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Upstream Attractiveness of the Brazilian oil and Natural Gas Sector: An Assessment based on the Stakeholders' Perceptions

By Marcos Antonio Lins da Costa Cintra & André Felipe Simões

University of São Paulo - USP

Abstract- This study provides an overview of 25 Upstream attributes of the Brazilian oil and natural gas sector and of the country itself, identifying from the industry stakeholders' perspective the strengths and weaknesses that were aggregated with the support of SPSS (Statistical Package for the Social Sciences) in four factorials: Trade, Regulatory, Prospectivity and Business Environment. The four field surveys which totalled 1,143 structured face-to-face interviews were conducted during the 2012, 2014, 2016 and 2018 editions of Rio Oil & Gas, the largest trade fair of the industry in Latin America. The methodology used - based on established international research, competitive determinants related to industry and market structures, and traditional variables to assess the attractiveness of the segment - seems to have been consistent with the intended objective to elucidate issues to statistically confirm current opinions and to bring original information.

Keywords: oil and natural gas industry in brazil; stakeholder evaluation; attractiveness; regulation; competitiveness.

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Upstream Attractiveness of the Brazilian oil and Natural Gas Sector: An Assessment based on the Stakeholders' Perceptions

Marcos Antonio Lins da Costa Cintra ^α & André Felipe Simões ^ο

Abstract- This study provides an overview of 25 Upstream attributes of the Brazilian oil and natural gas sector and of the country itself, identifying from the industry stakeholders' perspective the strengths and weaknesses that were aggregated with the support of SPSS (Statistical Package for the Social Sciences) in four factorials: Trade, Regulatory, Prospectivity and Business Environment. The four field surveys which totalled 1,143 structured face-to-face interviews were conducted during the 2012, 2014, 2016 and 2018 editions of Rio Oil & Gas, the largest trade fair of the industry in Latin America. The methodology used - based on established international research, competitive determinants related to industry and market structures, and traditional variables to assess the attractiveness of the segment - seems to have been consistent with the intended objective to elucidate issues to statistically confirm current opinions and to bring original information. The conclusions indicate that the Brazilian Upstream, in the perception of the industry stakeholders, exerts considerable influence on the attraction of investments, although it presents an unstable performance. The segment is attractive in attributes of natural endowments, such as geological potentiality, and issues related to knowledge and innovation, such as university infrastructure and R&D requirements. On the other hand, poor results from trade issues, certain regulatory variables and the business environment highlight structural and bureaucratic hurdles that undermine Brazil's ability to attract more investments. In an overall balance of all variables, the attractiveness conditions declined between 2012 and 2016 and have rebounded recently.

Keywords: oil and natural gas industry in brazil; stakeholder evaluation; attractiveness; regulation; competitiveness.

1. INTRODUCTION

The exacerbation of the competitive scenario for investments in the exploration and production of oil and natural gas has increased in the last five years, despite the instability of the price of the barrel. Between 2016 and 2018, one hundred auctions were held in 82 countries, totalling 3,000 blocks and allowing

national and provincial governments to raise about US\$ 9 billion in Signature Bonus¹³ (ODDONE, 2018). The entry of dozens of countries in the global struggle for the attraction of resources of the sector results, above all, from technological advances that have widened exploratory frontiers. Companies contend for the most lucrative opportunities; nations strive to know which one will be the host of these investments.

In this competition, attractiveness matters. The more attractive a country is to investment, the more leeway it would have to expand, in theory, its share in the business, either via government take²⁴ (government participation, such as royalties, and special participation), an indicator regularly used by the oil industry to compare tax regimes or through benefits (such as a more aggressive local content policy). That is, the greater the perceived attractiveness, the more likely it is to capture higher incomes, certain that a high value will inhibit investments, while a level below the "optimal value" will mean revenue losses for the country holding the oil resources.

There are different profiles in this dispute: traditional producers with vast reserves and different characteristics - some with political stability and legal certainty³⁵, such as the U.S.A. and Canada; others

¹³ The Signature Bonus is a traditional selection criterion in bidding for concession agreements. The value of the bonus is associated with the companies' expectations regarding the productive potential of the disputed blocks and the degree of competition for the area in the bidding round (IBP, 2018).

²⁴ The IHS-CERA Report to the U.S. Department of the Interior (DOI) evaluated 29 tax systems related to oil and natural gas from 20 countries. Brazil occupies an intermediate position in the ranking, 19th among the 41 systems investigated. The modeled terms for the study are following the regulatory framework of concession before the approval of Law 12.351/2010. The sharing model had not been released at the time the report was written, "[...] however, the minimum 30% of state participation was modeled under the concession system to determine the likely increase in government participation." By applying such a measure in the existing concession system, there is a 12% increase in government take, from 59% to 71% in the case of high-yield oil fields (AGALLIU, 2011).

³⁵ They are evaluated from the perspective of risk analysis companies, such as the Economist Intelligence Unit, Eurasia, The Global Economy, Moody's, Standard and Poor's and Fitch.

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whose potential offsets the relative instability⁴⁶, such as Russia, Egypt, and Mozambique. Also, those holding huge reserves however marked by political instability, such as Venezuela, Libya, Iraq, Indonesia, and Nigeria. Venezuela, for instance, has reserves of 303 billion barrels (BP, 2018) - 1st in the global ranking - but its attractiveness from the companies' perspective, depends on the reestablishment of political stability.

The competitiveness of countries with medium reserves and with some instability, such as Yemen, Ecuador, Bolivia, and Gabon, depends on stimulating trade conditions, as the institutional deficit charges a price from those that cannot compensate it with geological potentiality. In turn, low potential nations, with small reserves - certain provinces in the U.S.A. and Canada, France, Papua New Guinea, and England - seek to compensate for their disadvantages by offering benefits.

On the other hand, the technological revolution that allowed the development of shale gas and tight oil⁵⁷ in the U.S.A., Argentina, and China took a step forward with cost reduction, calling into doubt the expensive oil era and adding a new competitor to the traditional competition for investment. In this context, it is important to stress that barrel at moderate prices means oil companies with less capital, which makes them more selective and increases global competition for these resources. Also, the world is experiencing a transition to a carbon-free economy and the pressure to reduce fossil fuel consumption increases every day, according to the objectives of the Paris Agreement. The electric car is progressing, and several countries announce that they intend to cease the sale of gasoline and diesel vehicles. Clean energy sources, such as solar and wind, gain ground quickly with increasingly competitive costs, prompting oil companies to diversify their business to renewable projects. That is, oil is likely to lose ground and become obsolete in the long term (ANP, 2018).

In this conjuncture of rising international competition, uncertainty about the price level of the barrel and doubts about the longevity of the use of fossil resources as the leading supplier of primary energy, Brazil offers unique conditions for attracting investments due to its geological potential, especially offshore, where the Pre-salt layer stands out significantly⁶⁸.

However, this attribute alone in this scenario may not be enough to support a model of exploration of natural resources that can broadly internalize the benefits of this wealth.

Thus, from the host country perspective, which aims not only to attract investments⁷⁹ but to take over a larger share of the oil income, it is pressing to properly manage the attractiveness requirements and an agenda of efforts to improve it. If improvements in attractiveness can increase the possibilities of gains for the country, it seems strategic to systematically measure the variables that influence the investment decision, allowing governments to identify and quantify strengths and weaknesses of the country and monitor the performance of public policies.

The perception of Brazilian Upstream attractiveness⁸¹⁰ depends on the interviewee's position. Employees of oil companies usually have a different view from that of suppliers, who in turn do not think exactly as consultants and service providers or students. This study captured the perception of a wide and varied range of stakeholders⁹¹¹ and we believe that this diversity of opinions can help to avoid biases arising from the concentration of opinions on a particular part of the industry.

The scope of the study is limited to the perspective of attracting investments and their expansion and does not take into account the different theoretical approaches on which the problem could be studied. Like the work of Duque Dutra (2017), we do not seek to analyse the extent to which the attraction of foreign investment to Upstream contributes, or not, to the process of enriching a country, or what the policy of exploring natural resources would be more appropriate for this wealth to effectively contribute to the development of a nation. Also, we seek not to judge the performance and socioeconomic cost of the current models in the country. Our study focuses on the economic perspective of oil and gas sector stakeholders, with emphasis on Brazilian and foreign oil companies regarding the country's performance in 25 attributes associated with attractiveness.

II. METHODOLOGY EMPLOYED IN FIELD RESEARCH

The construction of attractiveness attributes received contributions from three sources:

⁴⁶ For Spiller and Holburn (2000), an unstable government would offer little or no credibility assurance against direct or indirect expropriation of private property, which would discourage private investment.

⁵⁷ Unconventional natural gas and oil, imprisoned in rocks of low permeability called shale, require a special technique for its production known as hydraulic fracturing. For more information, see FGV Energia (2019), IEA (2014) and Kahrilas et al. (2014).

⁶⁸ The definition used here for "Pre-Salt" refers to the section geologically limited by the occurrence of carbonate rocks, in the Santos and Campos basins, underneath salt layers of the Aptian age (Papaterro, 2010). Pre-Salt, whose pioneering discovery was made by Petrobras, is characterized by large accumulations of light oil, with

very high productivity, excellent quality and high trade value. According to Oddone (2018), it is one of the best opportunities in the world in terms of oil and gas.

⁷⁹ Given the limitations of a study measuring stakeholder perception, this study defines "investment" simply as an expectation of those interviewed, without speculating or making projections based on the responses.

⁸¹⁰ A term used in the oil industry that encompasses exploration, drilling and production activities.

⁹¹¹ A term used here in its broader meaning, comprising all those who have an interest in the Upstream of the oil and natural gas sector.

- i. The Global Petroleum Survey, from the Fraser Institute (FRASER, 2012, 2016, 2018), provided the baseline questionnaire with variables used in surveys that measure perceptions of oil and gas producing countries.
- ii. The book "Made in Brazil - Desafios Competitivos para a Indústria" (FERRAZ *et al.*, 1996) contributed to the understanding of the determinants of competitiveness that transcend the company level and are related to the structure of industry and market, and the productive system as a whole.
- iii. The dissertation "Atratividade do Upstream da Indústria de Petróleo Brasileira - 1997-2003" (Araújo, 2004) reinforced the importance of traditional variables that influence the attractiveness of countries: Political Risk, Regulatory Risk, Government Take and Geological Potential¹⁰¹².

a) *Technical Characteristics of the Research*

Descriptive quantitative research, using the flow point¹¹¹³ method, with non-probabilistic sampling, with a sample survey in its scope.

i. *The study population*

The study population was estimated at 4,400 Rio Oil & Gas Congress participants, the largest fair in the sector in Latin America, based in Rio de Janeiro. The composition of the sample is representative of the Brazilian Upstream, formed by the main stakeholders of the sector, presenting a wide variety of positions, functions, and backgrounds-in particular, entrepreneurs, executives, geologists, engineers, economists, administrators, teachers, journalists, financiers, investors, environmentalists, and lawyers. The number of respondents varied in each edition: 166 (2012), 288 (2014), 339 (2016) and 350 (2018), totalling 1,143 people.

ii. *The Questionnaire*

It was structured with 25 close-ended questions related to attributes of the country and the oil and gas sector and with 12 questions in order to collect data from the interviewee. For the evaluation of the factors according to the levels of attractiveness or non-attractiveness towards investment, a scale of 1 (high degree of discouragement to investment) to 5 (high degree of encouragement) was used, 3 being a neutral position. The questionnaire was submitted to a cognitive pre-test answered by 25 experts from the industry; after

this procedure, it was reviewed and tested on three interviewees; and then translated and diagrammed.

III. RESEARCH RESULTS

The 25 variables are briefly contextualized here, and the results are presented as figures showing the evolution of the historical series, in the form of average, which shows the central tendency of the answers. With the support of SPSS data analysis software, factorials which aggregated the issues in large thematic groups were created: Trade, Regulatory, Prospectivity, and Business Environment.

a) *Trade Issues*

They involve six variables, shown in Table 1 below. Two of them, concession and sharing contracts, are favourable; four do not contribute to Upstream attractiveness, with emphasis on the tax burden, with pronounced discouragement towards investment. Trade issues, however, tend towards improvement in 2018.

¹⁰¹² By using criteria such as a variety of political systems, regulatory and legal regimes and geological profiles, Araújo (2004) selected and analyzed the specific cases of the following countries: The United Kingdom, the U.S.A., Brazil, Norway, Nigeria, Angola, Egypt, and the Congo. For each nation, he applied a score of 1 to 5. Brazil ranked third in the overall ranking, behind the U.K. and the U.S.A.

¹¹¹³ Because it is research that uses the flow point method, neither Margin of Error nor Confidence Interval apply.

Table 1: Definition of Trade Issues

Group	Issue	Definition
Trade Issues	Government participations, such as royalties, special participations, area retention rates.	Opposite the tax regime, which covers all companies, government participations focus only on Exploration & Production activities of oil and gas. It is an indicator usually used to compare tax regimes.
	The tax burden that is not specific to oil production, including personnel, business, payroll, and taxes on capital and income; the complexity of complying with tax obligations.	Tax burden can be seen as the sum of all taxes - taxes, fees, and contributions - of the three levels of government (Federal, State, and Municipal) - incurred on the economy.
	Brazilian characteristics of the Concession Contract regime.	The concessionaire company has exclusive rights over the area granted during the contract period, recovering costs and making profits through production, with which it pays its due obligations and taxes to the State.
	Brazilian characteristics of the Production Sharing Contract regime.	Sharing contracts: i) operating costs belong to the company or consortium; ii) The result is divided into cost oil, used to recover the incurred costs and profit oil, destined for the profit of the government and the companies ¹²¹⁴ .
	The <i>Downstream</i> market structure and its pricing policy.	It measures whether the <i>Downstream</i> and its market structure operate in competition, if they allow new entrants and if they secure adequate remuneration (systematic of free prices, with the transfer of oscillations to the domestic market).
	Tariff/non-tariff commercial barriers to trade and restrictions on the repatriation of profits.	Law, regulation, policy, measure or practice that restricts foreign trade/for quantitative restrictions, import licensing, customs procedures, antidumping, safeguards and sanitary and phytosanitary measures.

Source: Authors', 2019.

¹²¹⁴ Cost oil reimburses the costs of the operation and amortization of the incurred investments; profit oil is distributed among the governments and participating companies, according to the rules determined in the contract, which may be a fixed or variable percentage (Gomes and Alves, 2007).

As shown in Figure 1 below, the variable Government Participations, identified in 2012 as neutral, with an average of 3.1, presented a decline and constituted a slight tendency of discouragement towards investment. This fact could be related to collectibles proposals presented by the Legislative

Assembly and the Government of the State of Rio de Janeiro. The state faces a context of fiscal contingencies (FIRJAN, 2017) and finds in the most crucial sector of the state a collectibles explanation¹³¹⁵, which would bring unpredictability from the perspective of companies (CARNEIRO and DELGADO, 2017).



Source: Authors', 2019

Figure 1: Evolution of trade issues over the time series 2012 to 2018

There is a growing perception that the *Tax Burden* discourages investments. The issue emerges as the most rejected, with an average of 1.8 in 2018. The hypothesis is that this disapproval is explained mostly by the complexity and cost to comply with the rules, then by the tax burden itself, today at 32.4% (RFB, 2018), a position that tends to the intermediary. For comparison purposes, Mexico has a tax burden of 16.6% of GDP; Denmark, of 45.9% (OECD, 2018). Although with less consensus, tariff/non-tariff trade barriers and restrictions on repatriation of profits also undermine the attractiveness of E&P. They show declining behaviour and, in 2018, their average drops to 2.3.

The *Concession Contract* is only neutral and does not represent an attribute capable of encouraging investments, nor is it an obstacle for the interviewees. One can only infer the reasons for this perception: a collectional tendency from bonus, a vital risk component that the concessionaire pays even before starting the exploratory activity and the increase for the amount paid for the retention of area (IBP-UFRJ, 2016). The *Production Sharing Contract* which, at the beginning of the series, did not comparatively present the performance of the concession regime, improved its evaluation and outperformed its "competitor" in 2018, the concession regime, despite additional costs of

governance and risks arising from the need of approval of expenditures incurred by projects. This result shows the flexibility of the companies in dealing with different regimes, but it can also mean a judgment of the Pre-salt geological potential, as the sharing only covers this geological section. In fact, the existence of a better contract cannot be affirmed. As Radon (2005) shows, each presents advantages and disadvantages from several points of view, especially in its trade aspects.

Petrobras owns 98% of the country's refining (ANP, 2018) and considering the opinion of experts like Câmara (2012) and Almeida (2012), its fuel trade policy for specific periods did not follow the basic concept of free prices - monthly evaluations and transfer of international oscillations to the internal market. For those interviewed, this *Structure of the Downstream Market* discourages investments towards Upstream. However, there is a slight improvement, possibly due to carrying out the policy for derivative readjustment by the company in July 2017, which was challenged by a

¹³¹⁵ The 1.877/12 Bill, which creates the Oil and Gas Inspection Fee (TFPG). The 1.046/15 Bill, with the same objective. The 1.029/11 Bill, which creates the collection of ICMS tax on the consumption of natural gas used in oil production.

truckers' strike in May 2018, demanding a reduction in the price of diesel¹⁴¹⁶.

b) Regulatory Issues

Compared to trade issues, the regulatory ones presented and defined in Table 2 below, are slightly

better, with three variables considered positive and three seen as negative ones. Despite the significant deterioration in perception between 2014 and 2016, the variables recovered in 2018, except for the compatibility of regulations among the levels of the federation.

Table 2: Definition of Regulatory Issues

Group	Issue	Definition
Regulatory Issues	Predictability in administration, interpretation, and enforcement of regulations that affect the sector, and concern about the frequency of changes.	Clarity of interpretation and stability of business rules and whether changes are made with discretion, arbitrariness, and biased judgement, or unnecessary frequency.
	Complexity and cost of compliance with the laws. If interaction among those who make laws and companies are allowed and encouraged, e.g., through public hearings.	Costs incurred in complying with regulatory determinations, including time, training of personnel and resources for related activities, filing of declarations, attendance to inspections, among others.
	Local Content Requirements.	Operators of exploratory blocks and basins under production must comply with certain percentages of local purchases and assure the preference to the contracting of Brazilian suppliers when their offers have price, term and quality equivalent to those of other suppliers.
	Research and Development Requirements.	Concessionaires must invest in R&D 1% of the gross revenue generated by the basins of high profitability or a large volume of production, being 50% of this amount in their facilities and the remaining 50% in universities or R&D centres.
	Performance of the regulatory agent.	It measures the perception of the ANP, whose assignment is to regulate, contract, and supervise the activities of the oil, natural gas, and biofuel sectors.
	Compatibility of regulations between federal, state and municipal levels.	It checks the functioning and harmony of the administrative competencies of the federative entities - Union, States, and Municipalities -, which exercise them without a hierarchy of one entity over the other.
	Predictability of changes in environmental regulations, environmental licensing, and areas to be protected (parks, indigenous reserves, environmental reserves, marine life, archaeological sites).	It evaluates the functioning of the licensing process of activities of the oil and natural gas sector and the predictability of its regulations.

Source: Authors', 2019.

The following Figure 2 shows that the level reached by the variable *Predictability in administration, interpretation, and enforcement of regulations, and frequency of changes* emphasizes the existence of some instability of the regulations of the sector¹⁵¹⁷ in the opinion of the interviewees. The result of the issue that measures the *Complexity and cost of compliance with*

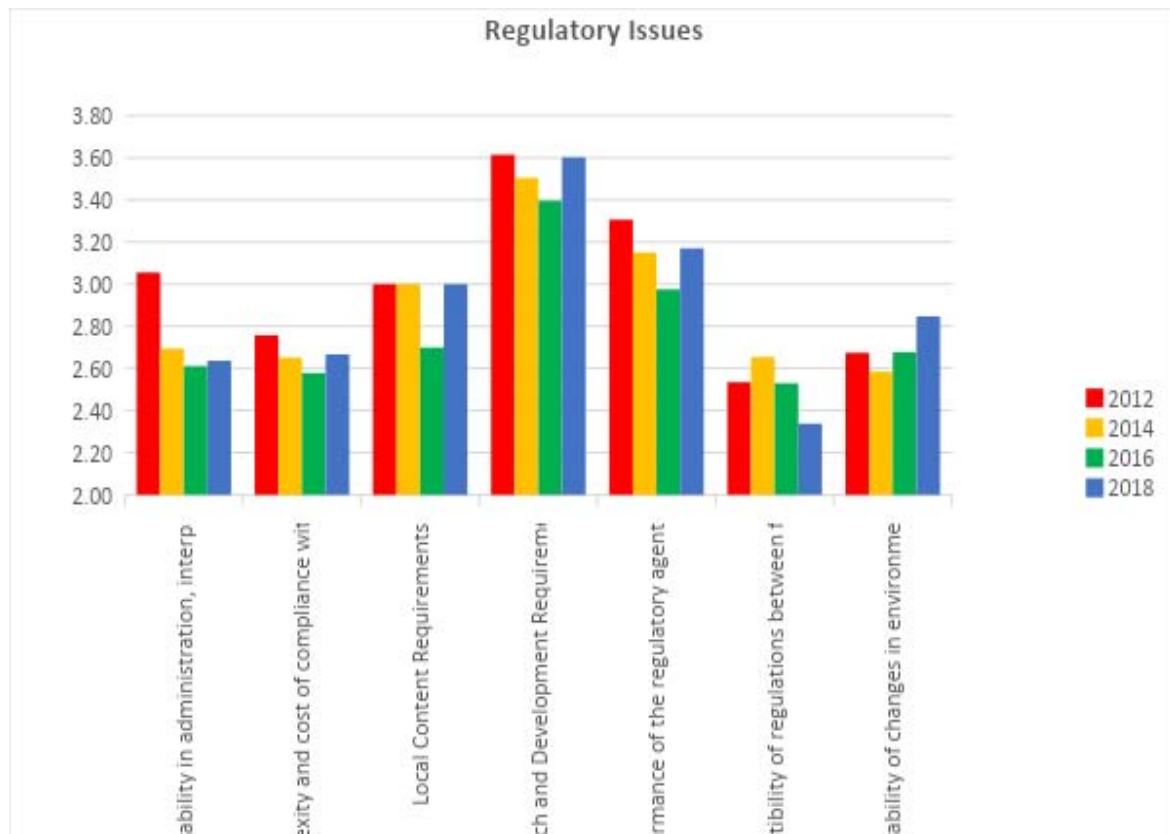
the laws and if there is interaction among those who make them and the companies indicates that it would be complex and costly to comply with rules in Brazil, as other studies indicate¹⁶¹⁸. It also places the discussion about the possibility of improving the effectiveness of the consultations and public hearings carried out by the National Petroleum, Natural Gas and Biofuels Agency (ANP), the sector's regulatory body, whose process is

¹⁴¹⁶ For more on fuel pricing policies and their different impacts on society, including the truckers' strike, see Almeida and Soares (2018).

¹⁵¹⁷ The remedy proposed by Levy and Spiller (2009) to avoid these veers is the creation of three mechanisms that complement each other in the improvement of a regulatory framework: i) considerable limitations with respect to the agency's discretion; ii) formal and informal limitations regarding possible changes in the regulatory system and iii) institutions that guarantee these limitations. According to the authors, this framework should be complemented by a set of specific rules capable of providing safeguards against opportunistic behavior coming from regulators.

¹⁶¹⁸ Doing Business 2019 (WORLD BANK, 2019), for example, points out that Brazil is one of the countries in the world where it takes more time to deal with the tax bureaucracy. The payment of the tax itself is only one of the stages of a bureaucratic process, preceded by calculations of the value of the tax, forms, and analysis of norms, assessment of possible discounts or tax credits.

transparent and democratic but sometimes discretionary when justifying whether or not to obey the proposals¹⁷¹⁹. The variable shows clear discouragement.



Source: Own elaboration, 2019.

Figure 2: Regulatory Issues

The perception of *Local Content* reaches a level of neutrality, with an average of 3 points throughout the series. Going beyond the surface, we found a certain tendency in the answers: interviewees linked to the operators are more likely to judge the requirement an obstacle towards investment; in principle providers would be inclined to consider it encouraging. The underlying issue is that local content seems to arouse heated debate because it has the power to mobilize nationalistic sentiment. One cannot imagine the repetition of models of extraction of natural resources without the counterpart of the development of a local industry for supplying goods and services.

Operators seem to agree with this premise; however, the period that precedes the creation of a competitive supplier park is marked by conflict. Oil

companies want a gradual increase in nationalization percentages, in order to ensure that prices, deadlines, and quality have little impact on their activities; suppliers and governments are pressing for a faster pace, seeking to secure the benefits as quickly as possible. On the other hand, in a scenario of fiscal fragility, governments are more likely to accept lower local content commitments in exchange for higher signature bonuses¹⁸ in the short term, as was the case in Brazil between 2015 and 2017 (Cintra, 2017). On the other hand, the R&D requirements, with an expressive average score throughout the historical series, stand out positively in the interviewees' perception. Despite this result, there is a union of actors in defence of the enhancement of the PD&I Clause (acronym in Brazilian Portuguese for Research, Development and Innovation Clause) of the ANP. They propose that the resources can be used for the development of the supply chain in the country and that the industrial property of the assets

¹⁷¹⁹ An interesting approach on the subject can be found in Giserman (2015), which investigates who participates and who influences regulation in processes involving public consultations. According to the author, the characteristics of the regulated sectors help to shape their relationship with the regulator: large companies and concentrated sectors tend towards higher participation.

¹⁸ The Signature Bonus is a traditional selection criterion in the biddings. The bonus value is associated with the expectations of companies regarding the productive potential of the disputed blocks and the competitiveness level for the area in the bid round.

generated by the projects follows federal legislation and not specific restrictive rules created by the ANP (IBP, 2017; ABESPETRO, 2018). Authors such as Florentino (2016) warn the ANP to stay tuned “so that its action changes the relative costs of technological activities for the benefit of society and does not impose costs that prevent positive returns to all agents”.

The perception of the role of the ANP, which was deteriorating - average score of 3.3 (2012), 3.2 (2014), and 2.9 (2016) - is recovering and reverses the trend in 2018. For those interviewed, *the role of the regulator body* is not clearly encouraging towards investment nor does it represent an obstacle. The variable that measures the *Compatibility of regulations among the federal, state and municipal levels* shows pronounced disharmony in the Brazilian federalism and impairs the attractiveness of Upstream, with an average of 2.3 in 2018. Concerning the *Predictability of changes in the regulations of the environmental area related to environmental licensing*, there is discouragement towards investment. From the oil companies' perspective, this negative view results from the licensing process, as they believe it could be faster and more

predictable. The Brazilian Institute of Oil, Gas, and Biofuels (IBP, the acronym in Brazilian Portuguese), an entity representative of the oil companies, defends the environmental assessment of the blocks offered before the bidding. In the opinion of the entity, the environmental assessment of the sedimentary area and the previous mapping of the socioeconomic impacts of the area to be tendered would contribute to making the licensing process agile, predictable and transparent (IBP, 2017). It is a controversial subject, difficult to be compared with other countries, and differently conceived. According to Verocai (2004), environmental licensing as practiced in Brazil is practically unique worldwide, which prevents a confrontation of deadlines¹⁹²¹.

c) *Prospectivity Issues*

In the interviewees' assessment, the *Prospectivity issues* (described in Table 3) are encouraging towards investment, except for Petrobras' stake of 30% and its role as an operator in all blocks of the Pre-Salt.

Table 3: Definition of Prospectivity Issues

Group	Issue	Definition
Prospectivity Issues	Availability of geological data, its quality and detail, and ease of access to public data.	It measures whether BDEP ²⁰²² provides with integrity, safety, and efficiency the data generated by the E&P activities, such as wells (stratigraphic, exploratory and of production) and seismic surveys (2D and 3D).
	The geological potential of the onshore sedimentary basins.	Brazil has 29 sedimentary basins of petroleum interest, with an area of 6,436,200 km ² , being 76% in land and 24% in the sea (ANP, 2012). Of these, 13 exclusively terrestrial basins and nine which extend from the land to the sea.
	The geological potential of the offshore sedimentary basins.	It measures perceptions about the geological potential of the offshore sedimentary basins.
	Petrobras' stake of 30% and its role as an operator in all blocks of the Pre-Salt.	Law 12.351/2010 changed the regulatory framework of the sector and assigned to Petrobras the obligation of being the operator of all blocks of the sharing regime, with a minimum participation of 30%. A new change made participation optional.

Source: Authors', 2019

Figure 3 (below) presents the performance of the Prospectivity Issues. *The availability of geological data, its quality and detail, and the ease of access to public data* represent an encouraging factor towards investment in the Brazilian E&P. The issue presents a high and growing average throughout the series. In turn, the *potential of the onshore basins*, with an average of 3.5 in the four editions, is a positive factor. *The geological potential of the offshore basins* is considered highly attractive and stands out among the 25 factors as the most encouraging one towards investment, with a

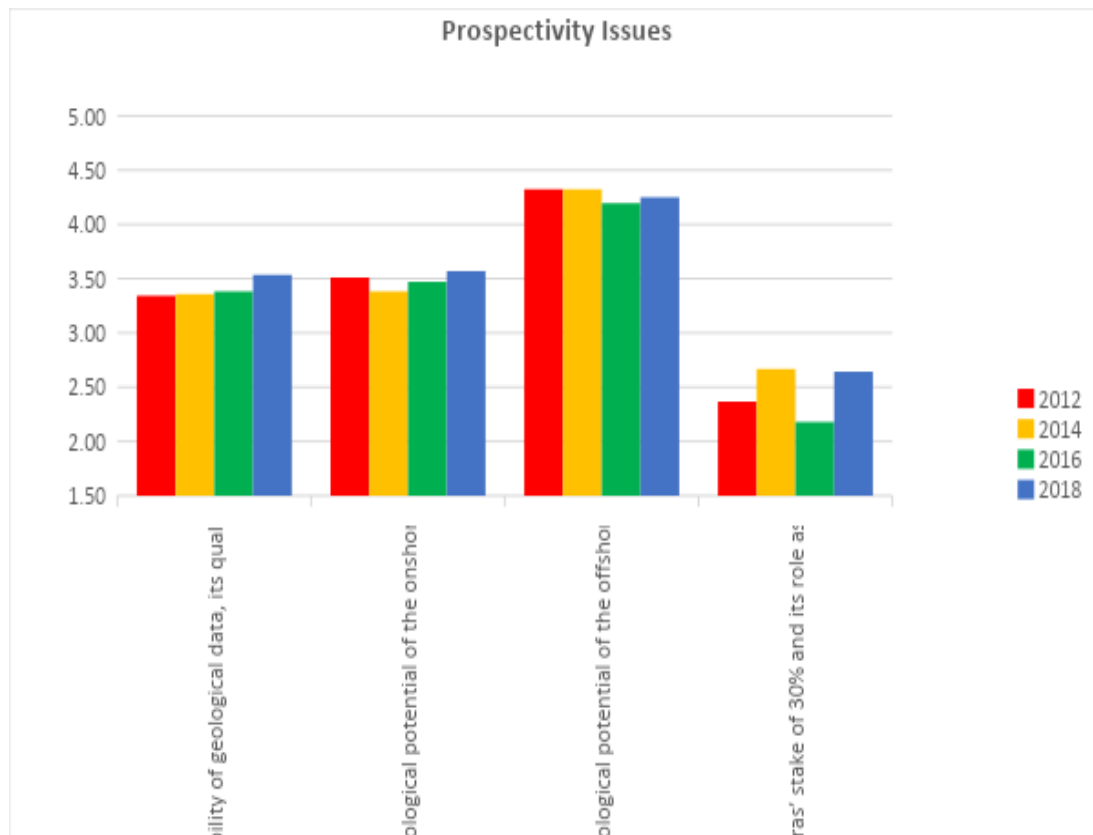
remarkable average of 4.3 points in the four surveys. Even after becoming optional, the controversial Petrobras' stake of 30% and its role as an operator in all

¹⁹²¹ For the premise of strategic environmental licensing and its use around the world, see MMA (2002).

²⁰²² Exploration and Production Database from ANP.

blocks of the Pre-Salt is not seen as encouraging towards investment²¹²³ and is among the five most poorly evaluated, with an average of 2.6 in 2018. An explanation for this perception would be the

interpretation that the rule broke the conditions of isonomy that prevailed in the auctions of exploratory blocks.



Source: Authors', 2019

Figure 3: Prospectivity Issues

d) Issues related to the Business Environment

The issues that assess the Business Environment are presented and defined in Table 4. Although they declined between 2014 and 2016, they show vigorous recovery, except for political stability.

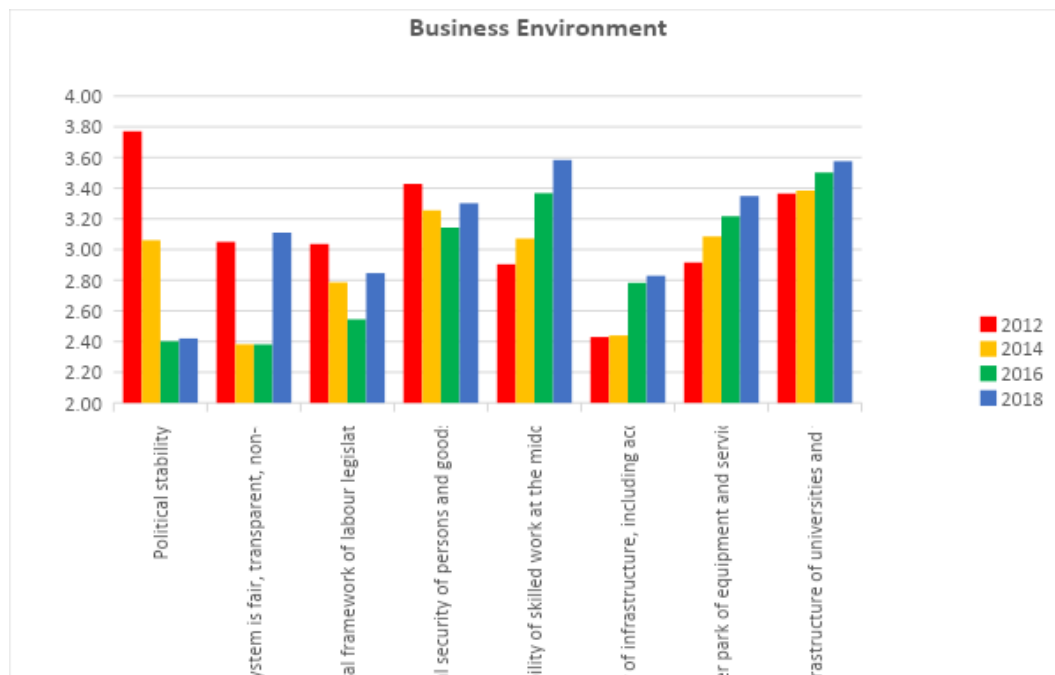
²¹²³ Although the legislative amendment of 2016 transformed this participation, optional for the winning consortia, the issue was retained as the proposal was still being processed during the execution of this research. Since it is still a relevant issue, we retained it in adapted form in 2018.

Table 4: Definition of Issues related to Business Environment

Group	Issue	Definition
Business environment	Political stability.	It measures the level of risk of inconvertibility and transfer of currency, expropriation, breach of contract, political interference, supply chain disruption, legal and regulatory risk, and political violence.
	Legal system is fair, transparent, non-corrupt and efficient.	It assesses, from the respondents' perspective, whether the legal system functions appropriately, and whether it is capable of limiting administrative discretionary and avoiding eventual improper political interferences.
	The legal framework of labour legislation.	Set of legal norms, principles, and other legal sources governing labour relations, regulating the legal status of workers.
	Physical security of persons and goods.	It measures to what degree the fundamental rights of citizenship, such as the right to life, property, and personal security, are guaranteed in the country.
	Availability of skilled work at the middle, senior and managerial levels.	It evaluates the supply and quality of skilled work at the middle, senior and managerial levels.
	Quality of infrastructure, including access to roads, pipelines, energy availability, etc.	Availability and quality of infrastructure, including roads, railways, pipelines, ports, and supply of electricity and telecommunications.
	Provider park of equipment and services.	The supply chain covers the set of companies that produce goods and/or provide services, directly or indirectly, for Upstream activities in the sector: exploration, development of production, and production.
	The infrastructure of universities and technological and research centres.	It measures the infrastructure supply of universities and R&D centres and the interrelation of organizations to generate innovation.

Source: Authors', 2019

The following Figure 4 shows the results of the business environment issues throughout the research series. As one would expect from a country that has experienced an impeachment process, the issue of *Political Stability* has dropped sharply, from a highly favourable perspective towards investment, averaging 3.8 points in 2012, to an average of 2.4 in 2016, and repeating the negative performance in 2018. Among the characteristics evaluated by business executives at the time of investing, government stability is a determining factor, although, as North (1996) points out, the very decision-making process of economic and political agents is permeated by subjectivity and uncertainty.



Source: Authors', 2019

Figure 4: Issues related to Business Environment

The issue that assesses whether the *Brazilian legal system is fair, transparent, non-corrupt and efficient*, which reached a negative level in 2014 and 2016, achieved a significant recovery in 2018 and returned to neutrality. The reason for this change does not appear easy to discover and one can only speculate that it is related to the controversial protagonist role of the Judiciary at the heart of the political debate of the country. Contrary to current opinion about the *physical security of persons and goods*, the issue improves and reaches a moderately encouraging average in 2018, with 3.3 points.

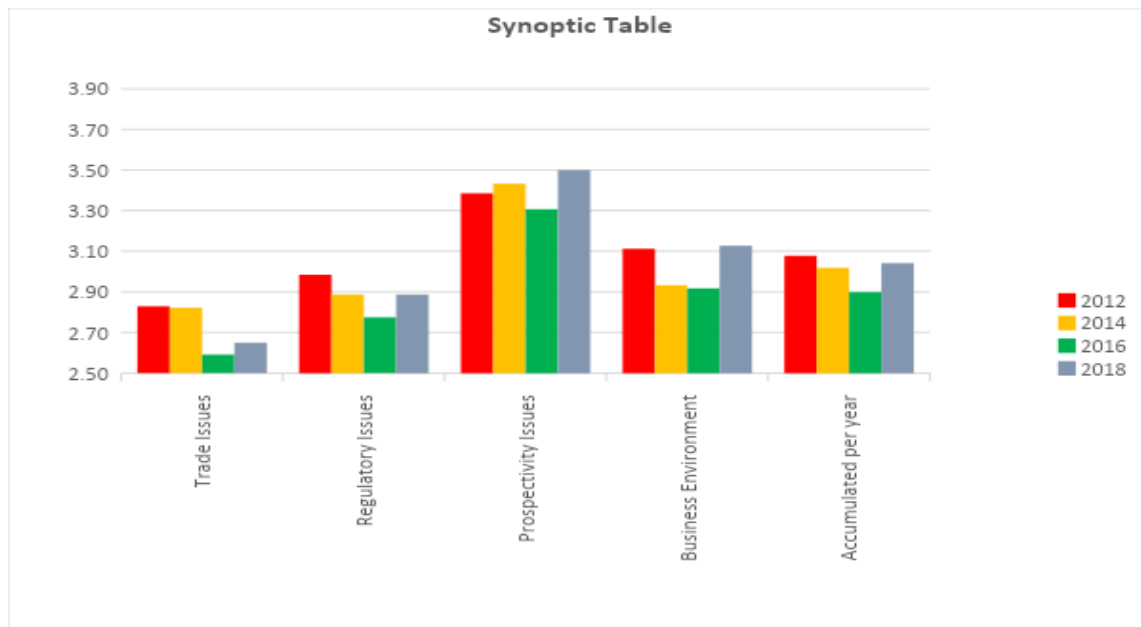
In the 2012 edition of the survey, Brazil was experiencing accelerated economic growth, with repercussions on the *Availability of skilled labour at the middle, senior and managerial levels*. That year, the variable came close to discouraging investments, with an average of 2.9. The scenario changed and given the idleness of personnel as a result of the economic crisis, the issue became encouraging, with a considerable average of 3.6 in 2018.

The *legal framework of labour and labour legislation* is another variable whose behaviour has fluctuated. Following a moderately sloped plan, it recovers to an average of 2.8 in 2018, one year after the Labour Reform, which relaxed specific points of the legislation and was considered progress from the companies' perspective. *Quality of infrastructure*, including access to roads, pipelines and energy in particular – which were among the most negative variables – improves and reaches an average of 2.9 in 2018. The provider of equipment and services boasts a

gradual and consistent improvement in its perception and encourages investments. In the four editions of the research, the infrastructure of universities and technological and research centres is considered attractive for investment.

IV. SUMMARY OF RESULTS

A panoramic view of the 25 variables measured in Figure 5 shows that the attractiveness conditions of the Brazilian Upstream deteriorated throughout the historical series and recovered in the last two years. The country, which averaged 3.1 points on the sum of the issues in 2012, saw its position fall to 3 in 2014, drop to 2.9 in 2016 and finally reach 3.05 in 2018.



Source: Authors', 2019

Figure 5: General conditions of attractiveness of the Brazilian Upstream

The trade issues concentrating the variables were considered unfavourable for the attraction of investments for the Brazilian Upstream in the opinion the interviewees. The contracts are the two positive exceptions among the six issues associated with the trade issue. The country's tax burden and the complexity of its compliance emerge as the most rejected.

The regulatory issues perform slightly better. The negative highlight is the *Compatibility of regulations among the levels of the federation*, which points to a certain lack of coordination among government instances. The variable that measures the complexity and cost of legal compliance is also highlighted as a dissuasive factor. The general conditions have improved but are still far from encouraging investments.

In the interviewees' opinion, the issues regarding prospectivity are encouraging towards investment, except for *Petrobras' stake of 30% and its role as an operator in the Pre-Salt blocks*. Significant average scores are achieved by the *geological potential of the offshore basins*, highly stimulating to induce investment in the Brazilian E&P. With less exuberance but with a high level of favourable evaluation, the *potentiality of the onshore basins* appears with an average score of 3.5 over the four editions. The issue of availability of geological data and its ease of access is seen as increasingly encouraging towards investment, reaching 3.5 in 2018.

The interpretation of the grouping of the eight variables representative of the business environment established for companies operating in the Brazilian Upstream clearly shows advancements of various issues, except for political stability. Despite this, the

levels reached are not high, authorizing the interpretation that transforming the business environment of the sector into a more stable and/or predictable one would be relevant for the consistency of its attractiveness.

V. ANALYSIS VIA LOGIT MODEL

The average score of the 25 attractiveness factors presented a certain dynamic with alternation of placements over time. The extreme positions, the one that most encourages and the one that most discourages investment, however, have remained practically constant. Although each edition of the research presents singular results, the data seem to indicate the presence of a pattern. The potential of the offshore sedimentary basins has emerged as the most stimulating factor to invest in the Brazilian Upstream (see Table 5 below). The R&D requirements (among the three variables best positioned in three editions) and the infrastructure of universities and technology centres (twice among the three-best positioned) also stand out. Other issues present a strong but unstable performance over time.

Table 5: Factors that most influence investments in the oil and natural gas sector in Brazil

	2012	2014	2016	2018
Factors that most encourage investment	Potential of the offshore sedimentary basins	Potential of the offshore sedimentary basins	Potential of the offshore sedimentary basins	Potential of the offshore sedimentary basins
	Political stability	R&D requirements	Infrastructure of universities and technology centres	R&D requirements
	R&D requirements	Infrastructure of universities and technology centres	Potential of the onshore sedimentary basins	Availability of skilled labour
Factors that least encourage investment	Tax burden and complexity of its compliance	Legal system is fair, transparent, non-corrupt and efficient	Tax burden and complexity of its compliance	Tax burden and complexity of its compliance

Source: Authors', 2019.

On the other hand, the tax burden, and the complexity of complying with tax obligations appear as the variable that most discourages investments in Upstream. It is only in 2014 that this variable loses, by a narrow margin, this uncomfortable position, when it is outpaced by the issue of whether the *Legal system is fair, transparent, non-corrupt and efficient*.

The average is the most used measure of central tendency and an important reference to represent a set of data because it more uniformly blends the lower and higher values and thus produces fewer errors. Despite these average attributes, the repeating pattern of results in leadership positions encouraged the refinement of the data to obtain possibly more robust conclusions.

Thus, for checking, the criterion of variable measurement was changed. It was established as a prerequisite to be considered the interviewee's answer to the question, present in the questionnaire, whether one would "invest or not in Brazil in the next two years." Thus, the determinant of attractiveness went beyond the average score reached by the variables. For example, if the average reached by a variable is high, but it is the same for both groups, that is, for those who intend and also for those who do not intend to invest, it would not be possible to conclude that it is a determinant for attractiveness. Since the variable is binary, we chose the Logit method, whose models were arranged to understand the relationship between the scores attributed by the respondents to the 25 factors investigated and their answer to the question about "investing in Brazil in the next two years." Two rounds of models were made: (1) Linear regression with Logit with all variables; and (2) 25 linear regressions with each variable individually.

Binary variables were created for each of the 25 factors surveyed. All variables, as well as their

responses, were transformed to become binary and thus able to compose the statistical model. Issues that reached grade 4 or 5, that is, which encouraged investment, received a value of 1; the remaining scores were assigned a value of 0. Thus, an indicator variable of encouragement associated with that factor (which is associated with a question from the questionnaire). In this manner, in summary, one would have: a) *Dependent Variable*: One intends to invest in Brazil in the next two years; b) *Independent variable*: Indicator for the factors associated with each question in the questionnaire.

Operationally, these variables were all included in the model in order to verify which demonstrate adherence to their explanatory significance. The model (shown in the following Figure 6) employing a screen copy of the Phyton Software shows the relation of the 25 questions to the dependent variable. The result shows that the only variables that present the signal equal to the theoretical signal and that are significant to 10% are questions 18 (Political Stability) and 21 (Physical security of people and goods).

Optimization terminated successfully.
Current function value: 0.167725
Iterations 9
Logit Marginal Effects

Dep. Variable: 5
Method: dydx
At: overall

	dy/dx	std err	z	P> z	[0.025	0.975]
p1	0.0282	0.027	1.045	0.296	-0.025	0.081
p2	-0.0173	0.037	-0.473	0.636	-0.089	0.055
p3	-0.0215	0.036	-0.600	0.548	-0.092	0.049
p4	0.0336	0.032	1.064	0.287	-0.028	0.095
p5	0.0111	0.030	0.371	0.711	-0.047	0.070
p6	0.0105	0.026	0.404	0.686	-0.040	0.061
p7	-0.0218	0.026	-0.823	0.410	-0.074	0.030
p8	0.0144	0.028	0.517	0.605	-0.040	0.069
p9	0.0291	0.027	1.072	0.284	-0.024	0.082
p10	0.0142	0.032	0.442	0.659	-0.049	0.077
p11	0.0390	0.031	1.247	0.213	-0.022	0.100
p12	-0.0310	0.030	-1.036	0.300	-0.090	0.028
p13	-0.0154	0.030	-0.512	0.608	-0.074	0.043
p14	0.0401	0.035	1.140	0.254	-0.029	0.109
p15	-0.1106	0.065	-1.692	0.091	-0.239	0.018
p16	-0.0198	0.063	-0.313	0.754	-0.144	0.104
p17	-0.0094	0.028	-0.338	0.735	-0.064	0.045
p18	0.0939	0.042	2.260	0.024	0.012	0.175
p19	-0.0272	0.030	-0.896	0.370	-0.087	0.032
p20	-0.0068	0.031	-0.222	0.825	-0.067	0.053
p21	0.0476	0.027	1.751	0.080	-0.006	0.101
p22	-0.0086	0.034	-0.251	0.802	-0.076	0.059
p23	0.0436	0.030	1.450	0.147	-0.015	0.103
p24	-0.0781	0.040	-1.931	0.054	-0.157	0.001
p25	-0.0184	0.033	-0.562	0.574	-0.083	0.046

Note: Screen copy of Python Software

Figure 6: Full Logit model

Already at the descriptive level, the data presented stressed that there are elements which indicate that specific characteristics are strongly related to the decision to invest in Brazil. To guarantee a sufficient empirical basis, we chose to carry out a Logit Logistic Regression. According to HAIR et al. (2005), the Logit model can predict the presence or absence of a result based on the values of the independent variables. That is, we can measure the interest in the investment from the result of the independent variables checked in the survey. The possible dependent variable in the questionnaire was the intention to invest in Brazil within the next two years. The others were used as independent variables.

In the Logit model, it is essential to be aware of the "p-value", represented by "p>z", positioned in the fourth column. The significant values in the model are those that are below 0.1, an acceptable value of the statistical agreement for the significance of variables. Some questions are significant: geological potential of the onshore sedimentary basins (Question 15); political stability (Question 18); physical security of persons and goods (Question 21) and quality of infrastructure, including access to roads, pipelines, availability of energy, etc. (Question 23).

However, as we aimed to measure the capability of attractiveness towards investments from the research instrument and the statistical model, we

looked for variables that indicated a positive theoretical signal to attract investment. That is noticeable from the second column of Figure 6, represented by the "dy/dx". Only two variables, among the significant ones, showed positive values: political stability (question 18) and physical security of people and goods (question 21). That is, the greater the political stability and the physical security of people and goods, the higher the encouragement for investment, which was statistically proven.

After this procedure, we used the two significant questions as independent variables to explain the desire to invest in Brazil, both being the only ones of the model, removing all others. In the Logit model regarding Political Stability, it was possible to identify that the fact of assigning grades 4 or 5 to the importance of this question to attractiveness increases the chance of investing in Brazil in the next two years by 8.7%. The result is still meaningful at the 5% level, a statistical value taken as a reference for significance. In the model of the physical security of people and goods, granting high marks increases the chance of investing in the country in the next two years by 4.6%. Significance reaches the level of 10%, a less rigid value, but also widely accepted as a paradigm of significance.

Therefore, the data allow us to generally infer that the desire to invest in Brazil is affected by the assessments of the Brazilian Upstream. The two

variables presented are significant, with a greater prominence for Political Stability.

VI. CONCLUSIONS

The study constitutes a comprehensive view of the attributes of the Brazilian natural gas and oil sector and of the country itself, identifying strengths and weaknesses in four central themes: trade, regulatory, prospectivity and business environment. The methodological tools used seem to have been consistent with the intended purpose, making it possible to elucidate questions, statistically confirm current opinions and obtain original information. The conclusions indicate that the Brazilian Upstream, in the perception of industry stakeholders, exerts considerable influence in attracting investments, despite its unstable performance. It is assumed that the country has lost part of its capacity to motivate investments due to:

- i. Changes in its regulatory apparatus were not considered a necessary evolution, but are elements of instability and uncertainty which ended up obstructing the process of exploratory block bidding rounds for five years. That is the case of the law that assigned Petrobras the role of the operator in all blocks of the Pre-salt, with a minimum participation of 30% in the winning consortia. This arrangement altered the symmetry that existed between Petrobras and the other companies and changed the competitive environment of the sector, altering the isonomy that prevailed through the concession auctions since 1999. Although it is a controversial subject, that arouses nationalistic passions, a considerable part of the respondents seem to have considered that the process of change occurred in an untimely manner;
- ii. Deterioration of the economic environment and political stability. The country has had one of the biggest crises in its history in the last five years, combining economic and political aspects. The political crisis culminated with the impeachment of a president; the economic crisis was mixed with a major corruption scandal, initially centred on Petrobras, and investigated by a task force of institutions, which resulted in arrests, ousting and arraignments of hundreds of politicians and businesspeople. In 2015, the rise of Vice-President Michel Temer, whose mandate was marked by accusations, did not pacify the political environment; and
- iii. Fragility of the outcome of trade issues and certain regulatory variables and the business environment emphasize structural and bureaucratic obstacles that undermine Brazil's capability to attract more investment and remain as tasks of the economic agenda. Despite significant advances in several

fields, from the perspective of a relevant percentage of respondents, the Country has not yet solved issues that place it as a not entirely business-friendly environment, although of high potentiality.

On the other hand, the country has highly encouraging natural conditions for investment, such as its geological potential offshore (mainly) and onshore. The availability of resources for R&D, guaranteed by the 1% Clause of the ANP, combined with a sophisticated trajectory of the sector's supplier of goods and services and with the vigorous investment program of the leading operators, especially Petrobras, has the potential to promote vigorous growth of the sector, aiding its international competitiveness. Such a combination can bring significant results for the development of the country. That was the case with the four largest oil service industry hubs- the United States, the United Kingdom, Norway, and France-which began by promoting efforts to explore and develop national hydrocarbons and made those countries more attractive for investment.

As Bret-Rouzaut and Favennec (2011) argue, "the UK oil services industry has been developed internationally in tandem with its success in the domestic market." Norway had a shy start in the 70s, but by cooperating with other countries, learning from their experiences and adopting policies to support the "infant industry," it achieved esteemed technological empowerment by using its market as a springboard for its international expansion (RYGGVIK, 2014 and GUIMARÃES, 2011). In France, an oil-poor country, the state has played a crucial role in the internal growth and development of the para-oil services industry. Brazil, on the other hand, needs to ensure isonomic conditions of competition to Brazilian suppliers, not only for improving the business environment but also for macroeconomic issues such as taxes, interest rates and foreign exchange (CNI, 2019).

The determinants of complex decision-making processes are usually plural and interrelated. The single explanations are not enough. If, however, we attempt synthesis, we must recognize that in the oil industry, the risk-reward binomial is treated differently compared to other sectors of the economy. Thus, although all 25 variables have been carefully chosen and have an intrinsic value to characterize the perception of attractiveness, a hierarchy from the Pre-Test with 25 experts from the sector places two of them in the first positions: offshore and onshore geological potential. The third would be political stability. Logit analysis, thereby, confirms the importance of political stability and identifies the relevance of the physical security of goods and people (the closely related variable to political stability).

No other sector is capable of rewarding risk as oil does. Evidence for this is that even countries with fragile institutions and even those in civil war, such as Iraq and Libya, are able to attract investment if their relevant geological variables (volumes and dynamics of accumulation, for example) are good and whether general market trends (oil price and demand for derivatives in particular) are favourable. Despite receiving investments, these countries pay a high price because companies usually use a discount rate that reflects the degree of risk involved.

Therefore, despite unfavourable assessments in several variables, Brazil meets unique conditions due to its geological potential, especially offshore. If the potential attributed by nature is considerable, however, it is up to the country to improve institutional conditions. The geological predicate must not operate on its own and must be in line with other favourable attributes, since all these conditions can help the country increase the share of government oil income and enable an ambitious natural resource exploration model, capable of internalizing the benefits of this wealth widely. Therefore, an agenda for improving attractiveness is needed, since the resources of oil and natural gas, if properly applied, have the potential to make Brazil a more egalitarian country, prepare it for energy transition and improve its goods and services industry, making it competitive internationally.

Attractiveness matters and can materialize in increasing a nation's oil income and multiple other benefits; however, a warning is warranted. As Stiglitz (2005) states, generally countries rich in natural resources perform worse than those with smaller amounts of resources, but not all have the same fate. Forty years ago, Indonesia and Nigeria had similar per capita incomes, and both relied heavily on oil revenues. Indonesia's per capita income is now four times higher than that of Nigeria, which has even fallen. There is a vast theory about rentier states. The question is also addressed by Evans (2004) in his definition of the Predatory State from the example of the Democratic Republic of Congo (ex-Zaire). That seems to be the reality of some municipalities in the Northern *Fluminense*²²²⁴, where resources from oil royalties while potentially vital have not transformed poor municipalities into prosperous and sustainable economies on their own. An extensive set of studies in Brazil and abroad shows that not only is there no direct correlation between oil wealth and economic development, but in many cases, there appears to be a negative correlation²³²⁵. By knowing the evils of the so-called

Curse of Natural Resources²⁴²⁶, it is up to Brazil to choose its path.

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²²²⁴ One of the six meso-regions of the state of Rio de Janeiro, formed by nine municipalities that concentrate oil production of the Campos Basin, especially Campos dos Goytacazes and Macaé.

²³²⁵ Details on the subject in Brazil can be found in Aquino (2004), Serra *et al.* (2006), and Pizzol and Ferraz (2010). To know the

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Radicals in the Globalization Debate

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Abstract- In this study, it is possible to define globalization by using a generally accepted approach, since Nakis will leave the phenomenon of globalization in many aspects. Globalization can be explained by technological developments which have economic, social, cultural, ecological and social dimensions and which are the driving force of them. Although the word origin dates back four hundred years when taken up with the historical process of globalization, it came to light in the 1960s and became a subject of much debate with the 80s. It has been accepted by the scientific world in the 90's and is now being treated as a common resource. In the study, approaches to globalization are discussed in the form of tripartite grouping. On the other hand, globalisation has experienced a long-term historical process with uncertainties in itself, it has shaped modern societies socially, politically and economically, and is the driving force of this process.

Keywords: globalization, radicals, skeptics, transformers, technology, international firms, economy.

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Abstract- In this study, it is possible to define globalization by using a generally accepted approach, since Nakis will leave the phenomenon of globalization in many aspects. Globalization can be explained by technological developments which have economic, social, cultural, ecological and social dimensions and which are the driving force of them. Although the word origin dates back four hundred years when taken up with the historical process of globalization, it came to light in the 1960s and became a subject of much debate with the 80s. It has been accepted by the scientific world in the 90's and is now being treated as a common resource. In the study, approaches to globalization are discussed in the form of tripartite grouping. On the other hand, globalisation has experienced a long-term historical process with uncertainties in itself, it has shaped modern societies socially, politically and economically, and is the driving force of this process., we see all three approaches in the globalization debate as Transformers who express that they are treating the states as a new sovereign regime and that globalization is reforming civilized societies and the world order. The importance of the views of the radicals and their contribution to globalization will be addressed by making comparisons by adopting the views of the radicals and taking into account the contributions of the radicals in this dizzying process.

Keywords: globalization, radicals, skeptics, transformers, technology, international firms, economy.

I. INTRODUCTION

Globalization is the first economic, social, cultural, ecological, social dimension and most importantly, the driving force comes to mind as technological developments. The intensive economic relations of the countries in the world of globalization to each other with mutual dependencies, increasing the speed of transport with the development of technology that creates this awareness of this interaction, expansion, unlimited free movement, thanks to the world who are caught in time and space, interact with each other by integration by creating public value in the country to gain citizenship as an identification can be made. In addition, radicals, skeptics and transformationists in the globalization debate, we see that it has a close relationship with globalization, giving it a new dimension. We will try to explain globalization through these relations by referring to the radicals, which are the dimension of globalization, but also to the skeptics and transformers by comparing them with each other.

On the one hand, the world economy is far from global, globalization is not a new phenomenon, similar economic relations in certain periods of history have

been even better, most international firms are nationally based, today's developments have been experienced in the century before, the radicals stating that the world has become completely without Borders, National states with international firms have lost importance, on the other hand, that there was a very different era in the economic sphere, the political power that appears as the main force behind globalization, the historical process of globalization alive to the contradictions of globalisation in the context of global civilization and the global market as they took their place in the global debate looked at who they are recyclers.

After the definitions, the aim of this study will be on the extremists, in other words, on the approaches of globalization. Firstly, globalization radicals, skeptics, donusumcu after the identification of the radicals took up the determination of the size of globalisation, and made comparisons with recyclers skeptic of globalization, the importance and contribution of radicals radicals we will complete the topic by trying to explain.

II. DEFINITIONS AND HISTORICAL PROCESSES

a) Definition of Globalization

Globalisation has been a subject of much debate since 1980, even though the process of globalization is mentioned in the explanation of all the developments in terms of social, economic and environmental aspects. The fact that there are different aspects of globalization also leads to diversity in definitions. Globalization in economic and political decisions of the states change, technological advances, the acceleration of communications and transport, the influence of society's cultural, economic, political, globalization can be defined as the integration of interaction deeper and more versatile. Globalisation is a new concept, even if the global definition is at its root four hundred years ago. Although this concept first came to light in the 1960s, it started to be expressed many times with the 1980s and became a word accepted by scientists in the 1990s and today, globalization is a common source. Globalization has become a topic of discussion in the political and scientific fields of today with rapidly developing political, economic, cultural and technological steps. In today's world, a new economic structure has emerged in which national cultures and economies have changed with globalization. As a result, cultural, sociological, economic and technological integrity is experienced. This huge scale of development and change, along with

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the developments in communication and transportation in the last quarter century, has spawned new approaches. (Cebeci, 2011; Celik, 2012) it does not seem possible to make a general definition of globalization. However, globalization is a new concept. Although globalization has experienced a historical process, it has become a dizzying dimension in the social, cultural, environmental and especially economic fields with the 1960s. It has achieved an economic, political, cultural and technological integrity throughout the world, and with these developments, new approaches to globalization have emerged.

b) *Historical Processes of Approaches to Globalization*

The formation phase of globalization is the 15th in Europe.18 from the early part of the century. it went on for half the century. At this stage, nation societies gradually emerged and the international structure of the Middle Ages disappeared. The area of activity of the Catholic churches expanded. The idea of individualism, views on human relations came to the fore. The second phase of globalization, the initial phase, is the 18th in Europe. it continued into the 1870s to the times after half the century. Initially, there were drastic changes of direction in the direction of unitary state structures. The idea of formal, transnational relations developed and the individualistic thought structure was formed, and more concrete human thought structures were established. Legitimate agreements on international codification and communication were made. Between 1870 and 1920, the rising phase of globalization, the problem of modernity began to be the theme for the first time. Ideas about national and individual identities emerged. A few non-European societies were incorporated into transnational society. The globalization of communication has increased and global competitions, organizations, competitions such as the nobel Prize have come into play. Beginning in the mid-1920s, the fourth phase, which lasted until the end of the 1960s, began the struggle for hegomania. However, the league of Nations and the United Nations were established afterwards. The principle of national independence was adopted. Conflicting views of modernity were introduced, and thus the third world began to become clear. The fifth phase of globalisation, a phase of uncertainty, started at the end of the 1960s and went into crisis in the early 1990s. In the fifth phase, when the Cold War finally came to an end, the themes of freedom and rights began to emerge. Global institutions have proliferated, and the number of communication tools has grown dizzyingly. Transnational culturalism and ethnic problems became more of a problem in the fifth phase of globalization. The international order has gained more fluidity. Human rights have become a global problem. (Dumanlı Kürkcü, 2013) we are witnessing a long historical process of globalization. With the first phase of globalization, the formation

phase, the structure of the National Society has begun to show itself a little bit. Second, at the beginning stage, we refer to human ideas in the spiral of individualism thought. In the third rising phase of globalization, the problem of modernity began to emerge, and thoughts on nationalism and personal identity emerged. At this stage, we are witnessing the progress of globalization in the rising band, as various international organizations and competitions are seen to take place. We can now see that globalization has become more evident with the ascension phase, that the struggle for hegemony is now inevitable, in the fourth phase between the 1920s and 1960s. However, we have to state that the principle of national independence is accepted by the establishment of the league of Nations and the United Nations. In the fifth phase of globalization, we can say that human rights now appear to be a problem on a global scale while witnessing the increase of many global institutions, the increase of international culturalism, and the emergence of themes of freedom and rights.

c) *Definitions of Approaches to Globalization*

The approaches to globalization have been discussed by Anthony McGrew and David Held, who have conducted research in this direction, through a tripartite grouping. The first of these approaches has been described by researchers as hyper globalist approach, the second as sceptic approach, and finally as evolutionary - transformational approach (Transformationa list). First, if we take the radical globalists, they say that in human history, nation states have become a model of a state that has lost its importance and has lost its function economically. Thus, state structures based on national economic foundations explain that nation states are put into a small pattern in the enormous economy offered by large globalized firms and companies that lose their functionality under the influence of transnational trade and market networks, with only a role in the transfer of trade transactions. According to the radicals, economic globalization has created social organizations in new areas, and through them they claim to have replaced nation states. Multinational financing companies now have far more effective positions than the states. Signs that national governments are beginning to have serious difficulties controlling their borders. With globalization, it is observed that states can easily achieve cooperation in the transnational sphere, people of different states have come to be aware of common interests through the blessings brought by the communication infrastructure of the increasing globalization, and that they have formed a common ground in the emergence of a global civilization. The radicals express that globalization is the truth and will have an effect everywhere as a result. They claim that global capital is now much more developed than in the 1960s and 1970s, and that this global market can be evaluated above the state. In this way, they state

that nation states have lost their sovereignty and political will seriously and that the policies of nation states have no capacity to influence the economic relations of international companies. They say that a new world order has been created for these reasons and that national governments cannot take part in this world order. (Dumanlı Kürkcü, 2013; Sonmez, 2006) researchers looking at globalization in different dimensions went to explain these dimensions through three approaches. One of them is extremists, also called extremists. According to the radicals, they say that globalization is a phenomenon that can no longer be given up. They state that globalisation affects and integrates all societies in a dizzying way, and that it is impossible to give up. With this integration, common cultural structures and common interests of people in different cultures have begun to emerge. They say that globalization is now a reality, that it is felt profoundly everywhere, that a global civilization is occurring. They claim that with globalization, international firms, and trade networks, nation states have become ineffective, dysfunctional, and even transnational corporations have replaced nation states. Now national states have become minimal states that take shape in the orbit of global corporations. Thus, according to the radicals, a new world order has been formed by globalization.

Second, skeptics, in other words, skeptics, are very opposed to globalization. They point out that globalization actually happened a century ago, that there were no economic limits at that time, and that what is happening now happened before. They claim that the damage of globalization destroys the welfare state, that its purpose is an act to replace the minimal state, and that it will not cause integration in these aspects, but to cause strife between various cultures, civilizations and regions. According to skeptics, today's international economy is not dissociated from its historical development. Although the international market today has no greater integrity than in the historical range of 1870-1914, transnational companies are now less numerous. Many institutions are national state-based and trade in terms of their production and sales force. Although the following is understood from the mentioned cases, such cases show that. It can be said that World Trade is far from globalisation. This is because market mobility is looking towards employment from developed states to developing countries. Commercial and economic activities are most concentrated around European countries, Japan and North America. For these reasons, it is possible to say that these countries have the will to exert serious administrative pressure on undeveloped countries. (Sonmez, 2006; DumanlıKürkcü, 2013). The sceptics of globalisation say that there is no globalisation or that it covers some regions and countries. It states that the phenomenon called globalization was experienced a century ago, and that there were no economic limits at

that time, and that whatever is happening now is happening at that time, and even more is happening. It states that there are very few international firms mentioned in the scope of globalization, and that they act under the direction of national States, and that the reason is a trade movement from developed countries to undeveloped countries, and that these aspects are regional axis. As a result, the phenomenon called globalization is seen as the product of the willingness of developed countries to exert serious political pressure on developing countries.

Third, they express that they see globalization as the driving force on the axis that shapes and transforms modern societies socially, politically and commercially. The historicity of globalization is contradictory and fraught with ambiguities. According to other views, the Transformers do not have a claim to the future nor do they draw a forward map for it. They do not consider globalization as part of global civilisation or global trade. They state that globalisation has experienced a long-standing historical process with its own uncertainties. While they do not express that globalization has gradually transformed the world into a single society, they mention that some societies are similar to each other through globalization. In the global context, transformationists view States as a new regime of sovereignty, defined by less geographical boundaries and shaped by more complex international networks. They say that globalisation is the power behind the rapid social, political and economic changes in the reformation of civilised societies and the world order, and that there can no longer be a clear distinction between countries in terms of internal-external or transnational-national relations. Signs that sovereignty is defined by more partial geographical boundaries and shaped by transnational networks. They say that the world is not seen as a monolithic society, that some countries have similar qualities, but that some countries have become more marginal at a new global level. (Cebeci, 2011; DumanlıKürkcü, 2013) the other dimension of globalization is also transformational. The Transformers see globalization as a trigger force that transforms modern societies commercially and politically, not only do they address the very complex and long history of globalization, but they do not draw a forward-looking map. They state that globalisation does not offer integrity, that there are contradictory changes between regions, only that some countries are partially similar to each other. The Transformers state that a new sense of sovereignty has also been adopted in the states within the scope of globalization.

III. COMPARISONS

a) Instructions

First of all, if we take the issue through the mentioned radicals, it is understood that not only have

national States lost their importance with globalization, but their national policies have no value in the face of international financial forces. With globalization, transnational markets began to function as stronger and more rational than national States, and local and regional formations within the scope of transnational markets also weakened the power of the national state. Given that, according to the radicals, national States had many prior powers in their commercial and economic activities, these powers began to flow into transnational finance through globalization. The phenomenon of globalization is now creating a world society that makes the existence of a nation state forget. With integration between states, a global civilization is being established by providing us with awareness of common interests.

Skeptics, on the other hand, stand in front of all these thoughts and approach every issue with suspicion. They claim that globalization is not a new phenomenon and state that the developments experienced by the radicals are being exaggerated. 19. they express that there is more trade and money mobility in the century than today. They claim that the commercial and technological innovations that are happening now, called globalization, are not a phenomenon that is finally being revealed, but rather an ideological attitude. As a result, they say that the power of the state in the field of trade continues and that it is the strongest actor in the market. The purpose of the radicals is to demand a minimal state in the context of globalization. According to skeptics, globalization has not brought a civilization, but rather it has riveted radical religious and ultranationalist ideas and laid the groundwork for their emergence. (Kartal, 2012) if we take globalization through the mentioned radicals and skeptics, it is immediately clear that the skeptics do not approach globalization in a sincere way. What should be mentioned here is that the sceptics approach globalisation from a cursory perspective. The reason is that globalization is so intertwined with today's world that technological and commercial developments have reached enormous heights. For example, 19. all of the goods and products introduced to the market in the century have now become producible in a week. These dizzying developments have not only rendered the skeptics' claims unfounded, but have become fully accepted by all sections of society. Although it is claimed by skeptics that international firms neutralize national states, nation states should not consider their own economic policies and commercial developments independently of transnational companies. Moreover, the policies of all transnational corporations have to be kept up with the nation states, so to speak, otherwise they would be deprived of their share of the global pie as a society. It should also be noted that nation states, referred to as minimal States according to skeptics, will show progress in areas such as education, health,

trade, technology and employment if they can integrate with globalization. With the investment of an international finance company in the nation state, it is obvious that the country will achieve a complete transformation.

Previously mentioned, it has been said to transformers that globalization is the political force behind social, political and economic changes. The Transformers declare that there is no difference between domestic and foreign policy anymore. In these aspects, they are understood to hold a similar view to radicals rather than skeptics. Countries and societies are becoming interconnected in a way that has never happened before. Because of their great transformation, it is understood that every state in the world is becoming re-structured with their interdependence and the powers, functions and structures of national states. By addressing the importance of technology in the rapid dissemination of information, the transformers express that countries' interdependencies are emerging more in the economic sphere. They agree that the powers of countries need to be reshaped. In this respect, they are separated from radicals and skeptics as opinions. They are also known to be close to radicals rather than skeptics. (Kaypak, 2011, p. 21; Elyay, 2014, p. 8) he does not completely reject globalization like the skeptics, considering that the Transformers have similar aspects to the radicals. However, in the context of globalization, there are differences in the perspectives of the radicals and the Transformers on the states if the differences between the radicals and the transformers need to be addressed. Transformationists argue that states should be economically restructured in the global age. From this point of view, it is understood that the Transformers cannot break from the understanding of the national state to the consciousness of the nation. Global movement does not take place in countries where nation is conscious, and globalization cannot be evaluated within the scope of localisation. In this respect, the more widespread the understanding of the national state in a country, the more distant the global trade, the global markets can say that these countries. Because with globalization, countries are firmly integrated into one another with a phenomenon of interdependence. This phenomenon and interdependencies will cause the break-up of interdependence and interaction, as integration will disintegrate if separated by a new policy. Given the temporal phenomenon that covers the world, where globalization is so intense, each state will not be able to gain a place in the new world order within the context of local understanding if it approaches the subject with its own economic perception. The final result of this will be that they are transformed into statesmen who break away from globalisation who cannot benefit from global blessings.

b) *Defence of Radicals Against Skeptics and Transformers*

According to the radicals, the nation state, which is a product of industrial civilization, loses its importance with globalization. International capital replaces politics and works more rationally than national governments. The development of international capital brings with it higher rationality within society. Politicians and their fields of activity continue to be effective on a local or transnational scale, but they do not have the importance of influencing the movements of international trade. In many states, the fact that politicians cause despair over the people and that citizens have started to stay away from politics is a result of globalization. International markets are now far more effective than nation states. The weakening in the power of nation states is causing other regional powers to have more space and increase their effectiveness. According to the radicals, they state that the world society has started to take the place of national States and has begun to pave the way for new social formations. The group that opposes the radicals are skeptics. Skeptics regard globalization with suspicion in every aspect and declare that nothing is different in our lives now. The sceptics, looking at the previous century, say that at that time there was also a serious circulation of capital, goods and money. In spite of the strict national border controls put into operation by many states at the present time, they also say that citizens did not even use passports a century ago. According to skeptics, the current developments in removing international economic barriers 19.they say that it is a return to the developments of the century. They state that globalization is not a new process, it is a product of the ideology of the time we live in, it is nothing more than a term often used by some factions who aim to create the minimal state. (Sharp, 2016, p. 155) globalization is such an effective phenomenon that in today's world we can evaluate this process like a cascade that cannot be stopped in front of it. Therefore, it is impossible not to understand that the skeptics are mistaken about the approach of globalization. Because the technological, economic, social and cultural developments in the global process were experienced in what century ago, so that it can be seen that the interdependence of production increases the interaction. In today's world, every state wants to take advantage of the benefits of globalization in its own measure. It is impossible to explain how much States had interacted with each other in previous centuries, except in states of war and emergency. In previous times, the non-application of the passport between countries should not be seen as a reason for anti-globalization. In this respect, the lack of passport application remains to an individual extent, and the fact that this is a measure of the enormous economic relations between the countries shows the inconsistency of the skeptical approach.

The radicals point out that the market has gone global, that politics has substituted, that international capital works more rationally than national states. It means that national states are now dysfunctional and that today social structure is shaped according to the policies of international capital. The skeptics who oppose the radicals are precisely against globalisation. The sceptics claim that there is no change or innovation in today's world, and that globalization, which has emerged with economic and technological developments, is not a phenomenon, but an ideological view. On the other hand, the Transformers consider globalization as a derivative of the human mind in individual and community life with the idea of enlightenment as the re-transformation of national states. Globalization is the main force behind the social, political and economic developments that shape the new world order. (Günder, 2013, p. 192) the phenomenon of globalization is so important that transnational markets work with a rational system that is more systematic than national States and more accepted by society. National states lose importance by staying out of globalization on this axis. As national states lose importance, it is seen that international markets determine the transformation of the global world. The fact that skeptics refer to globalization as an ideological stance is due to their inability to see this huge transformation in technology and the economy as part of the globalization. However, technological and economic developments do not cover the whole of globalization, but can only be considered as dimensions to be dealt with in one aspect. Globalization covers so many areas that these are social, cultural, environmental and physical areas. Sceptics do not accept its technological and economic dimensions, nor do they consider its social, cultural, environmental and physical dimensions globally. The way Transformers handle globalization is an indicator of localisation. Globalization can only be considered in the direction of national consciousness in the thinking of the Transformers. This shallow point of view can be cited as a phenomenon that harms local states rather than globalization. Because it is obvious that local governments, acting with the national consciousness, will be weak and weak in the face of the totality of globalization.

According to the radicals, globalization is an irresistible and self-acquired process. In this process, States are unable to apply a policy towards protecting their trade and culture. The only thing that needs to be done is they need to find methods that can economise those in existence. It should be able to make the state's facilities an instrument of competition. If the state can meet these criteria, its prosperity will increase and it will be able to achieve peace. According to the radicals, the free international economy that provides globalization will bring prosperity, peace, mutual exchange and a stable legal system, ensure compliance with

international conventions, States will end wars with capitalistic and liberal democracy, and ensure interstate peace. The sceptics oppose the radicals, saying that countries are divided into blocs by globalization, that blocs such as the European Union, the Asia-Pacific Partnership and North America are forming, and that these blocs are making undeveloped States increasingly powerless. According to Transformers, globalisation creates a multifaceted bond among citizens, creating a tremendous interaction when the framework, speed and depth of these bonds are considered. Social, political, and economic institutions had to change, finally something to explain this that it is not possible for now, that should not be considered as one dimension of globalization, as integration implies uniformity and separation and differences that occurred. On the one hand, transnational societies such as the United Nations are formed and on the other hand, new national states are formed by separatist ethnic conflicts. Therefore, although ties and interactions are linked all over the world by a single global method, as a result, it is necessary to consider that the allegiance between these countries leads to a great degree of inequality in wealth and power. (Özkul, 2007, p. 623-624) as the radicals mentioned, national States should prepare themselves for the economic, political and cultural environmental organizations that are built on a huge scale without imposing restrictions on their economic and political structures such as national economy and national culture. Considering that globalization is an irresistible process with the limited perspectives of skeptics and transformers, it is obvious that countries will not be able to take part in these massive organizations. The rationality of the global market, increasing competition in production, and considering the interdependence of countries on one another, States in the global dimension need to find ways to become a cog in the Big Wheel.

IV. CONCLUSION

Globalization is an indispensable phenomenon of the world civilization that we face with all its dimensions in today's world. States should address their policies, economic relations, cultural structures, physical conditions and environmental conditions within the scope of globalization. In international competitive markets, countries should have a place for themselves in large-scale trade relations. Globalization and interdependence relations that are based on this interaction which is the driving force of globalization with the development of technology and the speed of developments, the benefits that arise with the free movement afforded by the possibility of unlimited time and space, shrinking the world and with jam it is obvious that the result of integration is inevitable for all countries of the world. Considering the benefits of globalization, mutual economic relations are seen as the interests of

countries. Economic prosperity gives rise to happiness no matter what country or region lives in. It is the phenomenon of globalization that will sustain this prosperity. With globalization, as the prosperity of countries increases, poverty will decrease in society, and individuals will be allowed to live a freer, more spacious life. The countries living on the world, which are integrated with their economic, social, cultural, physical and environmental dimensions, can overcome many problems through globalization. Common problems can be discussed and common solutions can be produced. In this respect, it shows that the whole world is a livable place for humanity, bringing prosperity and happiness. In this respect, radicals give a different dimension in understanding and supporting globalization. Thanks to the radicals, it is understood that with globalization, the world has become a small village with no borders. Globalisation takes an approach that embraces the whole world like a spider's web, integrates States, intensifies their relations, makes them dependent on each other, is far from separatist ideas, and is based on prosperity and development. To perceive events in one direction through the eyes of skeptics or transformationists and take a accordingly approach can be explained by not seeing or ignoring globalization. Globalization is not the same as what happened before the century, nor is it such a huge phenomenon that nation states cannot determine national policies and put them into practice in the form of national consciousness. The fallacy of displaying a national understanding of the state or integrating international policies into the national understanding of the state contradicts the vision of a transnational mindset and brings about a shift away from the phenomenon of globalization. In this respect, the integrity of the views of the radicals with globalization is seen as a point of view in terms of how necessary globalization is. In terms of radicals, the welfare level of the countries integrated with globalization is high, economic, social, cultural, physical and environmental contribution to the world and also consists of a whole of organizations that benefit as much. For all these reasons, when the thoughts of the radicals are taken up with the dizzying developments of globalization, it is obvious that they will be better understood and utilized in the future.

Authors Declaration

I declare that this study is an original research and I agree to publish it in the journal.

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A Review of Business Process Management using four SAP Implementations at Smithfield Foods Company

By IGU Dilmini Rathnayaka

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Keywords: *business and IT configuration, business process reengineering, sap implementation.*

GJMBR-G Classification: *JEL Code: L83, M10*



AREVIEWOFBUSINESSPROCESSMANAGEMENTUSINGFOURSAPIMPLEMENTATIONSATSMITHFIELDFOODSCOMPANY

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Keywords: business and IT configuration, business process reengineering, sap implementation.

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I. INTRODUCTION TO SMITHFIELD FOOD COMPANY

The Smithfield Foods was initiated by Joe Luter as Smithfield Packing Company in 1936. The company was built in a little village called Smithfield and the main office is still located there. The business was functioned as family business till 1969, and Joe Luter III, sold the company to the Washington, DC-based Liberty Equities Corp. Later, Luter was dismissed from Liberty Equities and the present meatpacking sectional company is conducting as the Smithfield Foods. Mr. Luter was joined again as the CEO of the company as a result of the distribution of the business process to embrace optional functions and arise of financial complications in the middle of 1970. With the arrival of a new CEO, the prospect to repurchase the company section as its initial selling price was recognized by him. With the re-obtain of the company, Luter was able to minimize the debt of Smithfield by selling non-pork operations (restaurants and fishing business) while starting to expand its major operations through obtaining the ownership of a chain of regional wise companies. Gwaltney Foods was the first company acquired by Luter which considered as the main competitor during 1981 and it was the main acquisition during the next 25 years plus Patrick Cudahy Inc., John Morrell & Co, Eckrich, Farmland Foods, and some more livestock and food processing companies. During 1969, Smithfield able to conduct US\$20 million sales while during 1995, the company distributed its products worldwide and earned more than US\$1.5 billion annual gross income (Shaltayev & Hasbrouck, 2019). With acquiring ownership of Carroll's Food company in 1999 as well as the ownership of and Murphy Family Farms during 2000, Smithfield became the top of the world's best pork manufacturer.

During 2003, Smithfield company managed 27% portion of US sales in the pork processing industry (Mergent Online, 2020). Numerous numbers of piggy farms where the pigs were bred or propagate and meatpacking sectors where the pork was distributed and processed were owned by Smithfield. The trucking company which functioned the order delivery to customers was owned by Smithfield and sold it due to transportation not considered as major company

competency. At present, ordinary carries and leased tractors are contracting to circulate meat products to Smithfield customers and shift livestock and raw materials among the operating sections of the company. During September 2013, the company was able to buy the China based Shuanghui International Holdings Limited (current WH Group Limited) spending US\$4.7 billion (Shaltayev & Hasbrouck, 2019). This gain didn't bring expected changes to Smithfield's information systems. but it could mention as an opportunity to expand the products into the Asian market The China-based Shuanghui International Holding Limited was able to gain the winning opportunity as the biggest buyer of pork foodstuffs and during 2012, their claim was about 52 million metric tons. For the countries, for instance, China, Mexico, South Korea, etc were enhanced their yearly ingesting of meat like pork, chicken about 2.67% from 1990 to 2008 (H. Ritchie and M. Roser, 2020). The Shine way group which is a pork business of WH group in china functions more than 30Celsius high and low-temperature processing sections in different areas. These all the functions conducted by the company's

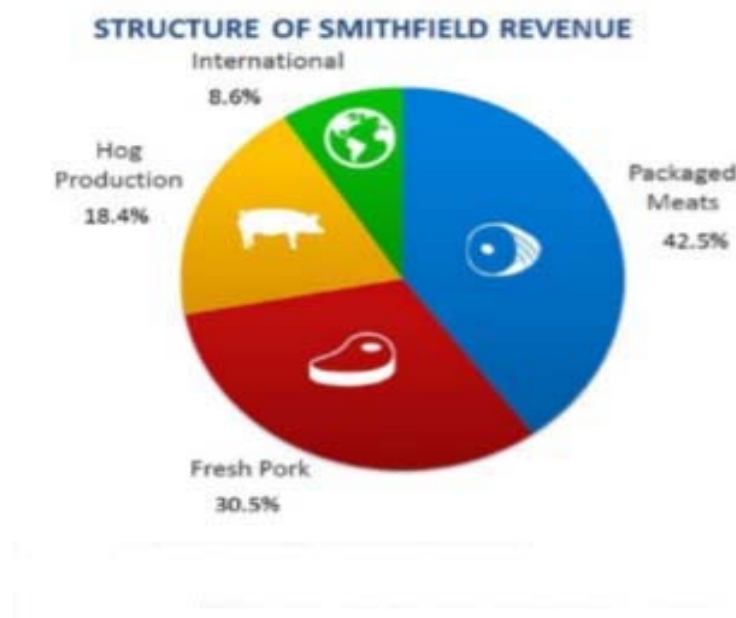
own custom legacy Enterprise Resource Planning (ERP) system. Smithfield food company could recognize as a continuous process company when considering a repetitive operation, a large quantity of products, longer series of operations, a high cost of operation, etc.

II. SMITHFIELD FOODS COMPANY STRUCTURE AND DISTRIBUTION

Smithfield Foods company structure and distribution Smithfield Foods' business structure and legal entity structure could classify into four categories as its business process in 2016,

1. New or fresh Pork
2. Packaged Meats
3. Hog Production
4. International

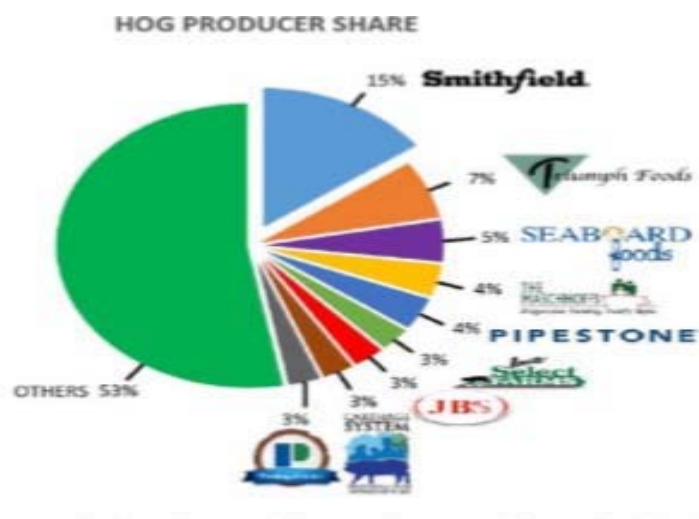
The main consideration of the case study is about fresh or new pork and packaged meats sectors, that denote more than 70% of Smithfield's earnings. (Fig.1)



Source SEC Annual Report, form IOK for the 12 month ended 3 January 2016.

Figure 1: Structure of Smithfield revenue

During the end of January in 2016, the earnings of Smithfield Foods was over US\$14.4 billion. The whole number of employees is 52000, and they are from countries like Mexico, Poland, US, Uk etc (Shaltayev & Hasbrouck, 2019). The Smithfield products were distributed to more than 40 countries. Although the pork product sector isn't the company's biggest division, Smithfield was able to become the largest Hog producer from the meat companies in US with the earnings about 2.8 from billion pounds of generated products and 14.7 million from pigs adopted annually (Fig. 2).



Source: 2016 Pork Powerhouses report by www.agriculture.com

Figure 2: Distribution of hog producing market in the United states according to the number of sows

Pigs adopted by Smithfield company denote partial of the company's demand and the rest half is obtained from farms. Smithfield's pork processing

company became the biggest meatpacking company around the United States. Fig. 3 depicts this properly.

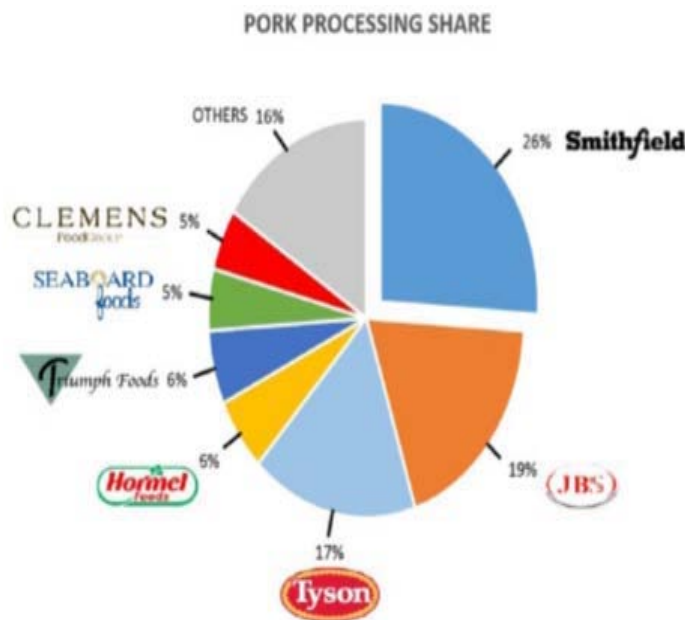


Figure 3: Distribution of pork processing market in the united states

Packed meat (bacon, hot dogs etc.) and fresh pork products (ribs, ground meat) are the core products manufactured by Smithfield. Third logistic companies are delivering Smithfield products to distributors for instance restaurants. Smithfield got the opportunity to grab the leading position from foodservice operators in the United States. Fig. 4 depicts the pork market share

by different companies in the US and the biggest portion owned by Smithfield.

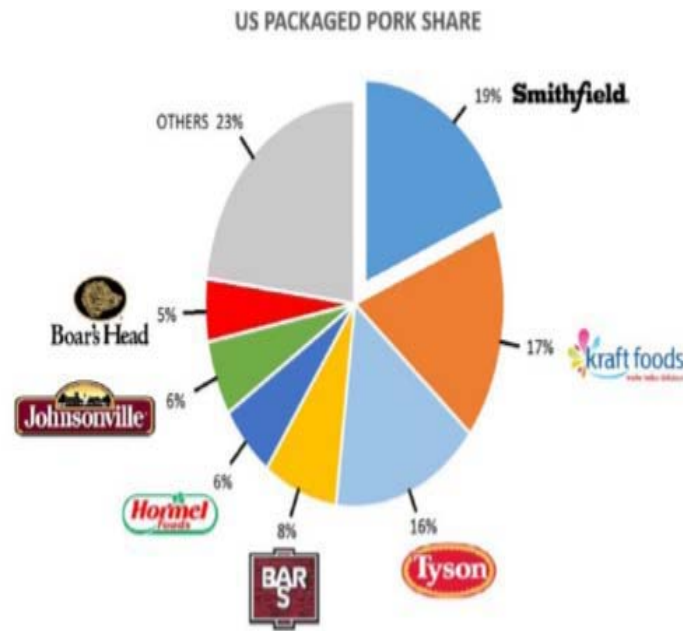


Figure 4: Distribution of packaged pork market in the united states

III. SMITHFIELD COMPANY PROCESSING INFORMATION SYSTEM BEFORE 2005

Smithfield's rapid dilation of business by the gains, that was begun from early 1980, developed the series of supply and subsequently the products. The sales of the company, enhanced from US\$864 million in 1986 to US\$9.267 billion in 2004 (Shaltayev & Hasbrouck, 2019). When the Smithfield acquired varied and more market share, the informational and operational problems were raised. Companies found various and problems that cannot be compared to each company that combined with system planning and information gatherings.

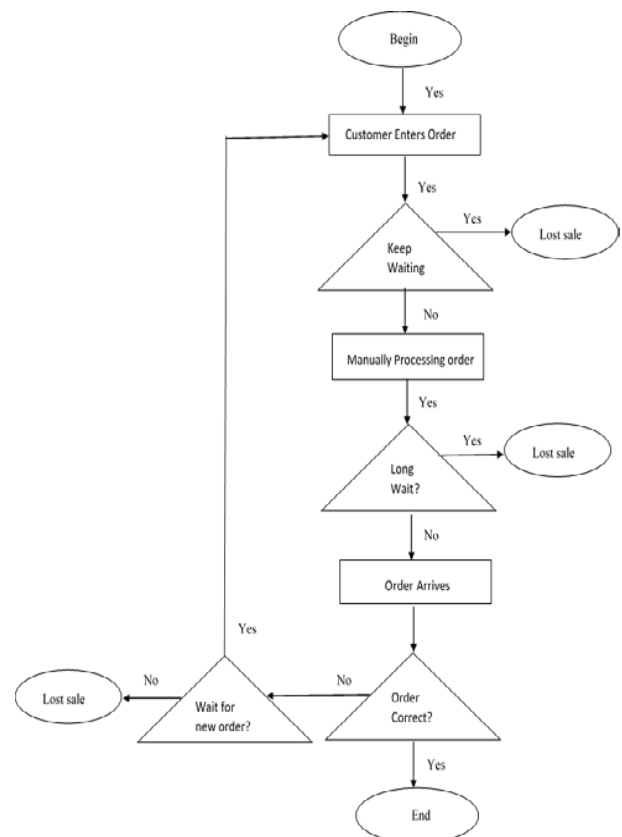


Figure 5: Flow chart of Company process before 2005

By 2004, the main three companies were considered as core three sections of meat production in Smithfield and they can be mentioned as Smithfield Packing, Farmland Foods, and John Morrell Food Group. Separately section consisted of individual

information systems and process management to operate the functions.

Order-to-cash (OTC) system was used prior to the SAP implementation during 2005 (Shaltayev & Hasbrouck, 2019). The system didn't consist of graphical user interfaces and developed using DIBOL programming language during 1970s and 1980s. The dBase database was used to accumulate information on completed inventory, WIP, and production, while the Excel work sheets used to mention the manufacturing costs. The "wall-to-wall" SAP R/3 4.7 was installed in late 2003, which was used to pork production and processing by the Farmland Foods company section.

a) *Fixing the OTC system at Smithfield Packing*

OTC System was established during 1970s and 1980s. The management team of Smithfield comprehended OTC system was not enough to support the operation in 2004. The reason was there were remained few programmers who understood the DIBOL language that used for system development and as well as system architecture was not familiar to them. Mansour Zadeh, who was the CIO at that moment, recognized the failure of the company's in-house OTC for new technological and communicational requirements from customers, suppliers, buyers and third parties. The system that developed before 1990 was not capable to relate with outside system interfaces, like Electronic Data Interchange (EDI). Due to the absence of informational abilities, operational tumors were raised even the Smithfield was able to gain operational and economic benefits through their strategic acquirements. The packed meats section noticed the hardness to exchange data among customers and employers as well as stakeholders. The changes or updates of the order management system were so much time consumed by the programmers to design, implement, test and apply for the production. The old legacy systems distinct only for standard Universal Product Code (UPC) information. The company was highly required to replace the OTC process with the new flexible system capable of tracking raw materials, WIP, and diverse production IDs.

IV. SAP IMPLEMENTATIONS

a) *First implementation: Enterprise Resource Planning (ERP) module*

Mansour Zadeh decided to commence a lead implementation of ERP module in 2004 at Smithfield packing section. Cohesive partners were joined to assess some ERP packages and commence the implementation of OTC process using ERP module. Several employee workshops were conducted to provide understanding about execution, activities, and business functions were operate through the ERP module in OTC process. The interconnected partners have conducted the OTC system giving results

occasionally with the use of workshops (Shaltayev & Hasbrouck, 2019).

Even though it was a better system there were some conflicts raised due to its higher maintenance cost. It could mention that ERP system implementation was a hazardous technology investment. Some companies implemented this system to fulfill customer needs and attraction without considering the financial profits. The OTC system capable to gain breakdowns even if there were 18% of ERP implementations used by the use consultants to contribute an entire software evaluation, and due to the diverse functional and operational facilities in Smithfield (Shaltayev & Hasbrouck, 2019). Considering these factors, during the middle of commencing the ERP system, Mr. Zadeh and a set of employees arrived at Farmland Foods company at Kansas City, Missouri, intending to gather information about the way of SAP use for production functions. With this arrival, the team was able to recognize the Farmland operating SAP R/3 system without bugs and it will work for Smithfield too. The team was there for seven days at Farmland, observing the system, the way of accepting and recording orders, shipment processing, invoice procedures and tracking payments, etc. Finally, the team selected the SAP system for the order management process of the Smithfield packing section.

After the arrival to the head office, the team a new SAP SD module, "Big Bang" approach was implemented replacing the old management system. The implementation was done in 2004 and the working team switched it in 2005, Labor Day. The implementation considered as succeeded due to on-time coverage and budget sufficiency. Smithfield was able to put by hundreds of dollars with this new implementation. SAP SD module made a way better system to connect Smithfield information with their customers quickly and comfortably. Smithfield was able to keep better OTC process by effective and quick communication, customer relationships through the SAP SD module which begin from customer orders and sales inquiries to shipping and billing the products.

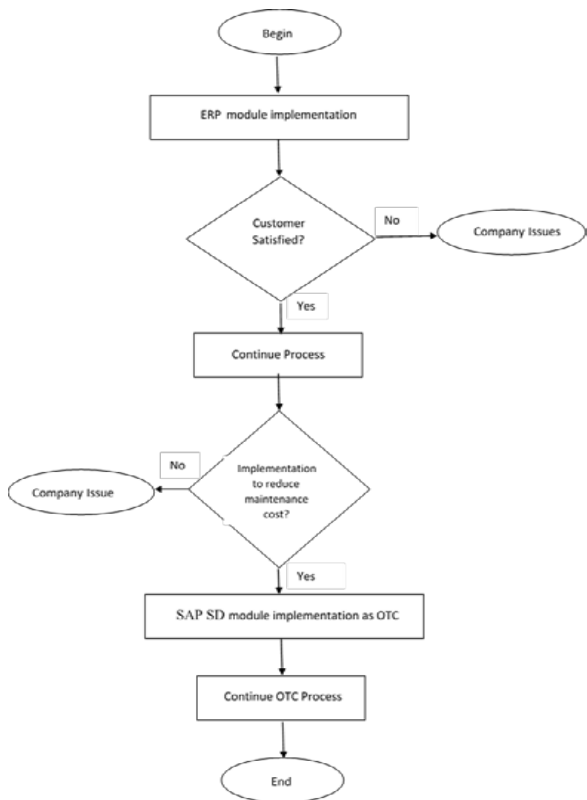


Figure 6: SAP SD module implementation

b) *SAP R/3 system: the second implementation*

In 2008, Gorge. H. Richter became the president of Smithfield Foods. He was an important role in Farmland company "wall-to-all" SAPR/3 system functions before joining Smithfield. Prior 3 years to 2008, Smithfield was implemented and used SAP SD module. Although Smithfield Packing section implemented an SAP SD module, prior 3 years to 2008, Richter hold an opinion about successive efficiency could earn from all operations and Smithfield Packing section required to implement a wall-to-wall SAP system to become successful (Shaltayev & Hasbrouck, 2019). Timely reports of productions, completed inventory, labor vacancies, scheduling are some incomes from this implementation with full operational transparency. Farmland was implemented a similar system namely SAP R/3 4.7 system and Smithfield decided to implement SAP R/3 module. That module consists of the following sections of Smithfield packing

1. Sales and Distribution (SD)
2. Materials Management (MM)
3. Production Planning (PP)
4. Financial Accounting (FI)
5. Controlling (CO)

With this implementation, a large section of OTC process was operated. During this period Smithfield Packing was functioning 15 meatpacking plants and the new implementation was accomplished

according to a specific and periodical schedule (two plants at a time, every other month (Shaltayev & Hasbrouck, 2019). All the Smithfield plants were implemented the SAPR/3systemwithin a year and the system was executed using enterprise-wide interconnected information systems entangled with a centralized database. This new implementation enabled to accomplish centralized production scheduling within the all plants, timely update of complete inventory and efficient customer relationship. Smithfield company was got the opportunity to easy generation of financial and managerial reports through this implementation. The better financial and purchase operation of the company and the inventory transparency was a benefit of this module.

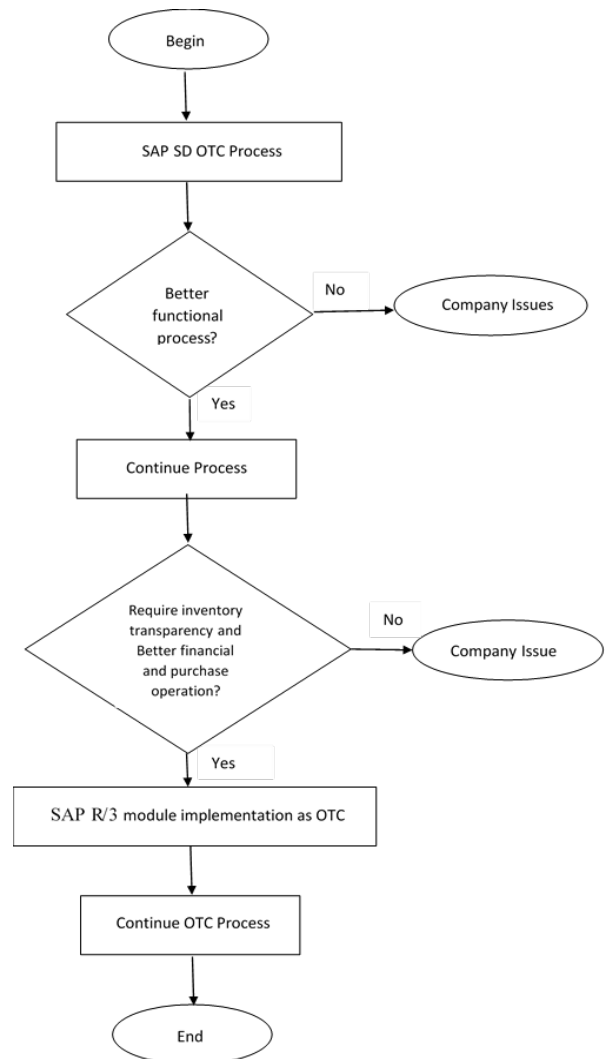


Figure 7: SAP R/3 implementation Third SAP implementation

With the new SAP implementation, both two Smithfield and Farmland companies were functioned using SAP R/3 systems, but they were not interconnected and operated individually even without enabling them to have visibility to each company

operation (Shaltayev & Hasbrouck, 2019). Smithfield Packing Company and Farmland Foods were got together in 2014 as Smithfield Farmland. With this merge, the new subdivisions, for instance, fresh pork functions, package meat, etc were raised and SAP R/3 system was extended to record completed inventory of Smithfield Packing Company while managing financial and managerial works, production functions and purchasing functions. Further, SAP R/3 module of Farmland managed financial and managerial works, production functions and purchasing functions of prior Farmland sub-companies. A new issue arrived with this: Farmland and Smithfield maintain the inventory separately and the system should be needed to combine. A special software installed to transfer inventory details and timely updates of inventory from Smithfield Packing SAP to Farmland SAP system. An audit sheet was provided after each inventory update to verify the sales.

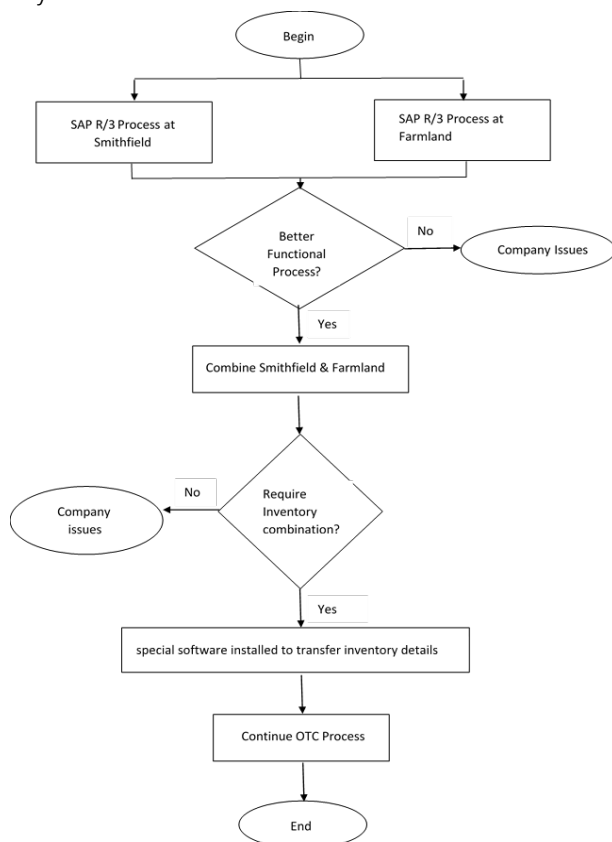


Figure 8: SAP R/3 implementation separately

c) "One Smithfield" (SAP S/4 HANA implementation): the fourth SAP implementation

"One Smithfield" strategic implementation raised during 2005 to interconnect Smithfield companies (Brands, operating companies, pork companies, etc) together (Shaltayev & Hasbrouck, 2019). Smithfield company intended to enhance the performance by increasing the efficiencies of transportation, logistics, product manufacturing, and market share. Multiple

orders should maintain to deliver processes due to the two implementations that separated in Smithfield and Farmland. The transportation expenses were high with logistics. The Smithfield head company wanted to reduce their expenses, reduce paperwork and logistics. A clear transparency of the inventory system across entire business units and the customer facility to buy the products from the nearest plant while reducing the transportation cost were some main intentions expect from this implementation (Shaltayev & Hasbrouck, 2019). The Smithfield team decided to implement a new SAP S/4 HANA platform. SAP S/4 HANA, primarily released in February 2015 and it was the largest update of SAP ERP. SAP S/4 HANA system consisted of random-access memory (RAM). This special feature allowed the HANA system to accomplish timely data analytics and data reporting. The entire operation of the company by a single system was the major benefit of this system and numerous facilities for process management as one another benefit. Present, the Smithfield company finalized the implementation and the distribution process is in the middle. The continuous acquisition of sub-companies related to fog industry and company business growth were some other gains from this system. Smithfield was able to win the "One Smithfield" structure and effective and efficient information system while connected plants and brands without using ERP system.

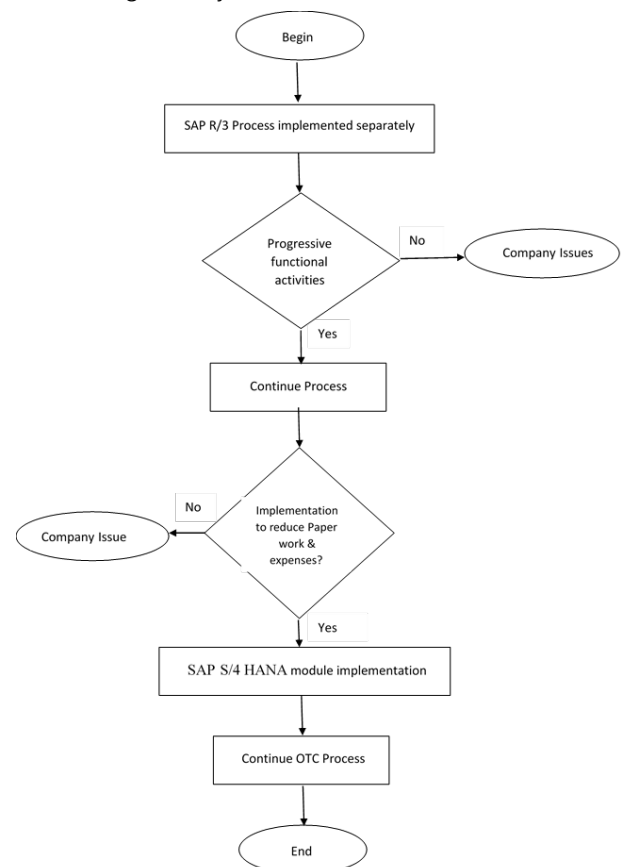


Figure 9: SAP S/4 HANA implementation

d) *SAP implementation challenges at Smithfield*

1. The cost that will spend to customization and configuration was a major challenge to Smithfield.
2. The company-wide ERP system was highly time and resource consumed to process the functions.
3. Until the last implementation, the Smithfield used several implementations which were complicated for the employees as well as for the management process.
4. The developed computer technology and languages strictly influenced for Smithfield for database management as well as when shifting for new implementations.
5. Lack of system-based knowledge to control the system by employees is one another challenge.

e) *System customization and third-party software integration*

SAP third party packages were developed to allow the data exchange among SAP and packages through programmatic interfaces. The ability to back communication and data exchange between the external package and SAP system was a feature of programmatic interfaces. These interfaces are permitting by implementing and configuring middleware. The production data must enter to the system when it

completed. This process needs a production execution system to obtain material data to choose the right product ID from SAP system. When the product ID was chosen, the product mentioned quantity, batch Id and related information required to arrive for the production execution system, and these data must deliver to SAP and notations should store in the database (Shaltayev & Hasbrouck, 2019). The SAP system will create product bill and deliver them to the production execution system for printing. Interconnected third party software with SAP allows to similar data exchanges. Even though the packed products contain a little difference, all the products are selling by the same price to customers. This generates bugs between sales, logistics, billing/accounts, and productions. This issue was influenced not only for Smithfield but also for companies of livestock, meat, dairy, fruits etc. The products were required to sell by the count and invoiced according to the weight of unites. SAP and EPR systems were not able to sell the products according to the unit weight and did not consist of the managing procedure. Catch Weight Management (CWM) system became the solution for these bugs. CWM system capable to do shipments according to product count and product weight.

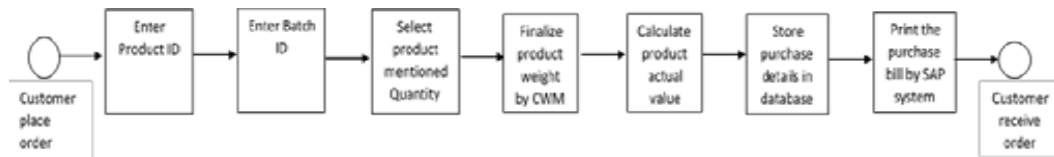


Figure 10: Business Process Model and Notation of CWM

Lack of implementation control and central authority could mention as "no one is in charge." And it influences to unclear deadlines, lack of assign to responsibilities, and deficient tracking of progress. The followings are the basic four sectors of this model

1. Business functionality group
2. Technology group
3. Organizational change management (OCM) group
4. Deployment group

Each sector assigned to specific responsibilities. The OCM sector assigned overall communications with the business team under the categories like status o process, new distributions, and training the end-users to new operations. The technical group is assigned to the implementation of technical functions including SAP system variations, the interconnection of ABAP programming through SAP with third-party applications, and installation and execution of servers and databases. Business functionality group assigned to cooperate and convey with the councils and implement business processes. The main responsibility of the Project Management Office (PMO) is to report the

timely running of the system inside the budget. The project steering committee denotes by the third level of cooperating in the governance model. Project steering committee assigned to add a statement about the reviewer condition of SAP system. The regular management of SAP implementation was not assigned by both project or process and executive steering committees (Shaltayev & Hasbrouck, 2019).The governance model is a strategic model to overcome issues in Smithfield process management.

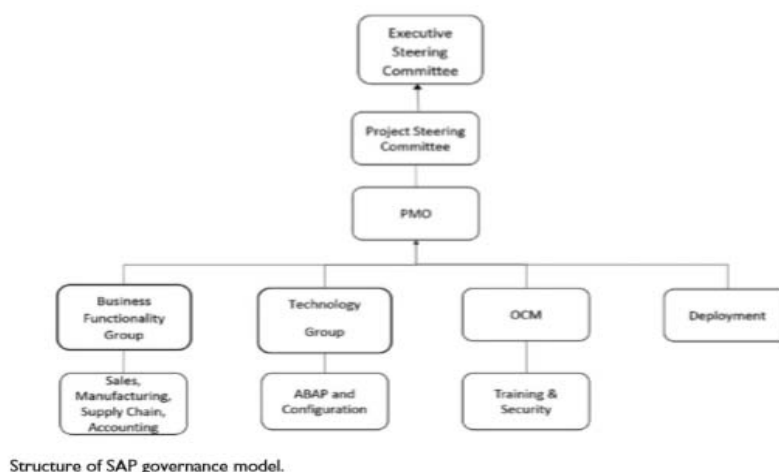


Figure 11: SAP Governance model

f) IT operating model (IOM)

IT department restructured the decentralized model to a centralized model with the intention of helping commercial transformation. The Smithfield company requires one infrastructure version that supports the master data supporting system after SAP/S4 HANA system. The system wanted to have the capability of handling human resource functions, Finance activities, the safety of the company business, procurement, process functions, International business etc. The new system was a low-cost process that supports to complete company requirements. The objectives of the implementation of IOM were timely reporting about the business process and progress, help business leaders to plan, categorize and run the process, proper management of internal and external resources, on-time report about current business status, analyze the work operations and administrate the annual development etc.

V. BUSINESS PROCESSES ANALYSIS

According to the above comparison, the best model or system is the IOM and it consists of the best technologies, low processing time, productive and effective manufacturing and low cost with better processing capability.

The distribution of company-wide information system was hard to control. A survey depicts the above chart and it mentioned the average implementation expenditure is US \$4.5 million with 93% of reported installations (ERP REPORT, 2015). According to this an entire functioned system allows to

1. Inventory management, process activity control, financial activities, and logistics affect for company growth.
2. Enhanced decision making allows maintaining the business process.
3. Timely business reporting is essential for successive company.

VI. CONCLUSION

This case depicts the way Smithfield foods company implemented several installations productively and effectively. The company had the capability and strength to move from outdated systems and maintain the legacy system even though the implementations were high costed. With the use of raising technologies from time to time, the company implemented the latest technological installations for better customer satisfaction and maintain proper management. As the conclusion of this case study, the Smithfield food company can be introduced as a well-practiced process with different installations and a well-experienced company. Implementations support the company to earn strategically and each implementation was based on a variety of issues. These implementations were becoming better opportunities for the company to experience the issues and overcome through the by themselves by a proper procedure. These experiences became their strength to the progressive development of the company and today it is among the top pork companies in the USA.

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Factor Analysis of Perceived Service Quality of Hospitality Industry in Jaffna District: An Application of Servqual Model

By Dr. S. Sivesan

University of Jaffna

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Keywords: service quality, servqual model, hospitality industry, strategies.

GJMBR-G Classification: JEL Code: M19



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I. INTRODUCTION

In modern business environment, the hospitality industry makes a substantial contribution to Sri Lanka's economic. However, the industry is facing strong competition. Thus every organization pays more attention to create a foundation for their survival in the market by satisfying customers while they are providing quality services which are being extremely perceived by their target customers (Dominici & Guzzo, 2010). In the competitive business world, every organization is trying to define their products and services in terms of its customers' needs and wants by providing better quality products and services to satisfy them and gain competitive advantage (Zaibaf, Taherikia & Fakharian, 2013). As noted by Zeithaml, Berry and Parasuraman (1996), and Cronin, Brady, Hult, (2000), perceived service quality and customer satisfaction are the immense and curious factors in order to be succeeded in the market by gaining competitive advantage among other competitive service providers.

Asubonteng, Mcleary & Swan, (1996) pronounce that service quality is the difference between customers' expectation before consuming the service and the experience after consuming it. Similarly, Adil, Ghaswyneh & Albkour (2013) point out that service quality is central for organizational success and it needs to be assessed continuously. Meanwhile Grande, Valejo and Moya, (2002) articulate that delivering quality

services in the hospitality industry is considered as a differentiating factor to achieve competitive advantage among rivals. Cronin and Taylor (1992) reveal the fact that the perceived service quality significantly effects on customer satisfaction. Baker, and Crompton, (2000), and Magi and Julander, (1996) highlight that in the tourism industry, service quality and customer satisfaction have been a well thought out for the improvement of organizations' whole performance. In this study Gronroos' model (SERVQUAL model) has been used to measure the perceived service quality. This model consists of technical and functional quality. Parasuraman, Zeithaml and Berry (1985) categorize ten service quality dimensions under SERVQUAL model as reliability, responsiveness, competence, access, courtesy, communication, credibility, security, understanding customers and tangibility which are categorized under the functional quality of this model. In this model, technical quality dimensions which was neglected in measuring service quality.

As described by Gronroos (1984), technical quality means what customers' are given while having the interaction with that service organization and the functional quality means how the service is received by the customers from the service providing organization. Gronroos' model is a significant method to evaluate service quality however it has a criticism. For example Kang and James (2004) criticize that this model failed to contemplate the direct influence of functional and technical quality on customer satisfaction. Again in 2006, Gronroos point out that a firm must understand consumer' perception of the service quality to compete effectively and the way perceived service quality is influenced (Gronroos, 2006).

Within the literature number of studies has been conducted in measuring of the perceived service quality all over the world in different countries, context and situation, there are few studies have been conducted regarding this relationship in hospitality industry in Northern Province of Sri Lanka. This study provides valuable insights to the service quality literature by investigating the SERVQUAL model in Northern Province in hospitality industry.

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II. LITERATURE REVIEW

Numerous examples from within the literature emphasize the importance of service quality and customer satisfaction, especially in hotel industry. Academics and international organizations have conceptualized and used the term service quality in different ways. Adil, Al Ghaswyneh and Albkour (2013) point the service quality is being considered as a main factor for strategic value adding for the organizations. As noted by Henning- Thurrau, Langer and Hansen, (2001), service quality determines consumer behavior and induces customers to fix a level of relationship between organization and customers. Consequently this relationship leads to customer loyalty. Service quality significantly has an effect on consumers' behavior in order to differentiate a particular service provider from other rivals which are in the same industry and to make customers satisfied (Kandampully, 2000; Parasuraman et al., 1985). Zeithaml and Bitner (1996) articulate that service quality is about providing superior service than customers' expectations. Service quality is a result of an assessment done between customers' expectations and perception from the service consumed (Gronroos, 1994; Caruana, 2002). Overall impression on an organization's service offerings is called as service quality (Johnston, 1995). Wisniewski and Donnelly (1996) reveal that the service quality means at what extent the service encounters customers' expectations. Parasuraman, Zeithaml and Berry (1988) state that service quality is an overall evaluation of either an organization or its services over a period of time. According to Bala (2013) customer satisfaction is an emotional state that emerges either from customers' perceived benefits or expectations of services. If expectations exceeds perceived benefits customers will be satisfied, on the other hand if perceived benefit exceed expectations customers will be satisfied (Chi Lin, 2003). Generally, if customers are satisfied with the product or service offerings they will continue to buy and also they will willingly spread information about their consumption, consequently it will lead to positive word of mouth (Oanda, 2015).

Much of marketing literature to date makes the point that conceptualization of customer satisfaction is difficult (Edvardsson, Johnson, Gustaffson & Standvik, 2000; Gustaffson, Johnson & Roos, 2005). Onda (2015) argues customer satisfaction is just satisfying customers but it means to retain customers for longer period of time. Satisfaction is customers' attitude that changes time to time (Eshghi, Haughton & Topi, 2007). As noted by Kotler & Armstrong, (2012), satisfaction is reflected in the evaluation of post-purchase in terms of pre-purchase expectations. Likewise Severt (2002) describes that satisfaction is a customers' emotional state that emerges from the relationship with the service providing organization. Pedraja Iglesias and Jesus

Yagüe Guillén (2004) reveal the fact in their research that the satisfaction is felt when the perceived rewards exceeds the sacrificed experience which includes monetary expenses to buy the service, time spent, energy expended to reach the hotel. Consumers feel two kinds of satisfactions. First one is, they are satisfied by the serving manner and behavior of employees and the second one is the overall impression on the firm (Jones & Suh, 2000).

Meanwhile, many researchers including Brady & Cronin, (2001), Meuter, Ostrom, Round tree and Bitner (2000), Kordnaeij, Askariipoor and Imani (2013), have described that the relationship between service quality and customer satisfaction. Superior service quality will result in extreme customer satisfaction (Parasuraman et al., 1988). Studies of Dabholkar, Sheperd and Thrope (2000); Butcher (2005) suggest that service quality leads to customer satisfaction. Customers will be satisfied when organization fulfills their expectations (Al Khaltah & Aldehayyat, 2011). Causal effect exists between service quality and customer satisfaction (Anderson & Sullivan, 1993; Bolton & Drew, 1991; Bitner, 1990).

The hospitality industry faces challenges due to the advancements in technology and globalization. Thus it needs to adapt the ways to deliver the service in accordance with new line of attracting to get the best out of customer satisfaction (Murasirawa, Nield & Ball, 2010). Service quality as a determining factor that is responsible for customer satisfaction or dissatisfaction (Tripathi, 2013) which will result in word of mouth spreading, customer retention and loyalty (Gopalakrishnan, Mishra, Gupta & Vetrivel, 2011).

Generally SERVQUAL model can be applied in any service sector to evaluate service quality (Parasuraman et al., 1988). SERVQUAL model leads to measure customer satisfaction in the respective context of the study (Harr, 2008). In 1985, Parasuraman and his colleagues (1985) developed ten dimensions of service quality. Three years later Parasuraman et al., (1988) narrowed down these ten dimensions into five dimensions such as tangibility, reliability, responsiveness, assurance and empathy. Zaibaf et al. (2013) indicate in their study that the functional quality includes the ten SERVQUAL model dimensions of service quality. In order to fulfill customers' perception, organizations should understand clearly that what customers expect from them and how they can deliver the service effectively.

Naresh, Francis, James and Imad (1994) stated that the service reliability means providing the service consistently and accurately. Reliability is delineated as "the ability to perform the promised service dependably and accurately" or delivering on its promises" (Zeithaml, Bitner & Gremler, 2006, p.117). Responsiveness means a promptly and adequate response to the enquiries, requests, questions and complaints made by customers (Zeithaml et al., 2006). Parasuraman et al., (1988) stated

that responsiveness means an organizational employees' consideration in timely solving problems. Naresh et al., (1994) said that in order to provide the quality service, service providers with adequate knowledge and skills is essential that is called as competence. Inseparability as a characteristic of service, it means that it is difficult to separate the production and consumption of services. Thus access as one of the service quality dimensions, it is essential to contact the service provider on time (Naresh et al., 1994).

Courtesy is defined by Naresh et al., (1994) that service suppliers' physical appearance, behavior and the numbers of them will determine in respecting customers' precious values and norms. Service providing organizations cheer positive word of mouth communication which is one of the dimensions of perceived service quality. In many circumstances, customers are willing to get opinions and suggestions from others before consuming. Thus detailed information need to be communicated to consumers (Naresh et al. 1994). Credibility of service provider comes as a determinant of getting benefits by customers but it is difficult to assess the service before consuming it due to the intangibility and inseparability characteristics (Naresh et al. 1994). Under service quality dimensions, the security is viewed into two such as: physical and functional security which must be ensured to customers while getting and using service benefits (Naresh et al.1994).

Customer as the king in the business world, firms must understand customers' perception of the service quality to compete it fruitfully (Naresh et al.1994). Tangibility is defined as the physical facilities, equipment, personnel and written documents (Zeithaml et al., 2006).Tangibility as a service quality dimension, it includes physical building of organization, physical features of employees and facilities which have been offered (Hurley & Estelami, 1998). A promise to offer physical benefits along with core benefits is called as tangibility (Naresh & Francis, 1994).

Gronroos (1984) mentions that service quality have two types of qualities. First one is what the customer is offered that referred as technical quality and how the customers are offered that referred as functional quality. Parasuraman, Zeithaml and Berry (1985) refer the functional quality as "process -related" dimensions of service quality and technical quality as "outcome-related" dimensions of service quality (p 41-50). Functional quality dimension influences more on perceived service quality than technical quality dimension (Parasuraman et al., 1985).

Gronroos (1984) says that customers and service providers can easily appraise the functional quality compared with technical quality of service quality dimensions. Functional service quality dimensions have

more influence on perceived service quality than the influence of technical quality on perceived service quality. Technical quality as one of the service quality dimensions that involves with both the human and physical resources. Technical human resources dimension includes the technical knowledge and ability required to perform the service and the technical physical resource dimension includes the machines, materials, facilities and the technology necessary to perform the service (Brogowicz, Andrew, Linda &David, 1990).

III. RESEARCH DESIGN

The present study is based on tourists' opinion in measuring the quality of hospitality industry. This study draws empirical inferences based on the primary data collected from the tourist respondents through a structured questionnaire. The questionnaire consists two parts. The first part deals with the variable in the statement format. Here respondents are requested to give their rating about the traits, characteristics and behavior of the employees considered and felt by them to be the most ideal and effective at the hotel they are consuming. The response collected on different variable were on a five point scale ranging from strongly agree to strongly disagree. The second part of the questionnaire aims at elucidating information pertaining to respondents themselves like their gender, age, home country and staying period. Purposive sampling method has been used to collect the data. In total 230 questionnaires were issued out of which 164 were complete in all respects and were used for the final study. Reliability analysis is done using Alpha (Cronbach). This is a model internal consistency, based on the average inter – item correlation. A reliability score of 0.796 was achieved. Any score above 0.7 can be considered to be a good score for the reliability of the instrument.

IV. DISCUSSION

An Exploratory Factor Analysis (EFA) of the factor structure of the SERVQUAL scale used undertaken with SPSS to examine the factor structure of variables. The EFA procedure employed is "principle components method" for extraction with "varimax rotation" and factors with eigen values greater than one were alone retained (Hair, Anderson, Tatham and Black, 1998). Factor analysis is the permutation of multi – variate statistical methods primarily used to identify the underlying structure in data. Factor analysis refers to the cluster of inter – dependence techniques whereas it summarizes the information from a large number of variables into factors, depending on their relationship (Hair et al., 1998). As noted by Hair et al., (1998), conservative factor loadings of greater than 0.50 were to be considered significant at 0.05 levels of significance.

In order to study the suitability of construct for taking up factor analysis, Bartlett's test of sphericity (which tests the hypothesis that the matrix is an identity matrix) should be significant. It is a statistical test for estimating the overall significance of all correlations

within a correlation matrix. The test result as shown in tables 1 shows that it is highly significant (Sig. = 0.000), which indicates that the factor analysis processes is correct and suitable for testing multi – dimensionality.

Table 1: KMO and Bartlett's Test Measure of Perceived Service Quality

Kaiser – Meyer – Olkin Measure of Sampling Adequacy		0.952
Bartlett's test of	Approx. Chi – Square	3.873E3
Sphericity	df	231
	Sig	.000

The KMO which is a measure of sampling adequacy is found to be 0.952 (see table 1) in the case, the sample used is adequate as the minimum acceptable value of KMO is 0.6 (Kim & Mueller, 1978). Therefore, it can be concluded that the matrix did not suffer from multicollinearity (i.e. variables that are very highly correlated) or singularity (i.e. variable that are perfectly correlated). Small values for the KMO indicate that a factor analysis of the variable may not be appropriate, since the correlations between variables cannot be explained by the other variables (Norusis, 1993). The KMO measure is an index for comparing the

magnitudes of the observed correlation coefficients to the magnitudes of the partial correlation coefficients.

Exploratory Factor Analysis–Principal Component Analysis: Perceived Service Quality

On conducting EFA by way of Principal Component Analysis method, three eigen values are extraction sums of squared loadings total, exceeded one with percentage cumulative variance explained was 66.320 in case of perceived service quality.

Table 2: Total Variance Explained - Factor Analysis

Perceived Service quality	Initial Eigen Values			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	12.246	55.663	55.663	12.246	55.663	55.663	6.146	27.936	27.936
2	1.312	5.963	71.777	1.312	5.963	61.627	4.483	20.376	48.312
3	1.033	4.693	76.797	1.033	4.693	66.320	3.962	18.008	66.320

Extraction Method: Principal Component Analysis

Factor analysis of Perceived Service Quality

Factor analysis of perceived service quality was conducted and the component matrix was rotated to improve the solution. The result is at table 3. The interpretability of the factors can be improved through Rotation. Rotation maximizes the loading of each variable on one of the extracted factors whilst minimizing the loading on all other factors. Rotations work through changing the absolute values of the variable whilst keeping their differential values constant. As seen from the table 3, original five dimensional models as such are not supported. Factor analysis of Perceived Service Quality is given a two dimensional model. Values of factor loadings less than 0.5 are not selected to be in the final output (Hair et al., 1995). It is seen from the SPSS output that all 22 items were retained implying the contribution of these items to service quality. Also it is seen that some items did not load into their – prior categories. The tangibles dimension having items from Q1 to Q4 was retained as was in original construct.

Parameters Q5, Q6, Q7, Q8 and Q9 of reliability dimension was also retained as was in original construct with cross loading of Q17 of Assurance dimension. Five items of Empathy dimension (Q18 to Q22) and three items of Assurance dimension (Q14 to Q 16) and four items of Responsiveness dimension (Q10 to Q13) fused into one dimension. This new dimension, combining the attributes of Assurance, Empathy, and Responsiveness can be named Customer Handling. Therefore, as seen from the analysis it can be stated that the service quality as measure of perceived service quality can be measured with three dimensions namely Tangible – Physical quality and reliability and Customer handling dimension- the operational quality.

Table 3: Rotated Component Matrix

Rotated Component Matrix			
Component			
	1	2	3
Q14	.795		
Q10	.766		
Q20	.705		
Q11	.695		
Q18	.673		
Q12	.644		
Q22	.624		
Q21	.622		
Q16	.613	.534	
Q15	.578	.549	
Q19	.561		
Q13	.519		
Q6		.749	
Q8		.727	
Q17		.669	
Q9		.629	
Q5		.629	
Q7		.619	
Q1			.797
Q2			.780
Q4			.730
Q3			.669
Extraction Method: Principal Component Analysis			
Rotation Method: Varimax with Kaiser Normalization			
a. Rotation converged in 8 iterations			

V. CONCLUSIONS

The present study clearly established that the original five dimensional model of SERVQUAL is not generic one and few dimensions of service quality as proved by few researchers were fused to form a factor. At minimum service level the solution emerged was a three factors one and at superior service level it was two factors model. The employees need to draw cues from the individual parameters or items making up the factor and build up the strategies to realize the best potential available. The service provider had to give utmost priority to reliability parameters and Customer Handling items as brought out in the factor analysis. The frontline staff and the marketing personnel need to be sensitized on these items. Quality assessment is not a onetime exercise and the service provider need to periodically assess and revisit the service delivery process as the expectations and perceptions of the customers keep changing.

Major limitation of this study has the sample collected was from one geographical area (Northern Province) and limited in member. Though the method applied, Exploratory Factor Analysis is quite adequate for the purpose of deciphering the principal factors that explain the quality, future researchers can work on Confirmatory Factor Analysis and advance the SERVQUAL tool application further to the service

industry. Also further research may focus on comparative studies among hospitality industry with regard to the factors determining the choice of an employee.

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Techniques for writing a good quality management and business research paper:

1. Choosing the topic: In most cases, the topic is selected by the interests of the author, but it can also be suggested by the guides. You can have several topics, and then judge which you are most comfortable with. This may be done by asking several questions of yourself, like "Will I be able to carry out a search in this area? Will I find all necessary resources to accomplish the search? Will I be able to find all information in this field area?" If the answer to this type of question is "yes," then you ought to choose that topic. In most cases, you may have to conduct surveys and visit several places. Also, you might have to do a lot of work to find all the rises and falls of the various data on that subject. Sometimes, detailed information plays a vital role, instead of short information. Evaluators are human: The first thing to remember is that evaluators are also human beings. They are not only meant for rejecting a paper. They are here to evaluate your paper. So present your best aspect.

2. Think like evaluators: If you are in confusion or getting demotivated because your paper may not be accepted by the evaluators, then think, and try to evaluate your paper like an evaluator. Try to understand what an evaluator wants in your research paper, and you will automatically have your answer. Make blueprints of paper: The outline is the plan or framework that will help you to arrange your thoughts. It will make your paper logical. But remember that all points of your outline must be related to the topic you have chosen.

3. Ask your guides: If you are having any difficulty with your research, then do not hesitate to share your difficulty with your guide (if you have one). They will surely help you out and resolve your doubts. If you can't clarify what exactly you require for your work, then ask your supervisor to help you with an alternative. He or she might also provide you with a list of essential readings.

4. Use of computer is recommended: As you are doing research in the field of management and business then this point is quite obvious. Use right software: Always use good quality software packages. If you are not capable of judging good software, then you can lose the quality of your paper unknowingly. There are various programs available to help you which you can get through the internet.

5. Use the internet for help: An excellent start for your paper is using Google. It is a wondrous search engine, where you can have your doubts resolved. You may also read some answers for the frequent question of how to write your research paper or find a model research paper. You can download books from the internet. If you have all the required books, place importance on reading, selecting, and analyzing the specified information. Then sketch out your research paper. Use big pictures: You may use encyclopedias like Wikipedia to get pictures with the best resolution. At Global Journals, you should strictly follow here.



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

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

8. Make every effort: Make every effort to mention what you are going to write in your paper. That means always have a good start. Try to mention everything in the introduction—what is the need for a particular research paper. Polish your work with good writing skills and always give an evaluator what he wants. Make backups: When you are going to do any important thing like making a research paper, you should always have backup copies of it either on your computer or on paper. This protects you from losing any portion of your important data.

9. Produce good diagrams of your own: Always try to include good charts or diagrams in your paper to improve quality. Using several unnecessary diagrams will degrade the quality of your paper by creating a hodgepodge. So always try to include diagrams which were made by you to improve the readability of your paper. Use of direct quotes: When you do research relevant to literature, history, or current affairs, then use of quotes becomes essential, but if the study is relevant to science, use of quotes is not preferable.

10. Use proper verb tense: Use proper verb tenses in your paper. Use past tense to present those events that have happened. Use present tense to indicate events that are going on. Use future tense to indicate events that will happen in the future. Use of wrong tenses will confuse the evaluator. Avoid sentences that are incomplete.

11. Pick a good study spot: Always try to pick a spot for your research which is quiet. Not every spot is good for studying.

12. Know what you know: Always try to know what you know by making objectives, otherwise you will be confused and unable to achieve your target.

13. Use good grammar: Always use good grammar and words that will have a positive impact on the evaluator; use of good vocabulary does not mean using tough words which the evaluator has to find in a dictionary. Do not fragment sentences. Eliminate one-word sentences. Do not ever use a big word when a smaller one would suffice. Verbs have to be in agreement with their subjects. In a research paper, do not start sentences with conjunctions or finish them with prepositions. When writing formally, it is advisable to never split an infinitive because someone will (wrongly) complain. Avoid clichés like a disease. Always shun irritating alliteration. Use language which is simple and straightforward. Put together a neat summary.

14. 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 for your topic. You may also maintain your arguments with records.

15. Never start at the last minute: Always allow enough time for research work. Leaving everything to the last minute will degrade your paper and spoil your work.

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

17. Never copy others' work: Never copy others' work and give it your name because if the evaluator has seen it anywhere, you will be in trouble. Take proper rest and food: No matter how many hours you spend on your research activity, if you are not taking care of your health, then all your efforts will have been in vain. For quality research, take proper rest and food.

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

19. Refresh your mind after intervals: Try to give your mind a rest by listening to soft music or sleeping in intervals. This will also improve your memory. Acquire colleagues: Always try to acquire colleagues. No matter how sharp you are, if you acquire colleagues, they can give you ideas which will be helpful to your research.

20. Think technically: Always think technically. If anything happens, search for its reasons, benefits, and demerits. Think and then print: When you go to print your paper, check that tables are not split, headings are not detached from their descriptions, and page sequence is maintained.



21. Adding unnecessary information: Do not add unnecessary information like "I have used MS Excel to draw graphs." Irrelevant and inappropriate material is superfluous. Foreign terminology and phrases are not apropos. One should never take a broad view. Analogy is like feathers on a snake. Use words properly, regardless of how others use them. Remove quotations. Puns are for kids, not grunt readers. Never oversimplify: When adding material to your research paper, never go for oversimplification; this will definitely irritate the evaluator. Be specific. Never use rhythmic redundancies. Contractions shouldn't be used in a research paper. Comparisons are as terrible as clichés. Give up ampersands, abbreviations, and so on. Remove commas that are not necessary. Parenthetical words should be between brackets or commas. Understatement is always the best way to put forward earth-shaking thoughts. Give a detailed literary review.

22. Report concluded results: Use concluded results. From raw data, filter the results, and then conclude your studies based on measurements and observations taken. An appropriate number of decimal places should be used. Parenthetical remarks are prohibited here. Proofread carefully at the final stage. At the end, give an outline to your arguments. Spot perspectives of further study of the subject. Justify your conclusion at the bottom sufficiently, which will probably include examples.

23. Upon 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 through which your research is going to be in print for 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 of 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 criteria peer reviewers will use for grading the final paper.

Final points:

One purpose of organizing a research paper is to let people interpret your efforts selectively. The journal requires the following sections, submitted in the order listed, with each section starting on a new page:

The introduction: This will be compiled from reference matter and reflect the design processes or outline of basis that directed you to make a study. As you carry out the process of study, the method and process section will be constructed like that. The results segment will show related statistics in nearly sequential order and direct reviewers to similar intellectual paths throughout the data that you gathered to carry out your study.

The discussion section:

This will provide understanding of the data and projections as to the implications of the results. The use of good quality references throughout the paper will give the effort trustworthiness by representing an alertness to 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 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 avoid:

- Insertion of a title at the foot of a page with subsequent text on the next page.
- Separating a table, chart, or figure—confine each to a single page.
- Submitting a manuscript with pages out of sequence.
- In every section of your document, use standard writing style, including articles ("a" and "the").
- Keep paying attention to the topic of the paper.



- Use paragraphs to split each significant point (excluding the abstract).
- Align the primary line of each section.
- Present your points in sound order.
- Use present tense to report well-accepted matters.
- Use past tense to describe specific results.
- Do not use familiar wording; don't address the reviewer directly. Don't use slang or superlatives.
- Avoid use of extra pictures—include only those figures essential to presenting results.

Title page:

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

Abstract: This summary should be two hundred words or less. It should clearly and briefly explain the key findings reported in the manuscript and must have precise statistics. It should not have acronyms or abbreviations. It should be logical in itself. Do not cite 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 approaches 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. Use comprehensive sentences, and do not sacrifice readability for brevity; you can maintain it succinctly by phrasing sentences so that they provide more than a 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 limit the initial two items to no more than one line each.

Reason for writing the article—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 for this; results of any numerical analysis should be reported. Significant conclusions or questions that emerge from the research.

Approach:

- Single section and succinct.
- An outline of the job done is always written in past tense.
- Concentrate on shortening results—limit background information to a verdict or two.
- Exact spelling, clarity 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 of comprehending and calculating the purpose of your study without having to refer to other works. The basis for the study should be offered. Give the most important references, but avoid making a comprehensive appraisal of the topic. Describe the problem visibly. If the problem is not acknowledged in a logical, reasonable way, the reviewer will give no attention to your results. Speak in common terms about techniques used to explain the problem, if needed, but do not present any particulars about the protocols here.

The following approach can create a valuable beginning:

- Explain the value (significance) of the study.
- Defend the model—why did you employ this particular system or method? What is its compensation? Remark upon its appropriateness from an abstract point of view as well as pointing out sensible reasons for using it.
- Present a justification. State your particular theory(-ies) or aim(s), and describe the logic that led you to choose them.
- Briefly explain the study's tentative purpose and how it meets 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 for every section. If you make the four points listed above, you will need at least four paragraphs. Present surrounding information only when it is necessary to support a situation. The reviewer does not desire to read everything you know about a topic. Shape the theory 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 soundly written procedures segment allows a capable scientist to replicate 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 to give the least amount of information that would permit another capable scientist to replicate 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 section, mention the specific item describing the way, but draw the basic principle while stating the situation. The purpose is to show 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:

Materials may be reported in part of a section or else they may be recognized along with your measures.

Methods:

- Report the method and not the 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—detail how procedures were completed, not how they were performed on a particular day.
- If well-known procedures were used, account for the procedure by name, possibly with a reference, and that's all.

Approach:

It is embarrassing to use vigorous voice when documenting methods without using first person, which would focus the reviewer's interest on the researcher rather than the job. As a result, when writing up the methods, most authors use third person passive voice.

Use standard style in this and 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 as 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. Use statistics and tables, if suitable, to present consequences most efficiently.

You must clearly differentiate material which would usually be incorporated in a study editorial from any unprocessed data or additional appendix matter that would not be available. In fact, such matters should not be submitted at all except if requested by the instructor.



Content:

- Sum up your conclusions in text and demonstrate them, if suitable, with figures and tables.
- In the manuscript, explain each of your consequences, and point the reader to remarks that are most appropriate.
- Present a background, such as by describing the question that was addressed by creation of an exacting study.
- Explain results of control experiments and give 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 manuscript.

What to stay away from:

- Do not discuss or infer your outcome, report surrounding information, or try to explain anything.
- Do not include raw data or intermediate calculations in a research manuscript.
- Do not present similar data more than once.
- A manuscript should complement any figures or tables, not duplicate information.
- Never confuse figures with tables—there is a difference.

Approach:

As always, use past tense when you submit 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 section.

Figures and tables:

If you put figures and tables at the end of some details, make certain that they are visibly distinguished from any attached appendix materials, such as raw facts. Whatever the position, each table must be titled, numbered one after the other, and include a heading. All figures and tables must be divided from the text.

Discussion:

The discussion is expected to be the trickiest segment to write. A lot of papers submitted to the journal are discarded based on problems with the discussion. There is no rule for how long an 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 implications of the study. The purpose here is to offer an understanding of your results and support all of your conclusions, using facts from your research and generally accepted information, if suitable. The implication of results should be fully 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 the prospect, and let it drop at that. Make a decision as to whether each premise is supported or 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 an experiment might be personalized to accomplish a new idea.
- Give details of all of your remarks as much as possible, focusing on mechanisms.
- Make a decision as to whether the tentative design sufficiently addressed the theory and whether or not it was correctly restricted. Try to present substitute explanations if they are sensible alternatives.
- One piece of 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 other available information. Present work done by specific persons (including you) in past tense.

Describe generally acknowledged facts and main beliefs in present tense.

THE ADMINISTRATION RULES

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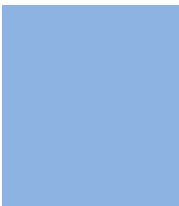


CRITERION FOR GRADING A RESEARCH PAPER (COMPILATION)
BY GLOBAL JOURNALS

Please note that following table is only a Grading of "Paper Compilation" and not on "Performed/Stated Research" whose grading solely depends on Individual Assigned Peer Reviewer and Editorial Board Member. These can be available only on request and after decision of Paper. This report will be the property of Global Journals.

Topics	Grades		
	A-B	C-D	E-F
<i>Abstract</i>	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
<i>Introduction</i>	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
<i>Methods and Procedures</i>	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
<i>Result</i>	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
<i>Discussion</i>	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
<i>References</i>	Complete and correct format, well organized	Beside the point, Incomplete	Wrong format and structuring





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