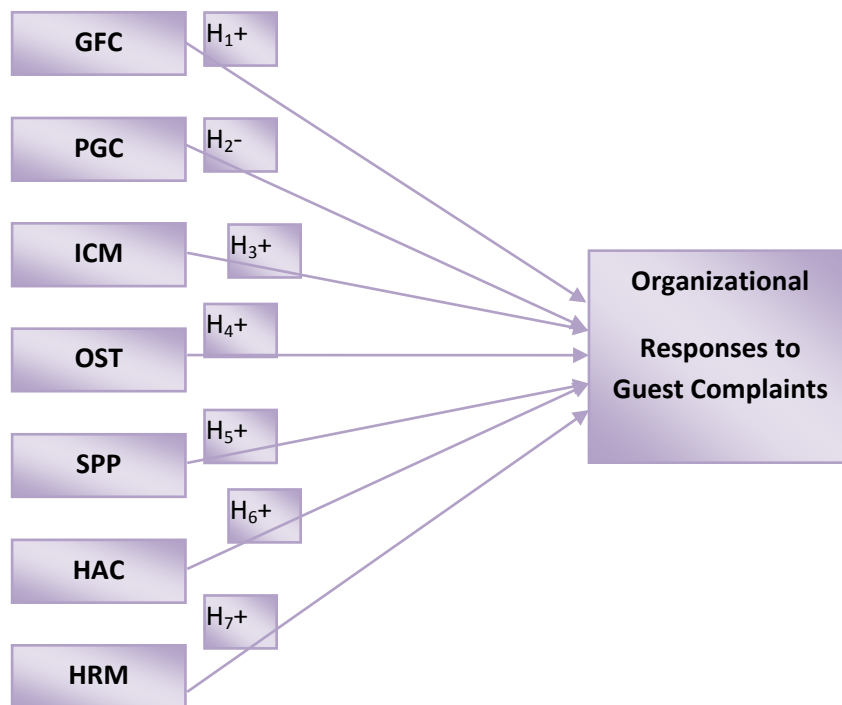
listening, apologizing, providing a speed solution, keeping promises, explaining the failure and providing a tangible token of atonement (Kelly, Hoffman and Davis, 1993; Bitner, Booms and Mohr, 1994; Hoffman, Kelley and Rotalsky, 1995). Previous studies suggested a number of service recovery attributes or *organizational responses*, which may assist in handling guest complaints (Blodgett, Wakefield and Barnes, 1995; Tax, Brown, and Chandrashekar, 1998; Boshoff, 1999; Smith, Bolton and Wagner, 1999; Davidow, 2000; Ekiz, 2003; Yavas *et al.*, 2004; Gursoy, Ekiz and Chi, 2007). These common attributes are apology, explanation, effort, redress, facilitation, attentiveness, and promptness.

Apology refers to a psychological exchange, what is offered in exchange for an inconvenience or problem customers faced. *Explanation* basically refers to information given by a service provider about why the problem occurred. *Promptness* represents the fairness of the organization in responding to customer complaints on a timely manner. *Attentiveness* is the interaction and communication between a company

staff and a complainant. *Effort* refers to the force, energy, or activity by which work is accomplished. *Facilitation* refers to the policies, procedures, and tools that a service firm has in place to support customer complaints. *Redress* refers to the fair settlement or fix of a problem that arise between a company and a customer (Diener and Greyser, 1978; Kincade, Redwine and Hancock, 1992; Blodgett, Wakefield and Barnes, 1995; Boshoff and Leong, 1998; Dunning and Pecotich, 2000; Davidow, 2003a; Karatepe, 2006; Ekiz and Arasli, 2007).

Below Figure 1 shows the seven hypothesized relationships between complaint related variables, namely 'guest focus and commitment - H_1 ', 'prejudgments towards guest complaints - H_2 ', 'general importance of complaints management - H_3 ', 'organizational structure - H_4 ', 'system, policy and procedures of complaint management - H_5 ', 'handling the complaints - H_6 ' and 'human resource aspects of complaint management - H_7 ' and 'organization's responses to guest complaints' variable.

Figure 1: Conceptual Model and Hypotheses



III. METHODOLOGY IN BRIEF

To reach above-mentioned aims and test the hypotheses, self-administrated questionnaires were sent to hotel managers or front office managers, as most of the time they are involved in guest complaints, who are listed in the most recent edition of the Hong Kong Hoteliers Association's member list (HKHA, 2009). By using the judgment that, HKHA members represent the

majority of the hotel managers in Hong Kong, researchers target all the members without using any sampling criterion. By collecting data from hoteliers, this study provides some useful insights about the important phenomenon that is mostly studied from the customers' point of view. One hundred and twenty-one questionnaires were sent to the managers. In order to ensure a high rate of return prepaid envelopes also were included to the sent mails. With the intention to further increase the response rate follow-up emails were sent to

the non-responding hotels to request their contribution, as suggested by Parasuraman (1982). Between November and December 2009, 89 questionnaires were received of which 86 of them were found to be usable. This number corresponds to a response rate of 69.9%. Descriptive analyses (Hair, Money, Samouel and Page, 2007) were carried out by using Statistical Package for the Social Sciences (SPSS) for Windows version 16.0.

Apart from the basic hotel information, 44 Likert scale questions were included in the questionnaire (Likert, 1932). The breakdown of these questions according to the study dimensions is as follows: guest focus and commitment (4 questions), prejudgments towards guest complaints (4 questions), importance of complaints management (5 questions), organizational structure (4 questions), system, policy and procedures of complaint management (5 questions), handling the complaints (6 questions), human resource aspects of complaint management (9 questions) as independent variables and organizational responses to guest complaints (7 questions) as dependent variable. These dimensions were borrowed from Ekiz (2009) who collected his data in 2007 to compared Hong Kong and North Cyprus hotel industries. Present research, after two years, investigates the current situation and provides benchmarking point to hotel managers by using Hong Kong as a successful case.

IV. RESULTS

Descriptive analyses were carried out by using Statistical Package for the Social Sciences (SPSS) for Windows version 12.0. Simple frequency distributions were computed for each of the questions. Results of the frequency test revealed that more than, forty percent (45.6 %) of the respondent hotels in Hong Kong are luxury hotels. As consistent with Law and Jogaratham's (2005) observation, respondent hotels in Hong Kong are generally large in scale, more than 300 rooms (74.3 %).

Almost seventy percent (71.3 %) of the hotels in Hong Kong primarily serve business travelers.

Respondent hotels were also asked two questions about their basic guest complaint practices; in general who deals with guest complaints and approximately how many complaints they receive in a month. Consistent with Ekiz (2009), results revealed that managers or supervisors deal with the majority of the guest complaints (67.8 percent) in Hong Kong. Hoteliers reported that approximately they receive less than 10 guest complaints in a month.

Churchill (1979) and Parasuraman, Zeithaml and Berry (1988) suggested that before testing hypotheses in any quantitative study exploratory factor analysis (EFA) through Cronbach's alpha coefficient and item-to-total correlations should be performed to verify the factorial structure, reliability and consistency of the instrument used. Researchers are encouraged to eliminate any items even dimensions/factors that are not fitting in the theoretical model. In the case of present study, 32 items developed by Ekiz (2009) were found to be consistent, reliable and valid.

As can be seen from Table 1, the values of the coefficient alpha ranged from 0.75 to 0.91 for eight factors which are above the cut-off value (0.70) recommended by Nunnally and Bernstein (1994). When the whole items in the survey instrument are considered, coefficient alpha value found to be 0.892, well above the suggested figure of 0.70. As for the reliability coefficients for each variable in the model depicted in Figure 1, coefficients alphas for guest focus and commitment, prejudgments towards guest complaints, general importance of complaints management, organizational structure, system, policy and procedures of complaint management, handling the complaints, human resource aspects of complaint management and organizational responses to guest complaints found to be 0.75, 0.84, 0.82, 0.85, 0.87, 0.75, 0.91, 0.90 respectively.

Table 1: Scale Items, Reliabilities, Corrected Item-Total Correlations and Mean Scores

Scale Items		Corr ^a	Mean ^b	α
Guest Focus and Commitment (GFC)		4.56	0.75	
1. The goal of guest satisfaction is the top priority in our hotel.	0.76	4.77		
2. It is not at all unusual to spot and solve potential problems before the guests are even aware of them.		0.70	4.26	
3. We make it easy to complain.	0.67	4.49		
4. When a guest complaint is recovered we do our best to prevent the reoccurrence.		0.71	4.70	
Prejudgments towards Guest Complaints (PGC)		3.97	0.84	
1. Our guests are satisfied. The low number of incoming complaints proves it.		0.64	4.63	
2. The number of complaints should be minimized.		0.75	4.61	

3. Guests who complain are adversaries.	0.82	2.12
4. The majority of guests who complain are grumblers.	0.70	4.50
General Importance of Complaints Management (ICM)		4.54 0.82
1. Assisting guests' complaints is a clear priority in our hotel. 0.71		4.62
2. Everyone in our hotel understands that retaining current guests every bit as important as gaining new one.		0.72 4.61
3. We need to get complaints to improve our service quality. 0.74		4.33
4. We encourage guests to complain to us when they are dissatisfied since we believe that these are opportunities to recover our failures. 0.81		4.58
Organizational Structure (OST)		4.35 0.85
1. The way our hotel is organized makes it easy for guests to reach the right individual or area when they have a complaint or question. 0.75		4.03
2. Our guests do not need making multiple contacts to report their complaints. 0.72		4.62
3. Our organizational structure makes it easy for employees to solve customer complaints quickly. 0.83		4.68
4. There is a good teamwork between individual employees when handling guest complaints. 0.72		4.06
System, Policy and Procedures of Complaint Mgmt. (SPP)		4.87 0.87
1. Our hotel has a policy of asking guests what they expect from us when problems occur. 0.74		3.77
2. In our hotel there is an established structure of compensation to handle complaints. 0.72		3.51
3. In our hotel, there are well-structured standard forms and/or software interface for complaint recording. 0.73		4.02
4. We accept complaints on our hotels website. 0.75		4.19
Handling the Complaints (HAC)		4.54 0.75
1. All accepted complaints are forwarded to the responsible units/departments quickly. 0.77		0.75 4.51
2. Complainants usually receive a fair solution to their problems. 0.77		4.67
3. In case of delays in complaint resolution, reasons and justifications are provided to guests. 0.79		4.61
4. Received complaints are analyzed on a regular basis by mgmt. 0.82		4.38
Human Resource Aspects of Complaint Mgmt. (HRM)		4.46 0.91
1. Our hiring criteria for front-line employees emphasize "working with guests" skills. 0.76		0.74 4.27
2. We train our guest contact employees in dealing with complaints. 0.76		4.33
3. Our employees are usually coached by their seniors or managers in service recovery skills. 0.88		4.41
4. Our frontline employees are allowed to make value-added "atonement" gestures without special permission from their managers. 0.81		4.82
Organizational Responses to Guest Complaints (ORE)		4.68 0.90
1. We always give a genuine apology to our complaining guests. 0.77		4.69
2. We always explain our guests why the problem occurred. 0.82		4.61
3. Our employees pay attention to guest concerns. 0.74		4.75
4. Our employees treat our guests with respect. 0.73		4.68

Notes: ^a refers to Corrected Item-Total Correlations. α refers to coefficient alpha scores. Overall $\alpha = 0.892$. ^b refers to mean scores of each item. Each item is measured on a five point Likert scale where 1 = 'strongly disagree' to 5 = 'strongly agree' (Likert, 1932).

The regression analysis is employed to test the hypothesized relationships. Regression analysis can be defined as “statistical technique used to derive an equation that relates a single criterion variable to one or more predictor variables; it considers the frequency distribution of the criterion variable, when one or more predictor variables are held fixed at various levels” (Churchill and Iacobucci, 2002, p. 981).

Multiple regression analysis was carried out to test the hypothesized relationships. Guest focus and commitment, prejudgments towards guest complaints, general importance of complaints management, organizational structure, system, policy and procedures of complaint management, handling the complaints and human resource aspects of complaint management were taken as independent variables and organizational responses to guest complaints as the dependent

variable. The results in Table 2 demonstrate that regression analyses were first confirmed by testing the assumptions of normality, linearity, Homoscedasticity, and independence of residuals (Tabachnick and Fidell, 1996). In addition, there is no evidence of Multicollinearity problem, meaning that each conditioning index is lower than 30, and at least two variance proportions are lower than 0.50 (Hair *et al.*, 1995).

The independent variables jointly explain 56% of the variance (R^2) on ‘organizational responses to guest complaints’. Although these explained variance figures are not low, yet can be increased by adding new variables such as; ‘understanding emotional value of complaints’ (Barlow and Maul, 2000), ‘evaluating service performance’ (Zemke, 1995).

Table 2: Results of Multiple Regression Analysis

Multiple R = 0.62 $R^2 = 0.53$ Adjusted $R^2 = 0.56$ Standard Error = 0.411			
F = 33.20 $P < 0.001$			
<i>Independent Variables:</i> Guest Focus and Commitment (GFC), Prejudgments towards Guest Complaints (PGC), General Importance of Complaints Management (ICM), Organizational Structure (OST), System, Policy and Procedures of Complaint Management (SPP), Handling the Complaints (HAC), Human Resource Aspects of Complaint Management (HRM)			
<i>Dependent Variable:</i> Organizational Responses to Guest Complaints (ORE)			
<i>Independent Variables</i>	Beta ^a	t-value	Sig. ^b
Guest Focus and Commitment (GFC)	0.09	9.74	0.01
Prejudgments towards Guest Complaints (PGC)	-0.20	-5.31	0.02
General Importance of Complaints Management (ICM)	0.18	3.24	0.02
Organizational Structure (OST)	0.31	2.89	0.04
System, Policy and Procedures of Complaint Mgmt. (SPP)	0.13	4.96	0.03
Handling the Complaints (HAC)	0.22	5.57	0.01
Human Resource Aspects of Complaint Mgmt. (HRM)	0.10	8.81	0.01

Notes: ^a Standardized coefficient, ^b $p < 0.05$

Assumptions:

Normality: Kolmogorov-Smirnov Statistics $0.015 < 0.721$ at a significant level of 0.001

Linearity: Confirmed by the analysis of partial regression plots

Homoscedasticity: Confirmed by the analysis of partial regression plots

Independence of Residuals: Durbin-Watson test, score = 2.185

Multicollinearity Statistics:

Index	Condition				Variance Proportions					
	Constant	GFC	PGC	ICM	OST	SPP	HAC	HRM		
1	9.34	0.00		0.01	0.52	0.00	0.00	0.02	0.00	0.02
2	15.71	0.00		0.04	0.10	0.01	0.06	0.25	0.01	0.05
3	21.68	0.00		0.00	0.01	0.03	0.23	0.50	0.01	0.21
4	24.09	0.00		0.03	0.00	0.00	0.30	0.02	0.00	0.55
5	31.71	0.00		0.31	0.02	0.26	0.00	0.10	0.03	0.01
6	36.26	0.01		0.15	0.01	0.28	0.10	0.01	0.62	0.01
7	41.84	0.12		0.33	0.07	0.11	0.00	0.03	0.13	0.02

Notes: There is no evidence of Multicollinearity problem since each conditioning index is lower than 30, and at least two variance proportions are lower than 0.50 (Tabachnick and Fidell, 1996).

The results demonstrate that 'guest focus and commitment' exerts the highest significant positive effect on 'organizational responses to guest complaints' in both locations ($\beta=0.09$, $t\text{-value}=9.74$). Table 2 also shows that 'human resource aspects of complaint management' ($\beta=0.10$, $t\text{-value}=8.81$), 'general importance of complaints management' ($\beta=0.18$, $t\text{-value}=3.24$), 'system, policy and procedures of complaint management' ($\beta=0.13$, $t\text{-value}=4.96$) and 'handling the complaints' ($\beta=0.22$, $t\text{-value}=5.57$) exert significant positive effects on 'organizational responses to guest complaints' in both locations. In the case of 'prejudgments towards guest complaints' results revealed that this variable has significant negative effect on 'organizational responses to guest complaints' in both locations ($\beta=-0.20$, $t\text{-value}=-5.31$). Lastly, 'organizational structure' found to have a significant effect on 'organizational responses to guest complaints' ($\beta=0.31$, $t\text{-value}=2.89$). Overall, the results of the multiple regression analyses show that the all hypotheses are supported.

V. DISCUSSION AND CONCLUSION

Consumer complaints are critical in improving the service quality by continuously correcting the mistakes thus increasing customer satisfaction, loyalty positive word-of-mouth. Thus companies need to invest time, money and effort in handling customer complaints properly. With this realization, present study attempted to find out the current complaint handling practices in Hong Kong hotel industry, a well-performing destination in complaint handling (Ekiz, 2009), and second to highlight factors influence organizational responses to guest complaints.

First of all, results revealed that there is very little number of guests complaining to both group of hoteliers. One may think that this is very good sign if s/he does have little knowledge about approximate number of non-complaining guests which is almost twenty customers for every complaining one (Chebat, Davidow and Codjovi, 2005). This should ring the alarm bells for hotels and push them to find more aggressive ways, if necessary, to raise more complaints.

Results also show that most of the reported complaints are being handled by managers or supervisors. Existing literature suggests that this is neither efficient nor effective way of handling guest complaints (Olsen, Teare and Gummeson, 1996; Davidow, 2003b). Since employees represent the hotel at that moment, hotels should not let their employees looking for their managers to offer even a small atonement which will comfort dissatisfied customer standing in front of reception desk. The key to prevent such occurrences is empowerment. Only empowered and trained employees can solve guest complaints in a timely manner and reduce level of tension between

guest and hotel (Boshoff and Leong, 1998; Strauss and Seidel, 2004). Thus hoteliers should: (i) look for guest skills and experience while hiring their staff (ii) train their guest employees especially in dealing with guest complaints (iii) empower their employees so that they can handle guest complaints more effectively.

On a five point Likert scale where 1 = 'strongly disagree' and 5 = 'strongly agree', values above the midpoint of three shows agreement. A glance of to Table 1 reveals that the all mean values are above the mid-point (except PGC 3 which is expected since it is a reversed coded item) value of 3.00, indicating that hoteliers in Hong Kong are well aware of the importance of guest complaints. Other significant findings of the study are as follows:

- Hoteliers should not have prejudgments towards complaining guests! As discussed in the literature review section having prejudgments towards the communication of complaints may have serious negative effects on formulation of complaint handling policies and guidelines of organizational responses (Barlow and Maul, 2000; Stauss and Seidel, 2004). Hoteliers should not try to minimize number of complaints; instead they need to be open to hear more from their guests.
- Hoteliers should have well established systems and should be equipped with policies and procedures in order to respond effectively. Given the advantages of having written policies and procedures; consistency and efficiency during handling process, easing the training of employees etc., hoteliers should have a systematic approach that are tailor-made to satisfy their needs (Susskind *et al.*, 2000; Suh *et al.*, 2005). Hoteliers should invest in building systems to better handle their guest complaints.
- Hotels' should be structured in a way that they can handle guest complaints efficiently. Previous studies concluded that organizational structure is important both physically and operationally and can make complaining easier and more convenient for guests and solving it for the hotel (Karatepe, 2006; Grönroos, 2007). Thus, hoteliers should focus on developing and maintaining such structures.
- Hoteliers should be aware of the importance of complaint management. Both academics and industry practitioners agreed on the importance of managing complaints in an effective and efficient manner (Gilly and Hansen, 1985; Heskett, Sasser and Schlesinger, 1997; McAlister and Erffmeyer, 2003). In align with this, results point out that hotel managers in Hong Kong tend to grasp the significance of complaint management. Specifically, hoteliers reported that they need to get complaints to

improve their existing service quality levels. This suggests that hotel managers in other destinations should also have similar thinking to widen their perceptions about complaint management.

- Hoteliers should realize the fundamental importance of human resources in dealing with complaining guests. As has been suggested by several scholars human interaction is the core of recovering from a service failure and even a best planned, generous and fair recovery may not create favorable response if frontline employees cannot deliver it properly (Bitner, Booms and Tetreault, 1990; Olsen, Teare and Gummesson, 1996; Kotler and Armstrong, 2006). Results signify that hotel managers in Hong Kong are training and empowering their guest contact employees to increase the efficiency of complaint resolution. Allowing their frontline employees to offer discounts or free services without getting special permission, is a brilliant example of empowering the employees. Hotel managers in similar destinations should also realize the importance of their employees in handling guest problems.
- As for the remaining variables '*organizational responses to guest complaints*', '*handling the complaints*' and '*guest focus and commitment*', results revealed that hoteliers in Hong Kong are aware of the significance of these issue in solving guest problems. The existing body of literature suggests that; how organizations respond to guest complaints are vitally important in guests post recovery attitudes (Kelly, Hoffman and Davis, 1993; Boshoff, 1999; Karatepe and Ekiz, 2004), how the way guests complaints handled influences their reactions to companies (Etzel and Silverman, 1981; Brown, 1997; Yim *et al.*, 2003) and how focusing on guests and being committed to their needs fosters the chance of being successful in recovering from a service failure (Firnsthahl, 1989; Tocquer and Cudennec, 1998; Cranage, 2004). These findings suggest that hoteliers should spend time and effort in understanding true value of hearing the bad news about their services from their complaining guests who actually gone through the troubles and yet willing to help by giving a second chance of recovering the failed service.
- Additionally, '*guest focus and commitment*' appears to be the most influential variable on organizational responses to guest. This finding suggests that hoteliers should think focusing on guest needs is important in responding the guest complaints. The second and third most significant variables change in both locations

that is while 'human resources' and 'prejudgments' were respectively second and third in rank of importance. This result highlights the importance given to human resources related issues.

- Finally, above results support that all complaint related variables had significant influence on organizational responses to guest complaints. Thus it can be concluded that hotel managers should; get rid of their prejudgments, be more committed to their guests needs, understand the significance and value guest complaints, have a tailor-made procedures in dealing with complaints, and focus on training and empowering their human resources to be able to satisfy their complaining guests.

1) *Limitations and Implications for Further Research*

Following are the limitations of this study. First and foremost important limitation is the inclusion of only the members of major hotel association. Future studies may include all hotels which can increase the number of received responses positively. Secondly, this study did not consider detailed characteristics of hotels such as; management and/or franchising contract types or age of the hotel. Considering these characteristics, perhaps as dummy variable, may provide additional insights for future studies. Thirdly, this study reports response of hotel managers thus might suffer from the social desirability response bias due to its self-report nature. To overcome this problem, future studies can collect data from frontline employees and guests, as well as managers, to have a more complete view of the big picture. Finally, this study used '*guest focus and commitment*', '*prejudgments towards guest complaints*', '*general importance of complaints management*', '*organizational structure*', '*system, policy and procedures of complaint management*', '*handling the complaints*', and '*human resource aspects of complaint management*' as independent variables and '*organizational responses to guest complaints*' as dependent variable. Analysis of other theoretical and statistical relationships among these variables and/or inclusion of other constructs in the model such as '*recognizing and rewarding*' (Zemke and Bell, 2000), '*understanding emotional value of complaints*' (Barlow and Maul, 2000), '*evaluating service performance*' (Zemke, 1995) and '*controlling the process complaint*' (Tax, Brown, and Chandrashekar, 1998) would provide further insights to understand the complex nature of complaint handling practices. .

As a closing note, until further empirical studies are conducted, the results of the present study and strategies based on them should remain tentative.

Replication studies in other destinations, perhaps other island states and/or developing countries, with larger sample size would be fruitful for further generalizations of the study findings.

REFERENCES RÉFÉRENCES REFERENCIAS

1. Babakus, E., Yavas, U., Karatepe, O. M. and Avci, T. (2003), "The Effect of Management Commitment to Service Quality on Employees' Affective and Performance Outcomes". *Journal of the Academy of Marketing Science*, 31(3), 272-286.
2. Barlow, J. and Maul, D. (2000), *Emotional Value: Creating Strong Bonds with Your Customers*. San Francisco: Berrett-Koehler Publishers.
3. Barlow, J. and Moller, C. (1996), *A Complaint is a Gift: Using Customer Feedback as a Strategic Tool*. San Francisco: Berrett-Koehler Publishers.
4. Bell, C. R. and Ridge, K. (1992), "Service Recovery for Trainers". *Training and Development*, (May), 58-63.
5. Bell, C. R., Zemke, R. and Zielinski, D. (2007), *Managing Knock your Socks of Service*. 2nd edition, New York: AMACOM Books.
6. Bitner, M. J., Booms, B. H. and Mohr, L. A. (1994), "Critical Service Encounters: the Employee's Viewpoint". *Journal of Marketing*, 58(4), 95-106.
7. Bitner, M. J., Booms, B. H. and Tetreault, S. M. (1990), "The Service Encounter: Diagnosing Favorable and Unfavorable Incidents". *Journal of Marketing*, 54(1), 71-84.
8. Blodgett, J. G. and Anderson, R. D. (2000), "A Bayesian Network Model of the Consumer Complaint Process". *Journal of Service Research*, 2(4), 321-338.
9. Blodgett, J. G., Hill, D. J. and Tax, S. S. (1997), "The Effects of Distributive, Procedural, and Interactional Justice on Postcomplaint Behavior". *Journal of Retailing*, 73(2), 185-210.
10. Blodgett, J. G., Wakefield, K. L. and Barnes, J. H. (1995), "The Effects of Customer Service on Consumer Complaining Behavior". *Journal of Services Marketing*, 9(4), 31-42.
11. Boden, A. (2001), *The Handling Complaints Pocketbook*. Hants: Management Pocketbooks Ltd.
12. Boshoff, C. (1999), "RECOVSAT: An Instrument to Measure Satisfaction with Transaction-Specific Service Recovery". *Journal of Service Research*, 1(3), 236-249.
13. Boshoff, C. and Leong, J. (1998), "Empowerment, Attribution and Apologizing as Variables of Service Recovery: An Experimental Study". *International Journal of Service Industry Management*, 9(1), 24-47.
14. Brown, S. W. (1997), "Service Recovery through IT: Complaint Handling will Differentiate Firms in the Future". *Marketing Management*, 6(3), 25-27.
15. Buttle, F. and Burton, J. (2002), "Does Service Failure Influence Customer Loyalty?". *Journal of Consumer Behaviour*, 1(3), 217-227.
16. Chebat, J. C., Davidow, M. and Codjovi, I. (2005), "Silent Voices - Why Some Dissatisfied Consumers Fail to Complain". *Journal of Service Research*, 7(4), 328-342.
17. Chu, K. H. L. and Murrmann, S. K. (2006), "Development and Validation of the Hospitality Emotional Labor Scale". *Tourism Management*, 27(6), 1181-1191.
18. Chung, T. and Law, R. (2002), "Success Factors for Hong Kong Hotel Websites". *Proceedings of Fifth Biennial Conference on Tourism in Asia: Development, Marketing and Sustainability*, May 23-25, Macao, 96-104.
19. Churchill, G. (1979), "A Paradigm for Developing Better Measures of Marketing Constructs". *Journal of Marketing Research*, 16(1), 64-73.
20. Churchill, G. A. Jr. and Iacobucci, D. (2002), *Marketing Research: Methodological Foundations*, 8th edition, Ohio: South-Western Thomson Learning.
21. Cranage, D. (2004), "Plan to Do it Right: and Plan for Recovery". *International Journal of Contemporary Hospitality Management*, 16(4), 210-219.
22. Davidow, M. (2000), "The Bottom Line Impact of Organizational Responses to Customer Complaints". *Journal of Tourism and Hospitality Research*, 24(4), 473-490.
23. Davidow, M. (2003a), "Organizational Responses to Customer Complaints: What Works and What Doesn't", *Journal of Service Research*, 5(3), 225-250.
24. Davidow, M. (2003b), "Have you Heard the Word? The Effect of Word of Mouth on Perceived Justice, Satisfaction and Repurchase Intentions Following Complaint Handling". *Journal of Consumer Satisfaction, Dissatisfaction and Complaining Behavior*, 16, 67-80.
25. Day, R. L., Grabiske, K., Schaetzle, T. and Staubach, F. (1981), "The Hidden Agenda of Consumer Complaining". *Journal of Retailing*, 57(3), 86-106.
26. Diener, B. J. and Greyser, S. A. (1978), "Consumer Views of Redress Needs". *Journal of Marketing*, 42(4), 21-27.

27. Dunning, J. and Pecotich, A. (2000), "Understanding the Role of Adequate Explanations within the Post-Complaint Process". *Visionary Marketing for the 21st Century: Facing the Challenge*, 277-280.
28. Ekiz, H.E. (2009), Factors influencing organizational responses to guest complaints: cases of Hong Kong and Northern Cyprus. *Journal of Hospitality Marketing and Management*, 18(6), 539-573.
29. Ekiz, H. E. (2003), *Organizational Responses to Customer Complaints in Hotel Industry: Evidence from Northern Cyprus*. Unpublished Master Thesis (MBA), Famagusta: Eastern Mediterranean University: Faculty of Business and Economics.
30. Ekiz, H. E. and Arasli, H. (2007), "Measuring the Impacts of Organizational Responses: Case of Northern Cyprus Hotels". *Managing Global Transitions: International Research Journal*, 5(3), 271-288.
31. Ekiz, H. E. and Babacan E. (2007), "Hong Kong ve Kuzey Kıbrıs Otel Endüstrileri'nde İnternet Kullanımı", *Cesme Ulusal Turizm Sempozyumu*, 21-23 November, Ege University, Proceeding Book, 311-323.
32. Etzel, M. J. and Silverman, B. I. (1981), "A Managerial Perspective on Directions for Retail Customer Dissatisfaction Research". *Journal of Retailing*, 57(3), 124-136.
33. Firnstahl, T. W. (1989), "My Employees are my Service Guarantees". *Harvard Business Review*, 67(4), 28-32.
34. Fornell, C. and Wernerfelt, B. (1988), "A model for Customer Complaint Management". *Marketing Science*, 7(3), 287-298.
35. Gilly, M. C. (1987), "Postcomplaint Processes: from Organizational Response to Repurchase Behavior". *The Journal of Consumer Affairs*, 21(2), 293-313.
36. Gilly, M. C. and Gelb, B. D. (1982), "Post-Purchase Consumer Processes and the Complaining Consumer". *Journal of Consumer Research*, 9(December), 323-328.
37. Gilly, M. C. and Hansen, R. W. (1985), "Consumer Complaint Handling as a Strategic Marketing Tool". *Journal of Consumer Marketing*, 2(4), 5-16.
38. Grönroos, C. (2007), *Service Management and Marketing: Customer Management in Service Competition*. 3rd edition, West Sussex: John Wiley and Sons Ltd.
39. Gursoy, D., Ekiz, H. E. and Chi, C. G. (2006), "Impacts of Organizational Responses on Complainants Justice Perceptions and Post-Purchase Behaviors in North Cyprus Hotel Industry: International Tourist Perspective", *CHRIE 2006 Conference*, July 26-30, Washington: Washington State University, 141-146.
40. Gursoy, D., Ekiz, H. E. and Chi, C. G. (2007), "Impacts of Organizational Responses on Complainants' Justice Perceptions and Post-Purchase Behaviors", *Journal of Quality Assurance in Hospitality and Tourism*, Accepted for Publication, forthcoming at Volume 8, Number 1.
41. Hair J. F. Jr., Anderson, R. E., Tatham, R. L. and Black, W. C. (1995), *Multivariate Data Analysis with Readings*. 4th edition, New Jersey: Prentice Hall Inc.
42. Hart, C. W. L., Heskett, J. L. and Sasser, W. E. Jr. (1990), "The profitable Art of Service Recovery". *Harvard Business Review*, 68(4), 148-156.
43. Hedrick, N., Beverland, M. and Minahan, S. (2007), "An Exploration of Relational Customers' Response to Service Failure". *Journal of Services Marketing*, 21(1), 64-72.
44. Heskett, J. L., Sasser, W. E. and Schlesinger, L. A. (1997), *The Service Profit Chain: How Leading Companies Link Profit and Growth to Loyalty, Satisfaction and Value*, New York: The Free Press.
45. Heung, V. C. S., Ekiz, H. E. and Ling, L. (2007), "Evaluation of Customer Feedback Systems at Hotels in China", *APAC-CHRIE & APTA Joint Conference 2007*, 24-27 May, Beijing International Studies University, Full paper in Proceedings CD.
46. HKHA (2009), Hong Kong Hotels Association. [Online] retrieved 14 December 2009 from www.hkha.org/main.asp?sec=3.
47. HKTb (2010a), "Arrivals exceed 3.2 million in September", *Hong Kong Tourism Board News: 25 November*, [Online] retrieved 26 November 2010 from <http://partnet.hktourismboard.com>.
48. HKTb (2010b), "Hotel Room Occupancy Report - October 2010", *Hong Kong Tourism Board*, [Online] retrieved 26 November 2010 from <http://partnet.hktourismboard.com>.
49. Hoffman, K. D. and Bateson, J. E. G. (2006), *Services Marketing: Concepts, Strategies and Cases*. 3rd edition, Ohio: Thomson South-Western.
50. Hoffman, K. D., Kelley, S. W., and Rotalsky, H. M. (1995), "Tracking Service Failures and Employee Recovery Efforts". *Journal of Services Marketing*, 9(2), 49-61.
51. Hui, M. K. and Au, K. (2001), "Justice Perceptions of Complaint-Handling: a Cross-Cultural Comparison between PRC and

- Canadian Customers". *Journal of Business Research*, 52(2), 161-173.
52. Judd, C. M., Smith, E. R. and Kidder, L. H. (1991), *Research Methods in Social Relations*. 6th edition, Fort Worth: Rinehart and Winston Inc.
 53. Karatepe, O. M. (2006), "Customer Complaints and Organizational Responses: the Effects of Complainants' Perceptions of Justice on Satisfaction and Loyalty". *Interactional Journal of Hospitality Management*, 25(1), 69-90.
 54. Karatepe, O. M. and Ekiz, H. E. (2004), "The Effects of Organizational Responses to Complaint on Satisfaction and Loyalty: a Study of Hotel Guests in Northern Cyprus". *Managing Service Quality*, 14(6), 476-486.
 55. Kelly, S. W., Hoffman, K. D. and Davis, M. A. (1993), "A Typology of Retail Failures and Recoveries". *Journal of Retailing*, 69(4), 429-452.
 56. Kincade, D. H., Redwine, A. and Hancock, G. R. (1992), "Apparel Product Dissatisfaction and the Post-Complaint Process". *International Journal of Retail and Distribution Management*, 20(5), 15-25.
 57. Kotler, P. (2003), *Marketing Management*. 11th edition, New Jersey: Prentice-Hall Inc.
 58. Kotler, P. and Armstrong, G. (2006), *Principles of Marketing*. 11th edition, New Jersey: Prentice-Hall Inc.
 59. Kotler, P., Bowen, J. and Makens, J. (1999), *Marketing for Hospitality and Tourism*. 2nd edition, New Jersey: Prentice-Hall International Inc.
 60. Kowalski, R. M. (1996), "Complaints and Complaining: Functions, Antecedents, and Consequences". *Psychological Bulletin*, 119(2), 179-196.
 61. Law, R. and Hsu, C. H. C. (2006), "Importance of Hotel Website Variables and Attributes: Perceptions of Online Browsers and Online Purchasers". *Journal of Hospitality and Tourism Research*, 30(3), 295-312.
 62. Law, R. and Jogaratnam, G. (2005), "A Study of Hotel Information Technology Applications". *International Journal of Contemporary Hospitality Management*, 17(2), 170-180.
 63. Law, R. and Lau, W. (2004), "A Study of the Perceptions of Hong Kong Hotel Managers on the Potential Disintermediation of Travel Agencies". *Journal of Travel and Tourism Marketing*, 17(2/3), 117-131.
 64. Liao, H. (2007), "Do It Right This Time: The Role of Employee Service Recovery Performance in Customer-Perceived Justice and Customer Loyalty after Service Failures". *Journal of Applied Psychology*, 92(2), 475-489.
 65. Likert, R. (1932), *A Technique for the Measurement of Attitudes*. Archives of Psychology, 140, (eds) Woodworth, R.S., New York University Publications.
 66. Lloyd, J., Lopa, J. M. L. and Braunlich, C. G. (2000), "Prediction Changes in Hong Kong's Hotel Industry Given the Change in Sovereignty from Britain to China in 1997". *Journal of Travel Research*, 38(May), 405-410.
 67. Lovelock, C. H. (2000), *Services Marketing: People, Technology, Strategy*. 4th edition, New Jersey: Prentice-Hall International Inc.
 68. Lovelock, C. H., Wirtz, J. and Keh, H. T. (2002), *Services Marketing in Asia: Managing People, Technology, Strategy*. Singapore: Prentice-Hall Asia Pte Ltd.
 69. Mangione, T. W. (1995), *Mail Surveys: Improving the Quality*. Applied Social Research Methods Series Volume 40, Thousand Oaks: Sage Publications.
 70. McAlister, D. T. and Erffmeyer, R. C. (2003), "A Content Analysis of Outcomes and Responsibilities for Consumer Complaints to Third-Party Organizations". *Journal of Business Research*, 56(4), 341-351.
 71. Nunnally Jr., J. C. (1970), *Introduction to Psychological Measurement*. New York: McGraw-Hill Book Company.
 72. Nunnally, J. C. Jr. and Bernstein, I. H. (1994), *Psychometric Theory*. 3rd edition, New York: McGraw-Hill Book Company.
 73. Nyer, P. U. (2000), "An Investigation into Whether Complaining can Cause Increased Consumer Satisfaction". *Journal of Consumer Marketing*, 17(1), 9-19.
 74. Olsen, M., Teare, R. and Gummesson, E. (1996), *Service Quality in Hospitality Organizations*. London: Cassel Publishing Inc.
 75. Parasuraman, A. (1982), "More on the Prediction of Mail Survey Response Rates". *Journal of Marketing Research*, 19(May), 261-268.
 76. Parasuraman, A., Zeithaml, V. A. and Berry, L. (1988), "A Multi Item Scale for Measuring Consumer Perception of Service Quality". *Journal of Retailing*, 64(Spring), 12-40.
 77. Plymire, J. (1991), "Complaints as Opportunities". *The Journal of Consumer Marketing*, 8(2), 39-43.
 78. Qu, H., Ryan, B. and Chu, R. (2000), "The Importance of Hotel Attributes in Contributing to Travelers' Satisfaction in the Hong Kong Hotel Industry". *Journal of Quality Assurance in Hospitality and Tourism*, 1(3), 65-83.

79. Saxe, R. and Weitz, B. A. (1982), "The SOCO Scale: A Measure of the Customer Orientation of Salespeople". *Journal of Marketing Research*, 19(August), 343-351.
80. Singh, J. (1988), "Consumer Complaint Intentions and Behavior: Definitional and Taxonomical Issues". *Journal of Marketing*, 52(1), 93-107.
81. Singh, J. and Wilkes, R. E. (1996), "When Consumers Complain: A Path Analysis of the Key Antecedents of Consumer Complaint Response Estimates". *Journal of Academy of Marketing Science*, 24(4), 350-365.
82. Smith, A. K. and Bolton, R. N. (1998), "An Experimental Investigation of Customer Reactions to Service Failure and Recovery Encounters: Paradox or Peril?". *Journal of Service Research*, 1(1), 65-81.
83. Smith, A. K., Bolton, R. N. and Wagner, J. (1999), "A Model of Customer Satisfaction with Service Encounters Involving Failure and Recovery". *Journal of Marketing Research*, 36(3), 356-372.
84. Spreng, R. A., Harrell, G. D. and Mackoy, R. D. (1995), "Service Recovery: Impact on Satisfaction and Intentions". *The Journal of Services Marketing*, 9(1), 15-23.
85. Statistical Yearbook of Tourism (2006), Tourism and Planning Office, Nicosia: State Printing House.
86. Stauss, B. and Seidel, W. (2004), *Complaint Management: the Heart of CRM*, Ohio: Thomson Business and Professional Publishing.
87. Suh, J. H. K., Barker, S., Pegg, S. and Kandampully, J. (2005), "Service Recovery Readiness in Australian Hospitality and Leisure Operations: A Conceptual Framework and Findings from an Exploratory Study", *Journal of Quality Assurance in Hospitality and Tourism*, 6(1/2), 43-64.
88. Susskind, A. M., Borchgrevink, C. P., Brymer, R. A. and Kacmar, K. M. (2000), "Customer Service Behavior and Attitudes among Hotel Managers: A look at Perceived Support Functions, Standards for Service, and Service Process Outcomes", *Journal of Hospitality and Tourism Research*, 24(3), 373-397.
89. Tabachnick, B. G. and Fidell, L. S. (1996), *Using Multivariate Statistics*. 3rd edition, New York: HarperCollins College Publishers.
90. Tax, S. S., Brown, S. W. and Chandrashekar, M. (1998), "Customer Evaluation of Service Complaint Experiences: Implication and Relationship Marketing". *Journal of Marketing*, 62(2), 60-76.
91. Tocquer, G. A. and Cudennec, C. (1998), *Service Asia: How the Tigers can Keep their Stripes*. Singapore: Simon and Schuster Pte. Ltd. - Prentice Hall.
92. Voorhees, C. M., Brady, M. K. and Horowitz, D. M. (2006), "A Voice from the Silent Masses: An Exploratory and Comparative Analysis of Noncomplainers". *Journal of the Academy of Marketing Science*, 34(4), 514-527.
93. Yavas, U., Bilgin, Z. and Shemwell, D. J. (1997), "Service Quality in the Banking Sector in an Emerging Economy: A Consumer Survey". *The International Journal of Bank Marketing*, 15(6), 217-223.
94. Yeung, T. A. and Law, R. (2003), "Usability Evaluation of Hong Kong Hotel Websites", in Frew, A. J., Hitz, M. and O'Connor, P. (eds.), *Information and Communication Technologies in Tourism 2003*, New York: Springer Computer Science, 261-269.
95. Yeung, T. A. and Law, R. (2006), "Evaluation of Usability: a Study of Hotel Web Sites in Hong Kong". *Journal of Hospitality and Tourism Research*, 30(4), 452-473.
96. Yim, C. K., Gu, F. F., Chan, K. W. and Tse, D. K. (2003), "Justice-Based Service Recovery Expectations: Measurement and Antecedents". *Journal of Consumer Satisfaction, Dissatisfaction and Complaining Behavior*, 16, 36-52.
97. Zeithaml, V. A., Bitner, M. J. and Gremler, D. D. (2006), *Services Marketing: Integrating Customer Focus across the Firm*. 4th edition, New York: McGraw-Hill Publication.
98. Zemke, R. (1993), "The Art of Service Recovery: Fixing Broken Customers and Keeping them on Your Side", in Scheuing, E. E. and Christopher, W. C. (eds.), *The Service Quality Handbook with Contributions from 57 International Experts*. New York: American Management Association Publication.
99. Zemke, R. (1995), *Service Recovery: Fixing Broken Customer*. Oregon: Productivity Press.
100. Zemke, R. and Anderson, K. (2007), *Delivering Knock Your Socks off Service*. 4th edition, New York: American Marketing Association Publication.
101. Zemke, R. and Bell, C. R. (2000), *Knock Your Socks off Service Recovery*. New York: American Marketing Association Publication.



GLOBAL JOURNAL OF MANAGEMENT AND BUSINESS RESEARCH
Volume 11 Issue 1 Version 1.0 February 2011
Type: Double Blind Peer Reviewed International Research Journal
Publisher: Global Journals Inc. (USA)
ISSN: 0975-5853

Le Management de Développement en Afrique (Agir sur les Capabilités)

By Fakhri ISSAOU

Résumé- cet article essaye d'expliquer pourquoi les plans d'ajustement structurel n'ont pas permis le développement des pays africains, et ce malgré tous les efforts déployés dans ce sens et les énormes coûts sociaux supportés par les couches les plus vulnérables. Notre réflexion nous ramène à affirmer que les anciens programmes étaient inadéquats à la réalité des pays africains et par conséquent, l'Afrique nécessite un nouvel ajustement plus juste et plus approprié à ses conditions socio-économiques. Les nouveaux programmes ne doivent pas dicter uniquement des mesures à appliquer, mais doivent donner les moyens aux États pour les appliquer et les capabilités aux individus pour s'échapper de leurs effets négatifs.

Mots clés: Afrique, Ajustement, Efficacité, Capabilité

Abstract- This article tries to explain why the structural adjustment plans have not allowed the development of African countries despite all efforts and the enormous social costs supported by the most vulnerable. Our thinking takes us back to say that the old programs were inadequate to the reality of African countries and therefore, Africa needs a new adjustment more appropriate to its socio-economic conditions. The new programs should not only dictate the measures to be applied but must provide the means for States to implement and capabilities for individuals to escape their negative effects.

Keywords: Africa, Adjustment, Efficiency, Capability.



Strictly as per the compliance and regulations of:



Le Management de Développement en Afrique (Agir sur les Capabilités)

Fakhri ISSAOUI

February 2011

15

Volume XI Issue II Version I

Global Journal of Management and Business Research

Résumé cet article essaye d'expliquer pourquoi les plans d'ajustement structurel n'ont pas permis le développement des pays africains, et ce malgré tous les efforts déployés dans ce sens et les énormes coûts sociaux supportés par les couches les plus vulnérables. Notre réflexion nous ramène à affirmer que les anciens programmes étaient inadéquats à la réalité des pays africains et par conséquent, l'Afrique nécessite un nouvel ajustement plus juste et plus approprié à ses conditions socio-économiques. Les nouveaux programmes ne doivent pas dicter uniquement des mesures à appliquer, mais doivent donner les moyens aux États pour les appliquer et les capacités aux individus pour s'échapper de leurs effets négatifs.

Mots-clés: Afrique, Ajustement, Efficacité, Capabilité

Abstract This article tries to explain why the structural adjustment plans have not allowed the development of African countries despite all efforts and the enormous social costs supported by the most vulnerable. Our thinking takes us back to say that the old programs were inadequate to the reality of African countries and therefore, Africa needs a new adjustment more appropriate to its socio-economic conditions. The new programs should not only dictate the measures to be applied but must provide the means for States to implement and capabilities for individuals to escape their negative effects.

Keywords: Africa, Adjustment, Efficiency, Capability.

I. INTRODUCTION

Après trente années d'ajustement structurel les pays africains se reproduisent à l'identique et reproduisent par voie de conséquences leurs problèmes et leurs soucis (sociaux, économiques, politiques, etc.). La pauvreté, la famine, l'analphabétisme, les guerres civiles, les maladies, les inégalités et la marginalisation semblent être un destin dont ces pays n'arrivent pas à surmonter et franchir. Et bien que les facteurs explicatifs d'un tel constat soient multiples, nous pouvons dire que celui qui explique le mieux le sous-développement est essentiellement l'échec des stratégies de développement adoptées¹.

L'application des plans d'ajustement structurel (PAS), et malgré leurs réussites relatives dans beaucoup de pays en développement (PED), n'a pas permis à la majorité des pays africains d'atteindre les objectifs escomptés dont le développement et la

croissance durable constituent leurs attraits majeurs. Pis encore, dans certains pays lesdits programmes ont contribué directement et indirectement à la détérioration des indicateurs sociaux et à la réduction du bien-être.

Il serait ainsi légitime de demander pourquoi les PAS n'ont pas généré en Afrique le même succès qu'ils ont réalisé dans d'autres continents. S'agit-il d'un problème d'inefficacité intrinsèque des mesures de PAS ou plutôt d'un problème de spécification stipulant l'inadéquation des PAS à la réalité des pays africains ? Et si les PAS ne répondent pas aux besoins de l'Afrique alors quel modèle de développement faut-il aux pays africains ? Pour parvenir à répondre à ces questions nous allons commencer en un premier temps à voir l'état actuel des indicateurs socio-économiques en Afrique en essayant de les comparer aux autres pays du monde (Section I). Ensuite, nous allons étudier les conditions dans lesquelles les pays africains se sont intégrés dans la logique du libéralisme mondial (Section II). Par la suite, nous allons voir dans quelles mesures les PAS ont contribué à la création de nouveaux problèmes (section III). Enfin nous essayons de dessiner les contours du modèle de développement optimal que l'Afrique doit suivre (section VI).

SECTION I: ÉTAT ACTUEL DES INDICATEURS SOCIO ÉCONOMIQUE EN AFRIQUE

Le continent africain est considéré comme l'espace le plus pauvre dans le monde là où les problèmes socio – politico – économique sont multiples et si fréquents. Selon les données statistiques du rapport mondial sur le développement humain (2008), nous remarquons que parmi les trente derniers pays qui ont enregistré le plus faible indicateur de développement humain (IDH) on trouve vingt-huit pays africains ce qui représente la moitié des pays africains le premier pays africain ayant l' (IDH) le plus élevé (Seychelles) se trouve à la 50^{ème} position. L'espérance de vie moyenne (Graphique 1) est, dans la quasi-totalité des pays, inférieure à 50 ans (Mozambique 40 ans, Namibie 41 ans, Niger 46 ans, Nigeria 44 ans etc. alors que dans les pays développés ladite espérance avoisine 78ans. Les taux d'analphabétismes (Graphique 2), et malgré tous les efforts déployés pour les

¹ Ceci ne constitue pas un jugement de valeur mais une réalité qui a conduit la Banque mondiale et le Fonds Monétaire International (à la fin des années 90) de reconnaître l'échec des plans d'ajustement structurel (PAS) appliqués en Afrique subsaharienne.

² World Development Report (2006) «Equity and Development» World Bank

restreindre, demeurent élevés par rapport au taux moyen (30% en Algérie, 74% Tchad, 46% au Ghana, 81% au Mali, 86% au Niger, 61% au Sénégal, 49% Maroc et 26% en Tunisie). Toutefois, dans d'autres pays en développement (PED) ayant des structures socio-économiques similaires aux pays africains ces taux sont de loin moins élevés à l'instar du Panama (10%), Sri-lanka (10%), Moldavie (4%), Bolivie (13%). Également, le continent souffre de la propagation des maladies et épidémies (Graphique 3) ce qui explique, entre autres, la bassesse du niveau d'espérance de vie. Le taux de la population (15-49 ans) atteinte par le SIDA et autres maladies (malaria, maladies respiratoires, maladies diarrhéiques, etc.) avoisine 3,9% en Angola, (5,5%) au Cameroun, (7%) en Côte d'Ivoire, (21,3%) en Namibie, (15,6%) en Afrique de Sud et 24,6% au Zimbabwe.

Ces chiffres montrent avec clarté l'énorme dégradation de la qualité des ressources humaines et renseignent sur les problèmes économiques que connaît la quasi-totalité des pays africains et qui se subdivisent en deux catégories distinctes. Il s'agit bel et bien de problèmes structurels touchant la totalité des secteurs productifs et des problèmes de redistribution qui ont généré des inégalités et disparités au niveau de la répartition de la richesse et par conséquent l'exclusion des plus pauvres. En effet et sans nier le succès relatif qu'ont connu certains pays (Tunisie, Maroc) en matière économique, comme le mentionnent les institutions financières internationales (IFI), nous pouvons dire sans trop de risque que les pays africains connaissent un ensemble de problèmes structurels (déficit de la balance de paiement, déficit budgétaire, endettement massif, environnement socio-économique peu attractif aux investissements étrangers directs, etc.)

Tout d'abord, il faut signaler la persistance des déséquilibres macro-économiques (Graphique 5) qui, malgré les efforts déployés par les IFI pour les réduire, continuent toujours de jouer le rôle de freins handicapant les stratégies de développement. Ces déséquilibres ont donné la légitimité aux IFI d'intervenir dans la conception et le contrôle des stratégies de développement de l'Afrique conformément aux enseignements de la logique libérale occidentale infirmant ainsi toute spécificité ou identité africaine.

Ensuite, il faut remarquer que la quasi-totalité des pays africains est quasi dépendante des secteurs primaires ou tertiaires où la concurrence est si rude et si intense. La part des exportations manufacturières par rapport aux exportations totales demeure encore faible dans la majorité des pays africains. À titre illustratif et non exclusif dans des pays comme la Belgique, l'Arménie, le Bangladesh, la France, l'Allemagne et la Bulgarie cette part était respectivement de 80 ; 62 ; 89 ; 81 ; 84 et 66% alors qu'elle ne dépasse pas, généralement, 50% dans les pays de l'Afrique (Bénin

8%, Burkina Faso 16%, Cameroun 7%, Egypte 31%, Ghana 16%, Afrique de Sud 58%).

Cette structure d'exportation ne permet pas à un pays de planifier ses stratégies de développement d'une manière correcte étant donné que les ressources financières escomptées sont variables à cause des fluctuations que connaissent les prix à l'échelle mondiale. L'exemple de fluctuation des prix de pétrole est typique et oblige des pays exportateurs nets comme l'Algérie, le Nigeria et le Soudan de mener une gestion spécifique de leurs recettes pétrolières qui peuvent varier fortement.

Les secteurs exportateurs produisent des biens intensifs en travail et à faibles contenus technologiques ce qui les rend vulnérables devant les changements continuels du marché mondial. Il suffit de dire que la part de l'exportation des marchandises de hautes technologies par rapport aux exportations manufacturières ne dépasse pas 2% au Bénin, 2% au Cameroun, 8% à la Côte D'Ivoire, 0% en Egypte, 8% au Mali et 4% en Tunisie.

Enfin, nous signalons que face à cette conjoncture caractérisée par une mauvaise qualité des ressources humaines et par une faible structure productive où l'accumulation de capital est encore timide, ces pays ne suscitent pas encore l'intérêt des investisseurs étrangers ce qui rend la question de développement plus difficile (Graphique 4). L'intérêt de ces derniers demeure toujours orienté vers l'investissement dans l'extraction des matières premières et produits miniers. Ainsi et du moment que les investissements étrangers ont joué un rôle moteur dans les pays du Sud-est asiatique et les pays de l'Amérique latine ils jouent, cependant, un rôle quasi nul dans l'Afrique. Pire encore ces investissements ont eu parfois des effets négatifs si nous tenons compte de l'exploitation abusive et non contrôlée des richesses du continent sans paiement d'un prix « juste et équitable » qui tient compte de la rareté de ses ressources d'une part et de l'intérêt des générations futures d'autres part.

Mais les problèmes du continent ne se limitent pas uniquement aux aspects économiques, mais touchent aussi l'aspect de la distribution d'où la seconde catégorie de problème. Dans ce contexte il suffit de dire que la part de revenus détenus par les 20% les plus riches par rapport au revenu national dépasse en moyenne 40% dans les pays africains (60,2% en Afrique de Sud, 65,1% au Botswana, 78,7% en Namibie, 46,6% au Maroc, 50,9% au Cameroun et 47,3 en Tunisie).

SECTION II: L'IMPPLICATION DE L'AFRIQUE DANS LE LIBÉRALISME MONDIAL

1) Contexte Général des PAS

Depuis le tournant des années 80, l'économie mondiale est entrée dans une nouvelle stratégie de

développement basée sur le libéralisme économique ce qui a constitué théoriquement un retour aux enseignements classiques et néo-classiques prônant le marché comme mécanisme d'allocation de ressources optimal et efficace. Cette nouvelle philosophie économique n'était pas unanimement sollicitée aussi bien du côté des gouvernements que des individus et des peuples.

Au niveau des gouvernements il y avait une crainte que le passage d'une économie d'État vers l'économie de marché nécessite un arsenal d'institutions, de réglementation et surtout d'une bonne gestion des différents effets qui peuvent surgir aussi bien dans le très court, court et moyen terme. Au niveau des individus et groupes d'individus, la crainte était plus intense et plus profonde étant donné que l'ajustement et ses connotations conceptuelles (restructuration, privatisation, libéralisation et marché) étaient jusque-là synonymes de situations d'exclusion, pauvreté, inégalité, licenciement et concentration des capitaux.

Toutefois, la réussite des politiques économiques libérales menées en Grande-Bretagne et aux États-Unis d'Amérique (après la montée des conservateurs au pouvoir en Grande-Bretagne en 1979 et l'arrivée de Reagan à la maison blanche en 1980) a permis la revivification du libéralisme économique et a rendu ces deux pays deux modèles réussis dont les autres pays doivent imiter. Également, la crise d'endettement de 1982 a révélé la réalité selon laquelle les anciennes stratégies de développements (post guerre), adoptées par les pays en développement (PED) et développés et qui font référence soit au modèle keynésien ou au modèle marxiste (pays socialistes), sont les principales causes des différents problèmes du secteur public et privé. En effet, ladite crise a généré deux types de problèmes. Le premier est relatif aux difficultés financières qu'a connu la majorité des PED et qui les ont obligés à recourir à un endettement massif (et parfois à la création monétaire pour financer le déficit budgétaire Chili, Mexique, Iran etc.) (Tableaux 1 et 2). Le deuxième problème est l'inefficacité des stratégies de développement véhiculées par le secteur public qui ont, souvent, été désignées comme sources majeures de gaspillage de ressources économiques et comme des politiques gênant et handicapant l'initiative privée.

Ainsi et dans de telles circonstances l'attitude des institutions financières internationales (IFI) en l'occurrence la banque mondiale (BM) et le fonds monétaire international (FMI) aurait dû changer de logique en essayant de convaincre les PED d'adopter des programmes d'ajustement structurel (PAS) leurs permettant de restructurer leurs systèmes productifs et de franchir avec succès le passage de l'économie à planification centralisée vers l'économie de marché. Et si jamais l'adhésion des pays africains dans de tels programmes était timide au départ (la Côte d'Ivoire en

1980, le Niger et le Maroc en 1983) elle s'est accélérée par la suite à partir de la seconde moitié des années 80 (la Tunisie en 1986, le Cameroun en 1989 et l'Algérie en 1994, etc.) ; actuellement nous affirmons sans risque que toute l'Afrique est sous l'ajustement structurel.

2) *Le PAS : logique et conséquences théoriques*

Rappelons que dans la théorie économique libérale il existe une relation stricte entre l'économie de marché et le développement. Autrement dit là où les décisions sont prises exclusivement par la simple confrontation de l'offre à la demande, il va y avoir une allocation optimale de ressources économiques. La main invisible d'Adam Smith va conduire les consommateurs à maximiser leurs utilités et les producteurs à maximiser leurs profits et par conséquent la société parviendra à maximiser son intérêt collectif à partir des intérêts individuels bien que ces derniers soient antagonistes en leurs essences.

Et malgré que la théorie libérale ait connu une évolution énorme au niveau de ses outils d'investigation (statistiques, mathématiques, économétrie, recherches opérationnelles, etc.) et au niveau de la conception des stratégies de développement et politiques économiques à suivre, celle-ci demeure toujours tributaire de l'idée centrale de la suprématie de la régulation marchande sur les autres formes possibles de régulation. Cette suprématie s'explique par le fait que le marché traduit l'état réel de l'offre et de la demande et transmet fidèlement leurs aboutissements à savoir le prix et les quantités échangées d'équilibre. Aucun gaspillage de ressources ne peut avoir lieu et les agents économiques seront amenés à agir efficacement. Transposée à l'échelle de la société l'économie de marché se veut l'unique mécanisme capable de transmettre les vrais signaux informationnels aux agents économiques qui, à leurs tours, vont réagir en tant qu'agents maximisateurs d'où la maximisation du bien-être social.

Ainsi, nous pouvons dire que la rationalité des IFI se trouve incarnée dans la logique exposée ci-dessus et que ces institutions tirent leurs enseignements théoriques des écoles physiocrates, classiques et néo-classiques là où « il faut laisser faire les affaires laisser passer les gens et les marchandises parce que le monde va tout seul ». En s'inscrivant dans cette ligne de conduite le PAS s'avère comme une solution « magique » aux différents problèmes des PED et un moyen irréversible pour remettre les pendules de ces pays à l'heure de développement.

3) *Objectifs escomptés des PAS*

Selon le FMI le PAS c'est « un ensemble de réformes visant à améliorer durablement la position des paiements extérieurs d'un pays et à accroître les capacités de l'économie sur le plan de l'offre en éliminant les rigidités et les déséquilibres structurels.

Ces réformes peuvent prévoir la libéralisation du régime de commerce, de l'investissement et d'une politique agricole protectionniste et la suppression du contrôle des changes et des prix et comprendre une réforme de la fiscalité³. Lesdites réformes portent sur les mesures suivantes :

- Une action visant la réduction du déficit des finances publiques et celui de la balance de paiements afin d'alléger les différents déséquilibres macro-économiques (balance des opérations sur les biens (BOB), balance des opérations sur les services (BOS), balance des opérations sur les revenus, balance des capitaux). Ceci permet à un pays d'améliorer sa position financière vis-à-vis des autres pays et lui permettre de se procurer deux avantages distincts. Primo, renflouer le budget de moyens financiers nécessaires pour financer les rouages de l'économie et secundo d'honorer ses engagements financiers vis-à-vis du reste du monde (service de la dette).
- Une action visant la réduction de la taille du secteur public via la privatisation des entreprises publiques (EP) et l'encouragement du secteur privé à une participation plus massive dans les secteurs qui ont été monopolisés par l'État. Autrement dit, le gouvernement doit limiter son rôle au simple contrôle de l'activité économique et à sa réglementation au cas où elle (c'est-à-dire la réglementation) serait nécessaire. Ceci permet aux gouvernements de s'épargner de dépenses inopportunes (subventions d'exploitation, subventions d'équipements, salaires excessifs, sur effectifs, etc.) et de réallouer ces ressources financières dans des emplois publics plus efficaces (enseignement, santé, recherches et développement, etc.).
- Une action visant l'abolition des différents systèmes de centralisation des décisions économiques et le recours au marché comme ultime mécanisme apte à décider d'une manière juste et efficace (prix, intérêts, taux de change, salaires).
- Une action visant la rationalisation des politiques sociales via l'abolition de l'assistance directe et généralisée et sa substitution par les interventions sociales personnifiées (identifier les ayant besoin⁴ et agir en leurs faveurs).
- Une action visant la libéralisation des échanges par l'élimination des différentes mesures et mécanismes pouvant handicaper ou réduire les échanges internationaux (droits de douane,

restrictions quantitatives, subventions à l'exportation, etc.).

SECTION III: LE PAS EN AFRIQUE: PROGRAMME CRÉATEUR DE PROBLÈMES

Sans nier son succès relatif dans certains pays et ses effets positifs sur l'atténuation des déséquilibres économiques nous pouvons dire qu'après trente années de son application en Afrique, le PAS n'a pas permis d'aboutir à ses objectifs escomptés dont le plus important est le développement des structures économiques et sociales (Afrique subsaharienne, Afrique de l'ouest, soudan, etc.). Les réalisations positives en matière économique n'étaient pas souvent suivies de réalisations sociales et beaucoup de pays ont connu une dégradation sociale sans précédent ce qui a amené certains économistes et sociologues de qualifier le PAS comme « anti-social ». À notre avis deux facteurs sont à l'origine de cet « échec social » ; le premier est l'inadéquation des PAS aux pays africains et le second est l'inefficacité intrinsèque des mesures du programme en terme de promotion sociale.

1) Inadéquation des PAS

Généralement, dans le court terme, les mesures visant à instaurer l'efficacité économique sont souvent génératrices de pertes sociales (réduction d'effectifs, baisse de salaires, pauvreté etc.). Toutefois, les gains sociaux de telles mesures ne paraissent souvent qu'à moyen et long terme. La dégradation du bien-être conséquent du décalage de temps, entre les pertes sociales immédiates et les gains économiques futurs, n'est pas toujours supportable surtout pour des pays où l'aspect social est d'ores et déjà dégradé (le cas des pays africains). Dans des situations similaires, un arbitrage doit avoir lieu comme le montre le graphique suivant.

Les économistes admettent souvent que le coût d'opportunité de l'instauration de l'objectif d'efficacité économique est le sacrifice du bien-être social (Vickers et Yarrow [1998])⁵. Ceci peut être présentée formellement par la figure (1) qui traduit la corrélation négative entre l'efficacité économique et le bien-être social. Ainsi, si L'*État* veut atteindre le maximum d'efficacité économique (A) il doit sacrifier complètement le bien être social. Cependant, lorsque l'État penche beaucoup plus vers l'objectif de bien être (B) il doit renoncer systématiquement à l'objectif de l'efficacité économique. Le dosage qui s'établit entre ces deux variables dépend du poids attribué par l'État aux deux objectifs et au volume de la pression interne (exercé par les syndicats et les groupes sociaux touchés) et externe (les IFI). Le point (D) montre le cas

³ Source officielle de <http://www.imf.org/external/pubs/ft/fabric/fra/gloss.htm>

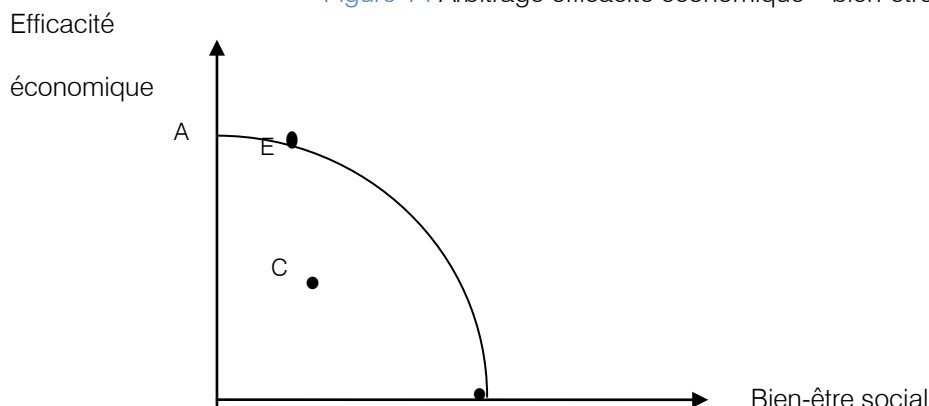
⁴ Non riches, pauvres, les plus pauvres

FMI :

⁵ VICKERS J et YARROW G. (1988), "Privatization An Economic Analysis", The Mit Press

d'une situation intermédiaire où l'État a choisi une situation médiane lui permettant d'achever des niveaux donnés des deux objectifs.

Figure 1 : Arbitrage efficacité économique – bien-être social



Source : D'après l'auteur

En examinant les mesures des PAS nous nous rendons compte qu'elles donnent la priorité à l'efficacité économique et ne contiennent aucune mesure qui peut contrecarrer leurs effets négatifs socialement. Les IFI continuent toujours d'avancer qu'il va y avoir un renversement de situation lorsque le PAS arrive aux bouts de ses objectifs et qu'il va permettre une promotion sociale certaine. Mais la question qui se pose est comment un pays si pauvre pourra-t-il gérer ses pertes sociales tout en attendant que le PAS atteigne ses objectifs économiques? De même, comment un programme d'ajustement structurel peut-il réussir alors que les ressources humaines évoluent dans la misère absolue (maladies, analphabétisme, pauvreté, famine etc.)?

Avant de répondre à ces questions notons que la réussite des PAS a été enregistrée essentiellement dans des pays ayant des caractéristiques économiques particulières. Il s'agit des pays ayant :

Des structures industrielles relativement solides (cas des ex pays socialistes, la Turquie, la Tunisie, le Maroc, l'Egypte, la Jordanie) et où le secteur privé joue un rôle important dans le circuit productif. Ceci permet aux licenciés de trouver d'autres opportunités et possibilités d'emplois. Également l'État peut compter sur ces secteurs afin d'absorber une partie des nouveaux offreurs de travail et peut s'assurer que la demande globale ne va pas subir une chute brusque étant donné que ces industries continuent le paiement des salaires.

- Un secteur agricole plus ou moins développé ce qui permet un certain niveau de sécurité alimentaire et donne la possibilité aux plus pauvres d'accéder à ces biens. De même ce secteur permet, aux licenciés et à ceux qui ne trouvent pas d'emplois dans les secteurs restructurés, des occasions de travail leurs

permettant de supporter le coût momentané du PAS.

- Une qualité bien déterminée des ressources humaines ce qui permet au PAS d'atteindre ses objectifs dans des délais moins longs et ce parce que la restructuration productive nécessite la substitution de la main d'œuvre non qualifiée par la main d'œuvre qualifiée. D'un autre côté les ressources humaines qualifiées ne posent pas de soucis aux gouvernements, lors de l'ajustement et la restructuration, car ils ont beaucoup plus de possibilités à trouver de nouveaux emplois (la réintégration dans le circuit productif existant, la création de petits projets ou encore la migration si jamais les possibilités internes sont bloquées).
- Une qualité donnée d'institutions parce que là où les institutions de marché, de contrôle, d'organisation (lois, gouvernance, incitations) sont développées, est là où l'ajustement réussit le mieux avec le moindre coût.

Les pays africains répondent-ils à ces conditions. La réponse à cette question est, a priori, négative étant donné que la majorité est considérée comme des pays pauvres où la vie est si difficile et si dure (il suffit de dire que le groupe de pays à développement humain faible est constitué exclusivement par des pays africains⁶).

Soumettre des pays si pauvres à appliquer des PAS destinés, normalement, à des pays à développement humain moyen ou élevé peut être considéré comme une injustice fatale et une action immoraliste qu'il faut éviter.

⁶ World Development Report (2006) «Equity and Development» World Bank

2) *Inefficacité sociale des PAS*

La rationalisation de l'action étatique dans l'économie l'oblige de quitter le domaine productif via la privatisation de ses entreprises publiques ce qui veut dire implicitement qu'il doit renoncer à ses politiques sociales traditionnelles en matière d'emplois et de salaires. Ce retrait a coûté cher en termes de pertes d'emplois comme le montre le cas tunisien où le nombre des licenciés a atteint depuis le déclenchement du processus de privatisation en 1987, 20000 licenciés. Au Maroc, le PAS a pesé lourd sur l'emploi comme le souligne le rapport du Ministère de l'Economie et des Finances [1995] « C'est en définitive sur l'emploi que l'application du programme d'ajustement structurel a eu les retombées les plus négatives. Le taux de chômage au niveau national est passé de 10.7% en 1982 à 12.1 % en 1991 (20.6% en milieu urbain et 5.6% en milieu rural), et ce malgré le développement durant les années 80 du secteur informel qui a constitué un filet de sécurité en période d'ajustement. Touchant plus la femme que l'homme, le chômage atteint des proportions considérables pour les jeunes :30.2% en milieu urbain en 1993 pour les moins de 26 ans et 20% pour la tranche d'âge 25 à 34 ans. Il tend également à devenir de longue durée⁷ ».

Également, les gouvernements soucieux d'équilibrer leurs dépenses budgétaires ont été dans l'obligation de réduire leurs interventions dans les secteurs sociaux comme la santé et l'éducation ce qui a généré souvent un effet négatif sur le bien-être (cas de l'Égypte, la Tunisie, le Cameroun, le Zimbabwe, etc.)

La libéralisation des prix et des marchés continue jusque-là d'être sources d'inflation et pratiques anti-concurrentielles. Notons que la variation moyenne de l'indice de prix à la consommation [1990-2005] a dépassé de loin le taux de croissance du PIB dans la quasi-totalité des pays africains ce qui veut dire implicitement l'abaissement des salaires réels et de leurs pouvoirs d'achat et par conséquent le déclin du bien-être. A titre illustratif et non exclusif, la variation de cet indice a atteint 41,8% au Soudan, 23,5% au Nigeria, 13,8% en Tanzanie, 40% en Zambie et 19,7% en Sierra Leone. De même, la privatisation du secteur des cimenteries tunisiennes, à des investisseurs portugais et espagnols, a généré des hausses brusques des prix et une baisse brutale des quantités échangées⁸.

SECTION IV: MODÈLE DE DÉVELOPPEMENT À SUIVRE: UNE APPROCHE PAR LES CAPABILITÉS

Parmi les critiques que nous pouvons adresser aux PAS figure le fait que ces programmes s'intéressent

uniquement au côté de « Falloir » ou d'obligation d'application sans pour autant donner aucune importance à la question de « Pouvoir » ou encore la capacité des pays à appliquer lesdits programmes avec un minimum de coût. Autrement dit, les IFI pensent que pour rompre avec le sous-développement il faut appliquer le PAS sans s'interroger si le pays concerné peut le faire. La logique simple voire simpliste stipulant que le PAS est la solution et que ses contrecoups socio-économiques sont éphémères et transitoires a permis, tout simplement, de produire plus de pauvreté et de marginalisation (dégradation des indicateurs socio-économiques comme déjà vu dans le paragraphe I).

A notre avis, l'approche qu'il faut appliquer en Afrique est celle des capacités d'Amartya Sen qui met l'accent sur la capacité réelle des gents à bénéficier et à jouir effectivement des moyens et ressources mis à leurs dispositions. Expliciteons davantage.

1) *Les capacités contre l'immoralité du libéralisme*

Les PAS s'inscrivent fondamentalement au sein des approches pragmatiques de l'économie libérale. Ils accordent peu de place à l'aspect moral des mesures économiques et supposent qu'il ne peut pas y avoir de justice en dehors du marché. Dans ce contexte V. Hayek [1973]⁹ insiste sur le fait que le terme de la « justice sociale » n'a plus de sens dans une société libérale. Il argumente cette idée en disant que dans une économie régie par les mécanismes du marché, les états et les décisions auxquelles il aboutit ne peuvent être qualifiés ni de justes ni d'injustes parce que le marché est un mécanisme conservateur neutre.

A. Sen reprochait aux théoriciens de la justice et aux économistes leurs focalisations excessives sur les droits et libertés politiques et économiques sans se soucier de la capacité et l'incapacité de l'individu à jouir de ces droits et libertés. Ainsi, Sen introduit dans son analyse le concept de « capacités » qu'il définit comme suit « La 'capabilité' d'un individu est représentée par l'ensemble des n – tuples de modes de fonctionnement parmi lesquels l'individu peut choisir n'importe quel n-tuple. L'ensemble des capacités exprime ainsi la liberté réelle qu'a une personne de choisir entre les différentes vies qu'elle peut mener¹⁰ ». L'intégration du concept des capacités, comme un critère fondamental de l'évaluation de la justice des actions humaines, constitue l'apport nouveau de Sen qui va permettre à L'État démocratique libéral de modifier son comportement afin de renoncer aux libertés formelles qui constituent des slogans plutôt que des libertés réelles effectives. L'auteur affirmait dans ce sens que les exigences des individus sont évaluées non pas en

⁷Rapport du Ministère de l'Economie et des Finances [1995] « Bilan du Programme d'Ajustement structurel » ; Direction des études et de prévision Financières, Royaume du Maroc

⁸ F. Issaoui (2008) « Les effets de la privatisation et l'emploi : Application au cas de la Tunisie » Thèse de doctorat soutenue à la Faculté des Sciences Economiques et de Gestion Tunis

⁹F. Hayek[1973] « Law, Legislation, and Liberty» university of Chicago Press

¹⁰A. Sen (1987) « Ethique & économie», Eds PUF p. 218

fonction des ressources ou des biens premiers dont ils disposent, mais d'après la liberté qu'ils ont réellement de choisir parmi différents modes de vie auxquels ils peuvent avoir des raisons d'accorder de la valeur. C'est cette liberté réelle qu'on désigne par la « capacité » de la personne d'accomplir différentes combinaisons de modes de fonctionnement, ou de façons d'agir et d'être.

L'évaluation de la justice sur la base des biens premiers (Thèse de Rawls) ne peut pas fonder la justice en tant qu'équité parce qu'on se rend compte que beaucoup d'individus seront exclus étant donné qu'ils n'arrivent pas (pour différentes raisons) à faire la conversion de ce panier de biens en libertés réelles. Afin d'expliquer ce point de vue, Sen a pris l'exemple suivant «...une personne souffrant d'un handicap peut disposer d'une quantité de biens premiers supérieurs (sous forme de libertés, de revenus, de richesse, etc.) mais d'une capacité inférieure à celle d'une autre personne (en raison de son handicap) ¹¹»

Tout en partant du critère de capacité, nous nous rendons compte que le PAS est aveugle sur ce côté toutes les fois qu'il applique ses mesures à l'aveuglette sans se soucier de ceux qui l'appliquent. Donner les moyens financiers à un État se veut insuffisant si aucune réflexion n'est faite sur ceux qui seront lésés et appauvris. De même, comment peut-on se développer alors que les individus manquent de moyens financiers et culturels ? La conception d'un PAS doit se fonder essentiellement sur deux aspects fondamentaux : Efficacité et capacité. Le modèle de développement optimal, à suivre dans les pays africains, doit adopter deux volets distincts, un volet économique et un volet social. Les deux doivent fonctionner d'une manière complémentaire et non substituable.

2) Volet économique

Le PAS africain doit veiller sur un nombre de points :

a) Révolution agraire

Le PAS doit donner l'importance à une révolution agraire permettant le développement de l'agriculture. Ceci permet aux individus d'accéder aux biens de subsistance et de se doter d'un « minimum garanti ». L'investissement doit être orienté dans ce sens et les interventions financières des IFI doivent agir dans cette direction. Les pays africains peuvent tirer des avantages comparatifs certains étant donné leurs dotations naturelles en termes de terres fertiles et de

ressources considérables d'eaux (Soudan, Cameroun, Côte d'Ivoire, etc.) ¹²

b) Rationaliser le désengagement de l'État

Le PAS doit éviter un retrait brusque de l'État du secteur productif. La privatisation doit se faire conformément aux structures de marché qui existent c'est-à-dire que le gouvernement doit vendre uniquement les entreprises qui évoluent dans des secteurs concurrentiels ou quasi concurrentiels. Conséquemment, il faut éliminer celles qui évoluent dans des marchés monopolistiques du périmètre privatisable. Parallèlement, l'État peut encourager le secteur privé national ou étranger à investir dans les secteurs monopolistiques afin de relancer la concurrence. Lorsque cette dernière atteint le degré voulu et commence à donner ses fruits l'État peut se dessaisir du reste de ses entreprises (privatisation totale ou partielle).

c) Rationaliser la réduction des dépenses publiques

Le PAS doit veiller à ce qu'il y a une rationalisation des dépenses de l'État sans toucher à la qualité des biens stratégiques tels que la santé, l'éducation ou la lutte contre la pauvreté. Le gouvernement peut agir sur certaines dépenses jugées oisives et dont la suppression ou la réduction ne pose pas de problèmes sociaux (avantages en nature dont jouissent les hauts fonctionnaires d'État, investissements de prestige). Lorsque le gouvernement fait recours à des politiques de réduction ou blocage de salaires nominaux il doit appliquer cette politique sur les salaires élevés alors qu'il doit continuer d'augmenter les faibles salaires conformément à l'inflation ce qui permet aux plus pauvres de garder, au moins, leurs pouvoirs d'achat.

d) Création des Banques de pauvres

Étant donné les spécificités de la majorité des pays africains, il faut concevoir des mesures qui en tiennent compte. L'expérience de Muhammad Yunus connue sous le nom de la « Banque Grameen », et après sa réussite au Bangladesh, mérite une attention particulière en Afrique étant donné qu'elle peut être un outil efficace à la lutte contre le sous-développement et la pauvreté. La logique des micros crédits et des micros entreprises peut susciter l'intérêt des Africains qui peuvent enfin se doter des moyens financiers

¹¹ A. Sen op. cit p 220

¹² Conakry (Guinée): 4294 mm ; Monrovia (Liberia): 5140 mm ; - Freetown (Sierra Leone): 3436 mm ; Tabou (Côte d'Ivoire): 2129 mm

nécessaire pour créer leurs propres projets. L'intégration d'une orientation similaire dans les mesures de PAS peut lui rendre plus efficace et lui donne plus de chance de réussite. Ainsi, les IFI doivent investir dans ce sens en aidant les gouvernements africains à fonder les banques de pauvres à l'instar de la « Banque Grameen » et qui, en cas de réussite, vont générer des effets positifs sur les banques ordinaires quelle qu'en soient leurs types (Banques Commerciales, Banques de Développement, Banques d'Affaires).

e) *Une coopération « Juste » avec le Capital étranger*

Excepté certains pays où les investisseurs étrangers ont participé significativement dans les secteurs industriels et productifs, leurs rôles se limitent, dans la quasi-totalité des pays, à l'extraction des ressources naturelles premières. Sous la peine de la pauvreté et de la vulnérabilité du secteur privé national les États africains se trouvent dans l'obligation de vendre leurs ressources en contrepartie de prix si faibles lésant aussi bien les générations présentes que futures. Les IFI accordent peu d'attention à ce type d'injustice et elles peuvent même l'encourager étant donné qu'elles considèrent, dans l'absolu, que l'investisseur étranger est bienfaisant. Toutefois, ceci est dans l'absolu erroné si nous calculons les retombés négatifs de ce type d'exploitation massive et abusive des richesses naturelles sur les communautés africaines et si nous intégrons les externalités négatives (déforestation, pollution, manques à gagner, etc.) que doivent supporter lesdites communautés. La passation d'un contrat d'exploitation de ressources naturelles, entre les États africains et les investisseurs étrangers, doit se fonder conjointement sur les principes de marché et de justice. De même, les gouvernements peuvent conditionner ces contrats en obligeant les investisseurs étrangers à investir ces richesses à l'intérieur de leurs pays et non ailleurs.

3) *Volet social*

a) *Promotion des secteurs sociaux*

Les PAS doivent s'intéresser à ces secteurs surtout dans le cas des pays africains. Premièrement parce que c'est dans cette zone géographique que ces secteurs sont les plus sous-développés et deuxièmement par ce qu'aucune espérance de réussite n'existe là où les ressources humaines sont marginalisées et exclues du système productif. Nous pouvons même affirmer que l'ajustement de ces secteurs doit précéder et devancer l'ajustement économique parce qu'il existe une quasi-unanimité sur le fait que l'utilité marginale d'un dollar investi dans l'éducation ou la santé est de loin supérieure à l'utilité marginale d'un dollar investi dans la production d'un

bien de consommation et ce pour au moins deux raisons fondamentales.

Primo, le rendement des secteurs sociaux comme la santé et l'éducation se répercutent sur toute la société alors que le rendement de l'investissement ordinaire est intrinsèquement privé. Secundo, ces secteurs sont créateurs d'externalités positives dont bénéficie la société en son intégralité (le fait de soigner un individu contre la grippe porcine permet à un groupe d'individus d'éviter une éventuelle contamination). Également, les économistes admettent que le capital humain contribue d'une manière ou d'une autre à l'amélioration de la technologie, permet l'innovation et assure par conséquent les gains de productivité.

Les IFI doivent donner la priorité à ces secteurs si jamais elles veulent réellement aider l'Afrique à rompre avec le sous-développement. Jusque-là, la logique est inversée parce que ces institutions pensent que le développement social est une conséquence du développement économique alors que la question qui demeure sans réponse est la suivante : peut-on espérer une productivité marginale élevée auprès d'un travailleur analphabète, malade et pauvre ? La réponse est négative et nous ramène à affirmer qu'aucun modèle de développement réussi n'a pu se créer sur la base de la logique des IFI. Dans le cas des pays du Sud-est asiatique, la priorité a été donnée à deux voies en même temps. La première voie est celle de la révolution agraire qui a permis d'atteindre deux objectifs distincts. Le premier est la réalisation d'une sécurité et indépendance alimentaire pour tout le monde alors que le second objectif est la baisse relative des coûts salariaux (exprimés en termes de prix de denrées). La deuxième voie est celle de l'investissement massif dans les secteurs sociaux (généralisation de l'éducation, création de technopoles, recherche scientifique) et qui a permis à ces pays d'atteindre des taux de scolarisation similaires aux pays développés.

b) *Formation et conversion de la main d'œuvre*

Étant donné que la concurrence entre les travailleurs s'amplifie et s'intensifie d'un jour à l'autre la compétitivité, des employés, est devenue nécessaire. En effet, chaque travail demande un ensemble de conditions nécessaires (habileté, vivacité, niveau d'instruction, productivité, etc.) ; pour cela une fraction des licenciés (surtout les moins qualifiés) s'éveillent sur la réalité selon laquelle ils sont privés des facultés ou du niveau d'instruction nécessaire à leurs réinsertions dans le circuit économique.

Dès lors, afin de réussir l'ajustement et la restructuration en Afrique, il existe une nécessité accrue à l'amélioration de la qualité de la main d'œuvre qui évolue à vrai dire dans les sociétés. Autrement dit, il faut qu'il y ait une mise à niveau des travailleurs africains au niveau des pays concurrents ou à la limite des pays qui

présentent des niveaux de développement similaire. Cette mesure et bien qu'elle soit appliquée dans beaucoup de pays de l'Amérique Latine et de moyen orient, nécessite encore du renforcement en Afrique. Les États africains, en collaboration avec les IFI, peuvent investir dans la création de centres de formation professionnelle ainsi que des centres de conversion permettant à ceux qui perdent leurs emplois d'acquérir une formation gratuite dans les créneaux les plus porteurs.

Dans ce contexte, l'État peut intervenir pour aider les travailleurs à améliorer leurs compétences à travers l'adoption des programmes de formation professionnelle (le cas de la Tunisie) ou de reconversion (le cas des pays de l'Est, le Mexique...).

Sur le plan pratique¹³, ces programmes ont permis le raccourcissement de la durée de chômage en réalisant la soudure entre l'emploi perdu et l'emploi créé¹⁴.

c) Améliorer l'information

Dans les pays en voie de développement en l'occurrence l'Afrique, les travailleurs sont souvent mal informés et ils se contentent d'échanger des renseignements de type informel pour savoir les offres de travail et les salaires qui prévalent dans le marché. Cependant, dans les pays développés les travailleurs sont informés par le biais de bureaux publics et parfois privés d'emplois. Dans le monde actuel et malgré que l'information soit devenue plus abondante (grâce aux nouvelles technologies de communication) le problème reste toujours posé dans les pays pauvres où l'accès à de telles technologies demeure jusque-là coûteux.

d) Indemniser les licenciés

Pour combler la perte de revenu que subissent les travailleurs (à cause des licenciements), l'État a recouru à la politique d'indemnisation qui a pris deux formes essentielles. La première forme est le transfert périodique des revenus (mensuel, semestriel, etc.) ce qui permet aux travailleurs de répartir leurs consommations sur une longue période. La deuxième forme consiste à donner au travailleur (juste après le licenciement) toute l'indemnité et lui laisser la liberté de choisir la manière qui lui convient pour sa dépense. Il est toutefois à remarquer que dans certains cas, nous assistons à des régions qui contiennent une entreprise publique unique ce qui handicape la privatisation ou même l'assainissement. Dans ce contexte, l'État peut soit donner plus d'indemnités pour encourager les licenciés à se mouvoir vers d'autres régions soit créer d'autres entreprises ou enfin doter les travailleurs des moyens financiers suffisants pour créer des petites entreprises.

¹³ Cas du Mexique, le Canada, USA

¹⁴ Banque Mondiale « Rapport sur le développement dans le monde 1995 ».

II. CONCLUSION GÉNÉRALE

Au moment actuel, l'Afrique est considérée comme le continent le plus pauvre et le moins développé et ce, malgré l'adhérence de la majorité de ses pays dans l'application des PAS. Ceci nous permet de dire que ces programmes sont incapable (du moins dans le court et le moyen terme) de résoudre les problèmes du continent (pauvreté, maladies, injustice, etc.) et que les modèles pré-établis de développement ont perdu leurs efficacités en Afrique. Ainsi et face à l'inadéquation des PAS par rapport à la réalité socio-économique des pays africains il faut que les IFI soient en mesure de reconstruire et restructurer leurs programmes afin qu'ils soient en conformité avec nos besoins effectifs.

Mais ce qu'il faut remarquer, c'est que ces nouveaux programmes, durant leurs adoptions doivent veiller à ce qu'ils franchissent les aspects amoraux et pragmatiques des anciens programmes pragmatiques. Par conséquent, tout en nous référant aux critères de justice et de capacités nous pouvons parvenir à faire une conciliation entre l'efficacité économique fortement sollicitée par les IFI et l'efficacité sociale fortement sollicitée par les Africains

REFERENCES RÉFÉRENCES REFERENCIAS

Ouvrages et Rapports

1. A.Sen, (1987)., « Ethique & économie », Paris, Presses Universitaires de France.
2. F.V. Hayek.,(1973), « Law, Legislation, and Liberty » University of Chicago Press.
3. F. Issaoui (2008) « Les effets de la privatisation et l'emploi : Application au cas de le Tunisie » Thèse de doctorat soutenue à la Faculté des Sciences Economiques et de Gestion de Tunis.
4. J. VICKERS et G.YARROW (1988), "Privatization An Economic Analysis", The Mit Press
5. Rapport mondial sur le développement humain (2008) PNUD.
6. Rapport du Ministère de l'Économie et des Finances [1995] « Bilan du Programme d'Ajustement structurel » ; Direction des études et de prévision Financières, Royaume de Maroc.
7. Rapport sur le développement dans le monde [1995] « Le monde du travail dans une économie sans frontières » Banque mondiale.
8. VICKERS J et YARROW G. (1988), "Privatization An Economic Analysis", The Mit Press
9. World Development Report (2006) « Equity and Development » World Bank.
10. Sites Internet
11. Source officielle de FMI : <http://www.imf.org/external/pubs/ft/fabric/fra/gloss.htm>

Liste des Tableaux et Graphiques

Tableau 1: Affectation des crédits (million de \$) (1989)

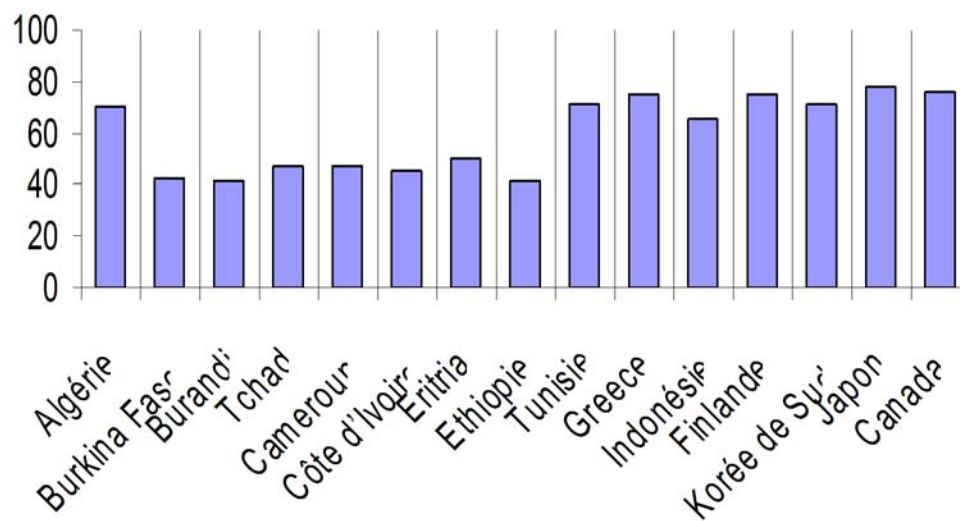
Pays	Montant du crédit total en M D	La part des E P dans le crédit en M D	La part des EP en %
Sénégal	0,3	0,3	100
Turquie	7,6	7,6	100
Zaïre	20,0	20,0	100
Uruguay	6,5	5,4	83
Soudan	9,0	4,5	50
Ecudor	8,0	3,3	41
Burundi	7,5	3,0	40
Mali	10,4	4,0	38
Chine	11,0	4,1	37
Togo	6,2	2,0	32

Source: FMI

Tableau 2: variations annuelles de l'inflation (en %)

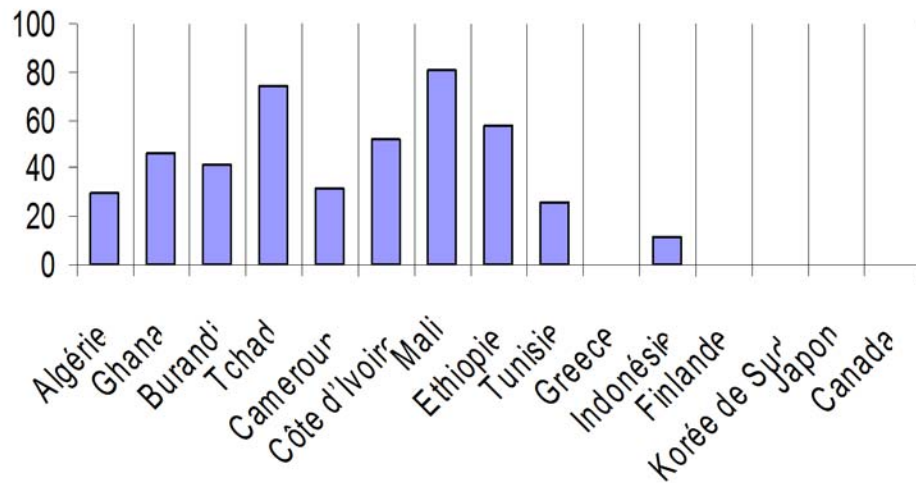
Années	Mexique	Brésil	Argentine	Bolivie	Pérou
1981	28	106	105	29	75
1982	59	98	165	313	64
1983	102	142	344	926	111
1984	66	197	627	8112	110
1985	58	227	672	14811	163

Source :FMI

Graphique 1: Espérance de vie
(en années)

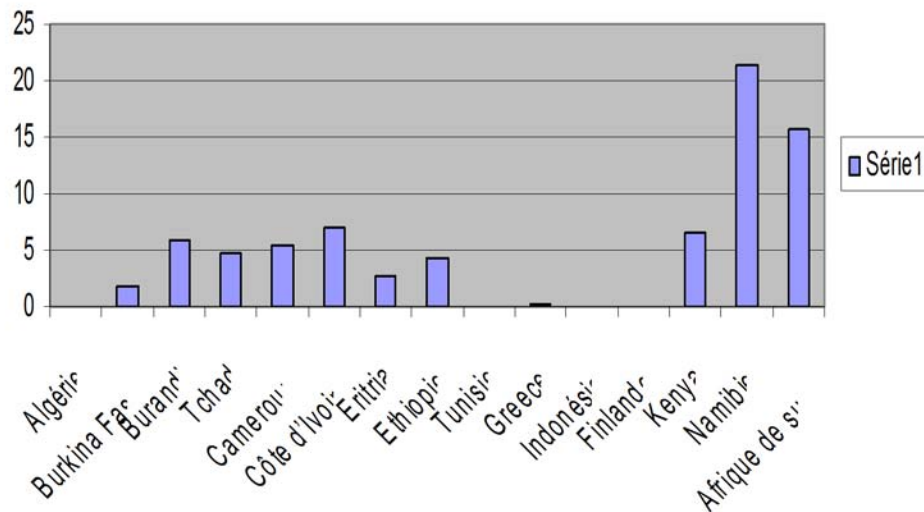
Source: World Development Report (WDR) 2006

Graphique 2: Taux d'analphabétisme [15 ans et plus] (en %)

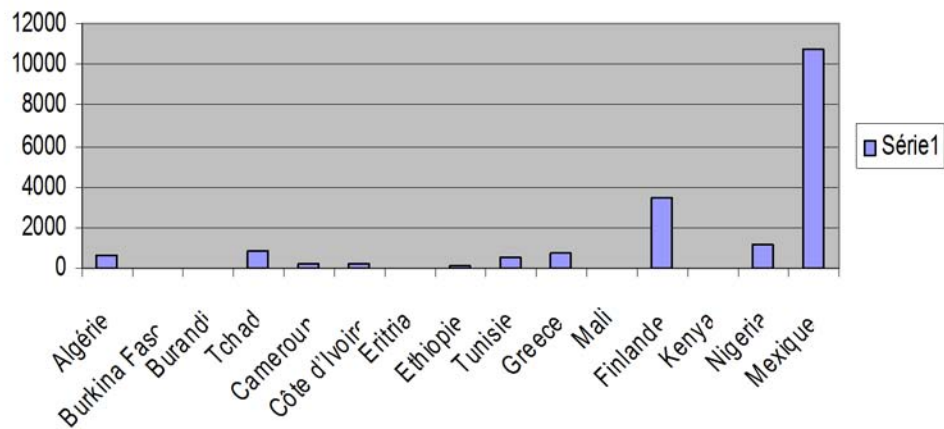


Source: World Development Report (WDR) 2006

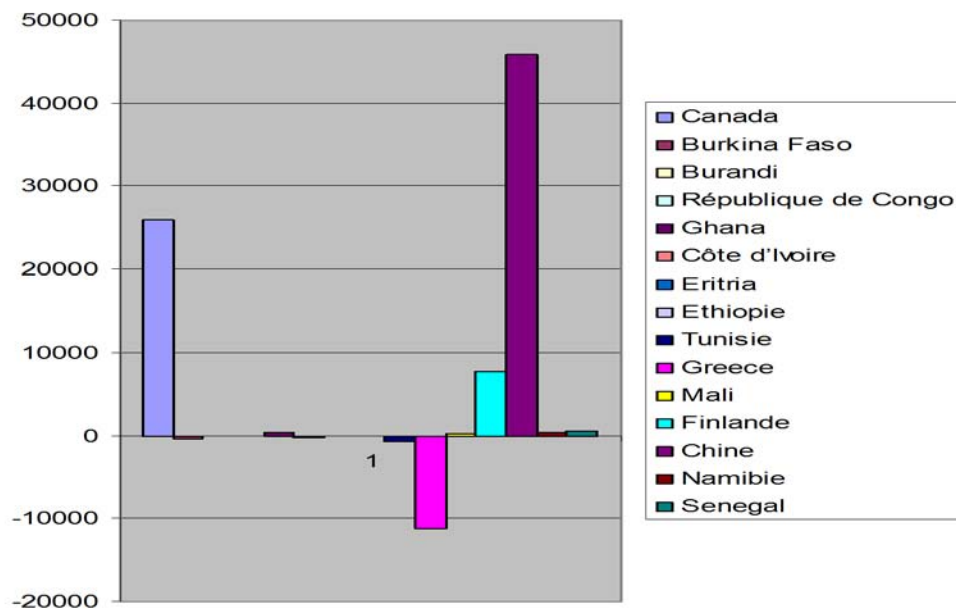
Graphique 3: Population [15-49 ans] atteinte par le SIDA et autres maladies contagieuses



Source: World Development Report (WDR) 2006

Graphique 4: Investissement direct étrangers (millions de dollars)

Source: World Development Report (WDR) 2006

Graphique6: Balance des comptes courants(millions de dollars)

Source: World Development Report (WDR) 2006



GLOBAL JOURNAL OF MANAGEMENT AND BUSINESS RESEARCH
Volume 11 Issue 1 Version 1.0 February 2011
Type: Double Blind Peer Reviewed International Research Journal
Publisher: Global Journals Inc. (USA)
ISSN: 0975-5853

Contemporary Issues Relating to Labour Relations and Human Resources Practices in the Lumber Industry in Quebec

By Pr. Walter Gerard Amedzro St-Hilaire, Pr. Guy Chiasson

University of Ottawa, University of Quebec in Outaouais

Résumé- Depuis le début du XX^e, l'industrie du bois s'est complexifiée et est devenue un moteur économique important du Québec moderne. Malheureusement, avec les années, ce secteur est devenu quelque peu problématique et l'industrie a dû se réajuster pour espérer demeurer compétitive. Cet article retrace à grand trait, le panorama des trois grands secteurs qui forment l'industrie du bois. Nous y étudions en profondeur les principaux enjeux contemporains relatifs aux relations de travail et pratiques de gestion des ressources humaines qui caractérisent l'industrie, tout en traçant un portrait d'avenir considérant le développement technologique, la concurrence mondiale et le choc démographique.

Mots-clés: *enjeux contemporains, relations de travail, pratique de GRH, implantation technologique, approche prescriptive.*

Abstract- since the beginning of the 20th, the timber industry has become more complex and has become an important economic engine of modern Quebec. Unfortunately, over the years, this sector has become somewhat problematic, and the industry had to readjust to hope to compete. Cet article retrace à grand trait, le panorama des trois grands secteurs qui forment l'industrie du bois : l'industrie de l'exploitation forestière, l'industrie du bois de sciage et l'industrie des pâtes et papiers. This article recounts the general features of the three major sectors that comprise the timber industry. Nous y étudions en profondeur les principaux enjeux contemporains relatifs aux relations de travail et pratiques de gestion des ressources humaines qui caractérisent l'industrie, tout en traçant un portrait d'avenir en considération du développement technologique, de la concurrence mondiale et du choc démographique. We will investigate in depth the main contemporary issues relating to labour relations and human resources management practices characterizing the industry while drawing a portrait of the future taking into account technological development, global competition and demographic change.

Keywords: *Industrie du bois, enjeux contemporains, Québécois, relations de travail, gestion forestière, pratique de GRH, effets, implantation technologique, approche prescriptive, nouvelle donne.*

Classification: *GJMBR-A Classification JEL O15; FOR: 150305*



Strictly as per the compliance and regulations of:



Contemporary Issues Relating to Labour Relations and Human Resources Practices in the Lumber Industry in Quebec

Walter Gerard AMEDZRO ST-HILAIRE, Ph.D (University of Ottawa)^a
Pr Guy CHIASSON, Ph.D (Université du Québec en Outaouais)^b

February 2011

27

Volume XI Issue II Version I

Global Journal of Management and Business Research

Abstract - Since the beginning of the 20th, the timber industry has become more complex and has become an important economic engine of modern Quebec. Unfortunately, over the years, this sector has become somewhat problematic, and the industry had to readjust to hope to compete. This article recounts the general features of the three major sectors that comprise the timber industry. We will investigate in depth the main contemporary issues relating to labour relations and human resources management practices characterizing the industry while drawing a portrait of the future taking into account technological development, global competition and demographic change.

Keywords: Contemporary Issues, labour relations, HRM practices, technological implementation, prescriptive approach.

Résumé- Depuis le début du XX^e, l'industrie du bois s'est complexifiée et est devenue un moteur économique important du Québec moderne. Malheureusement, avec les années, ce secteur est devenu quelque peu problématique et l'industrie a dû se réajuster pour espérer demeurer compétitive. Cet article retrace à grand trait, le panorama des trois grands secteurs qui forment l'industrie du bois. Nous y étudions en profondeur les principaux enjeux contemporains relatifs aux relations de travail et pratiques de gestion des ressources humaines qui caractérisent l'industrie, tout en traçant un portrait d'avenir considérant le développement technologique, la concurrence mondiale et le choc démographique.

Mots-clés: enjeux contemporains, relations de travail, pratique de GRH, implantation technologique, approche prescriptive.

I. INTRODUCTION

The forestry field, in Quebec, has faced many upheavals in the past twenty-five years. Thus, during this period, we saw more closing logging camps, whose number dropped from more than fifteen in the early 60s to just below seven in the late 80s.

^a About - Lecturer of Research Methods in Public Administration at University of Ottawa

Researcher for the Research Center on the Governance of Natural Resources and Territory

E-mail- walter-gerard.amedzro@hec.ca

^b About - Professor, Social work and Social Sciences Department

Director of the Research Center on the Governance of Natural Resources and Territory Researcher for the CRDT Université du Québec en Outaouais.

E-mail- guy.chiasson@uqo.ca

On the other hand, the number of employees in the sector has significantly decreased after the mechanization of mining process. The development of alternative production of paper led the logging industry to reconsider its role to continue competing in the market¹. Two laws profoundly affect the recent history of logging in Quebec. The first, adopted in 1974 (*An Act to amend the law on land and forests*), gives the Department of Natural Resources (formerly Department of Lands and Forests), the means to participate more directly in the timber management. The second law, adopted in 1986 (*Forest Act*), authorizes the Department of Natural Resources (formerly Department of Energy and Resources) to oversee the logging activities on the principle of sustained yield, which means the various sites not only have to cut wood in large quantities and deliver it to the factories, but they must also reforest to ensure a regeneration of the resource². In mid-March 2005, was introduced Bill No. 14 amending the *Forest Act*, to reduce more than 20% of logging following the recommendation of the Coulombe Report. For QFIC (Quebec Forest Industry Council), this amendment decreases the "Forest Possibility" in several areas.³

The lumber industry is at the heart of economic development in several regions of Quebec. Canada's second largest producer of softwood lumber (24% of Canadian production), behind British Columbia, Quebec ranks first in the production of hardwood⁴ (65% of Canadian production). Because of its large production, Quebec consistently feeds the lumber mills. The industry has a turnover of over four billion per year and exports a total of over six billion measured feet of boards. Moreover, it employs about 40 000 workers in 1260 firms. The lumber and softwood industries currently face three major challenges. First, the US-Canada contentious, about 27.2% taxes United States

¹ Daniel Mercure, *Le travail déraciné : L'impartition flexible dans la dynamique sociale des entreprises forestières au Québec*, Québec, Boréal, p. 103.

² Ibid., p.49-50.

³ Quebec Forest Industry Council, « Le « mur à mur » aura des conséquences négatives sur les régions », www.cifq.qc.ca, 2005.

⁴ Quebec Forest Industry Council, « Enjeux », www.cifq.qc.ca, 2005.

imposed to Canada on exports of softwood lumber from May 22, 2002, resulted in significantly slowing the industry and in temporary job losses for thousands of people in British Columbia and Quebec. Second, there are new environmental practices. In 2000, the Ministry of Environment of Quebec decided, in collaboration with QFIC, on a number of goals in recent years: proper management of wastewater and wood ball pond dipping, paint application in various operations related to the processing, use of various combustion appliances, etc⁵. Third, the manufactured products quality prompted several companies to develop production standards. In Quebec, QFIC enforces the Canadian Lumber Standards of work and makes sure industries comply with the strict and effective rules and production standards⁶. Ultimately, the lumber industry is currently in a deadlock. After experiencing relatively prosperous years between 1990 and 1999, most companies struggled to find the path to profitability over the last three years, which inevitably had an impact on investment in the company. The market offers a competition tougher than a decade ago, mainly from South America and Europe. On the other hand, the government seems to abandon the industry, since it has decided to reduce allocations for the main forest exploiters.

Pulp and paper is a major sector in Quebec economy. This industry has sixty plants spread everywhere in Quebec, mainly in the resource regions. Since the 90s, the paper industry is undergoing a rationalization and mergers. Emphasis is placed on: product quality, productivity, optimal use of production facilities, improving environmental performance, diversification of production, reducing production costs⁷. The pulp and paper annually injected nearly seven billion dollars from abroad in the Quebec economy. Because of the market proximity, the largest customer of the province is U.S., where Quebec exports about 60% of its annual production of pulp and paper. With the advent of globalization, more than 20% of production is now exported outside of North America⁸. However, investments in the sector are down, mainly because the production capacity exceeds demand. In addition, the newsprint market matured and Asia is steadily growing its production and exports, hindering the investments increase in the Quebec industry. As the lumber industry, the pulp and paper faces three major challenges. First, the average age of workers is very high. Secondly, concerning environment, key plants

must continue to reduce greenhouse gas emissions. The industry already managed to reduce its greenhouse gas emissions by 22% between 1990 and 2000, while increasing production by over 25%. Each additional reduction of greenhouse gases emissions will improve the energy efficiency of businesses. Companies should therefore continue their good efforts to eliminate the possible greenhouse gas emissions and to find cleaner sources, while increasing productivity⁹. Third, since the 60s, pulp and paper industry has been recycling, which increased over the last ten years by new methods and more use of recycled paper¹⁰.

II. METHODOLOGY: COLLECTED DATA

The collected data cover the entire province of Quebec. By limiting ourselves to one category of industry, we eliminate various influences that may bias our estimates which increases the validity of our research. The first data source is the Ministry of Industry itself, which collects more information on the timber. The second source is a review of documents and reports of the Quebec Forest Industry Council and of reports of identified institutions.

III. RESULTS

Table 1: Impact on jobs from September 2001 to June 2002 (events of September 11, 2001 and Canada-US dispute on softwood lumber)¹¹

Administrative Region	Jobs affected since September 2001
Bas-St-Laurent	593
Saguenay	3163
Quebec	453
Mauricie	317
Estrie	37
Abitibi-Témiscamingue	260
Côte Nord	1137
Nord-du-québec	375
Gaspésie-iles-de-la-Madeleine	119
Chaudière-Appalaches	468
Lanaudière Montreal	36
Laurentides	52
Total	7010

Table 2: Jobs having recruitment difficulties¹²

	YES	NO
<u>Mechanical Engineers</u>	32%	68%

⁵ Quebec Forest Industry Council, « Environnement », www.cifq.qc.ca, 2005.

⁶ Quebec Forest Industry Council, « Qualité des produits », www.cifq.qc.ca, 2005.

⁷ Quebec Forest Industry Council, *Bilan sectoriel de l'industrie des pâtes et papiers du Québec*, 2003, p.1.

⁸ Quebec Forest Industries Association, *Description du secteur des pâtes et papiers*, 2003.

⁹ Quebec Forest Industry Council, « Environnement », www.cifq.qc.ca, 2005.

¹⁰ Quebec Forest Industry Council, « Recyclage », www.cifq.qc.ca, 2005.

¹¹ Lumber Industries Workforce Sectoral Committee, *Report 2003*, p.51.

¹² Quebec Forest Industry Council, *Bilan sectoriel de l'industrie des pâtes et papiers du Québec*, 2003, p. IX.

Chemical engineers	36%	64%
Electrical Engineers	40%	60%
Industrial Electronic Technicians	16%	84%
Mechanical engineers	16%	84%
Pulp and Paper Technologists	20%	80%
Operators	16%	84%

PS: Survey conducted by the firm Concerpro business strategies inc.

Table 3: The wood processing industries¹³

Regions	Business	Jobs
Bas-St-Laurent	131	2663
Saguenay-Lac-St-Jean	95	2848
Québec	55	1764
Mauricie	52	2318
Estrie	111	2264
Ottawa	104	1990
Abitibi-Témiscamingue	87	3112
Côte-Nord	41	1382
Nord du Québec	19	1360
Gaspésie-Iles-de-la-Madeleine	80	735
Chaudière-Appalaches	149	5642
Lanaudière	41	1232
Laurentides	69	2363
Montérégie	57	2164
Centre-du-Québec	54	1449
<u>Total</u>	1145	34,300

1) The state of HR

Although the importance of the forestry industry in Quebec's economy is no longer as great as it was historically, it is nevertheless an important part of the manufacturing sector. According to the Quebec Forest Industry Council, across the province, this sector includes 362 plants (274 for lumber, 63 for pulp and paper, 25 for wood panels), generates 88,500 direct jobs (16,000 for Forest, 40,500 for wood products, 32,000 for pulp and paper) and about 61,000 indirect jobs¹⁴. This sector is particularly important because of the geographical location of several plants in remote areas, where jobs are scarce. All these reasons explain the increasing political character of this industry's problems.

a) Forestry and logging

This terminology refers to the classification of Emploi-Québec, which brings together in this economic sector Forest, logging and support activities, such as fight against forest fire. This sector represents 22 000 jobs (at least 38,000 according QFIC¹⁵), that is to say 0.6% of total employment in Quebec¹⁶. Between 1987 and 1992, the number of jobs which had initially declined, sharply increased again to 23 or 25,000. However, this industry is again in decline due to new problems such as the dispute with the United States over softwood lumber, the Canadian dollar (since this industry is very dependent on exports), but above all the more and more important lack of available resource¹⁷.

The male workforce in this sector is heavier than in the rest of the economy, since there are only 12% of women, doing predominantly clerical jobs, whereas this rate is about 50% in the rest of the economy¹⁸. The majority of jobs in this sector do not require a college degree¹⁹. Most are full-time (93% and 80% in Quebec), but many are seasonal. There is a variation of nearly 10,000 jobs between the low and high season, which constitutes a significant portion. In recent years, there has also been an increase in the number of self-employed in this sector. This phenomenon is still in progress. In 2000, the average annual income of full-time workers was \$31,000 for an average hourly wage of \$17²⁰. The workers are older in this sector than in the rest of the economy because 41% of people are forty-five and older and 14%, fifty-five and older. That is why Emploi-Québec estimates employment prospects to be relatively good in this sector, despite the fact that it is decreasing now and probably for the next few years. It is expected that this sector represents about 21,000 jobs in 2008 since it is estimated that there will be a decrease in demand for residential construction as well as maintenance of a strong Canadian dollar²¹. It is extremely difficult to determine the rate of union presence in this area especially because Emploi-Québec, Statistics Canada, the Ministry of Labour and QFIC each have a different definition of the forest industry. Some believe the rate of union presence at 79.6% in 1990²². However, this does not apply to all employees (but only those who work full-time), which explains why, according to the Quebec Ministry of Labour, only 32.7% of employees in forestry

¹⁵ Lumber Workforce Industries Sectoral Committee, Report 2003, p. 55.

¹⁶ Emploi-Québec, (access on February 24th 2005), URL: www.imt.emploi-quebec.net

¹⁷ Ibid (emploi-quebec).

¹⁸ Ibid (emploi-quebec).

¹⁹ Lumber Workforce Industries Sectoral Committee, op. cit.

²⁰ Emploi-Québec, op. cit.

²¹ Ibid.

²² Jean Bernier [dir.], Interministerial work committee on collective labour relations in the Forest, Report, p. 60.

¹³ Lumber Industries Workforce Sectoral Committee, Annual Report 2003.2004, P. 8.

¹⁴ Quebec Forest Industry Council, (accessed on February 24th 2005), URL : www.cifq.qc.ca

(logging and forestry services combined) are subject to a collective agreement²³.

b) *Pulp and Paper*

The pulp and paper industry is in decline in terms of employment. The average annual salary is \$50,000 (for a \$23 average hourly wages), making it the best manufacture, average being 36,000 dollars. Most jobs don't require a college degree, but occupations most sought now are technical and university level (chemical engineer). The number of jobs is steadily falling since 1987 even if this sector still represents 1% of total employment in Quebec. As in the forestry industry, the workforce is predominantly male (84%) and has a high rate of full-time (98%). Gains in productivity and the high Canadian dollar account for the downward trend in terms of employment²⁴. Emploi-Québec estimates the drop in employment to about 1.3% per year for the next few years to about 33,000 jobs in 2008. The fact that the population of this area is a little less old than the logging industry (though older than the rest of the economy) explains why it is not considered to be a good prospect future for young people. However, according to the Quebec Forest Industry Council, 2700 employees will be eligible to retire between 2003 and 2007 and 3600 more between 2008 and 2012. This means that 15-35% will leave in some plants. However, it is important to note that approximately 20-40% of posts won't be renewed, which means an expected decline of 2,000 jobs. However, about 4,000 new employees will join companies, mainly in production, where there was almost no employment over the past two decades²⁵. Employers want to take advantage of this phenomenon to question the status by seniority and to sharply increase the skills of their workers and, by extension, flexibility and mobility. It just wants segmentation between different bodies of work to disappear. Fewer jobs require only a DSS and increasingly require DPS, ACS and DCS, in both production and maintenance²⁶. The rate of unionization in the sector is 40% for clerical and 93% in the factories. CEP (USW) is the largest union, representing about 65% of unionized plants and 50% white collar. The CSN paper Federation is the second largest union and the presence of the CSD is truly marginal²⁷.

c) *The forest industry*

The forest sector has, since the early 1980s, been rationalizing and transforming itself, either by reducing the number of cutting camps or by mechanizing the operations. It nonetheless remains

that some tasks are still manual and in a few years, the environment will be in a serious shortage of skilled labour. As for labour relations, the process of unionization is today about 21% and it was slow to settle permanently, not really taking place in the early 1960s. We see that the mechanization of operations has significantly changed the dynamics of labour relations and has provoked a whole series of consequences for the workers, such as the definition of employee and scope of the Article 45.

2) *An industry in reorganization*

The period 1975-1987 was mainly devoted to integral mechanization of part of forestry operations, which resulted in a decrease in the number of workers in the field. After reaching 17,288 in 1975, the number of forestry workers dropped significantly over the next three years. The 1980s were characterized by the lowest numbers ever recorded, about 12,500 workers. The year 1982 set a record of mediocrity, as less than 9000 workers were then employed in the sector²⁸. The 1960s and 1970s mechanization was mainly supported by big companies, which encouraged workers to acquire their own machinery by financing them²⁹.

a) *The aging workforce*

The main observations we can make on HRM in this area relate to the availability of labour. The average age of the forest worker is 43.4 years: the Forest workforce is generally perceived as aging³⁰. It is due neither to a reduction nor cessation of employment in enterprises, but inability to rely on an appropriate succession, which is unfortunately the case in this area, where succession is rather rare and shy as young workers aren't easy to find and keep because the payment based on output is unattractive for the less experienced³¹.

Besides the payment manner, the problem is also explained by the fact that most logging operations are conducted in areas far from urban centers, which usually involves a prolonged absence from home that does not fit all. Moreover, because of the remoteness of the cutting camps, travel costs associated with these jobs are another barrier to young people entry in logging³². Young people view the profession as unattractive and of low quality and competition between

²⁸ Daniel Mercure, *Le travail déraciné : L'impartition flexible dans la dynamique sociale des entreprises forestières au Québec*, Québec, Boréal, 1996, p. 62-72.

²⁹ *Ibid.*, p. 65.

³⁰ Forest workforce Sectoral Committee, *La création d'emplois en forêt*, May 1999, p. 4.

³¹ *Ibid.*, p. 5.

³² Christian Bouliane and Christian André, « La reconnaissance professionnelle des ouvriers de l'aménagement forestier au Québec », 12th Forest world congress, 2003. p. 5.

²³ *Ibid.*, p. 51.

²⁴ *Ibid.*,

²⁵ QFIC, *op cit*, p. 81.

²⁶ *Ibid.* p. IV et V.

²⁷ *Ibid.*, p. 24.

employers to attract workforce is fierce. This creates a downward pressure on pay and working conditions. All these problems cause logging operations to have a relatively high turnover rate, so that finding skilled workforce in this area has become relatively difficult. Some employers will even reduce the hiring criteria to fill all positions necessary to maximize a forest plot.

b) *Training to raise workers' skills*

Faced with the shortage of manpower, the government has established several programs to take over this branch of industry. The first initiative was organizing programs for job creation and labour training by the company REXFOR. The success of this program was mixed, especially regarding payment, which angered some business leaders. Since, under this program, pay was done at the time instead of a flat rate (productivity), the most productive staff realized they wouldn't win more even if they worked harder and suddenly started to be less productive. In short, the program in fact only put welfare recipients to work. The number of surviving candidates in the program is far from being sufficient to fill the industry need for skilled manpower³³. The 1% law also allowed the various forestry cooperatives to provide their employees some training. However, upon arrival of the Liberal government, companies' eligible payroll for training increased. Most of forestry cooperatives followed and provided their employees training. The majority of courses are taken when workers are unemployed, so that employers don't pay the corrected time for their employees. During the work season, job training is preferred. Companies are still apprehensive about the idea of giving training because it is relatively expensive and there is no guarantee that the newly formed staff wants to stay in the same company³⁴. The idea of setting up a buddy system to facilitate the workforce training has not been received in the same way everywhere. An important idea on the table is the recognition of professional forest workers which certifies their professional abilities according to the Quebec forest industry standards³⁵.

c) *Major Issues in the Pulp and Paper*

In the pulp and paper, three issues will be very important in future years. First, paper recycling, which has existed for many years, is increasingly popular in the customers' requests for environmental reasons³⁶. Moreover, given the increasing difficulty of acquiring natural resource (wood), recycling enable the sector to get away almost unscathed, unlike some other forest

industry. Because of the more stringent laws and the Canadian ratification of the Kyoto Protocol, the environment will also be an important issue in the future³⁷. However, investment by the Quebec pulp and paper during the past decade were of billions dollars and led to important environmental advances, whether at the level of greenhouse gas emissions or spills chemicals in rivers³⁸. The third major challenge is workforce management, especially young talent. This challenge seems more important in the context of industrial relations, so we shall clarify further. The Quebec labour market will see many workers retire during the next few years, but this phenomenon is more marked in the pulp and paper. The renewal of the workforce brings a challenge, but may also represent a great opportunity to bring new labour relations³⁹.

d) *Prospects for Labour Relations*

Employers will try to strengthen relations with unions. In the opinion of all labour relations stakeholders, these relationships are "healthier" and evolve positively. The presence of many long-term collective agreements is particularly valued by employers⁴⁰. In this domain emerged a strong tendency to partnership and negotiation. However, now that the threat of closure has disappeared for several plants and that employers want to address some "sacred cows" of unionism, it is unclear whether these good relations will continue. Indeed, employers want to question the career by seniority, have some freedom from the sub contracting, and review the hiring criteria, etc⁴¹. remains to see whether the goodwill of all stakeholders will be sufficient to enable the sustainability of partnership in this sector.

The number of jobs in pulp and paper changed dramatically during the late 1980s and first half of the 1990s. Indeed, the record number of 33,952 job positions was reached in 1987, that is to say, during the golden age of modern industry. However, in 1998, the opposite record was reached, as only 20,922 people worked in this industry⁴². Since that time, the number of jobs was generally between 21 and 23,000, but is now declining. There will be an average reduction in employment of 1.5% over the next years⁴³.

These job cuts won't come through layoffs, but by the fact that between 20 and 40% of available positions due to the workers retirement won't be refilled. Nevertheless, as there will be 6,300 people who reach retirement age, it will still be thousands of vacancies

³⁷ *Ibid.*

³⁸ *Forest Industry Council, Rapport sectoriel des pâtes et papiers 2003, p. 35.*

³⁹ *Ibid.*, p. 46.

⁴⁰ *Ibid.*, p. 25.

⁴¹ *Ibid.*, p. 96.

⁴² *Ibid.*, p. 44.

⁴³ *Emploi-Québec, op cit*

³³ *Ibid.*, p. 13-16.

³⁴ *Ibid.*, p. 17-21.

³⁵ *Ibid.*, p. 6.

³⁶ *Forest Industry Council, (access on February 28 2005), [Online], URL : www.cifq.qc.ca*

(4300)⁴⁴. However, it should be noted that these projections don't consider the possible closure of factories or machinery. On the other hand, one can wonder about the effect of many pre-retirement occurring in several factories in the early 1990s on the aging of the workforce. It is likely that early retirement delayed the deadline, but the lack of recruitment of young people for almost twenty years didn't help to enhance this effect. Employers are afraid to lose these skilled workers and expertise. In some plants, over a third of employees will leave within five to seven years⁴⁵. Certainly, this will build more trained new staff, mostly trained by educational institutions. To ensure the balance between the needs of pulp and paper mills and the effective training given by schools, employers help Colleges to determine the content of education⁴⁶. The most difficult positions to fill require, for most, a university degree or, at least, technical. They can be divided into two broad categories: "general" and "specific" diplomas.

Specific training for the industry is often provided in conjunction with the workplace and the Ministry of Education. Often, employers are participating in this training by sending local employees to provide training, equipment and courses. This is particularly the case for the DPS, for which employers are going to participate in the selection and admission of students⁴⁷. The great advantage of such training is relevant to the needs of industry and the possibility for plants to use efficiently these new employees as soon as possible, especially since most of these degrees have many courses and are given in work-study. There is a high graduation rate in the DPS and ACS⁴⁸, that is to say, in programs where many companies provide support but participate in the screening of candidates. It is different for DCS, what worries many in the industry. Business involvement is much smaller at this level and the graduation rate is much lower. Moreover, as this training can also be used in chemical plants, many graduates are exempt from the pulp and paper, mainly because of career paths based on seniority, which are very long and discourage youth⁴⁹. Unfortunately, these curricula are not very popular, at least not enough to meet the needs. We may assume that these programs, some of which lead specifically to the pulp and paper, have suffered the past twenty years, during which there was virtually no recruitment of young graduates⁵⁰. By cons, according to employers, unpopularity is due to the bad reputation of the industry in technology. In

addition, since these courses are very specific, they have the drawback of reducing the opportunities for graduates outside the pulp and paper sector, which is not necessarily the safest in terms of employment. Uncertainty can lead many young people to aim for a "general" formation. These courses often have very high placement rate and are not specific to the pulp and paper. Thus, the latter must compete with other sectors of the economy. In addition, many general qualifications of this kind have a low graduation rate. Some plants in the sector are struggling to recruit young people, especially because of the distance from major urban centers. Moreover, it is impossible to predict long-term future of this industry or development. So, graduates, since they have the choice, tend to move to other jobs. In addition, young people lack the patience to fit into very long career paths, based solely on seniority⁵¹. However, the industry is particularly interesting in terms of remuneration.

The law fostering the development of the workforce training requires employers to invest 1% of their payroll in training their employees and to deliver, if any, part of the 1% that they have not spent. However, employers realized how much training their staff was needed. So they spend the entire amount prescribed by law for the specific needs of their workforce. In 2002, this amount corresponded to 2.67% of payroll⁵². This may show the immense effort to form labour force that has been undertaken in recent years. Moreover, now that they are no longer providers of National Training Fund of the workforce, employers receive subsidies of that Fund to pursue their goal of training⁵³. Despite the higher education of the new workforce, it remains that the replacement of such a mass of expertise for the industry will require a sustained effort and superior internal training of employees.

Historically, pulp and paper never had any problems recruiting its employees. According to employers, the current problem is due to the very generous compensation practices of the industry. Indeed, compensation in the pulp and paper is much higher than the rest of manufacturing. In 2000, the average wage in this sector of the Quebec economy was 36,203 against \$50,556 in Pulp and Paper⁵⁴. However, this average is moderated by the wages of office workers. The highest compensation paid in Quebec plants for production / operations workers vary between \$ 55,000 and \$ 118,000, average being \$ 76,600⁵⁵. The salary does not include the many benefits

⁴⁴ Sectoral report, p. 46.

⁴⁵ Ibid., p. 45.

⁴⁶ Ibid., p. 75.

⁴⁷ Ibid., p. 71.

⁴⁸ Ibid., p. 73.

⁴⁹ Ibid., p. 73.

⁵⁰ Ibid., p. 81.

⁵¹ Michel Audet, « La gestion de la relève et le choc des générations », *Gestion*, vol. 29, n° 3 (2004), p. 20-26.

⁵² Sectoral report, p. 76.

⁵³ Ibid.

⁵⁴ Ibid., p. 52.

Emploi-Québec, loc cit.

⁵⁵ Sectoral report, p. 52.

guaranteed by industry, such as pension funds, insurance or drug coverage pay, etc. It may be tempting to relate this very generous compensation package and the fact that collective bargaining in the pulp and paper is sectoral. This type of trading tends to increase the bargaining power of the union⁵⁶. In the coming negotiations, employers will try to integrate variable forms of pay and incentives in order to attract graduates of high level.

The pulp and paper companies believe they will have great difficulty when time comes to recruit a new workforce. Companies will seek to propose a different career path for professionals, particularly those with a university degree. The companies also want to make changes in hiring criteria and try to encourage their current employees to follow academic courses⁵⁷. Still, most employers don't give much importance to the retention of older employees. The means most often used for succession management are the external recruitment, training and employee self-training in collaboration with educational institutions.⁵⁸ It should be remembered that the main competitors for employees in this industry are the other plants in the sector. SMEs are particularly affected by these findings⁵⁹.

IV. DISCUSSION

What conclusion should we do after describing the three main sectors of the field of wood? First, we must understand that industries must implement the necessary technology to remain competitive. Whether through the process of mechanization in the logging industry or the development of new prototypes of paper machines, the introduction of technology inevitably brings two major consequences: the first is the declining number of jobs, as happened in the pulp and paper and forestry, and the second is the need for training in schools or in business, workers with higher qualifications than before, since the process operations have become more complex. International competition also leads companies to have to compete with countries that have very low costs of production and labour, which inevitably puts pressure on Quebec industries. Indeed, they are encouraged to revise downward the good working conditions they offer to their employees. The labour organization must also be reviewed due to the adoption of ISO standards, development of new production processes such as Kaizen, Kanban, Six Sigma, etc.. Do not forget that the Charest government's Bill 14, which means 20% reduction in timber harvest, will have a significant impact on jobs, as industries have less raw material to

exploit. This makes us say that Quebec might be losing some relatively large markets.

We must now make the observation of the relationship between the timber industry and HRM. We will use the lecture given by Michel Audet May 11, 2004 under the QFIC Congress. First, nearly 90 000 direct jobs and 61,000 indirect jobs form the timber industry. In several sectors, the workforce is aging: the average age is greater than forty-five years and many will retire in four or five years. This means that companies will have the opportunity to recruit a new generation of more skilled workers. But at the same time they lose a lot of expertise. From this perspective it becomes important to do company training and continuously: it is the best way to help not prepared workers to acquire the necessary skills. It will also address the issue of DCS graduation rates. Indeed, it is not normal for many young people not to complete their basic course before being hired in the industry. Concerning managers, they will need more training in human resources to understand the coming challenges. It will also involve executives in a more active development of the company. Indeed, managers must develop an innovative vision to successfully thrive in an industry where competition is fierce each day. In short, managers find themselves somehow with the daunting task of managing diversity in their business: older workers, Generation Y's young people, cultural mix and most marginal categories⁶⁰.

Labour relations within the sector industry of wood have undergone significant changes over the last decade. However, these changes do not have the same content and the same magnitude across sectors. Indeed, in the forest industry, the issue about collective labour relations is simply its existence in its current form. The unionization rate is falling rapidly given the many difficulties of adapting laws to the particular situation of the industry, but also non-standard work as in many other sectors besides. By cons, despite the fact that all stakeholders agree to confirm this fact, they all agree that there will be no complete disappearance of collective bargaining in the forest industry, probably because the unions will retain their castles, even if the fine days are definitely over.

In the pulp and paper, the situation is totally different. The presence of unions is not in danger but is changing. The negotiation and partnership have emerged and have driven the changes, particularly in regard to flexibility. It is important to note that this is not necessarily all plants. By cons, this is a trend and partly explains the relative "relaxation" in labour relations management that have taken place in the industry. However, now that the danger is removed to close several plants (as it has strongly influenced the

⁵⁶ Jean Sexton, *Initiation à la négociation collective (Excellent book)*, Québec, Les presses de l'Université Laval, 2001, p. 86-87.

⁵⁷ *Ibid.*, p. 96.

⁵⁸ *Ibid.*, p. 86.

⁵⁹ *Ibid.*, p. 88-89.

⁶⁰ Michel Audet, « Les ressources humaines dans l'industrie forestière du Québec : Défis et enjeux pour la prochaine décennie », CEFRIO, May 11 2004, 44 slides.

occurrence of such changes) and that the demands of employers are becoming increasingly important, it is very difficult to make predictions about the future of this partnership and even its survival.

V. CONCLUSION

This paper shows that the forest industry is good in general, but will in the coming years face significant challenges as global competition becomes fiercer each day and a problem of perception by people prevents succession. We offer one flat face of all this and it applies to investments made by industrialists. We believe that the equipment currently used isn't on the cutting edge of technology and that this could be an important factor in our loss of productivity in recent years. With regard to labour relations, it is interesting that the various labour laws do not always adequately protect forest workers as those who own their means of production. It was nice to see by cons in recent years several projects to revive the factory with a partnership between government, the union and the employer. It may be time for collaboration rather than with adversarial labour relations. Like any research, it has limitations and future research should help to overcome them.

REFERENCES RÉFÉRENCES REFERENCIAS

1. Audet, Michel, « La gestion de la relève et le choc des générations », *Gestion*, vol.29, n°3 (2004), p.20-26.
2. Audet, Michel, « Les ressources humaines dans l'industrie forestière du Québec : Défis et enjeux pour la prochaine décennie », *Congrès CIFQ 2004*, 44 slides.
3. Bernier, Jean, *Comité de travail interministériel sur les rapports collectifs du travail en milieu forestier*, Québec, 1999, p.177.
4. Drapeau, Gatéan, *Le Fonds de solidarité des travailleurs du Québec : son influence sur l'emploi, la démocratie en entreprise et les attitudes et comportements des travailleurs : le cas de l'usine Tripap de Trois-Rivières*, Master thesis, Université Laval, 1997, p.12.
5. Emploi-Québec, www.emploi-quebec.net
6. Forest Workforce Sectoral Committee, « La reconnaissance professionnelle des ouvriers de l'aménagement forestier au Québec », Thesis presented in the 12th Global Forest Congress, p.12
7. Forest Workforce Sectoral Committee, *La création d'emplois en forêt : Entre les possibilités théoriques et la réalité*, Québec, 1999, p. 38.
8. Labour Department, *Rapport sur l'application de la loi modifiant la loi sur les décrets de convention collective*, Québec, 2000, p.25.
9. Lapointe, Paul-André, « Partenariat et participation syndicale à la gestion, le cas de Tembec », *Revue Relations industrielles*, vol.56, n° 4, p.770,771.
10. Lumber Industries Workforce Sectoral Committee, *Annual Report 2003-2004*, Québec, 2004, p.31.
11. Lumber Industries Workforce Sectoral Committee, *Report 2003*, Québec, 2003, p.110.
12. Malo, François-Bernard, *Compromis social et performances de l'entreprise*, Master thesis, Université Laval, 1997, p.87.
13. Mercure, Daniel, *Le travail déraciné : L'impartition flexible dans la dynamique sociale des entreprises forestières au Québec*, Québec, Boréal, p. 232.
14. Paquet, Claudia, *La négociation sur l'emploi dans deux papeteries et deux alumineries au Québec*, Master thesis, Université Laval, 1999, p.9,
15. Paquet, Renaud, « La méthode de négociation raisonnée appliquée aux relations de travail », *Optimum*, vol. 26-2, 2000, p. 194-200.
16. Quebec Forest Industries Association, *Présentation du secteur des pâtes et papiers*, Québec, 1998, p. 15.
17. Quebec Forest Industry council, *Bilan sectoriel de l'industrie des pâtes et papiers du Québec*, Québec, 2003, p.167.
18. Quebec Forest Industry Council, www.cifq.qc.ca
19. Sexton, Jean, *Initiation à la négociation collective*, Québec, Presses de l'Université Laval, 2001, p.157.
20. Vincent, Claude, *Évolution des processus de négociation collective dans 2 usines québécoises de la papeterie Stone-Consolidated entre 1990 et 1995*, Master thesis, Université Laval, 2002, p.4-24.



GLOBAL JOURNAL OF MANAGEMENT AND BUSINESS RESEARCH
Volume 11 Issue 1 Version 1.0 February 2011
Type: Double Blind Peer Reviewed International Research Journal
Publisher: Global Journals Inc. (USA)
ISSN:0975-5853

Analyzing the Terrorist Activities and Their Implications in Pakistan through Datamining

By Shan Majeed Khan, Dr. Irfan Manarvi
HITEC University, Taxila

Abstract- the events of September 11, 2001 changed the global political scenario fundamentally. The U.S. traced the terrorist outrages in New York and Washington to the Al-Qaeda and the Taliban regime in Afghanistan. As a result, the U.S. declared war against international Terrorism, targeting Afghanistan, for which Pakistan's support was imperative. The cooperation with the U.S. required withdrawing support to the Taliban and start crackdown on the militant Jihadi and sectarian outfits, which had close links with the Taliban and Al-Qaeda, for which Pakistan had to pay a high price. In 2008, Suicide Attacks in Pakistan reached an unprecedented level in the history of modern terrorism. It has been the scene of horrific acts of terrorist violence, and suicide bombings in different areas of Pakistan most notably in NWFP and FATA. The deteriorating law and order situation in the NWFP and FATA resulted in many deaths and casualties of the security forces and civilians.

Keywords: *Pakistan, War on Terror, Terrorism, Civilian, Suicide Bombing, Federally Administered Tribal Areas.*

Classification: *GJMBR-A FOR Classification: 080109*



Strictly as per the compliance and regulations of:



Analyzing the Terrorist Activities and Their Implications in Pakistan through Datamining

Shan Majeed Khan¹, Dr. Irfan Manarvi²

February 2011

35

Volume XI Issue II Version I

Global Journal of Management and Business Research

Abstract— the events of September 11, 2001 changed the global political scenario fundamentally. The U.S. traced the terrorist outrages in New York and Washington to the Al-Qaeda and the Taliban regime in Afghanistan. As a result, the U.S. declared war against international Terrorism, targeting Afghanistan, for which Pakistan's support was imperative. The cooperation with the U.S. required withdrawing support to the Taliban and start crackdown on the militant Jihadi and sectarian outfits, which had close links with the Taliban and Al-Qaeda, for which Pakistan had to pay a high price. In 2008, Suicide Attacks in Pakistan reached an unprecedented level in the history of modern terrorism. It has been the scene of horrific acts of terrorist violence, and suicide bombings in different areas of Pakistan most notably in NWFP and FATA. The deteriorating law and order situation in the NWFP and FATA resulted in many deaths and casualties of the security forces and civilians.

Keywords: Pakistan, War on Terror, Terrorism, Civilian, Suicide Bombing, Federally Administered Tribal Areas.

I. INTRODUCTION

Pakistan as a country of first line of defense has greater contribution in the ongoing 'war on terror' in Afghanistan and in the adjacent tribal territories of Pakistan. In 2001, after the US's military campaign in Afghanistan that ousted the Taliban from power, many members of the Taliban retreated to the FATA or Pakistan in general, to establish an exile base [1]. The Pakistan military entered Fata in 2003; since then insurgency in Fata and NWFP has grown at an alarming rate. In stark contrast there was hardly any militancy in the years 2001- 2002 and Taliban were rare. The start of militancy coincides with the move of the military into South Waziristan in 2004 and which led to repeated stabilization operations in Waziristan [2].

Citizens faced a terrible wave of terrorism in the urban cities of the country, especially in the North-West Frontier Province (NWFP), Pakistan. These terrorist activities in the crowded urban places include bomb blasting, explosions, target killings, suicidal bomb attacks, and mortar/missile attacks from unseen places.

Pakistan provides al Qaeda with many of the same advantages it had when it was based across the border in Afghanistan. According to the assessment, the safe haven in the FATA serves as a staging area for al Qaeda's attacks in support of the Taliban in Afghanistan. Further, it serves as a location for training new terrorist operatives for attacks in Pakistan, the Middle East, Africa, Europe, and the United States. U.S. government officials in Washington and Pakistan also acknowledge that al Qaeda has established a safe haven near Pakistan's border with Afghanistan. for example, State's April 2007 Country Reports on Terrorism states that Pakistan remains a major source of Islamic extremism and a safe haven for some top terrorist leaders, including those of al Qaeda [4].

Pakistani Military forces are positioned around the FATA. Its progress in removing militants, however, is hindered due to low moral—in part because of soldiers' repulsion at Muslim killing Muslim—and secondly, due to its inability to build bases in the region since locals continue to reject the military and prefer to rely on their own tribal forces. Furthermore, the military and increasingly law enforcement are targeted by suicide bombings or threatened with beheadings by Taliban elements [5].

By 2005-06, the militants had grown into a force and began their expansion outward into the adjoining districts of Tank, D.I Khan, Bannu, Lakki, Kohat, Peshawar, Nowshera, Charsadda, Mardan, Swat, Dir and Kohistan [6].

Such wrenching violence has been the fate already of the neighboring Swat Valley, and of nearby Bajaur, an area of the tribal region, where the army and militants have been locked in heavy fighting. Civilian casualties are high. The task of pushing back the Taliban is taking far longer than the army had anticipated. In Swat, the army has been unable to stop the burning of more than 100 girls schools or the murders of politicians and their families. About one-third of the police force has deserted in Swat, and some of the deserters have joined the Taliban, even as trainers, according to senior police officials. [7]

The TTP did not wait long to claim responsibility for the killing, stating that the attack was a response to the Pakistan army's air strikes in Waziristan. "We warn the government to stop the operation [...] in Waziristan

^{About¹}- Department of Management Science, Iqra University Islamabad Campus, Pakistan

^{About²}- Department of Mechanical Engineering, HITEC University, Taxila, Pakistan

otherwise we will continue such attacks all over Pakistan," said Hakimullah Mehsud, a top commander of the TTP. [8]

With more than 140 suicide attacks and 1700 victims between 2002 and 2008, the use of the method is clearly on the rise. Pakistan has now surpassed both Iraq and Afghanistan in this disturbing ranking. [9]

II. METHODOLOGY

The original data of deaths and injuries of the Police, Army, FC and civilians as well as the number of terrorist activities in 2008 was mined from the databases of Pakistan Society of Criminology (PSC) as well as other public and private sources of information about terrorism in Pakistan. The data was compiled under various variables for the entire period. Then analysis was carried out through various statistical measures and relationship between the data has been established.

The data includes the deaths and casualties of Local Police, Frontier Corps, Army, and Civilians in the North-West Frontier Province (NWFP). There are 483 registered cases of terrorism in 17 districts of NWFP in the year 2008. These 17 districts are further classified into three geographical regions that are the Central NWFP, Northern NWFP and Southern NWFP.

1) District-Wise Terrorist Activities In Nwfp

The present research data shows 17 districts of NWFP compared against the registered cases in 2008 as shown in Fig 1.0.

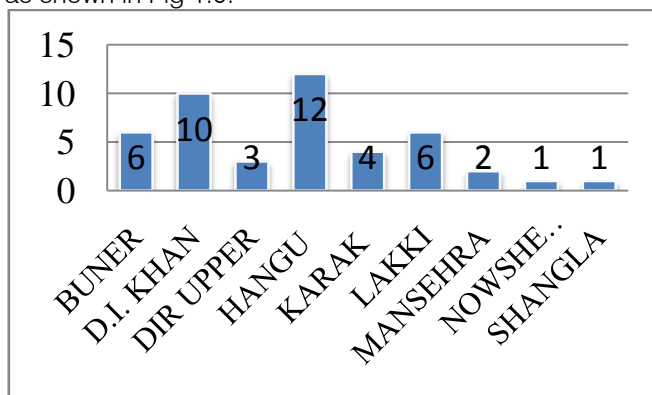


Fig 1.0a: District-Wise Terrorist Activities

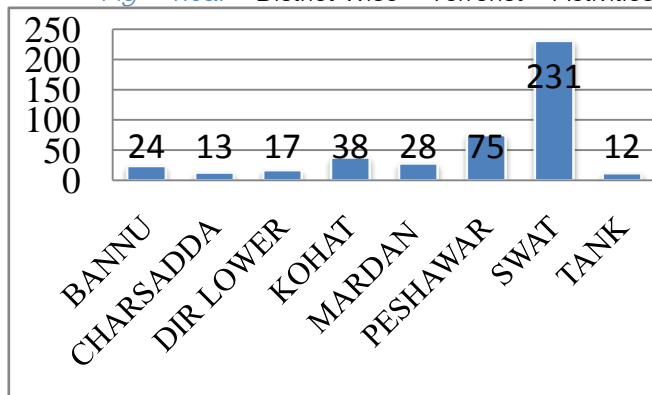


Fig 1.0b: District-Wise Terrorist Activities

Above figure shows, that Swat registered most of the terrorism related activities because of its large area and it was the main hideout for the terrorists and the proportion of registered cases is much more when compared to other districts.

2) Comparison Of Police, Fc, Army And Civilians Killed

Figure 2.0 shows the relationship among four groups of people (Police, Frontier Constabulary, and Army & Civilians) killed in these terrorist activities.

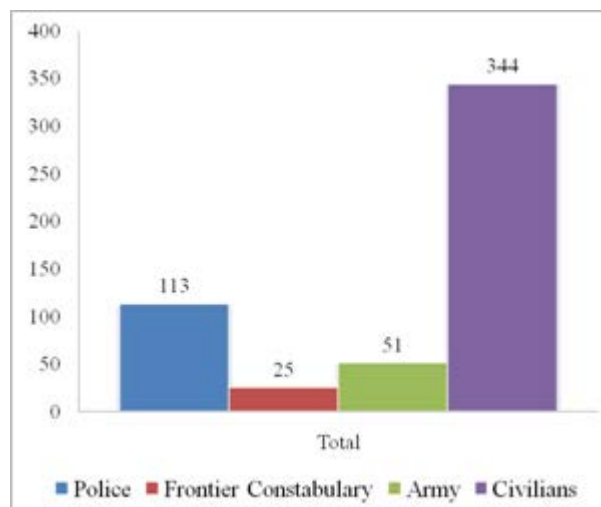


Fig 2.0: Groups of People Killed in Terrorist Activities

The above figure shows that civilians were mostly targeted and killed in the attacks which also explain that these activities mostly took place in public places like markets, bazaars and civilians populated areas. Police are also the affectees of these attacks and more than hundred police constables have lost their lives while on duty. Around 50 Army personals and 25 FC men were also martyred in the span of one year. The killing of security personals significantly affects the morale of these soldiers and it creates a sense of insecurity among them.

3) COMPARISON OF POLICE, FC, ARMY AND CIVILIANS INJURED

The trend in the injuries is almost similar to the killings but the figures are magnified. Figure 3.0 shows that more than 850 Civilians were injured in the 17 districts and casualties were shifted to hospitals in Peshawar because of better treatment facilities. As a law-enforcement agency, the local police are struggling very hard against this situation and despite many resource constraints and technical weaknesses, the police are evolving a new approach to combat such terrorist attacks but still around 250 police personals

were injured in 2008. Around 200 FC and Army men were also injured due to terrorist activities in NWFP.

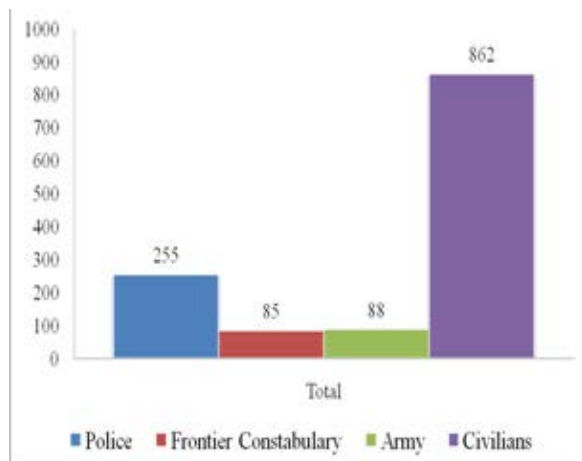


Fig 3.0: Groups of People Injured in Terrorist Activities

4) Total Deaths And Injuries

Figure 4.0 illustrates that total people injured are almost double of the total killed in terrorist activities and this relation is similar for all districts.

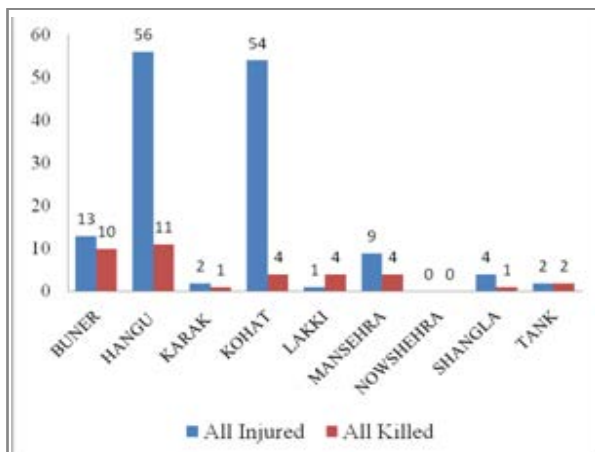


Fig 4.0a: Comparison of All Persons Killed and Injured

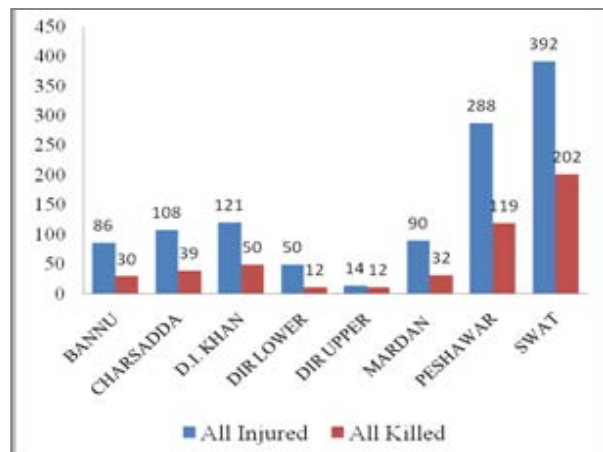


Fig 4.0b: Comparison of All Persons Killed and Injured

Swat and Peshawar are clearly more affected by such activities when compared to other districts. Figures for Mardan and Bannu are very similar though Mardan is comparatively bigger than Bannu, but as Bannu is bordered with the tribal's is has been more damaged. There have been more than 100 injuries in Charsadda and D.I. Khan.

5) District-Wise Comparison Of All Groups Killed

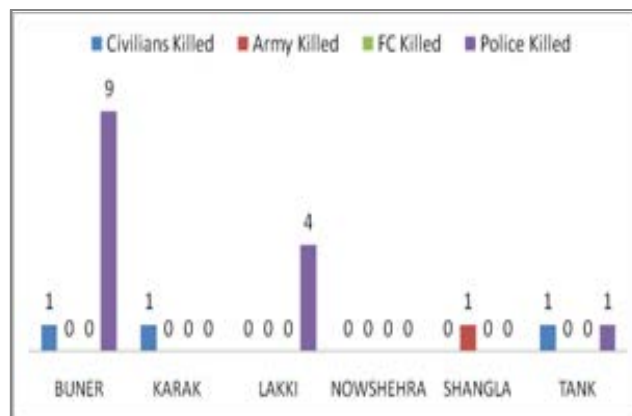


Fig 5.0a: Comparison of All Groups Killed

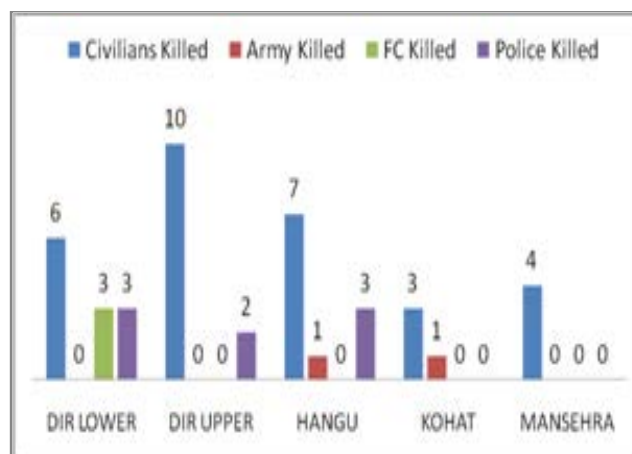


Fig 5.0b: Comparison of All Groups Killed

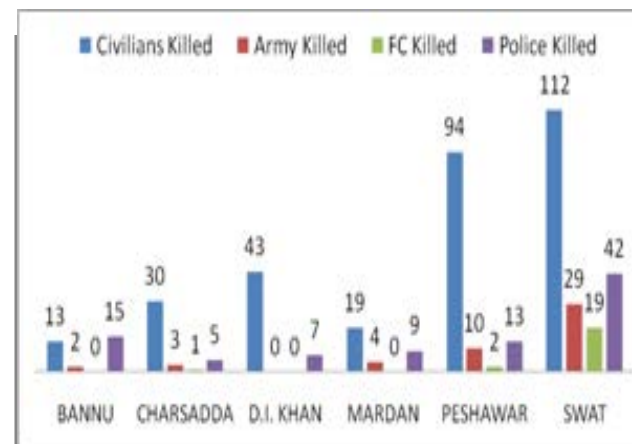


Fig 5.0c: Comparison of All Groups Killed

In figure 5.0 all four group of people killed by terrorists are compared among 17 districts. From previous charts we know that civilians have been more affected than the other three groups and here the difference in proportion is evident that how many residents of NWFP have lost their lives. D.I.Khan has seen a bloody surge in sectarian schism which caused a loss of many innocent lives. The death toll of Charsadda suicide attacks and bomb blasts sum up to 39 lives. Swat and Peshawar are noticeable here because of the high number of civilians targeted and killed. 94 civilians in Peshawar and 112 in Swat were among the unlucky ones who faced the tragedy of death.

6) District-Wise Comparison Of All Groups Injured

Figure 6.0 shows comparison of all injured in NWFP and we get a bit different result from what we have previously seen in the killings. The number of injuries in Peshawar even exceeds Swat by 42 people, the reason maybe because Peshawar is the provincial capital of NWFP having population of 2.98 Million with density of 1,309.4/km². Charsadda and D.I.Khan follows the similar trend with more civilians injured than the other groups.



Fig 6.0a: Comparison of All Groups Injured

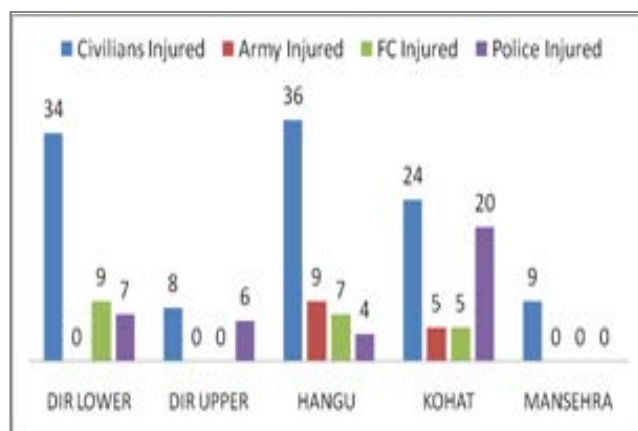


Fig 6.0b: Comparison of All Groups Injured

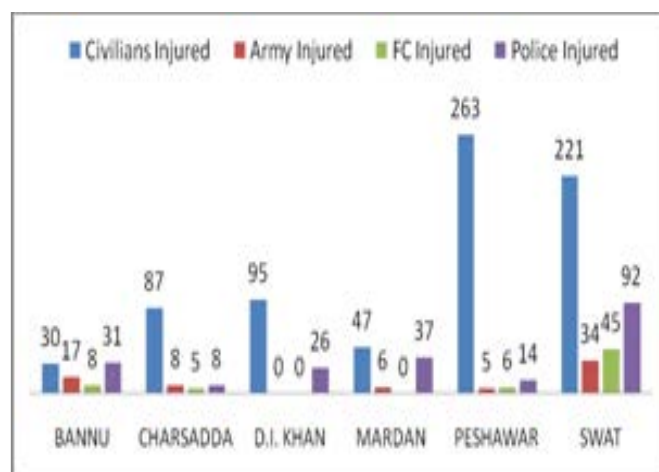


Fig 6.0c: Comparison of All Groups Injured

7) Percentage Of Terrorist Activities

This pie chart in figure 7.0 is the representation of all the terrorist activities within the period of 12 months in NWFP. Almost half of all the incidents occurred in Swat only, with the result of 202 killed and 392 injured. 16 percent of terrorism hit Peshawar in 2008 killing 119 innocent people. Kohat, Mardan and Bannu also witnessed terrorism with the percentage of 8, 6 and 5 respectively.

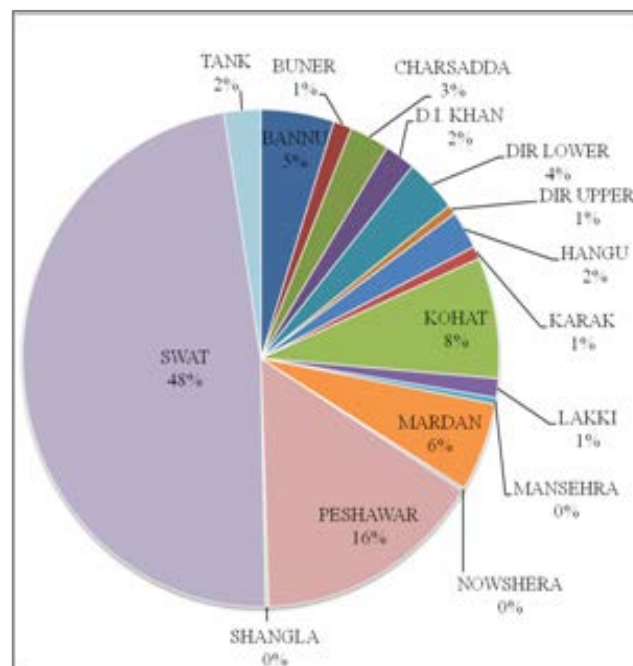


Fig 7.0: Percentage of Terrorist Activities

8) Region-Wise Terrorist Activities

In table 8.0, the 17 districts of the province are divided into three geographic regions for the analysis.

Northern NWFP	Central NWFP	Southern NWFP
Swat	Peshawar	Kohat
Shangla	Charsadda	Hangu
Buner	Nowshehra	Karak
Dir lower	Mardan	Bannu
Dir upper	Mansehra	Lakki
		D.I. Khan
		Tank

Fig 8.0: Three Geographic Regions of NWFP

Figure 8.1 shows that 53 percent of the terrorist activities were operated in the Northern NWFP while 25 percent of it operated in Central and 22 percent were operated in Southern NWFP. It should also be noted here that Northern and Southern NWFP's are area wise much bigger than Central NWFP but Central NWFP is densely populated as compared to the others.

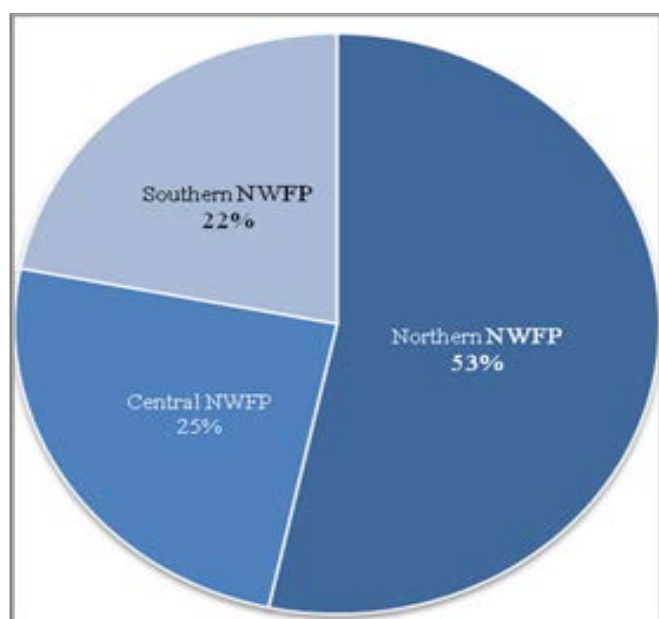


Fig 8.1: Region-Wise Terrorist Activities

REFERENCES RÉFÉRENCES REFERENCIAS

1. Anita Demkiv, "Pakistan's Fata, Transnational Terrorism And The Global Development Model" Journal Of Global Change And Governance, Volume II, Number 1, Winter/Spring 2009, Division Of Global Affairs, Rutgers University
2. Khalid Aziz, "Causes of Rebellion in Waziristan," Regional Institute of Policy Research, Peshawar, 2007, PP 40- 43. The report is available at www.khalidaziz.com.
3. Two bomb blasts kill 27 in northwest Pakistan (AFP) – Dec 5, 2008 Available online: http://www.google.com/hostednews/afp/article/ALeqM5h2jRTJSm-efNfhS_Wm9wP1w_TB5Q
4. United States Government Accountability Office. "Combating Terrorism, The United States Lacks

Comprehensive Plan to Destroy the Terrorist Threat and Close the Safe Haven in Pakistan's Federally Administered Tribal Areas". April 2008, Available online: <http://www.gao.gov/new.items/d08622.pdf>.

5. Gurmeet Kanwal, "Losing Ground: Pak Army Strategy in FATA & NWFP" in IPSC Issue Brief, No 84, October 2008. Institute for Peace and Conflict Studies.
6. Fata: Internal Security and Pakistan's International Obligations - A talk delivered by Khalid Aziz to the Conference on, "Rule of Law and Democracy in Pakistan: the Road, to the Future" June 17, 2008 Marriot, Islamabad. Organized by Pakistan Institute of Legislative Development and Transparency (PILDAT)
7. Perlez, Jane and Pir Zubair Shah. "As Taliban Overwhelm Police, Pakistanis Hit Back." New York Times. Available Online: <http://www.nytimes.com/2008/11/02/world/asia/02pstan.html>. November 2, 2008.
9. Tariq Naqash.. "Baitullah's suicide foray into AJK". Dawn News. 26 June 2009.
10. <http://www.dawn.com/wps/wcm/connect/dawnc-content-library/dawn/news/pakistan/provinces/07-suicide-blast-kills-two-soldiers-in-muzaffarabad-ha-03>.
11. Amir Mir. 2008. "Pakistan tops Iraq, Afghanistan in suicide bombing deaths." The News. 15 September. http://www.thenews.com.pk/daily_detail.asp?id=135813



This page is intentionally left blank



GLOBAL JOURNAL OF MANAGEMENT AND BUSINESS RESEARCH
Volume 11 Issue 1 Version 1.0 February 2011
Type: Double Blind Peer Reviewed International Research Journal
Publisher: Global Journals Inc. (USA)
ISSN: 0975-5853

Empirical Evaluation Test of the Strategic Planning Process on the Overall Performance of the Company

By Pr. Walter Gerard Amedzro St-Hilaire

University of Ottawa

Abstract- This article raises the question of empirical assessment of the strategic planning process. Can you prove empirically, or highlight beyond a reasonable doubt, the positive influence of the process on business performance? If yes, what explanations to give to any differences of opinion between theoretical models and practical models? The first part assesses major studies based on measures of corporate performance as an indicator of the effectiveness of the process. Then, the second part provides an overview of studies measuring the actual characteristics of the process.

Classification: *GJMBR-A Classification JEL O21; FOR: 150312*



Strictly as per the compliance and regulations of:



Empirical Evaluation Test of the Strategic Planning Process on the Overall Performance of the Company

Pr. Walter Gerard AMEDZRO ST-HILAIRE

February 2011

41

Abstract— This article raises the question of empirical assessment of the strategic planning process. Can you prove empirically, or highlight beyond a reasonable doubt, the positive influence of the process on business performance? If yes, what explanations to give to any differences of opinion between theoretical models and practical models? The first part assesses major studies based on measures of corporate performance as an indicator of the effectiveness of the process. Then, the second part provides an overview of studies measuring the actual characteristics of the process.

I. INTRODUCTION

The search of an evidence of the positive influence of the strategic planning process on the overall performance of the company led to numerous studies, since the establishment of strategic planning assumptions * by Igor Ansoff in his famous book *Corporate strategy; year analytic approach to business policy for growth and expansion* (1965) [i]. In this work, Ansoff said that the strategy is the key to the whole conduct of the company's quest for openness, and in the acquisition, distribution and processing resources. Combined with a rational analysis, planning is an established procedure to produce consistent results, a procedure consisting of decomposing a process in stages. He therefore makes an elaborated, formal and fragmented mechanism, a detailed plan closely linking the strategy formation process to a series of more operational steps. Thus, strategic planning would enable companies to improve their overall performance to copewith rapid environmental changes implement organizational change, solve problems related to human resources management, including resistance to change. Theoretically, many stakeholders in industrial relations, working in an organizational setting, as a process for determining the main directions of an organization, giving businesses themeans to evolve in their environment, facing the change, have recognized Strategic planning. But what about in

practice? Do the existing strategic planning processes actually lead in societies to rigorous planning allowing a company to efficientlyachieve the goals it has set?

Moreover, does the recent adoption of strategic planning in business modify significantly the performance of that company? Does strategic planning increase the amount of management effectiveness of the company? In other words, does the application of strategic planning lead, in practice, businesses to success? These questions raise the question of empirical assessment of the strategic planning process. Can you prove empirically, or highlight beyond a reasonable doubt, the influence of process on business performance? If yes, what explanations to give to any differences of opinion between theoretical models and practical models? A review of the major available empirical studies, conducted to determine the impact and usefulness of the process allows us to make an empirical assessment of the strategic planning process. Two approaches are generally found in various studies: a method based on an estimate of the impact of process on business performance, and a method evaluating the actual characteristics of the process. The present empirical evaluation will be done in two stages. Because evaluation of the characteristics of the process is a relatively more recent method and is based on a review of the alternative method, the first part of our evaluation will present and assess the main studies based on measures of corporate performance as index of the effectiveness of the process. Several studies have indeed been made to measure the impact of strategic planning on various aspects of business performance (financial, strategic change efficiency, overall performance ...). Then the second part of the evaluation will provide an overview of studies measuring the actual characteristics of the process. At first glance, the conclusions emerging from empirical studies on the usefulness of strategic planning are quite mixed.

*About - Lecturer of Research Methods in Public Administration at University of Ottawa Postdoctoral on Strategy and Governance of Public Organizations in HEC Montréal Researcher for the Research Center on the Governance of Natural Resources.
E-Mail- walter-gerard.amedzro@hec.ca*

Volume XI Issue II Version I

Global Journal of Management and Business Research

II. THEORETICAL FINDINGS

Following the success since its establishment in the 1960s, strategic planning suffered a decline in popularity and influence in the late 1970s. This was due in large measure to the failure of strategic planning tools to deliver what was expected of them. However, during the 1990s, it regained some reputation and influence that it had previously lost. Strategic planning is a powerful concept used in the business community, as part of a decision to deal with strategic issues.

These are defined as developments, events, directions or trends that may affect the strategy of the organization. In an enterprise, strategic issues can translate individual concerns in organizational actions. They can thus be considered as having political as well as informational consequences. These effects may in turn affect the business decision making and strategic change in the organization. In response to changing organizational conditions internal to the firm, and external environmental variables, the result of strategic planning is, in theory, a viable alternative, allowing the firm to ensure the plan continually realigns the firm's goals and strategies with the changing conditions. Thus, the identification and exploitation of future opportunities, the use of strategic planning would enable the company's major decisions to be made more efficiently and be more related to objectives. It would also allow for better allocation of time and resources to identified opportunities, and avoid wasting time and resources related to correcting erroneous or ad hoc decisions. While promoting the creation of a framework for internal communication between staff, it allows identification of priorities within the time allotted by the plan. Ultimately, strategic planning provides a competitive advantage over the firm's competitors.

Strategic planning is therefore a tool to manage environmental turbulence. The literature describes strategic planning as an effective tool in relation to its contribution to company performance, or results that the plan was originally supposed to achieve. These results are generally established at the outset by the system of strategic planning as a range of social objectives. In their research, many studies are based on the difference between formal strategic planning (or explicit) and implicit strategic planning. The formal strategic planning is an explicit and continuous organizational process, with several components (including the establishment of goals, generation and evaluation strategies). Some authors as Ansoff and Steiner suggested that a system of effective strategic planning must be inked to long-term strategic objectives with those of medium-term and operational planning. Thus, planners collect data, make predictions, model and construct alternative future scenarios. These are the activities enabling organizations to outperform those who are not engaged in a strategic planning process. However, this view is not universally shared. Henry Mintzberg argues that

strategic planning can be done objectively only in the short term, due to budgetary constraints, the inability to predict the future, and lack of objectivity schedules, generally biased towards the vision and desire their designers want them to take, and hierarchy[9]. With environmental constraints, the organization's needs change constantly. Their definition cannot be made after an assessment of strengths and weaknesses of the organization, but rather gradually. Strategic planning based on the needs of the organization must respond to these needs and must take account of their gradual evolution.

For Mintzberg, the true role of strategic planning is to develop and articulate the consequences of a pre-existing strategy: planning does not create the strategy. He further argues that strategic planning is an adaptive process that evolves gradually emerging from different directions following the company's commitment to the environment. According to him, this emerging process is what will take the company to success. The company therefore has no need for explicit planning to be a barrier to its expansion. The manager should focus more efforts on the development and optimization of capacity and efficiency of the organization, rather than on planning, which is likely to be limiting. Ansoff, by cons, rather think that a place must be given to emerging strategies because they are part of the explicit planning, as unexpected expenses are included in a fixed budget. This brief overview shows a theoretical divergence of theoretical perspectives on the usefulness and relevance of strategic planning. So it is important to check whether the empirical results are more in favour of one or the other models.

III. EMPIRICAL EVALUATION

- 1) *Models based on a measure of performance as an indicator of the effectiveness of strategic planning process*

The main question behind these studies is: 'Does a better strategic planning result in higher levels of company performance?' To answer this question, many researchers have attempted to quantify the impact of strategic planning on the success of the company. In doing so, they chose different economic or financial variables (according to studies) and quantitatively measured them. The first empirical test of the relationship between strategic planning and corporate performance has been driven by Thune and House, in 1970, who surveyed 36 companies in six industry groups. Since then tests succeed, confirming or refuting their conclusions. While some studies report a positive relationship, many do not find any quantifiable benefit, and others detect even small adverse effects and costs resulting from the strategic planning. The main studies on this research model are grouped in Annex 1. Most of these studies have been conducted in the United States or Great Britain.

2) *Studies showing a positive relationship between strategic planning and corporate performance*

The main studies proving the existence of a positive relationship between strategic planning and corporate performance are those conducted by Ansoff et al. (1970), Gershefski (1970), Thune and House (1970), Herold (1972), Karger and Malik (1975), Rhyne (1986). In addition, other studies conducted in the same vein, were reported by Gordon Greenley in his article "Strategic Planning and Company Performance: An Appraisal of the empirical evidence" (1994) [8] and divided into three groups. Although, in the first group, 9 studies lead to the conclusion that there is no association between strategic planning and corporate performance, in the second group, 12 studies support the evidence of such an association and, in the third, 9 conclude that companies making strategic planning outperform those that do not (Greenley 1994).

There is a difference of methodology, sampling techniques, as well as variables of interest among different studies. As an illustration, the study of Ansoff et al. uses 13 different variables to measure the performance of 93 manufacturing companies: sales, earnings, the ratio of earnings/share, total assets, report earnings / equity, ratio of dividend / shares, stocks value, the ratio of debt / equity, the capital base, the report gains / total assets, the ratio P / E, the efficiency dividends / earnings and price / equity. To ensure good reproducibility of measurements, each variable is measured 21 times. The values of those variables for companies with an intense strategic planning are compared with those obtained for companies with little or no strategic planning. Except for two variables (the rate of growth in equity and asset growth), companies engaged in strategic planning outperform those that don't practice it (Ansoff et al. 1970) [3]. The confidence level of the statistical tests is $\alpha < 0.1$ or $\alpha < 0.005$. The Gershefski study compares, meanwhile, sales growth in a sample of 383 companies over a period of five years before companies adopt strategic planning, and over a period of five years after the introduction of strategic planning. The results of this comparison lead the author to the same conclusion as Ansoff et al., and indicate that strategic planning is effective. With a somewhat similar methodology, Thune and House also come the same conclusion and find that the companies making explicit strategic planning surpass their own performance after the introduction of a system of explicit planning.

3) *Study highlighting the lack of quantifiable relationships between strategic planning and corporate performance.*

variables used to evaluate the performance (rate of return on equity, the assets, changes in prices and earnings, earnings per share growth unit and per sales growth unit), the study tests several hypotheses indicating a relationship between company performance

and strategic planning. Finding none of these hypotheses statistically significant at $\alpha = 10\%$ confidence, the authors concluded that there was no evidence of such a relationship. Many studies such as those conducted by Grinyer and Norburn in 1975 and Kulda in 1980, report the lack of quantifiable benefits from the adoption of strategic planning. Indeed, the study by Fulmer and Rue in 1973 on 386 companies and conducting a comparative analysis of four variables of financial performance (sales growth, earnings ratio, earnings growth and total capital) by distinguishing between companies planning Strategic compelled the authors to conclude that their findings call into question the most basic assumptions on which strategic planning was established. They don't deduce that strategic planning doesn't affect the final results of the company, but explain that their study shows no clear relationship between strategic planning and the variables measured. In their study published in 1980, Leontiades and Tezel analyze 61 companies over a period of 6 years. The approach used was to contact the Chief Executive and Head of Planning Department of each company in order to demonstrate the importance of strategic planning on various numeric and semantic domains, in order to provide quantifiable variables that would compare the performance of companies. Based on five variables used to evaluate the performance (rate of return on equity, the assets, changes in prices and earnings, earnings per share growth unit and per sales growth unit), the study tests several hypotheses indicating a relationship between company performance and strategic planning. Finding none of these hypotheses statistically significant at $\alpha = 10\%$ confidence, the authors concluded that there was no evidence of such a relationship.

4) *Studies exposing a negative effect and a cost associated with strategic planning.*

Although relatively a few, some studies suggest a negative relationship between strategic planning and corporate performance. Indeed, Whitehead and Gup found some negative effects. Some companies using strategic planning perform less on some measures than their competitors that don't use it. In 1983, a survey by mail of 316 companies using financial planning and 133 financial companies not using it enabled them to reach these conclusions. To ensure a representative sample, each state is represented and does not contribute to over 10% of total responses. The distinction between planners and non-planners was originally based on the respective rates of sales, earnings and rates of returns on equity. To classify firms, the authors saw as advanced planners, organizations that have explicit and written objectives. The most advanced planners were those who had specialized departments for planning and used econometric models and regression analysis to establish projects or analysis of alternative actions. Finally, the frequency of revision of strategic

plans was also taken into account for purposes of this classification.

In this classification, the overall trend is clear that the use of formal planning is related to the size of the organization: 95% of institutions with assets of \$ 1 trillion or more used a formal planning, while only 48% of institutions with assets of \$ 50 million or less used a formal planning. For their analysis, Whitehead and Gup retained three variables to measure: the rate of return on equity and rate of return on assets to measure profit, and the absolute growth of customer deposits. Using regression analysis to isolate the impact on performance, and analysis of variance to determine whether the observed differences were statistically significant, Whitehead and Gup studied the data from their sample. They found that institutions using strategic planning showed lower rates of return of capital and assets than those institutions that don't. For the third variable, the planners didn't obtain a growth significantly higher than non-planners. The results were obtained with a confidence level $\alpha = 0.1$ (90%). To confirm their findings, the authors redefined the distinction between planners and non-planners, regard to market expansion, product development and services, social development and in relation to social, economic and political. The results obtained by evaluating the data according to this new classification were consistent with the initial results. A series of other tests, based on a redefinition of variables and criteria distinguishing institutions whether or not using strategic planning, once again confirmed these results. The authors came to the conclusion that their results indicated a negative relationship between strategic planning and corporate performance in the banking sector. Not rejecting the strategic planning, they wondered about the quality of planning and the existence of any competitive advantage it gave. They concluded that planning is negatively related to performance of the company, unless it becomes profitable in long term (longer than the duration of their study). In addition, they speculated that the absence or reduction of pressures on institutions from their environment push them to engage in strategic planning.

IV. METHODOLOGICAL CRITICISMS

Despite the variety and number of studies to evaluate the effectiveness of the strategic planning process, it was noted a lack of methodological rigor, more or less obvious in the different studies. The critical analysis conducted by Greenley (1986) allows to highlight the methodological weaknesses of each. Thus, there is a bias in the methodological rigor of the authors, a lack of statistical tests (to check if the difference is statistically significant) or at least their omission in the publication of results. In addition, variations between variables from one experience to another, between duration of experiences, between

periods (given that each period is marked by a particular situation and history) and between size and origin of the samples do not allow comparison even if they allow a degree of complementarity of the results. The research parameters are fundamentally different from one investigator to another. In addition, some studies are marked by the absence of proof of reproducibility of measurements. Moreover, many investigations have relied on questionnaires (Ansoff et al. 1970, for example) mailed to companies. In this regard, Grinyer and Norburn rightly observe that because the planning process is complex, and spontaneous reactions to questions are important for proper assessment, mailed questionnaires were particularly inappropriate for an adequate response on the subject.

Lesson 1 - The first conclusion emerging from this analysis of studies based on a measure of performance as an indicator of the relevance of the strategic planning process is that evidence of a relationship and the nature of the relationship between strategic planning and company performance is still unproven. We can't comment objectively on the effectiveness or ineffectiveness of the strategic planning process as a management tool. The methodological variability characterizing the different studies limit their analysis and comparison. However, by combining different studies according to their results, one finds that those that detected a positive relationship, and cause-effect relationship between strategic planning and corporate performance, are generally older than those who found no link and those who perceived harm in using planning. This time separation is sufficient to suggest that the relationship between corporate performance and strategic planning would evolve over time? Although the history of strategic planning seems to go in the same direction (the decline in popularity followed by a resurgence of interest), lack of methodological rigor, once again, do not confirm this hypothesis. It is rather evidence of bias in most studies by the authors, and the use of arbitrary attributes or variables. It also shows the inadequacy of the variables used for an objective evaluation process, and the presence of other factors than those measured. There are, indeed, a whole range of other variables that may affect company performance or achievements, so that the changes detected in the performance of the company may not have been affected, or only partially affected or affected only by strategic planning. Higher levels in achieving results are not necessarily related to the use of strategic planning. It is also possible that improved performance gives the company the means, resources for use, or the ability to implement strategic planning in its midst. In addition, companies can adopt strategic planning in order to protect performance previously achieved without planning. To which case there would be a relationship between strategic planning and performance, but not a causal relationship. Despite the conclusions he reached with his staff, Igor Ansoff admits a subjective

evaluation of results by the management doesn't differ greatly between planners and non-planners, while an objective financial measure shows a substantial difference. [3] It is therefore difficult to define specifically the consequences of the use of strategic planning. From this point of view the analysis tends to support the model of Henry Mintzberg.

However there is always a category of potential benefits resulting from the use of strategic planning. Greenley (1986) [Erreur ! Signet non défini.] recognizes in its article profits increased by the use of strategic planning, which are inherent as the consequences of its use. He refers in the concept of 'intrinsic values of planning'. So there are economic advantages to the use of strategic planning. There remains a strong a priori that strategic planning has a major effect on company performance. But does planning affect the company's performance or does performance provide it to resources for managerial attention in strategic planning? Anyway, all the problems of measuring broad performance of the company suggest that these results overstate the true relationship between planning and performance. Models based on measures of performance are not very suitable for defining the nature of such a relationship.

1) *Models based on a measurement of process characteristics as an index of efficiency of the process.*

a) Criticisms raised by these models

In contrast to studies on the effectiveness of the strategic planning process related almost exclusively to the financial performance as a gauge of the value of the planning system, these models start from the assumption that the benefits of strategic planning are related to nature of the process, and may or may not be a sufficient condition for improved performance. Strategic planning can thus be effective as a process, despite the performance achieved. Hence, the importance of developing more models not based on performance of economic dominance. It is important to take into account the characteristics of the process, and the dimensions of organizational context (including the strength and resources) in which the planning takes place. The study of V. Ramanujam and Venkatraman N (1987) establishes that the dimensions of organizational context have a dominant influence on the effectiveness of the strategic planning process. In addition, models based on the evaluation of characteristics of the process, consider the performance of the business is not look sufficiently valid to base the effectiveness of the planning process. So research conducted by Greenley in 1983 and Dyson and Foster in 1982, among others, have examined the effectiveness of the process, regard to the nature of the process itself.

b) Definition and characteristics of the strategic planning process

The strategic planning process is defined as all human interactions, formal and informal, taking place during the generation or the development of a strategic plan. This process fulfills both a symbolic and instrumental role. Symbolically, the strategic planning process is used for build a consensus in the organization, providing simplified models for communication and understanding. At the instrumental level, the strategic planning process serves as a program performance, accounting for uncertainties and reducing time and cost of searching for information faced by managers in their decision-making.

This process is characterized by clarity of planning, that is to say, a division of labour among different levels of management in the initiation, formulation, revision and implementation of plans. It is also characterized by an explicit planning. Indeed, an explicit process is a more rational system for the construction of strategic plans. The third characteristic is the diversity of the process of planning. Where diversity characterizing planning is high, there are several kinds of individuals. With this kind of strategic planning process, the multiple viewpoints and conflicting are taken into account in the identification of strategic issues and developing solutions, so that the resistance is less important. Finally, the strategic planning system must be characterized by an especially intense planning. This concept refers to the level of personal resources that the participants must devote to the process of strategic planning. It indicates the involvement of everyone and one's interest in the process.

An additional feature recognized in the strategic planning process by Falshaw and Glaister (1999) is the extent to which strategies within an organization are the result of a deliberate or emerging process. It is on these various characteristics that this class of study models based research. Dutton and Duncan (1987) hypothesized that the model of strategic planning process affects systematically the occurrence and success of efforts to change policy through its effects on the content and strategic issues form.

c) Empirical studies

Studies based on a measurement of process characteristics as an index of efficiency of the process, usually analyze a set of dimensions of the planning system and discuss possible relations with a set of dimensions reflecting the effectiveness of the strategic planning process. The results of these studies are mixed and can be grouped into two categories: those recognizing the effectiveness of those processes and those identifying malfunctions relating to the implementation of strategic planning.

d) *Studies demonstrating the effectiveness of the strategic planning process*

The study by Ramanujam V. and Venkatraman N (1987) illustrates the research conducted under this model. Collecting data through questionnaires from 600 companies selected from manufactures and service companies, and collecting responses from 207 of them, the authors analyzed the characteristics of businesses and planning systems in relation to three main dimensions reflecting the effectiveness of the system (the system capacity, the objective achievements, the relative competitive performance). Following a statistical analysis, the authors came to the conclusion that there is clearly a strong relationship between the multivariate system size and dimensions reflecting the efficiency of the system. However they were unable to determine the relative importance of the contribution of the dimensions of the planning system to the observed relationship, that is to say the link between cause and effect.

In addition, Greenley showed in 1986 that it may affect non-financial strategic planning, that could provide a substantial benefit to the organization. Such benefits include the advantages of the process, such as the ability to identify and exploit future market opportunities, personal benefits, such as encouraging a positive attitude to change, and perspective that keeps the strategic planning company synchronized with the external environment so that it can cope with changes. Planning can thus be an effective management process, despite the performance achieved. Also, the study and Falshaw Glaister (1999) [Erreur ! Signet non défini.] conducted among 500 manufacturing and service companies in Great Britain, of which 113 sent their responses, has noted that the statement "the adopted strategy is the result of a very deliberate process" has a higher incidence and is more in tune with the reality of companies that "the strategy has emerged over time without being the result of a deliberate plan" (Appendix 2). The perception among the evaluated sample clearly indicates that the strategy formulation comes in practice more from deliberate process, than the emerging and adaptive process supported by Henry Mintzberg. Similarly, the responses lead to concluding that for the sample considered dysfunctions caused by strategic planning as little or not present. Few studies in this category, however, develop an impact of strategic planning with the long or short term.

e) *Studies identifying dysfunctions associated with strategic planning*

In their 1983 study, Bresser and Bishop [13] argue that explicit strategic planning can be dysfunctional if it introduces rigidity and encourages excessive bureaucracy. In these cases the planning results in rigidity and inflexibility of responses to the

changing environment. Strategic planning tends to increase the need for coordination and control of the process of forming strategies, usually fluid, flexible and informal. The process tends to halt the creative thinking and promote the maintenance of old patterns or models that have proved successful. In other words, in order to maintain some control, strategic planning tends to be an exaggerated extrapolation of past and present, in the future, rather than seeking to reinvent the future. Policy makers usually assume that the future is a linear progression from the past. They set the strategies taking into account a future more or less corresponding to what one knows, or some development allowed. Strategic planning creates the illusion of certainty in a world of uncertainty, risk and constant change, without taking into account the contingencies of the environment. In relatively safe environments, free from control systems and counter democratic power allowing play of market forces, or in case of monopolies or duopolies (like the field of manufacture of civil aircraft dominated globally by Airbus and Boeing companies), this illusion doesn't pose any problems. We note thus a lack of application of processes in companies. In addition to the challenges posed by the involvement of human resources, communication and dissemination of a common culture of the company and the adaptation of organizational structure, lack of flexibility in the planning and the limited vision of the future that it implies prevent the efficient implementation of the strategies it has itself helped develop. These, when implemented are sometimes inadequate and lead to unexpected results. Strategic planning is currently unable to take into account the range of possible futures, and therefore doesn't allow establish a certain plan for the long term.

Lesson 2 - Studies based on an assessment of the strategic planning process, while taking more account of the nature of strategic planning, and the nature of the consequences of planning within an organization, also come to mixed results. They confirm the existence of a link between strategic planning and business success, but does not specify whether or not a relationship of cause and effect. Strategic planning, when adequately used, is associated with non-economic benefits that can confer or enhance the competitive advantage of a firm, but it sometimes leads to dysfunctions (including inflexibility and rigidity) that can limit a firm in its expansion and development. It is thus clear from these studies that strategic planning is a complex tool that cuts both ways, whose effective use is not granted.

The main criticism that can be made to models measuring the characteristics of the system to evaluate its effectiveness rests once again in the methodology. Mainly based on mailed questionnaires in view of the nature of research, these studies don't record spontaneous answers of respondents, and obtain relatively low response rate (over 600 companies, 207 responded to the study of V.

Ramanujam and Venkatraman N, is therefore 34.5% response, and 113 out of 500 companies responded to the study of Glaister and Falshaw, and thus an overall response rate of 23%). The result is a poor sample representation, since, as the different authors note, the majority of responses came from large corporations, or performers of strategic planning. The samples are therefore biased in favour of this category of respondents.

V. EXPLANATION OF DIFFERENCES BETWEEN THEORETICAL MODELS AND PRACTICAL MODELS

How to explain the differences between theory and practice? In other words, how is that, contrary to what is claimed in the literature, strategic planning doesn't always lead companies to success, and is sometimes associated with malfunctions? Although some companies are favoured by the use of strategic planning, others do not recognize the benefits. Two categories of problems related to the concept may explain these differences.

1) *Problems related to the nature and definition of the concept*

The concept of strategic planning, as theoretically developed, takes little account of the cognitive limitations of human rationality, which may in turn limit the effectiveness of the process in practice. What makes it a flawed concept that can be inefficient on certain occasions. A major problem is the lack of a consistent and meaningful definition of what constitutes a strategic planning, meaning elements of strategic planning. This problem is reflected in the various studies by the complexity and heterogeneity of preferred definitions to distinguish businesses conducting strategic planning and those that don't. We notice in fact that requirements vary widely from study to study to classify firms by their practice of strategic planning, as well as the variables selected to measure the intensity of strategic planning within a company. All companies are involved in planning, but they differ greatly in the extent to which they are implementing the plans, grow gradually as the environment changes, and use planning tools. Also, the definition of planning varies from one company to another. It is thus unclear whether the definition adopted by a particular company at a given moment in a given context, agrees or disagrees with the theoretical definition of the elements of strategic planning. The different degrees of planning partly explain the variability of results obtained by empirical studies.

2) *Practical issues related to the development and use of the concept*

Effective planning depends on the involvement and participation of all actors involved in the life of the organization, including officers, employees, shareholders, customers and potential strategic partners to identify priorities for the organization, its strengths and weaknesses, and to avoid prejudicing a sector for the benefit of another, and avoid conflicts. But strategic planning is still too often the result of a small group of people. The needs (in terms of financial resources, technical, appropriate architecture, procurement, human resources, information, management of the organization ...) and business priorities are defined only by this group. Also planning doesn't include a number of factors (the real needs of consumers, potential, capacity for innovation and creation of employed staff, workers' interests ...), lacks objectivity and remains focused on expectations of some individuals in the organization. It is therefore incomplete and often inadequate, with a lack of sufficient guidance on the relative priority of the basic activities, especially in organizations divided into multiple sectors (e.g. regional governance). Moreover, being a long and meticulous process, strategic planning requires a high expenditure of energy and time for its implementation. Moreover, despite efforts, the process doesn't always lead to expected results. In practice it is difficult to mobilize resources (especially human) necessary for its implementation.

The structure, as well as technology, doesn't always fit a new strategy. The general structure of firms is not suitable for the use of strategic planning. Still structured according to the needs of proven traditional activities (and taking place in relatively stable environments), companies experience structural resistance to any planning. In addition, sufficient information and collected as part of the traditional business, with competitive behaviour, is inadequate for the development of strategic alternatives needed to plan strategically. Companies don't have complete information necessary for effective strategic planning. Information available to the company affects the way they are implemented: the more information is incomplete (which comes in most cases), uncertain and unreliable, the less the company will be tempted to incur the risks in these implementations. Moreover, in organizations divided into sectors or compartments, the structure can create barriers between different sectors if it is inadequate. And, restructure a company, or adapt structures in response to changes in strategic planning is not always easy, especially if the company has a considerable size.

Strategic planning introduced rational elements that break with the cultural history of the company and threaten the political process. So a conflict often arises

in the workplace, between activities traditionally profitable and innovative activities. This results in resistance, sometimes followed by an abandonment of the strategic planning, which limits the effectiveness of the process. Moreover, there is a failure of leaders to formulate and implement the strategy. To be effective, must involve strategic planning and leadership skills planning and managing the overall process of strategic change, as stated Igor Ansoff (1965). However, numerous studies attempting to establish the relationship between strategic planning and firm performance doesn't illuminate the efforts of planning skills and strategic change management, consider strategic planning in isolation. So we can't decide on the actual intensity of strategic planning in business. If in practice, this planning is carried out in isolation, the firms have incomplete tool that explains the discrepancy between the theoretical and practical models.

Another explanation for the discrepancy lies in the frequency of compilation and revision of plans. Strategic planning requires constant revision of plans and re-issues of new strategies, since these are useless whenever the historical dynamics of an organization leads where it wants to go, or the targets are proving inadequate. These revisions are necessary to ensure the flexibility of the process. Strategic planning therefore requires constant attention no matter the company's situation (crisis or win-win situation), i.e. time and energy. However, in practice, firms tend to relax their attention, or devote the energy needed by planning to other activities under the conditions of the firm. In their article, Bresser and Bishop (1983) show, based on work done previously, that not very supported planning, as well as too intense planning, lead to inter-organizational contradictions and threaten the viability of the firm. Indeed, an intense planning tends to increase the new organizational products. However they often conflicts with existing ones, and result in an increase of conflicting activities within an organization. These problems illustrate the fact that strategic planning and intensity of its use in a business largely depends on its size, its resources and its sphere of activity.

VI. CONCLUSION

To conclude, it is important to note that the true nature of the relationship between corporate performance and strategic planning is still unproven. Numerous empirical studies tend to confirm one or the other theoretical models. However, the bias introduced by the methodology limits the consideration of these different studies. Models based on an assessment of corporate performance as an indicator of the effectiveness of the strategic planning process seems particularly inappropriate for such an assessment taking

into account non-financial consequences arising from the application of strategic planning. Although more recent models based on an assessment of the actual characteristics of the strategic planning process somewhat compensate for this deficiency, they are also constrained by their methodology preventing them from getting a sample and responses sufficiently representative of reality. However, incorporating the dimensions of the planning system and the internal organizational environment, these models provide a better representation of reality. Although many studies in this context tend to support the theoretical model of Igor Ansoff, some turn away again. Many authors of empirical studies have highlighted the fragility of the strategic planning process. Indeed, on one hand it is quite difficult to demonstrate clearly the benefits, and secondly, these studies have shown that despite the considerable effort made by several companies to prepare and develop coherent strategies, few of them are actually implemented and lead to expected changes. The use of strategic planning is not acquired, and the process does not always lead to expected results. The opinions regarding the contribution of the strategic planning process to the success of the company remain fairly divided. Although there is a link between planning and success, it is unclear whether the firm planning leads to success, or if it is success that gives the company the means to implement a strategic planning, which, as Mintzberg says, would then serve to articulate the consequences of an existing strategy. However, it was demonstrated that strategic planning doesn't always lead companies to success, and it doesn't provide a systematic comparative advantage over companies that didn't adopt strategic planning. In other words, the adoption of strategic planning doesn't always lead to careful planning. Although some studies lead to believe it, others have demonstrated the existence of more or less perverse effect of the adoption of strategic planning. The question of empirical assessment of the strategic planning thus remains important because, if it has been demonstrated that strategic planning equips the company some advantages, it wasn't possible to prove beyond a reasonable doubt, the cause-effect relationship between the strategic planning process and the success of the company. However, the results obtained allow limiting the validity of theoretical models proposed in the literature to certain companies and certain time periods in history. For example, the adoption of strategic planning could lead enterprises large in the 1990s to success. But a generalization of the principle to any kind of business at any time and in any country couldn't rightly be issued, for the moment.

REFERENCES RÉFÉRENCES REFERENCIAS

1. Ansoff, I. Corporate strategy; an analytic approach to business policy for growth and expansion; (New York : McGraw-Hill, [1965].) 7 (1970)
2. Ansoff, I. « Critique of Henry Mintzberg's The Design School : Reconsidering the Basic Premises of Strategic Management », Strategic Management Journal, 12, 449-431 (1991)
3. Ansoff, I. et al. « Does Planning Pay ? The effect of planning on Success of Acquisitions in American Firms », Long Range Planning; 3 (2), 2-
4. Boyd, K. B. « Strategic Planning and Financial Performance : A Meta –Analytic review », Journal of Management Studies; 28 : 4; 353-374; July 1991
5. Dutton, J., E. & Duncan R., B., « The influence of the strategic planning process on strategic change » Strategic Management Journal, 8, 103 -116 (1987)
6. Glaister, K. W. & Falshaw R. J. « Strategic Planning : Still Going Strong ? », Long Range Planning; 32 (1); 107-116; (1999)
7. Greenley, G. E. « Does Strategic Planning Improve Company Performance ? », Long Range Planning; 19 (2); 101-109; (1986)
8. Greenley, G. E. « Strategic Planning and Company Performance : an Appraisal of the empirical evidence » Scandinavian Journal of Management; 10 (4); 383-396; (1994)
9. Mintzberg, H. « The Design School : Reconsidering the Basic Premises of Strategic Management », Strategic Management Journal, 11, 171-195 (1990)
10. Mintzberg, H., « Learning 1, planning 0 : Reply to Igor Ansoff », Strategic Management Journal, 12, 463-466 (1991)
11. Ramanujam V., & Venkatraman N., « Planning system characteristics and planning effectiveness » Strategic Management Journal, 8, 453-468 (1987)
12. Whitehead, D. D. and Gup, B. E. « Bank and thrift probability : does strategic planning really pay? » Economic Review Federal Reserve Bank of Atlanta, 70, 14 – 25 (October 1985)
13. Bresser R. K. & Bishop R. C « Dysfunctional Effets of Formal Planning : Two Theoretical Explanations » Academy of Management Review, 8, 588 – 599 (1983)
14. Tuval Y. : Le Défi : contourner la concurrence; Ed Village Mondial (Paris); 2000 15. Bédard G. M. et Simard G. : À l'aube de XXI siècle : des enjeux pour les sciences de la gestion; Ed Guérin Universitaire; 1996





This page is intentionally left blank



GLOBAL JOURNAL OF MANAGEMENT AND BUSINESS RESEARCH
Volume 11 Issue 1 Version 1.0 February 2011
Type: Double Blind Peer Reviewed International Research Journal
Publisher: Global Journals Inc. (USA)
ISSN: 0975-5853

Corporate: Independent Directors in the Board

By Mr. Abhishek Gupta, Dr. B. S. Hothi, Dr. S. L. Gupta

Research Scholar Singhania University, Director Institution of Management Education, Professor Birla Institute of Technology

Abstract- The purpose of this paper is to examine the views of directors of public-listed Indian companies regarding the role of the independent director and the significance of that role in relationship to the composition of the board of company directors. The analysis indicates that participating directors were convinced that a majority of non-executive directors (NEDs) provided a safeguard for a balance of power in the board/management relationship. The difference between NEDs, who are also independent directors, and NEDs who are not independent, was highlighted as an important distinction. The capacity for board members to think independently was seen to be enhanced, but not necessarily ensured, with majority membership of NEDs. However, a majority of independent minds expressing multiple points of view was perceived to reduce the board room hazard of “group think.” The study was conducted within the context of the preferred model for board composition in Indian public-listed companies which requires a majority of NEDs. Conflicting evidence surrounding the claim that a majority of independent members in the board structure contributes to “best practice governance” makes the paper relevant to governance issues being debated in the global arena.

Keywords: *Independent Directors, Non-Executive Directors, Corporate Governance, Indian Public Listed Companies.*

Classification: *GJMBR-A Classification (FOR): 150303*



Strictly as per the compliance and regulations of:



Corporate: Independent Directors in the Board

Mr. Abhishek Gupta¹, Dr. B. S. Hothi², Dr. S. L. Gupta³

February 2011

51

Volume XI Issue II Version I

Global Journal of Management and Business Research

Abstract—The purpose of this paper is to examine the views of directors of public-listed Indian companies regarding the role of the independent director and the significance of that role in relationship to the composition of the board of company directors. The analysis indicates that participating directors were convinced that a majority of non-executive directors (NEDs) provided a safeguard for a balance of power in the board/management relationship. The difference between NEDs, who are also independent directors, and NEDs who are not independent, was highlighted as an important distinction. The capacity for board members to think independently was seen to be enhanced, but not necessarily ensured, with majority membership of NEDs. However, a majority of independent minds expressing multiple points of view was perceived to reduce the board room hazard of "group think." The study was conducted within the context of the preferred model for board composition in Indian public-listed companies which requires a majority of NEDs. Conflicting evidence surrounding the claim that a majority of independent members in the board structure contributes to "best practice governance" makes the paper relevant to governance issues being debated in the global arena.

Keywords: *Independent Directors, Non-Executive Directors, Corporate Governance, Indian Public Listed Companies.*

I. INTRODUCTION

The board provides "balance" between the key managers and the shareholders. The law imposes fiduciary duties on the directors. The Directors have to perform the duty of care (due diligence in decisions) and the duty of loyalty (to the shareholders). Their conducts add business judgment will be judged by courts accordingly, Boards of directors are vital for the success of companies. In today's world, nobody can afford the "luxury of unilateral mistakes, sleepy companies and isolationism". "If companies cannot compete, they perish". Regarding the powers of the board, the American Bar Associations Model Business

About¹- Research Scholar Singhania University Rajasthan, India . Finance & Accounts Department Management Development Institute (MDI) Sukhrali (opp. Bata showroom) Gurgaon -122007 (Haryana) INDIA. Ph. No. + 91-124-4560511 Mo. 09899765526.

Email: abhi_rsmt@yahoo.com, abhishekgupta@mdi.ac.in About²- Director Institution of Management Education Ghaziabad, India.

About³- Professor Birla Institute of Technology Noida, India.



Corporation Act states that "all corporate powers shall be exercised by or under the authority of, and the business and affairs of the corporation managed under the direction of, its board of directors, subject to any limitation set forth in the articles of incorporation. In other words, authority resides in the board of directors as the representatives of the stockholders. The board delegates authority to management to implement the company's mission". Solomon and Solomon (2004) felt that, for a company to be successful, it must be well governed. A well-functioning and effective board of directors is sought by every ambitious company. "A company's board is its heart and as a heart it needs to be healthy, fit and carefully nurtured for the company to run effectively. The advantages of having a strategic board are compelling. It allows a company to gain valuable expertise, enables strategic relationships, and facilitates financing, serves as a think tank for strategic thinking, establishes accountability, attracts the best employees, facilitates exposure to new ideas, balances stockholders interests, helps to avoid mistakes and proactively manages change. The smaller the board, the greater the director involvement.

II. CONTROLLING BY OUTSIDE DIRECTORS

One way to supervise managers is by the use of the board of directors. The board is mainly seen as a "control mechanism". This has several effects on the composition of the board. Since the board of directors is used to control managerial activities, it should be independent of the company's executing management. The number of outside directors should be large and CEO should not act as a chairperson of the board. According to Lorsch (2002), empowerment means that outside directors have the capability and independence to monitor the performance of top management and the company. Most of the directors should come from outside the company and have no other relationship with it. The board is small enough to be a cohesive group. Members represent a range of business and leadership experience, which are pertinent to understanding the issues the company faces. Audit committees made up of outside directors in all public companies ensure that financial reports are accurate. However, Rowe and Rankin (2002) are in favour of equal representation from outside and inside directors. They have opined that insiders and outsiders should have equal power because both groups help to preserve strategic control. Outsiders need sufficient power or keep insiders from engaging in inappropriate diversification; insiders need sufficient power to ensure that the board has the necessary amount of sensitive, firm-specific information. Reiter and Rosenberg (2003) are of the opinion that independent directors will bring the sort of rigor and critical analysis required to limit recurrences of debacles. Independent directors can be valuable to the companies they serve, but only if those companies take their responsibilities seriously to provide appropriate, useful and timely information. Conkin and Lesage (2002) feel that "boards of directors today must act as adjudicators, standing guard between managements day-to-day operations and the longer-term interests of shareholders". About expectations of investors the authors commented that, "the rise of new, better-informed class of investors is forcing companies to comply, increasingly, with what is publicly perceived as ethical governance behavior". Salmon (2000) states that, "personal attributes like integrity and the ability to listen with an open mind are essential requirements for good board members". The board as a whole must be able to spot problems early and blow the whistle, exercising what I and others like to call constructive dissatisfaction". According to Pound (2000), "corporate governance is not about power but about ensuring that decisions are made effectively". He advised senior managers and the board to take advice of shareholders in decision-making. "Most performance crises are the result of errors that arise not from incompetence but from failures of judgment" John S. McCallum (2003)

advised directors to adopt the Socratic method of asking questions in the boardroom. "If truth, honesty, clarity, precision,, focus and performance are the goals, then Socrates is the man: a scourge to bad executives, a dream to shareholders". McCallum commented, "Boardrooms that do not function sarcastically are fertile grounds for the Enrons and WorldCom of this world.

III. EXECUTIVE DIRECTORS VS. INDEPENDENT DIRECTORS

Empirical evidence on the association between outside independent directors and firm performance is mixed. Some studies have found that having more outside independent directors on the board improves firm performance (Barnhart et al. 1994; Daily and Dalton, 1992; Schellenger et al., 1989) while other studies have not found a link between outside independent directors and improved firm performance (Hermalin and Weisbach, 1991; Fosberg, 1989; Molz, 1988). However, other empirical evidence does suggest that outside independent directors do play an important role of shareholder advocate. Shareholders benefit more when outside independent directors have control of the board in tender offers for bidders (Byrd and Hickman, 1992), Beasley (1996) found that outside independent directors reduce the likelihood of financial statement fraud." Bhagat and Black (2007) opined that Enron (with eleven independent directors on its 14-member board) could not prevent wealth destruction. As such, highly independent boards may not be justified. A board should contain a mix of inside, independent, and affiliated directors. Inside directors are conflicted, but well-informed whereas, the independent directors are relatively ignorant about the company. Han and Wang (2004) investigated the relationship between board structure and firm performance using a sample of 490 publicly listed, firms in China. They found significant relationship between firm performance and three characteristics: the rewards to directors, the stock holdings of directors and the existence of independent directors.

Effect of Independent Directors on Firm Performance: Choi, Park and Yoo (2005) examined the relationship between board independence and firm performance for South Korea and found that the effects of independent outside directors on firm performance are strongly positive. Huang, Hsu, Khan and Yu (2003) examined the stock market reaction to the announcement of outside director appointments in Taiwan. The empirical findings indicate that there exists a significantly positive reaction to the announcements. The appointments of outside directors appear to be more beneficial for a country with poor corporate governance mechanisms. Panasian, Prevost and Bhabra (2004), investigated the impact of the Dey Committee guidelines that boards in Canada comprise

a majority of independent directors. They found evidence that adoption of this recommendation positively affected performance, not only for firms that became compliant, but also for those firms that were always compliant and increased their proportion of outsiders on the board. According to Bhagat and Blade (1999), there is no convincing evidence that greater board independence correlates with greater firm profitability. Brown and Caylor (2004) created a broad measure of corporate governance, Gov-Score, a composite measure of 51 factors encompassing eight corporate governance categories: audit, board of directors, charter/ bylaws, director education, executive and director compensation, ownership, progressive practices, and state of incorporation. They found that better-governed firms are relatively more profitable, and pay out more cash to their shareholders. Block (1999) stated that the importance of outside directors is widely debated. Bhagat, Brickley, and Coles (1987); Fama (1980); Fama and Jensen (1983); Gibbs (1993) and others argue that outside directors promote the interest of shareholders. However, others argue that the reverse is true. Their study indicated that the announcement of the appointment of an outside director (up to a critical mass) is still viewed as supportive of stockholder interests and likely to produce positive abnormal returns.

Independent Directors - Shareholder's Preference: The failures of corporate boards only show that outside independent directors need to do more to protect shareholders' interests. Public scepticism of the performance of outside independent directors is tempered by the finding that institutional investors are willing to pay a premium to own shares in a company that demonstrates good corporate governance practices, including having a majority of outside directors on its board (McKinsey and Co., 2000). The market does believe that a well-governed company offers some protection for investors.

Empirical Evidence in India: A good deal of research has been conducted on the role of IDs in ensuring good governance in corporations in different countries. However, 'much work has not been done in the context of corporate governance issues in the Indian companies. Results of some of the studies as available on board independence and firm performance in Indian companies are quoted below. Banaji and Mody (2001) highlighted the ineffectiveness of boards in the Indian companies, lack of transparency surrounding transactions within business groups, and divergence of Indian accounting practices from International standards. The researchers argue that regulatory intervention needs a much stronger definition of independence for directors, in line with best practice definitions now adopted in the US and the U.K. Kumar (2003) reported that the firms with weaker corporate governance mechanisms tend to have a higher level of

debt. Firms with higher foreign ownership or with low institutional ownership tend to have lower debt level. Overall, the findings presented in the paper provide evidence of the definite role of corporate governance mechanisms in firm financing decisions in India. Patibandla (2001) found that foreign investors contribute positively to corporate performance in terms of profitability while the government financial institutions contribute negatively; Reducing the role of government financial institutions and opening up of the equity markets to foreign investors under effective regulatory mechanisms should improve corporate governance in terms of increasing transparency in developing economics. This, in turn, contributes positively to economic growth. Decision and policy-making is still taken mostly as a routine matter. Among the institutional investors, it seems that the FIIs are the most consistent, whereas the performances of the domestic institutional investor? Are sporadic. There are also serious shortcomings on the part of the capital market not being able to enforce better governance on the part of the directors or performance on the part of the managers.

IV. INDEPENDENT DIRECTORS AND THE COMPANY PERFORMANCE

The Board has two types of director namely executive and non-executive. Executive directors are responsible for the day-to-day management of the company. They have the direct responsibility for the aspects such as finance and marketing. They help to formulate and implement the corporate strategy. The key strength are the specialized, expertise and wealth of knowledge that they bring to the business. They are full time employees of the company and should have defined roles and responsibilities. Executive directors are the subordinates or the CEO; they are not in a strong position to monitor or discipline the CEO. It is important to have a mechanism to monitor the actions of the CEO and the executive director to ensure that they pursue shareholder interest. Cadbury (1992) identifies the monitoring role of non executive directors as their key responsibility. Dare (1993) maintains that non executive directors are effective monitors when they question the company strategy and ask awkward questions. In additional, they are able to provide independent judgment when dealing with the executive directors in areas such as pay awards, executive director appointments and dismissals. Effective monitoring requires that the non-executive directors are independent of the executive director who is a retired ex-director or who works for a firm that provides services to the company, and may be perceived as less than wholly independent. A non-executive director's independence may increase with the passage of time. But this is subject to the independent directors making conscious efforts to contribute to the board process.

Duality and performance: This occurs when one individual holds both the positions, namely, CEO & chairman, The CEO is the full time post and has the responsibility for day-to-day running of the company obliging implementing the strategy, and is responsible for the company's performance. The post of the chairman is part-time. The Chairman's main responsibility is to ensure that the board works effectively; hence the role involves the monitoring and evaluating the performance of the executive directors involving the CEO. According to the Cadbury report, the chairman has the responsibility for looking after the board room affairs, and ensuring that the non-executive directors have the relevant information for the board meetings, as also other company information. The Cadbury committee recommended that the posts of CEO & chairman should be separated. Independent non-executive directors are likely to provide sound opinions on proposals and to become more effective decision monitors and likely to promote the interest of the shareholder

V. STATUS OF INDEPENDENT DIRECTOR

The difference between the independent director and his duties is far from the real issues of the business. The managing director or chairman of the board has the power to take decisions. Directors collect their fees for attending the board meetings and enjoying a good lunch. An independent director adds value to the board process by his expertise and strategic business insights. The independent director represents the larger shareholders within the company, now; shareholders want to approve the board decisions before they are taken. The importance has been given to the independent director by the regulator as well. The audit committee and remuneration committee consists of independent director as chairman. Independent director needs to "Whistle Blow" or resign when companies are not willing to address the concerns raised by shareholders. Independent director should help the board in this regard. The shareholder's interest is to be seen by all the directors not just by the part-time directors. Independent directors are being considered as a peer group and changes are recommended to enable them to play a dominant role. So it is suggested that the workload of independent director is expanded to make the board effective. Board reforms are being taken place the fast pace in that direction. Independent directors are considered as peer group to control the management.

VI. INDEPENDENT DIRECTORS EMERGING AS A PEER GROUP

The company board provides leadership, directions and strategic guidance, and exercises Control over the company, and is thus accountable to the shareholders. Independent directors are emerging as per group to play a dominant role the scandals in the organization like Enron, Satyam Computers, World Com and Xerox shout a warning message to all company boards, as companies have been the victims of serious fraud committed by the executives, sometimes with the knowledge of the auditors. The three groups which can exercise control over management are shareholders, auditors, and the board of directors.

VII. GOBLE PRACTICES

The idea of the entire board reviewing its own activities annually is sound because it enables all directors, both insiders and outsiders, to contribute their ideas for improvement and thus be committed to any changes in the process. Conger, Finegold and Lawler (2001) commented that companies periodically review the performance of its key contributors like individuals, work teams, business units, or senior managers, but rarely evaluate the performance of the corporate board. A survey of Corporate governance conducted by Russell Reynolds Associates in 1997 showed that investors feel strongly that boards need to be more aggressive in weeding out under-performing directors. Yet until recently, formal appraisals of individual directors have been relatively rare. There is a strong body of opinion that urges a process of self-evaluation by the board and the establishment of standards of performance. Boardroom self-evaluation schemes under which the competence of the directors is reviewed annually by fellow board members are making rapid headway in the US. Appraisals in the boardroom are a recent and not yet widespread phenomenon.

VIII. PRACTICE IN USA

It is reported that over two-thirds of the largest US corporations had boards with majority of independent directors by 1991. By 2001, the proportion of companies with such boards had reached 75 percent; Boards of Fortune 500 companies appoint a substantial majority of outside directors, who are unconnected with the company or the management. These outside directors occasionally meet among themselves separately from the executives in special sessions. Over the last two decades, America's boardrooms have witnessed a remarkable growth in the power of independent outside directors. The potential of independent directors was hardly realized when they were inducted into the boardroom about forty years ago. The independent directors first appeared as showpieces

in the board. In 1971, Myles Mace, Professor of Harvard Business School conducted a landmark study of boards, and concluded that independent directors were like "ornaments on a corporate Christmas tree". His description echoed one company chairman who once described independent directors as "the parsley on the fish". However, in 2002, Walter J. Salmon (How to Gear up Your Board) went to the extent of advocating that a company may have only three inside directors in the board. According to him, only three insiders belong on boards: the CEO the COO, and the CFO. Based upon his experience, Salmon informed that in 1961 most boards had majority directors from management. However, in the mid-1970s, the average number of insider directors was five and outsider directors eight. Now, the average consists of about nine outside directors and three inside directors,

IX. PRACTICE IN UK

A survey was conducted by KPMG about the performance of non-executive directors in selected corporations in the UK. The report of KPMG Survey (2002/3) states that good non-executive directors are a vital element of the UK governance framework. However, they cannot be expected to provide meaningful protection for shareholders unless they are independent of mind, diligent, knowledgeable and in possession of relevant and reliable information. They must be able to challenge management and draw sufficient attention to dubious practices—even in apparently successful companies. The main recommendations of the KPMG Survey are that the non-executive directors should (i) possess adequate knowledge and expertise of finance to work in the audit committee, (ii) acquire adequate knowledge of the industry, (iii) devote sufficient time to the company, (iv) seek out information they require, (v) undergo formal training and education about their role, (vi) acquire qualification in directorship and compulsory post-qualification experience, and (vii) attend board meetings regularly, (viii) Further, the board should evaluate its own performance.

X. SELECTION OF THE INDEPENDENT DIRECTOR

According to Ganguly Committee Report (2002) the appointment and nomination of independent/non-executive directors to the boards of banks for both public and private sector should be from a group of professional people to be trained and maintained by RBI. In case of any deviation in this procedure, prior permission of RBI is required. Identification of people requires extensive and time consuming networking as most of the appointments are done on the basis of networking. The management consultants, business journalists and public relations specialists can provide

the suggestions for such vacancies. Other networks can be industry federations, charities, and training and enterprise councils and so on.

XI. LEGAL RESPONSIBILITIES OF INDEPENDENT DIRECTORS

According to the law, the independent director has the same responsibilities and liabilities as any other director.

Civil Liability: The duties of a director are to act honestly and in good faith in the best interests of the company. These liabilities apply to independent directors as well as to the executive director.

Criminal Liability: The criminal liability depends on the nature of the offence. Some of the requirements under the law constitute, in their non-performance or performance, a criminal offence, and attract the liability. Proof of any knowledge and or complicity is not required. The offence basically requires proof of failure to exercise the due care (negligence) or of dishonesty.

The liability of the independent director depends upon the level of involvement and knowledge. Thus the independent director is more liable when the necessary step to avoid a breach of the criminal code has not been taken.

XII. LIABILITIES INDEPENDENT DIRECTORS

Wrongful disclosure by the chairman and members of the audit committee in company's annual report should attract: disqualification and penalties. If the non-executive director had the knowledge of unlawful acts by the management or the board and fails to act according to the law, then the said director should be made legally liable for such ignorance. The different liabilities of the executive directors and non-executive or independent counterpart should be considered. The persons considered responsible for the contravention committed by the company are: (i) The managing director; (ii) Executive or whole-time director; (iii) Managers; (iv) The company secretary; (v) any person in accordance with whose instructions the board is accustomed to act; (vi) any person who has been entrusted and charged by the board to be an officer in default subject to his or her consent. Non-executive directors are far less liable for the ignorance of the provisions in the Companies Act than their executive counterparts.

XIII. ROLE OF INDEPENDENT DIRECTOR IN UNITED STATE

There has been major evidence of ignorance in corporate governance around the world particularly in the United States, resulting in tragedies like Enron and WorldCom. Organizations therefore need, have holistic



approach to adapt to the corporate governance model. To realize the full value of board of directors and non-executive directors, there is a need, bring about corporate changes. The unique challenge for NED is to identify and satisfy the needs and wants of the different stakeholders. NED's can increase the corporate social performance by effectively performing their role. In United States, there were a number of cases, legislation, court battles and shareholder reform actions to protect shareholder rights and boost the concept of corporate governance. In U.S., corporate directors are not elected through democratic process. According to the Securities Exchange Commission rules, the names of the candidates for the directorship appear on the proxy ballot. The candidate nominated by the shareholders has to go through a lengthy selection process. In the 1970s, there were few independent directors on company boards, and many of them were related to the CEO. The corporation was dominated by the CEO. The factors like compensation and expenses were matters of grave concern for shareholders. According to Lear (1997), by the end of the 1970s, boards realized that overall, management had weakened, products were outdated, manufacturing plants were decrepit and there was a decrease in the market share. Dailey (1993) suggested that a high proportion of outside directors have a positive impact on corporate financial performance. Shareholders realized that they could change the corporate culture and started to use annual meetings to push shareholder proposals. By 1980s, there was a shift to more independent directors in the composition of the boards. IBM elected its first woman to the corporate board and General Motors established a nominating committee for board members.

There was a substantial increase in the number of women on boards between 1987-1996. The number of Inside directors as executives, was less than one percent between 1987-1996. In 1990s, the Securities Exchange Commission started supervising and penalizing the directors who were not carrying out their duties to make shareholders the true owners of their corporation (Pitt 2002). In December 1999, Levits recommendations were adopted and stock exchanges started requiring all the registered companies to have the audit committee comprising only of independent directors (Levitt, 2002). The independent directors are not periodically evaluated, or self evaluation is done, which leads to reduced board effectiveness. There are several benefits which can be realized with the board performance appraisal such as clarifying the roles and responsibilities of the directors and improving the relationship between directors and managers. This evaluation has become important, as investors have started to demand it. The corporate governance framework ensures monitoring, strategic guidance, and accountability of the management to the board. The board is supposed to work with diligence, good faith

and in the best interests of the company and its shareholders.

INDIA

- In India, the board can delegate powers to the whole-time or executive director. The obligations of the board are diligence, care, loyalty, avoidance of conflicts and skills in performing the duties. There should be same standards of care for executive and independent directors, except where executive directors' act in a management function delegated to them by the board and is separated from the board functions. Directors should have access to training, to fully understand their rights, responsibilities, duties and liabilities.
- Board members have an obligation to treat all shareholders fairly. Shareholders have the right of appeal to SEBI if they feel treated unfairly. At least two-thirds of the board of directors should be rotational. One-third consists of permanent directors, which include promoters, executive directors and nominee directors. Section 53, IA, Clause 49 requires issuers to have at least one-third independent directors, if the functions of chairman of the board and CEO are decoupled and 50 percent otherwise. (Sec. 54): An independent director is defined as a non-executive director who, inter alia, has no material pecuniary relationship or transactions with the company, its promoters, senior management or its holding company, its subsidiaries and associated companies, which in the judgment of the board may affect the independence of judgment of the director, [...] and is not related to promoters or management at the board level, or at one level below the board, their relatives, lawyers, consultants, employees of associated companies, etc. Policy recommendations: It has been argued that the institutional nominee directors representing DFIs do not bring specialized knowledge and hence, contribute little to the deliberation of the boards. An alternative would be for DFIs to nominate expert independent directors on their behalf. This would make them more independent. Such directors would not face the same conflicts of interest in situations where the repayment of loans is discussed as do current and former DFI employees. The maximum term of independent directors should be capped.
- The board should ensure compliance with applicable law and take into account the interests of stakeholder. The company secretary ensures that the board complies with its

statutory duties and obligations. The board reports annually on company activities, including company performance on environmental issues labour issues, tax compliance and provisions of the Competition Act.

- The board should be able to exercise objective judgment on corporate affairs independent, in particular, from management (i) Boards should consider assigning a sufficient number or non-executive board members capable of exercising independent judgment to tasks where there is a potential for conflict of interest. Examples of such key responsibilities are financial reporting, nomination, and executive and board remuneration. (ii) Board members should devote sufficient time to their responsibilities.

Audit, nomination and remuneration/compensation committees are common. The audit committee should have at least three members, all non-executive, with a majority being independent and at least one director having financial and accounting expertise. Its chairman should be independent. The audit committee's role, composition, functions, powers and attendance requirements are detailed, in Clause 49 (2000), Section II, The audit committee's recommendations are binding on the board. Reportedly, in some companies, audit committee meetings take place hurriedly before the full board meeting. A director may be a member of up to 15 company boards. Clause 49 (2000) caps the number of committee chairmanships to five and the number of committee memberships to ten. Independent director compensation has two components: a small sitting fee and a commission of up to one percent of net profits. Loss-making companies, banks and public sector companies cannot pay commissions except with the express authorization of the pertinent regulatory authority.

Policy recommendations: Given that multiple board memberships held by the same person can interfere with the performance of directors. Companies and shareholders should consider whether such a situation is desirable. Audit committee members have sufficient financial and accounting knowledge to understand financial information, ask informed questions to the internal and external auditors and conduct meaningful meetings. Special training courses should be developed, including possibly a certification programme. Adequate across-the-board compensation for independent directors will help ensure that they devote sufficient time to their responsibilities and will increase the supply of high quality candidates. Compliance with the audit committee requirements should be monitored closely by regulators.

XIV. ROLE OF INDEPENDENT DIRECTORS IN INDIAN PUBLIC ENTERPRISES

Several measures have been initiated to professionalize the management of Public Enterprises. Induction of professionals on the Boards of PSEs as non-official part-time Directors is being done. As per the guidelines issued, by Department of Public Enterprises (DPE) in March 1992, the number of such non-official part-time Directors should be at least 1/3rd of the actual strength of the Board. The guidelines also envisage that the number of Government Directors on the Boards should not be more than one-sixth of the actual strength of the Board and in any case should not exceed two. Apart from this, there should be some functional Directors on each Board whose number could be up to 50% of the actual strength of the Board. As per SEBI's guidelines on corporate governance, in the cases of the listed companies headed by non-executive Chairman at least 1/3rd of the Board should comprise Independent Directors and in the cases of companies headed by an executive Chairman, at least half of the Board should comprise Independent Directors. Appointment of non-official part-time Directors on the Boards of PSEs is made by the administrative Ministries/Department from the panel prepared in consultation with the Department of Public Enterprises. In so far as Navratna and Miniratna PSEs are concerned, the panel of non-official part-time Directors is prepared by a Search Committee consisting of Chairman (PESB), Secretary (DPE), Secretary of the administrative Ministry/Department of the concerned PSE, and four non-official Members. According to the Navratna and Miniratna schemes, the Boards of these companies should be professionalized by inducting a minimum of four non-official Directors in the case of Navratnas and three non-official Directors in the case of Miniratnas before the Board exercise the enhanced powers. Non-official part-time Directors have been appointed on the Boards of all the nine Navratna PSEs. In July, 1997 the Government had identified nine Public Sector Enterprises that had comparative advantages and potential to emerge as global giants as Navratnas. These PSEs are given enhanced autonomy and delegation of powers to incur capital expenditure, to enter into technology Joint Ventures/Strategic Alliances, to effect organizational restructuring, to create and wind up below Board level posts and to raise capital from domestic and international market. Restructuring of Board by inducting at least four non-official Directors is a pre-condition for exercise of the enhanced powers. The nine Navratna PSEs are BHEL, BPCL, GAIL, HPCL, IOC, MTNL, NTPC, ONGC and SAIL. The committee has identified 42 Miniratnas. The criteria for conferring the status of Miniratna are (i) the PSE should be profit making for the last three years continuously and should have positive net worth, (ii) should not have defaulted in

repayment of loans/interest payment on loans due to government, (iii) should not depend upon budgetary support or government guarantee and (iv) its Board is restructured by inducting at least three non-official Directors. PSEs which have made pre-tax profit of Rs30 Crore or more in at least one of the three years, will be given Category I, while others are given Category II status. The administrative Ministries are empowered to declare a PSE as a Miniratna if it fulfils the eligibility conditions. The enhanced powers given to Miniratna PSEs include the power to incur capital expenditure, enter into joint ventures, set up technological and strategic alliances and formulate schemes of human resources management. Presently, there are 42 Miniratna PSEs (29 Category I and 13 Category II). The names of Miniratna PSEs are given in Annexure-II. Exercise of enhanced powers by these PSEs is subject to the condition that adequate number of non-official Directors are inducted on their Boards. The Search Committee has made selections in another 17 cases, which are under process in the concerned Ministries/Departments.

XV. PERFORMANCE MEASUREMENT OF INDEPENDENT DIRECTORS

The output of the teams and individuals are measured. In most of the organizations, measurement is not done at the board level. Most of the organizations don't know what is to be measured at the board level. Moreover, the director's efforts yield results that are spread over the years, and are not limited to the current year itself. It may be so because directors do not want to expose themselves to the appraisal. The criteria for measuring efforts or inputs of the director should be measured by soft method (not rigorously) to reveal to the independent director how his contribution is being perceived. It has been suggested that the independent directors should appraise themselves with the use of a matrix that shows the effectiveness in each role against the importance of that role. To have the effective use of self-appraisal, the independent director should discuss with the board members as to what are their important roles. The matrix can be used to assess skills or competencies in terms of importance and effectiveness. This kind of analysis can reveal the area which is important to the board and an area of weak contribution by the independent director should encourage the discussion among the board and the remedial action should be thought of. With the use of appraisal technique, an area of the problem can be identified and solution like training, access to key information and greater availability of time can be worked out. The appraisal also helps in identifying the cause of resignation or dismissal. This would reveal whether the independent director was ineffective or he was forced to resign because he was too challenging to the

executive management. There are other techniques like appraisal by the chairman, team members, shareholders, confidential feedback, etc.

XVI. LIMITATIONS OF INDEPENDENT DIRECTORS

We discuss some of the major limitations of the role and functions of independent directors in particular and other categories of directors in general. Let us mention at the outset that the limitations arise on account of two sources; one is an internal source; personality factors of an individual director; while the second is the external source; ownership of a firm; board composition and structure; board process; board strategies; among others. It is pertinent to note that the mere presence of independent directors on a company's board is not enough. We have significant evidence world-wide of corporate failures and poor board performance even with adequate number of experienced independent directors. It is not, therefore, their mere presence on the board but the value they add to the board process which will ensure effective corporate governance.

REFERENCES RÉFÉRENCES REFERENCIAS

- 1) Banaji Jairus, Modi Gautam (2001), Corporate Governance and Indian Private Sector, University of Oxford, ideas.repec.org.
- 2) Baxi, C. B., (2007), "Corporate Governance: Critical Issues", Excel Book, New Delhi
- 3) Christine Panasian, Andrew K. Prevost, Harjeet S. Bhabra (2004), Board Composition and Firm Performance: The Case of the Dey Report and Publicly Listed Canadian Firms.
- 4) Conklin David W. and Lesage Frederic (November/Dec, [2002]), "Ethics and Competencies", Ivey
- 5) D.N. Ghosh, (Feb. 12-18, 2000), Corporate Governance Codes in India -Corporate Governance and Boardroom Politics, Economic and Political Weekly.
- 6) Dongping Han, Fusheng Wang (2004), "Board Structure, Political Influence and Firm Performance - An Empirical Study on Publicly Listed Firms in China", Asia-Pacific Journal of Accounting and Economics, Vol. 11, No. 1,
- 7) Harvard Law Review (2003), Beyond Independent Directors: A Functional
- 8) Hsu-Huei Huang, Paochung Hsu, Haider A. Khan, Yun-Lin Yu (2003), Does the Appointment of the Outside Directors Increase Firm Value? The Evidence from Taiwan, ideas.repec.org.
- 9) ibid
- 10) Investor Responsibility Research Centre, www-irrc.org/company/06062002_NYSE.html

- 11) Jani Vaisanen, Agents and Stewards (2006), TU-91.167 Seminar in Business Strategy and International Business.
- 12) Jay A. Congar, David Finegold, and Edward E Lawler III (2000), "Apprising Boardroom Performance, Corporate Governance", Harvard Business Review on Corporate, Governance.
- 13) John Pound (2000), "The Promise of the Governed Corporation", Harvard Business Review on Corporate Governance,
- 14) John S. McCallum, (2003), The Socratic Director", Ivey Business Journal, May/June 2003
- 15) Jongmoo Jay Choi (2005), Temple University, Sae Woon Park, Changwon National University and Sehyun Yoo, Temple University, Do Outside Directors Enhance Firm Performance? Evidence from an Emerging Market.
- 16) Kumar Jayesh (2003), Xavier Institute of Management, Corporate Governance Mechanisms and Firm Financing in India, [//ideas.repec.org/](http://ideas.repec.org/).
- 17) Lawrence D, Brown, Marcus L. Caylor (Dec, 2004), Corporate Governance and Firm Performance, Georgia State University
- 18) Lorsch, J.W. (2000), "Empowering the Board", Harvard Business Review on Corporate Governance, Harvard Business School Publishing, Boston
- 19) Monks and Minow (2004), Corporate Governance, p-195-196
- 20) Mukherjee Diganta and Ghose Tejamoy (2004), An Analysis of Corporate Performance and Governance in India: Study of Some Selected Industries, Indian Statistical Institute, [//econpapers.repec.org/](http://econpapers.repec.org/)
- 21) Patibandla Murali, Equity Patterns (2001), Corporate Governance and Performance: A Study of India's Corporate Sector, [//econpapers.repec.org/](http://econpapers.repec.org/).
- 22) Petra Steven T (2005), "Do Outside Independent Directors Strengthen Corporate Boards?", Corporate Governance, Vol-5, No.1, Emerald Group Publishing Ltd.)
- 23) Petra Steven T. -2005)
- 24) Rath, A. K., (2010) "Towards Better Corporate Governance-Independent Directors in the Boardroom", Excel Book, New Delhi
- 25) Reiter Barry J. and Rosenberg Nicole (January/February, 2003), "Meeting the Information .Needs of Independent Directors", Ivey Business Journal
- 26) Report of KPMG Survey of Non-executive Directors in UK - 2002/3
- 27) Rowe Glenn W. and Rankin Debra (December, 2002), "Insiders or Outsiders: Who should have more Power on a Board"? Ivey Business Journal.
- 28) Salmon, Water J (2000), "Haw to Gear up Your Board", Harvard Business Review on Corporate Governance.
- 29) Salmon, Water J (2000), "How to Gear up Your Board", Harvard Business Review on Corporate Governance.
- 30) Sanjay Bhagat and Bernard Black (2001), "The Non-Correlation between Board Independence and Long-Term Performance", Journal of Corporation Law, Stanford Law School.
- 31) Solomon, Jill, and Solomon, Aris (March 2004), Corporate Governance and Accountability, p-65
- 32) Stanley Block (1999), "The Role of Non-affiliated Outside Directors in monitoring the Firm and the Effect on Shareholder wealth", Journal of Financial and Strategic Decisions, Volume 12, Number 1, Spring, Texas Christian University.
- 33) Susan F, Shultz (Sept, 2000), The Board Book, Making Your Corporate Board a Strategic Force in Your Company's Success, Amazon Publication, p-3.





This page is intentionally left blank



GLOBAL JOURNAL OF MANAGEMENT AND BUSINESS RESEARCH
Volume 11 Issue 1 Version 1.0 February 2011
Type: Double Blind Peer Reviewed International Research Journal
Publisher: Global Journals Inc. (USA)
ISSN: 0975-5853

Performance comparison of Islamic and Conventional banks in Pakistan

By Muhammad Jaffar, Irfan Manarvi

Iqra University, Islamabad

Abstract- The study examined and compared the performance of Islamic and conventional banks operating inside Pakistan during 2005 to 2009 by analyzing CAMEL test standard factors such as capital adequacy, asset quality, management quality, earning ability and liquidity position. The financial data for the study was mined from the banks' financial statements existing on state bank of Pakistan website. A sample of 5 Islamic banks and 5 Conventional banks were selected to measure and compare their performance. Each year the average ratios were considered, because some of the young Islamic banks in the sample do not have 5 years of financial data. CAMEL test which is a standard test to check the health of financial institutions was used to determine the performance of Islamic and conventional banks. The study found that Islamic banks performed better in possessing adequate capital and better liquidity position while conventional banks pioneered in management quality and earning ability. Asset quality for both modes of banking was almost the same; conventional banks recorded slightly smaller loan loss ratio showing improved loan recovery policy whereas, UNCOL ratio analysis showed a nominal better performance for Islamic banks.

Keywords: *CAMEL test, Islamic and Conventional banks, capital adequacy, asset Quality, management quality, earning ability, liquidity position.*

Classification: *GJMBR-B: JEL Classification L 15, E58, G21*



Strictly as per the compliance and regulations of:



Performance comparison of Islamic and Conventional banks in Pakistan

Muhammad Jaffar¹, Irfan Manarvi²

February 2011

61

Volume XI Issue II Version I

Global Journal of Management and Business Research

Abstract—The study examined and compared the performance of Islamic and conventional banks operating inside Pakistan during 2005 to 2009 by analyzing CAMEL test standard factors such as capital adequacy, asset quality, management quality, earning ability and liquidity position. The financial data for the study was mined from the banks' financial statements existing on state bank of Pakistan website. A sample of 5 Islamic banks and 5 Conventional banks were selected to measure and compare their performance. Each year the average ratios were considered, because some of the young Islamic banks in the sample do not have 5 years of financial data. CAMEL test which is a standard test to check the health of financial institutions was used to determine the performance of Islamic and conventional banks. The study found that Islamic banks performed better in possessing adequate capital and better liquidity position while conventional banks pioneered in management quality and earning ability. Asset quality for both modes of banking was almost the same; conventional banks recorded slightly smaller loan loss ratio showing improved loan recovery policy whereas, UNCOL ratio analysis showed a nominal better performance for Islamic banks.

Keywords – CAMEL test, Islamic and Conventional banks, capital adequacy, asset Quality, management quality, earning ability, liquidity position.

I. INTRODUCTION

Islam is the complete code of conduct for the Muslims. Islamic finance has been in practice throughout the world and a few concept, instruments, and techniques of Islamic finance were adopted by the European Financiers and businessmen. A few visionary individuals, scholars, bankers, Islamic economists and Shari'ah scholars started Islamic banking system as a universal banking in 1970. Although Riba-free business transactions were in practice before this, a well defined working model for Islamic banking did not exist [1][2].

An Islamic bank carries out all known banking activities; it operates on the basis of profit and loss sharing. Islamic banks were established against "Riba" which is forbidden in all forms and conditions. "Muslim Ummah want to eliminate "Riba" from their financial system but consensus on what includes in "Riba" could not be attained. This has reduced the progress of implementation of the Riba free financial system [3].

Like other Muslim countries scholars who implied the concept of Shari'ah compliant financial system which became the base of Modern Islamic financial and banking system, Pakistan also started interest free financial system from 1970 with very limited interest free products. The actual work started during the era of Zia-ul Haq government in 1980s when Islamization of financial system and economy gradually started under government policy [4][5]. The period of 1990 to 2001 has seen the legal debates and cases in FSC and SCP on the issue of 'Riba'. The court decision against Riba forced the government to convert the interest based financial system to interest free based financial system. The government and many influential interest based financial institution were not interested for the abrupt change [6].

From 2001 onward government and SBP fully supported Islamic Banking. Policies, framework, structural support and rules of business for Islamic banks were established and Islamic Banking started in the shape of full-fledged banks and Islamic Subsidiaries by commercial banks [7].

Like Conventional bank, Islamic bank is an intermediary and trustee of money of people. On contrary, it shares profit and loss with its depositors and introduces the element of mutuality in Islamic banking [8]. Conventional banking follows Conventional interest-based principle, whereas, Islamic banking is based on interest free principle and principle of Profit-and-Loss (PLS) sharing in performing their businesses as intermediaries [9].

Islamic banks in Pakistan have showed good performance. Many writers in the world have compared Islamic banking performance with Conventional banking. The results showed that Islamic banks were better in maintaining Capital Adequacy and Asset quality than the Conventional banks [10][11].

Islamic banks are less profitable, more solvent and less efficient comparing to Conventional banks. In terms of liquidity, no major difference is seen between the two sets of banks [12]. Islamic banks profitability is positively related to equity and loans [13].

About— Department of management sciences, Iqra University, Islamabad, Pakistan

II. METHODOLOGY

This study is basically based on the historical data. The population for this study are the all Islamic and Conventional banks that operate inside Pakistan. The sample size is comprised of 5 full-fledged Islamic and 5 Conventional banks. The Islamic banks selected are Meezan Bank, Albaraka Islamic Bank, Dubai Islamic Bank, Bank Islami Pakistan and Dawood Islamic Bank. The Conventional banks are ACBL, MCB, SCB, HBL and AL-Fallah bank. To measure and compare the performance of Islamic and Conventional banks, CAMEL analysis is used, which is a standard test for performance analysis of financial institutions and the latest technique nowadays used. CAMEL test consists of Capital Adequacy, Asset quality, Management Quality, earning ability and Liquidity. The financial data of all Islamic and Conventional banks were extracted from the SBP website for the period 2005-2009. For better comparison, each year the average ratios for Islamic and Conventional banks were considered and then the mean of each ratio for each modes of banking was calculated.

III. CAPITAL ADEQUACY

This study analyses capital adequacy by using the standard ratios of debt to equity and capital to risk assets. The average and mean ratios for both Islamic and Conventional banks are displayed in the figures 4.1 and 4.2.

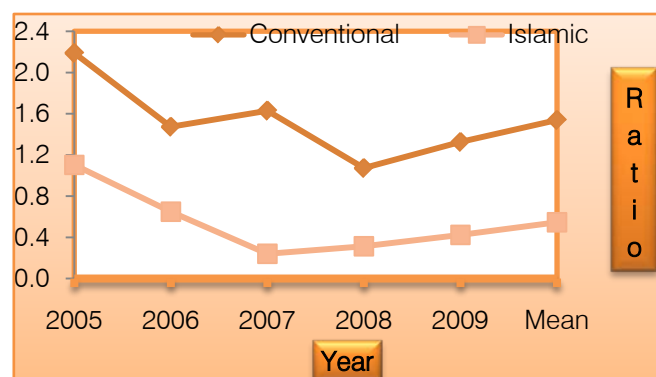


Figure 4.1 Debt to Equity ratio

The figure 4.1 shows that in 2005 the Islamic banks' D/E ratio was 1.1033 which is greater than 1.0. This fact indicates that Islamic banks have financed their operations primarily through debt. In 2006 this ratio has considerably decreased to 0.6487 and further decreased to 0.2403 in 2007. This is because the Islamic banks have taken safer position and decreased the risk by financing their assets and operations through more of equity rather than debt. These banks gradually increased their dependence on the debt financing in the years 2008 and 2009 but their D/E ratio still remained below 1.0 (0.4236 in 2009) which signifies that they have

financed their operations, assets and growth through more of equity and less of debt. This fact guaranteed less risk and save returns for the shareholders of Islamic banks.

On the other hand, Conventional banks D/E ratio has been greater than 1.0 in the period of 2005-2009. This is because the Conventional banks have aggressively depended on debt financing. As the ratio goes bigger than 1.0 the volatility and risk of returns increase. The D/E ratios have increased and decreased in the alternate years of the study period with the greatest ratio of 2.1889 indicating the riskiest position in 2005 and smallest ratio of 1.0724 showing the safest position in 2008 for conventional banks.

The mean D/E ratio for the period 2005-2009 recorded 1.5377 for Conventional banks and 0.5459 for Islamic banks. Comparatively, the Islamic banks had 2.82 times smaller ratio than the Conventional banks showing safer liquidity position for Islamic banks. On contrary, 1.5377 D/E ratio of Conventional banks means that they have followed the policy of higher risk leading to higher return. This position is promising in the times when interest rates are low and may lead to bankruptcy and DOG position in the times when interest-rates are on rise.

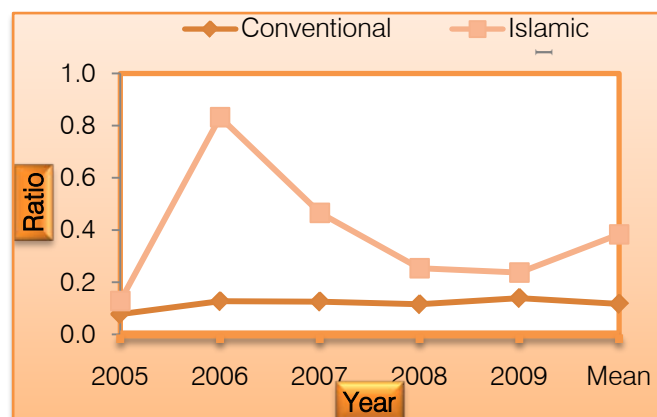


Figure no. 4.2 Capital to Risk Assets Ratio

The figure 4.2 analyses the capital to risk asset ratio of both Islamic and Conventional banks for the period of 2005-2009. CRAR is also called capital adequacy ratio (CAR). According to State Bank of Pakistan the minimum paid up capital for the banks is 5.0 billion rupees and minimum CAR for the banks is 10%.

During the period of 2005-2009 the Islamic banks maintained a very high CRAR which means that they had abundant capital to manage any shock to the balance sheet. Their high CRAR denotes their ability to maintain confidence in the Islamic banking system and protect their depositors and lenders. In 2005 Islamic banks had minimum CRAR of 12.84% which extraordinarily rose to 83.26% in the year 2006. From 2006 the CRAR constantly fell down each year and

recorded 23.73% in the year 2009. The high CRAR of Islamic banks shows their financial soundness.

The CRAR of Conventional banks proved to be above the minimum requirement except in the year 2005. The Conventional banks were strong enough to respond to the balance sheet shocks such as liabilities payment, operational and credit risks or any other loss. The best CRAR for the Conventional banks was 13.93% in 2009.

The mean of Islamic and Conventional banks shows that both banks have been strong to cushion any loss and protect their lenders and depositors. The mean for Islamic banks was 38.37% which is approximately 4 times of minimum requirement and at least 3 times of the Conventional banks CRAR mean. This comparison proves that Islamic banks have been many steps ahead of Conventional banks and had more capital than them.

IV. ASSET QUALITY

The study evaluates asset quality by the UNCOL and loan loss reserve ratios. The figures 4.3 and 4.4 show these ratios for years 2005- 2009. UNCOL ratio, whether high or low, shows the risk of loans becoming non-performing. The lower UNCOL ratio the more efficient assets and loans are. According to the figure 4.3, in 2005 the Conventional banks' asset quality was slightly better than Islamic banks' asset Quality backed by 0.04 UNCOL ratio for Conventional banks and 0.472 for Islamic banks. This superiority didn't

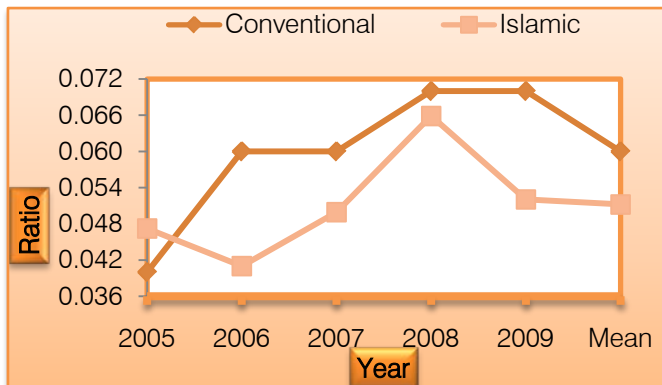


Figure no.4.3 UNCOL ratio

remain longer as the ratio rose to 0.06 in 2005, 2006 and further increased to 0.07 in both 2008 and 2009 years. The increasing UNCOL highlights the decrease in asset quality and weakness of management. As asset quality and loan quality has same basic meaning, the graph movement for Conventional banks explains that their loan quality has become lower after each two years and the amount of uncollected returns on loan has increased. This fact supports the statement that more money is blocked and remained unproductive which is a negative sign for asset and loan quality.

Since Islamic banks were weaker to produce asset quality in 2005, they managed to improve the

asset quality in 2006 when the assets were most efficient to produce quality performance. The year 2008 marked the weakest asset quality for Islamic banks during the years 2005-09. Comparing to Conventional banks, the Islamic banks asset quality was better in the whole period except the 2005 year. This denotes that Islamic banks had lesser uncollected income earned on their loans and lesser money was blocked.

The mean ratio for both banks shows a slight difference between their asset qualities. Lower ratio is favorable as the risks of loans to become uncollectable decreases and asset quality improves. The average UNCOL ratio for Islamic banks is lesser showing better management of assets.

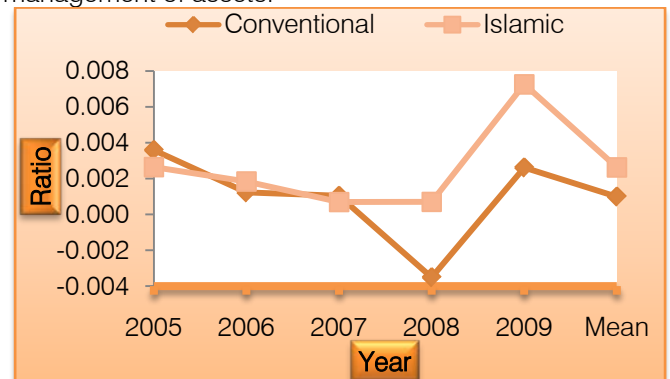


Figure no.4.4 Loan loss average ratio

Loan loss ratio shows the ratio of loan loss provision to total loans. Loan loss provision is the amount of money set aside to meet the losses when people and entities default to pay the loans they have borrowed from banks.

Islamic banks' loan loss ratio in 2005 was 0.26% which decreased to 0.18% and 0.07% in 2006 and 2007 respectively. This gradual fall was backed by the decrease in loan provision denoting less loan risks and improved loan recovery policy. The ratio drastically climbed to 0.73% indicating higher risk of bad loans and inclusion of more capital to survive defaulted loans.

Conventional banks' loan loss ratio in 2005 was recorded 36% which fell to 0.1% in 2007, climbed back to 0.35% in 2008 and again fell to 0.26% in 2009. The fluctuating ratio infers various levels of bad loans and risk for Conventional banks.

0.26% was average loan loss ratio for Islamic banks meaning that they had to maintain a provision of 0.26 PKR for each 100 PKR loan. This ratio has been smaller for Conventional banks and was only 0.24 %. The difference shows better asset/loan quality performance for Conventional banks.

V. MANAGEMENT QUALITY

Management quality of Islamic and Conventional banks is measured by operating expense and cost per money lent ratios. These ratios are

displayed in the figures 4.5 and 4.6 for the period of 2005-2009.

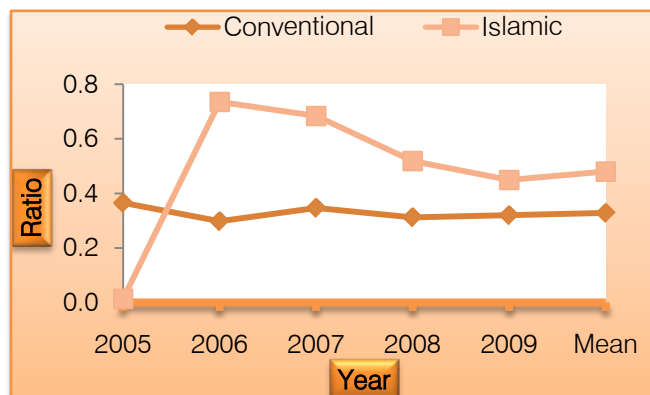


Figure no. 4.5 operating expense ratio

The management quality of Islamic banks has been quite different from Conventional banks during the study period of 2005-2009. The operational ratio of Islamic banks in 2005 was 1.37% which verifies a very good management. Unfortunately, this ratio rose to 73.52% in 2006 marking a disastrous management quality by spending approximately three quarters of income on operational expenses. Gradual improvement is seen from 2007 to 2009 as the ratio has decreased each year and management efficiency has got better followed by greater profit for the investors/depositors in the last 3 years of the study.

Conventional banks' time series represents a rise and fall in their management quality during the period 2005-2009; showing a weak management in 2005 as bigger percentage of return is used to pay operational expenses. The best year of management for Conventional banks was in 2006 when operational ratio was the lowest.

A comparison of management quality is important to show the efficiency of one over the other mode of banking. The mean operational ratio for Conventional banks indicates that almost 33% of revenues were spent to cover the operational expenses, whereas, Islamic banks spent about 48% of their returns on operational expenses. This difference clearly denotes a better management quality of Conventional banks. This may be because Islamic banking is very young industry and doesn't have as much experience in management as Conventional banks. Islamic banks management has not been able to capitalize on their new income properties, which requires lesser maintenance expense.

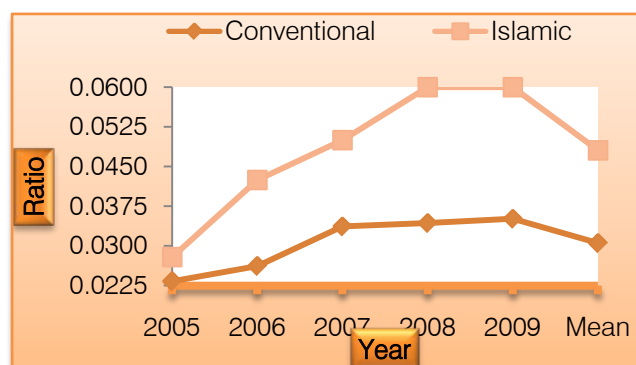


Figure no.4.6 Cost per money lent ratio

The cost per money lent ratio highlights the operating cost incurred to lend one unit of money. According to figure 4.6, for Islamic banks the cost of lending one unit of money increased from 2005 to 2008 making the loan disbursement process less efficient. This ratio remained unchanged in 2009, which may be due to no variance in the operational cost and amount of total loan disbursed as compared to 2008.

Conventional banks too didn't experience an efficient loan disbursement process and the ratio gradually increased from 2005 to 2009. The ratio recorded 2.33% in 2005 and consequently rose to 3.51% in 2009. During 2005 to 2009 the loan disbursement expense increased approximately 51% which is a negative sign for Conventional banks performance.

The mean cost per money lent ratio was 4.81% for Islamic banks while 3.05% for Conventional banks. This evidently supports a well-organized loan disbursement process for Conventional banks.

VI. EARNING ABILITY

Earning ability according to camel test is calculated by ROA and ROE. As the Islamic banks are interest free banking, only ROA is used to measure the earning ability of Islamic and Conventional banks. Figure 4.7 examines the ROA ratio for the period of 2005-2009.

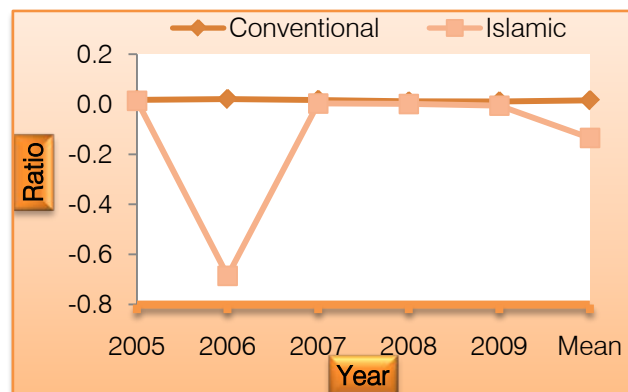


Figure no. 4.7 Return on asset ratio

Exhibited in figure 4.7, Islamic banks return on asset ratio was poor enough with the highest 1.37% in 2005 and the lowest -68.55% in 2006. In 2005 Islamic

banks have earned only 1.37 rupees of each 100 rupees invested on assets. This value drastically fell to -68.55% recording the worst earning ability during 2005 to 2009. Lack of management is the main reason for this poor performance. Furthermore, Islamic banks are focused on growth and expansion strategies which deviates them from profit-oriented strategies.

The Conventional banks return on invested asset could not surpass 2.03% during the period 2005 to 2009. This result for Conventional banks is comparatively better. Conventional banks lead the way in earning on their invested assets. This determines better investment decision, more profit for banks and shareholders.

VII. LIQUIDITY

In this study the CAMEL's two ratios of Loan to Asset ratio and deposit to asset ratio are examined to find out the liquidity position of the Islamic and Conventional banks. These ratios are shown in the figures 4.8 and 4.9 for the period 2005 to 2009.

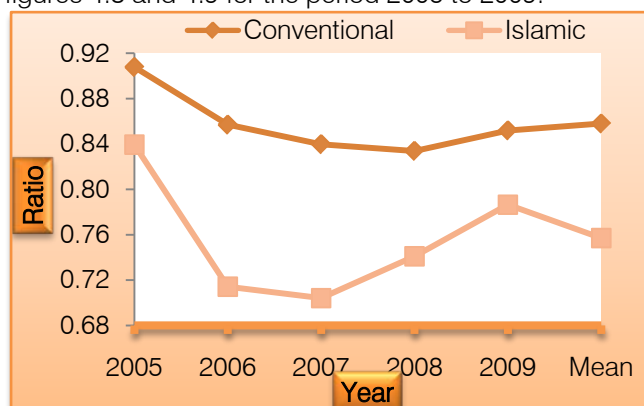


Figure no. 4.8 Loan to asset ratio

Islamic banks' loan to asset ratio decreased in 2006 and 2007. Reduction in loan to asset ratio coins comparatively better position and lower risk. On contrary, this ratio constantly increased in 2008 and 2009 indicating that Islamic banks were loaned up more as compared to the past two years. In the whole period of 2005 to 2009 Islamic banks had high loan to asset ratio which brings on a high risk if the creditors demand repayment of debt. The highest ratio for the Islamic banks was 83.94% in 2005 indicating that almost 84% of the assets were financed through debts.

Similarly, in the year 2005, Conventional banks recorded 90.78% loan to asset ratio inferring that nearly 91% of their assets were financed through debt. This soaring ratio gradually decreased and finally in 2008 marked 83.38% which is still a high risk ratio and is associated with great risk in the Conventional banks operation. High ratios not only add to risk of defaulting but also reduce the borrowing capacity which in turn lowers the Conventional banks financial flexibility.

Both Islamic and Conventional banks exhibited high loan to asset ratio coupled with higher debt and risk of default. On average Islamic banks got a ratio of 75.71% which is lower than the average ratio of 85.80% for Conventional banks. Lower loan to asset ratio means that Islamic banks should pay lesser for loan settlement. This fact reflects better liquidity position for Islamic banks.

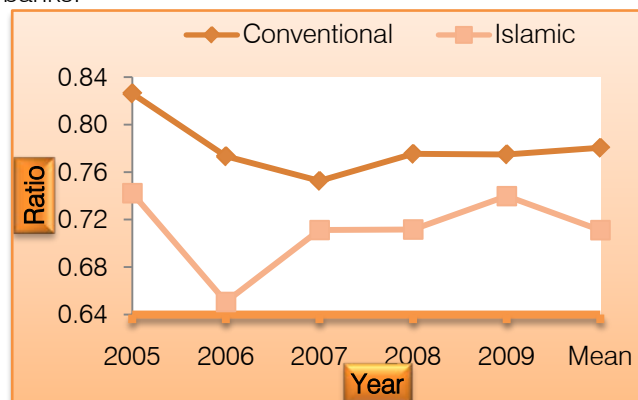


Figure no.4.9 Deposit to asset ratio

According to figure 4.9 Islamic banks had intermittent deposit to asset ratios showing varying amount of customers' deposits to banks' assets in the study period. The biggest amount of deposits customers left with the Islamic banks was in 2005 making 74.23% of total assets of these banks. This ratio means that Islamic banks had to dedicate comparatively a bigger proportion of asset to the customers who withdrew their deposits in 2005. Followed by the year 2006 when the amount of deposits to assets was the lowest for the Islamic banks.

Similar to Islamic banks, the Conventional banks too noted the highest deposit to asset ratio in the year 2005 and the lowest in 2007. During the whole study period the deposit to asset ratio of Conventional banks didn't fell below 75% indicating that much of asset was spent for the payment of customers' deposits. This ratio may create liquidity problem for the banks if the customers rush to withdraw their money in bad economic situations such as the 2009 economic crisis.

The mean deposit to asset ratio for the Islamic banks was 71.11% which is lower than 78.05% ratio of Conventional banks. This supports the better liquidity performance for the Islamic banks.

VIII. FINDINGS

The Islamic and Conventional banks' performance was compared by evaluating CAMEL test variables such as capital adequacy, asset quality, management, earning ability and liquidity position for a period of 2005-2009. Each CAMEL variable was measured by relevant ratios and the following results were found:

- Islamic banks D/E ratio specified a safer position by financing their assets more through equity than debt comparing to Conventional banks who followed the policy of higher risk leading to higher return. The CRARs of both modes of banking proved to be higher than minimum requirement. Islamic banks' CRAR was at least 3 times of Conventional banks' CRAR marking a larger possession of capital for them. Thus, the Islamic banks pioneered in capital adequacy.
- Both modes of banking varied slightly in UNCOL ratio and recorded lower ratio for Islamic banks representing more efficient assets and loans. On contrary, Conventional banks proved to have better loan loss ratio, which means less loan risks and improved loan recovery policy. Both modes of banking showed superiority in different perspectives of asset quality; the Conventional banks held a competitive advantage by having a mean loan loss ratio of 0.24% as compared to 0.26% of Islamic banks, whereas, Islamic banks led the way having a slightly lower mean UNCOL ratio of 5.12% as compared to 6% of Conventional banks. Hence, both modes of banking showed almost same performance in their asset quality management.
- Operating expense ratio for Islamic banks recorded different values from 1.37% in 2005 to 73.52% in 2006 and an overall ratio of 48% which was higher than 33% of Conventional banks who spent 33% of their revenues to cover the operational expenses. Both Islamic and Conventional banks didn't experience an efficient loan disbursement process supported by the weak cost per money lent ratios in various years. The mean ratio was 3.05% for Conventional and 4.81% for Islamic banks indicating a well-organized loan disbursement process and consequently, better management performance for Conventional banks.
- The study concludes that Islamic banks performed poorly in earning on their assets with records of 1.37% in 2005 and -68.55% in 2006 and overall return on asset ratio of -13.47% during the period 2005 to 2009. Conventional banks had a mean ratio of 1.53% marking better investment decision and more profit for the banks and shareholders.
- Both Islamic and Conventional banks exhibited high loan to asset ratio resulting higher debt and risk of default. On average Islamic banks exhibited lower loan to asset ratio than Conventional banks meaning that Islamic banks should pay lesser for loan settlement which in

turn reflects higher liquidity for Islamic banks. Furthermore, the mean deposit to asset ratio for the Islamic banks was 71.11% which is lower than 78.05% ratio of Conventional banks supporting a better liquidity performance for the Islamic banks.

REFERENCES RÉFÉRENCES REFERENCIAS

- 1) Tahir, S. (2007). "Islamic Banking Theory and Practice: a Survey and Bibliography of the 1995-2005 Literature." *Journal of Economic Cooperation*, Vol. 28(1), 1-72.
- 2) Khan, M.M. (2003), "Interest-free finance: the Islamic banking and finance movement in Pakistan (1980-2002)", unpublished PhD thesis, Swinburne University of Technology, Melbourne.
- 3) Pal & Din, I. (1994). "Pakistan and the question of Riba. (Debt, interest, usury and Islam)." *Middle Eastern Studies*, Vol. 30(1).
- 4) Khan, M.M. (2008). "Main features of the interest-free banking movement in Pakistan (1980-2006)." *Managerial Finance*, Vol. 34 (9), pp. 660-674.
- 5) SBP, (2008). "Pakistan's Islamic Banking Sector Review" 2003 to 2007. <http://www.sbp.org.pk/ibd/Islamic-Bkg-Review-03-07.pdf>
- 6) Nomani, F. (2003). "The problem of interest and Islamic banking in a comparative perspective: the case of Egypt, Iran and Pakistan." *Review of Middle East Economics and Finance*, Vol. 1(1), pp. 7-70.
- 7) Kaleem, A., & Wajid, R.A. (2009). "Application of Islamic Banking Instrument (Bai Salam) for Agriculture Financing in Pakistan." *British Food* Vol. 111(3), pp. 275 - 295.
- 8) Dar, Humayon A. and John R. Presley. (2000). "Lack of Profit and Loss Sharing in Islamic Banking: Management and Control Imbalances." *International Journal of Islamic Finance* 2(2): pp 3-18.
- 9) Arif, Mohamed (1988), "Islamic Banking." *Asian Pacific Economic Literature*, Vol. 2, No. 2, pp.46-62.
- 10) Srairi, S. A, (2009). "Cost and profit efficiency of Conventional and Islamic banks in GCC countries." Springer Science Business Media.
- 11) Siddique, A. (2008). "Financial contracts, risk and performance of Islamic banking." *Managerial Finance*, Vol. 34 (10), pp. 680-694.
- 12) Shehzad M.M., (2008). "Performance of Islamic Banking and Conventional Banking in Pakistan: A Comparative Study." Pp.2.
- 13) Bashir, A. (2000), "Determinants of profitability and rates of return margins in Islamic banks: some evidence from the Middle East" Grambling State University Mimeo.



GLOBAL JOURNAL OF MANAGEMENT AND BUSINESS RESEARCH
Volume 11 Issue 1 Version 1.0 February 2011
Type: Double Blind Peer Reviewed International Research Journal
Publisher: Global Journals Inc. (USA)
ISSN:0975-5853

Empirical Study of Employment Growth Rate in Small and Medium Enterprises

By Gulfam K. Khalid, Syed Umar Farooq, Syed Hassan Raza

Assistant Professor, AIOU, Lecturer, NUML

Abstract- The focus of study is on the employment growth in relation to number of previous start-ups, entrepreneur's environmental scanning, age of entrepreneur, education, experience, and business life. The research takes into account 131 Small and Medium-size Enterprises (SMEs) from Islamabad and Rawalpindi, in order to analyze the correlation of employment growth. The SMEs were visited randomly to get the quantitative data from the entrepreneurs. The paper applies statistical tools on the information received and analyzes the results owing to the employment growth. The results of the study suggest that entrepreneurs total year of experience, entrepreneur's environmental scanning and age of entrepreneur has significantly strong relationship with employment growth.

Classification: *GJMBR-A JEL Classification: J21*



Strictly as per the compliance and regulations of:



Empirical Study of Employment Growth Rate in Small and Medium Enterprises

Gulfam K. Khalid¹, Syed Umar Farooq², Syed Hassan Raza³

February 2011

67

Volume XI Issue II Version I

Global Journal of Management and Business Research

Abstract—The focus of study is on the employment growth in relation to number of previous start-ups, entrepreneur's environmental scanning, age of entrepreneur, education, experience, and business life. The research takes into account 131 Small and Medium-size Enterprises (SMEs) from Islamabad and Rawalpindi, in order to analyze the correlation of employment growth. The SMEs were visited randomly to get the quantitative data from the entrepreneurs. The paper applies statistical tools on the information received and analyzes the results owing to the employment growth. The results of the study suggest that entrepreneurs total year of experience, entrepreneur's environmental scanning and age of entrepreneur has significantly strong relationship with employment growth.

I. INTRODUCTION

The small and medium industries have played very important role in the economy of Pakistan. The government has declared this sector as one of the four major drivers of growth. There has been consensus among the economists and policy makers that the foundations of industrialization can not be made and established without the efficient network of small and medium enterprises (SMEs). It fosters entrepreneurial culture and provides resilience in the economy against global economic fluctuations. Small and medium businesses and industry have several contributions to make: labor intensive and mostly self proprietary, relatively better levels of efficiency and better income distributions, has a strong socio-economic imperative for the country and disseminates widely the benefits of economic growth, has much stronger domestic linkages and is particularly useful in the diversification of the industrial structure. (Nishar 2000 and Hasan 2002)

The small and medium industries have a critical role in the economy of Pakistan. The government has declared this sector as one of the four major drivers of growth. Government has taken few good steps to solve the problems of small and medium sector in order to expand this sector. The health of the economy of any country particularly of Pakistan requires the birth of SMEs in substantial numbers and growth of some to a position where they are able to challenge the existing

leaders of industry. This seed bed function appears to be a vital contribution of SMEs to the long run health of economy. They serve as a productive outlet for enterprising and support independent individuals for self employment, are the most efficient form of business organizations in some industries or markets where the optimum size of the productive unit or sales outlet is small, serve as specialist supplier or sub contractors to large companies, act as competitors to the monopolistic tendencies of large companies, are the innovators of new products, services and the processes, are the breeding ground for the new industries and the seed bed from which the tomorrow's large companies will grow, providing entry points for the entrepreneurial talent who will become the industrial captain of the future and provide an excellent opportunity for employment and especially for self employment.

Government has taken few good steps to solve the problems of small and medium sector in order to expand this sector. To develop the SMEs in Pakistan, small and medium enterprises development authority (SMEDA) was created in October 1998 as an autonomous corporate body at the federal level with the Prime Minister as its head. The terms of reference of SMEDA are that it will be the apex policy making body for SMEs provide and facilitate services generating massive employment opportunities and drive industrial growth and kick start the economy through aggressive launch of SMEs supporting program.

A small firm has certain characteristics, which distinguishes it from a big business. Whilst this is undoubtedly true, it is hard to define characteristics in practice, and even harder to draw a precise line between small and medium and large businesses. The cause of the problem is clear: Small firms are very diverse group of business units. However, the small firms have essential characteristics. There are: Its own owner(s) manages a small firm in a personalized way. It has a relatively small share of the market in economic terms. It is independent in the sense that it does not form part of a large enterprise and its ownership is relatively free from outside the control in its principal decisions. According to State Bank of Pakistan (SME Prudential Regulations) an entity, ideally not being a public limited company, which does not employ more than 250 persons (manufacturing) and 50 persons

About¹ - Lecturer, NUML, Islamabad

About² - Assistant Professor, AIOU, Islamabad
E-Mail- syedumarfarooq5@hotmail.com

About³ - Assistant Professor, AIOU, Islamabad

(trade/services) and also fulfills one of the following criteria: (i) A trade/services concern with total assets at cost excluding land and buildings up to Rs 50 million. (ii) A manufacturing concern with total assets at cost excluding land and building up to Rs 100 million. (iii) Any concern (trade, services or manufacturing) with net sales not exceeding Rs 300 million as per latest financial statements.

II. LITERATURE REVIEW

In a free economy the importance of small business as a major job supplier, innovator and source of growth is widely recognized (Lussier and Pfeifer 2001). The national environment for entrepreneurship in Pakistan, like many other countries, is shaped by large number of actors and institutions, including central government ministries, regional and local administrations, and financial institutions. (Organization for Economic Cooperation and Development, 1999). Small and entrepreneurial firms have been a focal point for both policy making and research during the 1990s. The attention to governance and boards in small firms is also receiving considerable and growing attention in research and practice (Gabrielsson and Huse 2002).

Small and medium enterprises (SMEs) play a key role in generating employment, promoting innovation, generating competition and creating economic wealth (Sengenberger, Loveman and Priore 1990). Small firms have contributed disproportionately to economic growth but have received scant research attention. These firms have historically evidenced greater employment growth than their large, established counterparts (Birch 1987). Empirical evidence has shown that only a small proportion of businesses has the potential for significant wealth creation and job generation (Storey et al. 1987; Reynolds 1987; Storey and Johnson 1987b). On the other hand a study of labor turnover (usually high) in small firms reported that only 14% of the sample firms were free of this malady (Rao 1993). Whereas small and medium-sized enterprises play a key role in generating employment, promoting innovation, engendering competition and creating economic wealth (Sengenberger, Loveman, and Priore (1990).

Business survival has been found to be associated with the main industrial activity of a business, business age and the location of a business (Storey, 1994). An extensive body of academic literature is concerned with factors influencing the performance of small firms. Gibbs and Davies (1990) suggested that majority of this research can be classified under four major headings; (i) Entrepreneurial personality (ii) Organizational development (iii) Functional management skills and (iv) Sectoral Economics. Penrose (1959) recognized that the absence of given resources could limit the growth of that firm while the

presence of given resources could promote growth in such firms. Small firm growth has also been described as a staged process by some researchers (Gartner 1985; Reynolds and Miller 1988; Reynolds, Storey, and Westhead 1994). Kazanjian (1988) suggest that the firm growth occurs in stages at the level of the firm. Kazanjian identifies the following generic sequence: (i) Conception and development during which resources are acquired and technology developed. (ii) Commercialization which involves production related to start-up. (iii) Growth, during which sales and market share are developed, which influences organizational arrangements; and (iv) Stability which is characterized by profitability, internal control and establishment of a base for future growth.

Growth is nearly universal goal of firms (Dalton and Kesner 1985). Consequently, it has received widespread attention by researchers (Weinzimmer, Nystrom and Freeman 1998). Although as many as one-half of the owners of new firms seeks growth (Blatt 1993). The smallest of firms lack both the efficiencies and economics of scale of larger SMEs and big business (Bates 1989; Cromie 1990). In an investigation into the reasons why some SMEs grow and others don't, Hay concludes that "over the long term it is internal rather than external barriers to growth that exert the decisive influence upon SMEs rate of growth. The key internal growth constraint is managerial capacity and the unwillingness on the part of owner-managers to incur the risks associated with growth (1994. P228)." Literature in industrial economics typically views owner-managed firms as being equally if not more likely to pursue growth oriented policies than management controlled companies." (Hay and Morris 1991). Some other researchers have also worked on determining observable differences in the company size, performance, and the owner-managers' expressed desire for growth (Birley & Westhead). In the analysis of the growth of business firm, the most important part is played by the assumption that there exists certain "cost of growth" which prevents firms moving instantaneously to any desired size (Williamson 1966). Hymer and Pashigan (1962) find that growth rate and size of firm are not related. Summary of their results includes; (i) In larger number of industries size distribution of firm is J-shaped i.e., few large and several very small firms. (ii) Probability of firms growing at an x% rate is independent of the size i.e., the probability for the growth is same for large and small firms. Wijewardena and Cooray (1995) revealed that relatively bigger firms in a small-scale sector achieved better performance and growth. Almus and Nerlinger (1999) used multiple regressions to examine high- technology firms in Germany and found that older firms have lesser growth rates. Wijewardena and Tibbits (1999) used data from Australia in a multivariate analysis and found that older firms grow

less rapidly than younger firms. Phillips and Kirchhoff (1989) reported descriptive statistics that show survival rates of newly formed firms vary by industrial sector.

The study conducted by Orser, Hogarth-Scott and Riding (2000) to expand Penroses's (1957) concepts of managerial capacity and links it to the firm growth. They investigated about the problems that are confronted by owners and managers at different stages in business development. It was found that the severity of managerial problems varies by firm attributes, including size and lack of financial expertise were particular problems for smaller (micro) operations. Storey (1994) studied that local environmental characteristics were assumed to affect the growth of a firm. The decision to start a firm is a decision to invest in the firm's local environment and the features of the action, environment conditions and the firm's strategies. The results showed that firm's location affects its survival, but not its growth rate (Almus and Nerlinge 1999).

As compared to larger businesses smaller businesses possess shallow management, often with low experience and training ; they are usually undiversified , one product firm; they are sometimes new businesses with little track record , and poor financial recording they may have a new unproven product. There is evidence, that limited managerial time and resources constrain firm's growth or its capacity to respond proactively to environmental changes (Gibb and Scott 1985). Steiner and Solem (1988) found that managerial experience and prior experience in a similar or the same type of business were strongly related to success.

Storey (1994) provides an overview of the many factors considered by researchers prior to 1994 and concludes that empirical research shows that age is inversely related to growth, that is older firms grow more slowly than younger firms. The effect of firm's location on growth rate and survival was also observed by Storey (1994). Demographic variables (such as age, gender or location) according to the literature could be assumed to influence entry into entrepreneurship (Brockhaus et al, 1982; Cooper and Gascon, 1992). Age and education have been positively related to firm performance (Birley and Norburn 1987). In addition to industry experience; it has been shown that total years of entrepreneurial experience and number of previous start-ups contribute to future success as an entrepreneur (Lamont 1972; Ronstadt 1988).

On the basis of literature review the following hypothesis are developed. The first five hypotheses (H1 through H5) deal with the entrepreneur's background. Hypothesis 6 deals with the entrepreneur's environmental scanning practices.

H1: The entrepreneur's number of previous start-ups is positively correlated with firm Performance

H2: The entrepreneur's number of years as an entrepreneur (or member of the management team of an entrepreneurial firm) is positively correlated with firm performance.

H3: The entrepreneur's years of formal education are positively correlated with firm Performance

H4: The entrepreneur's age at founding is inversely correlated with firm performance.

H5: The entrepreneur's years of industry experience prior to founding is positively correlated with firm performance.

H6: The comprehensiveness of the entrepreneur's environmental scanning is positively correlated with firm performance

This study measures the relationship between entrepreneurial performance (proxy as growth in number of employees which is an indication as expansion in business over the years) and different factors related to entrepreneurial business that is age of entrepreneurial at time of start up of business, years of formal education, years of industry experience, years of entrepreneurial experience and number of previous start-ups, environmental scanning behavior. On the basis of these variables we tested the above-mentioned hypothesis. The first five hypotheses (H1 through H5) deal with the entrepreneur's background. Hypothesis 6 deals with the entrepreneur's environmental scanning practices.

III. DATA COLLECTION AND RESEARCH METHODOLOGY

Sample consisted of 250 organization and only 131 organizations responded from SMEs in Rawalpindi and Islamabad. Overall response rate was app 53%. Non-probability convenience sampling technique was adopted. The SMEs were visited randomly by the researchers and got the questionnaire filled by the entrepreneurs. The questions were carefully worded to avoid misinterpretation. Technical terms were also explained in simple language. This study is inspired from the work done by Thomas M. Box, Larry R. Watts and Robert D. Hisrich in manufacturing industry in America. Pearson correlation was applied and results were analyzed in a very logical form in order to avoid any ambiguity. Correlations among different variables as age of entrepreneur, years of formal educations, years of industry experience, years of entrepreneurial experience, number of previous start ups and entrepreneur's environmental scanning is calculated with that of entrepreneurial performance (proxy as growth in number of employees which is an indication as expansion in business over the years). All the data was typed into software package SPSS.

The following table shows the variables and their expected relationship with entrepreneurial performance along with justifications developed on the basis of literature review (insert Table 1):

IV. RESULTS AND DISCUSSION

This empirical study showed that organization performance did not correlate with industrial experience, education of the entrepreneur and number of previous start-ups. It had very weak association with entrepreneur's years of experience, weak association with entrepreneur's environmental scanning and had a strong positive association with age of entrepreneur. Education of entrepreneur had no association with any of the other entrepreneurial factors. Similarly entrepreneur's number of previous start-ups had weak negative association with entrepreneur's industrial experience. Entrepreneur's total years of experience had strong positive association with his industrial experience and environmental scanning. Finally age of the entrepreneur had weak positive association with industrial experience and strong positive correlation with environmental scanning. (insert Table 2)

The result showed that organization performance had very weak association with entrepreneur's years of experience and weak association with entrepreneur's environmental scanning. The reason may be that number of employees and their growth may not or slightly depend on entrepreneur's total experiences. On the other hand increase in the number of employees is one indicator of firm's performance. Better environmental scanning can also results in decrease in the number of employees but increase in financial assets, overall profitability or better startups.

Organization performance has a strong positive association with age of entrepreneur. The reasons may be that at early ages, entrepreneurs may have comparatively more industry and overall experience, may have tasted the exposure of different start ups and have more environmental scanning. And consequently these all things may lead to overall organizational performance. Thus one can say that in Pakistan, age of the entrepreneur can have strong positive association with the employment growth rate of the organization. Another interesting result is that education and number of startups has no association with other entrepreneurial factors that are part of the research except correlation of number of previous start ups and industrial experience that is weak negative. In other words, results show that education and number of previous start ups may or may not matter to have impact on environmental scanning, experience and employment growth rate. To put into a nutshell better environmental scanning and old age of the entrepreneurs can result in better organizational performance when measures in terms of employment

growth rate. Last but not least one can say that although the coefficients of correlations are weak but the directions may help the policy makers to plan for and to promote SMEs in Pakistan.

REFERENCES RÉFÉRENCES REFERENCIAS

1. Almus, M. and Nerlinge ,E.A. (1999). "Growth of New Technology-Based Firm ; which factors matter? " , Small Business Economics, 13, 141-154.
2. Bates, T. (1989). "An Analysis of Small Business Size and Rate of Discontinuance," Journal of Small Business Management, 27(4)1-7.
3. Birch, D.L . (1987). Job creation in America: How our smallest companies put the most people to work. New York: The Free Press.
4. Birley, S., and Norbum , D. (1987). Owners and managers: The Venture 100 vs. the Fortune 500. Journal of Business Venturing, 2,(4), 351-363.
5. Birley, S., & Westhead, P. 'A taxonomy of business start up reasons and their impact on firm growth and size', Based on a survey of 405 principal owner-managers of new independent.
6. Blatt, R. (1993). Young Company Study: 1989-1992. Toronto, Canada: Ministry of Economic Development and Trade, Government of Ontario, Canada.
7. Brockhaus, R. H.(1982) The Psychology of the Entrepreneur, in The Encyclopedia of Entrepreneurship, Calvin A. Kent, Donald L. Sexton, and Karl H. Vesper, eds., Prentice-Hall, Englewood Cliffs, NJ. pp. 39-57.
8. Cooper, A.C. and Gascon, F.J.V. (1992). Entrepreneurs, process of founding, and new firm performance. In D.L. Sexton and J.D. Kasarda, eds., the State of the Art of Entrepreneurship. Boston, MA: PWS-Kent, pp. 301-340.
9. Cromie, S, (1987). 'Motivations of aspiring male and female entrepreneurs'. Journal of Occupational Behavior 8, 251-261.
10. Dalton, D., and Kenser, I. (1985)."Organizational Growth : Big is Beautiful", Journal of Business Strategy 6(1),38-37.
11. Gabrielsson, J. and Huse, M. (2002). " The venture capitalist and the board of directors in SMES:roles and processes".
12. Gartner, W. (1985), "A Conceptual Framework for Describing the Phenomenon of New Venture Creation , "Academy of Management Review "10(4),696,706.
13. Gibbs , A.A. , and Davies,L. (1990), "In Pursuit of A Framework for Development of Growth Modds of Small Business", 9(1) ,15-31.
14. Gibbs, A. A., and Scott, M.G. (1985). Strategic Awareness, Personal Commitment and the

- Process of Planning in the Small Business. *Journal of Management Studies* XXII-6.
15. Hasan, M. "Services for small and medium enterprises" *Pakistan and Gulf Economist* XXI(14), April-2002: p.28-32
 16. Hay, M. (1994), "Barriers to Small Firm Growth", *Frontiers of Entrepreneurship Research* PP 288.
 17. Hay, D.A. and Morris, J.D. (1991), "Industrial Economics and Organization : Theory and Evidence", Oxford England, Oxford University press 359.
 18. Hymer .S. and Pashigan P. "Firm Size and Rate of Growth" *J.P.E*, December 1962.
 19. Kazajian , R. ,(1988) . "Relation of Dominant Problems its Stages of Growth in Technology-Based New Ventures", *Academy of Management Journal* 31(2),257-279.
 20. Lamont, L.M. (1972). What entrepreneurs learn from experience? *Journal of Small Business Management*, 10, (1), 36-41.
 21. Lussier ,R.N . & Pjeifer, S. (2001) "A Cross-national Prediction Model for Business Success", *Journal of Small Business Management*,39(3): 228-239.
 22. Nishtar, M "Financing Small and Medium Enterprises in Pakistan: Problems and Suggested Solutions". *Journal of Institute of Bankers of Pakistan*. 66(1), Mar-2000: p.31-52
 23. Organization for Economic Cooperation and Development, (1999), 'Stimulating Private Enterprise in Transition Economics', *The OECD Observer* (April), 1-4.
 24. Orser, J.B., Hogarth-Scott .S, and Riding,A. (2000), "Performance, Firm Size, and Management Problem Solving", *Journal of Small Business Management*, PP 42-58.
 25. Penrose , E.T.(1957). *The Theory of the Growth of the Firm*. London : Basil Backwell Publisher.
 26. Penrose, E.T., 1959. *The Theory of the Growth of the Firm*. Wiley, New York.
 27. Phillips, Bruce, D., and Bruce A. Kirchoff (1989). *Formation, Growth, and Survival: Small Firm Dynamics in the U.S.Economy*, small Business Economics.
 28. Rao, M.M. (1993). Ed. *Human Factor in Small Industry*. New Delhi: Discovery.
 29. Reynolds, P.D. (1987). New firms: Societal contribution versus potential. *Journal of Business Venturing* 2~231-246.
 30. Reynolds , P. , and Miller,B. (1988) "Minnesota New Firm Study : An Exploration of New Firms and Their Economic Contributions . Minneapolis, Minnesota : Center for Urban and Regional Affairs".
 31. Reynolds ,P., Storey,D. and Westhead,P. (1994). "Cross-National Comparison of the Variation in New Firm Formation Rates", *Regional Studies* 28(4),443-456.
 32. Ronstadt, R. (1988). 'The corridor principle'. *Journal of Business Venturing* Vol. 3, pp.31-40.
 33. Sengenberger W., Loveman, W.G. and Priore, J.M.(1990). "The Re-Emergence of Small Enterprises ; Industrial Restructuring in Industrial Countries", Geneva, Switzerland: International Institute of Labour Studies.
 34. Steiner. M. P., and Olaf Solem, (1988). "Factors for Success in Small Manufacturing Firms," *Journal of Small Business Management*, 26, (1), 51-56.
 35. Storey, D.J. and Johnson, S. (1987b). *Job Generation and Labor Market Change*. Basingstoke: Macmillan.
 36. Storey, D.J.(1994). *Understanding the Small Business Sector*, Routledge, London.
 37. Storey, D.J., Keasey, K., Watson, R., and Wynarczyk, P. (1987). *The Performance of Small Firms*. London: Croom Helm.
 38. Weinzimmer, L., P.Nystrom and S.Freeman(1998). "Measuring Organizational Growth: Issues,Consequences and Guidelines", *Journal of Management* 24,235-262.
 39. Wijewardena , Hema and Cooray,S. (1995). "Determinant of Growth in Small Japanese Manufacturing Firms: Survey Evidence from Kobe," *Journal of Small Business Management*, 33, (4), 87-92.
 40. Wijewardena, H., and G.E. Tibbits (1999). *Factors contributing to the growth of small manufacturing firms: Data from Australia*, *journal of small business management*.
 41. Williamson , J .(1966) . "Profits ,Growth and Sales maximization ", *Economica*, Vol 10.33,PPI-17.



Factors	Expected Relationship	Explanation
AGE (Age of entrepreneur)	Strong Positive	Maturity of mind plays an important role in taking business decisions. A mature person take rational decisions which lead toward business success
EDUC (Years of formal education)	Strong positive	Educated person can better perceive and relate the things with reference to the context while taking business decisions Hence there is better chance towards success of business.
INDEXP (Years of industry experience)	Strong Positive	Knowledge of Industry norms and practice are blessing. Through this knowledge an entrepreneur can better attract the clients hence grow the business
ENTP_YRS (Years of entrepreneurial experience)	Positive	The higher the number of entrepreneurial Previous experiences the sound base he would have. Hence there is better chance towards success of business.
STARTS (Number of previous start-ups)	Negative	This factor shows the entrepreneur opens up new branches of business to be run independently instead of expanding the existing ones
SCAN (Entrepreneur's environmental scanning)	Positive	If an entrepreneur comprehensively scan the environment the chance of growth of business increases

Table 1: Hypothetical Factors that correlates Firm Performance (Employment Growth Rate)

	<i>Growth</i>	<i>SCAN</i>	<i>INDEXP</i>	<i>AGE</i>	<i>EDUC</i>	<i>ENTP_YRS</i>	<i>STARTS</i>
Growth	1						
SCAN	0.44934	1					
INDEXP	0.02453	0.23042	1				
AGE	0.62683	0.72084	0.336511	1			
EDUC	-0.06445	-0.02078	-0.00056	-0.13051	1		
ENTP_YRS	0.23415	0.624294	0.654358	0.138739	-0.0099	1	
STARTS	-0.08765	0.074581	-0.35165	-0.0142	-0.0237	-0.0988	1

Table 2: Correlation Matrix of Employment Growth Rate and Hypothetical Entrepreneurial Factors



GLOBAL JOURNAL OF MANAGEMENT AND BUSINESS RESEARCH
Volume 11 Issue 1 Version 1.0 February 2011
Type: Double Blind Peer Reviewed International Research Journal
Publisher: Global Journals Inc. (USA)
ISSN: 0975-5853

A Model to Measure the Quality Service in a Local Company of Pizza in Los Mochis, Sinaloa

By Mohammad Reza Noruzi, José G. Vargas-Hernández
Ciencias Económico Administrativas Universidad, Islamic Azad University

Abstract- The SERVQUAL model was redesigned in relation to the context of the local company MetroPizza, in Los Mochis, Sinaloa; the main change was the orientation of the visual that corresponds to the intensive use of the image of the transnational franchises, to the taste, that represents a competitive advantage in local firms that know the flavor in the culture of regional. The differences between the expected, and perceived quality service were analyzed through the dimensions proposed by Zeithaml and Bitner (2002). The results show in the tangible, that customers expect more flavor than the image.

Keywords: *SERVQUAL model, quality service, local pizza company.*

Classification: *GJMBR-A JEL Classification: L15*



Strictly as per the compliance and regulations of:



A Model to Measure the Quality Service in a Local Company of Pizza in Los Mochis, Sinaloa

José G. Vargas-Hernández¹, Mohammad Reza Noruzi²

February 2011

73

Abstract—The SERVQUAL model was redesigned in relation to the context of the local company MetroPizza, in Los Mochis, Sinaloa; the main change was the orientation of the visual that corresponds to the intensive use of the image of the transnational franchises, to the taste, that represents a competitive advantage in local firms that know the flavor in the culture of regional. The differences between the expected, and perceived quality service were analyzed through the dimensions proposed by Zeithaml and Bitner (2002). The results show in the tangible, that customers expect more flavor than the image.

Keywords: SERVQUAL model, quality service, local pizza company.

I. INTRODUCTION

The importance of offering quality goods and services becomes each time more essential in the marketplace. Consumers are more pressing and have a great notion of quality implications, the main reason why quality service has become the most powerful competitive tool possessed by services' enterprises (Berry, 2004). Service is understood as the set of benefits that a client expects, besides the basic product or service, in a tangible or intangible ways, as consequence of price, image and reputation and more related attributes (Lara, 2002). The giving of high levels of quality service constitute an essential strategy for the firm's success and surviving in the current competitive environment (Barquero et al, 2007). But quality is difficult to define because in different circumstances means different things; Thus can be seen from different perspectives.

Most definitions of quality service is centered in achieving the client's expectative (Bell, 1982). The research interest resumed in this report was to analyze the differences between the expected service and the perceived service to measure the quality of the firm Metro Pizza, located at Los Mochis, Sinaloa. The methodology followed consisted in dividing and separating the main features of the phenomena proceeding to review orderly each one separately (Hernández et al, 2006). The utilized techniques were questionnaires which was applied during the period from July to September 2008 according to a stratified random sample design regarding the type of client followed by a statistical data analysis. The questionnaire was developed centered around the construction of our own model based on the general Zeithaml and Bitner (2002) which is described in detail through this paper.

II. THE FIRM METRO PIZZA

In the State of Sinaloa, the first business of pizza was established in the city of Culiacán in the year 1970, known as the Fábula Pizza. Later, it opened its doors in Los Mochis, Sinaloa in 1980. Since that date began the natural market growth of pizza in the locality. According to the registry of the National Chamber of restaurants and hot food (Cámara Nacional de la Industria de Restaurantes y Alimentos Condimentados CANIRAC, 2008), consulted in the general roster of affiliated during the period 2007-2008, the brands which offered services and products in Los Mochis, Sinaloa, were Pizzeta Pizza, Rin Rin Pizza, Magos Personal Pizzas, Pizza Time, Pizza Xtreme Factory, Metro Pizza, Paparazzo'S, Super pizza y Domino's Pizza. Out of these businesses, the franchise Domino's Pizza is the leader of the market due to intensive use of image and advertisement.

As regarding Metro Pizza, it is an enterprise which was founded in Los Mochis in the year 2004 and it is considered as the retailer in the food service to take out and to deliver at home's address. In this enterprise, 56% of clients ordered the products since their homes; 20% were junior high school, high school, commercial and technical career and university level's students. 15% were entrepreneurs or clients which required servicing of products since the employment places and the rest ordered over the counter. The distribution of

About¹- Profesor Investigador miembro del Sistema Nacional de Investigadores Departamento de Mercadotecnia y Negocios Internacionales Centro Universitario de Ciencias Económico Administrativas Universidad de Guadalajara. Periférico Norte 799 Edificio G-306 Zapopan, Jalisco C.P. 45100; México
Telyfax: +52(33)37703343 Ext5097
E-Mail-josevargas@cucea.udg.mx, jgvh0811@yahoo.com, jvargas2006@gmail.com

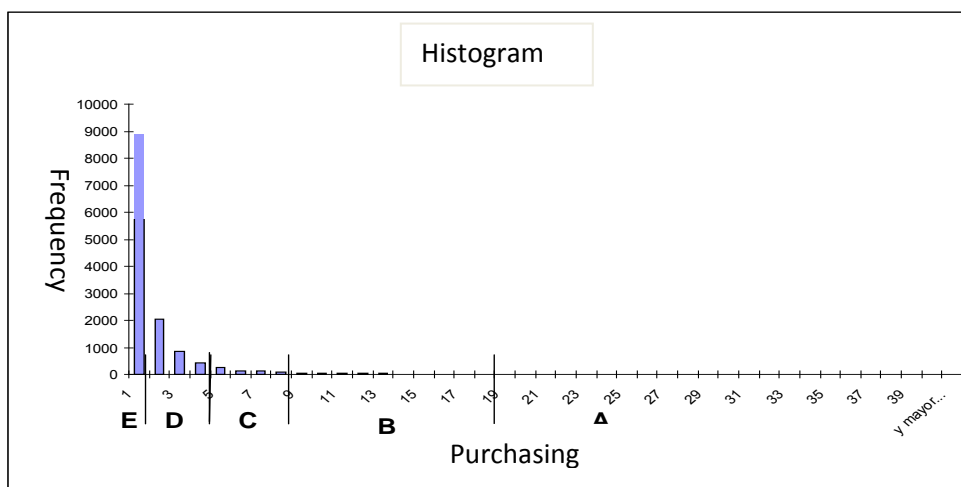
About²- Public Sector Policy Making Management Faculty of Economics and Management, Tarbiat Modarres University, Tehran, Iran
Young Researchers' Club Member, Islamic Azad University, Bonab, Iran
Tell: +98- 426-4224915
E-Mail-mr.noruzi@modares.ac.ir, mr_noruzi@pnu.ac.ir, mr.noruzi.pnu@gmail.com

Volume XI Issue II Version I
Global Journal of Management and Business Research

registered clients in the data base from January to June 2008 through the system of the firm Metro Pizza is asymmetric. The great majority had a small purchasing

frequency and very few were assiduous clients (Figure 1).

Figure1-Client's distribution according to its purchasing frequency



Source: Own creation.

In the above figure it is also shown that the enterprise used a client classification according to its purchasing frequency. In one extreme it is found the clients type "A" minor frequency which has only bought once at the firm. At the other extreme it is found the clients type "E" which is the one of major frequency. This classification was useful mainly to conduct the technique of stratified random sample design to choose the clients to be questioned.

III. QUALITY SERVICE

The quality concept is multidimensional in a sense that consumer needs are multiple and diverse, also because it includes aspects such as tastes and the ability for the use, design, safety, reliability and respect to environment, among others (Atencio y González, 2007). Although there had been a lot and varied concepts related to what is quality and what is not, the different authors coincide on the fundamental goal of quality is found on the client's satisfaction. By the term satisfaction is understood as the response of client's fullness satiety; it is such as a judgment over the product or service's features, or a product and service in itself, which gives a pleasant level of reward related to consume.

In this way, consumer satisfaction has been defined as a) in function of associated expectancies to consume or service, b) in function of discrepancies evaluation between expectancy and perceived performance, c) as a judgment or global evaluation determined by affective or cognitive responses related to the use of services and consumption of products, d) in function of comparative purchasing costs and

benefits, or use of services and consumption of goods related to anticipating consequences, and e) as a multidimensional, dynamic and complex process which includes cognitive, affective, physiological and behavioral activities (Peralta, 2006: 97).

For the actual research it was selected the point b) which corresponds with the model drawn by Zeithaml and Bitner (2002). These authors explain that in order to achieve the satisfaction level of clients it is fundamental to begin the design of service. This design will define the real firm's commitment to grant it, as well as to establish the limitations in such a way they satisfy their clients (McDaniel et al, 1999). Zeithaml and Bitner (1992) defend that what is treated about it is to build a global consumer's judgment as the result of the comparison between the expectancies over the service. The quality of the service is received according to the consumer's perceptions in relation to the enterprise's actions (Figure 2).

Hate (1997), in his work on services and benefits recounts the heritage of Zeithaml and Bitner (2002), but with its own lecture. He proposes a model in which the client's satisfaction is composed by two features: Structural and emotional ones. The structural element of customer's satisfaction is referred to the importance of counting on good tangible benefits.

The second element, the emotional one, is related to the enterprise's personality, warm human contact and the way in which clients feel about the firm. To manage satisfaction through the first feature, the enterprise must segment its clients and define the concept of service for each segment. The second

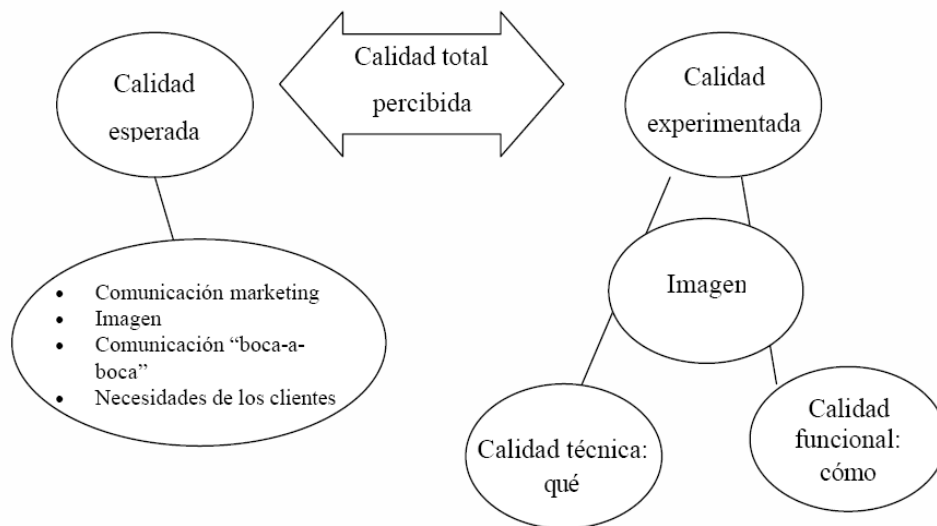
component is more emotional and it is related with the interplay between perceptions and expectations.

On the other side, the content of perception is the result of value's judgment achieved from the singularity of the client. Such a perception always appears charged with a strong emotional content. The expression proposed by Huete (1997) is parallel to the definition given by Zeithaml and Bitner (2002). According to this author (Huete, 1997), customer satisfaction comes determined by the following expression:

$$\text{Satisfied customer} = \text{Perceptions} - \text{Expectations} > 0$$

From this perspective, the product of one enterprise of services is the same service creation processes. What a customer sees, hears, smells, touch and tastes, the five senses are sources of perception. Each sense can build or destroy the customers' satisfaction. Once that the needs are known, the supplier of services must prove that he is able to meet the needs (Costa, cited by Nuno, 2003). Customers' satisfaction will be a function of expectations which are being defined through the established requirements and the perception which can be measured through the following equation: Customers satisfaction = [Perception –defined expectations in the requirements]

Figure2-Schema of perceived quality



Source: (Grönroos cited by Nuno, 2003)

It is important to well define the requirements in order not to create false expectations. If the expectations are excessively high, above the possibilities, the global satisfaction will be poor. If there are well defined the requirements, which are the translation of customers' expectations, satisfaction is reinforced. The image plays a determinant role in customer's perception and the service quality. Thus, it is important either for services enterprises as for each type of organizations.

However this product tends to be over evaluated for many enterprises which allocate extraordinary resources. According to Zeithaml and Bitner (1992), people in charge to execute the services marketing know a intuitive level of the customer's expectations, but it is necessary to conduct a more profound search of these expectations aimed to understand, measure and manage them better.

The first type of expectation is denominated expected service; it could be defined as the service that the client expects to obtain; in other words, is a fusion of what can be and what must be. Wanted service expectations reflect the hopes and wishes of customers. If they are not fulfilled, customers will be unsatisfied with the service and securely they will not purchase the service later. Service is understood here as the work, activity and benefit (Duke, 2005: 64). Services are heterogeneous, this is to say, can be differences in its application, which can have differences among suppliers, the same employees in such a way that customers are conscious and accept these differences between each other.

This variation is denominated tolerance zone. In other words, when the received service is classified below the suitable and adequate service, customers can feel the discomfort and it is affected its level of



satisfaction with the enterprise. On the other hand, when the received service surpasses the customer's expectations, these can be satisfied or also astonished. The tolerance zone can be considered as the interval within customers passes on unnoticed the level of service performance. Only when the service surpasses the expectations or not fulfills them is when call the customers' attention, this is to say, each client has a tolerance for the distinctive types of services which utilize (Zeithaml and Bitner, 1992).

All the customers have different tolerance zone. It is narrower for some customers than for others. It is here when the service that is going to provide the firm has to be more rigorous and equally some customers have wider tolerance zone. In this types of customers, the service granted have to be less strict that in the diminished tolerance zone. There are some services, depending of firm's type of business, which require more contact between the employees and customers than others, and that a bad experience in any of them can give as a result a negative evaluation towards the service quality. This is the case fast food firms and more specifically that of pizza, which depend on the relationship between the employee and the customer since the order taking, either through the phone or over the counter, until the service on the table or at home.

According to Berry (2004), the first contacts are the ones critical, but without resting importance to the rest when it is related to determine satisfaction and loyalty of the customer. When for the first time the customer interacts with the firm, he creates a first impression of the organization, because he does not count with any other base to judge the enterprise. On the other hand, although the customers have had many interactions with employees, each individual encounter forms part of a joint image of the firm in the customer's mind. In order to create a positive image in the firm must sum many high quality interactions (Berry, 2004).

When there are present combinations of positive interactions together with negative interactions, it is generated in the customer feelings of insecurity over the quality service granted by the firm, which in turn make it vulnerable before the competence's attractiveness. There are some key interactions which weigh more than the others are; the difficulty is to identify which are those that have weight over the customers (Zeithaml and Bitner, 2002).

IV. METHODS AND MATERIALS: THE SERVQUAL MODEL

On the literature over the quality models, the one that enjoys a larger diffusion is denominated model of differences or Servqual (Zeithaml and Bitner, 2002), which defines service quality as a function of discrepancies between consumer's expectations over

the service which are going to receive and their perceptions over the service effectively given by the firm. The authors suggest that reducing or eliminating such a difference depends at once of an efficient management on the part of the firm's services of other deficiencies and discrepancies.

Servqual is a scale of multiple items to measure perceptions that the customer has over the service quality, its instrument is a questionnaire which is composed of two parts. The first part has 22 questions that measure the customers' expectations and other 22 items with similar words to measure customers' perceptions and experiences, which in the survey case use a Likert scale from 1 to 7 to gauge as a totally unconformity in one extreme to total conformity in the other extreme (Zeithaml and Bitner, 1992). To evaluate the service quality it is necessary to calculate the difference between punctuations that clients assign to the affirmative pairs of expectations and perceptions. Each one of the dimensions is represented on a Servqual scale whose finality is to be an instrument of diagnostic to know and to identify the areas of strengths and weaknesses in the provision of services.

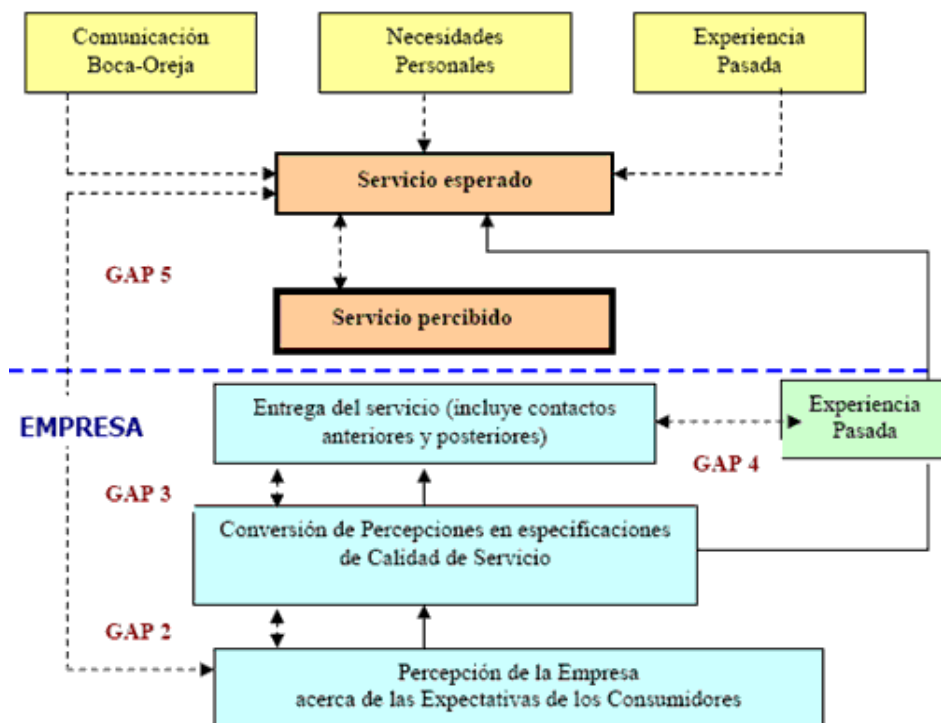
As can be appreciated in figure 3, the Servqual model introduce and analyze a serie of gaps which can be perceived by customers (gap 5) or to produce it internally in the supplier's organizations of services (gaps from 1 to 4). This gaps are described in the following way:

- ✓ Gap 1: Indicates the discrepancy between the customer's expectations over a concrete service and the perceptions and beliefs developed by directives over what the consumer expects of that service
- ✓ Gap 2: Measures the difference between directive's perceptions and the specifications or quality norms.
- ✓ Gap 3: Calculates the differences between specifications and quality service's norms and the provision of itself.
- ✓ Gap 4: Measures the discrepancy between the provision of service and external communication.
- ✓ Gap 5: All mentioned deficiencies make that service provided by the organization do not fulfill the expectations that the customers had on it.

Just exactly this is the point that this research has evaluated in the firm Metro Pizza. This is to say, it is the quality in the service which results in gap 5 that measures the difference between the expected service and the perceived service, in function of the measures of gaps 1 to 4.

$$\text{Gap5} = f(\text{Gap 1, Gap 2, Gap 3, Gap 4}).$$

Figure3- Conceptualization of services' quality

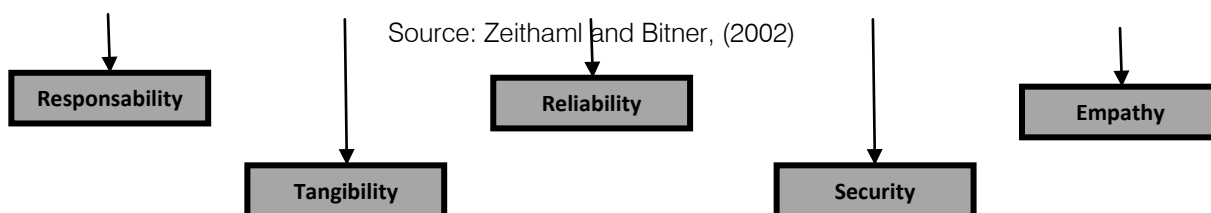
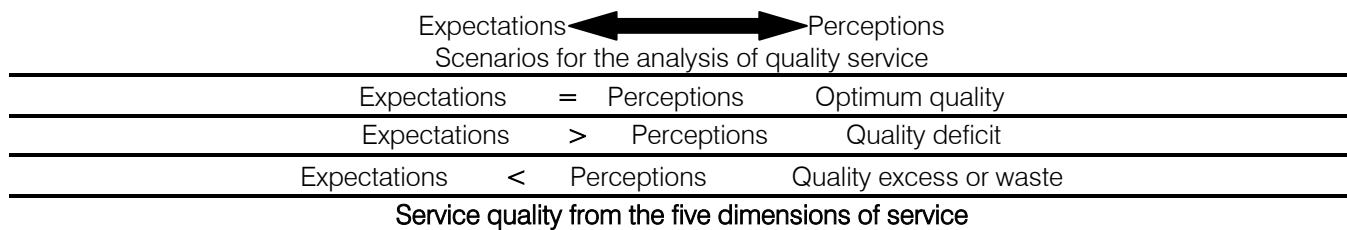


Source: Zeithaml and Bitner (1992)

The differences or gaps between perceptions and expectations for each pair of affirmations or points can produce three situations: One that perceptions surpass expectations, which means high levels of quality. Second, that perceptions are inferior that expectations, which means low quality level. Third, perceptions being equal to expectations denote modest quality levels. On the same way, dimensions are evaluated to determine its weight according to the level of importance for the consumer.

The individual items of Servqual generally are seen as a basic skeleton, which must be implemented by others of specific content when it was necessary. Precisely, the applied model to Metro pizza modified the visual orientation of Servqual for the one of taste, which is more adequate for the fast food businesses. To value the service quality using Servqual implies to include the order of difference between the assigned classification by the customers to the pair of expectations and perceptions enunciations, as it is shown in figure 4.

Figure4- Conceptualization of customer satisfaction Customer satisfaction



Source: Zeithaml and Bitner, (2002)

V. SERVICE DIMENSIONS

Service, according to Zeithaml and Bitner (1992), has diverse dimensions: Tangible, safety, empathy, capacity of response and reliability. This was adequate to the firm's conditions according to what it is shown in table 1. These authors define the dimensions in the following way:

- ✓ *Tangible* refers to the service tangibility such as the necessary equipment and personnel to provide the service.
- ✓ *Service safety* refers to the ability of a service provider to comply with the promise to provide adequately the service.

- ✓ *Response capability* refers to the good will of service provider to be useful and fast to provide the service. It is the quality which disposes somebody for the good exercise of something.
- ✓ *Reliability* refers to the knowledge and courtesy of service providers also as their ability to inspire on the customers trust and responsibility. It is the probability of good functioning.
- ✓ *Empathy* refers to the customer waiting for individual and humanitarian, affective, attention on the part of the service provider. It is the mental and affective identification of one subject in mood of each other

Table1- Variables and dimensions of quality service

Dependent variable	Dimensions	Independent variables
Service quality	Tangible	Image, hygiene, price, taste, temperature, precision, easiness, comfort
	Reliability	Compliance, functionality, credibility, health and tolerance
	Capacity of response	Flexibility, fast, schedule, disposition and assertiveness in time
	Safety	Guarantee, knowledge, truthfulness, trust in the enterprise
	Empathy	Attention, interest, expression, compression, communication, behavior and courtesy

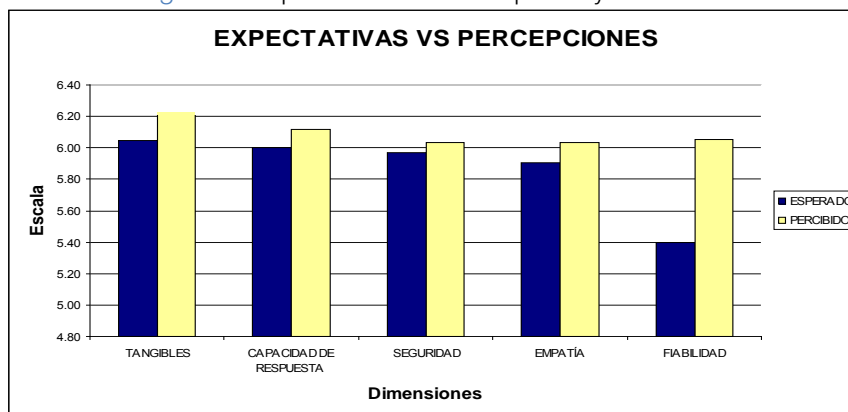
Source: Created by authors based on Servqual model

The questionnaire was divided in two parts for the case of this research: 46 items to measure the customer expectations, and other 46 items with similar concepts to measure customer perceptions. Later on it was deepening over the results that each attribute obtained in the sample utilized related to expectations or

the expected service that had the customers of pizza shops in general.

For the customers, the dimension that more importance had, in accordance with the collected data for both the expected service as well as the perceived service, it was the dimension of the tangible and the one of least importance was reliability (Figure 4)

Figure4 – Expectations vs. Perception by dimension



Source: Developed by the authors.

In the following paragraphs it will be analyzed the results of each dimension

VI. RESULTS

1) *The tangible dimension*

In the tangible elements were considered the appearance of physical infrastructure including furnishing, signals, cleanings, motor-vehicles appearance, price, disposition of sausage and dressing, temperature of foods and beverages, among others. For this motive, questions of this dimension resulted as it is detailed below.

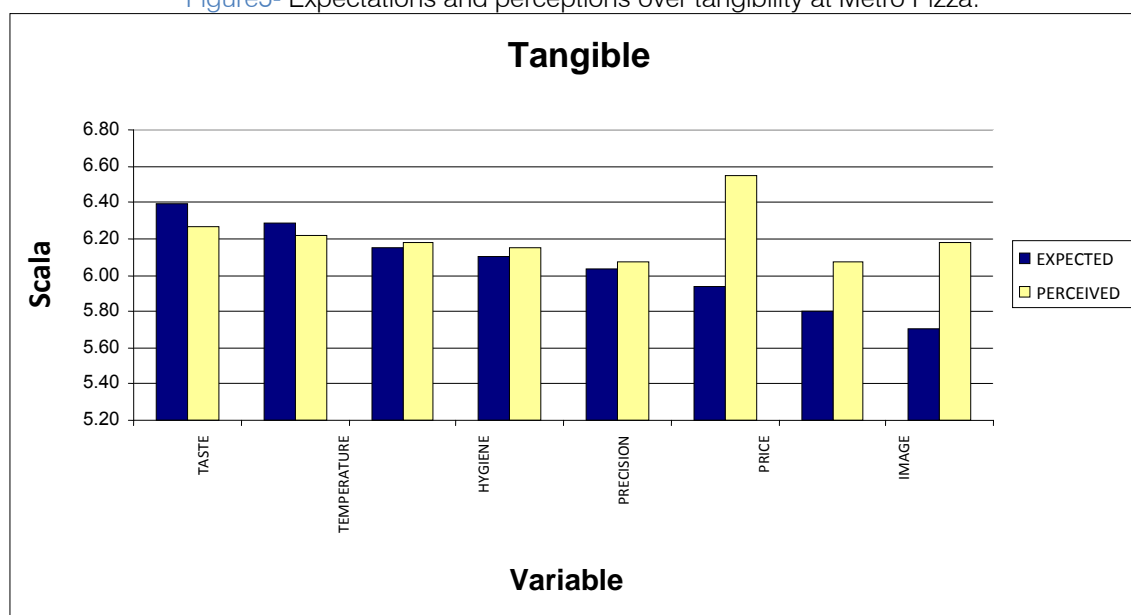
- The firm Metro Pizza communicates me a youthful image.
- In the firm Metro Pizza cares that their vehicles always look clean.
- In the firm Metro Pizza delivers hot pizzas
- I believe that the Price I pay at the firm Metro Pizza is fair according to the type of product.
- The firm Metro Pizza has a telephone number easy to remember
- I feel secure to purchase at the firm Metro Pizza, because its products are prepared with hygiene
- The environment surrounding Metro Pizza make me feel comfortable
- At the firm Metro Pizza delivers the order in the promised time.
- Even if it increases the price of the pizza by 10 pesos, still I would continue buying in Metro Pizza.

- The employees of the firm Metro pizza deliver very cool sodas.
- At the firm Metro Pizza the pizzas are served with sausage and dressing.
- At the firm Metro Pizza packaging where the products are delivered are very visually attractive.
- Employees of the firm Metro Pizza always are clean although they do not wear uniformed.
- At the firm Metro Pizza deliverer to me tasty pizzas
- At the firm Metro Pizza I can order through internet

In the analysis of attributes of this dimension (Figure 5) customers had greater expectations according to the importance: Taste, temperature, hygiene, precision, image, easiness and comfort. However, the attribute which was more perceived by the customers is the image. This is because the local business tends to follow the practices of the leader, which in this case is Dominos Pizza, but as this is a franchise, conditions are different.

Results showed clearly that the best strategy for local enterprises is through the intensive use of its culture's knowledge, over all of preferred flavors by customers. These last ones, in the side, tend to be less discerning with image at local firms. This is that way due to the town adds its own flavor. It is a sensation that produces any food and differs according to the gender, class, ethnic group, age, region, etc., which produces and affective relationship with the consumer (Bruno, 2008: 217).

Figure5- Expectations and perceptions over tangibility at Metro Pizza.



Source: Created by authors

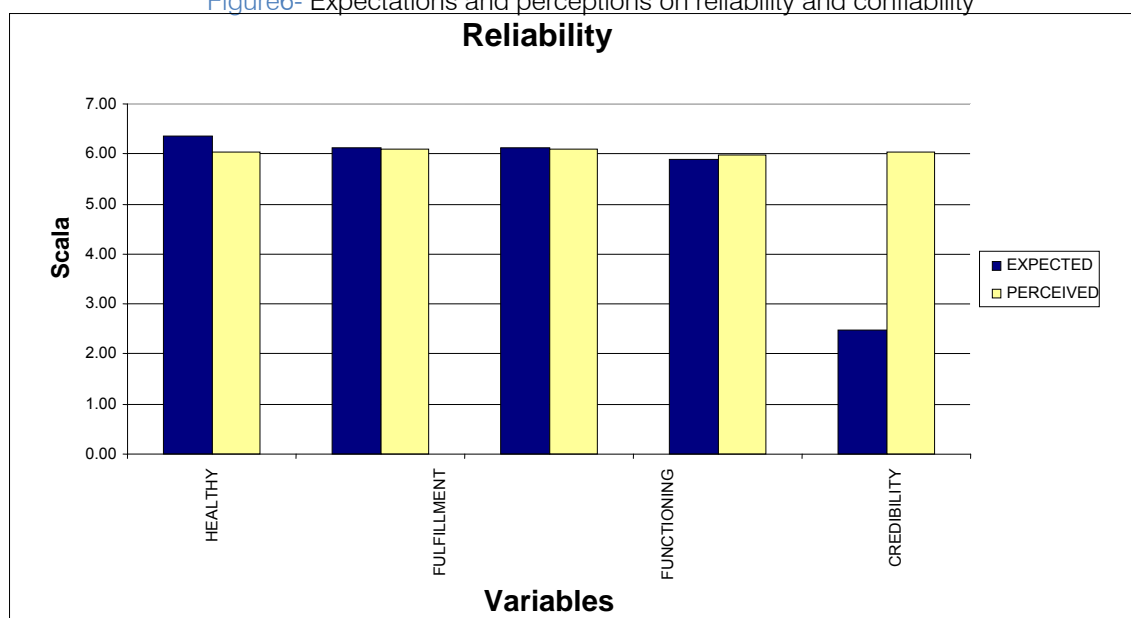
Thus, it is observed that the strategy of following a leader made Metro Pizza to tend to be more intensive with image, comfort and easiness, further more the customer expectations while it was forgotten that the flavor was the main competitive

2) *Reliability dimension*

Among the elements of reliability is the tolerance, recommendation to trust in the firm, commitment, trust on the driver of vehicles, accomplishing on time, continuous improvement, and trust on healthy food, among others. Thus, the issues on this dimension resulted as it is detailed below:

- At the firm Metro Pizza I can tolerate that make mistakes 2 or more times.
- I recommend the firm Metro Pizza to my friends
- If somebody at the firm Metro pizza is committed to do something for me, he will fulfill it.
- At the firm Metro Pizza care that vehicles can be driven in safe way.
- At the firm metro pizza delivers the pizza according to the offered time.
- At the firm Metro Pizza improve its service every day.
- At the firm Metro Pizza the food is healthy.
- When in Metro Pizza promise delivers the order in a determined time, it complies.

Figure6- Expectations and perceptions on reliability and confiability



Source: Own creation.

It is observed in this dimension that the most notorious difference was the tolerance, one that the customer expected less than he received (Figure 6). But what most expect customers is the healthy. This complex category not only includes the nutritional values of the pizza, but a series of images that have over the product, patterns of behaviors, beliefs, knowledge, habits to maintain what the persons think the term means, it can signifies from a simple "that not make me damage" to form part of one life style according to any identity image (Arrivillaga et al, 2003: 186).

3) *Capacity of response dimension*

In the elements of capacity of response it is found the necessary and sufficient time, disposition to help, deliveries in promised time, capacity to attend

difficulties, among others. Thus, the issues of this dimension resulted as it is detailed below:

- At the firm Metro Pizza it is dedicated the necessary and sufficient time to take the order.
- Employees of Metro Pizza always show disposition to help me.
- In Metro pizza have schedule of convenient opening and closing for you.
- Personnel of Metro Pizza always have disposition to attend me and help me.
- At the firm Metro Pizza deliver me the orders in 30 minutes.
- At the firm metro Pizza employees show flexibility and capacity to face difficulties and unforeseen events.

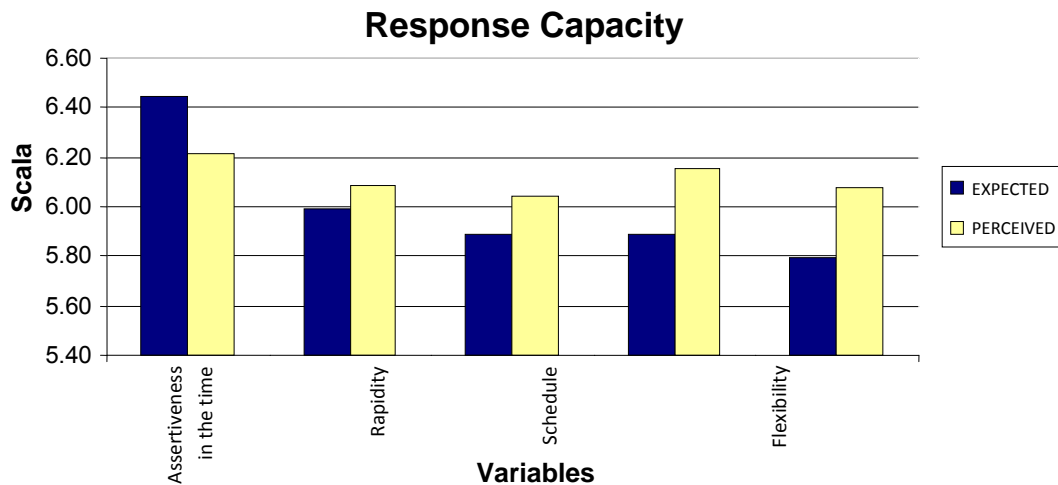
In this dimension the more notorious differences are encountered in the disposition and flexibility that

surpass the expectations of the customer, while it is observed a deficit in assertiveness on time (figure 7).

In this last category, the one of the time has been inherited from the marketing practices employed

by the firms of United States pizzas, all a series of cultural aspects which have been developed around this characteristic fact of our era.

Figur 7- Expectations and perceptions over the capacity of response in Metro Pizza.



Source: Created by authors

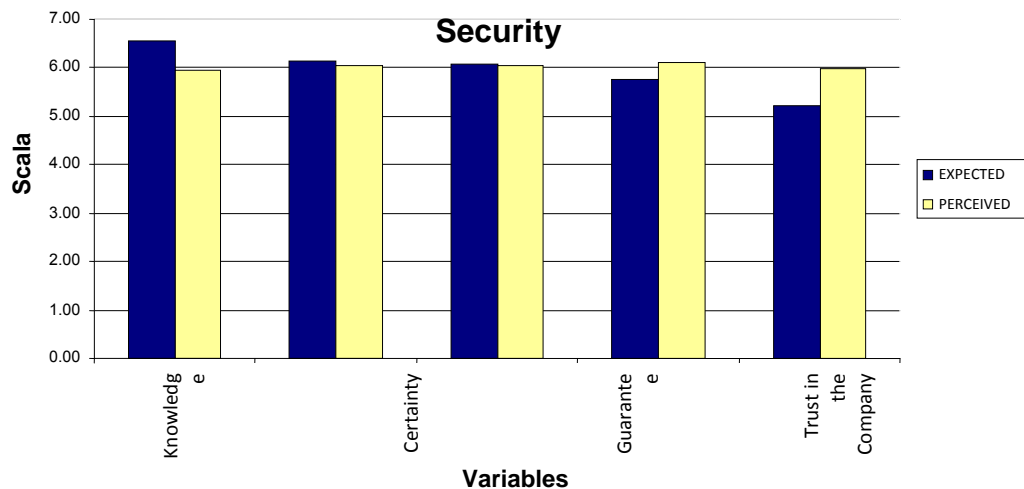
4) *Safety dimension*

On the safety elements are the trust, order specifications, guarantees, and trust on employees, among others. Thus, the issues of this dimension results as it is detailed below:

- I trust on the deliverer of Metro Pizza
- The enterprise Metro Pizza delivers the order with the special indications given by the customer

- The belief that the employees of Metro Pizza have the sufficient knowledge to make and deliver pizzas.
 - The firm Metro Pizza offer guarantees in purchasing its products.
 - I feel tranquil and safe that my small children receive products purchased at Metro pizza.
 - At the firm Metro Pizza always exists disposition to change products in the case of complaining
- Regarding safety, it is observed that the customers trust on the employees surpasses the expectations (Figure 8).

Figure8- Expectations and perceptions over safety in Metro Pizza



Source: Own elaboration

However, the firm is observed weak regarding the knowledge to make and deliver pizzas. This category presents also a series of complex features. The customer expects to know that production processes

and the delivery of pizza are found in expert and trained hands and demand that the firm make him to know.

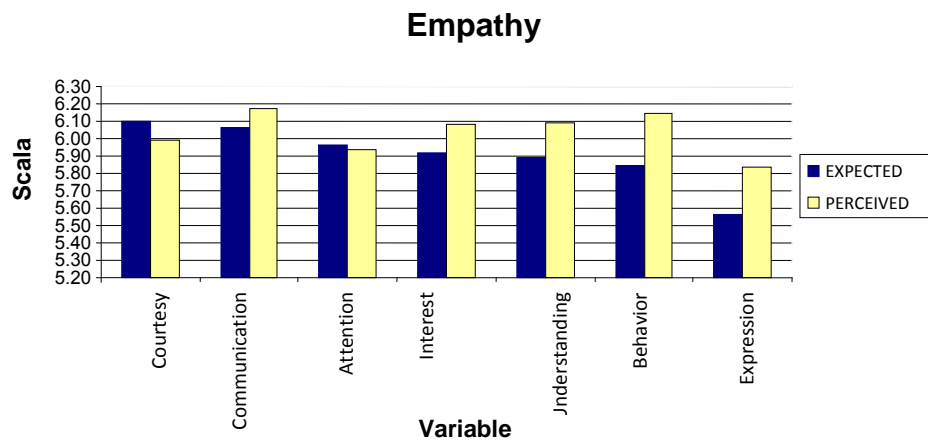
5) *Empathy dimension*

On the features of empathy were considered the good treatment, personal attention, customer's data, customer's interest, behavior, communication among others. The issues of this dimension resulted as it is detailed below:

- The employees of the firm Metro Pizza give good treatment to their customers.
- At the firm Metro Pizza give very personal attention.
- To deliver the order, the deliverers of the firm Metro Pizza smile to the customer.
- In one firm such as Metro Pizza insist in data such as name and address of the customer to meet again when he comes back.

- In the firm Metro Pizza has given to the employees an individual attention.
- The employees of Metro Pizza understand the needs that customers have
- The employees of Metro Pizza show interest in order that customers come back again.
- The customers think that metro Pizza offers a service that understands personal needs.
- In Metro Pizza is worried for the best interest of customers
- Employees of Metro Pizza always show good behavior.
- All the employees of Metro Pizza have good level of communication with customers.

Figure9- Expectations and perceptions over the empathy dimension in Metro Pizza



Source: Own creation

In this dimension, the interest, understanding, behavior and expression have a higher value regarding the expected (Figure, 9), but not the courtesy, an attribute that the customers appreciate together with the kindness of employees, their manifested responsibility, the level of intelligence and the discretion among others, which are found intimately inter related (Salvador, 2005: 8).

VII. CONCLUSIONS

The Servqual model presents an excellent structure for the analysis of different categories which can integrate the service quality in different contexts. For the case of Metro Pizza, a micro enterprise located in Los Mochis, Sinaloa in the Northeast of Mexico. Its adequacy allows breaking down each one of the elements that are part of the owner's daily preoccupations. But at the same time it allowed to attend the problems around the service quality that have the micro enterprises of the pizza's sector to compete with transnational firms.

The situation described above strengthens survey's results, on which the customers wait in the tangible dimension a mayor focus on flavor and temperature than the image. The enterprises of this sector uneasily can define how much is necessary to invest in resources related to the image. This is due to the leader enterprises are intensive in this dimension, but for the firms of local character, to compete based on image extremely difficult and even dangerous, its main strength is based on flavors, smells and cultural characteristics appropriated to the localities that people seek even with a minimum investment in image.

It is observed the tangible in this type of firms, the capacity of response and safety are the dimensions that more expect the customers.

As the underlying values spring out besides different dimensions: what it is healthy, assertiveness in time and courtesy, qualities that have been inherited from the leader' firms. As it was mentioned, the healthy has a strong cultural component, in such a way that even could be a part of the firm's image and the advertising bombarding, people seek and demand,

independently of the truth nutritional values that the product has.

The assertiveness in time is an outcome of our era, with people living in time constraints or youth which play with fast delivery of the fast food's firms, the services now include or must include a strong temporal content. Rapidity is culturally well valued in pizza's business.

Finally the courtesy which contrasts with cold and impersonal treatment, is to allow systematization and technical processes, but at the same time, to demand over all the human, warmth, friendly, intelligent and kindness. From the above analyzes are detached the strategies that Metro Pizza must had to follow to improve competitiveness both at local and global levels.

REFERENCES RÉFÉRENCES REFERENCIAS

1. Arrivillaga et al, (2003). "Creencias sobre la salud y su relación con las prácticas de riesgo de protección en jóvenes universitarios", *Colombia médica*, Colombia, 34, 4, pp. 186-195.
2. Atencio Cárdenaz, Edith y Blanca, González Pertuz, (2007). "Calidad en el servicio en la editorial de la Universiadd de Zulia (EDILUZ)", *Revista de Ciencias Sociales (Ve)*, Venezuela,1, pp. 172-186.
3. Barquero, José Daniel et al, (2007). *Marketing de Clientes*, Mc Graw Hill, España.
4. Bell, L. Martin, (1982). *Mercadotecnia, conceptos y estrategia*, Continental, México:
5. Berry, Leonard L.,(2004). *iUn buen servicio ya no basta!*, Deusto, Bogota.
6. Bruno, Lutz, (2008). "Reseña de 'El sabor del mundo. Una antropología de los sentidos', de David Le Breton", *Argumentos*, 21, 57, UAM-Xochimilco, México:, pp. 213-218.
7. Cámara Nacional de la Industria de Restaurantes y Alimentos Condimentados CANIRAC, (2008). *Padrón general de afiliados*, Los Mochis, Sinaloa.
8. Duke Oliva, Edison Jair, (2005). "Revisión del concepto de calidad del servicio y sus modelos de medición", *Innovar, Revista de Ciencias Sociales y Administrativas*, 025, Universidad Nacional de Colombia, Colombia, pp. 64 -80.
9. Hernández Sampieri, Roberto et al, (2006). *Metodología de la investigación*. Mc Graw-Hill, México.
10. Huete, L. M., (1997). (Consultado en octubre de 2008). *Economía*. España: Autor. [en línea] – Disponible en http://www.economiaelche.com/file_download/39.
11. Lara López, J. Refugio, (2002). "La gestión de la calidad en los servicios", *Conciencia Tecnológica*, 019, Instituto Tecnológico de Agascalientes, México, pp. 1-6.
12. McDaniel, Carl y Roger, Gates. (1999). *Investigación de Mercados, Contemporánea*. Thomson Editores, México.
13. Metro Pizza, (2007). *Manual de operaciones*. Los Mochis, Sinaloa.
14. Nuno, Caetano Alvés, (2003). *Marketing de servicios en la educación*, Universidad Complutense de Madrid, Madrid,
15. Peralta Montesillos, Jenniffer, (2006). "Rol de las expectativas en el juicio de satisfacción y calidad percibida del servicio", *Límite*,1,14, Universidad de Tarapacá, Chile, pp. 195 – 214.
16. Salvador Ferrer, Carmen María, (2005). "La percepción del cliente de los elementos determinantes de la calidad del servicio universitario: características del servicio y habilidades profesionales", *Papeles del Psicólogo*, 26, 90, Consejo General de Colegios Oficiales de Psicólogos, España, pp. 1-9.
17. Zeithaml, Valerie A. and Bitner, Mary Jo (2002). *Marketing de Servicios*, Mc Graw Hill, México.(1992). *Calidad Total en la Gestión de los Servicios*, Díaz Santos, España.



GLOBAL JOURNALS INC. (US) GUIDELINES HANDBOOK 2011

WWW.GLOBALJOURNALS.ORG

FELLOWS

FELLOW OF INTERNATIONAL CONGRESS OF MANAGEMENT AND BUSINESS RESEARCH (FICMBR)

- 'FICMBR' title will be awarded to the person/institution after approval of Editor-in-Chief and Editorial Board. The title 'FICMBR' can be added to name in the following manner e.g. **Dr. Andrew Knoll, Ph.D., FICMBR**
- FICMBR can submit two papers every year for publication without any charges. The paper will be sent to two peer reviewers. The paper will be published after the acceptance of peer reviewers and Editorial Board.
- Free unlimited Web-space will be allotted to 'FICMBR' along with subDomain to contribute and partake in our activities.
- A professional email address will be allotted free with unlimited email space.
- FICMBR will be authorized to receive e-Journals-GJMBR for the Lifetime.
- FICMBR will be exempted from the registration fees of Seminar/Symposium/Conference/Workshop conducted internationally of GJMBR (FREE of Charge).
- FICMBR will be Honorable Guest of any gathering held.

ASSOCIATE OF INTERNATIONAL CONGRESS OF MANAGEMENT AND BUSINESS RESEARCH (AICMBR)

- AICMBR title will be awarded to the person/institution after approval of Editor-in-Chief and Editorial Board. The title 'AICMBR' can be added to name in the following manner: eg. **Dr. Thomas Knoll, Ph.D., AICMBR**
- AICMBR can submit one paper every year for publication without any charges. The paper will be sent to two peer reviewers. The paper will be published after the acceptance of peer reviewers and Editorial Board.
- Free 2GB Web-space will be allotted to 'FICMBR' along with subDomain to contribute and participate in our activities.
- A professional email address will be allotted with free 1GB email space.
- AICMBR will be authorized to receive e-Journal GJMBR for lifetime.



AUXILIARY MEMBERSHIPS

ANNUAL MEMBER

- Annual Member will be authorized to receive e-Journal GJMBR for one year (subscription for one year).
- The member will be allotted free 1 GB Web-space along with subDomain to contribute and participate in our activities.
- A professional email address will be allotted free 500 MB email space.

PAPER PUBLICATION

- The members can publish paper once. The paper will be sent to two-peer reviewer. The paper will be published after the acceptance of peer reviewers and Editorial Board.



PROCESS OF SUBMISSION OF RESEARCH PAPER

The Area or field of specialization may or may not be of any category as mentioned in 'Scope of Journal' menu of the GlobalJournals.org website. There are 37 Research Journal categorized with Six parental Journals GJCST, GJMR, GJRE, GJMBR, GJSFR, GJHSS. For Authors should prefer the mentioned categories. There are three widely used systems UDC, DDC and LCC. The details are available as 'Knowledge Abstract' at Home page. The major advantage of this coding is that, the research work will be exposed to and shared with all over the world as we are being abstracted and indexed worldwide.

The paper should be in proper format. The format can be downloaded from first page of 'Author Guideline' Menu. The Author is expected to follow the general rules as mentioned in this menu. The paper should be written in MS-Word Format (*.DOC,*.DOCX).

The Author can submit the paper either online or offline. The authors should prefer online submission.Online Submission: There are three ways to submit your paper:

(A) (I) First, register yourself using top right corner of Home page then Login. If you are already registered, then login using your username and password.

(II) Choose corresponding Journal.

(III) Click 'Submit Manuscript'. Fill required information and Upload the paper.

(B) If you are using Internet Explorer, then Direct Submission through Homepage is also available.

(C) If these two are not convenient, and then email the paper directly to dean@globaljournals.org.

Offline Submission: Author can send the typed form of paper by Post. However, online submission should be preferred.

PREFERRED AUTHOR GUIDELINES

MANUSCRIPT STYLE INSTRUCTION (Must be strictly followed)

Page Size: 8.27" X 11"

- Left Margin: 0.65
- Right Margin: 0.65
- Top Margin: 0.75
- Bottom Margin: 0.75
- Font type of all text should be Times New Roman.
- Paper Title should be of Font Size 24 with one Column section.
- Author Name in Font Size of 11 with one column as of Title.
- Abstract Font size of 9 Bold, "Abstract" word in Italic Bold.
- Main Text: Font size 10 with justified two columns section
- Two Column with Equal Column with of 3.38 and Gaping of .2
- First Character must be two lines Drop capped.
- Paragraph before Spacing of 1 pt and After of 0 pt.
- Line Spacing of 1 pt
- Large Images must be in One Column
- Numbering of First Main Headings (Heading 1) must be in Roman Letters, Capital Letter, and Font Size of 10.
- Numbering of Second Main Headings (Heading 2) must be in Alphabets, Italic, and Font Size of 10.

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.

1. GENERAL

Before submitting your research paper, one is advised to go through the details as mentioned in following heads. It will be beneficial, while peer reviewer justify your paper for publication.

Scope

The Global Journals Inc. (US) welcome the submission of original paper, review paper, survey article relevant to the all the streams of Philosophy and knowledge. The Global Journals Inc. (US) is parental platform for Global Journal of Computer Science and Technology, Researches in Engineering, Medical Research, Science Frontier Research, Human Social Science, Management, and Business organization. The choice of specific field can be done otherwise as following in Abstracting and Indexing Page on this Website. As the all Global



Journals Inc. (US) are being abstracted and indexed (in process) by most of the reputed organizations. Topics of only narrow interest will not be accepted unless they have wider potential or consequences.

2. ETHICAL GUIDELINES

Authors should follow the ethical guidelines as mentioned below for publication of research paper and research activities.

Papers are accepted on strict understanding that the material in whole or in part has not been, nor is being, considered for publication elsewhere. If the paper once accepted by Global Journals Inc. (US) and Editorial Board, will become the copyright of the Global Journals Inc. (US).

Authorship: The authors and coauthors should have active contribution to conception design, analysis and interpretation of findings. They should critically review the contents and drafting of the paper. All should approve the final version of the paper before submission

The Global Journals Inc. (US) follows the definition of authorship set up by the Global Academy of Research and Development. According to the Global Academy of R&D authorship, criteria must be based on:

- 1) Substantial contributions to conception and acquisition of data, analysis and interpretation of the findings.
- 2) Drafting the paper and revising it critically regarding important academic content.
- 3) Final approval of the version of the paper to be published.

All authors should have been credited according to their appropriate contribution in research activity and preparing paper. Contributors who do not match the criteria as authors may be mentioned under Acknowledgement.

Acknowledgements: Contributors to the research other than authors credited should be mentioned under acknowledgement. The specifications of the source of funding for the research if appropriate can be included. Suppliers of resources may be mentioned along with address.

Appeal of Decision: The Editorial Board's decision on publication of the paper is final and cannot be appealed elsewhere.

Permissions: It is the author's responsibility to have prior permission if all or parts of earlier published illustrations are used in this paper.

Please mention proper reference and appropriate acknowledgements wherever expected.

If all or parts of previously published illustrations are used, permission must be taken from the copyright holder concerned. It is the author's responsibility to take these in writing.

Approval for reproduction/modification of any information (including figures and tables) published elsewhere must be obtained by the authors/copyright holders before submission of the manuscript. Contributors (Authors) are responsible for any copyright fee involved.

3. SUBMISSION OF MANUSCRIPTS

Manuscripts should be uploaded via this online submission page. The online submission is most efficient method for submission of papers, as it enables rapid distribution of manuscripts and consequently speeds up the review procedure. It also enables authors to know the status of their own manuscripts by emailing us. Complete instructions for submitting a paper is available below.

Manuscript submission is a systematic procedure and little preparation is required beyond having all parts of your manuscript in a given format and a computer with an Internet connection and a Web browser. Full help and instructions are provided on-screen. As an author, you will be prompted for login and manuscript details as Field of Paper and then to upload your manuscript file(s) according to the instructions.



To avoid postal delays, all transaction is preferred by e-mail. A finished manuscript submission is confirmed by e-mail immediately and your paper enters the editorial process with no postal delays. When a conclusion is made about the publication of your paper by our Editorial Board, revisions can be submitted online with the same procedure, with an occasion to view and respond to all comments.

Complete support for both authors and co-author is provided.

4. MANUSCRIPT'S CATEGORY

Based on potential and nature, the manuscript can be categorized under the following heads:

Original research paper: Such papers are reports of high-level significant original research work.

Review papers: These are concise, significant but helpful and decisive topics for young researchers.

Research articles: These are handled with small investigation and applications

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

5. STRUCTURE AND FORMAT OF MANUSCRIPT

The recommended size of original research paper is less than seven thousand words, review papers fewer than seven thousands words also. Preparation of research paper or how to write research paper, are major hurdle, while writing manuscript. The research articles and research letters should be fewer than three thousand words, the structure original research paper; sometime review paper should be as follows:

Papers: These are reports of significant research (typically less than 7000 words equivalent, including tables, figures, references), and comprise:

- (a) Title should be relevant and commensurate with the theme of the paper.
- (b) A brief Summary, "Abstract" (less than 150 words) containing the major results and conclusions.
- (c) Up to ten keywords, that precisely identifies the paper's subject, purpose, and focus.
- (d) An Introduction, giving necessary background excluding subheadings; objectives must be clearly declared.
- (e) Resources and techniques with sufficient complete experimental details (wherever possible by reference) to permit repetition; sources of information must be given and numerical methods must be specified by reference, unless non-standard.
- (f) Results should be presented concisely, by well-designed tables and/or figures; the same data may not be used in both; suitable statistical data should be given. All data must be obtained with attention to numerical detail in the planning stage. As reproduced design has been recognized to be important to experiments for a considerable time, the Editor has decided that any paper that appears not to have adequate numerical treatments of the data will be returned un-refereed;
- (g) Discussion should cover the implications and consequences, not just recapitulating the results; conclusions should be summarizing.
- (h) Brief Acknowledgements.
- (i) References in the proper form.

Authors should very cautiously consider the preparation of papers to ensure that they communicate efficiently. Papers are much more likely to be accepted, if they are cautiously designed and laid out, contain few or no errors, are summarizing, and be conventional to the approach and instructions. They will in addition, be published with much less delays than those that require much technical and editorial correction.



The Editorial Board reserves the right to make literary corrections and to make suggestions to improve brevity.

It is vital, that authors take care in submitting a manuscript that is written in simple language and adheres to published guidelines.

Format

Language: The language of publication is UK English. Authors, for whom English is a second language, must have their manuscript efficiently edited by an English-speaking person before submission to make sure that, the English is of high excellence. It is preferable, that manuscripts should be professionally edited.

Standard Usage, Abbreviations, and Units: Spelling and hyphenation should be conventional to The Concise Oxford English Dictionary. Statistics and measurements should at all times be given in figures, e.g. 16 min, except for when the number begins a sentence. When the number does not refer to a unit of measurement it should be spelt in full unless, it is 160 or greater.

Abbreviations supposed to be used carefully. The abbreviated name or expression is supposed to be cited in full at first usage, followed by the conventional abbreviation in parentheses.

Metric SI units are supposed to generally be used excluding where they conflict with current practice or are confusing. For illustration, 1.4 l rather than $1.4 \times 10^{-3} \text{ m}^3$, or 4 mm somewhat than $4 \times 10^{-3} \text{ m}$. Chemical formula and solutions must identify the form used, e.g. anhydrous or hydrated, and the concentration must be in clearly defined units. Common species names should be followed by underlines at the first mention. For following use the generic name should be constricted to a single letter, if it is clear.

Structure

All manuscripts submitted to Global Journals Inc. (US), ought to include:

Title: The title page must carry an instructive title that reflects the content, a running title (less than 45 characters together with spaces), names of the authors and co-authors, and the place(s) wherever the work was carried out. The full postal address in addition with the e-mail address of related author must be given. Up to eleven keywords or very brief phrases have to be given to help data retrieval, mining and indexing.

Abstract, used in Original Papers and Reviews:

Optimizing Abstract for Search Engines

Many researchers searching for information online will use search engines such as Google, Yahoo or similar. By optimizing your paper for search engines, you will amplify the chance of someone finding it. This in turn will make it more likely to be viewed and/or cited in a further work. Global Journals Inc. (US) have compiled these guidelines to facilitate you to maximize the web-friendliness of the most public part of your paper.

Key Words

A major linchpin in research work for the writing research paper is the keyword search, which one will employ to find both library and Internet resources.

One must be persistent and creative in using keywords. An effective keyword search requires a strategy and planning a list of possible keywords and phrases to try.

Search engines for most searches, use Boolean searching, which is somewhat different from Internet searches. The Boolean search uses "operators," words (and, or, not, and near) that enable you to expand or narrow your affords. Tips for research paper while preparing research paper are very helpful guideline of research paper.

Choice of key words is first tool of tips to write research paper. Research paper writing is an art. A few tips for deciding as strategically as possible about keyword search:



- One should start brainstorming lists of possible keywords before even begin searching. Think about the most important concepts related to research work. Ask, "What words would a source have to include to be truly valuable in research paper?" Then consider synonyms for the important words.
- It may take the discovery of only one relevant paper to let steer in the right keyword direction because in most databases, the keywords under which a research paper is abstracted are listed with the paper.
- One should avoid outdated words.

Keywords are the key that opens a door to research work sources. Keyword searching is an art in which researcher's skills are bound to improve with experience and time.

Numerical Methods: Numerical methods used should be clear and, where appropriate, supported by references.

Acknowledgements: Please make these as concise as possible.

References

References follow the Harvard scheme of referencing. References in the text should cite the authors' names followed by the time of their publication, unless there are three or more authors when simply the first author's name is quoted followed by et al. unpublished work has to only be cited where necessary, and only in the text. Copies of references in press in other journals have to be supplied with submitted typescripts. It is necessary that all citations and references be carefully checked before submission, as mistakes or omissions will cause delays.

References to information on the World Wide Web can be given, but only if the information is available without charge to readers on an official site. Wikipedia and Similar websites are not allowed where anyone can change the information. Authors will be asked to make available electronic copies of the cited information for inclusion on the Global Journals Inc. (US) homepage at the judgment of the Editorial Board.

The Editorial Board and Global Journals Inc. (US) recommend that, citation of online-published papers and other material should be done via a DOI (digital object identifier). If an author cites anything, which does not have a DOI, they run the risk of the cited material not being noticeable.

The Editorial Board and Global Journals Inc. (US) recommend the use of a tool such as Reference Manager for reference management and formatting.

Tables, Figures and Figure Legends

Tables: Tables should be few in number, cautiously designed, uncrowned, and include only essential data. Each must have an Arabic number, e.g. Table 4, a self-explanatory caption and be on a separate sheet. Vertical lines should not be used.

Figures: Figures are supposed to be submitted as separate files. Always take in a citation in the text for each figure using Arabic numbers, e.g. Fig. 4. Artwork must be submitted online in electronic form by e-mailing them.

Preparation of Electronic Figures for Publication

Even though low quality images are sufficient for review purposes, print publication requires high quality images to prevent the final product being blurred or fuzzy. Submit (or e-mail) EPS (line art) or TIFF (halftone/photographs) files only. MS PowerPoint and Word Graphics are unsuitable for printed pictures. Do not use pixel-oriented software. Scans (TIFF only) should have a resolution of at least 350 dpi (halftone) or 700 to 1100 dpi (line drawings) in relation to the imitation size. Please give the data for figures in black and white or submit a Color Work Agreement Form. EPS files must be saved with fonts embedded (and with a TIFF preview, if possible).

For scanned images, the scanning resolution (at final image size) ought to be as follows to ensure good reproduction: line art: >650 dpi; halftones (including gel photographs) : >350 dpi; figures containing both halftone and line images: >650 dpi.



Color Charges: It is the rule of the Global Journals Inc. (US) for authors to pay the full cost for the reproduction of their color artwork. Hence, please note that, if there is color artwork in your manuscript when it is accepted for publication, we would require you to complete and return a color work agreement form before your paper can be published.

Figure Legends: Self-explanatory legends of all figures should be incorporated separately under the heading 'Legends to Figures'. In the full-text online edition of the journal, figure legends may possibly be truncated in abbreviated links to the full screen version. Therefore, the first 100 characters of any legend should notify the reader, about the key aspects of the figure.

6. AFTER ACCEPTANCE

Upon approval of a paper for publication, the manuscript will be forwarded to the dean, who is responsible for the publication of the Global Journals Inc. (US).

6.1 Proof Corrections

The corresponding author will receive an e-mail alert containing a link to a website or will be attached. A working e-mail address must therefore be provided for the related author.

Acrobat Reader will be required in order to read this file. This software can be downloaded

(Free of charge) from the following website:

www.adobe.com/products/acrobat/readstep2.html. This will facilitate the file to be opened, read on screen, and printed out in order for any corrections to be added. Further instructions will be sent with the proof.

Proofs must be returned to the dean at dean@globaljournals.org within three days of receipt.

As changes to proofs are costly, we inquire that you only correct typesetting errors. All illustrations are retained by the publisher. Please note that the authors are responsible for all statements made in their work, including changes made by the copy editor.

6.2 Early View of Global Journals Inc. (US) (Publication Prior to Print)

The Global Journals Inc. (US) are enclosed by our publishing's Early View service. Early View articles are complete full-text articles sent in advance of their publication. Early View articles are absolute and final. They have been completely reviewed, revised and edited for publication, and the authors' final corrections have been incorporated. Because they are in final form, no changes can be made after sending them. The nature of Early View articles means that they do not yet have volume, issue or page numbers, so Early View articles cannot be cited in the conventional way.

6.3 Author Services

Online production tracking is available for your article through Author Services. Author Services enables authors to track their article - once it has been accepted - through the production process to publication online and in print. Authors can check the status of their articles online and choose to receive automated e-mails at key stages of production. The authors will receive an e-mail with a unique link that enables them to register and have their article automatically added to the system. Please ensure that a complete e-mail address is provided when submitting the manuscript.

6.4 Author Material Archive Policy

Please note that if not specifically requested, publisher will dispose off hardcopy & electronic information submitted, after the two months of publication. If you require the return of any information submitted, please inform the Editorial Board or dean as soon as possible.

6.5 Offprint and Extra Copies

A PDF offprint of the online-published article will be provided free of charge to the related author, and may be distributed according to the Publisher's terms and conditions. Additional paper offprint may be ordered by emailing us at: editor@globaljournals.org.



INDEX

A

ability · 62, 64, 71, 80, 81, 82, 84, 85, 96, 100
abundant · 82
accomplishing · 102
adequacy · 80, 81, 82, 85, 86, 104
adequately · 11, 48, 64, 100
Adjustment · 25, 26
Administered · 51, 52, 56
Africa · 25, 26, 52
American · 6, 7, 24, 67, 70
appraisals · 73
Areas · 51, 52, 56
asset · 61, 80, 81, 82, 83, 84, 85, 86
authorization · 76

B

banks · 9, 74, 76, 80, 81, 82, 83, 84, 85, 86
Benchmarking · 10, 11
bois · 38, 39, 40
Bombing · 51, 52
Bresser · 64, 66, 67
businesses · 10, 11, 13, 40, 59, 64, 65, 81, 88, 89, 90, 95, 99

C

CAMEL · 80, 81, 82, 85
Capability · 25, 26
capital · 27, 33, 55, 61, 62, 72, 76, 77, 80, 81, 82, 83, 85, 86
Civilian · 51, 52
classification · 12, 41, 61, 62, 96, 99
commitment · 13, 15, 16, 18, 19, 20, 60, 96, 102
Companies · 12, 13, 22, 40, 43, 47, 65, 69, 70, 74, 76
company · 13, 14, 15, 40, 43, 47, 59, 60, 61, 62, 63, 64, 65, 66, 69, 70, 71, 72, 73, 74, 75, 76, 77, 88, 89, 94, 95
comparative · 61, 66, 76, 86, 96
comparatively · 54, 85, 91
comparison · 9, 55, 61, 62, 80, 81, 82, 83, 84, 85, 86, 96
competencies · 77
Complaint · 10, 11, 14, 17, 18, 21, 22, 23, 24
complementarity · 62
Comprehensive · 56
consequences · 43, 47, 60, 63, 64, 66, 96

considered · 16, 42, 60, 64, 73, 74, 80, 81, 82, 90, 95, 98, 101, 104
consommateurs · 28
contemporains · 38, 39
Conventional · 9, 80, 81, 82, 83, 84, 85, 86
Corporate · 3, 9, 59, 67, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79
customers · 10, 11, 12, 13, 14, 15, 19, 44, 65, 85, 94, 95, 97, 98, 99, 100, 101, 102, 103, 104

D

déforestation · 33
desirability · 20
determining · 59, 89
development · 12, 25, 26, 38, 39, 46, 47, 60, 62, 63, 64, 65, 88, 89, 90
Diganta · 78
Directors · 9, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79
disbursed · 84
disposition · 100, 101, 102, 103
Dominant · 92

E

earning · 80, 81, 82, 84, 85, 86
également · 31
encouraged · 16, 43, 47
enjeux · 38, 39, 48, 67
environmental · 40, 44, 59, 60, 76, 87, 88, 90, 91, 93
establishment · 59, 60, 73, 89
evidence · 14, 18, 59, 61, 62, 67, 69, 70, 71, 72, 74, 77, 86, 89, 90
Évolution · 49
Examination · 14
expectations · 12, 13, 65, 71, 97, 98, 99, 100, 101, 102, 103

F

Falshaw · 63, 64, 65, 67
Federally · 51, 52, 56
financed · 82, 85
fluctuating · 83

G

Global · 3, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100, 101, 102, 103, 104, 109
governance · 65, 69, 70, 71, 72, 73, 74, 75, 76, 77, 89
Governance · 39, 56, 69, 70, 77, 78

H

Hong · 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24
Hotels · 10, 11, 19, 22

I

Independent · 9, 18, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 100
Indian · 69, 70, 72, 77, 78
Industrie · 38, 39
industries · 14, 16, 30, 40, 41, 47, 88, 89
infrastructure · 101
intermédiaire · 30
Islamic · 9, 52, 80, 81, 82, 83, 84, 85, 86, 94, 95

J

judgment · 15, 70, 71, 72, 75, 76, 96, 97

K

Kong · 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24

L

l'accumulation · 27
Lessons · 10, 11
l'hypothèse · 45
liquidity · 80, 81, 82, 85, 86
Listed · 69, 70, 77
local · 3, 12, 45, 53, 89, 90, 94, 95, 101, 104, 105

M

magnified · 53
majoritairement · 42

management · 11, 12, 13, 14, 15, 16, 18, 19, 20, 38, 39, 40, 44, 47, 48, 59, 62, 63, 64, 65, 66, 69, 70, 71, 72, 73, 74, 75, 76, 77, 80, 81, 83, 84, 85, 86, 89, 90, 92, 98
Management · 3, 4, 5, 9, 10, 11, 13, 14, 17, 18, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 51, 52, 58, 67, 69, 70, 78, 80, 82, 83, 86, 87, 91, 92, 94, 95
mechanism · 59, 71, 72
model · 12, 16, 20, 22, 60, 63, 64, 66, 69, 70, 75, 81, 94, 95, 96, 98, 99, 100, 104

N

Nonetheless · 12
Non-Executive · 69, 70

O

occasions · 30, 65
Organizational · 13, 14, 15, 17, 18, 21, 22, 23, 89, 91, 92

P

Pakistan · 9, 51, 52, 53, 54, 55, 56, 57, 80, 81, 82, 83, 84, 85, 86, 88, 89, 91, 92
particulièrement · 44, 46, 47
perceptions · 14, 20, 96, 97, 98, 99, 100, 101, 102, 103, 104
pizza · 94, 95, 98, 99, 100, 101, 102, 103, 104, 105
position · 26, 28, 29, 72, 80, 81, 82, 85, 86, 88
Public · 6, 39, 69, 70, 72, 76, 95

Q

quality · 11, 12, 13, 17, 19, 20, 40, 43, 62, 80, 81, 82, 83, 84, 85, 86, 94, 95, 96, 97, 98, 99, 100, 104
Quality · 9, 21, 22, 23, 24, 80, 81, 82, 83, 94, 95, 96, 97, 98, 99, 100, 101, 102, 103, 104, 105
quantifiable · 60, 61
Quebec · 9, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51

R

reconnaissance · 43, 48
rémunération · 46, 47
renseignements · 34
Retailing · 21, 22, 23

S

sentidos' · 105
service · 10, 11, 12, 13, 14, 15, 17, 18, 19, 20, 29, 64, 94, 95, 96, 97, 98, 99, 100, 102, 104
SERVQUAL · 94, 95

sociologues · 29
Strategic · 9, 21, 22, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 76,
78, 91
strategies · 20, 60, 63, 64, 66, 77, 85, 90, 105
Suicide · 51, 52
suppression · 29, 32

T

Terror · 51, 52
Terrorism · 51, 52, 56

test · 15, 16, 18, 60, 80, 81, 82, 84, 85
Tribal · 51, 52, 56

W

War · 51, 52



save our planet

Global Journal of Management and Business Research

Visit us on the Web at www.GlobalJournals.org | www.JournalofBusiness.Org
or email us at helpdesk@globaljournals.org



ISSN 9755853

© 2011 by Global Journals