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Creating a Difference – The Store Ambience in Modern Day Retailing

By Ms. Sangeeta Mohanty, Ms. Chitra Sikaria
Balasore, Orissa

Abstracts - The dawn of 21st century has been welcomed by a changing culture in India. It's the change from the traditional retailing to the organized or modern retailing. Organized retailing is the buzz word in India in the 21st century. The Fact lies in the scope of the organized retail which forms only 4% of the total Indian retail market. India has miles to go but it will cover very briskly as per the various international studies. The overwhelming response towards the organized retailing by the youth bears testimony to it. The youth are to be considered just for the reason that the Indian population is a young population as approximately 60% of the total population is below 30 years of age. There are various reasons that have lead to the change in the shift from traditional to modern. One of them being the STORE AMBIENCE. The comfortable, happening, sophisticated calls the young mass. This article is an attempt to study the importance of a good store ambience in organized retailing.

Keywords : *Ambience, retail outlet, organized retail*

Classification: *GJMBR-A JEL Classification: L81*

CREATING A DIFFERENCE THE STORE AMBIENCE IN MODERN DAY RETAILING

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Creating a Difference – The Store Ambience in Modern Day Retailing

Ms. Sangeeta Mohanty[1] Ms. Chitra Sikaria[2]

Abstract : The dawn of 21st century has been welcomed by a changing culture in India. It's the change from the traditional retailing to the organized or modern retailing. Organized retailing is the buzz word in India in the 21st century. The Fact lies in the scope of the organized retail which forms only 4% of the total Indian retail market. India has miles to go but it will cover very briskly as per the various international studies. The overwhelming response towards the organized retailing by the youth bears testimony to it. The youth are to be considered just for the reason that the Indian population is a young population as approximately 60% of the total population is below 30 years of age. There are various reasons that have lead to the change in the shift from traditional to modern. One of them being the STORE AMBIENCE. The comfortable, happening, sophisticated calls the young mass. This article is an attempt to study the importance of a good store ambience in organized retailing.

Keywords : *Ambience, retail outlet, organized retail*

I. Store Ambience - A Differentiating Factor

Today when our country is orienting by imbibing the globalization trends, there are lot of things that are changing. One key to successful in this changing era is INNOVATION. This is no different for ORGANIZED RETAILING. The shopping experience of the customer, which is considered the most important aspect for the success of a retail store, is completely dependent on INNOVATION. The idea is simple - Enhance the customer satisfaction, to add value to the entire SHOPPING EXPERIENCE.

The three elements which complete the SHOPPING EXPERIENCE are:

1. Merchandise
2. Customer support
3. Store Ambience

The store atmosphere more commonly known as store ambience plays a very vital role in enhancing CUSTOMER'S SHOPPING EXPERIENCE. It supplements the other two elements mentioned above.

People like to be in good atmosphere, which in retail is the STORE AMBIENCE. The store ambience is an environment that is created by visual communications, lighting, music, colors etc., to generate a stimulus among the customer's perceptions & emotions that will affect their purchasing behavior. The store atmosphere is about HAVING A LOOK AND AN ENVIRONMENT that suits the target market & invites consumer for purchase. The Indian consumers generally shop from markets and areas which are tacky, filthy, stinking. They buy goods at bargained prices. But this trend is changing. Instead of moving into weekly haats, melas, mandis or any other traditional form of retail, consumers prefer walking into an air conditioned store to buy the products. Not only had this, but clean & tidy stores, high speed escalators, scented environment, arresting displays draw their attention making it more comfortable and fun to shop. Today the stores have become hotspots of entertainment for a major chunk of the population i.e., the YOUTH. The consumer expectation for modern retailing environment is accelerating at a very fast pace. In order to create an unparalleled experience with the retail store understanding the customer preferences is of prime importance. The store ambience is to be designed to make shopping easy and also give a comfortable feeling. It enhances the shopping experience by assisting the shoppers what they want from an assortment of products in the store. To create a favorable mindset of the consumer towards the store image and store position it is important to have an ambience that has the potential to make the shopping pleasurable by forgetting the bitterness of heavy prices to be paid for expensive products in the stores. With the growing trend of modernization, architects are designing stimulating storefronts and interiors that create an impression of distinctiveness. It helps satisfying the customers and to create a warm welcoming feeling which will certainly enhance a customer's mood and improve the chances of turning a single sale into a long-term relationship. It is incredible to make a sale but it is so much more profitable to keep the customer satisfied thus making developing customer loyalty. Store ambience also assists in enhancing the brand value of the various products. It helps to increase consumer footfalls and provokes them for repeated purchases. It is possible to attract the customers using the right mix of elements of store ambience. It is very simple- a poor ambience negatively affects the representation of the

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product. A good ambience is also required to facilitate the browsing process for products, which need to be touched & felt before being chosen like clothes. Store ambience acts as a promotion tool used to communicate the store's image. An attractive store ambience is just like 'an icing with cherries on the cake'. A striking store ambience draws the attention of the customer & enables him to take purchase decision within shortest possible time, and thus enhancing the selling process. The shoppers which comprise mostly of the youth desire a comfortable store, so that they can stay for longer on each visit. Shoppers would tend to buy at a leisurely pace in such stores. In many cases, these stores are also utilized for spending waiting or spare time or meeting up with friends. The store ambience is responsible to create a difference between a forgetful transaction and a memorable retail experience.

II. Research Methodologies and Data Collection

A random sampling technique was used in selecting the sampling units. Data was collected from 120 respondents of the different area of the city Bhubaneswar, Orissa, by using schedule method. The questionnaire was administered to each of the respondents who visited the retail store over one month period. The sample includes male and female, married and unmarried employees from different qualification, occupation, age group and income group. As the youth mass is the regular shopper, it was observed that major chunk of the respondents is youth. The data have been collected in the month of March 2009. In order to identify the important parameters of ambience of a store a questionnaire on different items related to the attributes was constructed on 5-point likert type scale in all eighteen attributes. The statements were measurable on a likert scale of 1-5; where 5 indicated strongly disagree and 1 indicated strongly agrees. The maximum focus was given on store front, lighting, music, store personnel behavior etc.

III. Objective of the Study

To find out the important reason of shifting from traditional to modern format.

To find out the parameters of ambience of a store

To find out the association between the age of the respondents and their preference to westernized outlook and the ad-ons of shopping experience.

To find out the association between the income of the respondents and preference to westernized outlook and the ad-ons of shopping experience.

IV. Tools and Techniques Used

The statistical tools used for this purpose are Multiple regression technique- It is used to find out the weightage of the dependent variable on independent variable.

Chi-square test of independence of attributes-its property is to find out the association between two variables. Ranking method-its basic property is to arrange a number of attributes in a particular order The data have been analyzed by using SPSS version-11.0

Hypotheses

(1) For age wise analysis the hypothesis of our interest is

H_0: There is no significant association between the age and the Preference of westernized outlook.

H_0: There is no significant association between the age and ad-ons of shopping experience.

(2) For income wise analysis the hypothesis is

H_0: There is no significant association between the income and the Preference of westernized outlook.

H_0: There is no significant association between the income and the ad-ons of shopping experience.

(3) For gender wise analysis the hypothesis is

H_0: There is no significant association between the gender and the Preference of westernized outlook.

H_0: There is no significant association between the gender and the ad-ons of shopping experience.

V. Analysis and Interpretation

1) Shifting from traditional to modern format

The tendency of shifting from traditional to modern format is correlated with ambience, convenience, quality and the involvement of MNC giving the international experience. Here the basic interest is to find out the weightage of the independent variables (ambience, convenience, quality and the involvement of MNC giving the international experience) on the predictor, "tendency of shifting from traditional to modernformat".

To find out the relationship between the gender of the respondents and their preference to westernized outlook and the ad-ons of shopping experience.

Let Y be the dependent variable

Y = the tendency of shifting from traditional to modern format.

B = the coefficient of determinant (a constant value)

X_1 = Ambience
X_2 = Convenience
X_3 = Quality

X4 = Involvement of MNC giving the international experience.

$$Y = B_0 + B_1 X_1 + B_2 X_2 + B_3 X_3 + B_4 X_4$$

Table-1 -Variables Entered/Removed

Model	Variables Entered	Variables Removed	Method
1	X4, X2, X3, X1	.	Enter

a All requested variables entered.

b Dependent Variable: Y

This table shows us the order in which the variables were entered and removed from our model. We can see that in this case three variables were added and none were removed.

Table-2 -Model Summary

Model	R	R Square	Adjusted	Std. Error of the Estimate
1	.625	.390	.268	8.80835

a Predictors: (Constant), X4, X2, X3, X1

Adjusted R Square value tells us that our model accounts for 39% of variance.

Table-3 -ANOVA

Model		Sum of	Df	Mean	F	Si
1	Regression	992.260	4	248.065	3.197	.0
	Residual	1551.740	20	77.587		
	Total	2544.000	24			

a Predictors: (Constant), X4, X2, X3, X1
b Dependent Variable: Y

This table reports an ANOVA, which assesses the overall significance of our model.

Table-4 -Coefficients

		Unstandardized Coeff.		Standardized	t	Sig.
Model		B	Std.	Beta		
1	(Constant)	33.871	22.26		1.521	.144
	X1-Ambience	.498	.216	.514	2.309	.032
	X2-	.227	.413	.111	.551	.588
	X3-Quality	.350	.962	.079	.364	.720
	X4-	-.285	.256	-.218	-1.113	.279

a Dependent Variable: Y

The Standardized Beta Coefficients give a measure of the contribution of each variable to the model. The t and Sig (p) values give a rough estimation of the effect of each predictor variable.

Ambience has the highest beta value (0.498), convenience and quality have the beta values (0.227) and (0.350), involvement of MNC giving the international experience has the negative value of (-0.285).Error variance is explained by constant by (22.267), followed by ambience (0.216), convenience (0.413), quality (0.962), involvement of MNC giving the international experience (0.256). Sample t-test correlates negatively for involvement of MNC giving the international experience (-1.113) with the tendency of shifting from traditional to modern format.

The multiple regression equation is

$$Y = 33.871 + 0.498\ X1 + 0.227\ X_2 + 0.350X_3 - 0.285X_4$$

Interpretation: The respondents have given more importance to ambience of the store and less importance to the variable "involvement of MNC giving the international experience".

2) Importance of the store ambience in attracting the crowd.

The importance of the store ambience is analyzed with respect to two attributes, westernized outlook and ad-ons of the shopping experience. We conducted a pilot survey on 30 people of different back ground and the majority of the responses favoured to these two attributes. In this case we have tried to find out the association between the personal background and the importance of the sore ambience in attracting the crowd. For this purpose we have performed chi-square test to test the relationship between age, gender, income and the importance of the sore ambience in attracting the crowd.

2.1) Westernized outlook-Gender wise Analysis

Table-5

Gender	Male	Female	Total
Yes	18	63	**81**
No	13	26	**39**
Total	**31**	**89**	**120**

Null hypothesis H_0: There is no significant association between the gender and the Preference of westernized outlook.

Alternative hypothesis H_1: There is an association between the gender and the Preference of westernized outlook.

Test statistic:

x^2 (Chi-square) $= \sum[(O-E)^2/E] = 1.495$

Tab. Val of $x^2_{(0.05)}$ at 1 d.f is 3.841

As, $x^2_{cal} < x^2_{tab}$, H_0 is accepted and H_1 is accepted rejected.

Interpretation: There is no significant association between the gender and the Preference of westernized outlook.

2.1.1) Westernized outlook -Income wise analysis.

Table-6

	<10,000	10,000-20,000	20,000-30,000	>30,000	Total
Yes	7	15	22	18	**62**
No	5	25	24	4	**58**
Total	**12**	**40**	**46**	**22**	**120**

Null hypothesis H_0: There is no significant association between the income and the Preference of westernized outlook.

Alternative hypothesis H_1: There is an association between the income and the Preference of westernized outlook.

Test statistic:

x^2 (Chi-square) $= \sum[(O-E)^2/E] = 11.671$

Tab. Val of $x^2_{(0.05)}$ at 3 d.f is 7.815

As, $x^2_{cal} > x^2_{tab}$, H_0 is rejected and H_1 is accepted.

Interpretation: There is an association between the income and the Preference of westernized outlook.

Westernized outlook -Age wise analysis.

Table-7

Age	15-25	25-35	35-45	45 and more	Total
Yes	23	32	21	2	**78**
No	7	10	10	15	**42**
Total	**30**	**42**	**31**	**17**	**120**

Null hypothesis H_0: There is no significant association between the age and the Preference of westernized outlook.

Alternative hypothesis H_1: There is an association between the age and the Preference of westernized outlook.

Test statistic:

x^2 (Chi-square) $= \sum[(O-E)^2/E] = 25.368$

Tab. Val of $x^2_{(0.05)}$ at 3 d.f is 7.815

As, $x^2_{cal} > x^2_{tab}$, H_0 is rejected and H_1 is accepted

Interpretation: There is an association between the age and the Preference of westernized outlook.

2.2) Ad-on of the shopping experience- Gender wise Analysis

Table-8

Gender	Male	Female	Total
Yes	21	55	76
No	10	34	44
Total	31	89	120

Null hypothesis H_0: There is no significant association between the gender and ad-ons of shopping experience.
Alternative hypothesis H_1: There is an association between the gender and ad-ons of shopping experience.
Test statistic:

x^2 (Chi-square) = $\sum[(O-E)^2/E]=0.349$

Tab. Val of $x^2_{(0.05)}$ at 1 d.f is 3.841
As, $x^2_{cal} < x^2_{tab}$, H_0 is accepted and H_1 is rejected
Interpretation: There is no significant association between the gender and ad-ons on shopping experience.

2.2.1) Ad-on of the shopping experience - Income wise analysis.

Table-9

Income	<10,000	10,000-20,000	20,000-30,000	>30,000	Total
Yes	5	20	28	16	69
No	7	20	18	6	51
Total	12	40	46	22	120

Null hypothesis H_0: There is no significant association between the income and ad-on of the shopping experience.
Alternative hypothesis H_1: There is an association between the income and ad-ons of shopping experience.
Test statistic:

x^2 (Chi-square) = $\sum[(O-E)^2/E] = 4.45$

Tab. Val of $x^2_{(0.05)}$ at 3 d.f is 7.815
As, $x^2_{cal} < x^2_{tab}$, H_0 is accepted and H_1 is rejected
Interpretation: There is no significant association between the income and the ad-ons on shopping experience.

2.2.2) Ad-on of the shopping experience -Age wise analysis.

Table-10

	15-25	25-35 years	35-45	45 and more	Total
Yes	22	31	10	8	71
No	8	11	21	9	49
Total	30	42	31	17	120

Null hypothesis H_0: There is no significant association between the age and the ad-ons on shopping experience.
Alternative hypothesis H_1: There is an association between the age and the ad-ons on shopping experience.
Test statistic:

x^2 (Chi-square) = $\sum[(O-E)^2/E]= 16.53$

Tab. Val of $x^2_{(0.05)}$ at 3 d.f is 7.815
As, $x^2_{cal} > x^2_{tab}$, H_0 is rejected and H_1 is accepted

Interpretation: There is an association between the age and the ad-ons on shopping experience.

3) Attributes of Ambience of a Retail Store

The importance of the physical environment in a retail setting has long been recognized. The retail environment has an impact on an array of consumer emotions and attitudes of choosing a store. The analysis of Shifting from traditional to modern format resulted that ambience of the store is the main reason of such shifting. It is therefore necessary to assess the important factors influencing the ambience of a store. There are so many factors, but we have included the following factors only. The data have been collected on 5-point likert type scale in all eighteen attributes. The statements were measurable on a likert scale of 1-5; where 5 indicates strongly disagree and 1 indicates strongly agree.

Table-11

RANKING OF THE PARAMETERS ON THE BASIS OF IMPORTANCE WITH REGARDS TO A RETAIL							
Rank	1	2	3	4	5	Rank sum	Rank
1. Lighting	1x30	2x28	3x19	4x17	5x26	341	5
2. Music	1x35	2x20	3x12	4x17	5x36	359	6
3. Marquee	1x43	2x32	3x20	4x16	5x9	276	3
4. Store Front	1x72	2x28	3x10	4x6	3x4	194	1
5. Display Windows	1x69	2x32	3x8	4x5	5x6	207	2
6. Scent (Smell)	1x9	2x13	3x16	4x37	5x45	456	12
7. Fixtures	1x11	2x13	3x17	4x39	5x40	444	11
8. Temperature	1x8	2x13	3x15	4x36	5x48	463	14
9. Hygiene	1x25	2x16	3x10	4x27	5x42	405	8
10. Theme Setting	1x31	2x32	3x20	4x19	5x18	321	4
11. Posters, Signals, cards	1x20	2x21	3x15	4x32	5x32	395	7
12. Floor Space	1x15	2x12	3x8	4x46	5x39	442	9
13. Product Grouping	1x10	2x11	3x12	4x36	5x51	467	16
14. Traffic Flow Pattern	1x9	2x10	3x15	4x40	5x46	464	15
15. Colors used	1x13	2x14	3x12	4x39	5x42	443	10
16.Store Personnel Behavior	1x9	2x12	3x16	4x38	5x45	458	13
17. Efficient Billing systems	1x9	2x9	3x10	4x36	5x56	481	17
18. Availability of a cafeteria	1x5	2x8	3x9	4x43	5x55	495	18

Interpretation: From the above analysis we observed that the attributes Store Front, Display Windows and Marquee have the lowest rank sum. So, we conclude that the Store Front, Display Windows and Marquee are the prime factors of ambience, where as the least preference goes to Efficient Billing systems and the Availability of a cafeteria.

VI. Conclusion

Beyond doubt there is no free lunch. The retailers have to shell out a huge chunk of there investment just to create this shopping experience, but ultimately it is the customer himself who has to bear the load of this investment by paying higher prices for this SHOPPING EXPERIENCE. With competition getting stiffer & stiffer day by day, and the availability of the same brands across all stores, the only way out to differentiate is to STAND OUT of the crowd. Ambience and facilities are more important in cases where the shopper spends more time within the store. Out of the above the more challenging is the execution. It is very evident that customer experience of the store ambience has the ability to make a large difference to a retailer's performance.

The paper explores the following findings in that light.

The respondents have given more importance to ambience of the store and less importance to the variable "involvement of MNC giving the international experience".There is no significant association between the gender and the Preference of westernized outlook, but income And age are associated significantly with Preference of westernized outlook.Income and gender are not significantly associated with ad-ons of the shopping experience. Whereas age is significantly associated with ad-ons of the shopping experienceStore Front, Display Windows and Marquee are the prime factors of ambience, where as the least preference goes to Efficient Billing systems and the Availability of a cafeteria.

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Annexure

SWOT Analysis

STRENGHTS	WEAKNESS
➢ Use of modern technology to succeed over the unorganized retailers ➢ Use of SCM, EDI & ERP etc. packages to minimize cost ➢ Bulk buying & large storage capacities help to reduce cost ➢ Close coordination with the vendors leading to reduction in time & cost	➢ More number of window shoppers than actual consumers ➢ Low conversion rate of footfalls into consumers ➢ Low consumer loyalty for a store as they get the brand in other stores also. ➢ Retail majors are experiencing a ROI of 8-10%.
OPPORTUNITIES	**THREATS**
➢ Growing population with the rise of middle class income group. ➢ The organized Indian retail industry is just 3% of the total retail industry with an expected growth rate of 25 – 30 % p.a. ➢ Emergence and growth of the organized retail in tier II cities ➢ Potential to tap the 70% untapped rural population offering a lucrative market.	➢ Unorganized retailing a major threat by offering a parallel market to the organized retail. ➢ Prevalence of window-shopping instead of shopping culture. ➢ The stores used as hangout places with friends & families instead for shopping.

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Strategies and Performance of New Mexican Emerging Multinational Enterprises

By José G. Vargas-Hernández

Abstracts - This paper is aimed to analyze the rise of New Mexican emerging multinational enterprises (MexEMNEs) into the global market. There is a growing interest in the study of these emerging multinationals among scholars. Several theoretical perspectives are reviewed which can give an explanation of the emergence of Mexican multinationals and support their expansion in overseas markets. Then, it is analyzed the strategies these multinationals implement and their performance and in doing so, several profiles of MexEMNEs are described and examined. It is intended to set up scenarios for future development. Finally, it is concluded that the survivor Mexican firms of this process of "creative destruction" have transformed into capable and innovative MNEs in order to look and move ahead and take advantage of the challenging new opportunities.

Keywords : *Mexican emerging multinational enterprises, performance, strategies.*

Classification: *GJMBR-B JEL Classification: F21, F23, M16*

STRATEGIES AND PERFORMANCE OF NEW MEXICAN EMERGING MULTINATIONAL ENTERPRISES

Strictly as per the compliance and regulations of:

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José G. Vargas-Hernández

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Keywords: Mexican emerging multinational enterprises, performance, strategies.

I. Introduction

The term multinational has meant the expansion of American firms around the globe. During the 1970s and 1980s "Third World multinationals" were identified and characterized by a number of authors. However, their foundations have changed over time under the competitive advantage strategy of the global economy era. Profound economic changes in emerging economies during the 1990s resulted in a more competitive environment that forced large firms to develop new strategies, build new capabilities and move into more global competitive markets.Newer emerging multinationals enterprises (MNEs) from emerging economies are in the process of transforming the global foreign direct investment (FDI). The emergence of rapidly developing economies is characterized by a wave of economic growth and the rise of local enterprises to become "global challengers" (BCG, 2009) that are globalizing their business and challenging the traditional American model of modern multinational enterprise (MNE). The emergence of this "global challengers" is a trend, although this new emerging multinationals are hardly world leaders in their industry or market niches. Mexico had been host economy for multinationals from developed countries. Foreign policy entered México when this country changed trade policy from an economic model of import substitution to an export oriented strategy model. Trade liberalization policy has changed the behavior of large Mexican firms providing incentives to internationalize their activities. The Mexican emerging multinational enterprises (MexEMNEs) are involved in broader processes of economic globalization of Mexico post-NAFTA (North American Free Trade Agreement). After 15 years of the implementation of NAFTA, Mexico has become the 12th largest economy of the world and one of the leading world exporters in manufacturing goods (Banco de México, 2006). In the late 1990s, large Mexican firms that survived market reform and structural adjustment policies started to invest overseas. Since then, new multinationals are rising in Mexico as well as other emerging economies are changing the corporate world. The analysis of Suarez and Oliva (2002) shows that emerging multinationals are successful survivors from the complex competitive environments of structural economic reforms in the stages of turnaround and catch-up, expansion, acquisition of new capabilities and quest for industry leadership.

Although this New Mexican emerging multinational enterprises (MexEMNs) share common structural features with emerging multinationals from other countries, they have the imprinting of specific national experiences. Mexican new multinationals have irrupted on a global scale multiplying investments beyond the borders to lead their business sectors. Mexican emerging multinational enterprises (MexEMNs) rank among the most global and largest firms. Este trabajo tiene por objetivo This paper is aimed to analyze the rise of New Mexican emerging multinational enterprises (MexEMNEs) into the global market.

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II. Theoretical perspectives

Various social sciences have contributed to study multinational enterprises in emerging economies. Conventional theories of economics and modern theories of multinational enterprises have not predicted the emergence of large new multinationals from emerging economies (Wells, 2007). Research on new emerging multinational enterprises began in the eighties when they still represented a minor threat to the traditional multinationals, which simply ignore the rise of these new global business corporations.The multinationals enterprises (MNEs) originating from emerging economies have been referred as "Third-world multinationals by Wells (1983), "latecomer firms" by Mathews (2002), "unconventional multinationals" by Li (2003), "Challengers" by BCG (2008), "emerging multinationals" by Accenture (2008), "new multinationals" by Guillén and García-Canal (2009) and "emerging market multinational enterprises" (EM MNEs) by Luo and Rui (2009). However, the semantic of these terms are confusing the debate although may be other that may describe better the phenomena.

Emerging market multinational enterprises have been researched from several theoretical approaches:

- The evolutionary process perspective is a behavioral approach that focuses on roots, causes and features of a gradual internationalization of firms. The Uppsala model considers that organizations develop incrementally learning processes which affect the investment decision making behavior. The Uppsala model is one of the theories describing the internationalization process of firms, stating that firms first choose to enter nearby markets with low market commitment. This model connects psychic distance with of density of ethnic ties which result in cultural and institutional proximity between two countries which provide market opportunities to cater demand of Mexican products (Vasquez-Parraga and Felix, 2004).
- In this sense, Mexican emerging multinationals enterprises (MexMNEs) have a strong presence not only in Latin American, Ibero American markets, including Spain, but also in Hispanic markets in United States and wherever there are Mexican migrants or population with Mexican background. However, it must be recognized that determinism is one limitation of the Uppsala model.
- The springboard approach sustains that global expansion of MNEs is a response to their moves on global markets (Luo and Tung, 2007; Mathews, 2002).
- Government steward logic approach postulates that MNEs receive political mandate to invest abroad to acquire the needed scarce natural resources (Deng, 2004; World Investment Report (WIR), 2006). This political mandate may be more logical for state-owned enterprises. State ownership enterprises have enjoyed a protected domestic market and have received political commitment to invest overseas and have turned into the new emerging multinationals.
- New emerging multinational enterprises as a large monopolistic firms tend to diversify functions and locations to have more access to scarce resources following a strategy of international exploitation. Large firms tend to undertake international expansion expecting that diversification can avoid the costs of inefficient capital markets (Khanna and Rivkin, 2001). Also these emerging multinational enterprises may follow a strategy of exploration to capitalize on existing or creating and developing resources and technological capabilities, which leads to invest more in home-countries (Goldstein, 2007, Hoskisson, et al., 2000).
- Strategic management theory focusing on performance differences of emerging multinationals considers their competitive advantages in a global context in order to develop new capabilities and strategies. Bartlet and Ghoshal (2000) concluded that emerging multinationals overcame the same core challenges to compete in a global market by adopting strategies to become the late mover as a source of competitive advantage and developing a cross-border learning culture. Strategic intent approach considers that outward foreign direct investments (OFDI) by MNEs are aimed toward the acquisition of strategic assets (Child and Rodriguez, 2005; Rui and Yip, 2008).
- One characteristic of trade's oriented foreign direct investment is that "it is an investing country´s comparatively disadvantaged industry that invests overseas, to achieve a stronger comparative advantage trough providing appropriate capital goods and technology…to its production subsidiary in the foreign country" (Goldstein, 2007: 75). In fact, foreign direct investment is one mean of emerging multinationals to increase market power perpetuating the monopolistic role of multinationals in foreign markets.
- Institutional escapism argue that MNEs try to avoid less developed institutional arrangements and environments by going global (Cuervo-Cazurra and Gengc, 2008; Witt and Lewin, 2007; Yamakawa, Peng and Deeds, 2008). Firms may have different institutional arrangements and environments, however those firms that have domestic constrained institutional environments may be more willing to search for better opportunities abroad.

- The ambidexterity perspective argues that MNEs are ambidextrous organizations “pursuing simultaneous fulfillment of two disparate, and sometimes seemingly conflicting objectives” (Luo and Rui, 2009: 50). This perspective suggests that MNEs have four dimensions of ambidexterity: Co-orientation, co-competence, co-opetition and co-evolution.
- Resource-based view and dynamic capabilities approach sustains that the expansion of emerging multinationals is the result of the growth of the firm. According to the theory of firm-level growth (Penrose, 1955), management of emerging multinationals coordinate bundles of resources without any limits to achieve scope economies. Multinationals arise as efficient instruments to transfer knowledge across borders (Kogut and Zander, 1993). Firms posses' different capabilities.
- The eclectic or OLI paradigm based on transaction cost economics emphasizes categories of ownership or firm specific advantages and core competences, localization or country specific advantages and internalization or structural governance advantages. The eclectic paradigm conceptualizes decisions to invest abroad in terms of market, product and industry characteristics (Godstein, 2007: 74). Outward foreign direct investment is driven by “differences in rates of return and capital abundance” (Goldstein, 2007: 74).

III. Expansion of New Mexican Emerging Multinationals Enterprises

New multinationals from emerging countries have either given opportunities or posed a threat to conventional multinationals from advanced economies. The entries and expansion of these “new” Mexican emerging multinational enterprises (MexEMNs) to the international markets have followed different patterns from that of the American Model of the multinational enterprise (Guillén and García Canal, 2009: 23) which dominated the international economy during the Post World War II period, characterized by “…foreign direct investment (FDI) aimed at exploiting firm-specific capabilities developed at home and a gradual country-by-country approach of internationalization…”.The “new” multinationals from the emerging economies have followed different pattern of global expansion. New multinationals from emerging economies invested overseas in wholly owned subsidiaries, joint ventures or branches (Wells, 1983). In order to invest abroad, emerging multinationals must have some firm-specific advantages over competitors such as low-cost, economies of scale, product differentiation, technological know-how and others. However, a recent trend of Latin American multinationals is described by Goldstein (2007:7) stating that they “have lost leadership that was theirs for most of the 20th Century”. The entry to global markets, expansion and proliferation of the “new” multinational enterprises (MNs) originating in emerging economies, such as the case of Brazil, China, India and México, during the last two decades, have surprised policymakers and analysts. The Boston Consulting Group (2006) identified 6 Mexican MNEs out of top 100 emerging multinationals. The 2009 Boston Consulting Group (BCG) 100 new global challengers are based on 14 rapidly development economies (RDEs), including Mexico.

IV. Characterization of New Mexican Multinational Enterprises (MexMNEs)

New Mexican emerging multinationals (MexMNEs) operates within a range of economic sectors although they are more concentrated in construction, telecommunications, food and beverages and some others. Large economic groups and foreign multinationals control industries in México and there are evidences that these groups will remain playing an important role, although there is evidence also that the stock market is growing slowly. According to the analysis of Grosse (2007b), Mexican large economic groups are 100 percent family control, although the structure of most emerging Mexican MNEs is one of the open societies publicly listed and no longer directly or indirectly controlled by the state.The industrial sector has changed in México during the last 30 years in Mexico. A close analysis to changes in the structure of industry from 1970 to 1992, measured by the structural change index, shows that engineering intensive industries has grown from 12.0 to 15.6 during this period and automobiles from 8.4 to 18.6, while natural resource intensive industries and resources processing industries has dropped from 43.2 down to 40.8 and labor intensive industries from 36.4 to 25 (Katz, 2007). The automobile industry in Mexico has expanded strongly. According to the KOF (2010) Index of Globalization, Mexico is neither one of the World's 15 most globalized countries nor one of the World's least globalized countries. Despite the structural reform and major economic liberalization efforts introduced in the last three decades, Mexico is consistently lagging behind in the globalization process. 2010 KOF Index of Globalization ranks Mexico in 71, and 81 in economic globalization, among 208 countries based on data from the year 2007.

However, Mexican new MNES are taking advantage of global reach and scale resulting from economic globalization processes, technological changes and increasing market competitiveness, by strategizing to succeed in a complex and uncertain international environment. The Mexican emerging MNEs are taking up the strategy of globalization further beyond the export phase of economic development. Mexican

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New MNEs are taking advantage of free trade agreements to search for partners to make strategic alliances with international businesses to get into foreign markets. Table 1 shows destinations of Mexican foreign direct investment in Latin America in 2005. “New” Mexican emerging multinational enterprises (MexEMNs) have been investing in greenfield and acquiring local companies in American, African, Asian and European markets. Before the 2000s the overseas investments by Mexican companies was very limited and practically nonexistent. Since 2000, Mexican firms have conducted a massive global expansion based on outbound mergers and acquisitions mostly through Latin-American, which have given the New Mexican emerging multinationals (MexEMNs) several positions in the global market.

Table 1. Country’s destination of Mexican foreign direct investment by cumulative inflows

Destination countries	Cumulative FDI inflows
Argentina	4
Costa Rica	8

Source: Based on estimations of Goldstein (2007)

Since 2000, there is a pattern of increasing outward foreign direct investment of Mexican MNEs. In 2004, the Mexican direct investment abroad was 17. 5 billion dollars and the tendency are to increase as Mexican companies are becoming more competitive (Banco de México, 2006). In 2005 reached $6.2 billion. More details are provided in table 2. The Boston Consulting Group (BCG) has identified several patterns that are being followed by the emerging Mexican MNEs in their strategies of internationalization and globalization processes of operations: To become global brands, to turn technological capabilities into global innovation, to acquire and monetize natural resources and commodities and to implement new business models to multiple markets, such as the case of CEMEX.

Table2- Foreign direct investment (FDI) outflows and outward foreign direct investment stocks from Mexico (US$ m.)

Year	Foreign direct investment (FDI) outflows from Mexico (US$ m.)	Outward foreign direct investment stocks from Mexico (US$ m.)
1989		840
1995		2, 572
1992-1998	549	
1999	1, 475	
2000	984	7, 540
2001	4, 404	11, 944
2002	930	12, 067
2003	1, 784	13, 645
2004	2, 240	15, 885
2005	6, 200	

Sources: Based on estimations of Goldstein (2007) with UNCTAD data at www.worldinvestmentreport.com and Banco de México (2006)

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Mexican new MNEs are heterogeneous, from holdings of businesses such as Carso Grupo to single industry such as CEMEX (Cementos Mexicanos). The diverse patterns of transformation from domestic to global businesses have been already studied for the most successful cases: Telecommunications is linked to privatization, engineering services to professional development, financial and banking sector to privation and media and entertainment to government restrictions (López Villafane and Ruiz Durán, 2006).

Mexican MNEs have developed a set of technological core competences that enable them to compete in the international markets. Mexican MNEs in construction, chemicals, telecommunications, etc., face lower hurdles to adopt technology, have developed technological capabilities and become competitive in the global market in medium and high technology manufacturing sectors. High technology business has been developing a "culture for transnational operations" (López Villafane and Ruiz Durán, 2006) such as the case of the software industry. In this sense, the emerging Mexican MNEs are seeking proactively the best talent available.The development of ethnic brands is considered a pattern of expansion (Guillén and García-Canal, 2009). Mexican MNEs invest in ethnic markets to cater the consumers that belong to Hispanic and more specifically the Mexican communities. However, although the ethnic, language and cultural heritage is considered an advantage, however had been reported by Mexican MNEs as one of the main barriers to enter foreign markets (Tavares, 2007). As Mexican MNEs scramble to establish their foothold in overseas markets, the cultural limitations and impediments are more evident on operational and staffing practices. Therefore, Mexican MNEs abroad are challenged by local economic and cultural practice.

V. Strategies Implemented by Mexican Emerging Multinational Enterprises

The pragmatic neoliberal economic, fiscal and monetary policies implemented in México in the last 25 years have pervaded the corporate governance and managerial practices. Also, the pragmatism of entrepreneurs has provided the moorings for corporate strategies of the emerging Mexican MNEs (Santiso, 2006; Feenstra and Hamilton, 2006).A pattern of expansion of Mexican MNEs is that one centered on firms producing goods based on in raw materials industries and the availability of natural resources, such as cement.

Grosse and Thomas (2007) interviewed 15 Mexican firms in 2004-05 known to have pursued high levels of business diversification, and found as the key competitive advantages in large Mexican MNEs for overseas competition. Table 1 gives more details of sources of competitive advantages in large Mexican multinational enterprises.

Table 3: Sources of competitive advantages in large Mexican MNEs

Competitive advantage	Description	Examples	Sources
Low-cost production	Based on small-scale manufacturing or low wages	Gigante, FEMSA	Grosse and Thomas 2007; Wells, 1983; Peres, 1998.
Superior product or service quality	Better phone service, higher-quality shows; superior parts	Televisa, TV Azteca, DESC	Grosse and Thomas 2007.
Ties to existing clients	Suppliers to MNEs	DESC	Grosse and Thomas 2007; Wells, 1983.
Ethnic connections		Televisa, Gigante	Grosse and Thomas 2007; Lall, 1984; Thomas & Grosse, 2005.
Technology		CEMEX	Grosse and Thomas 2007; Lall, 1984; Thomas & Grosse, 2005.
Membership in economic group	Ability to realize economies of scope	Multivision; Carso; Salinas	Grosse and Thomas 2007; Khanna & Palepu, 2000.

Source: Based on Grosse and Thomas (2007)

The forms analyzed by Grosse and Thomas (2007) developed sprawling distribution channels involving a massive pool of resources which contributed to the firms to expand abroad.The key advantages in overseas competition for Mexican firms is the low-cost production based on small-scale manufacturing or low wages (Wells, 1983; Thomas and Grosse, 2005; Peres, 1998) and offshore production for industrial-country clients (Wells, 1983), ties to existing clients such as suppliers to MNS and ethnic connections (Lall, 1984), technology (Lall, 1984; Grosse and Thomas, 2007). Grosse (2007a) found the strengths that enable MNEs to compete in domestic and foreign markets are high-quality products and services, low-cost production, control over distribution channels and good relationships with government and other institutions.

Grosse (2007b) also report the key competitive strengths of Mexican economic groups, production of high quality products and /or services in the industries of auto parts, publishing, construction, TV and telephone; production of low costs products in auto parts, beverages, books and retail stores; relationships with existing clients, in industries of auto parts and beverages; superior distribution network in airline, beverages, conglomerate, publishing, retail stores, telephone; superior service in airline, retail stores and telephone and diversification in TV and conglomerate.

The strategies implemented by the New Mexican emerging MNEs range from restructuring, mergers and acquisitions to attraction of foreign investment, although vertically integrated business into multinationals in an open economies is becoming an obsolete strategy. Mexican emerging multinationals use mergers and acquisitions to expand their overseas projects of innovation and manufacturing bases to build global recognition, even if they lack competitive advantages such as portfolio of intellectual property rights, economies of scale, market power, etc. Since 2006 there is a large wave of huge acquisitions from Mexican emerging MNEs confirming that the strategy of grow through mergers and acquisitions is becoming stronger among them (See table 4 below).

Table 4: Selected Mexican emerging multinational enterprises' acquisitions in the OECD market

Mexican multinational enterprise	Target OECD company	Description
CEMEX	RMC (UK)	Completed the US$4.1 bn. Acquisition in February 2005.
Gruma Corporation	Nuoba de Franceschi and Figli (Italy)	The world's largest tortilla producer bought 51% of the US$27 m. maize manufacturer in July 2004, with a view to integrate it with its UK factory.
Gruma Corporation	Ovis Bosque (Netherlands)	Took over Europe's biggest flour tortilla manufacturer. Sales Euros20m, in 2004.
Kosa	Hoechst Celanese's polyester fiber plants (Germany)	Bought when the German company decided to move to higher-value synthetics. KoSa a U.S.-Mexican venture managed by Mexicans, is now the world's leading polyester maker.

Source: Based on Goldstein (2007)

In fact, the results of the survey conducted by United Nations Economic Commission for Latin America and the Caribbean (ECLAC) shows (ECLAC, 2006) that risk diversification is one of the major benefits of outward foreign direct investment (OFDI) more than to be a major motivation for internationalization (Tavares, 2007), although the largest Mexican MNE CEMEX was not considered by the survey. However, because Mexican MNEs are averse to risk investments overseas, they look for safer portfolio allocation of opportunities in the US market than in Chinese market for example. CEMEX has had risk management as a major motivation for internationalization of its operations. The analysis of fifteen competitive Mexican largest economic groups conducted by Grosse and Thomas (2007) found that their strategies focused on traditional competitive advantages in production and distribution efficiency and high-quality and lower-costs relative to home and foreign competitors, were more important than diversification. Regarding the effects of the "Tequila crisis" of 1994-95 on MNEs found difference between those having greater overseas diversification being more successful than the more domestically oriented firms. Risk diversification has been a major motivation for internationalization of Mexican multinationals. More diversified firms achieved better financial performance. Domestic capitals that survived economic crisis learned to compete in the global market. According to Grosse and Thomas (2007:255) "Overall, the large Mexican groups appear to be able to compete overseas not on the basis of technological superiority or economies of scale but due to their ability to build distribution channels in Latin America, to follow existing customers to other countries, and to sell high-quality products and services, often to the Hispanic market, in the United States or in Latin America". This statement is truth for the geographical area of the Americas but what about the Mexican MNEs doing business in Europe, Asia, Africa and Oceania?

VI. Performance of mexican emerging multinational enterprises' competitiveness

It is quite difficult to measure the performance and gauge the real impact of Mexican emerging multinationals. Lack of opportunities and incentives for large Mexican companies in the domestic market have pushed them going abroad to widen their business and benefit from global markets. Deregulation of the market in Mexico occurred since the last years of the 80s but the turning point was the entry to the North American Free Trade Agreement (NAFTA) in January 1st, 1994, which had an impact on the more-diversified Mexican firms. Between 1994 and 2000, the information technology (IT) manufacturing boomed, the electronics sector and the value of exports grew by 500 percent (Zarsky and Gallagher, 2007). However, the flagship MNEs shut down most operations during the industry shakeout of 2001-03. The researchers found two factors as being the main cause of the failure: A shift in global strategy towards outsourcing, and the lack of an active policy to support foreign investments. According to the analysis of Grosse and Thomas (2007:262) the "more-international firms had superior performance than the more domestic group…", which is leading to the conclusion that greater internationalization correlates with higher performance.

Mexican MNEs have emerged as successful global companies in areas with intermediate levels of technological innovation, after overcame the internal conditions and difficulties of two financial crises. However, according to Grosse and Thomas (2007:257) the internationalization of Mexican companies "appears to be moderately positive in defusing the impact of the tequila crisis in México". Mexican companies that were doing business abroad were more successful in surviving the tequila crisis because exports were more internationally competitive.There is a rising group of large Mexican companies that have been increasing global competitiveness pursued through diverse proactive business strategies to build up a position in the global market and becoming multinationals (Garrido, 2006), although the statistical analysis of Grosse and Thomas (2007:257) "give a limited amount of insight into the strategies of large Mexican groups in the turbulent 1990s". A puzzling phenomenon is the fact that there were more Mexican emerging multinational enterprises (MexEMEs) in the first years of the 1990s, then diminished the last years and rose again in the early years of 2000s. From 1999 to 2002, CEMEX was the only one Latin American nonfinancial MNEs ranked by foreign assets that made it to the UNCTAD's list of the top 100. However, Goldstein (2007) has reported among the top 50 emerging multinationals ranked by 2003 foreign assets, CEMEX in 5th place, America Movil in 6th and Bimbo in 47 while measured by 2002 foreign assets, Gruma in 40th place, Savia 43th, Grupo Imsa 44th, and Cintra 49th. Among the top emerging multinationals Mexico had 3 listed in 1993, 7 in 2002 but only 3 in 2003 (Goldstein, 2007). Sklair and Robbins (2002) identified a downward trend in multinationals of three Latin American emerging economies, Argentina, Brazil and México, listed in Fortune top 500: Multinationals from these three countries represented 33 percent in 1965 and only 16 percent in 2001. In 2005, among the World´s 50 largest MNEs from emerging economies, ranked by foreign assets, CEMEX, an industry in construction materials was number 5, América Móvil in Telecommunications, was number 6. Grupo Bimbo, S.A. de C.V. in the food industry was 46 and Gruma in the industry of food and beverages was number 48 (UNCTAD, 2005: 270-71). In the 2006 UNCTAD's list of nonfinancial transnational corporations of developing countries ranked by foreign assets, the Mexican new MNEs listed are CEMEX, Telmex and America Movil and Grupo Bimbo.The top 2000 global enterprises recorded by Forbes (2005) lists about 20 Mexican multinationals. Also Fortune 500 (Fortune, 2006, July 24) lists 5 Mexican global companies out of 500 global companies. Mexican new multinationals have multiplied mergers and acquisitions outside Mexico in the last ten years. The acquisitions in Latin America by Mexican companies from 2000-2006, excluding internal market was 10, 217 US$ million (BBV Corporate Finance, 2006) the highest of Latin American countries. Mexican emerging multinational enterprises (MexMNEs) are among the largest number of employees in United States. Goldstein (2007) analyses the impact on employment at emerging Mexican multinationals' affiliates in selected OECD countries using different data bases for different years (See below table 5).

Table 5: Employment at emerging Mexican multinationals' affiliates in selected OECD countries

Selected OECD Country	Employment at emerging Mexican multinationals' affiliates	Database
USA	49 100	Preliminary results for the 2002 benchmark survey. Foreign direct investments in the United States: Operations of U.S. affiliates of foreign companies.
Japan	215	Geishiskey Kigyo (2003). Year-end 2002 figures.
Germany	400	Year-end 2003 figures.
France	200	Source: Insee (Lifi survey) - Diane. Year-end 2002 figures: Agriculture and finance excluded.
Italy	3	Mariotti and Mutinelli (2005)
Sweden	0	ITPS (2005)
Netherlands	0	Statistics Netherlands Analysis of Inwar FATS Information (Business Register, 2005, and Data Collection, 2003, on Enterprise Group financial statistics.
Austria	0	Figures for 2001, joint Oesterrichische Nationalbank and Statistics Austria pilot study of Inwar FATS.
Total	47 918	

Source: Own design based on Goldstein (2007: 23)

In 2005, Mexico is the second just after Brazil in outward foreign direct investment (Santiso, 2007). Mexican companies included in the major 100 Latin American companies (América Economía, 2006) sold 46.7 as percentage of total sales were made in foreign markets, mostly in United States.The main outward investors from Mexico are Grupo Mexico in mining, la Moderna-Seminis in agribusiness, Techint (formely Hylsamex) in steel and other metals and metals products, Cemex in cement, Grupo Vitro in Glass, Grupo Maseca and Grupo Bimbo in Food Products, Femsa and Jugos del Valle in beverages, Dina and san Luis Rassini in Auto Parts and Vehicles, Mabe in domestic appliances and parts, electronics, America Movil in telecommunications, ICA in engineering and construction, Elektra in retail, Televisa in television, CIE in entertainment and Grupo Posadas in hotels. (Tavares, 2007).The 2009 BCG global challengers lists seven Mexican companies among them América Móvil, Cemex, Femsa, Gruma, Grupo Bimbo, Mexichem and Nemak. Mexichem is new to the 2009 BCG 100.

VII. Analytical Description of the New Mexican Emerging MNEs

Alfa is a conglomerate operating in a wide range of industrial sectors although in the last years the strategy is aimed to strengthening only the most profitable business, and thus selling Hylsamex to Techint in 2005. Hylsamex has been the largest acquisition of Techint. This strategy favored the expansion of Nemak operations to supply its products to automobile plants in North America, South America, Europe, Australia and China. Other strategic business of Alfa is Sigma in the food sector and the petrochemical industry. Alfa has partnerships and strategic alliances with firms in Unites States, Europe, Japan and South America.

CEMEX is a global competitor well knows world-wide MNN, the third largest cement company in the World, just after Lafarge (French) and Holcim (Swiss), and the largest of Latin America (UNCTAD, 2005). Among the top 50 multinationals based in emerging economies, measuring foreign assets CEMEX was ranked first in 1993, second in 2000, third in 2001, fourth in 2002 and fifth in 2003 (Goldstein, 2007 with data CEMEX produces several products of cement which have achieved the second and third largest producer depending on a specific product. After a prominent rise from local-base company in Monterrey to the second largest cement company in the world, CEMEX became one of the most prominent companies in a capital-intensive business, operating in more than 50 countries. In mid-1970s, CEMEX started to export to the Southern United States, Central American and the Caribbean region. Because the antidumping regulations were rife, CEMEX oriented its strategy towards foreign direct investment. The internationalization strategy of CEMEX had as a major motivation the risk management. As a consequence of the 1982 crisis, the aggressive strategy of CEMEX was to consolidate its position in the national market through acquisitions of cement plants, finding innovative ways of paying using domestic capital markets. The strategy of CEMEX centered on processes of innovation is leading to become one of the stronger world/wide competitors in the cement industry. In 1992 Cemex invested on Valenciana and Sanson, two Spanish cement plants. During the Mexico's 1995 economic crisis CEMEX channeled offshore production into foreign markets as Florida and Puerto Rico and scooping up cement mixers in Colombia, Dominican Republic, Panama, Trinidad, Venezuela. During the Asian crisis in 1997 CEMEX took advantage and bought cement plants in Indonesia and Philippines.

CEMEX reinforced its international operations through the strategy of diversification until becoming the second largest cement company in the world. However, the competitiveness of CEMEX is higher in the emerging markets. CEMEX became a multinational corporation by acquiring and absorbing companies all over the world: United States, Latin American countries, England, Spain, Egypt, Indonesia, Philippines, etc. CEMEX Acquired Southdown, Inc. in United States in 2000 and RMC in the United Kingdom in 2005 motivated by a strategy focused "…to balance out markets with high risks and high profit margins with less profitable but more stable markets operating in hard currency" (Tavares, 2007:54). After CEMEX took over Southdown, its main America competitor became the largest US cement producer (Economist, 2004). With the acquisition of RMC by CEMEX, Europe became its largest market amounting around 40 percent of total sales. CEMEX has also offered a bid to the Australian building materials group Rinker. Between 1990 and 2006, CEMEX completed more than 40 operations of overseas acquisitions. Financial policies and expertise used by CEMEX had been accounted by Sarathy and Wesley (2003). At the same time, CEMEX entered to international markets through co-ownership and exports. This strategy was modified because of the antidumping lawsuit against the Mexican cement. Also CEMEX invest in Greenfield specifically in natural resources exploration and production. CEMEX challenges the incorporation of local and isolated operations into a global production and distribution system by taking advantage of the best practices (CEMEX, 2001) based on a system of just in time delivery. CEMEX has around half of its cash flow in Unites States and Europe and the remaining half in countries as diverse as Egypt, Indonesia, Philippines and of course, México (Expansión, 2004). CEMEX is considering a strategy to enter to China and Russia and Turkey' markets, where its products would compete with low-quality local cement, and where the acquisition of cement assets owned by the state and individual investors may be smoother (Reforma, 2004b). The strategy of CEMEX is to concentrate investments in developing countries where the profits are higher because the small levels of purchase of bags for self-construction and small-scale building. Also, the strategy of CEMEX relies heavily on a just in time delivery system of distributing concrete. CEMEX is implementing the franchise Construrama, a strategy of low prices for low quantities to cater and provide access to the lower economic segments by selling inexpensive bags of cement for the self-construction market. In association with GE Capital launched a Constructcard project. The design and development of a strategy based on a business model to create value for the emerging consumers, requires alignment of other parties involved such as suppliers, wholesalers and retailers.Other strategy attracts remittances from immigrants for their families and ensures that funds are properly and safely invested in building materials to build their dwellings. Through the strategy of corralones, CEMEX grants credit and give advisory assistance to small suppliers of building materials. Also as a strategy, CEMEX emphasize continuous innovation for sustainable economic development with a strong commitment to environment and corporate social responsibility supports environmental protection projects in cooperation with NGOs. CEMEX has developed its own information system and set up a satellite network to transmit data. CEMTEC is a subsidiary taking care of managerial development programs. CEMEX has merged with other companies to create Neories, and IT consultancy now together with Constructmix, a construction-industry marketplace and Latinexus, an e-procurement, are part of CxNetwork an e-business company.

Cydsa, a group of 18 companies specialized in textiles, chemicals and plastics which were very successful during the eighties due to its strategies of diversification and strategic alliances. The group went into financial difficulties during the 1994-95 Mexican crises, just to the point of selling two thirds of its assets to be able to pay debts. DESC is a supplier to auto companies on a competitiveness based on its high-quality auto parts and low-cost capabilities for production.Femsa owns the largest Coca-Cola bottling group in the world, a brewing company and a convenience-store chain. The alliance FEMSA – Coca Cola enables it to build the distribution channels and manage the network in the Latin American market. Femsa is expanding towards new markets of beer and beverages in Canada, United States and Latin American countries. Gruma (Grupo Maseca) is the largest producer of tortillas, dominates the market of several American countries and through the implementation of a strategy of international expansion, it exports to more than 50 countries around the world. The tortilla and corn flour market in the U.S. reports 60% of its total income and have plans to duplicate capacity. Gruma ranked 40th among the top 50 multinationals based on emerging economies measured by 2002 foreign assets, according to the estimations of Godstein (2007). Gruma is investing in creating new plants located in places where there is demand of the product, such as China, Russia, Australia, Africa, etc. Gruma is heavily investing in the markets of Asia and Oceania to concentrate in India, Indonesia, Malaysia, etc.

Grupo Bimbo is the second only to Yamazaki (Japan) producer of baked food products in the world (Expansion, 2005). It is a packaged bread and baking company evolving to a diversified operation of more than 5, 000 products, including sliced bread, sweets, chocolates and salted snacks. Bimbo is among the largest in its respective market niche that relies heavily on acquisitions to growth abroad. Bimbo started business operations in United States in 1984 and in Guatemala in 1991, followed by other acquisitions in Chile and Colombia. Now, it has factories in most of Latin-American, Asian and European countries and has been very successful in the Hispanic market. Bimbo set up manufacturing plants in strategic alliance with McDonalds and has bought Park Lane Confectionary of Germany and invested in Eastern Europe. The successful strategy followed is to manage and have control over the whole logistics, physical distribution and supply chain. Grupo Bimbo operates in a multilevel environment having rivals at both domestic market and in global markets. Bimbo has benefitted from the competitive advantages offered by the agro-industry sector. The internal resources, competitive advantage, competition in the bread business, the institutional environment, elements of corporate governance, competitive conditions in foreign markets, etc., are some of the factors leading to the competitiveness of Bimbo in home and foreign markets. Bimbo takes advantage of its strengths in the distribution networks and hiring managers and entrepreneurs from the lower economic segments. These competitive conditions of Bimbo in the domestic market are quite different to the competitive conditions of rivals in their home country, which gives Bimbo and advantage over its competence in the Latin American markets. Bimbo ranked 47th among the top 50 multinationals based on emerging economies measured by 2003 foreign assets, according to the estimations of Goldstein (2007). Grupo Carson is a sister company of Carson Telecom and the largest Mexican conglomerate that has businesses in different manufacturing and retailing sectors operating in several countries of America, Asia and Europe. In 1996, the telephone holdings were spun off into separate firms. It has main six subsidiaries and more than 200 small subsidiaries. Group Carson owns industrial, consumer and retail holdings. Commercial enterprises report to the Carso Holding Company. Also in finances and banking, it holds Grupo Financiero Inbursa including a commercial bank, an insurance company, and a stockbroker.Telmex, the Mexican telephone company, after privatization in 1990, it was acquired in a joint venture with Southwestern Bell and has become one of the biggest competitors in America. Modernization of Telmex occurred in 1995-96 after the new regulatory framework. Telmex controls more than 90% of all fixed phone lines in Mexico. In 2006 Telmex bought 3.5 percent stake at Portugal Telecom.

America Movil is a spinoff of the holding company Carso Global Telecom since 2000 and together with Telmex, they have multiply acquisitions. America Movil offers the operation of the cellular phone services and has control of more than 80% of the Mexican market (Financial Times, 2006). America Movil is the largest or second largest wireless communications business in most Latin-American countries and tenth of the world. From 2001 to 2005, America Movil invested in Latin American markets to build a strong presence through the strategy of replication of its own business model. America Movil was transformed in only two years to become the largest telecommunications company in the Latin America in 2005. America Movil ranked sixth among the top 50 multinationals based on emerging economies measured by 2003 foreign assets, according to the estimations of Goldstein (2007). Multinational expansion of America Movil has been based on the strategies to keep low-costs and to market prepaid telephone cards. In 2005, America Movil in partnership with Bell Canada, Inc. and SBC International set up Telecom Americas. Some strategies that Telecom Americas implement are to develop economies of regional scale on technical and managerial services, to lower costs by pooling human resources, its ability to deal and negotiate with governments, and to diversify to get into new and more dynamic areas of telecommunications. Telecom Americas has subsidiaries and joint ventures in several Latin American countries, United States, Spain, etc. Carso has as a self declared strategy to keep costs down, to get close to customers, and to be leaders in every segment it enters. The competitive strengths of Grupo Carso include knowledge of the market and distribution for telephone service. Carso moves in and out of the business as competitive advantages and conditions change following a diversification portfolio's strategy, although the degree of diversification remains unchanged in unrelated businesses.Grupo Modelo was the third was the third-largest brewery world-wide. It has developed an aggressive business model targeting high- price segments' needs and achieving leading positions in more than 140 overseas markets of beers, such as the case of Corona Beer. Corona beer has a selective distribution in international markets where its brand is associated to the image of attractive and colorful vacations.

Grupo Televisa is one of leading in the business of media production in the world, broadcasting and advertising, cable TV radio and disc production operating in Latin America, United States and Spain. The soap opera has been successful in Asian countries. Mabe was a domestic appliance industry until it formed a strategic alliance with a global firm and had access to better technological competences. Mabe fill orders of domestic appliances for General Electric since 1993 when there was a shortage in supply for the regional markets (Bonaglia, et al., 2006). In 2005, Mabe had 69 percent of international sales out of total sales. IMSA is a producer of steel and metal products has invested in the Latin American region and concentrating operations on IMSA Acero, relocation and enlargement of stations in order to innovate and diversify. IMSA has distribution and manufacturing operations in countries in America, Africa, Asia, Australia and Europe. Ingenieros Civiles Asociados (ICA) is engaged on the business of civil engineering services targeting large infrastructure building projects and industrial park complexes. It has been operating in most of Latin American countries and Unites States.Mexichem is a chemical company that has vertically integrated its vinyl–chlorine (PVC) and fluorite chain business, building the position as the world´s largest fluorite mine for PVC.Newak benefits of its increased integration of previously acquired firms. The international sales represented 82 percent of total sales in 2005, according to data from América Economía (2005) Vitro, a glass company, has concentrated in a divestment, building strategic alliances and acquisition strategies to concentrate core and competitive production in strategic business of flat glass and glass containers with emphasis on the food and automobile industrial sectors oriented toward increasing exports. Vitro has already sold some companies involved in household appliances, like Cydsa and Crisa, the development of fibers, such as Vifisa and plastics and chemicals like Vancan, Bosco and Qímica M. and had ended some strategic alliances in non-strategic sectors. The growing Hispanic market remains as a challenge to Vitro. Vitrocrisa is a joint venture between Vitro and Libbey is supplying Sunbeam already producing in China and Mexican beverage producers already exporting to China (Reforma, 2004a).Other Mexican emerging multinationals enterprises (MexEMNEs) doing operations overseas at small scale are: Condumex produces automobile cables. Grupo Industrial Saltillo (GIS) produces engines blocks and heads. San Luis is one of the World's biggest producers of light-vehicle suspension springs.Other important Mexican retailers operating abroad are three chains of drugs and pharmaceutical products, Farmacias Similares, Farmacias Benavides y Farmacias Del Ahorro, all of them are already expanding to other Latin American countries. Grupo Elektra, a retailer in electronics and furniture, has more than 1,000 points of sail in Latin America, covers the whole chain from marketing to customer credit supported by other sisters: TV Azteca and Banco Azteca.

VIII. Scenarios for Mexican Emerging MNEs

The economic globalization processes and operations of Mexican emerging MNEs have small impact and contribution to national economic growth and development because the low-level of intra –firm trade.The development and innovation of high technology companies require the strategic support from the State, research and high learning institutions, financial programs, and so forth, in order to absorb uncertainty and reduce risk and failures.Mexican emerging MNEs will continue strategically seeking enlargement of international market operations by boosting investments and positioning in other countries. The strategy of MNEs of grow abroad will move from organic growth to be more oriented toward the implementation of strategic business models based on mergers and acquisitions, partnerships and joint ventures.More South-South flows of outward investments, joint ventures, partnerships and strategic alliances will be on the rise among Mexican emerging MNEs and other firms of emerging economies to target overseas markets. The increasing South-South flow of investments, resources and technology is a major change underway in the economic globalization processes which is erasing the divide between the center and the periphery. Emerging Mexican MNEs will take advantage and benefit from understanding the role of local economic, legal and cultural dimensions on their practices in different national environments. Mexican MNEs are recognizing the strong influence that national cultures are exerted on the outcomes. Therefore, Mexican MNEs will be relying increasingly on leveraging worldwide talent.

IX. Conclusions

There is a trend showing and signaling the emergence of new economic phenomena under the economic process of globalization represented by the

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rise of Mexican emerging multinationals enterprises (MexMNEs). Among the forces driving this trend are the economic processes of globalization, macroeconomic structural reforms, the fast moving systems of transportation and low-cost information and communication technologies, lower costs of capital and more favorable global financial system. This new global economic environment is becoming more competitive and pressing business around the world to continue growing, sustain competitiveness and create value beyond their national borders, as new competitors appear in the markets. Mexican MNEs' strategy of grow abroad at overseas markets is mainly through organic growth and in less proportion through mergers and acquisitions.The overseas operations of Mexican emerging MNEs are entering into a new phase of international expansion in global markets, looking for direct presence related to the increasing sales. Mexican emerging MNEs are entering into a more globalized scale of activities through outward investments in new ventures, acquisition of assets, forming partnerships, strategic alliances and joint ventures. Emerging Mexican multinationals had invested overseas based on their ability to manage uncertain, complex and competitive environments as the result of severe economic crises, economic liberalization, structural reforms and steady economic globalization processes. This condition shows that Mexican firms present one of the highest rates of trade-openness among the emerging economies. Mexican emerging MNEs attempt to enter and expand to emerging and mature markets equipped with business models combining low-cost, high-quality products and services and efficient systems of logistics and distribution channels to reach the overseas target markets.All the Mexican emerging MNEs have very similar elements in common: They have the origins from very large domestic firms, low-cost resources including labor, a week institutional legal system and economic and financial environment leading to a critical and cyclical periods of crises (1982, 1987, 1994-95, 2008-2010) followed by negative or low economic growth. The survivor Mexican firms of this process of "creative destruction" have transformed into capable and innovative MNEs in order to look and move ahead and take advantage of the challenging new opportunities. Mexican Emerging MNEs are averse to implement the strategy of risk diversification to create a portfolio of outward investments allocation in assets and natural resources. Also risk diversification through a portfolio allocation prevents exchange rate and commodity prices fluctuations.

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Emergence and Growth of Structured Finance in Malaysia

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Abstracts - Global financial crisis threatens the genuine investors and institutional investors who have parked their funds in financial assets. The developing countries follow the models and financial products especially the structured products the developed countries introduce and trade in their countries' capital markets. Malaysia also has introduced these financial products in Bursa Malaysia and allowed trading. In this article we try to trace the growth of these products both in Islamic and conventional segments of capital market. Our aim is to give an over view of the different kinds of structured products, their features and differences among them. We point out the inherent risks in these products and how it is difficult to quantify when they are not based on cash flows and reference portfolio of assets. We caution the regulatory bodies to be vigilant about exotic structured products such as synthetic CDOs and CDO2 which are highly unreliable and not based on any underlying and cash flows.

Keywords : CDOs; Tranches; Obligors; Sukuk; Portfolio; Default; SPVs; SMEs; Entrepreneur

Classification: GJMBR-B JEL Classification: L26, G32

EMERGENCE AND GROWTH OF STRUCTURED FINANCE IN MALAYSIA

Strictly as per the compliance and regulations of:

Emergence and Growth of Structured Finance in Malaysia

Ravindran Ramasamy[1], Ganisen Sinnasamy[2], Mohd Hanif Mohd Helmi[3]

Abstract : Global financial crisis threatens the genuine investors and institutional investors who have parked their funds in financial assets. The developing countries follow the models and financial products especially the structured products the developed countries introduce and trade in their countries' capital markets. Malaysia also has introduced these financial products in Bursa Malaysia and allowed trading. In this article we try to trace the growth of these products both in Islamic and conventional segments of capital market. Our aim is to give an over view of the different kinds of structured products, their features and differences among them. We point out the inherent risks in these products and how it is difficult to quantify when they are not based on cash flows and reference portfolio of assets. We caution the regulatory bodies to be vigilant about exotic structured products such as synthetic CDOs and CDO^2 which are highly unreliable and not based on any underlying and cash flows.

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I. Introduction

Banks lend funds for promoting business activities and governments by budget allocations supplement it for inducing and motivating entrepreneurial activities. The sole objective is to encourage tiny, small and medium enterprises (SMEs) as they provide employment for common people. As they are diversified they do not strain the existing infrastructure and also does not require high skills to run them. In addition the SMEs are easy to establish without much capital, providing employment to local people as these SMEs are normally established in sparsely populated rural areas. It reduces urban congestion, pollution, overcrowding and not straining on the infrastructure like roads etc. The entrepreneurs who start these ventures are not so well educated, not able to plan all activities of businesses like marketing and finance. Marketing is done informally through friends and government agencies which find market for their products. The main problem is managing finance. These entrepreneurs miserably fail due to lack of knowledge of finance and also they want to maintain privacy in financial matters. Many loans provided to the SMEs go waste due to mismanagement of funds and increases default and credit risk for banks. A large number of loans provided to the SMEs are not repaid and in the long run the banks find it difficult to finance these SMEs as these loans are risky and do not produce any return for them.

The default risk (credit risk) is the main concern of several banks and it dampens the spirit of investment in bonds and lending (Vasicek, 2002). The structured finance is the panacea for this problem. Many banks presently go in for structured finance. The banks promote special purpose vehicles (SPVs) and sell all loans to the SPVs for securitisation. This action solves two major problems. Firstly they get quick liquidity (Abel, 2006). Secondly they could reduce the tier one capital requirements imposed by BASEL II (Donald, 2008). The SPVs issue either credit linked notes or credit default swaps in capital markets based on reference portfolio of loans acquired from the banks (Laurent, 2003). Thus the banks through their own SPVs transfer all credit risk to the investors who are willing to assume higher risks for a higher return. The structured finance relieves the banks from fear of credit risk and they are strong now to pump in more funds to new SMEs.

II. Structured Finance and Cash Flows

Understanding the cash flows of structured products is challenging (Merino, 2002). A pictorial representation of design of products and cash flows will be in order. Figure 1 below shows the design and creation of structured products. The first column gives the number of underlying assets in the form of bonds and loans. The average yield rate is around 5%. The second column gives the different types of structured products in the form of Tranches. The products will be arranged from senior to junior tranches. Senior tranches will bear the ultimate loss while the junior tranches will face the first losses to the agreed nominal value. The equity tranches are the most vulnerable and hence they get huge premium. Protection seeker (selling banks) will pay premium while the investors will receive it for a guarantee of compensating the protection seeker in

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case of default losses. In the event of loss the investors has to pay the default amount from his side.

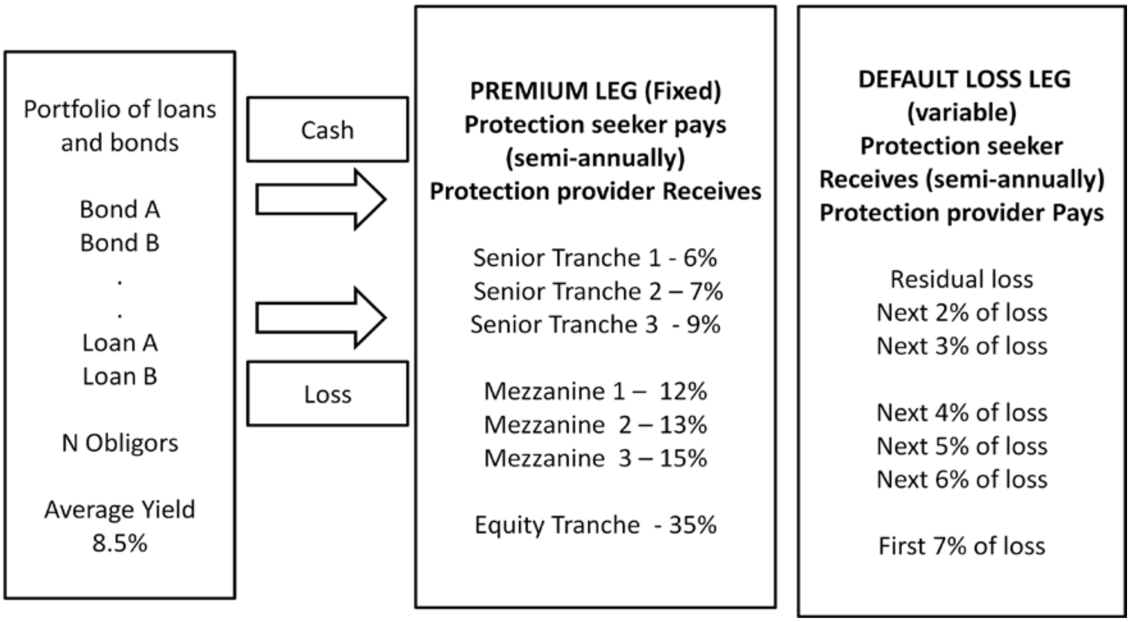

Figure 1 : Overview of structured products

Figure two shows the relationship between the originator bank, special purpose vehicle (SPV) and investors. Bank sells the reference portfolio of assets to reduce its risk to SPV. SPV chops the portfolio into tranches and assigns premium depending on the risk and sells them to investors in the capital market (St.Pierre, 2004). SPV receives cash from investors and pays the same after subtracting service charges to the parent bank.

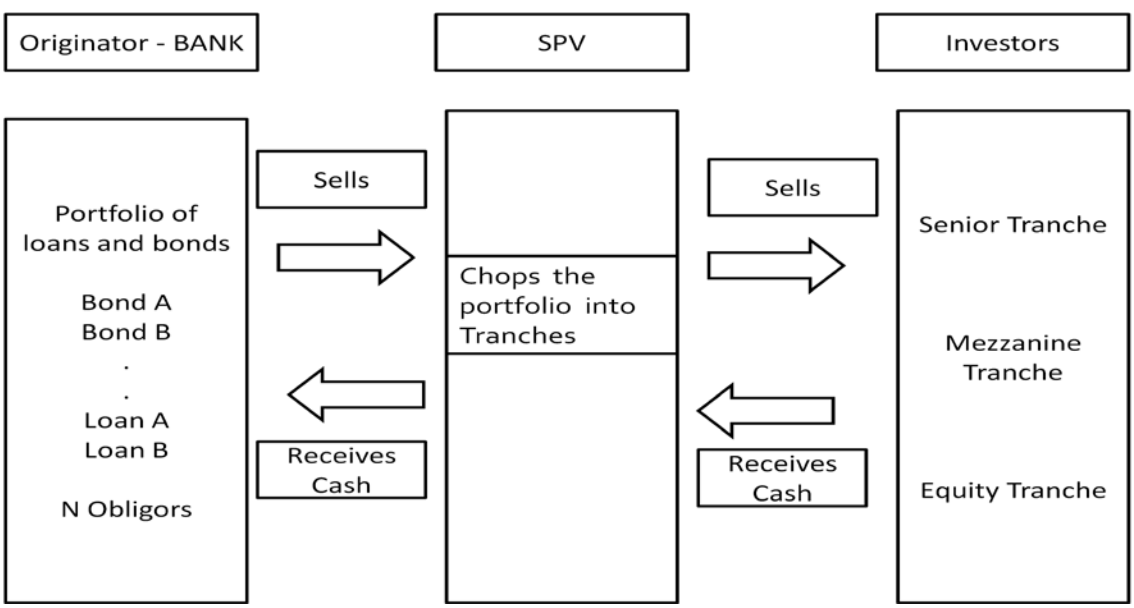

Figure 2 : Cash flows of structured products

Figure three exemplify the premium and loss distribution among various tranches. The premium is paid in top down approach while the losses distributed from bottom. When the notional is wiped by earlier losses, the junior tranches will not receive premium as it is not protecting any notional.

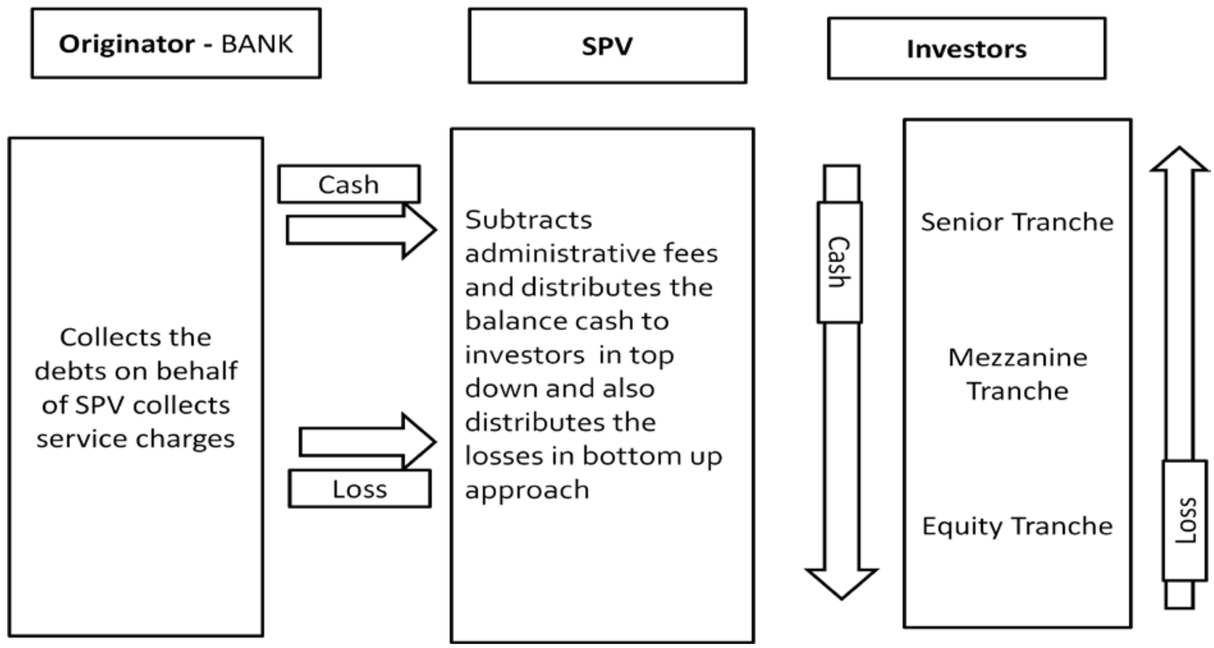

Figure 3 : Loss distributions of structured products

III. Structured Products – Global CDOs and Malaysian CDOs

The CDO concept started in USA in 1987 by Drexe Burnham Lambert Inc, which issued CDOs on the loans of Imperial Savings association both of them have become defunct due to bankruptcy. On understanding the concept and the merits, ignoring demerits of CDOs, this market grew in size in western countries to the tune of one trillion dollars in 2007 and 2008. But in the last two years 2007 and 2008 the CDO market has shown unprecedented decline in growth due to subprime lending crisis. The world capital markets are in the doldrums and economies face unexpected downturn and reputed banks all over the world have lost billions of dollars, all due the reckless lending of real estate and automobile loans. The borrowers failed to repay these loans in large numbers due to the job loss, as the loans were given mostly to unorganised sector employees. In structured financing when reference portfolio fails the CDOs will also fail as the CDOs are guaranteed by the cash flows from reference portfolio. The highly vulnerable equity tranches are normally retained by the parent banks on moral grounds. This action ultimately leads to unprecedented losses for banks. Even the AAA rated mezzanine and senior tranches lose value as they are vulnerable after equity tranches bear first losses. The Malaysian lending pattern is not so reckless. The conservative method of lending saved the public and private banks from global economic crisis. In Malaysia the securitisation is done on the good portfolio of reference assets, thus the CDOs in Malaysia are safe and sound. Moreover the private and public banks loans are yet to be converted into structured products in Malaysia. Only the home loans given to government employees were collateralised and sold to Cagamas MBS Berhad, a SPV set up by parent Cagamas Berhad which has issued two types of structured products, one is based on Islamic principles and the other is based on conventional principles. These housing loans given to Government employees are strong in collateral as it is backed by regular salary and solid house property. In the event of default the government will recover the full amount as it is given to its employees. As such the chances of subprime loans crisis in Malaysia are remote.Several public sector companies have issued CDOs in Malaysia by acquiring loans and bonds of other companies to a size of RM one billion. Kerisma Berhad and Capone Berhad are examples (refer appendix). Their reference portfolio consists of 25 items of loans and bonds and they usually issue three tranches for a period of five years. These private CDOs face a higher credit risk. In Kerisma Berhad's reference portfolio two loans have defaulted in the fourth year affecting equity tranche totally as it has to bear the first loss.

Malaysia endeavours to be the leader in Islamic Finance. The Sukuk (Islamic bonds) play the role of conventional bonds. The issuance of Sukuk alone will not develop Islamic Finance. The Islamic capital market needs more Islamic Financial products and participants. To enhance level of participation, more Islamic financial products are needed in different risk levels to satisfy the different level risk seekers. The only way is to issue structured Islamic products by buying the eligible Islamic financing. Keeping in mind this necessity the Islamic scholars allow the issue of structured products (legal500.com) under Islamic principles. The finances granted for halal projects and assets like property, automobile etc could be transformed in to Sukuk which will satisfy the above stated objectives. The liquidity and the activity of Islamic capital market will be enhanced in the short run. These Sukuks enjoy high credit rating because they are created for genuine cash flows of underlying assets unlike conventional structured products as they are created on the basis of imaginary portfolio of financial assets.

IV. Home loans securitisation

Housing is one of the basic needs. The governments all over the globe promote housing for which finance is needed. Through budgetary allocations the government of Malaysia finances its staff housing needs and collects the repayments slowly from the employees' salaries. This lacks liquidity and prevents further financing. Moreover the government cannot use the taxpayers' money for one section of the public. These housing loans are to be linked to the capital market through structured finance. The Cagamas berhad has set up exclusively another SPV in the name of Cagamas MBS (mortgage-backed securities) Berhad to issue structured notes to investors in different trances. The figure below shows the structure of Government of Malaysia staff housing facilities.

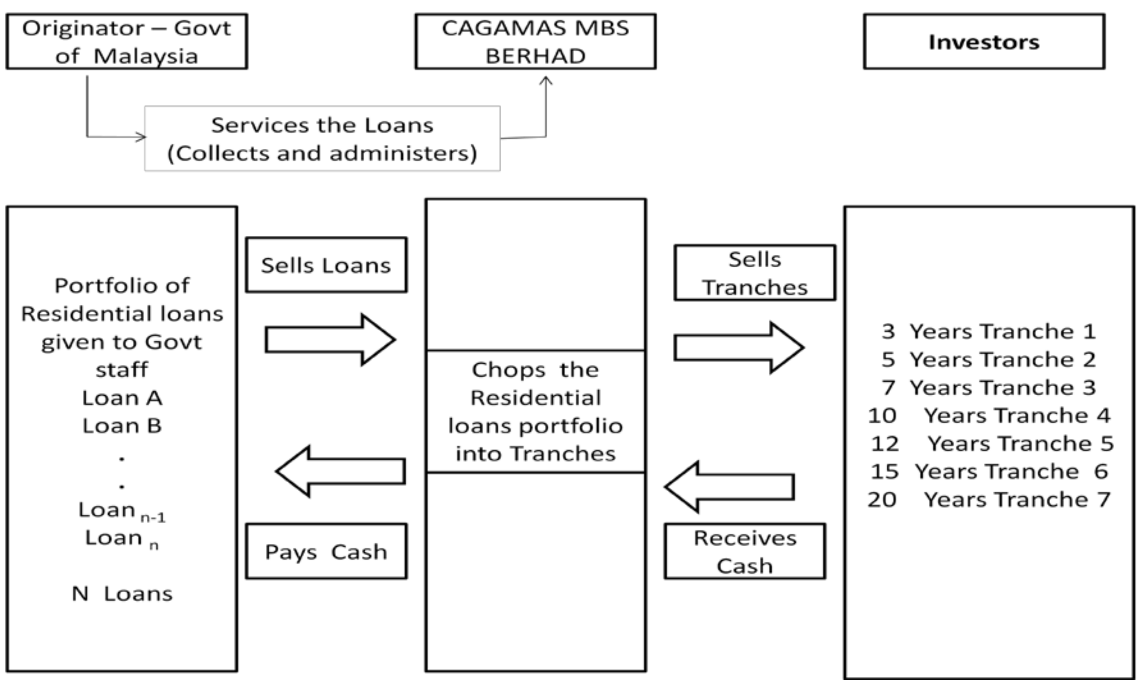

Figure 4 : Home Loan securitisation and cash flows

Table 1: Different Issues of Cagama MBS Berhad - Residential loans structured products

RM 1550m Fixed Rate Serial Bonds (Issued on 20-10-2004)				
Issues	Size - RM in m	Maturity Date	Coupon %	Rating
Tranche 1	580	19-Oct-07	3.70	AAA
Tranche 2	340	20-Oct-09	4.30	AAA
Tranche 3	290	20-Oct-11	4.95	AAA
Tranche 4	345	20-Oct-14	5.50	AAA
RM 2060m Fixed Rate Serial Bonds (Issued on 12-12-2005)				
Tranche 1	225	12-Dec-08	4.10	AAA
Tranche 2	250	10-Dec-10	4.44	AAA
Tranche 3	270	12-Dec-12	4.71	AAA
Tranche 4	320	11-Dec-15	5.10	AAA
Tranche 5	345	12-Dec-17	5.34	AAA
Tranche 6	385	11-Dec-20	5.65	AAA
Tranche 7	265	12-Dec-25	5.92	AAA
RM 2410m Asset Backed Fixed Rate Bonds (Issued on 22-08-2007)				
Tranche 1	515	21-Aug-10	4.00	AAA
Tranche 2	375	22-Aug-12	4.10	AAA
Tranche 3	380	22-Aug-14	4.28	AAA
Tranche 4	525	22-Aug-17	4.52	AAA
Tranche 5	260	22-Aug-19	4.70	AAA
Tranche 6	250	20-Aug-22	4.90	AAA
Tranche 7	105	21-Aug-27	5.08	AAA

During 2004, 2005 and 2007 Cagamas Berhad issued conventional tranches to the tune of RM 1550m, RM 2060m and RM 2410m respectively. The premium started at a rate of3.7%, 4.10% and 4% respectively for short term tranches. The long term tranches received 5.5 %, in 2004, 5.92% in 2005 and in May 2007 they received 5.08%. All trances are AAA rated. They not only get higher rate of return but also they are safe investments.

V. SME loans securitisation

The figure below gives the typical structured financing mechanism of the SME loans, otherwise known as structured finance designed by the Maybank. The main intention of the Maybank is to reduce its credit risk and the regulatory capital imposed by BASEL II. In addition Maybank will have more liquid funds for further lending. To collect the SME loans the bank need not wait for long duration. Indirectly the SME loans are financed by the capital market. This widens the scope of the capital market by providing different products at different risk levels to the investors.

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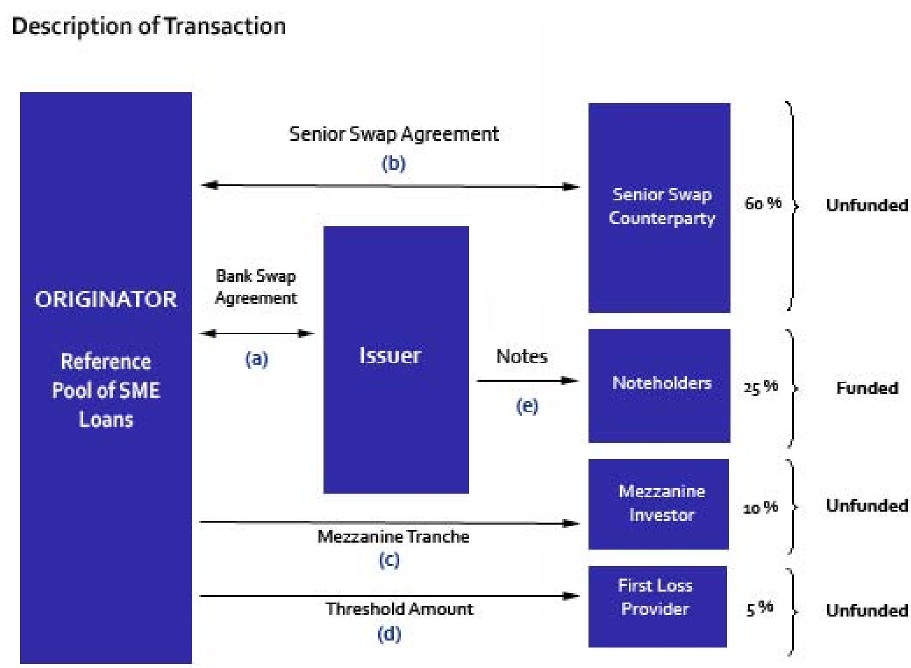

Figure 5: SME loan securitisation and credit default swap

Source: Cagamas Berhad website

A closer observation reveals that there are two structures in the above figure. The top portion senior swap agreement (credit default swap) between Cagamas and Maybank is unfunded meaning that it is a swap agreement for a premium. Similarly the bottom portion gives another swap agreement between the Credit Guarantee Corporation of Malaysia and the Maybank. The bottom most item is the threshold amount and this is not transferred to investors but it is kept by Maybank itself. The middle portion is given to Cagamas SME Berhad a SPV set up by Cagamas berhad specifically for this purpose. This SPV will issue Collateralised debt obligations (CDOs) which will be financed by different risk seeking investors.

The table below gives the details of the transaction size, nominal value, rating etc. The mechanism works like this. The first losses to the tune of RM 30m will be borne by Maybank itself, and if there is any excess loss above this threshold level it will be distributed from the bottom in bottom-up approach. The Credit Guarantee Corporation (CGC) of Malaysia is willing to bear an amount of RM 60m in case of defaults. Both are credit default swaps (CDS).

Table 2: Finance structure of SME Loans of Maybank

	% of Transaction Size	Nominal Value (RM million)	Rating	Investor
Senior Swap	60.0	360	Not rated	Cagamas
Notes – Class A	12.5	75	AAA	Capital market investors
Notes – Class B	5.0	30	AA3	Capital market investors
Notes – Class C	7.5	45	BBB3	CGC
Mezzanine	10.0	60	Not rated	CGC
Threshold Amount	5.0	30	Not rated	Maybank
	100.0	600		

Source Cagamas Berhad website

The next RM150m is given to SME SPV of Cagamas Berhad to issue notes based on the reference assets of loans disbursed to SMEs. In this portion also RM45m is financed by the CGC though it is highly risky and rated as BBB3 which is equivalent to junk bonds. The other RM105m is sold in capital markets and financed by the investors. This portion is rated as AA3 and AAA and this indicates that they are very safe investments and there will be no hesitation for investors to invest. The final portion of SME loans to the tune of RM360m is not financed but the Cagamas berhad is ready to bear default losses finally. This is also another CDS.The net result of this structure is that the default risk prevalent in the SME loans are effectively transferred to CGC and others for a fee which is in the form of premium. If this transfer not carried out by Maybank, it has to bear the entire loss emanating from these SME loans and has to wait for several years to collect the funds. In addition it has to keep regulatory capital in the form of tier one capital to satisfy BASEL II which is in reserve and it is not available for lending. The enormity of the default loss will definitely make the banks weary of SME loans. The liquidity created by securitisation can be used immediately for further lending. Thus the bank based lending has been shifted to capital market financing and it is really a boon to SMEs.

VI. PWOR MECHANISM

The Cagamas Berhad has expanded the scope of structured product mechanism for company loans and debts. Cagamas Berhad directly buys loans and debts at premium from the originator lending banks and finance companies and makes the originator as service providers by paying a service fee. The following figure explains how the PWOR mechanism works in structured finance. The ultimate objective is to link the capital market and loans to provide much needed liquidity. These mechanisms will work trouble free as long as the parties concerned execute their obligations diligently.

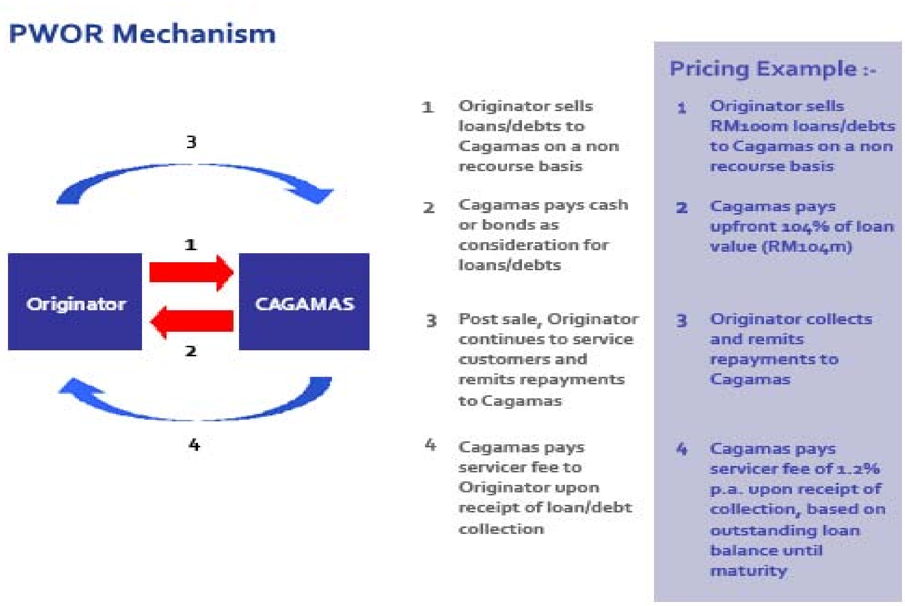

Figure 6 : SME loan securitisation and credit default swap

Source: Cagamas Berhad website

To ensure proper functioning of these systems there should be a separate legal framework which should give power of regulation and severe punishment for the wrong doers.The Cagamas Berhad is ready to buy the loans and bonds of lenders whether it is a bank or any financial institution or leasing companies (financial lease only) either for cash or for Cagama's bonds. The operating mechanism is given in the following figure. The bonds given by the Cagamas Berhad is highly rated and they get higher return. The loans are priced either on cost plus profit basis or at standardised rates published by Cagamas Berhad whichever is favourable to the originator of the loan. The hire purchase and financial lease loans are priced at fixed rates. Sellers' related companies appear due to the single customer credit limit. If the credit limit is exceeded then the bonds will be issued to the related companies.

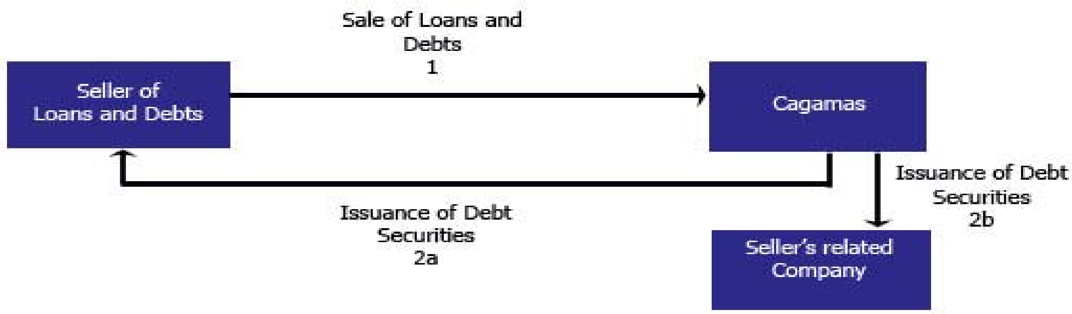

Figure 7 : SME loan securitisation and credit default swap

Source: Cagamas Berhad website

VII. SUKUK AND SECURITISATION

Islamic capital market is strict on the nature of companies to be listed and also the products to be created and traded. In the case of companies the interest component in the profit and loss account either as receipt or payment is inevitable. The holy Quran is against receiving interest and haram nature of trade dealings. Hence defining the companies whether they are eligible to be listed under the Islamic capital market is a challenging task. To overcome these problems the Sariyah council has given the following definition.

Parameters

Qualitative Parameters

The general criteria in evaluating the status of Shariah-approved securities are that the companies are not involved in the following core activities:

- Financial services based on riba (interest)
- Gambling
- Manufacture or sale of non-halal products or related products
- Conventional insurance
- Entertainment activities that are non-permissible according to Shariah
- Manufacture or sale of tobacco-based products or related products
- Stock broking or share trading in non-Shariah approved securities
- Other activities deemed non-permissible according to Shariah.

The SAC also takes into account the level of contribution of interest income received by the company from conventional fixed deposits or other interest-bearing financial instruments. In addition, dividends received from investments in non-Shariah approved securities are also considered in the analysis carried out by the SAC. For companies with activities comprising both permissible and non-permissible elements, the SAC considers

Additional criteria:

- The public perception or image of the company, which must be exemplary

● The core activities of the company must be considered maslahah (in the public interest) to the Muslim ummah and the country, and the non-permissible elements present must be minimal and involves matters such as `umum balwa (common plight and difficult to avoid) and `uruf (custom).

Quantitative Parameters

To determine the tolerable level of mixed contributions from permissible and non-permissible activities towards revenue and profit before tax of a company, the SAC has established several benchmarks based on ijtihad (reasoning from the source of Shariah by qualified Shariah scholars). If the contributions from non-permissible activities exceed the benchmark, the securities of the company will not be classified as Shariah approved.

The benchmarks are:

● The 5% benchmark

This benchmark is used to assess the level of mixed contributions from the activities that are clearly prohibited such as riba (interest-based companies like conventional banks), gambling, and activities derived from liquor and pork which are deemed haram (prohibited)

● The 10% benchmark

This benchmark is used to assess the level of mixed contributions from the activities that involve the element of umum balwa (a prohibited element affecting most people and difficult to avoid). An example of such a contribution is the interest income from fixed deposits placed in conventional banks. This benchmark is also used for tobacco-related activities

● The 25% benchmark

This benchmark is used to assess the level of mixed contributions from the activities that are generally permissible according to Shariah and have an element of maslahah (public interest), although there may be other elements that could affect the Shariah status of these activities. Among the activities that belong to this benchmark are hotel and resort operations, share trading, stock broking, as these activities may also involve other related activities that are deemed on-permissible according to Shariah rules. In a bid to promote understanding of Shariah approved securities, more details and criteria on the Shariah review of securities are provided in the bi-annual SAC List booklet which is also available on line at www.sc.com.my

Source:http://www.klse.com.my/website/bm/products_and_services/information_services/downloads/bm2ICM.pdf

VIII. ISLAMIC CDOS

Musyarakah principle is applied by the Cagamas Berhad to securitise the government staff housing loans. The government sells the houses by cost plus profit basis (marking up) to its employees and collects the loan on instalment basis. These loans are ideal reference assts for issuing Islamic structured products as they do not violate the principles of Islamic lending. The tranches issued under Islamic principles result in refinancing and government can grant more loans as it has received liquid funds from the capital market. The CDOs not only brings liquid cash but also they provide more Islamic instruments in the capital market for investing public at different levels of risk. Those who want to avoid the risk can go in for the senior tranches, the risk neutral investors can go in for Mezzanine tranches. Those who seek risk for a better return can go in for equity tranches. Moreover these Islamic CDOs are issued in different maturities of three, five, seven, ten, twelve, fifteen and twenty years providing ideal instruments for both short term and long-term investments.

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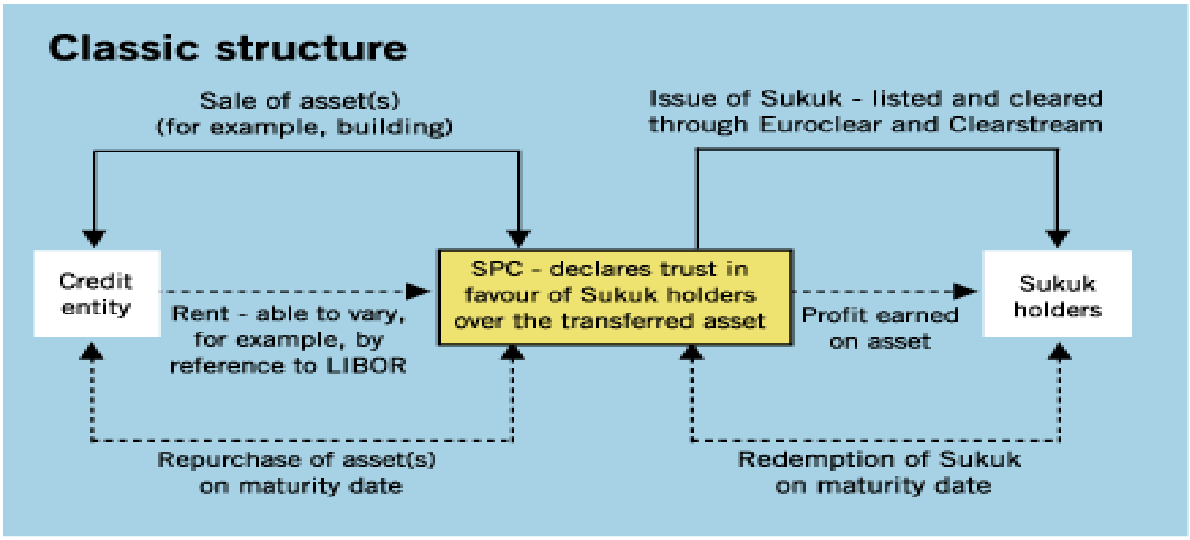

Figure 8: Halal assets' Finance and Sukuk securitization

Source: http://www.sukuk.net/news/articles/3/Model_of_a_classic_Sukuk_structure.html

Table 3 : Different Issues of Cagama MBS Berhad – Property finance - Islamic structured Products

RM 2050m Asset Backed Sukuk Musyrakah (Issued on 08-08-2005)				
Tranche 1	250	8-Aug-08	3.41	AAA
Tranche 2	215	6-Aug-10	3.84	AAA
Tranche 3	260	8-Aug-12	4.24	AAA
Tranche 4	515	7-Aug-15	4.71	AAA
Tranche 5	410	8-Aug-17	5.01	AAA
Tranche 6	400	7-Aug-20	5.27	AAA
RM 2110m Asset Backed Sukuk Musyrakah (Issued on 29-05-2007)				
Tranche 1	330	28-May-10	3.63	AAA
Tranche 2	255	29-May-12	3.70	AAA
Tranche 3	270	29-May-14	3.78	AAA
Tranche 4	400	29-May-17	3.90	AAA
Tranche 5	245	29-May-19	4.02	AAA
Tranche 6	320	27-May-22	4.17	AAA
Tranche 7	290	28/5/2027	4.34	AAA

The Cagamas MBS Berhad started issuing credit linked notes since 2005 under Islamic Musyrakah principles. The recent issues have seven tranches of various maturities. Closer observation reveals that Musyrakah notes priced at lower rates. It demonstrates the Malaysian investors' confidence in Islamic products. The second issue of Islamic notes offered a premium of 3.63% for the three year tranche and progressively increased to 4.34% for the final 20 years tranche. Even at these low rates the issue was oversubscribed by four times not only from Malaysia but also from overseas investors.

The main attraction of Islamic CDOs is not from Malaysian investors but from petro dollar rich Arabian institutional investors. The structured product market in Islamic finance is sound as it prevents issuing CDOs which are not supported by real economic activities and real cash flows. The synthetic and CDO^2 have no place in Islamic finance as they not based on real cash flows and not supported by any economic activity. As such the Islamic CDOs are sound and healthy than the conventional CDOs which may be created on any items of loan and bond portfolios.

IX. Conclusion

The global organisations like World Bank and regional development banks encourage the governments to take care of needs of down trodden. The Malaysian government is not an exception and it is a welfare government. Financing is the blood which supplies nutrients to the different sectors of the economy. Financing everything with tax payers money is neither desirable and nor possible. The way out is refinancing. Refinancing is to be done by the investing public; this could be achieved by linking the loans already granted to capital market through structured finance. The main advantage of the structured products is the interest shown by the foreign institutional and common investors which will not only exemplify financial strength of Malaysia but also brings foreign funds to finance vital sectors of the economy.

The structured financial products not only provide financial products to widen the capital market but also provide much needed liquidity for further lending. The structured products of course speed up the process of economic development by providing capital market instruments to get additional finance but at the same time one should not ignore the hidden risks of these structured products which the western countries face at present. The present global financial crisis is the result of unregulated unhealthy practices of banks while lending loans, for which the banks are solely responsible. The structured products designed by these banks go beyond the comprehension of even the efficient accountants and auditors. The academics and financial engineers struggle to model and quantify the risks prevalent in these products like synthetic CDOs and CDO^2 because they are purely imaginary and not supported by any underlying or cash flows. The governments and regulatory bodies like securities commission around the globe should be proactive and vigilant and enact laws to prevent another global financial crisis.

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KERISMA BERHAD

A. Transaction Summary

Issuer	Kerisma Berhad
Issue Size (RM mil)	1,000
Sector	Primary Loan Obligations
Issue Date	June 2004
Tenure	5 Years
Legal Maturity Date	June 2009
Expected Maturity Date	June 2009
Orignator	Alliance Merchant Bank Berhad
Administrator	Securities Services (Holdings) Sdn Bhd
Portfolio Manager	Public Bank Berhad
Facility Agent	n.a
Technical Advisor	Nomura Advisory Services (M) Sdn. Bhd.
Trustee	Malaysian Trustees Bhd
Insurer	n.a

B. Portfolio Characteristics

	June 2004	Dec 2004	June 2005	Dec 2005	June 2006	Dec 2006	June 2007
Portfolio Exposure (RM million)	1,000	1,000	1,000	1,000	1,000	955	915
a. Senior (RM million)	*870*	*870*	*870*	*870*	*870*	*870*	*870*
b. Mezzanine (RM million)	*30*	*30*	*30*	*30*	*30*	*30*	*30*
c. Subordinated (RM million)	*100*	*100*	*100*	*100*	*100*	*100*	*100*
No. of Performing Loans In Portfolio	25	25	25	25	25	24	23
No. of Defaulted Loans	0	0	0	0	0	1	2
Facility Tenure (years)	5	5	5	5	5	5	5
Composition on Unsecured (%)	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Composition with Single Bullet Payment (%)	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Composition on Semi-annual Interest (%)	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Composition on Fixed Rate (%)	100.00	100.00	100.00	100.00	100.00	100.00	100.00

C. Portfolio Summary/ Performance

Portfolio As At	Portfolio Exposure (RM mil)	WARF*	WAR**	Liquidity Reserve (RM mil)	OC Test*** (%) (Senior)	IC Test**** (%) (Senior)	OC Test*** (%) (Mezzanine)	IC Test**** (%) (Mezzanine)	No. of Industries	Top 3 Industries Exposure	No. of Obligors Rated A and Above	No. of Obligors Rated BBB+ and Below	No. of Upgrades	No. of Downgrades
Portfolio Limit	**1,000**	**n.a**	**n.a**	**n.a**	**105.00**	**120.00**	**104.00**	**120.00**	**n.a**	**n.a**	**n.a**	**n.a**	**n.a**	**n.a**
3-Jun-04	1,000	7.60#	A-	-	-	-	-	-	16	40.50%	16	9	-	-
3-Dec-04	1,000	7.70	A-	9.36	114.94	161.71	111.11	161.71	16	40.50%	16	9	0	0
3-Jun-05	1,000	7.90	A-	13.00	114.94	168.49	111.11	168.49	16	40.50%	16	9	0	1
3-Dec-05	1,000	7.80	A-	13.00	114.94	175.57	111.11	175.57	16	40.50%	16	9	1	1
3-Jun-06	1,000	9.40	A-/BBB+	26.10	114.94	194.50	111.11	187.50	16	38.20%	13	12	3	10
3-Dec-06	955	7.30	A-/BBB+	27.84	109.77	207.13	106.11	199.59	16	38.20%	13	12	0	1
3-Jun-07	915	7.60	A-/BBB+	31.52	100.00	223.84	96.67	215.75	16	38.80%	13	12	3	3

Notes

** Weighted average rating factor as per portfolio performance report*

*** Weighted average rating*

**** Overcollateralization test per portfolio report*

 # As per MARC's initial rating report

***** Interest coverage test per portfolio report*

n.a Not applicable

MARC

CAGAMAS MBS 2007-1- i : DEAL SUMMARY

A. Transaction Summary

Issuer	Cagamas MBS Berhad
Issue	RM2,110.0 million Asset Backed Sukuk Musyarakah
Sector	Securitisation of Government Staff Housing Loans
Issue Date	29-May-07
Purchase Date	31 January 2007 (retrospective purchase of 4 months)
Tenure	3 to 20 years
Originator & Servicer	Federal Government of Malaysia
Transaction Administrator	Cagamas Berhad
Administrator	Cagamas Berhad
Insurer	Etiqa Takaful Berhad
Trustee	Malaysian Trustee Berhad
Facility Agent	CIMB Investment Bank

** Formerly known as Takaful Nasional Sdn Berhad and Malaysia Nasional Insurance Berhad*

B. Securities Summary

Issues	Size (RM)	Maturity Date	Coupon (%)	Frequency	Rating	Outstanding Amount (RM)
Tranche 1	330,000,000	28-May-2010	3.63%	Quarterly	AAA	330,000,000
Tranche 2	255,000,000	29-May-2012	3.70%	Quarterly	AAA	255,000,000
Tranche 3	270,000,000	29-May-2014	3.78%	Quarterly	AAA	270,000,000
Tranche 4	400,000,000	29-May-2017	3.90%	Quarterly	AAA	400,000,000
Tranche 5	245,000,000	29-May-2019	4.02%	Quarterly	AAA	245,000,000
Tranche 6	320,000,000	27-May-2022	4.17%	Quarterly	AAA	320,000,000
Tranche 7	290,000,000	28-May-2027	4.34%	Quarterly	AAA	290,000,000

C. Portfolio Description

	Cut-Off Date	Outstanding principal balance (RM)	No of Accounts	Avg Mortgage Size (RM)	WA term to maturity (years)	WA Seasoning (years)	WA Age (years)
At closing	n.a	2,538,180,448	26,061	97,394	20.96	2.89	40.10
Quarter 1	30-Apr-2007	2,516,023,650	26,055	96,566	20.72	3.14	40.34
Quarter 2	31-Jul-2007	2,491,358,987	26,032	95,704	20.49	3.38	40.59
Quarter 3	31-Oct-2007	2,464,953,350	25,979	94,883	20.25	3.63	40.83
Quarter 4	31-Jan-2008	2,444,251,677	25,952	94,184	20.01	3.88	41.07

D. Portfolio Performance

	Prepayment (RM)				Prepayment Rate[1] (%)	
	Voluntary	Involuntary	Partial Prepayment	Total	Movement	Cumulative
Quarter 1	865,837	0	336,537	1,202,374	0.05%	0.05%
Quarter 2	1,916,563	470,463	410,254	2,797,280	0.11%	0.16%
Quarter 3	1,829,435	868,010	332,338	3,029,783	0.12%	0.28%
Quarter 4	1,920,426	165,902	480,893	2,567,222	0.10%	0.38%
Total	**6,532,261**	**1,504,375**	**1,560,023**	**9,596,659**		

Note-
1. Prepayment rate is computed based on cumulative prepayment to-date divided by original principal balance on closing

	Deliquency (%)			Default (%)		Recovery (%)	
	< = 3 Months	> 3 to 6 Months	> 6 to 9 Months	Movement	Cumulative	Movement	Cumulative
Quarter 1	3.07%	0.00%	0.00%	0.00%	0.00%	n.a	n.a
Quarter 2	16.55%	0.15%	0.00%	0.00%	0.00%	n.a	n.a
Quarter 3	3.71%	0.12%	0.09%	0.00%	0.00%	n.a	n.a
Quarter 4	7.23%	0.21%	0.06%	0.06%	0.06%	n.a	n.a

E. Collection Summary (RM)

Opening Cash Balance @ Issue date (RM) 0.00

	Closing cash balances	Investment in Permitted Investments	Closing cash and cash equivalent balances	Collections from BPP	Income from Permitted Investments	Others	Principal and/or Interest payments	Fees and Expenses
Quarter 1	76,538	34,749,963	34,826,501	47,636,943	171,329	11,850,000	(20,920,296)	(3,911,476)
Quarter 2	78,872	59,533,937	59,612,809	50,896,686	291,965	0	(20,920,296)	(5,482,047)
Quarter 3	71,974	90,517,550	90,589,524	55,109,680	509,144	0	(20,692,901)	(3,949,208)
Quarter 4	73,330	112,150,959	112,224,289	42,487,227	750,679	0	(20,692,901)	(910,239)
Total				**196,130,536**	**1,723,117**	**11,850,000**	**(83,226,395)**	**(14,252,969)**

CAGAMAS MBS 2005-1 : DEAL SUMMARY

A. Transaction Summary

Issuer	Cagamas MBS Berhad
Issue	RM2,050.0 million Asset Backed Sukuk Musyarakah
Sector	Securitisation of Government Staff Housing Loans
Issue Date	8-Aug-05
Purchase Date	1 April 2005 (retrospective purchase of 6 months)
Tenure	3 to 15 years
Originator & Servicer	Federal Government of Malaysia
Transaction Administrator	Cagamas Berhad
Administrator	Cagamas Berhad
Insurer	Etiqa Takaful Berhad and Etiqa Insurance Berhad
Trustee	Malaysian Trustee Berhad
Facility Agent	CIMB Investment Bank

** Formerly known as Takaful Nasional Sdn Berhad and Malaysia Nasional Insurance Berhad*

B. Securities Summary

Issues	Size (RM)	Maturity Date	Coupon (%)	Frequency	Rating	Outstanding Amount (RM)
Tranche 1	250,000,000	8-Aug-2008	3.41%	Quarterly	AAA	Fully Redeemed
Tranche 2	215,000,000	6-Aug-2010	3.84%	Quarterly	AAA	215,000,000
Tranche 3	260,000,000	8-Aug-2012	4.24%	Quarterly	AAA	260,000,000
Tranche 4	515,000,000	7-Aug-2015	4.71%	Quarterly	AAA	515,000,000
Tranche 5	410,000,000	8-Aug-2017	5.01%	Quarterly	AAA	410,000,000
Tranche 6	400,000,000	7-Aug-2020	5.27%	Quarterly	AAA	400,000,000

C. Portfolio Description

	Cut-Off Date	Outstanding principal balance (RM)	No of Accounts	Avg Mortgage Size (RM)	WA term to maturity (years)	WA Seasoning (years)	WA Age (years)
At closing	n.a	2,844,494,008	37,264	76,334	23.70	3.47	40.94
Quarter 1	30-Jun-2005	2,817,100,704	37,219	75,690	20.06	3.63	40.95
Quarter 2	30-Sep-2005	2,786,116,945	37,127	75,043	19.84	3.88	41.24
Quarter 3	31-Dec-2005	2,758,231,928	37,060	74,426	19.58	4.13	41.49
Quarter 4	31-Mar-2006	2,729,961,491	36,990	73,803	19.33	4.38	41.73
Quarter 5	30-Jun-2006	2,701,437,542	36,908	73,194	19.09	4.63	41.98
Quarter 6	30-Sep-2006	2,669,801,539	36,809	72,531	18.83	4.87	42.22
Quarter 7	31-Dec-2006	2,643,966,745	36,751	71,943	18.60	5.12	42.47
Quarter 8	31-Mar-2007	2,615,584,628	36,703	71,264	18.35	5.37	42.71
Quarter 9	30-Jun-2007	2,584,087,445	36,606	70,592	18.10	5.62	42.96
Quarter 10	30-Sep-2007	2,547,861,515	36,466	69,870	17.83	5.87	43.20
Quarter 11	31-Dec-2007	2,520,801,132	36,371	69,308	17.68	6.41	43.45
Quarter 12	31-Mar-2008	2,488,592,574	36,270	68,613	17.44	6.66	43.69

D. Portfolio Performance

	Prepayment (RM)				Prepayment Rate[1] (%)		Default (%)		Recovery (%)	
	Voluntary	Involuntary	Partial Prepayment	Total	Movement	Cumulative	Movement	Cumulative	Movement	Cumulative
Quarter 1	2,956,078	204,850	139,715	3,300,643	0.12%	0.12%	0.00%	0.00%	n.a	n.a
Quarter 2	5,358,443	851,522	366,325	6,576,291	0.23%	0.35%	0.00%	0.00%	n.a	n.a
Quarter 3	3,794,897	673,867	810,445	5,279,209	0.19%	0.53%	0.00%	0.00%	n.a	n.a
Quarter 4	4,380,445	632,006	786,067	5,798,518	0.20%	0.74%	0.07%	0.07%	n.a	n.a
Quarter 5	4,641,223	604,263	298,986	5,544,472	0.19%	0.93%	0.02%	0.10%	n.a	n.a
Quarter 6	4,914,522	1,801,640	78,557	6,794,719	0.24%	1.17%	0.04%	0.13%	n.a	n.a
Quarter 7	2,866,276	679,516	1,145,733	4,691,525	0.16%	1.34%	0.07%	0.20%	n.a	n.a
Quarter 8	2,583,577	651,422	2,752,478	5,987,476	0.21%	1.55%	-0.06%	0.14%	n.a	n.a
Quarter 9	3,540,268	79,191	3,677,374	7,296,833	0.26%	1.80%	0.11%	0.25%	n.a	n.a
Quarter 10	3,662,145	1,506,097	6,123,055	11,291,298	0.40%	2.20%	0.02%	0.28%	n.a	n.a
Quarter 11	3,478,798	476,121	462,895	4,417,814	0.16%	2.35%	0.03%	0.30%	n.a	n.a
Quarter 12	5,260,352	1,289,788	551,989	7,102,129	0.25%	2.60%	0.08%	0.39%	n.a	n.a
Total	**47,437,025**	**9,450,283**	**17,193,619**	**74,080,927**						

Note-
1. Prepayment rate is computed based on cumulative prepayment to-date divided by original principal balance on closing

E. Collection Summary (RM)

Opening Cash Balance @ Issue date (RM) 0.00

	Closing cash balances	Investment in Permitted Investments	Closing cash and cash equivalent balances	Collections from BPP	Income from Permitted Investments	Others	Principal and/or Interest payments	Fees and Expenses
Quarter 1	453,318	40,230,000	40,683,318	55,753,323	128,215	11,667,567	(23,613,123)	(3,252,663)
Quarter 2	4,411	67,520,000	67,524,411	59,268,048	409,598	0	(23,613,123)	(9,223,430)
Quarter 3	90,503	103,564,764	103,655,267	58,711,200	582,208	0	(22,843,130)	(319,421)
Quarter 4	92,953	137,260,000	137,352,953	57,173,413	1,029,516	0	(23,613,123)	(892,119)
Quarter 5	80,229	171,902,195	171,982,424	58,699,733	1,148,872	0	(23,613,123)	(1,606,011)
Quarter 6	400,225	208,666,506	209,066,731	62,657,446	1,747,883	0	(23,613,123)	(3,707,898)
Quarter 7	77,528	240,754,069	240,831,597	53,589,349	1,712,857	0	(22,843,130)	(694,209)
Quarter 8	77,976	276,283,046	276,361,022	57,591,941	2,253,279	0	(23,613,123)	(702,672)
Quarter 9	85,661	312,438,295	312,523,956	60,396,170	2,228,020	0	(23,869,788)	(2,591,469)
Quarter 10	79,926	353,846,840	353,926,766	66,406,018	1,714,270	0	(24,126,452)	(2,591,025)
Quarter 11	80,654	383,560,493	383,641,147	49,967,661	2,428,574	0	(22,329,801)	(352,051)
Quarter 12	79,140	173,777,994	173,857,134	57,298,658	6,799,891	90,000	(273,613,123)	(359,439)
Total				**697,512,958**	**22,183,183**	**11,757,567**	**(531,304,164)**	**(26,292,410)**

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CAGAMAS MBS 2007-2 : DEAL SUMMARY

A. Transaction Summary

Issuer	Cagamas MBS Berhad
Issue	RM2,410.0 million Asset Backed Fixed Rate Bonds
Sector	Securitisation of Government Staff Housing Loans
Issue Date	22-Aug-07
Purchase Date	28 February 2007 (retrospective purchase of Approx. 6 months)
Tenure	3 to 20 years
Originator & Servicer	Federal Government of Malaysia
Transaction Administrator	Cagamas Berhad
Administrator	Cagamas Berhad
Insurer	Etiqa Insurance Bhd & Etiqa Takaful Berhad
Trustee	Malaysian Trustee Berhad
Facility Agent	CIMB Investment Bank

Formerly known as Takaful Nasional Sdn Berhad and Malaysia National Insurance Berhad

B. Securities Summary

Issues	Size (RM)	Maturity Date	Coupon (%)	Frequency	Rating	Outstanding Amount (RM)
Tranche 1	515,000,000	21-Aug-2010	4.00%	Quarterly	AAA	515,000,000
Tranche 2	375,000,000	22-Aug-2012	4.10%	Quarterly	AAA	375,000,000
Tranche 3	380,000,000	22-Aug-2014	4.28%	Quarterly	AAA	380,000,000
Tranche 4	525,000,000	22-Aug-2017	4.52%	Quarterly	AAA	525,000,000
Tranche 5	260,000,000	22-Aug-2019	4.70%	Quarterly	AAA	260,000,000
Tranche 6	250,000,000	20-Aug-2022	4.90%	Quarterly	AAA	250,000,000
Tranche 7	105,000,000	21-Aug-2027	5.08%	Quarterly	AAA	105,000,000

C. Portfolio Description

	Cut-Off Date	Outstanding principal balance (RM)	No of Accounts	Avg Mortgage Size (RM)	WA term to maturity (years)	WA Seasoning (years)	WA Age (years)
At closing	n.a	3,015,969,604	63,461	47,525	16.30	7.79	43.42
Quarter 1	31-May-2007	2,981,546,334	63,461	46,982	16.08	8.02	43.65
Quarter 2	31-Aug-2007	2,929,443,439	63,293	46,284	15.87	8.24	43.87
Quarter 3	30-Nov-2007	2,882,556,432	62,976	45,772	15.66	8.46	44.09
Quarter 4	29-Feb-2008	2,833,421,775	62,794	45,122	15.45	8.68	44.30

D. Portfolio Performance

	Prepayment (RM)				Prepayment Rate [1] (%)	
	Voluntary	Involuntary	Partial Prepayment	Total	Movement	Cumulative
Quarter 1	0	0	363,394	363,394	0.01%	0.01%
Quarter 2	9,896,331	642,937	639,682	11,178,950	0.37%	0.38%
Quarter 3	8,200,231	905,094	347,687	9,453,011	0.31%	0.70%
Quarter 4	7,289,922	651,280	446,687	8,387,889	0.28%	0.97%
Total	**25,386,483**	**2,199,311**	**1,797,450**	**29,383,244**		

Note-
1. Prepayment rate is computed based on cumulative prepayment to-date divided by original principal balance on closing

	Deliquency (%)			Default (%)		Recovery (%)	
	<= 3 Months	> 3 to 6 Months	> 6 to 9 Months	Movement	Cumulative	Movement	Cumulative
Quarter 1	38.31%	0.00%	0.00%	0.00%	0.00%	n.a	n.a
Quarter 2	26.45%	0.07%	0.00%	0.00%	0.00%	n.a	n.a
Quarter 3	33.46%	0.18%	0.04%	0.00%	0.00%	n.a	n.a
Quarter 4	23.86%	0.19%	0.10%	0.03%	0.03%	n.a	n.a

E. Collection Summary (RM)

Opening Cash Balance @ Issue date (RM) 0.00

	Closing cash balances	Investment in Permitted Investments	Closing cash and cash equivalent balances	Collections from BPP	Income from Permitted Investments	Others	Principal and/or Interest payments	Fees and Expenses
Quarter 1	88,062	44,920,000	45,008,062	61,320,473	188,834	19,900,000	(26,660,592)	(9,740,652)
Quarter 2	92,434	92,519,760	92,612,194	83,643,043	429,331	0	(26,660,592)	(9,807,650)
Quarter 3	90,857	142,320,000	142,410,857	75,769,019	937,060	0	(26,081,014)	(826,403)
Quarter 4	91,785	195,460,000	195,551,785	79,282,432	1,347,000	0	(26,660,592)	(827,913)
Total				300,014,967	2,902,224	19,900,000	(106,062,789)	(21,202,617)

Note:
Please note that the figures have been rounded to the nearest integer respectively and as such it may not tally.

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Entrepreneurship Gap Expectation Between Own-State And Private Sectors

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Abstracts - The purpose of this paper is to recognition of factors effecting to level of entrepreneurship in Islamic banking sector of Iran in order to investigating the attitude and points of view in both private and own – state banking. The paper build on existing gap articulating the team entrepreneurship, work scope, reward system, available time, successful technology, work process, staff assessment. The description survey method employed and the research approach was field work study. There is considerable gap between two types of Iranian Islamic Banking about studying the seven main variables in relation with entrepreneurship. For the Iranian Islamic banking, the analysis has implications for understanding the factors effecting on both banking sectors in Iran. The study helps by a foundation for research on how to fulfill the gap between two types of Islamic banking sectors of the entrepreneurship is one of the key elements to develop economies.

Keywords : *Entrepreneurship, Banking, Islamic Banking, and Iran*

Classification: *GJMBR Classification: FOR Code: 150304 JEL Code: L26*

ENTREPRENEURSHIP GAP EXPECTATION BETWEEN OWN-STATE AND PRIVATE SECTORS

Strictly as per the compliance and regulations of:

Entrepreneurship Gap Expectation Between Own-State And Private Sectors

(Empirical Evidence Of Iranian Bankers)

Mehrdad Alipour[1] Abbas Ghanbari[2] Seyed Mahdi Moniri[3]

Abstract : The purpose of this paper is to recognition of factors effecting to level of entrepreneurship in Islamic banking sector of Iran in order to investigating the attitude and points of view in both private and own – state banking. The paper build on existing gap articulating the team entrepreneurship, work scope, reward system, available time, successful technology, work process, staff assessment. The description survey method employed and the research approach was field work study. There is considerable gap between two types of Iranian Islamic Banking about studying the seven main variables in relation with entrepreneurship. For the Iranian Islamic banking, the analysis has implications for understanding the factors effecting on both banking sectors in Iran. The study helps by a foundation for research on how to fulfill the gap between two types of Islamic banking sectors of the entrepreneurship is one of the key elements to develop economies.

Keywords : Entrepreneurship, Banking, Islamic Banking, and Iran

I. Introduction

There are two sectors of banks in Iran which are obeying from the rules of Islamic central bank. The first sector is own-state banks, which have a good advantage. One of the vital advantage of own-state banks is cash saving by government. The second sector is private banks which have no advantage like own-state banks. Therefore it seems that being entrepreneur is the key element to carry on their business. Due to attach the own-state bankers with government, may not create such attempt to them for developing their business. According to the Iranian privatization law, all of the own-state banks have to delegate to the private sectors, in specific period of time (e.g, Five years), except Melli bank. In future, there is a serious challenge between Iranian Islamic bankers in order to carry out their business.In this paper the author tries to distinguish some aspects of entrepreneurship that achieve, firstly: gap expectation in both private and own-state bankers, and secondly, offer the suggestions to lead grater adoption of bankers with the concepts and use entrepreneurship to develop their business as well.Poorly functioning financial institutions can limit entry of new firms and lead to inefficient production in existing firms. This condition leads several problems to any society. Financial institutes contribute to economic development in several ways: as an important channel to convert innovative ideas into economic opportunities, as the basis for competitiveness through the revitalization of social and productive networks, as a source of new employment, and as a way to increase productivity. One of the major financial institutions is banking sector. This kind of financial institutions serves a lot of benefits to our economy. It has been argued that both banking sector and entrepreneurship play an indispensable role in improving promoting economic growth (Covin and Slevin, 1991; Zahra, 1993; Yu, 1998). Now a day's Islamic banking grows very fast. Islamic banking and finance as an industry is growing at an unprecedented rate. Currently, there are about 270 Islamic banks worldwide with a market capitalization in excess of US$13 billion. The assets of Islamic banks worldwide are estimated at more than US$265 billion and financial investments are above US$400 billion. Islamic bank deposits are estimated at over US$202 billion worldwide with an average growth of between 10 and 20 percent. Furthermore, Islamic bonds are currently estimated at around US$30 billion. In addition, Islamic equity funds are estimated at more than US$3.3 billion worldwide with a growth of more than 25 percent over seven years and the global Takaful premium is estimated at around US$2 billion (Abdul Rahman, 2007, p. 123). However, few countries practice pure Islamic banking; one of them is Iran. This study is focuses on Islamic banking and factors affecting to entrepreneurship in Iranian bankers. In other word, this study tries to show factors from the own-state bankers to banking sectors entrepreneurship as well private banking sector.

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II. Entrepreneurship

The word "Entrepreneur" was first used in an economic context by the French philosopher Richard Cantillon in 1755 . Cantillon's original definition of an entrepreneur was a simple trader, with an eye for opportunistic profit. Cantillon's entrepreneur "bought at certain price and sold at an uncertain price, thereby operating at risk". Cantillon's entrepreneur was, by definition, an individual who specialised in taking on risk and lived on his wits. Entrepreneurship, involves capturing ideas, converting them into products and, or services and then building a venture to take the product to market" (Johnson, 2001, p. 138). Entrepreneurial creation is concerned with all aspects of the entrepreneur and entrepreneurship that address the issue of how entrepreneurs devise and implement innovative products, ideas and ways of doing things.A wider definition is Timmons (1994:7) "entrepreneurship is the process of creating or seizing an opportunity and pursuing it regardless of the resources currently controlled". Due to the demarcation segregating international business and entrepreneurship has begun to erode in recent years, a definition of "international entrepreneurship" will now be presented: "international entrepreneurship is a combination of innovative, proactive, and risk-seeking behaviour that crosses national borders and is intended to create value in organizations" (McDougall & Oviatt, 2000:903).

III. Entrepreneurship for what

Entrepreneurs explicitly, unabashedly put themselves to the task of enrichment. Admittedly, some do this for altruistic reasons; some are quite generous if not outright altruistic with the wealth they attain. Yet most of them attain wealth by providing other people with goods and services that further flourish here on earth. A conventional contemporary shopping mall or department store, a new or used automobile lot, a discount warehouse, or an industrial exhibit - they all seek to demonstrate to potential buyers that the goods and services the entrepreneur has put up for sale to the public will make life better, more comfortable, more enjoyable, even thrilling, than it would be without these. What can be said in defense of a profession, a vocation, if you will, that is dedicated to the mutual enhancement of human life here on earth? For that is just the profession or vocation that entrepreneurship is (Tibor R. Machan, 1999).

IV. Expectation gap

The definition of expectations has been a topic of some debate in the academic literature.

Pre-trial beliefs about a product or service are commonly called expectations (Boulding et al. 1993); further it is really an important because they provide the frame of reference for evaluation as well as for judgments among those they have expectations (Oliver, 1996). It can say that the expectations represent the mental categories used by consumers and clients in their evaluation of service performance with the obvious implications for service quality. However, regarding the expectations which it is the critical issue, there have been significant variations in the evolving of expectations (Parasuraman et al. 1988), in terms of what people feel they should be offered, rather than would be offered (Boulding et al. 1993) and pre-trial beliefs about a product, goods or service is delivered or rendered and its performance in future (Oliver, 1996). According to the researchers the expectations are defined as anticipations or predictions of clients realities or wishes (what people think they will get) or as preferences (what people want, desire or wish) (Galassi, et al. 1992; Tinsley). In nut shell, there are often differences between the performance of a service and the expectations that the client has on the particular service which it caused more expectations. According to Deegan and Rankin, (1999) an expectation gap among the people is the result of differences in opinion or perceptions between two or more groups in the society regarding every aspect.Porter at first time used expectation gap in accounting and auditing dimensions. According to her view points an expectation gap consisted of two major elements as follows: (i) A reasonableness gap: Gap between what is expected and what can reasonably be expected to accomplish and (ii) A performance gap: Gap between what can reasonably be expected and perceived actual achievements. In other words, a gap between what clients reasonably expect companies to accomplish and what they are perceived to achieve. These kinds of gap my subdivided into: (a) a gap between the duties and responsibilities, which can reasonably be expected of companies and their existing duties are defined by the professionals, (b) a gap between the expected standards of companies performance existing duties companies performances as expected and perceived by the clients.

The nature of service is very different from the production, because it has own specification like, intangibility. This specification caused client expectation gap. In very often arise client expectations gap regarding to the quality of service (Hubbert et al. 1995). Regarding this crucial aspect Ojasalo (2001) stated that the managing such service expectations is very important since service quality satisfaction result from how well the actual service performance, in other words the service process and outcome, matches the perceptions.

Ojasalo (2001) treats three types of expectations typical in the professional service context, they are namely as follows:

1. Fuzzy expectations;
2. Implicit expectations; and
3. Unrealistic expectations.

Clients do not always have a clear understanding of what they want from the service provider. They may feel something is wrong or difficult but do not know is wrong. They wish for an improvement in their situation, but do not know what kind of improvement this should be. This kind of wish can be called fuzzy expectations; the fuzzy expectations can be changed by focusing expectations, referring to the service provider's efforts to make the client's expectations more precise. This may happen in the communication between the clients and providers. So, in this condition such gaps will be reduced. However, we cannot eliminate the gaps. If the providers and clients realize the wishes and the limitations of each other these kind of gap may reduce. So, focusing fuzzy expectations involves a process of defining unclear problems as well as needs of both sides namely, service provider and client (Ojasalo, 2001).Hubbert et al. (1995) have presented a different research approach, which investigates whether the some components of a service encounter are identified as important by both sets of participants or not. They found that the clients' satisfaction is likely to be sub-optimal when the clients are unaware of service benefits of when the provider fails to provide the client with sufficient information. In this study the authors try to identify another gap which is related to different perceptions of own-state bankers to entrepreneurship as well perceptions of private bankers on entrepreneurship in Iran (if existed).

V. Affect is Relevant to Entrepreneurship

While the findings of previous research clearly indicate that affect influences several aspects of cognition in work settings (e.g., Borman, Penne, Allen, & Motowidlo, 2001; Staw, Sutton, & Pelled, 1994), the great majority of this research was conducted in large, established organizations and with employees rather than company founders. This raises the following question: Do such effects also occur in new ventures and among entrepreneurs? Although very little direct evidence on this issue is currently available, there appear to be two major reasons for suggesting that affect may indeed be relevant to processes occurring during the creation of new ventures. First, the environments in which entrepreneurs function are often highly unpredictable and filled with rapid change (e.g., Lichtenstein, Dooley, & Lumpkin, 2006). As a result, such environments are not ones in which individuals can follow well-learned scripts or prescribed sets of procedures. Rather, as many entrepreneurs put it, they must often "make it up as they go along." Research on the influence of affect suggests that it is most likely to exert powerful effects on cognition and behavior in precisely this type of situation. In contexts involving high uncertainty and unpredictability, affect can readily tip the balance toward specific actions or decisions—effects it might not produce in environments that are more certain and predictable (e.g., Forgas,2000; Forgas & George, 2001).For this reason, affect may have especially important consequences for entrepreneurship.

A second reason why affect may often exert strong effects in the domain of entrepreneurship relates to the specific tasks entrepreneurs perform in starting new ventures. These tasks are highly varied in nature and change significantly as the process unfolds (e.g., Baron, 2006 b; Shane, 2003). However, many of these activities are ones that have previously been shown to be strongly influenced by affect (e.g., see Forgas, 2000, and Lyubomirsky et al., 2005). For instance, as discussed in greater detail in a later section, affect has been shown to exert strong effects on creativity , on persuasion (which may influence entrepreneurs' success in acquiring essential resources), on decision making and judgments (which play a key role in the formation of effective business models and strategies; e.g., Ireland, Hitt, & Sirmon, 2003), and on the formation of productive working relationships with others (e.g., Diener & Seligman, 2002; Harker & Keltner, 2001). Since affect has been found to exert strong effects on all these activities, it is directly relevant to entrepreneurship.

VI. History of Banking in Iran

Banking operations had been carried out in Iran by temples and princes before the advent of Achaemenid dynasty by government. In that period, trade boomed in the country, thus giving a boost to banking. Before a bank in its present form was established in the country, banking operations had been carried out in traditional forms in the form of money changing. Money changing began to decline with the establishment of New East Bank, an originally British owned bank in the country in 1850. Bank Sepah was the first bank to be established with Iranian capitals in 1925 under the name of Bank Pahlavi Qoshun, in order to handle the financial affairs of the military personnel and set up their retirement fund. The primary capital of the bank was 388,395 Tomans. In the spring of 1979, all Iranian banks were nationalized and banking laws changed with the approval of the new interest free Islamic banking regulations. Before a bank in its present form was established in Iran, banking operations had been carried out in traditional form, or in other words in the form of money changing. Simultaneous with promotion of trade and business in the country, more people chose money changing as their occupation.

Following a boost in trade and use of bank notes and coins in trade during the Parthian and

Sassanian eras, exchange of coins and hard currencies began in the country. Some people also managed to specialize in determining the purity of coins. Bank notes and gold coins were first used in the country following the conquest of Lidi by Achaemenid king Darius in 516 B.C. At that time, a gold coin called Derick was minted as the Iranian currency. During the Parthian and Sassanian eras, both Iranian and foreign coins were used in trade in the country. However, with the advent of Islam in Iran, money changing and use of bank notes and coins in trade faced stagnation because the new religion forbade interest in dealing. In the course of Mongol rule over Iran, a bank note which was an imitation of Chinese bank notes was put in circulation. The bank notes, called Chav bore the picture and name of Keikhatu. On one side of the bank notes there was the following sentence: "Anybody who does not Besides Chav, other bank notes were used for a certain period of time in other Iranian cities and then got out of circulation. Before the printing of first bank notes by the Bank Shahanshahi (Imperial Bank), a kind of credit card called Bijak had been issued by money dealers. As mentioned before, money changing got out of fashion with the advent of Islam under which usury is strictly forbidden.

The New East Bank establishment 1850 and it was in fact the first banking institute in its present form established in Iran. It laid the foundation of banking operations in the country. It was a British bank whose headquarters was in London. The bank was established by the British without receiving any concession from the Iranian government. The New East Bank allowed individuals to open accounts, deposit their money with the bank and draw checks. It was at this time that people began to draw checks in their dealings. In order to compete with money dealers, the bank paid interest on the fixed deposits and current accounts of its clients. The head office of the bank in Tehran issued five `qeran' bank notes in the form of drafts. According to a concession granted by the Iranian government to Baron Julius De Reuter in 1885, Bank Shahanshahi (Imperial Bank) was established. This bank purchased the properties and assets of the New East Bank, thus putting an end to the baking operations of the former. The activities of Bank Shahanshahi ranged from trade transactions, printing bank notes, and serving as the treasurer of the Iranian government at home and abroad in return for piecework wage. In return for receiving this concession, Reuter obliged to pay six percent of the annual net income of the bank, providing that the sum should not be less than 4,000 pounds, and 16 percent of incomes from other concessions to the Iranian government. The legal center of the bank was in London and it was subject to the British laws but its activities were centered in Tehran.

In 1209 (lunar hejira), the right of printing bank notes was purchased from Bank Shahanshahi for a sum of 200,000 pounds and ceded to the Bank Melli of Iran. Bank Shahanshahi continued its activities until 1948 when its name was changed into Bank of Britain in Iran and Middle East. The activities of the bank continued until 1952. In 1269 (l.h.), a Russian national by the name of Jacquet Polyakov, received a concession from the then government of Iran for establishment of Bank Esteqrazi for 75 year. Besides, banking and mortgage operations, the bank had an exclusive right of public auction. In 1898 the Tzarist government of Russia bought all shares of the bank for its political ends. Under a contract signed with Iran, the bank was transferred to the Iranian government in 1920. The bank continued its activities under the name of Bank Iran until 1933 when it was incorporated into the Bank Keshavarzi (Agriculture Bank).

Bank Sepah was the first bank to be established with Iranian capitals in 1925 under the name of Bank Pahlavi Qoshun, in order to handle the financial affairs of the military personnel and set up their retirement fund. With Bank Sepah opening its branches in major Iranian cities, the bank began carrying financial operations such as opening of current accounts and transfer of money across the country. The Iran-Russia Bank was formed by the government of the former Soviet Union in 1926 with an aim of facilitating trade exchanges between the two countries.

The headquarters of the bank was in Tehran with some branches being inaugurated in northern parts of the country. The bank dealt with financial affairs of institutes affiliated to the government of the former Soviet Union and trade exchanges between the two countries. The activities of this bank, which were subject to Iranian banking regulations, continued until 1979. In that year, this bank along with 27 other state-owned or private banks was nationalized under a decision approved by the Revolutionary Council of the Islamic Republic of Iran.The proposal to establish a national Iranian bank was first offered by a big money dealer to Qajar king Nasereddin Shah before the Constitutional Revolution. But the Qajar king did not pay much attention to the proposal. However, with the establishment of constitutional rule in the country, the idea of setting up a national Iranian bank in order to reduce political and economic influence of foreigners gained strength and at last in December 1906 the establishment of the bank was announced and its articles of association compiled.

In April 1927, the Iranian Parliament gave final approval to the law allowing the establishment of Bank Melli of Iran. But, due to some problems the Cabinet ministers and the parliament's financial commission approved the articles of association of the bank in the spring of 1928. The Central Bank of Iran was established in 1928, tasked with trade activities and other operations (acting as the treasurer of the government, printing bank notes, enforcing monetary and financial policies and so on). The duties of the CBI included making transactions on behalf of the government, controlling trade banks, determining supply of money, foreign exchange protective measures and so on.

In June 1979, Iranian banks were nationalized and banking regulations changed with the approval of the Islamic banking law (interest free), and the role of banks in accelerating trade deals, rendering services to clients, collecting deposits, offering credits to applicants on the basis of the CBI's policies and so on was strengthened. In short now days there are currently around seventeen commercial banks in Iran, of which eleven are state-owned and six are privately owned which all the banks must follow Islamic banking principles whereby usury is forbidden and, rather than AIRs, profit rates are set on deposits and expected rates of profit on facilities are set on loans. In terms of both assets and capital, the banking sector is dominated by Bank Melli Iran (National Bank of Iran). In recent years, six privately owned banks, Bank Kafarin, Bank Parsian, Bank Eqtesad-e-Novin Bank Saman, Bank Pasargad and Bank Sarmaye have commenced operations in Iran for the first time since the nationalization of the Iranian banking sector in 1952.

VII. Research Hypotheses

According to the subject of the paper, the following hypotheses were postulated in this study:

1. There is a gap between own-state and private banking sectors on team entrepreneurship in order to be supported managers!
2. There is a gap between own-state and private banking sectors on work scope affects to the entrepreneurship!
3. There is a gap between own-state and private banking sectors on reward system impacts to the entrepreneurship!
4. There is a gap between own-state and private banking sectors on available time affects to the entrepreneurship!
5. There is a gap between own-state and private banking sectors on using successful technology impacts to the entrepreneurship
6. There is a gap between own-state and private banking sectors on work process impacts to the entrepreneurship!
7. There is a gap between own-state and private banking sectors on staff assessment impacts to the entrepreneurship!

VIII. Objectives and Research Approach

The purpose of this study was to determine the level of entrepreneurship at the own-state and private banking sectors and then, is there any gap between them. Also to find the gap seven variables as independent and gap expectation between two types of banking sectors have been selected.

The research methodology used in this study is based on both survey and description methods. The author design and developed a questionnaire which it is the most suitable for this study. A survey questionnaire was completed by two groups of own-state and private Bankers. The Research is done at the mid of 2009 to end of 2010. The data for the present study has been collected from both primary and secondary sources. Secondary data was collected from various textbooks, journals, reports, magazines, dailies and has also been collected from web sources using the popular search engines like Google, yahoo and powerful databases such as Emerald and Elsevier. Five-point likert's scale questionnaire instrument was employed in this research while the questionnaire consisted of two sections. The first section contained data relating to demographic variables of the sample respondents and the second section contained some technical questions related to hypotheses. The respondents were required to tick their perceptional levels on five-point Likert's scale with '5' as strongly agree, '4' as agree, '3' as moderately agree, '2' as disagree and '1' as strongly disagree. The statistical tools employed in this paper included mean value, standard deviation, Mann – Whitney U and wilcoxon signed rank test for the purpose of analysis and interpretation. The sample fat for this paper has been selected from the own-state and private banking sectors those who are working as a staff. The sample random technique has been used for selecting people as a sample. On the whole 800 questionnaires were administered between own-state bankers and 350 the same questionnaire were administered between private bankers. Out of 1150 questionnaires only 650 usable questionnaires collected from own-state bankers and 230 usable questionnaires from private bankers in Iran. The despondence rate for own-state bankers is 81.25 while for privet bankers is 65.72.

Table 1: Demographic information of participants

Variables	Items	Frequency	Per cent
Gender	Male	639	72.61
	Female	241	27.39
Age	20 to 30 years	364	41.37
	31 to 40 years	378	42.98
	41 to 50 years	122	13.87
	51 to 60 years	12	1.38
	Above 60 years	4	0.40
Experience	Below 4 years	259	29.43
	5-9 years	304	34.55
	10-14 years	145	16.48
	15-19 years	93	10.57
	Above 20 years	79	8.97
Education	Under Diploma	3	0.30
	Diploma	186	21.15
	Associate Diploma	144	16.38
	Bachelor	494	56.15
	Master	52	5.92
	PhD	1	0.10
Position	Manager	485	55.00
	Clerk	395	45.00
Type	Own-state banker	650	73.86
	Private banker	230	26.14

According to Table 1, majority of participants were male with 72.61% followed by female (27.39%). Moderate numbers of participants were youth (41.37%) less than 30 years old. Majority of participants had 31-40 years old (42.98). Least number of participants had more than 60 years old. Regarding experience, Table 1 shows that moderate numbers of participants have less than four years (29.43%). Further, majority of participants had experience between 5-9 years. Only 8.97% of participants had more than twenty years experience.

About education of participants the above mentioned table illustrated that least number of participants were under diploma. Although in this section the participants were the least, but it is not acceptable that having under diploma degree in major financial institutions, namely, banks. Vast number of participants had bachelor degree (56.15%) followed by associate diploma holder (16.38%). Few numbers of participants had master degree (5.92%). It is interesting to note that only one participant had PhD.55% of participants were managers in both own-state banks as well private banks in Iran, while 45% were clerks in the same banks. Out of 880 participants, 73.86% were from own-state banks and 26.14% from private banks in Iran. The reason that why private bankers had fewer participants in this study is that majority of Iranian banks is own-state banks. From few years back on the private banks are started in Iran.To conclude, majority of participants were male, from own-state banks, and holding bachelor degrees.

IX. Testing of Hypotheses

This study uses various non-parametric statistics for analyzing data. In the view of the fact, when the underlying assumptions are violated it is necessary to use the powerful non-parametric procedures. The non-additively of ordinal scales make them mathematically inappropriate for the calculations used in the parametric analyses. So, for analyzing data non-parametric statistical tools are used, and the Mann-Whitney U and Wilcoxon Signed Rank Test are being applied in this part of the study which is the most suitable for this kind of study.

Table 2 shows total number of participant from both own state banks and private banks in Iran. As mentioned earlier total number of own-state bankers and private bankers stood at 650 and 230 respectively.

H1: There is a gap between own-state and private banking sectors on team entrepreneurship in order to be supported managers!

As it shown in Table 2, regarding to related questions of this hypothesis, the average mean ranking of own-state and private banking sectors are 421.28 and 494.83 respectively. As it is clear private bankers ranking in this hypothesis is higher than own-state bankers. So, it caused mean gap of 73.55. According to Mann-Whitney U and Wilcoxon Signed Rank Test which shown in Table 2 this hypothesis is accepted and null hypothesis is rejected. In other word, there is a huge difference between two kinds of banks on team entrepreneurship supported by managers. However, as it mentioned before, the mean ranking of private bakers, ranking was higher than own-state banks. It means that private bankers are strongly agreed that by supporting the managers team entrepreneurship leads higher entrepreneurship degree in Iranian banking sectors.

H2: There is a gap between own-state and private banking sectors on work scope affects to the entrepreneurship!

According to Table 2 the mean ranking of own-state and private banking sectors are 441.11 and 438.77 respectively. Further, there found mean gap of -2.34. The results of tests show that research hypothesis is rejected and null hypothesis is accepted. In other word, there is no a gap between own-state and private banking sectors on work scope affection on entrepreneurship.

H3: There is a gap between own-state and private banking sectors on reward system impacts to the entrepreneurship!

As it shown in Table 2, the average mean value of own-state and private banking sectors are 419.26 and 500.52 respectively. So, it was a high gap of 81.26. According to two tests this hypothesis is strongly accepted and null hypothesis is rejected. It can say that private bankers strongly agreed that reward systems have positive affect on degree of entrepreneurship. Further, own-state bankers also agreed to this statement but not as much as private bankers.

H4: There is a gap between own-state and private banking sectors on available time affects to the entrepreneurship!

With regard to Table 2 this hypothesis also strongly accepted. In other word, private bankers strongly agreed that available time leads higher entrepreneurship in Iranian banking sectors.

H5: There is a gap between own-state and private banking sectors on using successful technology impacts to the entrepreneurship!

With reference to Table 2, the mean ranking of own-state and private banking sectors are 424.04 and 487.02 respectively which resulted gap of 62.98. According to the results this hypothesis strongly confirmed while the null hypothesis strongly rejected. Again it is clear that private bankers strongly agreed that using of successful technology leads higher level of entrepreneurship.

H6: There is a gap between own-state and private banking sectors on work process impacts to the entrepreneurship!

Table 2 shows that the mean ranking of own-state and private banking sectors are 414.59 and 513.73 respectively which results the highest gap of 99.14. The results of two tests show that this hypothesis strongly accepted and null hypothesis rejected. In other word, private bankers strongly believed that work process leads higher level of entrepreneurship.

Table 2: Results of testing hypotheses

Items	First Hyp.	Second Hyp.	Third Hyp.	Fourth Hyp.	Fifth Hyp.	Sixth Hyp.	Seventh Hyp.
Total number of own-state banks, participants	650	650	650	650	650	650	650
Total number of private banks' participants	230	230	230	230	230	230	230
Average Mean Ranking of own-state banks	421.28	441.11	419.26	424.22	424.04	414.59	421.24
Average Mean Ranking of Private	494.83	438.77	500.52	486.50	487.02	513.73	494.93

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banks							
Mean Gap	73.55	-2.34	81.26	62.28	62.98	99.14	73.69
Mann-Whitney U	62254.5	74352.5	60946	64170	64050.5	57906	62231.5
Wilcoxon W	273829.5	100917.5	272521	275745	275625	259481	273806
Z	-3.778	-0.12	-4.175	-3.202	-3.255	-5.099	-3.793
P-Value	0.000	0.904	0.000	0.001	0.001	0.000	0.000
Result	Confirmed	Rejected	Confirmed	Confirmed	Confirmed	Confirmed	Confirmed

H7: There is a gap between own-state and private banking sectors on staff assessment impacts to the entrepreneurship!

With reference to Table 2, the mean ranking of own-state and private banking sectors are 421.24 and 494.93 respectively; resulted gap of 73.69. Also the results of tests stated that this hypothesis is strongly accepted while the null hypothesis rejected. In other word, own-state bankers were not very agree that staff assessment leads higher level of entrepreneurship. However, private bankers strongly agreed that this element strongly related to higher level of entrepreneurship.

X. Conclusions

This paper tried to introduce the new perspective in order to the entrepreneurship in Iranian banking sectors. The main idea of this paper is that the Iranian banking sectors have to move toward the entrepreneurship as vital activities in their business. The results of this study implied that, entrepreneurship is the most important factor to new business environment at the level of banking sectors in Iran. Also author try endeavors to show the gap between both own-state and private banking sectors. The demographic results also showed that the majority of Iranian banking sectors are passing by from introduction stage to the growth stage of service life cycle (SLC). Therefore they have to take very serious action to adopt them with the new situation rise in Iranian economy. The results emanated from test of hypotheses also showed except work scope (2nd hypothesis) all of them confirmed that there is a great gap between private and own-state banking sectors on elements affecting to entrepreneurship. The private banking sector has almost higher mean ranks in counter with own-state banking sector. Consequently the opinions and beliefs of private banking sectors are strongly accepted for those factors affect to level of entrepreneurship in Iran. Finally, author become to conclusion that the level of entrepreneurship in Iranian Private banking sector is considerably greater than own-state banking sector. Future research is needed to explore the factors affect to the own-state banking sector to overcome the limitations of the practical frame work which will lead to higher level of entrepreneurship.

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Research on Sustainable Development Issue in the Vision of Game Theory

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Abstracts - Sustainable development issues belong to external non-economical common land based concerns. From an historical viewpoint, the main responsibility for the current series of global environment problem should be taken on by developed countries. Therefore, on sustainable development issue, international society has formed a principle of "common but different" responsibility-sharing rule. By game theory model, it is found that the reason why the negotiation between developed countries and developing ones reaches a deadlock again and again is short of proper conditions or mechanism to co-operate. There are at least three prerequisites to solve sustainable development issues, none of which has been met so far.

Keywords : *Game theory; Sustainable development; Prerequisite; Innovation Mechanism*

Classification: *GJMBR-A FOR Classification: 150307, 829899 JEL: C70, Q01*

RESEARCH ON SUSTAINABLE DEVELOPMENT ISSUE IN THE VISION OF GAME THEORY

Research on Sustainable Development Issue in the Vision of Game Theory

Sun Wei-Dong [1], William J. Lawrence [2]

Abstract : Sustainable development issues belong to external non-economical common land based concerns. From an historical viewpoint, the main responsibility for the current series of global environment problem should be taken on by developed countries. Therefore, on sustainable development issue, international society has formed a principle of "common but different" responsibility-sharing rule. By game theory model, it is found that the reason why the negotiation between developed countries and developing ones reaches a deadlock again and again is short of proper conditions or mechanism to co-operate. There are at least three prerequisites to solve sustainable development issues, none of which has been met so far.

Keywords: Game theory; Sustainable development; Prerequisite; Innovation Mechanism

I. Sustainable Development Issue

Since two published reports "Our common future" and "Declare on sustainable development" formally put forward the concept of sustainable development, the worldwide discussion on sustainable development has become a source of constant discussion. However, the discussion has not yet achieved a responsible or workable breakthrough between the worlds developed and developing countries.This seemingly endless debate continues at all levels of discussion.

At present, one focus of these quarrels is that developing countries ask the developed ones to bear more of the responsibility and be more forthcoming with assistance by providing advanced technology, equipment better facilities and funds. For the most part the developed countries promises to the developing countries have been strong in words but not in action. They further compromise the developing countries by asking them to slow down their economic expansion and take more effective and strictmeasures to conserve the ecological environment and harness their own environment pollution. As a result of this ongoing debate, there appears to be no innovative mechanisms throughout these quarrels that is leading to a solution of the sustainable development issue. The following game model has been constructed to reveal the essence of and possible solutions to the issue.

Primary assumptions: ①there are only two participating countries in the game, one being a developed country and the other a developing one. ②The strategic choices for the developed country are to assist the developing country to either harness pollution or not to. ③The strategic choices of the developing country are to either take measures to harness pollution or not to.④The amount of assistant fund is h.(including economic benefit transformation from non-money assistant manners).⑤ The economic costs for harnessing pollution is c.⑥The developing country's economic loss by not seeking to reduce their pollution level is w.⑦The developed country's economic loss because of The developing country's pollution external harm is w'.(Identically, $c > w > w'$, or, without the developed country's assistance, the developing country has a strong motivation to harness pollution)
The game model can be shown as following:

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The developed country	The developing country: Harness pollution	The developing country: Don't harness pollution
Offer assistance	$(-h, h-c)$	$(-h-w', \underline{h-w})$
Don't offer assistance	$(\underline{0}, -c)$	$(\underline{-w'}, \underline{-w})$

By drawing underline method in above double-variable-avail matrix, we can easily find that in this game, $s^* = (\text{Don't offer assistance}, \text{Don't harness pollution})$ is a Nash equilibrium, which means that in respect to the developed country, its optimal strategy is to choose "Don't offer assistance" strategy whether the developing country chooses "Harness pollution" strategy or "Don't harness pollution" strategy because; $0 > -h, -w' > -h-w'$. The developing country, Whether the developed country chooses the "Offer assistance" strategy or "Don't offer assistance" strategy, its optimal strategy is to choose "Don't harness pollution" strategy because $h-w > h-c, -w > -c$.

This is the primary reason why a sustainable development theory between develop and developing nations has been no good practical function since it was put forward. Because the developing country's pressing task is to develop its economy, pollution and the environmental problems is accepted as an external diseconomy. These nations have neither the funds, the incentive or the ability to tackle these problems by themselves.

II. INNOVATIVE MECHANISMS THAT MOVE TOWARDS SOLVING THE SUSTAINABLE DEVELOPMENT ISSUES

Continue to assume that there are still only two participating countries, one being developed country and the other developing country. Assume further that an agreement between both countries has been signed that every year the developed country must assist the developing country by providing a reasonable amount of funds to assist environmental concerns. Assume: ①The strategic choices for the developed country are to verify pollution-harnessed conditions in the developing country or not to. ②The strategic choices for the developing country are to take measures to harness pollution or not to. ③The amount of assistant fund is h. (Including economic benefits transfers from non-monetary assistant).④The developed country's verifying cost is h'. ⑤Economic cost for harnessing pollution is c ,⑥The developing country's economic loss because of their leaving pollution as is w .⑦The developed country's economicloss because of The developing country's pollution external harm is w'.(Identically, $c > w > w'$, or, without the developed country's assistance, the developing country has a strong motivation to harness pollution). ⑧fines incurred because of not harnessing pollution are z .Generally, $z > h'$ (therefore the developed country is motivated to verify the developing country), and $c < w + z$ (otherwise even if the developed country is likely to verify the developing country, the developing country still tends to choose the strategy of "don't harness pollution"). Therefore, the new game model is changed as following:

The developed country	The developing country: Harness pollution	The developing country: Don't harness pollution
Verify	$(-h-h', \underline{h-c})$	$(\underline{z-h'-h-w'}, h-w-z)$
Don't verify	$(\underline{-h}, h-c)$	$(-h-w', \underline{h-w})$

By drawing the underline method in above double-variable-avail matrix, we find that there exists no Nash equilibrium in this game. The detailed process is: To the developed country, if the developing country chooses "Harness pollution" strategy, it would most likely choose a "don't verify" strategy because of $-h > -h-h'$, while if the developing country chooses "don't Harness pollution" strategy, it would like to choose a "verifying" strategy because of $z-h'-h-w' > -h-w'$. From the perspective of the developing country, if the developed country chooses a verifying strategy, it would most likely choose a harnessing pollution strategy. If the developed country chooses a "don't verify" strategy, it would most likely choose a "don't harness pollution" strategy. Therefore, by imposing added conditions and a verifying mechanism, the sustainable development game is wheeled to beneficial angle.

III. Further Discussion on the Variants' Effect on the Game Result

Suppose that verifying probability of the developed country is p, then the no verifying probability is $1-p$. Similarly, suppose that the probability for the developing country is to choose a "harness pollution" strategy q, then the probability for the developing country to choose a "don't harness pollution" strategy is $1-q$. Therefore the developed country's mixed strategy is $P_1 = (p, 1-p)$, while the developing country's mixed strategy is $P_2 = (q, 1-q)$. Therefore the developed country's strategy space is $S_1 = (verify, \text{don't verify})$ and the developing country's strategy space is $S_2 = (\text{harness pollution, don't harness pollution})$

The developed country		
strategy	verify	don't verify
probability	p	$1-p$

The developing country		
strategy	harness pollution	don't harness pollution
probability	q	$1-q$

So, the developed country's prospective revenue function is:

$$v_1(p_1, p_2) = pq(-h-h') + p(1-q)(z-h'-h-w') + (1-p)q(-h) + (1-p)(1-q)(-h-w')$$

Similarly, the developing country's prospective revenue function is:

$$v_2(p_1, p_2) = pq(h-c) + p(1-q)(h-w-z) + (1-p)q(h-c) + (1-p)(1-q)(h-w).$$

The next step is to pursue mixed Nash equilibrium (p_1^*, p_2^*), which is optimized key.

$$\max_{p_1 \in P_1} v_1(p_1, p_2^*) = \max_{0 \le p \le 1}[pq^*(-h-h') + p(1-q^*)(z-h'-h-w') + (1-p)q^*(-h) + (1-p)(1-q^*)(-h-w')]$$

$$\max_{p_2 \in P_2} v_2(p_1^*, p_2) \quad \max_{0 \le q \le 1}[p^* q(h-c) + p^*(1-q)(h-w-z) + (1-p^*)q(h-c) + (1-p^*)(1-q)(h-w)]$$

$$\begin{cases} \dfrac{\delta v_1}{\delta p} = q^*(-h-h') + (1-q^*)(z-h'-h-w') + q^* h - (1-q^*)(-h-w') = 0 \\ \dfrac{\delta v_2}{\delta q} = p^*(h-c) - p^*(h-w-z) + (1-p^*)(h-c) - (1-p^*)(h-w) = 0 \end{cases}$$

$$\begin{cases} p^* = \dfrac{c-w}{z} \\ q^* = 1 - \dfrac{h'}{z} \end{cases}$$

In conclusion, the mixed Nash equilibrium for verifying and monitoring game is

$p^* = (p_1^*, p_2^*)$. In this formula, $p^* = (\frac{c-w}{z}, 1-\frac{c-w}{z})$, $p_2^* = (1-\frac{h}{z}, \frac{h}{z})$.

The above formula mean that if $q < 1 - \frac{h'}{z}$, the developed country will choose “verify” strategy, on the contrary, if $q > 1 - \frac{h'}{z}$, the developed country will choose“don’t verify” strategy, and only when $q^* = 1 - \frac{h'}{z}$, will the developed country choose mixed strategy, choosing either “verify” strategy or “don’t verify” strategy(for there is no revenue difference between both strategies). Similarly, if $p < \frac{c-w}{z}$, the developing country will choose “don’t harness pollution” strategy, on the contrary, if $p > \frac{c-w}{z}$, the developing country will choose “harness pollution” strategy, and only if $p = \frac{c-w}{z}$, will the developing country choose mixed strategy, choosing either “don’t harness pollution” strategy or “harness pollution” strategy(for there is no revenue difference between both strategies).

for harnessing pollution c and the developing country’s economic loss w are fixed, the higher the fine z which because of not harnessing pollution and being verified, the smaller the verifying probability of the developed country p^*, while the lower the fine z, the bigger the verifying probability of the developed country p^*, because the developed country may consider that the higher the fine z which is caused because of not harnessing pollution and being verified, the more the developing country dare not take risk. If the fine z which is caused because of not harnessing pollution and being verified is fixed, the bigger economic cost for harnessing pollution c and the smaller the developing country’s economic loss w, the bigger the verifying probability of the developed country p^*, because the developed country may consider that on this situation the probability q^* for the developing country to choose “harness pollution” strategy becomes smaller, while the lower economic cost for harnessing pollution c and the bigger the developing country’s economic loss w, the smaller the verifying probability of the developed count

From above, it is clear that the mixed Nash equilibrium for verifying and monitoring game is linked with economic cost for harnessing pollution c .The developing country's economic loss w , fines z , and the developed country's verifying cost h' . For the developing country, if the amount of fines z is the result of not harnessing pollution and being verified is fixed, the lower the developed country's verifying cost h' , the bigger the probability q^* for the developing country to choose "harness pollution" strategy , and the higher the developed country's verifying cost h' , the smaller the probability q^* for the developing country to choose "harness pollution" strategy, because the developing country considers that the developed country's verifying probability is variable in the opposite direction to its verifying cost. If the developed country's verifying cost h' is fixed, the higher the fine z which is caused because of not harnessing pollution and being verified, the bigger will be the probability q^* for the developing country to choose "harness pollution" strategy, while the lower the fine z which is caused because of not harnessing pollution and being verified, the smaller the probability q^* for the developing country to choose "harness pollution" strategy, because the developing country may consider that the higher the fine z , the bigger the risk that it takes because of not harnessing pollution.For the developed country, if economic cost p , because the developed country may consider that on this situation the probability q^* for the developing country to choose "harness pollution" strategy becomes bigger.

IV. Research Conclusion

Sustainable development issues belong to external non-economical common land decisions. To resolve this problem, at least three prerequisites to solve sustainable development issues must be met. First, the developed country must assist the developing country. Second, there must be a kind of verifying mechanism as an incentive for the developed country to provide money and technology. Third, the fine z which is caused by not harnessing pollution and being verified must be set big enough. Whether the developing country may take action to maintain the world's sustainable development is correlated with economic cost for harnessing pollution c , the developing country's economic loss w because of pollution, the fine z happens because of not harnessing pollution and being verified, the developed country's verifying cost h' , and so on. This is especially if it is strongly correlated with the fine z which happens because of not harnessing pollution and being verified. The higher the fine z , the more strongly the developing country is pushed to solve its own pollution problem.

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Managing the Human Resources for Poverty and Socio Economic Development of Mayurbhanj District In Orissa, India.

By Sandeep Kumar Patnaik, Dr. Upendra Nath Sahu, Dr. Priti Ranjan Hathy
Orissa, India

Abstracts - One of the major concerns of Indian Planning has been the removal of disparities among different sections of population especially the weaker sections like the scheduled tribes and scheduled castes. The basic features common to these tribes as listed in the constitution were that they were having tribal origins, primitive ways of life, habitation in remote and less easily accessible areas and generally backward- socially and economically. The main objective is to analyse the present socio-economic conditions of the tribals in the district and to find out the innovative schemes for Human Resources Development by way of education, training and other social facilities to the tribals of Orissa in India.

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Classification: GJMBR-B Classification: FOR Code: 140213, JEL Code: C31,D71

MANAGING THE HUMAN RESOURCES FOR POVERTY AND SOCIO ECONOMIC DEVELOPMENT OF MAYURBHANJ DISTRICT IN ORISSA, INDIA.

Strictly as per the compliance and regulations of:

Managing the Human Resources for Poverty and Socio Economic Development of Mayurbhanj District In Orissa, India.

Sandeep Kumar Patnaik[1], Dr. Upendra Nath Sahu[2] , Dr. Priti Ranjan Hathy[3]

Abstract : One of the major concerns of Indian Planning has been the removal of disparities among different sections of population especially the weaker sections like the scheduled tribes and scheduled castes. The basic features common to these tribes as listed in the constitution were that they were having tribal origins, primitive ways of life, habitation in remote and less easily accessible areas and generally backward-socially and economically. The main objective is to analyse the present socio-economic conditions of the tribals in the district and to find out the innovative schemes for Human Resources Development by way of education, training and other social facilities to the tribals of Orissa in India.

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I. Introduction

Mayurbhanj is located at Northern region of Orissa in India . This study covers the district of Mayurbhanj where the concentration of tribal population is the highest (56.6 percent) among all the 30 district of Orissa. .The district is called Mayurbhanj after the name of the ex-state which on its merger with Orissa in 1st January, 1949 constituted the entire district. According to 2001 census, the district covers an area of 10418 sq. kms which constitutes 6.69 percent of the state territory. The total population was 22.34 lakhs that constitutes 6.08 percent of the state's total population. Density of population in the district is 213 per sq. km. of area as against 236 at the state level. It is rural based district where the rural population constitutes 93 percent as against state average of 85 percent. Mayurbhanj is said to be a land of tribals. Out of 62 tribal communities of Orissa, 45 communities are found in Mayurbhanj alone. Among the major tribes Santal, Ho, Bhumija, Bhuiyan, Bathudi, Kolho, Munda, Gond, Kharia and Lodha are important. The mountainous and forest in land regions of the district have been considered ideal by the tribal inhabitants for centuries.

Details of surveyed villages

Block	GP	Name of village	Total population	ST population	No. of BPL holders	Sl. No. of households surveyed
Shyamakhunta	Godipokhari	Kuchilaghaty	3786	2080	518	1-30
Kuliana	Dumurdiha	Andhari	1462	1268	305	31-50
		Tulasibani	1620	1415	418	51-65
		Jampada	1000	642	230	66-80
	Marangtandi	Bhuyangoda	1082	732	229	81-90
		Marangtandi	960	888	133	91-100
		Jhenei	1216	895	229	101-110
	Baiganabadia	Jaganathpur	214	202	32	111-120
		Balipal	432	147	68	121-130
		Bankasole	335	185	64	131-140
Bangiriposi	Bhuasuni	Purunapani	344	322	90	141-160
		Chakdar	492	480	94	161-180
		Bhuasuni	908	327	188	181-200

Source:Panchayat office of all villages.

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As per 2001 census Mayurbhanj district has a total population of 22,23,456 number of which rural population has 20,67,756 and Urban population has 1,55,700. Out of total population 12,58,459 belong to ST and 1,70,835 belong to SC and rests belong to other communities. The percentage of ST and SC to total population of the district is 56.6 percent and 7.68 percent respectively. The sex ratio shows a total of 980 female per 1000 males. The Tribal education in Mayurbhanj at present is obstacle by a number of factors like poverty, tribal eco-system, language and distance, etc. (Agarwal, Indian Economy, 2001)[1]

II. REVIEW OF LITERATURE

According to "Orissa Human Development Report – 2004", jointly prepared by the Planning Commission, UNDP, State Government and Nabakrishna Choudhury Centre for Development Studies, the Human Development Index (HDI) of the state stands at 0.404 while Kerala tops the chart with 0.638 followed by Punjab 0.537 and Tamilnadu 0.531. Orissa occupies the fifth place from bottom among 15 major states. The analysis of the states' development is based on three basic parameters – livelihood, health and education. (The New Indian Express, 25th March, 2005).Mayurbhanj is vulnerable to repeated natural calamities like droughts, floods and cyclones.A large number of ST people of Mayurbhanj lack access to growth centers and service centers as they live in remote and hilly areas. Tribal communities residing in hilly terrains of Mayurbhanj are physically excluded, as they demand for connectivity and other infrastructural support. As a result, the poor in general and ST and SC people in particular lack access to growth centers and service centers. Though extensive forest resources are an important source of sustenance to a majority of rural poor especially tribals are highly degraded and lack desired financial and managerial inputs. Optimal exploitation of its vast natural resources demands heavy investment in infrastructural development. However, the State Government's capacity to develop infrastructure is very weak and limited. (Bairathi, Tribal Culture, Economy ,1991)[2]

III. OBJECTIVES OF THE STUDY

The main objectives of the paper is to examine the following:

i. To analyse the present socio-economic conditions of the tribals in the Mayurbhanj district of Orissa in India ;

ii. To assess the various problems faced by the tribals and to suggest suitable measures for solving them;

iii. To examine the Strategic planning such as developing an overall plans and programmes of government machineries and their implementation;

iv. To study the involvement of existing agencies and their support for upliftment of tribals;

v. To identify innovative strategies with regard to the Human Resources Development by way of education, training and other social facilities to the tribals.

IV. SOURCES OF DATA

Consistent with the objective of the study different techniques are used for the analysis of the primary data collected by authors from 200 selected respondents of thirteen villages by direct observation and interview of the tribal people according to a well set questionnaire under three blocks of Mayurbhanj District in the year 2008. The secondary data (1998 to 2008) are collected from several published sources such as books, journals, bulletins, reports and publications of Government and Research Institution.

V. STATISTICAL METHODOLOGY

The data analysis is undertaken mostly with the help of several managerial and statistical devices, comparative and experimental methods of analysis are adopted. Various statistical tools like Coefficient Variation, t-test, Correlation coefficient, Regression analysis & Analysis of Variance (ANOVA) are adopted for analysis. Economics-Statistics like Human Development Index (HDI), which is an innovative method, have been used to calculate to know the development rank. Here, for analysis the statistical tools SPSS (Statistical Package for Social Science) software package is used for calculation in order to plot different graphs and charts.(Bajpai , Methods of Social Survey and Research)[3].

VI. EMPIRICAL RESULTS

The data after collection has been processed and analysed in accordance with the outlined laid down for the purpose. The computerized processing implies editing, coding, classification and tabulation.

Family Size

Family Size of Respondents in the Study Area	
Member Size	Percentage(%)
Upto 2	5.0
3 to 4	23.0
5 to 6	40.0
7 to 8	30.0
Above 8	2.0

Land Holding

Land Holding of Respondents in the Study Area	
Size in Acres	Percentage(%)
0 to <1	47.5
1 to <2	16.5
2 to <3	19.5
3 to 4	10.0
> 4	6.5

It reveals that the majority of the respondents have more family members who helps in earning from different sources.

Own Land Cultivated

Own Land cultivated by the Respondents in the Study Area	
Size in Acres	Percentage(%)
0 to <1	40.0
1 to <2	24.5
2 to <3	20.0
3 to 4	10.0
> 4	5.5

Main Occupation

Main occupation of Respondents in the Study Area	Percentage (%)
Agriculture	44.5
Collection of MFP	12.5
Daily Labour	25
Business	11.5
Others	6.5

The majority of respondents have cultivated their own land having less than one acre,Hence it is observed that most of the respondents depend on agriculture. Daily labour is the second main occupation and the collection of minor forest produce is the third occupation.

Subsidiary Occupation

Subsidiary occupation of Respondents in the Study Area	Percentage(%)
Agriculture	22
Collection of MFP	28.5
Daily Labour	23.5
Business	19.5
No subsidiary occupation	6.5

Annual Earnings During The Year 1998 & 2008

ANNUAL EARNINGS DURING THE YEAR		
Earnings in Rs.	1998(% of Respondent)	2008(% of Respondent)
Upto Rs.5,000/-	21.5	1.0
Rs.5,000/- to Rs.10,000/-	51.0	5.5
Rs.10,000/- to Rs.15,000/-	20.0	39.0
Rs.15,000/- to Rs.20,000/-	3.0	33.0
Above Rs.20,000/-	4.5	21.5

The majority of respondent's subsidiary occupation is from the collection of minor forest products (MFP). The earnings of the respondents has increased due to implementation of several poverty alleviation programmes adopted by the Government during 9th & 10th Plans in the year 2006.

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Earning from Agriculture

During the Year 1998 to 2008

Earning from Agriculture during the Year	% of Respondents	
in Rs.	1998	2008
Upto Rs.2,500/-	53	34
Rs.2,500/- to Rs.5,000/-	24.5	16.5
Rs.5,000/- to Rs.7,500/-	15	26.5
Rs.7,500/- to Rs.10,000/-	4	11
Above Rs.10,000/-	3.5	12

Earning from MEP

(collection of minor forest products)

During the Year 1998 to 2008

EARNINGS FROM MFP (collection of minor forest products)	% of Respondents	
in Rs.	1998	2008
Upto Rs.2,500/-	87	76
Rs.2,500/- to Rs.5,000/-	6.5	9
Rs.5,000/- to Rs.7,500/-	6	6
Rs.7,500/- to Rs.10,000/-	0.5	4
Above Rs.10,000/-	0	5

It indicates that the agricultural income of the respondents has increased significantly.The comparative figure from secondary source of data indicates there is no such difference in earnings from collection of minor forest produce between 1998 and 2008. Only few respondents were able to earn above Rs.10000. It is observed from this the dependency on forest still exists in the study area.

Earning from wages
During the Year1998 and 2008

EARNINGS FROM Wages during the Year	% of Respondents	
Earnings in Rs.	1998	2008
Upto Rs.2,500/-	66.5	50
Rs.2,500/- to Rs.5,000/-	17	8
Rs.5,000/- to Rs.7,500/-	13	14.5
Rs.7,500/- to Rs.10,000/-	3	9
Above Rs.10,000/-	0.5	18.5

Earning from Business
During the Year1998 and 2008

EARNINGS FROM Business during the year	% of Respondents	
in Rs.	1998	2008
Upto Rs.2,500/-	67.0	58.0
Rs.2,500/- to Rs.5,000/-	14.0	5.5
Rs.5,000/- to Rs.7,500/-	14.0	8.5
Rs.7,500/- to Rs.10,000/-	4.0	4.5
Above Rs.10,000/-	1.0	23.5

The comparative figure shows that there is a increasing trend in earnings from wages due to implementation of NREGS programme by the Government in recent years.It is also observed that the paying capacity of the respondents has increased due to their increase in income.

Education Status of Children of Respondents

Education STATUS OF CHILDREN OF RESPONDENTS	
Qualification	% of Respondents
Undermatric	57
Matriculate	25
Graduate	4
Dropout	14

Drinking Water Facility
Sources of Drinking Water

Sources of drinking water	
Water Sources	% of Respondents
Dugwell	46.5
Tubewell	53.5

The education status of children of respondents shows that there is a trend up dropout from UP & ME classes.It also observed that the respondents have not to move for distance places to acquire water for drinking, which they had faced earlier. As the supply of safe drinking water is prioritized by the government the safe drinking water is available is all the villages under study.

Major Diseases
(Sufferings from a disease by the respondents and their family members)

MAJOR DISEASES	
Sufferings from a disease	% of Respondents
Malaria	41
Other Diseases	20.5
No-Disease	38.5

Health Centers

HEALTH CENTERS	
Health Centre Facilities Available	% of Respondents
PHC	18.5
CHC	6
Anganwadi Centre	75.5

The major diseases table shows that in spite of several precautions are taken by the district malaria office the percentage of sufferings from malaria is not reduced to that extent.More persons are dependant on anganwadi as compared to PHCs and CHCs. So anganwadi workers should be more service oriented and dutiful to provide their reliable service in desired time.

Sanitation	
Awareness of sanitation	% of Respondents
Yes	24
No	76

Child Mortality	
Child mortality during pregnancy	% of Respondents
Yes	6.5
No	93.5

Only few respondents are residing in good sanitary condition. They are aware of insanitation and its causes. But majority of the respondents are residing in poor sanitary condition. They are ignorant about the consequences of poor sanitation and unhygienic condition. The unhealthy practices of personal and environmental hygiene resulting the suffering of the respondents in different diseases which sometimes causes death.The Child Mortality table shows that only 6.5 percentage of respondents have faced child mortality and 93.5 percentage of respondents have no child mortality during pregnancy. Hence , the tribal people even if they reside in remote and forest area, they are now aware of different health measures through the anganwadi workers of their locality.(Bakshi & Bala Kiran, Development of Women, Children , 1999)[4].

VII. Use of Medicines

From the preference of medicines at the time of disease by the family members of the respondents, it reveals that 54.5% respondents prefer allopathic medicines, 34% respondents prefer ayurvedic medicines, 7% respondents prefer homeopathic medicines and only 4.5% respondents prefer prayer being upon superstitious during their sufferings from any disease. It also is observed that the tribal people are also stepping towards scientific development as majority preferred to allopathic medicines which is prepared scientifically.

NREGS

(Respondents listed under NREGS)

Respondents listed under NREGS	
facility of NREGS	% of Respondents
No	70
Yes	30

The above NREGS table reveals that 30% of the respondents are listed and getting jobs under NREGS. Whereas 70 respondents are not availing the facility of NREGS. This indicates that the respondents are unaware of this new scheme which can give 100 days guaranteed wage to each listed labourer. As the scheme is newly introduced at the time of survey, mass advertise has not been done, so ignorance regarding the scheme has increased the percentage of non-listed wage earners. (Chaku., Tribal Communi., 2005)[5].

The above table shows the sources from which the respondents are borrowing money for their livelihood. It reveals that 75% of respondents are borrowing money from the local money lenders. It also found at the time of survey they expressed due to excessive law imposed by the banks, they preferred to take loan from the money lenders even at high rate of interest. Due to lack of land deeds bank also refused them for sanction of loan. 4% of respondents are availing loan from Co-operatives some are specifically from TRCS for tasar rearing and only 3% of respondents taken loan from LAMPs for agriculture purpose.(Datt Tara, Tribal Development in India (Orissa),2001)[6].

1) Benefited From Government Development Programmes

It is found that 85% of the respondents are benefited by different development programmes undertaken by the government through its schemes like IAY, JRY, SGSY, SGRY, PMRY, NREGS and ITDA and DRDA programmes. Only 15% are not availing these facilities due to lack of their awareness and ignorance. As they are very simple and ignorant they are not able to understand the objectives of the programmes which are specifically implemented for them.

2) Electrification of Houses

Even though all the villages under study are electrified the respondents are not able to get the electric connection due to lack of land records in their own name and lack of funds as well.

Sources of Borrowings

(Loans availed by the respondents from different sources

Sources of Borrowing Money	
Borrowing Money	% of Respondents
Moneylender	75
Bank	9
Co-operatives	4
LAMP	3
No borrowing	9

3) Postal Services Availed

Most of the respondents are not availing postal services in their villages due to poor communication .

4) Facilities Availed By The Respondents From The Lamps(Large Area Multi Purpose Cooperative Societies)

It is found that 70% of the respondents have their scope to get the facilities from LAMPs established in their areas. But 30% of the total are not able to get assistance from LAMPs, as no activities of LAMPs are functioning in their area.

5) Old Age Pension Facility

It is observed that 11.5% family have availed old age pension benefit from the government through their Panchayat. But due to improper selection of beneficiaries at the panchayat level some respondents are debarred to get such benefit.

6) Benefits availed from Antyodaya Anna Yojana

Under Antyodaya Anna Yojana (AAY) the poorest of the poor families in the State are supplied with 35 kg of rice per family per month at Rs.3/- per kg since September, 2001. It reveals 91 percentage respondents are getting benefits from Antyodaya Anna Yojana and the rest are not availing this benefit as they belong to APL group. Thus this study observed that all BPL families under study are getting subsidized rice as per government norms.

7) Expenditure incurred in food and beverages

It reveals from the study that 12.5% of total respondents spend the major earnings on drink. Generally there people are very poor and totally ignorant about the different development programmes undertaken for their up-liftment. They spend the total amount on drinks. The percentage of respondent who spend money on food is 87.5%.

VIII. Major Findings

Mayurbhanj is a tribal concentrated district, which is covered with dense forest and hilly areas. It is not possible to contact with the tribals of the remote areas of the district. Co-efficient of variation is used to know the data variation collected from thirteen selected village of the district. The data are primarily collected by direct oral investigation from the respondents through interview with the help of a well set questionnaire.

Mean, Standard Deviation and Coefficient of Variation (C.V.) and t-test of the indicators

Mean (or $\bar{X} = \frac{\sum X_i}{n}$), Where $\bar{X}$ = The symbol we use for mean

Σ = Symbol for summation, X_i= Value of the ith item X, i = 1,2,…,n

n = total number of items

Standard deviation $*(\sigma) = \sqrt{\frac{\sum f_i\left(X_i - \bar{X}\right)^2}{\sum f_i}}$ where f_i means the frequency of the ith item

Indicators	Mean	S.D.	C.V	t-test
Health (X_1)	1.83	± 0.08	4.53	5.89
Income (X_2)	2.31	± 0.29	12.71	6.43
Education (X3)	0.59	± 0.20	33.44	7.15
Family Size (X4)	3.03	± 0.59	19.45	6.29
Socio-Economic Status (X5)	1.76	± 0.18	10.39	4.67

The collected data are clubbed into five indicators such as Health, Income, Education, Family Size and Socio-economic Status and its consistency and variation are tested by the help of t-test with a tabulated value given in the table at 5% and at 1% level of significance.

coefficient of variance is

$$\text{C.V.} = \frac{\sigma}{\text{X}} \text{x}100 .$$

From the above table it is observed that there is a less variation in the data collected in case of indicators like Health (X_1) and Socio-economic Status (X_5) which are 4.53 and 10.39 respectively. It is also found that there is a slight variation in case of Income (X_2) and Family Size (X_4) that is 12.71 and 19.45 respectively. Finally, the indicator Education (X_3) shows more variation that is 33.44 which results a less consistency of the data in the study area.

All the indicators values are tested with t-test at 5% level of significance = 1.782 and for 1% level of significance = 2.681. Since, the t-test values of all the indicators are more than that of 5% and 1% level of significance. So we accept the variation and the level of consistency.

IX. KARL PEARSON'S COEFFICIENT OF CORRELATION

Correlation in statistics refers to relationship between any two, or more variables. Two variables are said to be correlated if with a change in the value of one variable there arises a change in the value of another variable.Economic development means sustained and sustainable growth in per capita income, accompanied by diversion of production, reduction of absolute poverty and expanding economic opportunity for all the tribals of the district.

Karl Pearson's Coefficient of Correlation (r) =

$$\frac{N\sum XY-\sum X.\sum Y}{\sqrt{N\sum X^2-(\sum X)^2}.\sqrt{N\sum Y^2-(\sum Y)^2}}$$

X = given, or reduced values of the first variable
Y = given, or reduced value of the second variable, and
N = number of pairs of observations of X and Y.
The value of 'r' lies between ±1.

Positive value of 'r' indicates positive correlation between two variables, changes in both the variables take place in same direction, where as negative values of 'r' indicates a negative correlation i.e. changes in the two variables taking place in opposite direction.

Correlation Coefficient (`r' value) between indicators in the study area

Categories	Health (X_1)	Income (X_2)	Education (X3)	Family Size (X4)	SES (X5)
Health (X_1)	1.00				
Income (X_2)	0.41	1.00			
Education (X3)	0.10	0.79	1.00		
Family Size (X4)	0.50	0.87	0.75	1.00	
Socio-Economic Status (X5)	0.23	0.79	0.80	0.93	1.00

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There is a strong correlation between family size and socio-economic status as co-efficient of correlation where r = 0.93. Also the table reveals that there is a strong and positive correlation between the family size and income which is 0.87. As because the family size is on an average is 6 and the members are able to earn more from different source of income like from agriculture, collection of MFP, wages and business etc. collectively and managed themselves with their combined incomes keeping all the expenditure in a balanced way.Development of education system means introduction of mass education that is education for all, DPEP, mid-day meal system, Ekalabya Model School with an aim to increase class room enrolments and attendance. In Mayurbhanj Govt. as well as NGOs are constantly utilizing their resources to uplift the tribals through education and awareness and organizing various cultural programmes. It show a strong between education and socio-economic status in the study area. For a society, a transition from high incidence of morbidity and mortality to a state where people generally enjoy long-term and disease free lives is desirable. But in the study area the major disease like malaria (41%) child mortality (7%) are marked due to very poor health care facilities. Even though the Govt. and NGOs try their level best to educate the tribals, their health to education relation is only 0.10, which is a very poor correlation. As they are unable to avail the health facilities in time due to bad communication and transportation, they are affected indirectly, which caused their relation family size to health 0.50 and health to income 0.41. So due to the poor health and income, the social status sometimes dropped abruptly, which shows a weak correlation (r = 0.23) between health and social status.(Dubey: India's, 1967),[7].

X. Multiple regression

The simple correlation between two variable is sometimes misleading and may be erroneous if there is little or no correlation between the variables other than that brought about by their common dependence upon a third or several variables. Since a combination of variables usually results in a more accurate prediction than two variables, prediction studies often result in a prediction equation referred to as a multiple regression equation.

The hypothesis is tested with available evidence and a decision is made whether to accept this hypothesis or reject it. In the context of hypothesis there are basically two types of errors occur.

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We may reject H_0, when H_0 is true (Type-I, error)

We may accept H_0, when H_0 is not true (Type-II, error)

Type-I error means accepting the hypothesis which should have been rejected and denoted by alpha (α)

Type –II error means accepting the hypothesis which should have been rejected and denoted by beta (β).

Below table describes the main regression results. It shows the effect of the indicators adopted for the study.

The specification and justification of variables included in the analysis are used as

$$Y = f(X_1\ X_2\ X_3\ X_4\ X_5)$$

Where Y = Dependent variables, X_i = Independent variables,
C_i = Constant, X_1 = Health
X_2 = Income, X_3 = Education
X_4 = Family Size, X_5 = Socio-economic status

The form of equation fitted for production is given below linear model

$$Y = C_0 + C_1X_1 + C_2X_2 + C_3X_3 + C_4X_4 + C_5X_5$$

Regression results – Effect of indicators in case of development in the study area

(i) Dependent Variable – All Development

Coefficients

Indicators	Standardized Coefficients	t-statistic
	Beta	
X_1	.238	9444.624
X_2	.235	5184.304
X_3	.247	6158.273
X_4	.236	5356.842
X_5	.259	7361.506

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In the present observation more than two independent variables (Health, Income, Education, Family Size and Socio-economic Status) are studied against each other with respect to dependent variable (All Development).(Jhingan : The Economic of Development and Planning, 2006),[11].

For that multiple regression with T-Statistics is implemented.

Null Hypothesis H_0 :- Standard health services is worst even though there is a proper education environment and awareness created by Govt. and NGOs, with an average family size which results with a satisfactory income in group or family as a whole results a developed socio-economic status.

H_1 :- There is a good health facility availed by all the family members, as all the family members are educated with the help of Govt. and NGOs, their income increases significantly. Even though they have good income, due to lack of communication, transportation and other socio-economic factors, their socio-economic status does not contribute much to the all development in the study area.

The calculated value of the co-efficient β of variables in the multiple regression is either perverse or insignificantly different from Zero. The value is tested with respect to the t-statistics and is found that the socio-economic status ($\beta=0.259$) have more impact on the overall development is the study area.

So finally it is observed that the indicator socio-economic status has significant contribution towards the development in the study area, which accepts the hypothesis H_o .

XI. Analysis of Variance (ANOVA)

In the present study two way ANOVA Technique is used i.e. data are divided into both columns and rows to study the effect. The dependent variable 'All Development' is assumed and classified on the basis of the independent variable indicators Health, Income, Education, Family-Size and Socio-economic Status, in order to determine which one of the above indicator is more effective on 'All Development' of the tribals of the Mayurbhanj district.

It is important to understand the principles and techniques of analysis of variance (ANOVA) to test the hypothesis by calculating F-statistics. It involves the computation of F-ratio.

Analysis of Variance (ANOVA) for the indicators in the study area

Source of variation	Sum of Square	Degree of Freedom	Mean Square	F-statistic (Calculated)	Table value of F	
					5% level	1% level
Between Row	4.0200	12	0.3350	8.3750	3.2592	5.4119
Between Column	0.2704	4	0.0676	1.6913		
Residual (error)	1.9182	48	0.0400			
Total	6.2086	64	0.0970			

F-statistic is computed as $$F = \frac{\text{Mean sum of square of explained sum square}}{\text{Mean sum of square of residual sum square}}$$

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From the ANOVA table it is found that in between row and column, the row indicator is significant. The calculated value of between the row is 8.3750.

The calculated 'F' Ratio value is higher than the table value of 'F' values, both at 1% and 5% level of significance. So it is concluded that from the row indicators the socio-economic status has more significant contribution towards the 'All Development' of the tribals of study area.(Khare :Impact of Planning and Economic Development, 1991)[13].

XII. Human development index

Human Development Report (HDR) broadly focuses on the overall human well being. According to UNDP's HDR 2001, India placed 115th rank among the 162 countries. The report also examined the progress made by developing countries towards targets set in the UN Millennium Declaration goals for poverty eradication. The report notes that around one-third of people in developing countries continue to live in 'income poverty' Since human development includes several factors contributing towards human welfare, measuring human welfare poses a great problem. The most recent endeavour in this line of approach is the Human Development Index (HDI) as formulated by UNDP to measure relative deprivation in overall perspectives (UNDP 1990). Among many indicators to measure relative deprivation, five indicators like health, income, education, family size and socio-economic status of the respondents of thirteen villages of Mayurbhanj District under survey are brought into focus.

$$HDI = \frac{(X_i - X_{min})}{X_{max} - X_{min}}$$

Where X refers to each variable for the ith village X_{min} to the lowest value of the variable and X_{max} the highest value.

We have worked out a physical quality of life index using indicators like Health (X_1), Income (X_2), Education (X_3), Family Size (X_4) and Socio-Economic Status (X_5). It shows the distance of the concerned village from the most developed village with a view to measuring its backwardness in regard to each one of the variables, besides working out a simple composite index. The deprivation with regard to the five indicators for each village are next indexed in a scale. By construction the scale ranges from the minimum value of 'zero', in case of minimum deprivation to the maximum value of 'one' in case of maximum deprivation for these indicators and the human development index is calculated as per the formula given in the methodology. The thirteen villages of Mayurbhanj District are ranked in a descending manner as per their indicator on the basis of the overall measure of backwardness. The calculated index is given in the following table.

Human Development Index of the villages in the study area

Vill_code	Health (X_1)	Income (X_2)	Education (X3)	Family Size (X4)	SES (X5)	All Develop-ment	HDI Rank
3	0.8295	1.0000	0.9465	1.0000	0.4991	0.8550	*1*
8	0.7209	0.7803	0.8036	0.8276	1.0000	0.8265	*2*
4	0.2403	0.9306	1.0000	0.6897	0.9480	0.7617	*3*
5	0.4419	0.8324	0.9375	0.7759	0.8073	0.7590	*4*
6	1.0000	0.5896	0.8840	0.5690	0.5076	0.7100	*5*
2	0.5581	0.5636	0.8974	0.8017	0.5775	0.6797	*6*
12	0.8140	0.5289	0.3080	0.7241	0.2294	0.5209	*7*
7	0.5817	0.5029	0.4822	0.4655	0.3853	0.4835	*8*

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9	0.3023	0.6069	0.6935	0.3103	0.3431	0.4512	*9*
1	0.1783	0.4046	0.4822	0.3966	0.0000	0.2923	*10*
13	0.0000	0.1040	0.5739	0.2586	0.2584	0.2390	*11*
11	0.7209	0.2254	0.0000	0.1034	0.0734	0.2246	*12*
10	0.1628	0.0000	0.2143	0.0000	0.0000	0.0754	*13*

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The human development index of thirteen villages of three blocks against five indicators i.e. Health, Income, Education, Family Size and Social Development of Mayurbhanj District are studied and found with the following observations. The index is ranked in descending order with respect to the column 'All Development' index and the villages are ranked from 1 to 13 accordingly. As far as HDI is concerned Tulasibani village is ranked one where as Bankasole village is ranked thirteen, both the villages are under Kuliana block. This indicates the physical quality of life of tribals of Tulasibani village is best among the 13 villages surveyed and the physical quality of life of tribals of Bankasole is worst. Similarly in case of health index, Marangtandi village ranked one, which indicates the tribals of that village are more cautious regarding health and hazards. But tribals of Bhuasuni village are more prone to disease like Malaria and ranked last as it comes under forest area of Bangiriposi block. Tulasibani village is also indexed top as regards income and family size of the respondents. It is because out of 20 respondents, surveyed in that village, four are well placed as government servant and coming under APL group. Statistical table shows that most of them are literate and aware of birth control. Hence, their family size is also small. But the income and family size of respondents of Bankasole village is very precarious, the respondents are mostly landless and are marginal labourers. Their income is also very poor due to their ill health. The respondent and their family members are illiterate, even though the scope of education facility is nearer to them, they are unable to avail such facility due to their acute poverty. As they are illiterate and unaware of the birth control, their family size is big which again drug them to poverty.

The HDI rank of education status of the children of the household of Jampada village is highest. It is possible due to the said village is sorrunded with UP, ME, High School and one college. But as Purunapani village is situated in forest area of Bangiriposi Block, the education status of the children of that village is very poor. There is more dropout and children are generally prepared to collect minor forest produce instead of going to school.The socio-economic index of the respondents of Jagannathpur is highest as compared to Bankasole village, which is lowest so far as HDI is concerned.(Mohapatra:, Economic Development of Tribal India, 1987),[16].

XIII. Summary and Conclusions

The scheduled tribe population continues to have nearly double the incidence of poverty compared to the non-tribals of Mayurbhanj district of Orissa in India. The incidence of poverty is more in northern and southern regions of Orissa compared to the coastal region.The growth rate of tribal population in Mayurbhanj district during the year 1998 was 10.30 percent, which increased to 17.98 percent during 2008 .The per capita income of Orissa is very low. Agriculture under Primary sector continues to be the mainstay of the rural economy. (Padhi., The Challenges of Tribal Development, 2000),[18].

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The trend line shows the study concentrated towards urban area

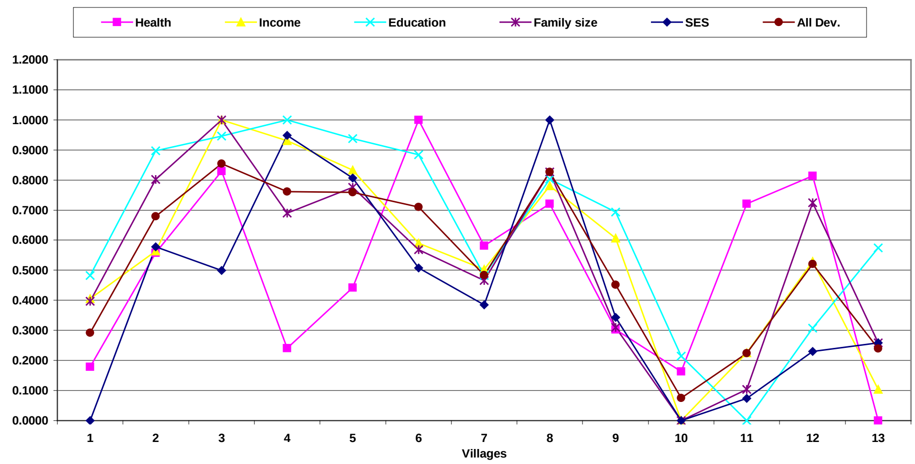

Fig.8.19 - The trend line shows the study concentrated towards urban area

The literacy rate of the district has been a steady improvement .So, there is an improvement in literacy rate, which can help in reducing the poverty among masses.The health picture of the district is far from the satisfactory. Further, while naturally female life expectancy should be more than male life expectancy it is the opposite case in Orissa. Pointing towards discriminatory practices against both the girl's child and women, leading to higher mortality then nature would otherwise determine.The tribals in the district depend mostly on collection of forest produce for their livelihood. Pisciculture has not been developed to a considerable extent for want of suitable fishery resources as most of the areas of the district are having lateriate soil & full of hill locks.The Child labour is a major obstacle in the path of educational development in the district. Cattle and goat rearing and agricultural work are the main activities of child labourers, whereas household work is done mainly by the girls and partly by term as maidservant. Most of the primary school of the district do not have the basic facilities like drinking water and sanitation, play ground, science equipments etc. The economically worse off tribal parents need the assistance of their children who contribute their share towards the family income.The estimates of average expenditure on various commodities spend by non-tribal families are higher proportion of income on consumption in comparison to tribal families. The largest item of expenditure was on food for both tribal and non-tribal BPL families. The Income/poverty gap ratio for tribal households was found to be higher as against the non-tribal families, which implies that the incidence of poverty among the tribals was higher than the non-tribal families.The tribals of the district become the victims of the profit oriented and tactful middleman who purchase the agricultural product and minor forest produce collected by the tribals in a very low rate. Development brought more purchasing power to the tribals to which the non-tribal neighbours and traders take advantage by applying their tactics and manage to siphon away the development benefits occurring to the innocent tribals.(Pati & Jagat, Tribal Demography in India,1991),[20].

Though Mayurbhanj considerably rich in some mineral resources, no heavy or medium scale industry have developed in this district. The pace of infrastructural and industrial development in adversely effected due to the inadequacy of railway connection. There is a scope for strengthening the tribal economy through small scale and medium scale industries with the optimal utilization of sabai grass, sal leaves, silk cocoons and various other forest products, which are plentily, available in this area.The development personal cannot have a through idea about the socio-economic status of the tribal because of lack of knowledge. They have the conception that the tribal societies are ideal community practicing some sort of primitive communism. As a result there is a growing development in the well to do families who win the confidence of development agents and the needy poor remains in dark making a wide gap between the two. In some cases the poor fellow tribals of the district are exploited. The negligence and failure for the upliftment of the tribals have given rise to the Maoist activities in the in the Similipal area who have become a constant threat to the civilization.The foregoing analysis reveals that the tribals of Mayurbhanj district of Orissa in India confront some major problems like poverty, illiteracy, unemployment, alienation, displacement, malnutrition, disease etc. The Central Govt. and State Govt. are putting sincere efforts to uplift the economic condition of the tribals through different ITDAs of the district under TSP approach and through DRDA of the district by implementing different anti-poverty schemes. Despite the fact, the tribal people in the district remain backward socially and economically.

Suggestions

1. As the tribals of the district have land problems minimum 2 acres of land should be distributed to landless or marginal tribals on priority basis to increase the agriculture income of the district as well as to reduce the dependency on forest by the tribals.
2. The district has possessed plenty of mineral resources and a good number of tribal labour forces. So steps may be taken by the government to include the district under SEZ.
3. More incentives should be given to SHGs especially to tribal women SHGs to undertake more income generating occupations.
4. To fulfill the object of 'Vision 2020', steps should be taken to educate all the children of the district above 7 years whole-heartedly by the local educationist, politicians, NGOs and government through awareness.

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Collaborative Experience of Value Chain Architecture: A Systemic Paradigm To Building Customer Loyalty

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Abstracts - In most industries, customer retention has replaced the aggressive and offensive customer attraction ideals of transactional marketing. Collaborative architecture within the value chain represents such shift from marketing mix approach to Relationship Marketing, which though lacks knowledge of its own but spans inter-firm alignments to reform marketing activities via debunking selfishness, superficiality and self-indulgence. Traditional marketing management theories focus on oppressive associations, relationship between customer and product, short-term or even single exchange(s), offensive marketing and/or power-based notions whereas relational interactions change conflicts to harmonic co-operation, associations, and connections, and ultimately infrequent business relationships to on-going. The economic soundness of such mutual participative architecture revolves on strategic optimization that serves the interests of stakeholders on the grounds that customer retention and customer loyalty reflect complex activity involving inputs from vendors and other independent firms and continues even by the manner the dealers handle and explain customer complaints and doubts. All the steps from design to after-sales service are mutually integrated flows aimed at reducing marketing expenses; increasing customer switching costs; and moving the customer up, in a co-ordinated manner, to viral level of customer loyalty ladder. Whether in full-fat and semi-skimmed innovations, the implication is that customer satisfaction is a value-chain and systems activity built on trust, mutuality, promise, shared values, and commitment, whereby each subsystem interacts mutually with others to maintain the wholes of customer satisfaction and profitability.

Keywords : collaboration, value chain, paradigmatic shift, participative architectures, relationship marketing, customer retention, marketing management.

Classification: GJMBR-B: JEL Classification L14; FOR Classification: 150503, 150505

COLLABORATIVE EXPERIENCE OF VALUE CHAIN ARCHITECTURE A SYSTEMIC PARADIGM TO BUILDING CUSTOMER LOYALTY

Strictly as per the compliance and regulations of:

Collaborative Experience Of Value Chain Architecture: A Systemic Paradigm To Building Customer Loyalty

Hart O. Awa[1], Ikechukwu, F. Asiegbu[2], Sunny R. Igwe[3], Sunday C. Eze[4]

Abstract : In most industries, customer retention has replaced the aggressive and offensive customer attraction ideals of transactional marketing. Collaborative architecture within the value chain represents such shift from marketing mix approach to Relationship Marketing, which though lacks knowledge of its own but spans inter-firm alignments to reform marketing activities via debunking selfishness, superficiality and self-indulgence. Traditional marketing management theories focus on oppressive associations, relationship between customer and product, short-term or even single exchange(s), offensive marketing and/or power-based notions whereas relational interactions change conflicts to harmonic co-operation, associations, and connections, and ultimately infrequent business relationships to on-going. The economic soundness of such mutual participative architecture revolves on strategic optimization that serves the interests of stakeholders on the grounds that customer retention and customer loyalty reflect complex activity involving inputs from vendors and other independent firms and continues even by the manner the dealers handle and explain customer complaints and doubts. All the steps from design to after-sales service are mutually integrated flows aimed at reducing marketing expenses; increasing customer switching costs; and moving the customer up, in a co-ordinated manner, to viral level of customer loyalty ladder. Whether in full-fat and semi-skimmed innovations, the implication is that customer satisfaction is a value-chain and systems activity built on trust, mutuality, promise, shared values, and commitment, whereby each subsystem interacts mutually with others to maintain the wholes of customer satisfaction and profitability.

Keywords : collaboration, value chain, paradigmatic shift, participative architectures, relationship marketing, customer retention, marketing management.

I. Introduction

What is apparently surprising is that researchers and businessmen have concentrated far more on how to attract customers than on how to retain them (Schneider, 1980) when the cost of generating a new customer is much more than that of keeping existing ones (Boone and Kurtz, 2007). Exponential changes (Stamer, 2008; Mancini, 2009) in the forms of consumers being smarter and better informed (Alrubaiee and Al-Nazer, 2010) fundamentally re-tuned the rules of the game. Instability in the world business cycle perhaps since the 1980s; shorter product-life-cycle and market saturation; complexity and globalization of markets; and technological breakthrough (Boone and Kurtz, 2007) have repositioned businesses to give-and-take two-way flow of values (Shaker and Basem, 2010; Christopher *et al*, 2002). The key success factor (KSF) under these forces is building favourable relationships with stakeholders (De Madariaga and Valor, 2007) to ensure cost-effective and improved customer value-delivery networks. Today, many firms are rewriting the rules of the game (Boone and Kurtz, 2007); trying to rebuild competitive advantages in RM context (Shaker, 2009). The legendary records of how Harley-Davidson Motorcycle, Xerox, IBM, Procter and Gamble (P&G), Banks, Airlines, Insurance, Telephone, and Direct Marketing Companies built their success stories through a fiercely loyal customer base signify that in most cases the biggest challenge for firms is not generating huge number of customers, but meeting needs. The recent renaming of P&G's Trade Department to Customer Business Development shifted focus to immediate customers (Sheth and Parvatiyar, 2002) and informed the packaging of one-on-one marketing and loyalty building programmes with end-users (Breshnahan, 1998) and other programmes aimed at other value-chain members, including those in mega relationships with P&G.Harley-Davidson modelled on Japan's Keiretsu-huge vertically integrated companies that foster deep, trusted relationships with suppliers to form strategic alliances and value chain with top-performing vendors. The firm later learnt that integrating suppliers into the design process leads to more innovative design efficiencies that reflected on cost effectiveness and other competitive advantages that would ordinarily not envisaged if such integration were absent. The extension of this integrative relationship to employees,

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customers, and dealers in a Networked Relationship Marketing (NRM) brought about even further landmark progress in the competitive results of Harley-Davidson. Implicit is that firm's prosperity transcends identification and attraction of customers and so, the novel passion to success is borrowing the ideals of B2B and service sectors to place organizational destinies in the hands of customers (Gronroos, 1996) through retention, trust, commitment (Gaur and Xu, 2009), customer satisfaction and loyalty building (Gaurav, 2008) and cost reduction due to better understanding of the worlds of consumers (Ndubisi, 2004). Firms dialogue with customers and form co-operative marketing networks with them to cultivate long-term loyalty and switching barriers (Hasouneh and Ayed Alqeed, 2010) expressed in repurchase intentions and cross-sell opportunities (Eisingerich and Bell, 2007; Lemon *et al*, 2002). Inducement of feelings and emotional states through respects, courtesy, warmth, empathy and assistance (Al-alak, 2006) may be signs of shifts from marketing mix frameworks to building relationship with immediate customers in a manner that pushes them upward in the hierarchy of customer loyalty ladder (Bhardwaj, 2007; Christopher *et al,* 2002). This is often expressed in competitive positioning, financial performance (Alrubaiee and Al-Nazer, 2010; Shaker and Basem, 2010; Forrester, 1958; Wood, 1997), repurchase intentions, cross-sell opportunities (Lemon *et al*, 2002; Eisingerich and Bell, 2007) and data mining. Theorists demonstrate that a 10 percent reduction in value-chain cost structure may yield 40 to 50 percent improvement in pre-tax profit. As little as a 5 percent improvement in customer retention can upsurge profitability to about 25 to 85 or 95 percent (in terms of NPV) (Reichheld and Sasser, 1990) depending on the industry. Boone and Kurtz (2007) observe that generating a new customer costs 5 to 7 times as much as keeping a current one, so firms pay a steep price when customers stray to other brands. The same could be said of the relationships with dealers, suppliers, and employees.

In Nigeria, this paradigmatic shift was loudly noticed in the mid 1990s, perhaps with service organizations (e.g. banks) and B2B organizations in fore-front. Although too many counter-productive events took place in Nigeria's economy then; bank distress and its attendant turnaround strategies by some to re-engineer progress had the most significant all-encompassing effects on the different strata of Nigerians. Quite a number of revolutionary moves permeated the value chains, which in the words of Sheth and Parvatyar (2002), attempt to upsurge cost-effective acquisition and retention of customer, customer commitment, and share in customer business instead of the traditional search for market share increases. Thus the significant change in the value-chain interaction represents one of the strategic developments in marketing scholarships and practices through the 21st century. This time relationship is rarely thought of within the contexts of selfishness, superficiality and self-indulgence (Smith and Higgins, 2000) rather on the assumed relational commonalities. Parties exploit their socio-economic ties (Shaker and Basem, 2010), pursue longevity goals for mutual benefits and develop confidence in one another to achieve co-operative marketing networks.This paper is motivated by the laudable quest to unravel the possibility of RM in its nascent status to have the potential of constituting a general marketing theory. This is based on the fact that a number of authors have called for a synthesis of the fragmented ideas and theoretical frameworks of RM to generate perhaps an all-encompassing theory (Gummesson, 2002). The objective of this paper is to critically provide meta-theoretical analysis to ascertain whether RM theories are entirely new or derived from older theoretical tradition; whether RM has taken-over marketing management theory; and whether the underlying theories are okay for all exchange relationships. A number of scholars have done similar works (e.g.; Broide *et al*, 1997; Moller and Halinen, 2000) but this paper differs in terms of being more pragmatic in analysis.

II. Theoretical conceptualization and transfer of connotations

Since Berry (1983) conceptualized RM, dozens of definition unveiled but the core of all is to re-build relationships with publics in a manner that incorporates long-term marketing process than simply acquiring widespread public awareness. Berry (1983) draws existing conceptualizations to re-engineer marketing thought as transcending individual and one-time transactions. Relationship Marketing theory is not about funky accord with one's customers rather it involves using event-driven tactics of customer retention marketing to reposition marketing as an on-going multi-transactional relationship with customers (Veloutsou *et al*, 2002; Berry, 1993) rather than single unconnected events as in the case of traditional marketing. Harker (1999) reviewed 26 definitions of RM and proposed his own in terms of organizations being proactive in creating, developing and maintaining committed interactive and profitable exchanges with selected partner(s) overtime. RM defines the process of attracting, maintaining, and enhancing interactions with customers and key partners. Boone and Kurtz (2007) and Jobber and Fahy (2006) express RM as the development, growth, and maintenance of cost-effective, high-value relationships with individual customers, suppliers, dealers, and other partners for mutual benefits overtime. It combines people, processes, and technology with the long-term goal of maximizing customer value through mutually satisfying interactions and transactions (DiPasquale, 2001). RM is a reform developed from direct response marketing that builds long range integrative and beneficial relationships with all stakeholders involved directly or indirectly in value creation. Such integrative relationships may be achieved through multi-channel collaboration- telephone, social software, e-mail, fax, web, post, in person, SMS, etc. One attempts to ascertain whether the conceptualization of RM is entirely new or developed from existing tradition that had long guided business and non-business (e.g.; marriage) life. The philosophical domains of RM, though perhaps not entirely new, question tried-and-tested business models, ways of working, organizational structures, and accepted truths in marketing. The transfer of connotations from traditional marketing management, services marketing, TQM, network marketing and network organization (Gummesson, 2002) to RM is quite revealing. The proliferation of publications, debates, conferences, and symposia on the practical and theoretical conceptualization of RM attests to the fact that it is an integral development in marketing science (Berry, 1983; Gummesson, 2002) perhaps emerging as a subfield (Moller and Halinen, 2000; Smith and Higgins, 2000). Kotler (2003) opined that RM evidently caused most standard marketing texts to be revised to reflect the relationship angle. The long existing theories of trust, co-operation (Anderson and Narus, 1990; Morgan and Hunt, 1994; Smith and Higgins, 2000), bonding and reciprocity (Egan, 2001), keeping promises (Gronroos, 1996; Calonius, 1988), commitment (Moorman, Zaltman and Deshpande, 1992), shared values and mutuality (Czeipal, 1990; Morgan and Hunt, 1994), and absence of opportunistic behaviour (John, 1984), formed the cornerstone of IMP's early relationship theory. RM drew much from IMP's interaction model (Hakansson, 1982) and commitment-trust theory of RM by Morgan and Hunt (1994) though both models de-emphasized relative efficiency.

The 4Ps of marketing management and marketing concept continually overlap but with modest treatments that make them more viable bearing in mind the collaborative relationship within the RM paradigm. Further, modern consumer marketing dates back to 1950s and 1960s partly in an attempt to broaden the scope of marketing to reflect relationship in the value-chain. Consumer behaviour scientists' studies on brand loyalty and supplier or store loyalty date back to the early 1950s (Jacoby and Chestnut, 1978); early consumer learning theories contain consumer engagement in relational market behaviour (Hansen, 1972); and the ideals of relationships in B2B and service sectors were re-examined and applied to other spheres of business, especially consumer goods sector (Smith and Higgins, 2000; Moller and Halinen; 2000; Jackson, 1985). Moller and Halinen (2000) record that in the late 1970s, researchers in B2B and marketing channels began developing conceptualization on dyadic relationship between buyers and sellers based on the lapses of marketing management tradition. Marketing mix has limited framework for assessing and developing customer relationships in many industries and is gradually being replaced by relationship marketing alternative models (Gordon, 1999).

III. New blues in marketing thoughts and marketing tasks

There is aggressive paradigmatic shift within marketing thought from the transaction-based marketing, which focuses on oppressive and offensive associations, relationship between customer and product, short-term/single or few exchanges and power-based notions to customer-focused relationship marketing, which promises marketing reforms that reflect on long-term relationship, associations, and harmonic connections (Smith and Haggins, 2000; De Madariaga and Valor, 2007). RM transcends market-based relationship marketing (buyer-seller dyad) to network-based relationship theories (Moller and Halinen, 2000), enabling communication, collaboration and co-operation amongst online communities (Cook, 2008; Mason *et al*, 2008). The digital world encourages appropriate inter-firm alignments and relationships to assure outstanding performance. Advances in IT have relentlessly restructured and re-engineered processes (Fawcett and Magnan, 2002), integrated resources and automated transactions across traditional boundaries (Ballou *et al,* 2000; Kaplan and Sawhney, 2000) to improve network relationships and knowledge sharing, to cut costs and improve operational efficiencies, transparency and value-added information, and to create exceptional but difficult to copy customer values (de Burca *et al,* 2005).The integrative nature of RM implies that it is cross-functional shaped by re-engineering. Unlike traditional marketing where works follow silo approach, from one functional department to another; cross-functional and re-engineering theorists believe in integrative and pervasive structuring of organizations to reflect complete tasks and processes. They emphasize company-wide training and retraining of staff on marketing in general and on relationship marketing in particular. The banking industry and a few others are in the fore-front of seeing long-term relationship as worthwhile perhaps because they are service-oriented; competitive; and customer decisions carry high perceived risks. For instance, their effort to induce feelings and emotions through respects, courtesy, warmth, empathy and assistance (Al-alak, 2006; Al-alak and Alnawas, 2010) may be signs of shifts from marketing mix frameworks to building relationship with immediate customers in a manner that pushes them upward in the hierarchy of customer loyalty ladder (Bhardwaj, 2007; Christopher *et al,* 2002). The sales revenue of Enterprise Rent-A-Car, according to Cole (2001), grew twice as much than those of rivals because personalized service scored highest; a customer who forgets his driver's license is assisted to pick it up and if expired, he is taken to renew it. For a relationship to permit improved customer retention and marketing productivity, the customer must value it or view the entire exercise as relationship rather than transaction-based. The customer determines whether or not to develop RM based on perceived mutuality of thinking with the developer (Shaker, 2009) and/or the received added value through more customized service (Hasouneh and Ayed Alqeed, 2010). Anderson *et al* (1997) surveyed focus groups in apparel industry and identified four contexts by which a consumer values relationship in the design of clothing. They are copying clothing currently owned, totally custom, co-designing with a trained person, and selecting from a set of opinions or component choice. Similarly, Fiore *et al* (2001) found that consumers prefer RM in mass customization of products (i.e.; jeans, swimming suits), product features (i.e.; fit and size) to a greater degree; and colour and garment details to a lesser degree.

In Nigeria, many banks have fostered repeat, product support, and viral behaviours from incumbent loyalists; and trial and switching behaviours from potential customers in a variety of laudable ways, particularly in the area of bringing the banking business to the customers' bedroom. For instance, United Bank of Africa (UBA) launches children's account and advertises loud on making some customers millionaires upon maintaining a minimum of N50000 balance in one's account for a stipulated period before computer-based drawing commences. Zenith Bank offered bonus shares to shareholders; Eko Bank offered staff free vacation to USA for meeting targets; and the then Eko International Bank (before its demise) offered to take care of the school fees of customers' children upon the customer investing in H-Account. These banks are of the view that in transactional marketing, exchanges with customers are generally sporadic, often disrupted by conflicts resulting from manipulation of marketing mix and profit maximization syndromes (O'Malley and Patterson, 1998; Ismail, 2009); and as interactions reform to relationship, infrequent business relationships turn on-going.Though relationship officers may not maintain plenty accounts, they have challenging tasks; they are assumed defensive marketers, who manage customer dissatisfaction and create switching barriers, reduce customer turnover, and increase customer loyalty and purchase frequency (Fornell and Wernerfelt, 1987). They give their employers new opportunities to gain competitive edge by moving customers up in the hierarchy of relationship ladder of customer loyalty from indifferent prospects to new customers, then to regular accounts, loyal supporters of the firm's business and finally to viral who do not only buy the firm's products but also use their experience to reduce the perceived risks of others. Getting these done involve providing meaningful and richer contacts, more holistic and more personalized service quality that exceeds expectations at each step and the use of consumption experience to create stronger ties in the value-chain. Christopher *et al* (2002) and Armstrong and Kotler (2007) contrast the above from transactional marketing, which muscles on product features, has minimal interest in customers, limited customer contact, and quality is primarily a concern of production. Transactional marketing links offensive marketing on accounts of generating new customers perhaps via liberating dissatisfied customers of rivals or causing switching behaviour (Fornell and Wernerfelt, 1987; Shaker, 2009). The framework shows that all efforts in value chain are geared toward corporate performance. Inward marketing permits intra relationships, which reflect on marketing programmes designed to deal with the marketing environment. Relationship reflects on value chain co-operation and integration, and ultimately affects performance metrics-profitability, customer retention and loyalty, and market growth share. These views merit kudos on the premise that the stiff competition encourages value added, which often comes from relationship marketing.

IV. The RM Architectures on Various Exchange Applications

The theory of mutual exclusiveness does not apply in relationship marketing and traditional marketing since the use of one does not preclude the use of the other, especially amongst firms that have different product portfolios that perhaps demand for a blend. Business portfolios that demand relatively high consumer involvement, huge purchase at a time and high switching costs foster long standing, and of course two-way flow of, relationships. Studies have empirically shown a strong correlation between corporate success and user collaboration (Berthon *et al,* 2004). This finding debunks hard-selling concepts in favour of deep and continual interactions between developers and customers (Sherman *et al,* 2000) as if the latter are under direct control of the former. RM stimulates developers' understanding of the world of consumers and reflecting same in managerial actions. Kotha (1995) surveyed a bike firm and used his findings to link mass customization and mass production strategies to maximization of competitiveness. According to Gupta and Souder (1998), such participative architecture is assumed an important contributory success factor. To reflect the weight of participatory architecture and relationship, Kaulio (1998) extensively reviewed levels of building customer relationships and proposed the models of design for, design with, and design by that seemingly akin consultancy, co-development, and apprenticeship models proposed by Leonard-Barton (1995). Design for involves extensive use of market data,

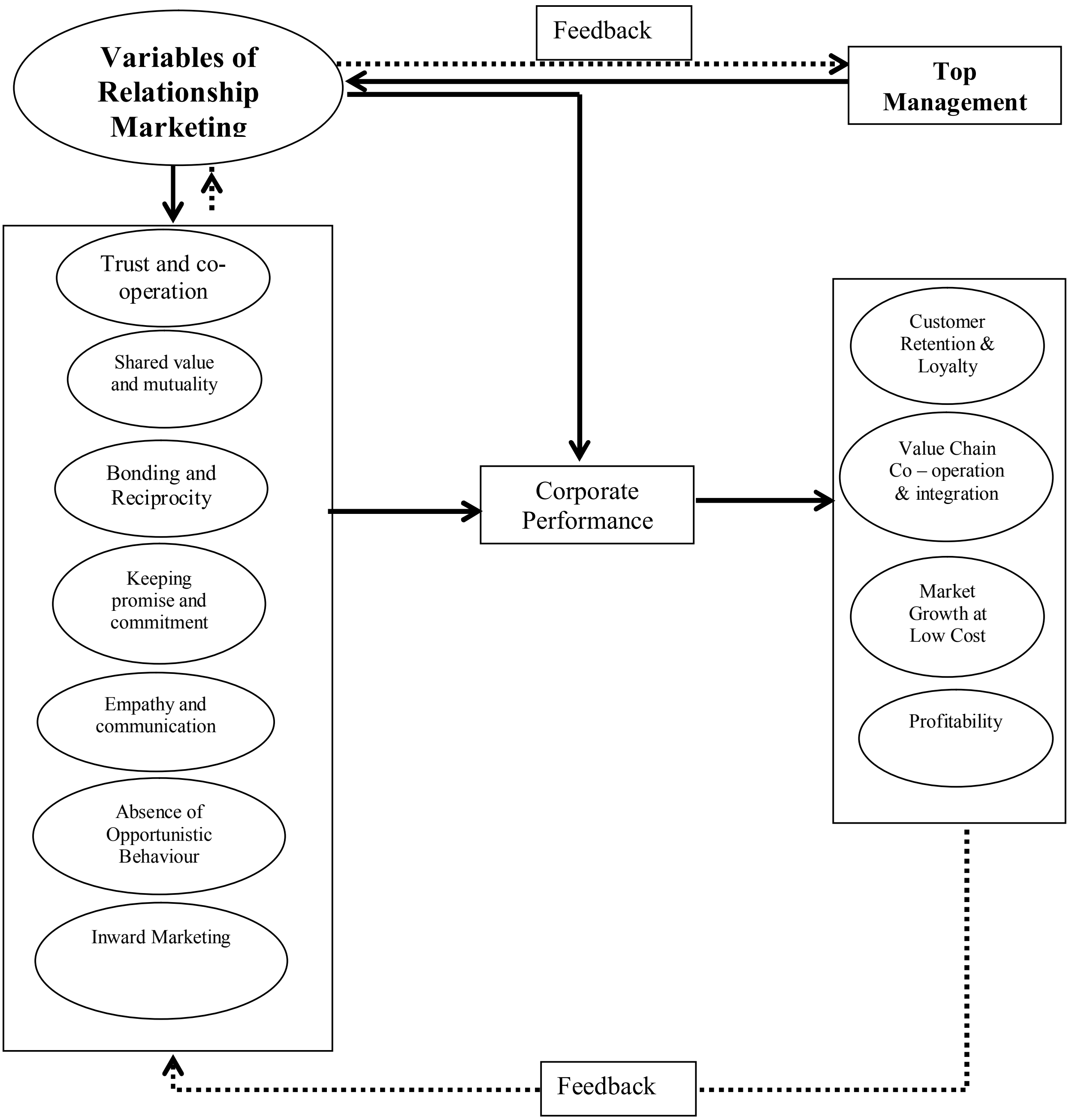

Figure 1: The Conceptual Framework of Relationship Marketing

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focus groups, interviews, and consumer behaviour models to design products on behalf of customers; design with makes use of data on consumer needs and reactions/suggestions on prototyped products; and design by extensively involves consumers in the design and development of the final products. The last demands more of marketing relationship (RM). The average time expended in product development process is shorter when firms institute relationship that aggressively incorporates users in the entire exercise. Interactive relationships with customers provide detailed information on key success factors (KSFs) lacked internally and reduce development time and costs (Campbell and Cooper, 1999). Further the extent of relationship in the value chain, especially with customers in each phase of development reflects whether the innovation is a full-fat or semi-skimmed. For the latter, corporate challenges and consumer involvement are relatively less complex because established behaviour pattern is not wholly disrupted. Much will ordinarily not be expended on RM since many firms engage in technology cluster and improvement upon existing products perhaps following the enormous cost of launching an entirely new product in some consumer markets. This approach compromises stimulus generalization theory of Professor Ivan Pavlov, and has proved very profitable when the original product version has made exploitable name in terms of performance, economy, technical know-how, durability, etc. In the former, consumer involvement and of course relationship attracts further complexities. The complexities are often expressed in terms of users not knowing exactly what their requirements are for innovations that open up new applications (O'Connor, 1998). Totally novel concepts that disrupt value networks, established behaviour pattern, and/or industry practices demand much of relationship marketing to aggressively move the consumer progressively through the stages of information processing until final decision is made. If such disruptive concepts are well managed, RM can cause them to attract the least competition and may potentially transform the value networks to the designer's advantage (Tornatzky and Fleischer, 1990).

V. Structural Governance and Approaches to RM

Developments in relationship theory assert that improved performance (Jackson, 1985) in terms of customer retention (Ismail, 2009; Bhardwaj, 2007; Al-alak and Alnawas, 2010) and customer satisfaction are the main motivation for entering into relationship. The link between long-term interaction and performance has been empirically proved. However, literature suggests that relationship performance varies across relationship types (e.g.; bilateral, discrete, hierarchical, and recurrent) and these types determine how it (relationship) is governed (Heide, 1994). Varey and Ballantyne (2005) conceptualize informational, communicational and dialogical types of interaction that are somewhat symmetric to the aforementioned. Depending on management, any of these underlying structural alliances may attract long-term relationships Bilateral or dialogical relations extend the ideals of marketing concept to the structure of co-involvement of parties and mutual co-operative relationships perhaps by treating one's customers as though employees. The parties learn together and remain innovative social and economic contributors in order to minimize conformance risks and perceived values in the present competitive business world (Baxter, 1995). Discrete or arm's length is an extreme case (Jackson, 1985) of traditional independence model of relational exchanges; it relates to market type but with realistic minimum levels of relationship activity to facilitate the exchange (O'Toole and Donaldson, 2000). Traditional independence model of relationship marketing may permit the formulation and implementation of standard pricing, quality, product returns and delivery policies in a manner that builds long-term relationship between relevant parties. Dominant or hierarchical relations exist where a partner unilaterally uses its decision making power against other partners in the value chain. This may be synonymous with the selling orientation; the producer hard-sells products made without collaboration with the target audiences and other members of the value chain. Finally, O'Toole and Donaldson (2000) note that recurrent relationships are archetypal JIT relationships; they are close but not strategic enough to be bilateral.

The approaches to RM require an interwoven relationship between customer satisfaction, inward marketing, customer retention, and customer loyalty.

1) Customer Satisfaction

Amidst stiff competition in most industries, many organizations distinguish their operations to reflect quality customer service, innovation and customer responsiveness in an attempt to build customer satisfaction and its concomitant ideals of profitability (resulting from premium price), loyalty and dominant market share. Customer satisfaction is viewed as a complex relational and economic activity involving inputs from vendors and other independent firms and continues even by the manner the dealers handle and explain customers' complaints and doubts. It is a performance measurement instrument (Ambler and Kokkinaki, 1997) that focuses on experience-based positive judgment of a product by a customer. It measures product-delivery-attributes as determined by market forces and undoubtedly reflects on the extent of relationship. Performance generally focuses on input/output relations (O'Toole and Donaldson, 2000); the input side relates to marketing effectiveness (e.g.; market orientation and marketing audit) whereas the output side, which is more predominant especially in inter-firm relationships, considers marketing efficiency (e.g.; sales volume, market share, costs, customer satisfaction, profitability and non-pecuniary measures).Measuring customer satisfaction assists to identify the most profitable customers and to increase loyalty amidst competition; to calculate the lifetime value of each customer; to increase switching costs, customer retention and viral rates; to reduce marketing costs; to boost sales volume per customer/customer group; and to build meaningful dialogue that builds relationships and fosters genuine brand loyalty (Al-alak and Alnawas, 2010; Shaker and Basem, 2010). The cost of customer dissatisfaction is often expressed in terms of weak likelihood of repeat purchase and unfavourable word-of-mouth that may hinder trial and switching behaviours from potential buyers and competitors' loyalists respectively.Four main tasks are required of the user organizations in decisions guiding interface with customers. First, data-based marketing builds relationships from assortments of data on buying habits or preferences from multiple sources. Boone and Kurtz (2007) noted that enduring relationship with customers (B2C) and/or other businesses (B2B) is subject to building a *front-office* system's database that tracks and analyzes each customer's shopping profile in terms of demography, attitude, perception, psychographics, purchase and other characteristics that determine customer preferences, activities, tastes, dislikes, likes and complains. Second, subject to individual customer or customer group life cycle stage and/or extent of loyalty to the firm's market offerings, customer shopping profile forms the basis for tailoring a customized and differentiated marketing programme based on prediction about customer upward movement in the relationship ladder as well as how a purchase is financed.Third through relationship marketing, data warehouse or a *back-office system* used to fill and support customer orders, stores all customers' information to help top management or recovery team monitor contacts and make informed decision on how to add values to the buyer-seller transaction in order to foster continuity in the relationship. Finally, RM uses intimate knowledge of customer preferences to inject in every staff and units of the organization, including external partners as dealers and suppliers, esprit de corps toward building differentiated business that unbreakably fuse a lasting relationship with the customers. Sophisticated technology and the Internet services, according to Crosby and Johntson (2002), are the dependable tools that make these four interactive tasks workable.

2) Inward Marketing

A good internal customer satisfaction helps organization to attract, select, and retain outstanding employees who appreciate and value their role in the delivery of superior services to external customers (Alrubaiee and Al-Nazer, 2010; Shaker and Basem, 2010). Inward marketing asserts that every employee, team, or unit in the firm's value chain is simultaneously a supplier of, and a customer of, ideas and/or services. On the instant that employee loyalty rubs off on customers, the value chain starts with the morale of internal customers- employees and units- that must understand, accept, and fulfil their respective roles in implementing the marketing strategy. For instance, employees and units engaged in manufacturing, packaging, and processing orders for new equipment are the internal customers of salesmen who then complete sales contracts with external customers. Perhaps these individuals do not have direct contact with the external customers but the company-wide intranets/philosophy emphasizing on customer mindedness may cause them to condition their performance to impact directly on the overall firm's value delivered to the external customers. The banking and oil industries, particularly SPDC, Agip, Texaco, Exxon Mobil, etc; are in the fore-front of this trend by installing organizational culture of training and re-training employees as well as keeping them constantly informed (often through the intranet) about, and committed to, corporate goals, strategies, and customer needs.

3) Customer Retention

The hallmark of every firm in competitive industry and of relationship marketing is customer retention, which, if well programmed, involves the creation of novelty and mutuality in values, which often deepen, extend, and prolong relationship; thus creating yet more opportunities for customers, manufacturers, dealers, and suppliers to benefit from one another. Unleashing more premiums on incumbent customers make economic sense on the grounds that, several studies reported that the costs of sourcing and acquiring new customers reasonably out-weigh the costs of maintaining/retaining existing ones. Many studies have proved that customer retention increases profitability. Buchanan and Gilles (1990) reported that such relationship exists because of the followings. First, the cost curve of the relationship is only high at the acquisition time and falls as the relationship becomes stronger and more enduring. So, accounts maintenance costs decline as percentage of revenue increases per account. Second, stable or improved sales volume/sales amount may be stimulated by building switching barriers and less price sensitivity as well as creating avenues through which satisfied customers initiate free-cost viral promotions and referrals. Finally, profitability is further improved because long-term customers are more likely to purchase ancillary products and higher margin supplemental products. The last is achievable through product bundling (pairing goods or services for a price, e.g.; toothpaste and tooth-brush or Dabur Herbal and ball-point pen) and sales cannibalization (selling related product items to incumbent customers e.g.; Close-Up and McCleans; Coke and Diet Coke; or Fanta and Fanta Chapman). Sales cannibalization makes sense because launching full-fat innovations in some consumer markets is enormously challenging thereby attracting widespread technology clusters in the forms of extensions and improvement upon existing ones. Undisrupted customer behaviour fosters firms to enjoy less expense in delivering satisfaction because the customers themselves are more conversant with the seller's processes, require less education/learning, and are consistent in their order placement. Boone and Kurtz (2007) opined that through relationships, customers simplify information gathering and the entire buying process as well as decrease the risk of dissatisfaction. In other words, such relationship may lead to more efficient decision-making by customers and higher levels of customer satisfaction. Further, customer retention and loyalty make the employees' job simpler, cheaper, and more satisfying; which, in a vicious manner, can be passed on to customers. In addition to running programmes that encourage frequent positive behaviour in relationship marketing, firms also use affinity marketing to further retain customers and solicit involvement by individuals who share common interest and activities. For instance, BMW can build affinity by emphasizing and reinforcing high performance.

4) Customer Loyalty

The longer a relationship lasts the more profitable it turns and so, the core of RM is to win and keep customers by creating relational value chain (Peng and Wang, 2006) in a manner that culminates more points of contacts and deeper accords, frequency marketing and efficient operations, cannibalization, making disruptive behaviour costly, and detailed probing into customer complaints and competitive benchmarking to make informed corrective decisions to keep all relationships improving. Loyal behaviour measures the length of time a customer is predisposed to resist competitive offers (Peppers and Rogers, 1999). Yim *et al* (2008) defined loyal behaviour in terms of deeply held commitment to repurchase a preferred brand in the future despite unfavourable situational and marketing influences that may cause switching. A loyal customer enjoys satisfaction, is passionate, builds switching barriers and tolerates unfavourable situations in the hope of future improvements when voiced out. Reichheld's (1996) survey showed correlation between loyal behaviour/customer retention and profitability. Hasouneh and Ayed Alqeed (2010) opined that new customers may be initially unprofitable but turn profitable as relationship lasts. A caveat need be observed here to avoid keeping worthless relationship because Gronroos (1996) categorized customers into transactional mode, passive relational mode and active relational mode. The last category is the most laudable asset of RM because they seek contacts and interactions for value-added exchanges. Customer retention rate and customer lifetime value provide bases for knowing which relationship to deeply invest and which to serve differently or to even terminate. Koller (2001) indicated that Harrah's Casino created a Web-based programme that allowed gamblers to view their points and learn how to earn more benefits as they gamble their way up to platinum or diamond status. Also, the programme identified which of the so-called *high-rollers* yields the highest profits. Dwakins and Reichheld (1990) opined that an increase in retention rate from 80 to 90 percent is associated with doubling of average life of a customer relationship from 5 to 10 years. This is based on the fact that RM fosters more points of contacts with customers and builds deeper accords that often cause new learning and disruptive behaviour a costly exercise.

VI. Conclusion

Amongst marketing management traditionalists, aggressive attraction of customers or dominant focus on point-of-sale transaction though besieged with weak pay-off remains a popular approach to deal with the competitive business environment. Transactional marketing views exchanges as generally oppressive, power-based, intrusion, short-term, irregular, and often disrupted by conflicts resulting from profit maximization driven manipulation of the marketing mix variables. A new dawn is right here today. Borrowing the ideals of B2B and service sectors to build loyalty and mutually beneficial relationships with incumbent customers, dealers, suppliers, and employees is perhaps synonymous with the search for creative, innovative, and cost-effective strategies for delivering customer values as well as ways to deal with selfishness, superficiality and self-indulgence of the independent firms to boost mutual performance. Hence, a paradigmatic shift from push to pull models of integrated relationship across traditional boundaries and of course the building of customer responsiveness, customer retention and customer loyalty theories. The theories of relationship have long existed in marketing management literature and related fields; they provide the theoretical bases upon which the new dawn of change, amidst IT explosion, rests. After-all RM has not got any knowledge of its own. The new dawn of relationship shifts power to consumers; views markets as social conversation involving participative architecture and inter-firm alignments; and enables mutual relationship, interaction and collaboration to build long-term relationships that reflect on corporate performance. The implication is that customer satisfaction is a value-chain and systems activity based on value chain trust, mutuality, promise, shared values, and commitment. Each subsystem interacts with others to maintain the whole; when one is weak the entire whole fails. This belief guides value chain decisions. If done online, such relationships allow for overtime creativity, communications, secured information sharing in real time, and collaboration between members of on-line communities. Networking information for value chain access, including the customers, provides strong basis for building sustainable competitive advantage (SCA). This requires the alignment of functional and value-chain partners' activities with corporate strategy and harmonizing such with organizational structure, processes, culture, incentives, and people in an attempt to build long-term relationship. Collaborative structure determines authority; sharing of risk and rewards; long-term and shared commitment and goals; division of cognitive processes into intertwined layers; and mutual participative architectures and esprit de corps in a co-ordinated effort to push customers upwards in the relationship ladder. All steps in the value chain from design to after-sales service are integrated flows aimed at improving corporate performance. Rather than shaving suppliers' margin, the interests of all stakeholders can be best served through more strategic approach to optimization.

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Financial Information about Risks: Contingent and Incidental Liabilities

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Abstracts - This research propose the convenience of take into account the incidental liabilities in financial reporting about risks, in order to generate better financial information as a result of lack of criteria not only at international financial reporting standards, also in the United States, United Kingdom, Spain and Mexico. This research identifies and describes several risk ratings, considering the points of view of academics and in addition, considering the best practices of several well known multinational companies, focusing on the hospitality industry. Subsequently, the research concludes with a proposal in order to disclose incidental liabilities inspired by the format as international financial reporting standards provide, becoming this an unpublished material that contributes to standardization in the disclosure of risks across financial reporting standards.

Keywords : *International Accounting Standard 37, disclosure, risks.*

Classification: *GJMBR-A Classification: JEL Code: M41,D81,G32,G13*

FINANCIAL INFORMATION ABOUT RISKS CONTINGENT AND INCIDENTAL LIABILITIES

Strictly as per the compliance and regulations of:

Financial Information about Risks: Contingent and Incidental Liabilities

Jose Gerardo De La Vega Meneses[1], Y Maria Josefina Rivero Villar[2]

Abstract :This research propose the convenience of take into account the incidental liabilities in financial reporting about risks, in order to generate better financial information as a result of lack of criteria not only at international financial reporting standards, also in the United States, United Kingdom, Spain and Mexico. This research identifies and describes several risk ratings, considering the points of view of academics and in addition, considering the best practices of several well known multinational companies, focusing on the hospitality industry. Subsequently, the research concludes with a proposal in order to disclose incidental liabilities inspired by the format as international financial reporting standards provide, becoming this an unpublished material that contributes to standardization in the disclosure of risks across financial reporting standards.

Keywords: International Accounting Standard 37, disclosure, risks.

I. Introduction

The lack of quality in the financial information concerning to disclosure of risks, especially the incidental risks or whose possibility of occurrence is considered too low, is due to creative accounting caused by ignorance or bad faith of those who develop financial information, as it happened in the cases of Enron and WorldCom whose risks were not disclosed widely for the benefit of a few. This research exposes the need for better disclosure of risks to inform the users about the real financial situation of the economic entity.

II. Hypothesis

There is an opportunity area in the disclosure of financial information related to risks, by applying the concept of incidental liabilities with remote possibility of occurrence.

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III. General objective

The general objective of this research is to demonstrate the deficiency in information in the financial statements about of disclosure of low probability risks or remote, proposing the development of the concept incidental liabilities with remote possibility of occurrence, based in the analysis of international financial reporting standards.

IV. Theoretical framework

The decrease in wealth can be caused by several factors highlighting the meteorological, technological and political causes (Eeckhoudt, 2004). In this way, the uncertainty is an unavoidable element for any kind of risk (Callao and Jarne, 1995; Rodríguez, 1993).In the business world, the uncertainty is linked to the inhibition of the investment and is an impediment when generating new jobs (Lainez, 1993). Landry (2002) highlights four levels of uncertainty: the clear future, alternative scenarios, potential future and total confusion scenario. So, when the uncertainty increases, increases the chance of a casualty loss that despite being considered as low probability event is latent to happen. The natural hazards should not be excluded in the analysis of the companies when developing its sustainability reports, stressing in this way The Global Reporting Initiative (GRI, 2002). This Initiative promotes good practices in sustainable development information (Larrinaga and Moneva, 2002; Carmona, 2003), in a scenario where the climate change is considered a real unavoidable risk in the near future (O'Meara, 2005).

The multinational hotel industry classifies its risks in terms of material losses, civil liability, loss of profit, financial risks, political risks, operational and market risks (Best Western, 2007; Inter Continental Hotels Group, 2007; Sol Meliá, 2007, Starwood Hotels & Resorts Worldwide, 2007).The manufacturing industry classifies its risks in terms of currency exchange rates, interest rate, commodity price, increased costs and market value risks (Ford Motor Company, 2007, General Electric Company, 2007; General Motors Corporation, 2007, The Coca Cola Company, 2007).The international financial industry classifies its risks in terms of credit, market, operational and insurance risks (Banco Bilbao Vizcaya, 2007, Banco Santander Central Hispano, 2007, Citigroup, 2007, HSBC, 2007). The business risks are events that prevent the company to achieve its objectives. These can be classified in terms of financial risks, operational, natural disaster risk and, law violation risks (Fuente, 2006; Mills, 2003). In this risk scenario, the *Conceptual Framework* of the International Accounting Standards Board (2008) better known as IASB, has focused on meeting the needs of users, promoting the generation of useful data for decision making. So, it sets out the concepts that underlie the preparation and presentation of financial statements for external users.

The IASB notes that "the accrual basis of accounting" is the fundamental hypothesis in order to meet the objectives of the financial statements. Additionally, the IASB states that financial statements should also contain notes, supplementary schedules and other information that explains the items in the balance sheet and income statement, revealing risks and uncertainties that may affect the entity.The international financial reporting standards recognize provisions as liabilities with uncertain in amount and maturity, they are present obligations for the entity and they have a reliable estimate (Nobes, 1998; Choi and Mueller, 2002). A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Also it can be a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or, the amount of the obligation cannot be measured with sufficient reliability. (*International Accounting Standards Board, 2008*; Normativa de Contabilidad y Auditoría Española, 2005; Financial Accounting Standards Board, 2008; Instituto Mexicano de Contadores Públicos, 2008; Instituto de Contabilidad y Auditoría de Cuentas, 2005).

The international financial reporting standards recommend that due to the uncertainty in a present obligation, an accounting provision should be recognized. Later, if it is forecasted that such provision has a low probability of materializing, it should be recognized only in notes to the financial statements as a contingent liability and, if it is considered as remote the possibility of occurrence of this contingent liability, then it is no necessary to disclose this liability. In this context, the concept of *incidental liabilities with remote possibility of occurrence* that is proposed to discuss in this research, is a possible obligation that not necessarily arises from a past event and it is not expected to be confirmed, it only promotes to disclosure the possible negative impacts for the entity in a remote scenario.About the disclosure of risks according to several international financial reporting standards, the OFR report or better known as Operating and Financial Review from the United Kingdom (Department for Business Innovation and Skills; 2008) recommends the identification of at least three risks: non-financial, environmental and, ethical or reputational, coinciding with the international financial reporting standards with regard to the disclosure of liabilities and contingencies.The risk caused by an incidental contingency is not necessary to be disclosed unless the possibility may be considered reasonable and not remote. By comparing the International Financial Reporting Standards and regulation according to the Financial Accounting Standards Board in terms of disclosure of risks and contingencies, both regulations concur in stating that the provisions should be recognized, while contingencies should be revealed, and only in the case of events with low probability of occurrence its disclosure is discretionary (*International Accounting Standards Board*, 2008; Financial Accounting Standards Board, 2008).Regulatory authorities in financial reporting standards have made efforts to achieve greater relevance in the financial statements, (Lainez and Callao, 2000; Lainez and Fuertes, 2004), highlighting the following information:

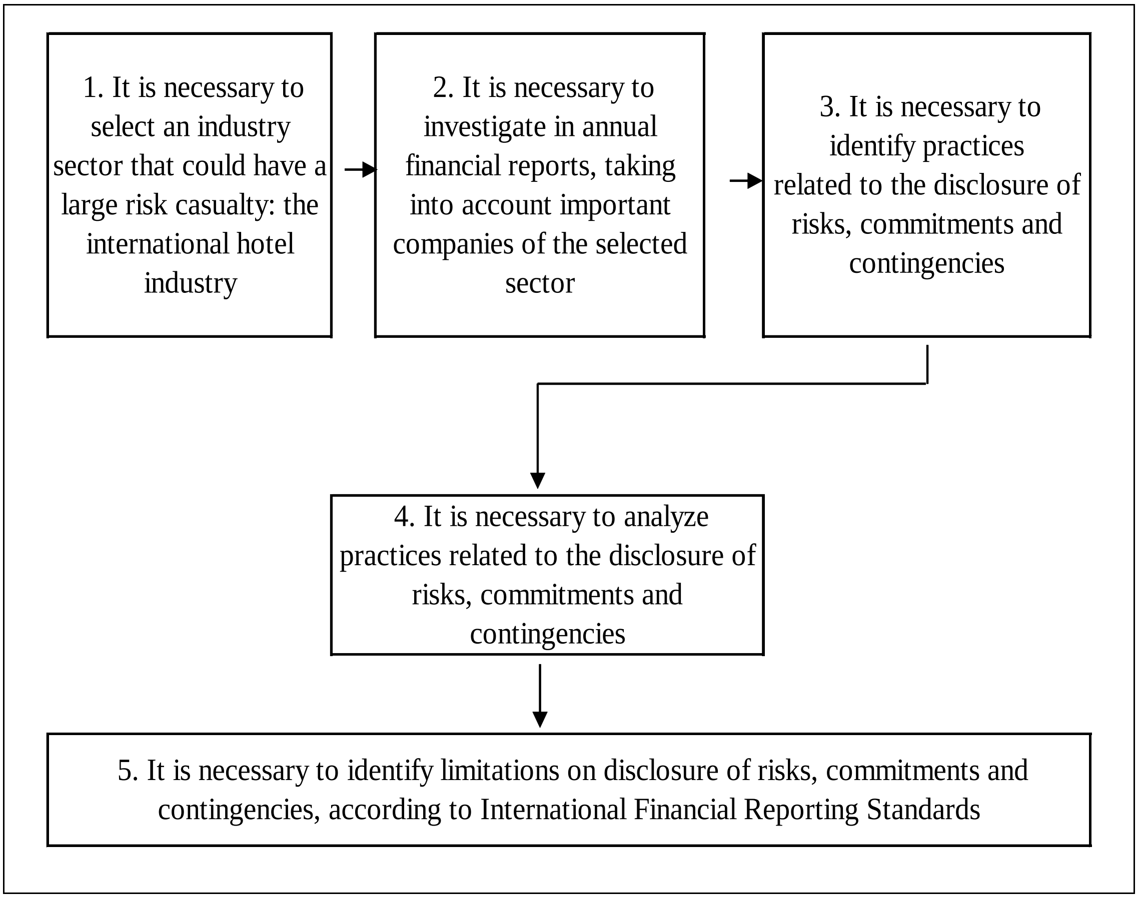
- The American Institute of Certified Public Accountants / AICPA since 1991 appointed a Special Committee on Financial Reporting to increase the usefulness of financial information, including plans, opportunities, risks and uncertainties measurement.
- In 1993 the Association for Investment Management and Research / AIMR, coincided with the AICPA on providing users with information related to the strategic financial position of the company, including disclosure of risks.
- In 1998, the Financial Accounting Standards Board / FASB established a committee in order to study the information disclosure practices, resulting in the document called Insights into Improving Business Reporting Enhancing Voluntary Disclosures.

Therefore, there are several international regulators agencies concerned with the financial information reporting that agree in consider that the disclosure in the financial statements can be improved.

V. Model of Study

The following illustrates the process established to conduct this research and achieve the proposed goal (Table I).

Table 1: Process to identify constraints in the financial information related to disclosure of risks and contingencies



Source: Own elaboration.

VI. Methodology

For this analysis, the investigation has been designed with the following characteristics (Table II).

Table 2. Research design

Variables used	Not experimental research	The research investigated the disclosure of risks, commitments and contingent liabilities
Information sources	Documentary research	The research collected financial statements, annual reports and management reports of prestigious multinational companies, available on their Web sites into sections identified as "Investor Relations"
Extension of the study	Cross-sectional research	The documental research focused on information corresponding to the year 2007
Analysis of information	Descriptive research	The research identified practices related to disclosure of risks, commitments and contingencies, to get conclusions about it

Source: Own elaboration.

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The process to identify constraints in the financial information relating to disclosure of risks and contingencies is summarized next:

- Selection of companies to analyze. Within the multinational hotel industry the companies selected were Sol Melía, Best Western, Starwood Hotels & Resorts Worldwide, and Inter Continental Hotels Group, according to the following criteria: it should be one of the most known worldwide chain hotels, with facilities over the five continents and it must have obtained a return on assets of 5% at least.
- Investigation in annual financial reports. The research process reviewed the annual and management financial reports to determine the main reasons for disclosing contingent liabilities and commitments in the notes to financial statements.
- Identification of practices related to disclosure of risks, commitments and contingencies. The 100% of the companies that were analyzed have disclosed their risks on management reports and 25% did it extensively in their annual reports, but out of notes to the financial statements.
- Analysis of practices related to the disclosure of risks, commitments and contingencies. The results are summarized next (Table III):

Table 3: Analysis of practices related to the disclosure of risks, commitments and contingencies

Company	Sol Meliá	Best Western	Inter Continental	Starwood
Risks disclosed in management reports				
Liquidity risk	×	×	×	✓
Risk of litigation, claims	×	×	×	✓
Interest rate risk	×	×	×	✓
Natural disasters	✓	✓	×	✓
Business interruption	✓	×	×	✓
Terrorism	✓	×	✓	✓
War	✓	×	✓	✓
Risk of uncollectible accounts	✓	✓	✓	×
Customer fears	×	×	✓	✓
Government regulations	✓	×	×	✓
Risks disclosed in annual reports, but outside of the notes to financial statements				
Material losses	✓	×	×	×
Responsibilities to others	✓	×	×	×
Loss of profit	✓	×	×	×
Financial risk	✓	×	×	×
Political risk	✓	×	×	✓
Operational risk	✓	×	×	×
Credit risk	×	×	×	×
Insurance risk	×	×	×	×
Acts of God	×	×	×	✓
Risks, contingencies and subsequent events that were disclosed in the notes to financial statements				
Contingencies				
Litigation	×	✓	×	✓
Bonds issued under warranty	✓	×	✓	✓
Implied obligations	✓	×	✓	✓
Subsequent events				
Disclosure of last year strategies in order to envision future benefits	✓	✓	✓	✓
Other comments about risks				
The company mentioned that has valuated its risks	×	×	×	×
The company accepted that 100% of the potential risks are not covered by insurance	×	×	×	✓

Source: Own elaboration based on annual financial reports corresponding to the year 2007

- Identification of the limitations on disclosure of risks, commitments and contingencies, according to the International Financial Reporting Standards. It has been distinguished the lack of harmonization or uniformity in the manner that the analyzed companies disclosed their risks.

VII. Results and conclusions

The results of this research conclude that:

- It is allowed by the international financial reporting standards to disclose information about risks and contingencies. However, it is not done in detail by the constraints of scope stated in the standards. So, the companies analyzed have disclosed their risks in annual reports done by the management but outside their financial statements, so they did not disclose their low probability risks.
- This deficiency in the disclosure of risks is based mainly on the opinion of management and therefore, there is no any standardization and homogeneity in this kind of disclosures.
- The notes related to the events after the balance sheet date, usually include good news about favorable results expected to be obtained by actions taken in the last year, excluding information on specific risks.
- Then, it is feasible the application of the *incidental liabilities with remote possibility of occurrence* based on business risks, due to that the risks with low probability of occurrence are usually excluded, despite that some risks have been disclosed in annual reports but outside the financial statements.

VIII. Theoretical proposal

Given the lack of uniformity in the disclosure of risks in the financial statements, taking into account the guidelines and limitations in the International Accounting Standard 37 and other rules that promote to disclosure certain kind of risks, it is proposed to discuss the feasibility of issuing a similar guide to the next in international financial reporting standards:

1) Objetive

The objective of this proposal is to encourage the entity to disclose in notes to the financial statements sufficient information related to risks that have the possibility to generate liabilities as a result of fortuitous events.

2) Scope

1 This standard shall be applied to inform on incidental liabilities with remote possibility of occurrence, that were not disclosed according to another specific standard and they were not considered as a contingent liabilities.

2 Examples of standards to which the preceding paragraph refers that in the present or in the subsequent years require disclosures related potential liabilities as a consequence of events with remote possibility of occurrence are:

Disclosure of incidental liabilities with remote possibility of occurrence

Index	Paragraph
Objective	
Scope	1-3
Definitions	4-8
Incidental liabilities with remote possibility of occurrence	9-15
Best estimate	16-19
Disclosure	20-22
Example	23

- Consequently, the dilemma in the financial reporting standards between what is incidental and what it is not, allows distinguishing the boundary between a liability with low probability of occurrence and a contingent liability.

This research seeks to contribute to the development of guidelines on disclosure of risks in the financial statements. It is reasonable to consider that this scope will be standardized at any time in the future because of the risks environment increasingly susceptible in the world. This last comment far from being pessimistic, seeks to be realistic Thereupon, there is an area of opportunity in the financial disclosure for purposes of identifying risks, proposing for these objectives to apply the concept of incidental liabilities with remote possibility of occurrence, which will be defined next.

a) Events after the balance sheet date (see IAS 10 *events after the Balance Sheet Date*);
b) Construction contracts (see IAS 11 *construction contracts*);
c) Income taxes (see IAS 12 *income taxes*);
d) Leases (see IAS 17 *leases*);
e) Employee benefits (see IAS 19 *employee benefits*);
f) Provisions and contingent liabilities (see IAS 37 *provisions, contingent liabilities and contingent assets*);
g) Financial instruments (see IAS 39 *financial instruments: recognition and measurement*);
h) Business combinations (see IFRS 3 *business combination*);
i) Insurance contracts (see IFRS 4 *insurance contracts*).

3 If the entity estimates some kind of income or assets as a result of fortuitous events, this will never be disclosed according to reasonable criteria established in the conceptual framework of international financial reporting standards.

3) *Definitions*

4 The following terms are used in this standard with the meaning specified:

5 A *risk* is an event that have not happened yet with latent possibility of occurring, which may be real in the future credibly and may cause adverse effects in the performance of the entity, being the cause of disclosing incidental liabilities with remote possibility of occurrence.

6 *Incidental liabilities with remote possibility of occurrence* arise as a result of remote events that have not happened yet and they are not present obligations. However, these remote events could generate real obligations as a result of loss of assets due to the completion of the mentioned remote event.

7 A *present obligation* is an obligation that is real, exists, is quantified, is recognized and disclosed at the date of the financial statements.

8 The term *real* means the beginning and the consequent existence of something.

4) *Incidental Liabilities With Remote Possibility Of Occurrence*

9 The incidental liabilities with remote possibility of occurrence as previously defined, can be caused among others by some of the following risks:

a) Operational risk: a result of decrease in the liquidity of the company, adverse results in litigation and guarantees to third parties, increased costs, negative effects on employment matters, asset repurchase obligations, the breach of contracts, compensation to customers by defective goods and services, and considering the uncertainty on corporate tax legislation or its equivalents.
b) International transactions risk: as a result of changes in tariffs, border crossings and international economic crisis.
c) Financial risk: as a result of uncertainty in currency exchange rates, interest rates and matters with regard to obtaining finance and credit.
d) Natural risk: as a result of natural disasters and events that could result in the termination of the activity of the entity, either temporarily or permanently.
e) War risk: as a result of war and terrorist activity.
f) Market risk: as a result of loss of market value, uncollectible accounts, fears of customers, competitors on the Internet, lack of ethics and reputational matters.
g) Political risk: as a result of government regulations in their respective countries, monetary and environmental restrictions, expropriation, political instability and the international political conditions.

10 The risks mentioned, among others, could lead to incidental liabilities with remote possibility of occurrence and they could cause future outflow of resources.

11 The incidental liabilities with remote possibility of occurrence could arise if the remote risk related becomes real. However, there is no certainty if the current or the next management board will suffer its consequences in the future.

12 The incidental liabilities with remote possibility of occurrence are not present obligations and should not be recognized however, its disclosing would allow users to further analyze the assets of the entity from the perspective of uncertainty.

13 In case of happening the risks above mentioned could result in real obligations for the entity, generating the potential to decrease the fair value of certain assets which regardless of its corresponding impairment loss, will be necessary to compensate them and maybe incur in liabilities.

14 In order to disclose its impact and as a result of incidental loss of assets due to latent risks that face the entity, the liabilities resulting from events whose possibility is remote must not exceed the fair value of those assets at the balance sheet date.

15 When the incidental liabilities with remote possibility of occurrence becomes an actual fact, may be regarded first as a contingent liability and later as a provision, in line with the International Accounting Standard 37. In addition, the corresponding impairment of assets must be taken into account according to the International Accounting Standard 36.

5) *Best Estimate*

16 the value disclosed as incidental liabilities with remote possibility of occurrence should be the disbursement that would be required to compensate the assets affected by the possible misfortune.

17 The amount to which the preceding paragraph refers will be as maximum the value of the related assets at the balance sheet date, according to the international financial reporting standards required for each class of assets.

18 The best estimate of "the incidental liabilities with remote possibility of occurrence" will rely on the discretion of the administration of the entity taking into account the constraint mentioned in the last paragraph, understanding that if the value of this obligation is material in comparison with the value of total assets at the balance sheet date, the business continuity of the entity would be seriously influenced by the risks involved in this disclosure.

19 The resulting value of this procedure must be reviewed annually, considering the need to foresee new risks, even could be necessary to remove some of the existing risks if the management of the entity considers that they already are not.

6) Disclosure

20 The incidental liabilities with remote possibility of occurrence shall be disclosed in notes to financial statements. The estimated value is determined taking into account the risks and its imminent impact on assets. This amount shall be displayed as decreasing the total assets. So, the resulting difference represents the asset guaranteed synonymous of risk-free assets.

21 In addition, the entity shall disclose:

a) Comparative information about the incidental liabilities with remote possibility of occurrence, for the current year and the last year.
b) Description of fundamentals considered in order to disclose this information in notes, based on the significant risks and uncertainties.
c) The assertion that these amounts are not considered as provisions and they are not considered as contingent liabilities according to International Accounting Standard 37.

Incidental liabilities with remote possibility of occurrence **Million dollars**	Total assets		Assets on risk in case of events with remote possibility		Risk-free assets	
	20X8	20X9	20X8	20X9	20X8	20X9
Cash and equivalents	10	8	1	1	9	7
Accounts receivables	10	11	2	1	8	10
Inventory	10	15	1	1	9	14
Property, plant and equipment	10	11	4	4	6	7
Intangible assets	10	9	1	1	9	8
Total assets	50	54				
Incidental liabilities with remote possibility of occurrence			9	8		
Risk-free assets					41	46

d) The assertion that these amounts have been considered taking into account the fundamentals according to the International Accounting Standard 10 referred to events after the balance sheet date.

22 In extremely rare cases, disclosure of some or all the information required by paragraphs 20-21 can be expected to prejudice seriously the position of the entity in a dispute with other parties on the subject matter of the incidental liabilities with remote possibility of occurrence. In such cases, an entity need not disclose the information, but shall disclose the general nature of the dispute, together with the fact that, and reason why, the concerned information has not been disclosed.

23 A disclosure example of incidental liabilities with remote possibility of occurrence, proposed by this standard, is presented next:

7) Note X) Incidental Liabilities With Remote Possibility Of Occurence

As a result of taking exhaustively into account the risks that the company may face in the future, liabilities arising out of such fortuitous events would have the following impact on assets to the balance sheet date:

The incidental liabilities with remote possibility of occurrence are not considered as provisions and are not considered as contingent liabilities, both recognized and disclosed by the entity. In addition, the incidental liabilities with remote possibility of occurrence have been estimated considering the effects of events after the balance sheet date. In the opinion of the company, if the related risks eventually occur in the future, they may have significant impact in the entity.

The following describes the risks that have originated the amounts referred in this note:

Cash and cash equivalents: This amount represents the operational risk resulting from the inability to secure the office staff in places like Haiti, Sudan and Afghanistan, in the absence of coverage in these areas.

Accounts receivable: This amount corresponds to the market risk on accounts receivable from customers located in certain zones in the United States, Israel, Iran and North Korea, countries which in case of war, our clients located in those places could be declared in payment suspension status.

Inventories: This amount corresponds to the political risk related to our inventories that are located in some countries in Latin-America, Asia and Africa, with the possibility of its seizure by the respective governments due to matters related to high levels of corruption and therefore, there is a high risk of loss of ownership of such inventories.

Property, plant and equipment: This amount corresponds to the natural risk for the machinery and equipment located in our facilities on the coasts of several places in the south east of Asia, which are exposed to an imminent risk in the event of a tsunami, hurricane or severe natural disaster due to the effects caused by climate change.

Intangible assets: This amount corresponds to the political risk that could affect the value of our brands registered in countries located in Latin-America, Asia, Middle East and North Africa, which in remote cases these brands are susceptible to be canceled by undemocratic regimes established in some places of the referred continents.

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Employees Retention (Human Capital) in Business Process Outsourcing (BPO) Industry in Pakistan

By Muhammad Umer, Muhammad Akram Naseem
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Abstracts - This paper aims to investigate the impact of variables (career development, supervisor support, work environment, work life balance) on employee retention.A total of 50 interviews were taken from managers of different BPO organizations in Pakistan. Graphical Analysis is indicating that these variables have significant and positive impact on employee retention. Very less research have been done about employee retention in business process out sourcing, especially in Pakistan. So, these finding will provide some insights to BPO's managers to make policies about employee retention in Pakistan.

Keywords : Business process outsourcing, Employee Retention, Human capital, work life balance.

Classification: GJMBR-A Classification: JEL Code: J24

EMPLOYEES RETENTION HUMAN CAPITAL IN BUSINESS PROCESS OUTSOURCING BPO INDUSTRY IN PAKISTAN

Strictly as per the compliance and regulations of:

Employees Retention (Human Capital) in Business Process Outsourcing (BPO) Industry in Pakistan

Muhammad Umer[1], Muhammad Akram Naseem[2]

Abstract: This paper aims to investigate the impact of variables (career development, supervisor support, work environment, work life balance) on employee retention.A total of 50 interviews were taken from managers of different BPO organizations in Pakistan. Graphical Analysis is indicating that these variables have significant and positive impact on employee retention. Very less research have been done about employee retention in business process out sourcing, especially in Pakistan. So, these finding will provide some insights to BPO's managers to make policies about employee retention in Pakistan.

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I. Introduction

Business Process Outsourcing, commonly known as BPO, is one of the most booming sectors in the Pakistan industry. Since its inception, the Pakistan BPO industry has grown at a constant annual rate of 20-30 percent and within a couple of years, Pakistan managed to secure the position of the one of the most preferred and low cost destination for business process outsourcing. The Pakistan BPO industry is expected to generate .2 million jobs by the year 2010. Ironically, in spite of the tremendous growth potential of the sector, attrition rate and the manpower crisis is dampening the growth of the sector. The human resource professionals of the BPO industry are facing various challenges like the attrition rates and its implications, skill shortages, retaining the employees etc. The sources of recruitment used by the BPO companies are advertisements, employee referrals, outsourcing and walk-ins. The Pakistan BPO industry, which established itself as the low-cost destination for business process outsourcing in just a couple of years, is losing its position as the low- cost destination because of the rising people costs.

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According to the NASSCOM reports- The IT-ITeS industries are struggling with the critical issue of acquiring and sustaining manpower in the industry. The BPO industry – one of the most rapidly growing sectors in the Pakistan industry is grappling with the issues of skill shortages, high attrition rates, and performance management along the confidentiality and security concerns. All these issues are having a negative impact on the BPO industry.Human Capital is the most crucial resource on which the Information Technology& Information Technology Enabled Services (IT & ITES) industry in India depends. Next to the location advantage that India has, the factor for the country's immense success in the overseas markets, is its abundant & cost effective human capital which is one of the key asset that has kept India sustain its edge in the ITES sector. Human Resource (HR) professionals all over the world, working in Call-Center or Contact Center or BPO industry are leaving no stone unturned to formulate strategies to retain human capital, but nothing is working in their favor. In spite of all their trials the average attrition rate in the BPO this sector is still very high.

II. Literature view

Certain business processes of the client are transferred over to the vendor, and the vendor's office then becomes the "back office" for the client's outsourced business processes. The vendors are given the responsibility to manage the client's business processes, such as call centers, emergency hotlines, claims management, helpdesks, data management, document processing and storage, financial services (banks and insurance), payroll, auditing, accounting, travel management systems, various logistics and information systems services (Millar, 1994, as cited in Lacity & Hirschheim, 1995, pp. 4-5; Sparrow, 2003, p. 11). Hence, a BPO vendor needs to have the capability to provide consistent levels of customer service spanning across a range of services and businesses.Trade in services has been assuming a prominent place in the global economy in recent times (see IMF reports). A number of services that could previously be delivered only through commercial presence have now become deliverable by cross-border trade. There are many developments, which have led to this growth, the most fundamental being the development of IT, and communication technology networks. Further, opening up of the market by many nations to allow the commercial presence of the other nations in their respective economies have helped to bring foreign direct investment into the services sector. Recognizing the significance and growing role of services in the global and national economy, the Uruguay Round broadened the scope of multilateral trade negotiations under WTO to include services for the first time in the history of trade negotiations. The result of these negotiations was the General Agreement on Trade in Services or GATS, which came into force on 1st January 1995.

As far as trade in services in Pakistan is concerned, within the general services sector, the role of information and communication technology has been significant. As mentioned above, with the development of information and communication technology (IT), service delivery mechanism has changed radically. Consequently, services that can be handled using computers and telecom networks have come to play a significant role in the Pakistan economy. Business process outsourcing (BPO) industry is a result of this technological revolution. While there are a lot of discussions over this sector in media and elsewhere, Before moving further it is appropriate to define certain terminologies used in the context of this industry. Business process outsourcing (BPO) generally refers to the operation of letting out the task of performing certain functions of an enterprise to another enterprise, often a third party and, in some cases, a subsidiary of its own. These functions are usually non-strategic and non-core in nature though they can be very critical for a business enterprise (Williamson, 1967, for a discussion on problems of vertical integration).

Outsourcing of some activities to a distant location has become possible due to the development of information technology (IT). Such cross-border IT-based services, usually termed IT enabled services, are functions that are provided from one location to another over telecommunication or data networks (through wire line or wireless devices) and are either externally contracted (third party outsourcing) or provided by a remote subsidiary of the same company (captive BPO). Many of the well-known multinational foreign companies such as GE Capitals, Hewlett Packard, and Bechtel are benefited by locating their subsidiaries in cost effective countries like Pakistan. In BPO literature, three terminologies are used as below, depending upon the distance of outsourced location from the parent company.

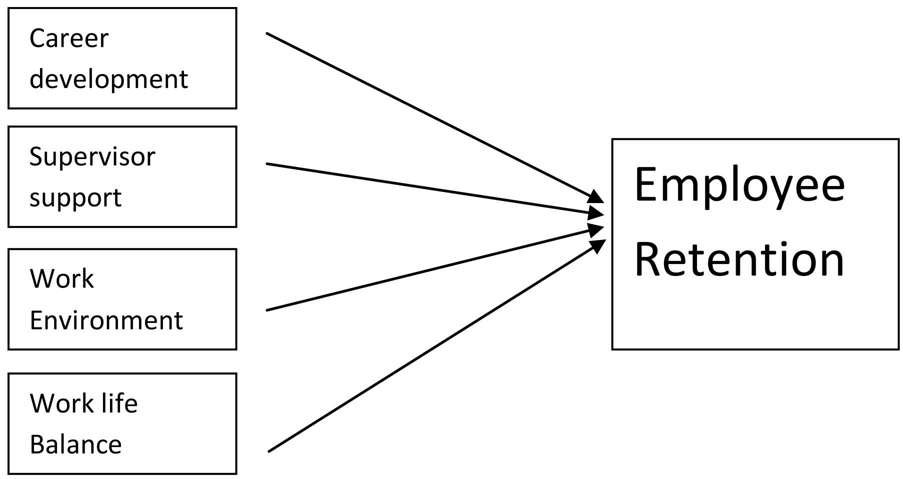
i. On-shore BPO: When an enterprise outsources its activities to another company located in the same country.
ii. Near-shore BPO: When activities are outsourced to a neighboring country.
iii. Off-shore BPO: When business processes are outsourced to a remote or far off country.

The story begins in 1998 when Align technology, a Bay Area-based medical device manufacture established its offshore operation in Lahore, Pakistan in order to reduce the cost of its back office operations. T he founder and CEO of Align Technology Mr. Zia Chisti selected Lahore city for his offshore operations because he felt that the familiarity he had with his home town would be beneficial in establishing, executing, and operating the company. The Lahore based facility comprised of (1) three-dimensional graphic modeling services to support Align's manufacturing operations, and (2) a call center services to support its marketing efforts. By the year 2000 this offshore center of the company had grown substantially having employee strength of 700. Then September 11, 2001 happened the consequence o which was the increase in the geo-political Risk Perception of Pakistan and its surrounding areas. The company was therefore forced to relocate part of its offshore operations to Costa Rica. Sometime later in 2002, The Resource Group (TRG) was established in Lahore, Pakistan, through the acquisition Align's offshore call center operations. But currently there is great competition in business process outsource (BPO) industry (Khaishgi, 2008).

III. Research Methodology

A cross sectional study is made to determine how employee retention depend upon number of factors (career development, supervisor support, working environment and work-life balance) interview technique ids adopted to collect the data from the executive managers of said industry. This field study examined the relationship of factors; data were collected from below organization.Organization were Abacus, Ovex technologies, TRG, Flights R us and Continent Holiday.

Theoretical Framework



IV. RESEARCH VARIABLE

The variables that are being considered are described in the theoretical framework. Employee retention is the dependent variable, which is going to be checked for a relationship with career development, supervisor support, working environment and work-life balance that are independent variables.

V. DATA COLLECTION

The data collection was done through both primary sources. It was collected through Interview by a structured questionnaire. The interviews were conducted among Middle and Upper Level of managers of BPO organizations. The survey period spanned 14-days for collecting data. The advantage of selecting this method is to gather the correct information because some are don't responds well on questionnaire. The foundation of research is based on the responses and the survey was conducted among the selected population managers of BPO companies of Pakistan. The sample size was of 50.

VI. DATA ANALYSIS

After analysis of feedback demographics was male respondents were 93 percent and female respondents were 7 percent. In which 89.7 percent respondent's age were below 30 years and just 10.3 percent respondent's age were fall between30 to 40, and there is non respondent falls in above 40 years old. The percentage of respondents who have experience of below three years were 65.5 percent, respondents who have 3 to 5 years experience were 24.1 and 10.3 percent respondents who had experience five years and above. All respondents were belong to different originations 10.3 percent were from Abacus, 24.1 percent were from Ovex technologies, 27.6 percent were belong to TRG, 20.7 percent were from Flights R us and 17.2 percent were from Holiday.

VII. Analysis of Variables

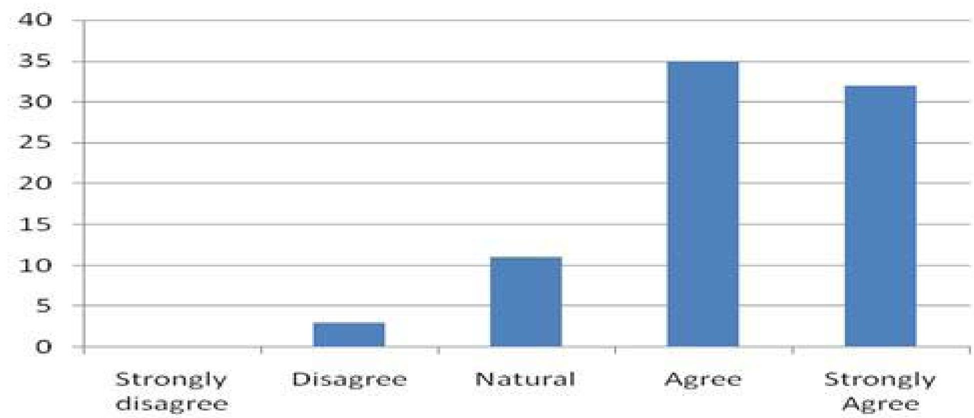


Figure.1: This figure is showing the result of all respondents about employee retention with their organizations. Most percentage of the respondents is falls in agree and strongly agree category. Very low percentage of respondents is in other categories.

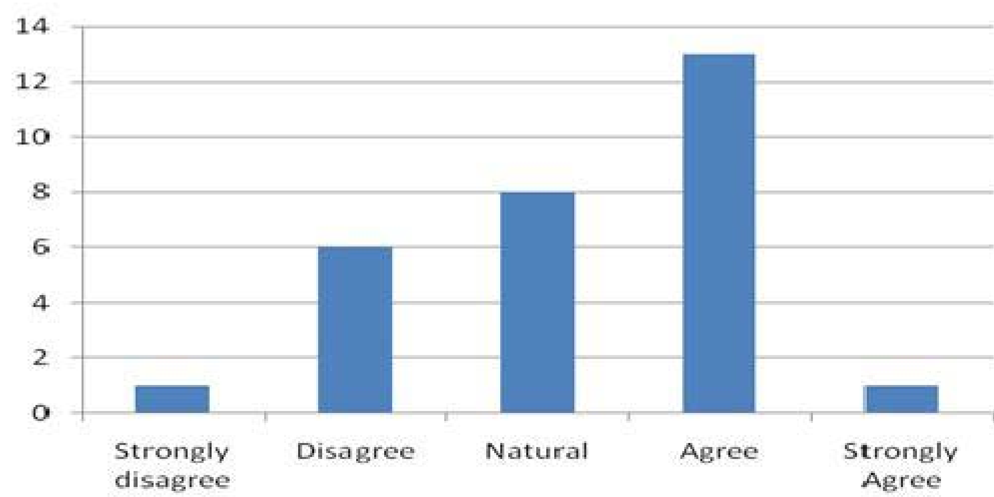


Figure 2: During interview a questions were asked to respondent, which were related to their career spending with their organizations, result as you can see in above this figure (2) most of respondents want to spend their career with their organizations, there are very few respondents who don't want to spend their career with their organization. As you see the trend is going up towards agree. It means majority of respondents are wanted to spend their career within same organizations.

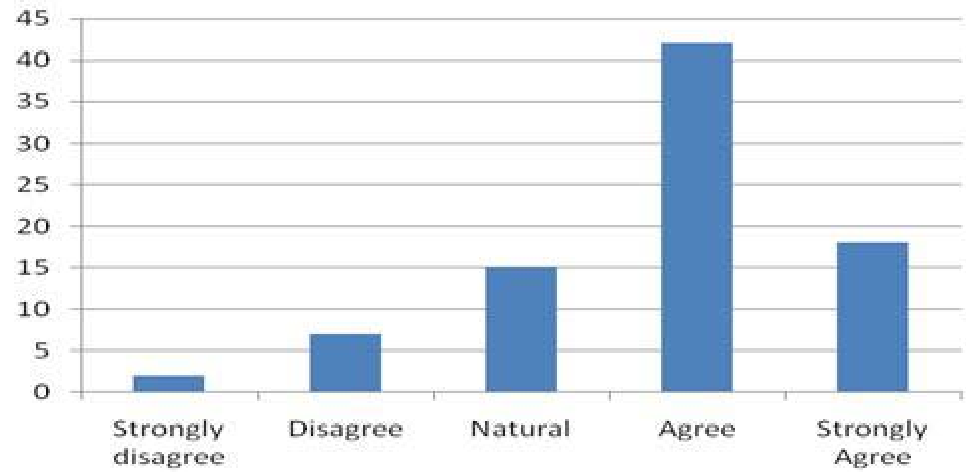


Figure 3: As you can see in figure .3 majorities of respondents were agreed that they are satisfied with their supervisors or boss. There are very fewer respondents falls in strongly disagree and disagree, tend is showing positivity about the behavior of supervisors towards their employees. As you can see in this figure high percentage of respondents is on agree and second high percentage is strongly agree.

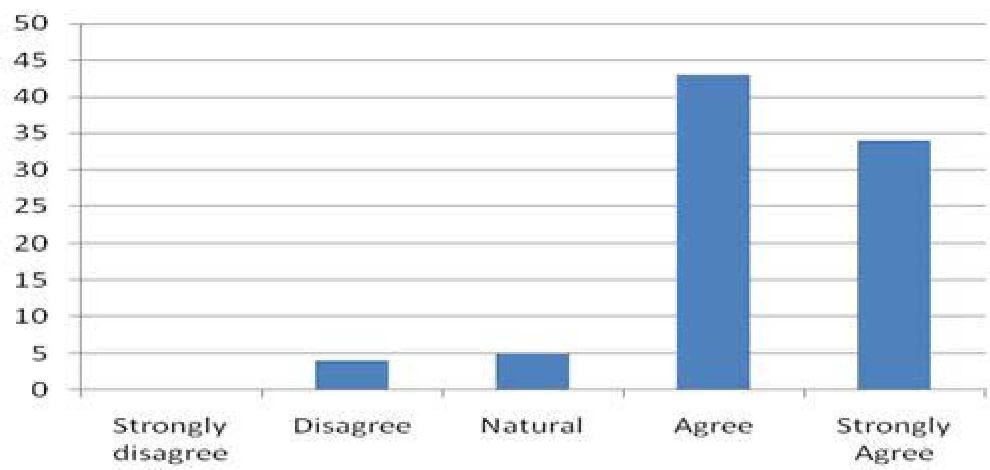


Figure.4: In figure .4 respondents show how much are they agree with their organization's working environment? Most of the respondents are agree with their organization's working environment, there is no one who fall in strongly disagree, there are very few respondents who have natural opinions and disagree with their current organization's working environment.

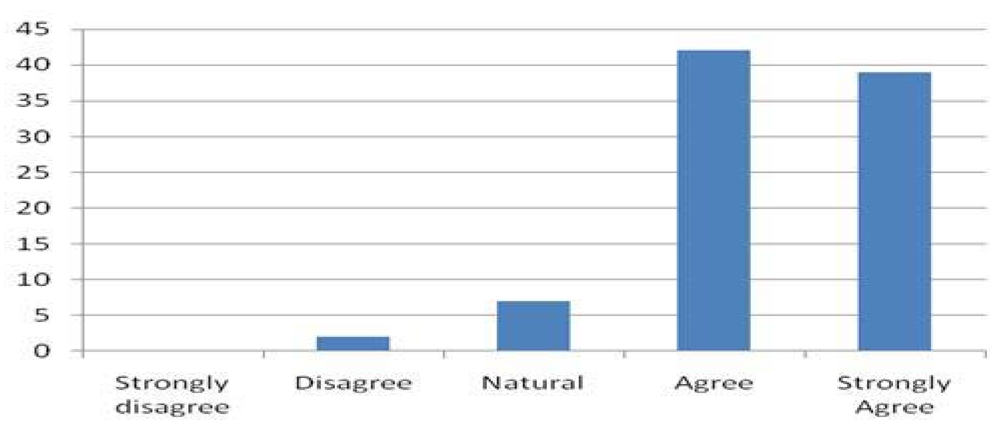


Figure 5: In figure .5 showing the result of work life balance of respondents in their organizations, as you can see in figure.5 a very high percentage of respondents falls in agree and strongly agree category,

there is non respondent who said I don't have work life balance with his organization. It means that most of respondents feel that they have work life balance with their organizations.

Correlations

		EmployeeRetention	CareerDevelopment	SupervisorSupport	WorkEnvironment	WorkLife balance
EmployeeRetention	Pearson Correlation	1	-.256	.035	.149	.358*
	Sig. (2-tailed)		.003	.009	.001	.011
	N	50	50	50	50	50
CareerDevelopment	Pearson Correlation	-.256	1	-.024	-.199	-.342*
	Sig. (2-tailed)	.003		.039	.015	.015
	N	50	50	50	50	50
SupervisorSupport	Pearson Correlation	.035	-.024	1	.065	.103
	Sig. (2-tailed)	.009	.039		.004	.046
	N	50	50	50	50	50
WorkEnvironment	Pearson Correlation	.149	-.199	.065	1	.645**
	Sig. (2-tailed)	.001	.015	.004		.000
	N	50	50	50	50	50
WorkLifebalance	Pearson Correlation	.358*	-.342*	.103	.645**	1
	Sig. (2-tailed)	.011	.015	.046	.000	
	N	50	50	50	50	50

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

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

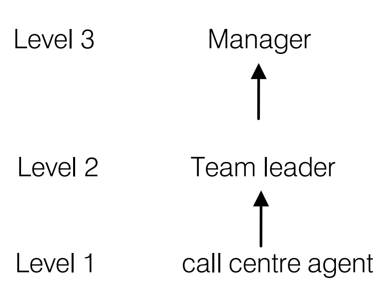
Figure.6: In figure.6 showing analysis of correlation at 5% of level significance, $p<.05$ in all independent variables(career development, supervisor support, work environment and work life balance) to dependent variable (employee retention) are significant at level of 5% with respect to impact of variables on employee retention. It means they all have significant impact on employee retention. (2,3,4,5) . If you see in figure 1 it is also showing that a very high percentage of respondent's falls in agree and strongly categories, it means these variables have a significant impact on employee retention. These all have positive impact with each others and it is also telling that if these variables positively will be in BPO organizations then its employee retention rate will be (positive) high.

VIII. Conclusion

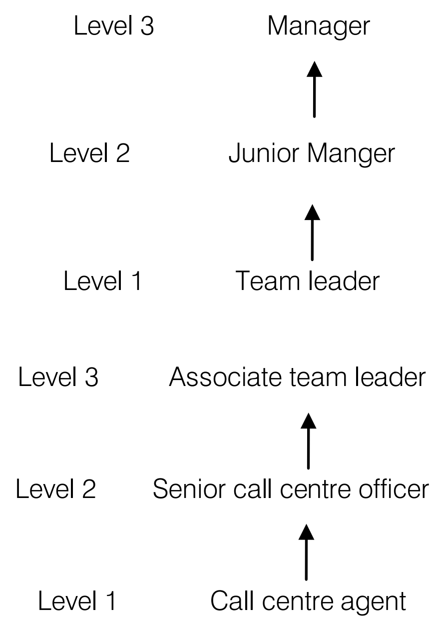
The main objective was to investigate the impact of variables (career development, supervisor support, work environment and work life balance) on employee retention in BPO industry. All respondents were from different organizations in BPO industry in Pakistan.The result of this study shows that these variables have strong impact on employee retention. High percentage of the respondents are falls in agree and strongly agree category in variables graph figures

IX. Recommendation

Changing perception of employees from life style to career the perception of the employee about the BPO has to change from being a life style to a career option. One way of doing this is to re-construct the organization structure. The chances to climb the corporate ladder should be made to look bright. In the present day the options that a BPO employee has in climbing up the corporate ladder is as shown in Figure below.



Some modification done to this corporate ladder in increasing the number of levels, can give a prospective picture to the path ahead for a call center agent, and also will aid to change the perception from life style to career, which will control attrition to a reasonable extent. The modified version is shown in Figure below.



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Compromiso Es Una Blanco Móvil: A Study Of Organizational Commitment In Mexico

By Douglas K. Peterson
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Abstracts - The paper explores the evolution of organizational commitment among workers in a Mexican administrative and production facility for a US-based Fortune 500 MNC. Over a period of four years, there was a transfer of cultural attributes and commitment attitudes from a parent MNC across national borders to the host subsidiary. While the parent MNC had the goal of raising workers' organizational commitment worldwide, this empirical investigation demonstrated that while worker commitment increased, so did the transfer of other parent attributes like worker predisposition to collective bargaining and entitlement attitudes towards more satisfying work, better supervision, better pay and benefit plans, more promotion opportunities, and more opportunities for coaction and comradeship among employees.

Classification: GJMBR-A Classification: JEL Code: J53, J24, M54

COMPROMISO ES UNA BLANCO MOVIL A STUDY OF ORGANIZATIONAL COMMITMENT IN MEXICO

Strictly as per the compliance and regulations of:

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Douglas K. Peterson

Abstract : The paper explores the evolution of organizational commitment among workers in a Mexican administrative and production facility for a US-based Fortune 500 MNC. Over a period of four years, there was a transfer of cultural attributes and commitment attitudes from a parent MNC across national borders to the host subsidiary. While the parent MNC had the goal of raising workers' organizational commitment worldwide, this empirical investigation demonstrated that while worker commitment increased, so did the transfer of other parent attributes like worker predisposition to collective bargaining and entitlement attitudes towards more satisfying work, better supervision, better pay and benefit plans, more promotion opportunities, and more opportunities for coaction and comradeship among employees.

I. Introduction

This paper reports on a longitudinal development of organizational commitment among administrative and production workers in a U.S. MNC operating OEM facilities in Mexico. This study examines the relationships between demographic variables, work satisfaction, leadership behaviors and perceived organizational effectiveness as they relate to organizational commitment in a host national environment. To date, few empirical studies on organizational commitment have been conducted longitudinally and in host national environments, although their numbers are increasing. Generally, studies seem to be either cross sectional, non-longitudinal measures of commitment or comparisons between cultures. For example, Haar and Spell (2004) examine program knowledge and the value of work/family balance in relationship to organizational commitment in New Zealand. Yingyan Wang (2004) compares commitment in cross sectional analysis in state and privately owned organizations in China. Al-Qarioti and Al-Enezi (2004) explore commitment among managers in Jordan, and Glazer, Daniel and Short (2004) compare commitment effects in the US, UK, Hungary,and Italy. Finally, Bishop, Scott, Goldsby, and Cropanzano (2005) compare commitment across different team environments. Fewer studies comment empirically on the dynamics of organizational commitment and the artifacts that predict changes in affective, behavioral or continuance commitment over time. Among studies of that type are Laschinger, Finegan, Shamian, and Wilk's (2004) exploration of workplace satisfaction and empowerment, and Wasti's (2003) article on commitment, turnover intentions and cultural values in Turkey.

This article fills a needed research hole that addresses a dilemma in which HR professionals are caught; how to address the motivational and commitment needs of host country nationals over time. To date, culture is often presented in a reductionist model where cultural typologies are created (Hofstede, 1984) and cultural clusters are derived (Ronen and Shenkar, 1984). The most widely used measures of culture differences employ a method of validated regional affiliation and present the idea that national differences on a set of variables can serve as a proxy for cultural differences (Lenartowicz & Roth, 2000). Culture, and cultural differences, is then presented as the sum of limited set explanatory variables. When managers attempts to transfer operations across borders, they faces an interactive crosscurrent of norms and values, prescriptions for how to deal with cultural differences, and implicit assumptions those prescriptions will remain valid over time. If culture is unchanging, or if it changes only very slowly, then national culture trumps corporate culture, and HR managers are faced with the task of adapting systems on a cultural/national basis. If those shared understandings that make up national culture are more fluid, and change is readily possible, then HR managers may seek to transfer corporate culture across borders, and bring in the best parts of the home country/company culture. As the entry into a new market invariably requires greater fixed costs and transaction costs, then firms would desire sufficient stability so as to be able to collect rent from their investment. This begs the question of how to solidify cultural change in the host country workplace.

The potential negative effects of these attempted cultural value transfers are well documented (Datta & Puia, 1995). Organizations seeking to enter host country cultures that are fundamentally different than home cultures may find difficulty in managing human resources if they don't alter strategy and human resource practices. The degree of alteration is salient.

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There is a tendency for organizations to look at host country operational culture as either a minor or a major variant of home company operational culture. In the minor variant example, managers may seek to adapt cultural systems to the host country, while leaving the cultural core of the company untouched. While the objective is to create a home-similar company culture that works in the host culture, the outcome may vary in its effectiveness and acceptability to host country employees. The result is a dampening of effectiveness, affect, satisfaction, and commitment. A further predicted effect is an increase in cultural dissonance and conflict. So while the intention is simply to establish a low cost operating system that works, the outcome is to either establish cultural inconsistency, or cultural consistency that becomes dysfunctional in the host country environment. That outcome can have positive and negative implications for productivity and harmony in the workplace

The current research comes from a longitudinal effort to measure the dimensions of organizational commitment as a function of job satisfaction, leadership behaviors, and perceived company effectiveness in the Mexican operations of a U.S. based Fortune multinational corporation operating multi-line manufacturing and service operations in Mexico. The company has taken great efforts to be culturally adaptive, yet, be true to the corporate culture that has created high levels of financial and performance-oriented success in the parent organization.This paper provides an empirical test of the concept finding that there are unintended consequences in attempting to transfer a company's culture across cultural borders. While in fact positive cultural change (as defined by the parent company) may occur, there is little empirical support to support and suggest company will not also simultaneously transfer its cultural weaknesses.

II. Literature Review

1) Organizational Commitment

Reviews of the commitment research (Mathieu and Zajac, 1990; Meyer and Allen, 1987; Reichers, 1985) reveal that most research relates to the antecedents, correlates, and consequences of organizational commitment. Scholarly interest has been increasing in cross cultural commitment, but that phenomenon is relatively recent. According to Randall (1993), researchers on commitment are entering an international phase where they are beginning to explore, extend, and apply theories abroad.Organizational Commitment is the strength of an individual's identification with and involvement in a particular organization (Meyer and Allen, 1987; Mowday, Porter, and Steers, 1982). Conceptually, it can be characterized by (1) the strong belief in and acceptance of organizational goals and values; (2) a willingness to exert considerable effort on behalf of the organization; and (3) a strong desire to maintain membership in the organization (Mowday, Porter, and Steers, 1982). Commitment is characterized as an attitude of attachment to an employing organization. Researchers focus primarily on the identification of antecedents contributing to the development of organizational commitment and the impact on job attitudes and behavior that commitment may have (Meyer and Allen, 1987). According to Angle and Lawson, (1993) there are antecedents to commitment that can be split into components of personal characteristics and situational factors. *Personal characteristics* include demographic variables like gender, age, and employment length. *Situational factors* include variables like job characteristics, organizational characteristics, work situations, and work experiences that employees may have.

2) Antecedents to Organizational Commitment

Literature on organizational commitment predicts that the personal characteristics of age, length of employment, gender, years of education, and occupation, as either line or staff, will predict levels of commitment among workers (Angle and Lawson, 1993). The literature predicts that situational factors like participation, organizational effectiveness and national culture will also predict levels of commitment.

3) Demographic Characteristics

Personal characteristics have been investigated in relationship to organizational commitment (Matheu and Zajac, 1990). The most frequent investigation relating to demographic characteristics in the international literature are gender, age, tenure, and education (Randall, 1993).

4) Gender

Mathieu and Zajac's (1990) research indicates that women in the USA tend to be more committed to organizations than men. Explanations for this finding are that jobs are more difficult to find; there are fewer options presented for employment; and that there are obstacles relating to marriage and family that make it more difficult for women to remain organizational members (Aven, Parker, and McEvoy, (1993). Because of this, once acceptable employment is obtained, women tend to be more committed to it. Mexicans (both employers and employees) have a different attitude toward women in the workplace than do those in the United States. This may be due to traditional cultural assumptions relating to women's role in society. Traditionally, Mexican women are primarily expected to play the roles of wife, mother and home-maker (see Heusinkveld, 1994; Kras & Whatley, 1990). As a result, employers expect that women will place less value on their membership within an organization, and will be less committed to working for a living. This is corroborated within Hofstede's (1980) work on cultural dimensions where Mexican society is typified as masculine, preferring higher power distances, avoiding uncertainty, and showing anti-individualistic tendencies. This is also corroborated in Trompenaars (1996) work where women are characterized as more particularistic, relationship-centered, collectivistic, affective, and external control oriented. Because of these cultural tendencies relating to women at work, this study proposes that men will report higher scores on commitment instruments than women.

5) Age and Tenure

Age and time spent in a workplace tend to be positively correlated with organizational commitment in U.S. studies. It is postulated that as individuals age, their preference for alternative employment opportunities decreases while personal investments in the firm tend to increase. This promotes commitment to the organization (Allen and Meyer, 1993; Mathieu and Zajac, 1990; Mowday et al, 1082; Gregersen and Black, 1992). People in Mexico show cultural attitudes that value age. Older workers are often addressed as "Don or Dona", which is a title that connotes great respect for experience and tenure. It is common for workers to defer to the older employee's wishes, even though younger persons may disagree with their ideas. Nevertheless, age and seniority are highly valuable in the patriarchal and power distant Mexican society. Because age is highly regarded, it does influence interactions in the workplace (Heusinkveld, 1994). According to Harrison and Hubbard (1998), this position of greater respect is expected to result in more positive experiences, and for the worker who is older, greater commitment (see Allen and Meyer, 1993; Schuler et al, 1996).

6) Education

Researchers have found education to be inversely related to commitment in U.S. firms (Mathieu and Zajac, 1990; Mowday et al, 1982). It is posited that workers possessing high levels of education may have higher expectations, and may then be more committed to their professions than to any one organization. Since these workers may have a greater number of alternative work opportunities, they may not develop high levels of commitment to their organizations (Matthieu and Zajac, 1990).This study anticipates a positive relationship between commitment and education in the organization studied. Since the educational system in Mexico doesn't provide opportunity for specific skill training that would qualify them for alternative work assignments, workers covet the opportunity to train in their organization (deForest, 1991).

7) Situational Factors

Situational factors are the second component of organizational commitment and are identified as antecedents to commitment. Typically, situations that affect commitment are those that are related to characteristics of work, characteristics of an organization, and experiences that workers have while on the job.

8) Job Characteristics

Job characteristics that are related to commitment are those facets of a job that affect individual affect and job attitudes. One controversy in the literature relates to the role that job satisfaction, as measured through job characteristics, has on commitment in the international arena. Only three empirical studies on international organizational commitment have focused upon Mexico (Harrison and Hubbard, 1998; Peterson and Puia, 2000a; Peterson and Puia, 2000b). There is some literature on Mexico that suggests that satisfaction with work itself (McKinniss and Natella, 1994) affects loyalty and retention in organizations in Mexico. This study postulates that job satisfaction will be positively correlated with commitment in Mexican organizations.

9) Organizational Characteristics

There are several organizational characteristics that are positively related to commitment (see Mowday et al, 1982). Organizational effectiveness seems particularly relevant because of the focus on how well an organization is doing. The more effective an organization can make itself in its achievement, the higher will be the level of commitment. The relationship between organizational effectiveness and commitment may be changing. Harrison and Hubbard (1998) postulated a negative relationship between effectiveness and commitment in Mexican organizations. DeForest (1994) and Schuler et al (1996) suggest that as firms become more efficient workers in Mexico develop lower levels of commitment because they perceive they are working harder for fewer rewards. If there is a connection between effectiveness and commitment on the part of Mexican workers, it is probably due to the notion that firms who are perceived as being more effective are known as "better places to work". This essentially splits the concept of "effectiveness" into "efficiency and effectiveness".

10) Work Experiences

An additional situational antecedent of commitment represents those work experiences that occur while an employee works with an organization. Researchers have cited leader behavior and participative decision making as having significant effects on commitment (Glasson and Durick, 1988; Mathieu and Zajac, 1990; Randall, 1993).Leadership behaviors generally are characterized in terms of initiating structure and consideration, both of which show positive correlation with organizational commitment among North American workers (Mathieu and Zajac, 1990). Initiating structure includes behaviors concerned with productivity, planning, coordination, discipline, clarification, and problem solving (Yukl, 1981). It is anticipated that these behaviors will be correlated with organizational commitment in Mexican organizations because employees want to be closely supervised (deforest, 1994) in a paternalistic manner (Morris and Pavett, 1992; Schuler et al, 1996). Consideration includes behaviors concerned with supportiveness, consultation, representation, and recognition (Yukl, 1981). It is expected these behaviors are correlated with organizational commitment in Mexican organizations because employees become loyal and hardworking when they feel they are appreciated by supervisors who are human relations oriented (Kras, 1989; McKinniss and Natella, 1994; Schuler et al, 1996).

III. The current experiment

The research has been conducted in several stages over four years. Each stage involved a series of interviews with managers, focus groups with employees and the administration of standardized surveys with known reliabilities. The parent MNC was committed to developing organizational commitment in its host operations similar to those of the parent company. As part of this commitment, the parent undertook a series of data based organizational assessments, the results of which have been reported elsewhere. Based on these assessments, the firm recognized that the set of antecedents of organizational commitment extent in the literature where also present in their firm. Based on this assessment, it was the sense of the parent management team that by reinforcing these antecedent conditions, the host unit would develop an organizational culture more similar to the parent; in essence, the host would become more like its "American" parent. Interviews with managers in the parent organization suggested that there while organizational commitment at the MNC was high, there were other "cultural" characteristics of the parent organization that they might not desire to transfer. Specifically, interviews suggested an increased concern with pay satisfaction and personal ascension (the opportunity for raises, promotions and increased responsibility and the procedures associated with rewarding performance).

Propositions

Based on a review of the literature and focused interviews with the firm's principals in the parent and host countries a set of research propositions relating to cultural transfer was developed. The literature suggested that the parent company's focus on worker commitment, and its active management of the antecedent conditions noted in the literature, would stimulate the host unit to adopt programs and practices from the parent. This transfer would likely take place even if practices were contrary to traditional norms and culture.

Proposition 1: The organization in the host country will adopt corporate cultural characteristics of the parent firm's culture.The parent company began their Mexican operations nearly 6 years ago. They have had ample time to develop and implement processes for the formal transfer of cultural values, such as: selection, training, and reinforcement through management action and compensation.

Proposition 2: sychological work attitudes of organizational commitment will change over time and will be moderated by the number of years a worker spends on the job. A corollary argument is that measured levels of psychological commitment, as predicted by job tenure, between home and host organizations will converge over time.The parent has focused primarily on policies that would increase worker commitment and satisfaction. This action was taken in the belief that they would be able to transfer pieces of its corporate culture to the host rather than transferring its culture whole.

Proposition 3: Psychological work attitudes of organizational commitment will change over time and will be moderated by the educational level a worker possesses. A corollary argument is that measured levels of psychological commitment, as predicted by education, between home and host organizations will converge over time.

Proposition 4: Psychological work attitudes of organizational commitment will change over time and will be moderated by gender. A corollary argument is that measured levels of psychological commitment, as predicted by gender, between home and host organizations will converge over time.

Proposition 5: Psychological work attitudes of organizational commitment will change over time and will be moderated by subject age. A corollary argument is that measured levels of psychological commitment, as predicted by age, between home and host organizations will converge over time.

Proposition 6: Psychological work attitudes of organizational commitment will change over time and will be moderated by perceived organizational effectiveness. A corollary argument is that measured levels of psychological commitment, as predicted by effectiveness, between home and host organizations will converge over time.

Proposition 7: Psychological work attitudes of organizational commitment will change over time and will be moderated by leadership behaviors of initiating structure and consideration. A corollary argument is that measured levels of psychological commitment, as predicted by leadership behaviors, between home and host organizations will converge over time.

IV. Research Design

This study was conducted among subjects in a subdivision of a Fortune MNC with headquarters in the United States, operating manufacturing and management facilities in several locations in the interior of Mexico. This is a *non-maquiladora* operation. Measurement was conducted on site on four separate occasions over a four year period of time, using a test-retest research design. All workers could choose whether to participate. Workers completed questionnaires during their shift with the assistance of the researcher and his assistants. Questionnaires and conversations were held in Spanish. This was done to ensure clarity of communications while creating an environment where employees would not feel threatened. In all measures, approximately 90% of workers who represent both line (69%) and staff workers participated in the research. In total 227 employees participated. 151 workers were confidentially tracked in all surveys. The typical subject was a 28 year old female, these samples averaged 60% female, with a high school education and average employment tenure of about 48 months. New hires were excluded if they had less than 6 months of service. Descriptive statistics for the respondents are in Table 1.

Table 1: Descriptive Statistics.

Demographic Characteristic	Measure 1 (N=162)	Measure 2 (N=151)	Measure 3 (N=167)	Measure 4 (N=181)
Age	Mean = 28.13 SD = 7.01	27.6/6.1	27.51/7.1	28.8/7.1
Gender	58% female	66% female	62% female	67% female
Time in Job	12 months/4.3	23.2 months/5.2	31.2 months/7.1	34 months/4.33
Education Level	Tecnica (most have completed technical high school, about 9 years total education)	Tecnica	Tecnica	Tecnica

There were two methods of collecting data. First, there was a questionnaire consisting of recognized instruments with high reliabilities. These measures were designed to assess organizational commitment and its antecedents. Specifically, the 15 item OCQ, the Job Satisfaction Index, the Organizational Effectiveness Questionnaire, and the Directive Conduct survey were used. Instruments were translated via the back-translation method as prescribed by Triandis (1980). Prior to measurement, focus group interviews were held, in Spanish, at all facilities with the researcher and his assistants. The purpose of the interview groups was to ascertain nuances involved in worker motivation and to check the content validity of previous research. Questionnaires were coded and summarized according to the literature. Correlation tables between major variables are presented in Tables 2 through 5.

Table 2: Correlations of Variables, Measure 1.

Variable	J.Sat	Commit	Effect	LB	Age	Tenure	Gender	Edu.
Job Satisfaction (J.Sat)	1 n=162							
Commitment	-.19	1						
Effectiveness	.15	.01	1					
Leader Behaviors	-.004	.15	.33**	1				
Age	-.17	.20	.24	.35**	1			
Tenure	-.22	.14	.07	.37**	.34**	1		
Gender	-.02	.07	-.40**	-.09	-.05	-.06	1	
Education	.28*	-.15	.49**	.18	.12	.05	-.24	1

* = Sig @.05 level; ** = Sig @ .01 level.

Table 3: Correlations of Variables, Measure 2.

Variable	J.Sat	Commit	Effect	LB	Age	Tenure	Gend	Edu.
Job Satisfaction (J.Sat)	1 n= 151							
Commitment	-.17*	1						
Effectiveness	-.19*	.29**	1					
Leader Behaviors	-.32**	.26**	.51**	1				
Age	.19*	.14	.18*	.23 **	1			
Tenure	.04	-.03	-.17*	-.02	.183*	1		
Gender	-.08	.22**	.21**	.05	.04	-.01	1	
Education	.17	.01	.01	.15	.22**	.28**	.09	1

* = Sig @.05 level; ** = Sig @ .01 level.

Table 4: Correlations of Variables, Measure 3.

Variable	J.Sat	Commit	Effect	LB	Age	Tenure	Gender	Edu.
Job Satisfaction (J.Sat)	1 n= 167							
Commitment	.08	1						
Effectiveness	.11	.29*	1					
Leader Behaviors	.08	.22	.29*	1				
Age	-.17	.20	.26*	.30 **	1			
Tenure	-.24	.25*	.08	.36 **	.27*	1		
Gender	.14	.14	-.35**	-.05	-.1	-.09	1	
Education	.28*	-.06	.46**	.16	.26*	-.05	-.22	1

* = Sig @.05 level; ** = Sig @ .01 level.

Table 5: Correlations of Variables, Measure 4.

Variable	J.Sat	Commit	Effect	LB	Age	Tenure	Gender	Edu.
Job Satisfaction (J.Sat)	1 n= 182							
Commitment	.18**	1						
Effectiveness	.01	.20**	1					
Leader Behaviors (LB)	-.02	.19**	.41**	1				
Age	.08	-.05	.15**	.20**	1			
Tenure	.07	.04	.15**	.22**	.39* *	1		
Gender	.13*	-.07	-.14*	-.04	-.06	.06	1	
Education	-.09	-.17**	-.08	.13*	.31* *	.19**	-.1	1

*= Sig @.05 level; ** = Sig @ .01 level.

In each year, regression analyses were conducted in order to predict commitment and its components from the independent variables. The analysis typifies the approach taken in the empirical tests of commitment. The results, in tables 6 through 9, illustrate changes in the prediction of commitment over time. In period 1, which is a time when the facility is new, and the employees all have relatively short tenures, only behavioral commitment (as predicted by leadership behaviors, initiating structure, and consideration) and continuance commitment (as predicted by organizational effectiveness and educational level) were significant.

Table 6: Multiple Regression Predicting Organizational Commitment, Mexico, Time 1.

Category/ Variable	Overall Commitment	Affective Commitment	Behavioral Commitment	Continuance Commitment
Job Satisfaction	F=2.26/ Sig.=.13	3.57/.06	.193/.662	.773/.38
Initiating Structure	1.39/.24	1.01/.29	8.2/.006**	1.76/.18
Consideration	1.37/.24	2.42/.12	5.9/.018*	2.46/.122
Leadership Behaviors	1.43/.23	1.7/.19	7.4/.008**	2.14/.14
Age	2.4/.12	2.5/.11	.188/.175	.16/.68
Time with Company (tenure)	1.15/.27	1.4/.23	1.99/.16	.117/.73
Effectiveness	.012/.9	.2/.65	2.7/.1	4.3/.04*
Gender	.312/.57	1.14/.28	.178/.67	.258/.61
Educational Level	1.3/.25	1.18/.28	.95/.34	6.86/.011*

*=sig. @.05 level; **=sig. @ .01 level.

In period 2, there was some growth in the predictability of commitment. Here, overall commitment was predicted by time spent with the company, and organizational effectiveness. Affective commitment was predicted by the leadership behavior of consideration, time with the company, and organizational effectiveness. Behavioral commitment was predicted by the leadership behaviors of initiating structure and consideration, time with the company, and organizational effectiveness. Finally, continuance commitment had no significant predictors in year 2.

Table 7: Multiple Regression Predicting Organizational Commitment, Mexico, Time 2.

Category/ Variable	Overall Commitment	Affective Commitment	Behavioral Commitment	Continuance Commitment
Job Satisfaction	F=.45/ Sig.= .505	.00/.991	1.058/.307	.646/.425
Initiating Structure	3.645/.061	3.101/.083	9.918/.002**	.000/.985
Consideration	3.04/.086	4.172/.045*	7.344/.009**	.135/.714
Leadership Behaviors	3.495/.066	3.711/.058	9.051/.004**	.033/.856
Age	2.86/.096	2.984/.089	3.167/.08	.624/.432
Time with Company (tenure)	4.5/.038*	4.718/.033*	5.703/.02*	.677/.414
Effectiveness	5.98/.017*	5.489/.022*	10.933/.002**	.360/.551
Gender	1.4/.240	1.882/.175	.313/.578	1.34/.286
Educational Level	.233/.631	.406/.526	.739/.107	2.664/.107

*=sig. @.05 level; **=sig. @ .01 level

In period 3, the picture grows more complex, and there are more significant predictors of commitment. Overall commitment was predicted by job satisfaction, leadership behaviors of initiating structure and consideration, and overall organizational effectiveness, as was behavioral commitment. Affective commitment was predicted by leadership behaviors of initiating structure and consideration, and overall organizational effectiveness. Finally, continuance commitment had no significant predictors in year 3.

Table 8: Multiple Regression Predicting Organizational Commitment, Mexico, Time 3.

Category/ Variable	Overall Commitment	Affective Commitment	Behavioral Commitment	Continuance Commitment
Job Satisfaction	F=4.303/ Sig.=.04*	1.972/.162	7.467/.007**	.992/.321
Initiating Structure	8.118/.005**	13.736/.00**	12.543/.001**	.210/.647
Consideration	13.012/.00**	14.293/.00**	17.957/.00**	.516/.474
Leadership Behaviors	11.102/.00**	15.336/.00**	16.263/.00**	.005/.942
Age	2.836/.094	.012/.913	.001/.975	.597/.441
Time with Company (tenure)	.093/.761	.012/.913	.001/.975	.597/.441
Effectiveness	14.222/.00**	16.014/.00**	21.787/.00**	.222/.638
Gender	1.4/.24	1.8/.17	.31/.57	1.31/.25
Educational Level	.010/.919	.014/.906	.441/.508	.405/.526

*=sig. @.05 level; **=sig. @ .01 level

In period 4, the picture grows more complex still as there are even more predictors of commitment coming into significance. In this period, overall commitment is predicted by job satisfaction, leadership behaviors of initiating structure and consideration, organizational effectiveness and educational level. Affective commitment is predicted by job satisfaction, leadership behaviors, age, time with company, and organizational effectiveness. Behavioral commitment was predicted by job satisfactions, leadership behaviors, effectiveness, and gender. Finally, continuance commitment was predicted by job satisfaction, age, and educational level.

Table 9: Multiple Regression Predicting Organizational Commitment, Mexico, Time 4.

Category/ Variable	Overall Commitment	Affective Commitment	Behavioral Commitment	Continuance Commitment
Job Satisfaction	F=12.244/ Sig.=.001**	4.753/.03*	9.353/.002**	12.023/.001**
Initiating Structure	11.166/.00**	27.657/.00**	18.767/.00**	.638/.425
Consideration	14.531/.00**	34.713/.00**	22.291/.00**	.352/.503
Leadership Behaviors	13.087/.00**	33.729/.00**	22.259/.00**	.544/.461
Age	.777/.379	3.73/.05*	.708/.401	-2.941/.003**
Time with Company (tenure)	.651/.420	8.694/.00**	2.790/.096	-.414/.679
Effectiveness	15.328/.00**	25.090/.00**	20.01/.00**	.344/.588
Gender	2.136/.145	5.767/.097	5.428/.02*	.88/.767
Educational Level	11.720/.00**	2.176/.141	.688/.402	-4.874/.00**

*=sig. @.05 level; **=sig. @ .01 level

Of particular interest is the number of predictors for commitment coming into significance over time. Table 10 shows the increase in predictors.

Table 10: Increasing number of predictors of commitment in each year.

Variable/Year	Overall Commitment	Affective Commitment	Behavioral Commitment	Continuance Commitment
Year 1	0	0	3	2
Year 2	2	3	5	0
Year 3	5	4	5	0
Year 4	6	7	6	3

V. Discussion

The purpose of this research was to investigate the predictors and dynamics of organizational commitment among workers in Mexico. The use of widely accepted instruments provides generalize-ability and adds insight to the growing knowledge base of international employee attitude formation. A discussion of the research propositions follows.

Proposition 1: The organization in the host country will adopt corporate cultural characteristics of the parent firm's culture.

There were a number of instances where host country nationals did in fact adopt characteristics of the parent culture. Evidence for this exists in at least three formats. First, focus group interviews over time show evidence of host country nationals gaining significant knowledge of the home company's culture and processes. Second, observation of employees shows increasing awareness of collective bargaining tactics that are common in the home situation. Finally, empirical measures show an increasing number of salient job attitude predictors of organizational commitment. An explanation of each of these follows.

The research agenda here was multi-trait and multi-method. Among the data collection techniques utilized were the focus group, the questionnaire, and the direct observation. As mentioned earlier in the paper, focus groups were conducted in each measurement period to (1) align the conceptual space of satisfaction, job attitudes, and commitment as being and remaining germane. Of additional interest in focus group, was information provided relating to work, and the special conditions workers face. Among issues that were frequently heard, were:

- That the home company required ongoing employee development for workers to maintain production certification.
- That overtime was frequently used to meet a production quota, without the typical overtime pay that United States' based employees earned.
- That tools and safety equipment, while used, was getting old and needed to be more frequently replaced.
- That supervisors, while friendly, tended to demand a great deal more production than the typical production job.

Empirically, the predictors of organizational commitment increase on an annual basis. In the first year, there were five predictors of behavioral or continuance commitment. In early stages, leadership behaviors (consideration, initiating structure) predict behavioral commitment and organizational effectiveness and educational level predict continuance commitment. There is a plausible explanation for this. In this particular instance, the home company was establishing new operations in Mexico. Since this is a multinational corporation in the automotive industry, and a valued addition to the employment base in the regions where it opened, employees were looking for cues regarding how to behave, and reasons to like or not like the company as an employer. In this regard, general commitment isn't predicted, however, behavioral commitment is predicted from leadership behaviors. It is leadership behaviors like consideration and initiating structure that give employees cues regarding how to act in a multinational corporation, or in their eyes, a "good company", which is a phrase that came out of focus interviews. The next question, what predicts continuance commitment among workers in a new organization? In this case, it is educational level (the more education, the better) and company reputation as an effective organization. Essentially, education gives employees the background to anticipate the work environment; corporate reputation gives employees the hope that the "good company", will be better than other employers. This addresses a key issue that dominates international OB research, namely the global-local question. The question concerns how multinationals can or should balance the pressures to develop globally standardized policies with the pressures to be responsive to the peculiarities of the local context. The trade off is in behavioral and continuance commitment.

Proposition 2: Psychological work attitudes of organizational commitment will change over time and will be moderated by the number of years a worker spends on the job. A corollary argument is that measured levels of psychological commitment, as predicted by job tenure, between home and host organizations will converge over time.

The development of psychological work attitudes in relationship to organizational commitment in this case are moderated by the number of years a worker spends on the job. In fact, over time, commitment levels and predictors converge where Mexican employees develop approximately the same predictors of commitment as home country nationals do. If we examine measures over time, please see Table 10, there are five predictors of commitment in year one. In year two, there are ten. In year three, there are fourteen; and in year four, there are twenty two. The portfolio of predictors (please see tables 6-10) rounds out from a prediction of behavioral and continuance commitment early to prediction of overall commitment, affective commitment, behavioral commitment, and continuance commitment later on. Year four measures mirror aggregate commitment measures in domestic operations for the home company. In essence, the Mexican employee becomes more like the employee in Iowa, Wisconsin, Indiana, or California the more time is spent. How would one explain this? One could use a maturity explanation, and indicate that the more time one spends employed, the more one learns and acts in manners consistent with corporate culture. This is an interesting argument for the multinational manager. If their plans are to utilize a host country workforce and assume that productivity will stay the same, due to cultural reasons, even though pay doesn't differ, those plans may have to be re-examined. In this case, commitment is a "moving target", and that higher rents from cultural differences only last for a period of time, predictable by the state of the culture, the relative dynamic and cross cultural influences going on, and the reliability of the measures. This Alpha, Delta, Sigma model tell us that cultural change, environmental dynamics, and stability are all predictors of the relative effectiveness, and long-term positive outcomes of management. In this case, the parent focused primarily on policies that would increase worker commitment and satisfaction. This action was taken in the belief that they would be able to transfer pieces of its corporate culture to the host rather than transferring its culture whole. The expected outcome was that the positive parts of culture would transfer and mesh with positive parts of Mexican culture.What happened, was the unintended consequence, of losing the Mexican-ness of employees in favor of creating a for unified workforce, held together by parent company culture.

Proposition 3: Psychological work attitudes of organizational commitment will change over time and will be moderated by the educational level a worker possesses. A corollary argument is that measured levels of psychological commitment, as predicted by education, between home and host organizations will converge over time.Educational level predicted continuance commitment early. The predictive ability of educational level fell out of the equations in years two and three, and came back in year four as a predictor of overall commitment, and continuance commitment. Please note however, the relationship and directionality of this predictor. Educational level predicts overall commitment in year four. The higher the educational level, the more committed the workforce was overall. This is explained in focus interviews, where over time, employees realize that the employment relationship isn't that bad, and feel overall that they are committed to the organization. In fact, educational level takes on increased predictive ability as the years go by. The explanation for this is that for overall commitment, early, the jury is still out in terms of commitment. Later on, however, educational level takes on salience.Note, then, that the directionality of continuance commitment changes over time. Early on, the more education a person had, the more continuance commitment they had. This is explained through focus group where more highly educated persons more willing to "wait and see" what transpired before they formulated a judgment regarding job satisfaction and workplace happiness. Four years later, the same persons were more willing to recognize there were other opportunities in the environment. The more education they had, the more likely they were to indicate they would switch jobs if the right opportunity came along. This may also reveal some differences with literature (Harrison and Hubbard, 1998). In the earlier work, Harrison and Hubbard indicated that Mexican nationals were loathe to switch jobs. This clearly isn't the case here. Is it because Harrison and Hubbard were wrong? That's one explanation, but probably not the right one. Harrison and Hubbard measured in a cross sectional measurement. This is longitudinal. Given more time, perhaps a similar measure would emerge elsewhere. What's interesting, however, if Harrison and Hubbard are correct, and there is a tendency for Mexican employees to not change jobs, then there is a potential cultural artifact here that indicates employees are adopting work attitudes that are different then the literature suggests. Is this a cultural change in society? In the workplace? More research is needed in turnover, and turnover intentionality in the host and home national literature.

Proposition 4: Psychological work attitudes of organizational commitment will change over time and will be moderated by gender. A corollary argument is that measured levels of psychological commitment, as predicted by gender, between home and host organizations will converge over time.There were not significant predictions based upon gender.

Proposition 5: Psychological work attitudes of organizational commitment will change over time and will be moderated by subject age. A corollary argument is that measured levels of psychological commitment, as predicted by age, between home and host organizations will converge over time.There were no significant predictions based upon age.

Proposition 6: Psychological work attitudes of organizational commitment will change over time and will be moderated by perceived organizational effectiveness. A corollary argument is that measured levels of psychological commitment, as predicted by effectiveness, between home and host organizations will converge over time. This actually is a very interesting measure. Of all the measures, longitudinally, the organizational effectiveness measure is uniformly the most predictive of overall, affective, behavioral, and continuance commitment. There is an importance of corporate reputation in motivating employees in developing countries. Very little has been done in this area, however, the power of corporate culture and the importance of working for a "good company", one of which an employee can be proud seems a reasonable explanation. The question, however, is "where does reputation end, and corporate culture take over?" Reputation may be the predictor of early commitment in many organizations. However, later on, "reputation" becomes "realistic job preview", where reputation impacts become part of the corporate culture transfer.

Proposition 7: Psychological work attitudes of organizational commitment will change over time and will be moderated by leadership behaviors of initiating structure and consideration. A corollary argument is that measured levels of psychological commitment, as predicted by leadership behaviors, between home and host organizations will converge over time. Group interviews largely reinforced the notions that supervisor behavior, organizational effectiveness, and job satisfaction were important among workers. While the Constitution of Mexico guarantees employment, it was reinforced that it is important to work for a "good company". Employees in Mexico like to feel that their company is doing well because of their efforts. Of unique interest, however is the report from employees that strongly desire individual achievement recognition, promotions on merit, participation, and strong policies on sexual harassment. This is counter to the notion in Hofstede that Mexican workers are collective, power distance accepting, masculine, and uncertainty avoiding. While it may have appeared this way in the first measure of satisfaction, it certainly changed for the second measure when more people were included, and where employees had greater opportunity to become acculturated to the company.Further research may want to the changing nature of employee satisfaction as it applies to different cultures. Further, one may want to explore how corporate culture affects employee perceptions and standard outlooks that are provided to them from their unique and valuable culture. At stake, is quicker adaptation and better training of managers who are entering the expatriate relationship. Workers in Mexico, when they're committed to their workplace say *"Yo tengo la camiseta"* (Peterson, Puia, and Suess, 2002), which means "I have the shirt on". To get to that place, however, managers must realize that commitment is much more of a moving target in expatriate relationships and in host national commitment than previously was thought. In this case, since the Spanish word for "commitment" is *"Compromiso"*, which is instructive to the English language speaker since it has a basic interpretation of "compromise". In fact one may say compromise, on both sides, is important. A stage further, however is the phrase, *"compromiso es una blanco móvil"*, which means, that commitment, is a moving target, and it is this moving target, and the changing nature of cultural influence because of the work relationship that makes achieving commitment, "*Dificilito*", or "a wee bit difficult". The results suggest that culture as a construct in much richer and more inter-related than indicated in the common validated regional affiliation model. Culture appears perceived and received as a whole. While the parent firm was successful in transferring certain desirable norms and values, it also inadvertently transmitted values that might lead to lower worker satisfaction or higher worker dissatisfaction. The findings have important implications for multinational practitioners. The results suggest that while managers should determine the relevant factors that contribute to employee satisfaction and commitment and focus upon those, they must also be aware of how their entire culture is perceived by the host workforce. Clearly, practitioners need to develop rigorous and systematic approaches to gathering and interpreting feedback in both their home and host settings.

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8. Use the Internet for help: An excellent start for your paper can be by using the Google. It is an excellent search engine, where you can have your doubts resolved. You may also read some answers for the frequent question how to write my research paper or find model research paper. From the internet library you can download books. If you have all required books make important reading selecting and analyzing the specified information. Then put together research paper sketch out.

9. Use and get big pictures: Always use encyclopedias, Wikipedia to get pictures so that you can go into the depth.

10. Bookmarks are useful: When you read any book or magazine, you generally use bookmarks, right! It is a good habit, which helps to not to lose your continuity. You should always use bookmarks while searching on Internet also, which will make your search easier.

11. Revise what you wrote: When you write anything, always read it, summarize it and then finalize it.

12. Make all efforts: Make all efforts to mention what you are going to write in your paper. That means always have a good start. Try to mention everything in introduction, that what is the need of a particular research paper. Polish your work by good skill of writing and always give an evaluator, what he wants.

13. Have backups: When you are going to do any important thing like making research paper, you should always have backup copies of it either in your computer or in paper. This will help you to not to lose any of your important.

14. Produce good diagrams of your own: Always try to include good charts or diagrams in your paper to improve quality. Using several and unnecessary diagrams will degrade the quality of your paper by creating "hotchpotch." So always, try to make and include those diagrams, which are made by your own to improve readability and understandability of your paper.

15. Use of direct quotes: When you do research relevant to literature, history or current affairs then use of quotes become essential but if study is relevant to science then use of quotes is not preferable.

16. Use proper verb tense: Use proper verb tenses in your paper. Use past tense, to present those events that happened. Use present tense to indicate events that are going on. Use future tense to indicate future happening events. Use of improper and wrong tenses will confuse the evaluator. Avoid the sentences that are incomplete.

17. Never use online paper: If you are getting any paper on Internet, then never use it as your research paper because it might be possible that evaluator has already seen it or maybe it is outdated version.

18. **Pick a good study spot:** To do your research studies always try to pick a spot, which is quiet. Every spot is not for studies. Spot that suits you choose it and proceed further.

19. Know what you know: Always try to know, what you know by making objectives. Else, you will be confused and cannot achieve your target.

20. Use good quality grammar: Always use a good quality grammar and use words that will throw positive impact on evaluator. Use of good quality grammar does not mean to use tough words, that for each word the evaluator has to go through dictionary. Do not start sentence with a conjunction. Do not fragment sentences. Eliminate one-word sentences. Ignore passive voice. Do not ever use a big word when a diminutive one would suffice. Verbs have to be in agreement with their subjects. Prepositions are not expressions to finish sentences with. It is incorrect to ever divide an infinitive. Avoid clichés like the disease. Also, always shun irritating alliteration. Use language that is simple and straight forward. put together a neat summary.

21. Arrangement of information: Each section of the main body should start with an opening sentence and there should be a changeover at the end of the section. Give only valid and powerful arguments to your topic. You may also maintain your arguments with records.

22. Never start in last minute: Always start at right time and give enough time to research work. Leaving everything to the last minute will degrade your paper and spoil your work.

23. Multitasking in research is not good: Doing several things at the same time proves bad habit in case of research activity. Research is an area, where everything has a particular time slot. Divide your research work in parts and do particular part in particular time slot.

24. Never copy others' work: Never copy others' work and give it your name because if evaluator has seen it anywhere you will be in trouble.

25. Take proper rest and food: No matter how many hours you spend for your research activity, if you are not taking care of your health then all your efforts will be in vain. For a quality research, study is must, and this can be done by taking proper rest and food.

26. Go for seminars: Attend seminars if the topic is relevant to your research area. Utilize all your resources.

27. Refresh your mind after intervals: Try to give rest to your mind by listening to soft music or by sleeping in intervals. This will also improve your memory.

28. Make colleagues: Always try to make colleagues. No matter how sharper or intelligent you are, if you make colleagues you can have several ideas, which will be helpful for your research.

29. **Think technically:** Always think technically. If anything happens, then search its reasons, its benefits, and demerits.

30. Think and then print: When you will go to print your paper, notice that tables are not be split, headings are not detached from their descriptions, and page sequence is maintained.

31. Adding unnecessary information: Do not add unnecessary information, like, I have used MS Excel to draw graph. Do not add irrelevant and inappropriate material. These all will create superfluous. Foreign terminology and phrases are not apropos. One should NEVER take a broad view. Analogy in script is like feathers on a snake. Not at all use a large word when a very small one would be sufficient. Use words properly, regardless of how others use them. Remove quotations. Puns are for kids, not grunt readers. Amplification is a billion times of inferior quality than sarcasm.

32. Never oversimplify everything: To add material in your research paper, never go for oversimplification. This will definitely irritate the evaluator. Be more or less specific. Also too, by no means, ever use rhythmic redundancies. Contractions aren't essential and shouldn't be there used. Comparisons are as terrible as clichés. Give up ampersands and abbreviations, and so on. Remove commas, that are, not necessary. Parenthetical words however should be together with this in commas. Understatement is all the time the complete best way to put onward earth-shaking thoughts. Give a detailed literary review.

33. Report concluded results: Use concluded results. From raw data, filter the results and then conclude your studies based on measurements and observations taken. Significant figures and appropriate number of decimal places should be used. Parenthetical remarks are prohibitive. Proofread carefully at final stage. In the end give outline to your arguments. Spot out perspectives of further study of this subject. Justify your conclusion by at the bottom of them with sufficient justifications and examples.

34. After conclusion: Once you have concluded your research, the next most important step is to present your findings. Presentation is extremely important as it is the definite medium though which your research is going to be in print to the rest of the crowd. Care should be taken to categorize your thoughts well and present them in a logical and neat manner. A good quality research paper format is essential because it serves to highlight your research paper and bring to light all necessary aspects in your research.

Informal Guidelines of Research Paper Writing

Key points to remember:

- Submit all work in its final form.
- Write your paper in the form, which is presented in the guidelines using the template.
- Please note the criterion for grading the final paper by peer-reviewers.

Final Points:

A purpose of organizing a research paper is to let people to interpret your effort selectively. The journal requires the following sections, submitted in the order listed, each section to start on a new page.

The introduction will be compiled from reference matter and will reflect the design processes or outline of basis that direct you to make study. As you will carry out the process of study, the method and process section will be constructed as like that. The result segment will show related statistics in nearly sequential order and will direct the reviewers next to the similar intellectual paths throughout the data that you took to carry out your study. The discussion section will provide understanding of the data and projections as to the implication of the results. The use of good quality references all through the paper will give the effort trustworthiness by representing an alertness of prior workings.

Writing a research paper is not an easy job no matter how trouble-free the actual research or concept. Practice, excellent preparation, and controlled record keeping are the only means to make straightforward the progression.

General style:

Specific editorial column necessities for compliance of a manuscript will always take over from directions in these general guidelines.

To make a paper clear

· Adhere to recommended page limits

Mistakes to evade

- Insertion a title at the foot of a page with the subsequent text on the next page

- Separating a table/chart or figure - impound each figure/table to a single page
- Submitting a manuscript with pages out of sequence

In every sections of your document

· Use standard writing style including articles ("a", "the," etc.)

· Keep on paying attention on the research topic of the paper

· Use paragraphs to split each significant point (excluding for the abstract)

· Align the primary line of each section

· Present your points in sound order

· Use present tense to report well accepted

· Use past tense to describe specific results

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

· Shun use of extra pictures - include only those figures essential to presenting results

Title Page:

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

Abstract:

The summary should be two hundred words or less. It should briefly and clearly explain the key findings reported in the manuscript--must have precise statistics. It should not have abnormal acronyms or abbreviations. It should be logical in itself. Shun citing references at this point.

An abstract is a brief distinct paragraph summary of finished work or work in development. In a minute or less a reviewer can be taught the foundation behind the study, common approach to the problem, relevant results, and significant conclusions or new questions.

Write your summary when your paper is completed because how can you write the summary of anything which is not yet written? Wealth of terminology is very essential in abstract. Yet, use comprehensive sentences and do not let go readability for briefness. You can maintain it succinct by phrasing sentences so that they provide more than lone rationale. The author can at this moment go straight to shortening the outcome. Sum up the study, with the subsequent elements in any summary. Try to maintain the initial two items to no more than one ruling each.

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

Approach:

- Single section, and succinct
- As a outline of job done, it is always written in past tense
- A conceptual should situate on its own, and not submit to any other part of the paper such as a form or table
- Center on shortening results - bound background information to a verdict or two, if completely necessary
- What you account in an conceptual must be regular with what you reported in the manuscript
- Exact spelling, clearness of sentences and phrases, and appropriate reporting of quantities (proper units, important statistics) are just as significant in an abstract as they are anywhere else

Introduction:

The **Introduction** should "introduce" the manuscript. The reviewer should be presented with sufficient background information to be capable to comprehend and calculate the purpose of your study without having to submit to other works. The basis for the study should be offered. Give most important references but shun difficult to make a comprehensive appraisal of the topic. In the introduction, describe the problem visibly. If the problem is not acknowledged in a logical, reasonable way, the reviewer will have no attention in your result. Speak in common terms about techniques used to explain the problem, if needed, but do not present any particulars about the protocols here. Following approach can create a valuable beginning:

- Explain the value (significance) of the study
- Shield the model - why did you employ this particular system or method? What is its compensation? You strength remark on its appropriateness from a abstract point of vision as well as point out sensible reasons for using it.
- Present a justification. Status your particular theory (es) or aim(s), and describe the logic that led you to choose them.
- Very for a short time explain the tentative propose and how it skilled the declared objectives.

Approach:

- Use past tense except for when referring to recognized facts. After all, the manuscript will be submitted after the entire job is done.
- Sort out your thoughts; manufacture one key point with every section. If you make the four points listed above, you will need a least of four paragraphs.
- Present surroundings information only as desirable in order hold up a situation. The reviewer does not desire to read the whole thing you know about a topic.
- Shape the theory/purpose specifically - do not take a broad view.
- As always, give awareness to spelling, simplicity and correctness of sentences and phrases.

Procedures (Methods and Materials):

This part is supposed to be the easiest to carve if you have good skills. A sound written Procedures segment allows a capable scientist to replacement your results. Present precise information about your supplies. The suppliers and clarity of reagents can be helpful bits of information. Present methods in sequential order but linked methodologies can be grouped as a segment. Be concise when relating the protocols. Attempt for the least amount of information that would permit another capable scientist to spare your outcome but be cautious that vital information is integrated. The use of subheadings is suggested and ought to be synchronized with the results section. When a technique is used that has been well described in another object, mention the specific item describing a way but draw the basic principle while stating the situation. The purpose is to text all particular resources and broad procedures, so that another person may use some or all of the methods in one more study or referee the scientific value of your work. It is not to be a step by step report of the whole thing you did, nor is a methods section a set of orders.

Materials:

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

Methods:

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

Approach:

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

What to keep away from

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

Results:

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

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

Content

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

What to stay away from

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

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

Approach

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

Figures and tables

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

Discussion:

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

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

Approach:

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

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Please carefully note down following rules and regulation before submitting your Research Paper to Global Journals Inc. (US):

Segment Draft and Final Research Paper: You have to strictly follow the template of research paper. If it is not done your paper may get rejected.

- The **major constraint** is that you must independently make all content, tables, graphs, and facts that are offered in the paper. You must write each part of the paper wholly on your own. The Peer-reviewers need to identify your own perceptive of the concepts in your own terms. NEVER extract straight from any foundation, and never rephrase someone else's analysis.

- Do not give permission to anyone else to "PROOFREAD" your manuscript.

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- To guard yourself and others from possible illegal use please do not permit anyone right to use to your paper and files.

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Topics	Grades		
	A-B	**C-D**	**E-F**
Abstract	Clear and concise with appropriate content, Correct format. 200 words or below	Unclear summary and no specific data, Incorrect form Above 200 words	No specific data with ambiguous information Above 250 words
Introduction	Containing all background details with clear goal and appropriate details, flow specification, no grammar and spelling mistake, well organized sentence and paragraph, reference cited	Unclear and confusing data, appropriate format, grammar and spelling errors with unorganized matter	Out of place depth and content, hazy format
Methods and Procedures	Clear and to the point with well arranged paragraph, precision and accuracy of facts and figures, well organized subheads	Difficult to comprehend with embarrassed text, too much explanation but completed	Incorrect and unorganized structure with hazy meaning
Result	Well organized, Clear and specific, Correct units with precision, correct data, well structuring of paragraph, no grammar and spelling mistake	Complete and embarrassed text, difficult to comprehend	Irregular format with wrong facts and figures
Discussion	Well organized, meaningful specification, sound conclusion, logical and concise explanation, highly structured paragraph reference cited	Wordy, unclear conclusion, spurious	Conclusion is not cited, unorganized, difficult to comprehend
References	Complete and correct format, well organized	Beside the point, Incomplete	Wrong format and structuring

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