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A review on Real Options utilization in Capital Budgeting practice

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Abstract

This paper presents a literature review of empirical surveys on capital budgeting methods. The focus lies on the investigation of Real Options' adoption for capital budgeting as this is recorded to relevant surveys. The studies include a wide range of questionnaires and examine various aspects of capital budgeting, resulting in findings not always comparable to each other. Although this poses a methodological issue, as surveys results cannot be compared in a quantitative way but only qualitative, however, these studies reveal the adoption trend of real options in various settings among different countries and businesses. A preliminary background is presented initially and next the surveys are presented with focus on the capital budgeting methods utilized.

Keywords: Real options, capital budgeting

Overview

Capital budgeting decisions are among the most critical for firms' performance and future prospects. As such it has evolved during the years through extensive academic research assisted by technology and has offered a variety of methods and techniques that are extending the traditional methods. However a question arises, as it is not clear whether managers or firms have indeed adopted the novel more sophisticated methods, such as real options. It is a fact that technology has boosted the academic research and the appearance of more complex models, however firms are not always follow the trend as in general the more complex a method is the less easy can be explained and adopted. As it can be seen traditional appraisal methods are still in use at a great extent (Ryan, 2002; Brounen et al., 2004; Verbeeten, 2006; Hermes et al., 2007; Ghahremani, 2012).

Factors that affect the selection of appraisal method are not always deterministic and often reflect manager's education, background and perspective and not firms' formal procedures. The decision is unstructured and involves high risk. So in many cases it is considered as an art rather than science and a manager may feel overconfident on own experience. Studies on behavioral finance show that the process of investment appraisal is not without behavioral biases as subjective processes are intervening (Gervais, 2010).

Capital investments are evaluated by numerous methods as presented in literature. Two core concepts underlie in the evaluation of projects for most of the methods. The first is the utilization of cash flows of the project rather than accounting profit as measure of profitability and the second is the idea of discounting. The usage of cash flows instead of the profits helps to identify additional aspects except of profitability such as the payback period. The discounting of future cash flows reflects the associated risk as well as the time value of money. It is common for companies to use more than on method for the appraisal.

In capital budgeting the traditional method to evaluate investments or projects under

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uncertainty is based on the discounted cash flow method (DCF) by means of net present value (NPV). The net present value of a project is calculated by subtracting the initial investment amount from the present value of future project cash flows. The present value is the sum of future cash flows discounted by a certain rate which estimates the risk involved. A project thus is acceptable as investment if the NPV is positive. Although DCF has been criticized for major drawbacks empirical surveys among managers support that it is still widely used for capital budgeting decisions (Ghahremani et al, 2012). Real option is closely related to corporate capital investment decision-making and has been introduced as an alternative approach for investment appraisal under uncertainty. The starting point of real options research was the criticism to traditional strategic investment decision making and capital budgeting methods. In general a real option represents or reflects the option or options that a company has when it comes to deciding whether to invest in a project, to delay, put it on hold, expand or reduce an investment or any other flexibility it may also have.

Although real options has been introduced more than thirty years ago, and despite its promotion by academy, it seems that there exists a gap between theory and practice, as the theoretical development of investment appraisal techniques followed a must faster path than their acquisition in practice. Several surveys show that despite the criticism of traditional methods companies are still using them. Several studies have been executed during the past decades in relevance to the practice of capital budgeting in general as well as the valuation approaches that are followed by firms. They try to close the gap between theory and practice and identify whether academic approaches are diffused into firms. This is not surprising as the capital budgeting decisions affect a firm's future position at great extent.

In the following a review is presented summarizing the key facts from several past surveys on capital budgeting practices. Although the literature is vast and spans across four decades we focus on studies from past thirty years as they indicate the trends during each period.

Capital Budgeting and Real Options utilization empirical findings

Istvan reported in 1961 a monograph of his research on capital expenditure decision making in large corporations (Istvan, 1961). The objective was to report and analyze the way large firms decide upon capital expenditure. The sample of the study was selected by the leading firms in each industry type resulting in a sample of 48 firms. Among other findings survey showed a utilization of IRR at 10%, ARR at 66.7%, PB at 70.8% and Istvan mentions the low usage of DCF methods.

Mao presented in 1970 the findings from his survey regarding capital budgeting practice (Mao, 1970). His main objective was to study the disparity between theory and practice and suggest ways of modifying theory to make it more operational useful. However, he did not surveyed large sample, but a limited number of eight companies medium and large from a range of sectors, which in turn does not allow for generalizations but only indicative trends. Regarding the medium Mao undertook interviews with companies asking various questions about practices. Respondents indicated that they used IRR at 75%, ARR at 75%, PB at 75% as primary or in combination. Mao concludes that although theorists advocated the use of NPV or IRR it seemed that the ARR and PB were still used at great extent.

Baker and Beardsley presented their survey in 1972 of capital budgeting methods used by multination firms (Baker and Beardsley, 1972). They focused on multinational firms and aimed to identify the capital budgeting methods that multinational firms use for foreign projects. The sample was 134 firms and the questionnaire was sent to financial executives by

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mail. The response rate was 46.3%, as 62 firms responded from various industries and with international sales between 10 to 25% mostly. The respondents were asked for the capital budgeting techniques that use most frequently and indicated utilization of NPV at 44%, IRR at 47%, ARR at 55%, PB at 65%. Despite the limitations of the study authors conclude that most firms were willing to use a variety of the capital budgeting techniques and a trend was developing toward greater use of more sophisticated techniques such as discounted cash flow methods.

In 1972 Klammer published his survey on large manufacturing firms' capital budgeting techniques in 1970 (Klammer, 1972). The objective was to identify changes in firms' practices from late 1950s inline with theoretical suggestions for capital budgeting. The sample was drawn from the 1969 Compustat listing for manufacturing firms considering a number of criteria regarding manufacturing classification and a threshold level of capital expenditure of at least $1 million in each of the years 1963-67. The selection resulted in the final sample of 369 firms which were surveyed in the first part of 1970. The medium was questionnaire and it was sent to by mail. The firms were asked to respond for three periods, 1970, 1964 and 1959 about apprising risk, project evaluation and management science techniques. The responses received were 184, comprising a response rate of 49.9% average with higher response rates for more capital intense firms. Respondents gave the following replies for project evaluation techniques. For year 1970 used DCF methods (NPV either IRR) at 57%, ARR at 26%, PBP at 12% and other at 5%. For year 1964 used DCF methods (NPV either IRR) at 38%, ARR at 30%, PBP at 24% and other at 8%. For year 1959 used DCF methods (NPV either IRR) at 19%, ARR at 34%, PBP at 34% and other at 13%. Discussing the results Klammer indicates that although there is bias in the direction of more sophisticated standards it is clear that the DCF methods had been gaining over time and payback methods had been declining in popularity. While previous studies for this one were showing that payback methods were dominant. Klammer concludes that theory of 1950s had become the practice of early 1970s.

In 1975 Brigham presented his findings from a survey on capital budgeting practices focusing on theory vs practice examination (Brigham, 1975). The main objective was to examine future trend in capital budgeting and identify whether there were existed inconsistencies between theory and practice. He surveyed executives from Duke University executive program and the sample was 33 firms, with a response rate of 50%. Respondents indicated use of NPV at 70%, ARR at 48%, PBP at 74%, PI at 18% and IRR at 78%. Discussing the results, Brigham accepts that the study cannot be used to generalize due to not random sample, but it can be used as indicative for the future trend of DCF utilization.

Gitman and Forrester presented the results of their study on capital budgeting decisions from large US firms (Gitman and Forrester, 1977). The objective was to identify the level of sophistication used in capital budgeting by leading firms. The sample was selected from Forbes list of 600 firms according to the criterion of greatest stock price growth over the 1971-1976 period and in addition to the Forbes list of 500 companies which had made the greatest dollar capital expenditures during 1969. The final sample was 268 firms appearing in both lists and the medium was questionnaire that was sent by mail in 1977 to firms' CFOs. The responses were 103 comprising a response rate of 38.4%. Among others they requested firms to respond on the primary and secondary techniques they used for capital budgeting. Respondents indicated that they used primarily NPV at 9.8%, ARR at 25%, PBP at 8.9%, PI at 2.7%, IRR at 53.6% and secondarily NPV at 25.8%, ARR at 14.0%, PBP at 44.0%, PI at 2.2% and IRR at 14.0%. Results showed a strong preference for sophisticated methods as primary tool and the use of IRR as dominant technique as confirmed previous studies.

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Shall et al., presented in 1978 the results of their survey of capital budgeting methods of large US firms (Schall et al., 1978). The objective was to examine the capital budgeting techniques employed, the computation of the discount rate and of cash flows, and the method of estimating and adjusting for project risk by large US firms and compare results to similar past studies. The initial sample was selected from Compustat according to criteria of assets (>$200 million) and capital expenditure ($20 million) defining large firm size. After a screening of mergers the final sample comprised of 407 firms. The questionnaire was sent by mail and the firms were asked which capital budgeting method they used. The responses were 189 comprising a response rate of 46.4% with a bias towards large stable firms. All but two respondents indicated use of at least one of these CBT's and almost 86% of the firms use more than one of the CBT's, with 17% using all four. The most popular method was PBK (used by 74% of the respondents), but only 2% use it as the only method. ARR was used by 58%(4% as the only CBT), IRR by 65%(6% as the only CBT), and NPV by 56% (2% as the only CBT). Results showed that over 86% of the respondents used either IRR or NPV or both, but only 16% used one or both without also using PBK or ARR. Authors argued that the survey results indicated increasing sophistication in capital budgeting methods, however it was only slightly evident from the results that sophistication was positively related to the size of the firm size and negatively related to firm's beta value.

Oblak and Helm presented in 1980 their survey of capital budgeting on US multinational firms (Oblak and Helm, 1980). The main objective of the survey was to examine capital budgeting techniques as well as procedures that large multinational US firms used at that time to estimate project returns, risk and the required rate of return. Authors' minor objective was to compare their findings to Stonehill and Nathanson's similar study, executed in 1966, and identify whether significant changes had occurred in the meanwhile at firms' budgeting practices. The sample was selected from Fortune 500 listed US firms and the selection criterion for a firm was to operate wholly-owned subsidiaries in 12 or more foreign countries. The final sample comprised from 226 companies with capital budgets ranging between $10 million and $2 billion. The medium was questionnaire and it was sent by mail to principal financial officers. There were 58 completed questionnaires, comprising a response rate of 26%. The respondents were asked to rank the capital budgeting techniques that use most frequently and indicated utilization of NPV at 14%, IRR at 60%, ARR at 14%, PB at 10% and PI at 2% as primary method for capital budgeting, while for ancillary use indicated NPV at 36%, IRR at 21%, ARR at 33%, PB at 62% and PI at 12%. Results showed that 94% of the respondents were using at least one of the DCF methods and authors comment that their findings confirm similar studies' results indicating increasing use of DCF methods. However they note the limitations of their survey, as large firms tend to use more sophisticated methods for capital budgeting which may in turn lead to overestimation of the fact of extended DCF methods utilization in general.

Kelly and Philippatos presented in 1982 the results of their survey regarding investment valuation practices among large US manufacturing firms quite well documented. Authors aimed to study the foreign direct investment decisions and practices in US multinational firms in order to fill the gap in relevant literature. The sample was selected from Fortune 500 under the criterion of being large manufacturing firms with subsidiaries in at least six countries abroad for year 1977. The final sample comprised of 255 large multinational firms. The medium was questionnaire and it was mailed in 1979 to top financial executives. Firms were asked to respond to foreign investment evaluation practices, international risk analysis methods, company information and comments. Within 1980 a follow up took place for 21 firms. The response rate was 53.5% from 108 firms in total. Respondents indicated that used

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IRR at 46.7%, NPV at 13.3%, PBP at 21.9%, ARR at 31.4% and ROI at 31.4%. Authors discuss the results by arguing that the survey results appeared to support earlier research by Klammer, Fremgrem, and Schall et al., with minor differences on individual techniques.

Mills and Herbert executed a survey in 1984 for UK companies. The respondents showed a utilization of NPV at 51%, IRR at 68%, ARR at 44%, PB at 78%. McIntyre and Coulthrust executed a survey in 1984 for UK companies. The respondents showed a utilization of NPV at 36%, IRR at 28%, ARR at 33%, PB at 82%. Cooper at al., presented in 1990 their study that took place at 1988 in Fortune 500 companies. The sample was 500 listed firms reduced by 32 that did not participate. The response rate was 22%. The respondents showed a utilization, primary, of NPV at 12,7%, IRR at 56,9%, ARR at 3,9%, PB at 20,6% and PI at 2%.

Sangster conducted a survey in 1989 for capital budgeting practice in Scottish firms, published in 1993, where the respondents showed a utilization of NPV at 48%, IRR at 58%, ARR at 31%, PB at 78%. The sample was identified by the companies listed in Jordan's 'Scotland's Top 500 Companies' with turnover ranged from £5m to £2bn and the number of employees from 11 to over 41,000. The majority were large firms, 14,8 per cent being medium-sized and 0,6 per cent small. In total 491 questionnaires were sent and 107 were returned completed, of which 94 were usable. The response rate was 21,8% which was considered acceptable. Sangster compares his findings with relevant studies arguing on the difficulty of generalizations.

During 1980 Pike conducted a capital budgeting survey, published in 1982 and 1983, where the respondents showed a utilization of NPV at 38%, IRR at 54%, ARR at 51%, PB at 79% and a 95% a formal financial evaluation. The sample was the 208 largest UK quoted companies in terms of market capitalization. Response rate was 83.7.1% (178 out of 208) where 126 of them were usable. The questionnaires were sent to finance directors. In this survey respondents were asked for historical data as well from a period 5 years ago. So for 1975 the respondents showed a utilization of NPV at 32%, IRR at 42%, ARR at 51%, PB at 71% and a 93% a formal financial evaluation.

While in 1986 survey, published in 1988, the respondents showed a utilization of NPV at 68%, IRR at 75%, ARR at 56%, PB at 92% and a 100% a formal financial evaluation. There was a substantial increase in the use of DCF methods from 1975 period which was also combined with increase in firms' productivity due to more effective capital investments. The sample was the respondents of the previous survey. Response rate was 71.4% (100 out of 140). In 1992 survey the respondents showed a utilization of NPV at 74%, IRR at 81%, ARR at 50%, PB at 94% and a 100% a formal financial evaluation. Pike presented in 1996 a longitudinal capital budgeting study that was based on surveys between years 1975 and 1992 that were taking place every five years a the same firms approximately. Pike published several papers on the subject and the findings starting by the 1982 survey. Pike did not present the findings per study but he compiled them into a longitudinal 17year period study to reveal any trends.

Burns et al., presented in 1997 their survey on capital budgeting techniques among firms in Fortune 500. The survey was sent to CFOs of 500 listed firms and 180 responded it, resulting to response rate of 36%. The respondent firms used NPV at 73%, IRR 84%, Payback 73%, ARR 21%, and profitability index 10%.

Graham and Harvey presented in 2001 the findings from their survey of corporate finance practice conducted in 1999. The sample was based on the list of Financial Executives Institute members through out US and Canada and the number of firms that received the

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questionnaire by fax and mail were 4,440. In total 392 completed surveys were returned, that comprise a response rate of 9%. The respondents showed a utilization of NPV at 74,93%, IRR at 75,61%, ARR at 20,29%, PB at 56,74%, hurdle rate of 56,94%, sensitivity analysis at 51,54%, VAR or simulation at 13,66% and real options at 26,59%. In summary, compared to previous research, their results suggested increased prominence of net present value as an evaluation technique.

Arnold and Hatzopoulos published in 2000 the findings of an extensive survey that took place within 1997 and aimed to study capital budgeting techniques and theory-practice gap. The survey focused on UK companies and tried to contrast results to the ones presented in similar previous studies of Pike (1982, 1988 and 1996) and McIntyre and Coulthurst (1985). The sample was 300 UK companies taken from the Times 1000 (1996) ranked according to capital employed. The method was questionnaires that were sent to firms during 1997. Excluding 4 questionnaires that were returned untraced the final sample was 296 firms. The responses were 145 (response rate 49%) and from them 96 were completed and useable, 38 large, 24 medium and 34 small (response rate of 32.4%). From the respondents the results indicated that internal rate of return was used by 81%, payback period by 70%, Net present value by 80%, Accounting rate of return on investment by 56%, and other technique by 31%. Authors analyzed the results in many directions and argued that the survey presented evidence that was consistent with the proposition that the theory-practice gap had been narrowed. Moreover they cast doubt on Pike and Wolfe's (1988) comment that payback's popularity increases with the years.

Klammer et al., presented in 2002 the findings of their survey regarding capital budgeting in UK and US firms. The UK sample was selected from the London Times UK Top 1000 Firms and The Financial Times Shareholder Reporting Service resulting to a number of 230 firms. US sample were selected from COMPUSTAT tracing the sample to The Fortune 500 Industrial Firms and The Business Week's 1,000 American's Most Valuable Companies resulting in an initial sample of 400 industrial firms. Of the initial 400 firms in the sample, 14 firms were excluded, mainly due to merger and bankruptcies. The US mailing consisted of 386 questionnaires. The initial mailing resulted in 74 usable responses, representing a 19.2% response rate. A second mailing resulted in 53 usable responses. The second mailing resulted in a 13.7% response rate based on the number of firms in the initial mailing. Both mailings resulted in a total response rate of 32.9%. The initial UK sample consisted of 230 industrial firms. In the first mailing, 45 UK firms responded, a 19.6% response rate. The second mailing resulted in an additional 14 responses, representing a 6.1% response rate. Both mailings resulted in a total response rate o f 25.7%. Respondents from UK used DCF methods in 50-64% depending on the decision, Payback in 22-45% and other in 5-16%. Respondents from US used DCF methods in 50-81% depending on the decision, Payback in 5-15% and other in 8-22%.

Anand in 2002 presented the results of a survey in India in 2001 for capital budgeting decisions. The sample of the study consisted of 474 firms in the private sector and 51 firms in the public sector mainly based on Business Today report. A questionnaire was sent to CFOs by mail and was re-mailed as a follow up. From them Eighty-one completed questionnaires were received (response rate of 15.43%). The respondents considered 85% the IRR as a very important or important project choice criterion, 66.30% the NPV, 67.50% the payback period method, 34.60% the ARR and 58.20% break even analysis. Author concluded that results were reassuring that NPV was widely used as a capital budgeting technique than it was ten or 20 years ago. The IRR method remained very popular despite its limitations. The firms used multiple criteria in their project choice decisions.

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Arbelaez presented in 2004 the findings from a survey in Latin American multinational corporations for capital budgeting decisions. The sample was 237 multinational corporations which received questionnaires by mail. 64 companies responded which was an overall response rate of 27.0% despite attempts to increase the number of responses. Respondents ranked the internal rate of return as the most important technique, 61.0%, followed by the payback technique, 51.2%, the profit investment ratio ranked the third highest for 31.8%. The modified internal rate of return ranked the lowest of all the capital budgeting techniques included in the questionnaire.

Brounen et al., published in 2004 a survey conducted during 2002 and 2003 at firms in the UK, the Nederlands, Germany and France regarding capital budgeting techniques. For the sample selection they used the Amadeus dataset of Bureau Van Dijk for public and private firms in Europe for 2000 firms in the U.K., Germany and France, and 500 firms in the Netherlands. They first selected all public firms in each country and then picked randomly chosen private firms. The questionnaires were sent to CFOs by a third party by mail and responses were collected by mail or fax. They received 313 responses, 68 in the U.K., 52 in the Netherlands, 132 in Germany and 61 in France, 50.5% of the questionnaires by mail or fax, 19.2% by telephonic interviews and 30.3% through the web page. The overall response rate was 5%, which was considered as acceptable. In the U.K., the Netherlands, Germany and France respectively 69.2%, 64.7%, 50.0% and 50.9% use the payback period as their favorite tool. In Europe the payback period criterion is immediately followed by the net present value and internal rate of return methods. In the U.K., the Netherlands, Germany and France respectively 53.1%, 56.0 %, 42.2% and 44.1% use the internal rate of return method while 47.0%, 70.0% 47.6% and 35.1% use the net present value method. They conclude by the finding that most European respondents select payback period as their most frequently used capital budgeting technique. Real options were used by 29,03%, 34,69%, 44,04% and 53,06% in the U.K., the Netherlands, Germany and France respectively.

Sandhal and Sjorgen published in 2003 the findings from a survey that took place in Sweden during 2000. The overall objective was to study the capital budgeting practices among Swedish groups of companies. So they limited their survey to groups of companies with headquarters in Sweden with the additional requirement to belong either to “the Swedish top 500 companies” (Veckans Aff.arer, 2000) or to the companies listed in O-list of the Swedish Stock Exchange. After screening the listed companies they resulted to a sample of 528 companies that included 91 from the O-list but not in the 500 list. They sent questionnaires to CFOs and made follow up calls to remind the process. The response rate was 26.1% (114 out of 437) for the ‘‘top 500’’ population, 16.5% (15 out of 91) from the other companies in the O-list and the total response rate was 24.4% (129 out of 528). Coming to the methods that are utilized, NPV was used by 52,3%, IRR by 22,7%, Payback Period by 78,1%ARR by 21.1%, real options by 0%. The NPV was used by more than 50% of all responding companies while all the DCF methods together, NPV, IRR, annuities, VBM, and relative DCF measures, were used by 65% of the companies.

Hermes et al., compared capital budgeting techniques of Dutch and Chinese firms in their study that was conducted during 2003 and 2004 and published at 2007. The scope was Dutch and Chinese companies and the sample was 250 Dutch and 300 Chinese both listed and not-listed. They formed relative light form questionnaires and sent them to CFOs by email, followed by two reminders. They received 87 responses, 42 from Dutch and 45 from Chinese companies, resulting in a response rate of 17% for the Dutch and 15% for the Chinese. While they present results in various dimensions the main results for Dutch companies showed that NPV was used by 89%, IRR by 74%, Payback Period by 79%ARR by 2%, ant other by 0%.

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Chinese companies showed that NPV was used by 49%, IRR by 89%, Payback Period by 84%ARR by 9%, ant other by 0%. Summarizing their findings they concluded that Dutch firms used the NPV method significantly more often than Chinese, Chinese used the ARR method significantly more than Dutch and that Chinese companies less often made cost of equity estimations as compared to Dutch ones. They argue that results could be explained by the gap to the level of economic, financial, human and technological development between the two countries.

Benetti et al., conducted a survey in 2005 in Brazil based on Graham & Harvey's (Graham & Harvey's 2001) survey framework several with custom extensions. It took place on 2005 and on of the basic objectives was to examine the capital budgeting decisions of firms in relation to the interaction with different sets of institutions, although it was accepted that not all relevant variables for such a study were under control. The target population was 1.699 firms, of which 256 were public ones from the Sao Paulo Stock Exchange directory and the rest 1.443 were private ones from the SEBRAE directory in the states of Sao Paulo (704) and Rio Grande do Sul (739). The selection from SEBRAE directory was done for medium and large firms. Initial contact was done by email to CFOs and a follow up phone call. Questionnaires were offered by post, fax, email and web. The responses were 160 that is a 9.4% response rate, which was considered as acceptable. Coming to the methods that are utilized, NPV was always or almost always used by 62,8%, IRR by 60,2%, Payback Period by 53,5%ARR by 41%, real options by 18.5%. Authors argued that findings' analysis verifies strong utilization of NPV and IRR, while poor for real options, however under further analysis it seemed that large. Listed, growth and regulated firms tend to behave with significant difference than the rest.

Alkaraan and Northcott presented in 2006 the results from their study in UK firms. They followed the approach taken by Abdel-Kader and Dugdale (1998) for UK manufacturing companies on the assumption that these firms make substantial capital investment expenditures and could be expected to undertake strategic investment projects. The sample comprised 320 companies selected from eight different manufacturing groups in the Financial Analysis Made Easy. Questionnaires were sent to CFOs with a follow-up and further reminders. In total 132 questionnaires received, a response rate of 41.25%. The sample size dropped from 320 to 271 because 49 questionnaires were returned unanswered. So, 83 usable questionnaires were included in the analysis giving a net usable response rate of 30.63% (83 completed questionnaires/271 potential respondents). Coming to the methods that are utilized, NPV was always or almost always used by 99%, IRR by 89%, Payback Period by 96%ARR by 60%, real options by 18.5%.

Baker at al., presented their findings from the survey that they conducted in 2006 at Canadian firms in order to examine capital budgeting practice and in special focus at real options usage. Their sample was based on all 847 Canadian firms listed on the Toronto Stock Exchange (TSX) at the beginning of 2006. After screening 762 firms was the final sample. Their CFOs were sent a questionnaire by mail with a follow up. Respondents returned 214 usable responses (28.1% response rate), consisting of 159 responses from the first mailing and 55 responses from the second mailing. The frequency that firms used often or always NPV was 74,6%, IRR 68,3%, Payback 67,2%, ARR 17,2%, and real options 10,4%. Authors concluded that although real options was a new paradigm, survey evidence suggested that paradigm shift away from traditional DCF methods had yet to occur.

Dedi and Orsag presented in 2007 their survey of capital budgeting among Croatian firms. The sample was It is based on a questionnaire sent to 200 firms selected from 400 of

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the best Croatian firms (special edition of «Privredni vjesnik) and to 34 banks from a ranking of Croatian banks (special edition of «Privredni vjesnik). The response rate was 25,21%. Respondents used IRR always by 59%, PB by 56%, NPV by 42%, DPB by 27% and ARR by 12%.

Leon and Kester present in 2008 the findings from a survey on 229 Indonesian Companies listed on the Jakarta Stock Exchange regarding their capital budgeting practices. In the end, usable responses were received from 108 companies. This represents a response rate of 47.2 percent of the 229 companies, listed on the JSX as at September 2000 excluding banks and finance companies. The firms used NPV at 63,6%, IRR 63,6%, Payback 86,4%, ARR 40,9%, and profitability index 42,1%.

Truong et al., presented in 2008 their study on capital budgeting practices in Australia. The sample was 448 selected firms included in the All Ordinaries Index of 2004 and the focus was on the capital budgeting on Australian only firms. The questionnaires were mailed to CFOs and the responses after a follow up the responses were 87, or 24.4% response rate. The firms used NPV at 94%, IRR 80%, Payback 91%, ARR 57%, real options 32%, Adjusted NPV 54 and other 13%.

Verma et al., presented in 2009 their study on capital budgeting practices in India. The population was all manufacturing companies in India applying capital budgeting techniques. The size of the sample was 100 manufacturing companies covering various size-groups, industry–groups, age groups, ownerships and various geographical areas. From these 15 companies responded and after a follow up 15 more responded taking total usable responses to 30 or 30% response rate. Payback period, NPV and IRR were three most popular capital budgeting techniques. The firms used often or always NPV at 63%, IRR 76,7%, Payback 77%, ARR 16,6%, and profitability index 40,1%.

Scholleova and Svecova presented in 2010 the results from a survey that took place at Czech companies during 2007. 252 questionnaires were received and the responses were compared to similar surveys. Coming to the methods that were utilized, NPV was used by 22%, IRR by 22%, Payback Period by 27%, profitability index by 8%, discounted Payback Period by 11% and others by 4%. Although the research setup and results were not presented in a thorough manner it is presented as indicative.

In 2010 Haddad et al., presented the results of their study conducted for Taiwanese firms' capital budgeting practices. The characteristics of the survey were not presented in details. However, the sample was 25 firms in Taiwan and the questionnaires were sent to CFOs. As can be seen the respondents use always or almost always the NPV at 30,43%, PB at 52,17%, IRR at 47,83%, ARR at 26,09, Discounted PB at 21,74%, Profitability index at 17,39% and modified IRR at 13,04%. They conclude that the payback method is used more often and the NPV technique is always or almost always used by a relatively small percentage of firms.

Building upon previous similar studies, Bennouna et al., executed a survey that was published in 2010 in order to evaluate the capital budgeting techniques in Canada. They reviewed existing literature on the subject and identified gaps that their own study was aiming to cover. Their target was on the one hand to extend the existing body of literature by providing updated results on capital budgeting techniques usage and on the other hand to explore domains that were not included in the past. So they compiled findings of previous studies and included the study of real options adoption as well. The initial sample was 500 firms included in the Financial Post magazine under the assumption that they would

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accurately reflect the largest Canadian firms and that they would be easily accessed. Survey questionnaires were mailed to CFOs and the response rate was quite low, as 88 firms or 18.4% out of the 478. 22 out of the 500 were not reached. The response rate was considered as sufficient considering similar studies. An overall assumption was that small firms tend to use naïve methods in contrast to larger firms that confront to financial theory, so the initial population of 500 firms was considered as adequate for the study. The results showed that 17 out of the 88 firms did not use DCF and from the rest 71 firms or 80.7% that use DCF, 94.2% uses NPV and 87.% IRR. Regarding real options only 8.1% or 4 firms used it. Among others findings 78.5% was found to be using the non-DCF payback period. Authors argued that DCF was found as the most widespread method aligned with relevant past studies and non-DCF methods although declining were still in use. Also they mentioned that adoption of real options was surprisingly low considering the extent of relevant literature. They also mentioned that several areas of DCF analysis were not applied correctly. Limitations of the study were the non-response bias, the small sample size that included only large firms from the specific area that make generalizations very risky. Concluding, they emphasized the theory-practice gap on the usage of sophisticated methods and the limited usage of real options despite its extended presence in academic literature.

Shinoda presented in 2010 the results of a survey that took place between 2008 and 2009 in Japan focusing on capital budgeting practices. The sample was 2,224 firms listed on the Tokyo Stock Exchange and the form was questionnaire that was sent to managers by post. 225 usable responses were received, which was considered as comparable to the rates in other similar surveys in Japan and U.S.A. The respondents stated that they use five always or often, net present value at 30,5%, internal rate of return 24,5%, accounting rate of return 30,3%, payback period at 50,2%, discounted payback period at 20,4% and real options at 0,5%. The results of this survey showed according to author that the difference between academics and managers of firms listed on the Tokyo Stock Exchange in Japan was shrinking and that firms in Japan remained heavily dependent on payback period methods.

Khamees et al., presented a study in 2010 providing empirical evidence about capital budgeting in Jordan an emerging economy. They distributed during 2006 a questionnaire to 81 industrial corporations in Jordan listed in Amman Stock Exchange. The returned and qualified questionnaires were 53 with a response rate of 65.4%. The respondents stated that they use five well-known capital budgeting methods, net present value at 49,3%, internal rate of return 55,7%, accounting rate of return 50,7%, payback period at 58,6% and profitability index at 61,4% where the scores were calculated using an averaging formula. Authors argued that the results did not reveal that discounted or undiscounted cash flow methods were preferred over the other methods as the JIC gave almost equal importance to the discounted and undiscounted cash flow methods in evaluating capital investments projects. In addition, the profitability index technique was the most frequent used technique followed by the payback period.

El Sady et al., presented in 2011 the findings from their survey which took place in 2009 in Kuwait. The sample was only Kuwaiti firms and the final sample comprised 511 Kuwaiti firms from investment, real estate, industrial, service, and food sectors. Listed firms in Kuwaiti Stock Exchange from the five mentioned sectors were 167 firms and unlisted firms were 344 firms from the same sectors with comparable size and capital for the validity of the analysis. Questionnaires were sent in 2009 and 382 questionnaires were returned with 74.76% response rate. The usable questionnaires (133) from Kuwaiti listed firms (70.42%) and 136 from Kuwaiti unlisted firms (39.53%) with a total number of 269 and usable response rate of 70.42%. The usable questionnaire rate as percentage of total questionnaires counts was

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52.64%. The common techniques were NPV, ROA, ROE and PI, which accounted for 21.62%, 12.97%, 9.91%, and 9.73% of all respondents, respectively. Profitability index was used by 9.73%, Payback period by 8.47% and real options by 0%.

Ekeha presented at 2011 the study results of a comparison of capital budgeting techniques by companies in Europe and West Africa. The survey was between 225 European and 120 West African companies aimed to analyze the use of capital budgeting techniques by companies in both economic blocs. The questionnaires were sent to 225 Europe and 120 West African listed and non-listed companies in the period between August 2006 and January 2007. The questionnaire was sent to CFOs and received 36 responses, 28 from Europe and 8 from West African companies, resulting in a response rate of 12% for the European and 6% for the West African companies. The main findings of the analysis can be summarized as follows. First, European CFOs use the NPV method significantly more often than their West African colleagues do. Second, West African CFOs use the ARR method significantly more than European CFOs do. Third, CFOs of West African companies less often make cost of equity estimations as compared to European CFOs. These results may be explained by the fact that there is still a gap with respect to the level of economic, financial, human and technological development between the two continental blocs. At the same time, however, the study also found that the use of the IRR method does not seem to differ significantly between European and West African companies.

Al-Ajmi et al., presented their study at 2011 for the use of capital budgeting techniques of conventional and Islamic financial institutions. Two hundred questionnaires were distributed to the target population composed of 98 banks of which 26 are Islamic, 37 insurance companies of which 9 are Islamic insurance, and 65 investment companies, of which 21 follow Islamic Sharia'a principles. The response rate was 52.5%. The most popular technique used was IRR followed by NPV. Around 92.4% of the respondents indicated they use this method always or almost always. The second most popular method (NPV) was used by 66.7% of respondents mostly or always. Of the non-DCF methods (PB and ARR), ARR was the third most popular technique with 53.3%. PB was used by 52.4%.

Macquieira et al., presented in 2011 the results from their survey on Latin American firms for capital budgeting decisions. They followed Graham and Harvey approach and expanded it in several topics. The sample was composed of 290 answers from 7 main countries — Argentina, Chile, Colombia, Ecuador, Peru, Uruguay and Venezuela — and some isolated observations from Bolivia, Brazil, Costa Rica, El Salvador and Mexico. According to results, the most widely used methodologies were the NPV with 72.41% and IRR with 70% of respondents used these techniques either always or almost. The next popular method was the payback period at 62.07% of respondents. Profitability index with 53.79% and sensitivity analysis with 58.97% were also frequently used. Real options were used by 24.48%. Concluding they commented that Latin American firms — similar to US firms — used NPV and IRR as the main tools for analyzing investments but survey suggested that firms in emerging markets tend to make a more extensive use of Payback and the Profitability Index than their US counterparties. The extensive use of these tools seemed to be aligned with the particular instability and market development of Latin American countries and to the specific choices among small and medium firms — even those located in the US market.

Maroyi et al., presented in 2012 their study on capital budgeting techniques for mining companies in South Africa conducted in 2011. The sample was chosen from companies listed in the mining sector of the Johannesburg Securities Exchange (JSE) which was summed to 20 firms. The survey was conducted by questionnaires (17 firms) and interviews (3 firms) and

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responses were 10 out of 17, a response rate of 37%. Respondents used the NPV technique in evaluating major projects by 69%, IRR by 46%, PB by 23% and 7.7% of the respondents did not use any technique to evaluate their projects.

Jain et al., conducted a survey, published 2013, in Indian companies regarding the capital budgeting practices among others. The sample selected for this study was limited to 166 nonfinancial Bombay Stock Exchange (BSE) 200 companies engaged in manufacturing and service rendering businesses. The research instrument was questionnaire and the initial response was very poor. After two reminders (post and email) and contacts with the companies there were 31 responses received out of 166 (response rate of 18.67%). The 31 respondent companies did not respond to all the questions contained in the questionnaire. The results showed that internal rate of return was used by 78.57%, payback period by 64.28%, Net present value by 50.00%, Accounting rate of return on investment by 39.28%, Profi tability index/present value index by 21.42%, real options by 50%, abandonment options by 17,64% and any other technique by 7.14%. They argue that it was encouraging to see that half of the sample companies were using real options in making capital budgeting decisions and that all companies using the abandonment option were necessarily using the real option too, in combination, while making their capital budgeting decisions. This was as they comment in sharp contrast to findings of the Bennouna et al. (2010) study of large Canadian firms, where, even in large firms, only 8% use real options.

Hanaeda and Serita presented in 2013 the results of their survey conducted during 2011 about capital budgeting techniques for Japanese firms. The questionnaire was based upon Graham-Harvey (2001) survey in order to be feasible to compare to international firms. The sample was 3,618 firms in Japan listed in "Japanese Company Handbook Vol.3 2011" published by Toyo Keizai Inc., which cover all listed firms in Japanese stock exchanges including the JASDAQ markets in June 2011 and the questionnaire was sent by mail to financial divisions. Respondent firms were 225 that comprised to response rate of 6.2%, which was acceptable and was probably due to the Great East Japan Earthquake occurred on March 11th 2011. From the respondents the results indicated that the utilization always and almost always of internal rate of return was used by 26,9%, payback period by 56,9%, discounted payback period by 15,6%, Net present value by 25,7%, profitability index 32,4%, simulation 8,3%, Accounting rate of return on investment by 43,4%, real options 1%, and other technique by 4,1%. Authors concluded that the most popular technique of capital budgeting was payback period method while NPV and IRR were not popular in Japanese firms as only 25.7% of correspondents of survey always or almost always use NTV and IRR. Also international comparisons indicated that capital budgeting practices of Japanese firms were different in some respects from US and other countries firms.

Conclusion

From the previous review, it can be concluded that

1. From a methodological point of view every study is unique more or less as it takes place at a specific time and place which means that market conditions are very specific to the study. The sample is also unique and includes firms that are selected based on their size or their presence at an index. Another factor is that the management team or the decision making body changes from time to time making the uniqueness even stronger. Thus it is almost impossible to replicate the same survey at another point of time, as both market and firms will have changed substantially.
2. Researchers follow a different methodology each time with different objectives and research questions, different questionnaires and different samples. This makes almost

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impossible to compare survey results without risking being inconsistent. Thus even for studies that were repeated at the same markets at different point of time, results cannot be compared, unless the researchers follow a very strict approach on their methodology. However even if this can be organized, market and firms are not static, so results on real options adoption may be impacted by market influence or external factors and not by decision.

3. Real options in most of the studies is a kind of byproduct of the research, namely the survey design was not based upon the real options adoption, and it was not included, or included partially. Only few surveys were built around real options adoption and as said before they cannot be replicated to reveal the adoption progress through the years.
4. Although quantitative comparison cannot be done for the aforementioned reasons, some qualitative results can be inferred. One key result is that adoption rates of real options in capital budgeting practice despite their presence for an extended period remain relatively low compared to the so called 'legacy' DCF methods.
5. Although adoption rates are low to what expected, it seems that they tend to follow an increasing trend.

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Human Resource Development (HRD) Through Education: Is it Beneficial to Educate in the Mother Tongue

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Abstract

Human Resource Development (HRD) is an important topic of present time with a broadened scope and integrated concept when looked from socioeconomic angle, encompassing physical, intellectual, psychological, social, political, moral and spiritual aspects of development. Human resource for this paper means all the human beings. In this paper intellectual aspect of HRD, has been discussed which is due to education. In majority of developing countries or ex colonies of European powers medium of education is any foreign language. Education when imparted in foreign language or any language which is not spoken at the home of pupils or in their surrounding atmosphere causes difficulties in learning and understanding, leading to their failure or drop out from the schools, which is a big loss to human resource even to humanity at large.

Human Resource Development (What is HRD?)

Human Resource Development (onward will be written as HRD) is an important discipline of present time, which Metcalfe and Rees (2005) expressed relatively a new field of academic study.

Management researchers like Werner and DeSimone (2006 p.5) defined (HRD) as "a set of systematic and planned activities designed by an organization to provide its members with the opportunities to learn necessary skills to meet current and future job demands" and restricted the scope of HRD only to training and skill building beneficial for organizations.

Kuchinke (1996) expressed a little bit broadened concept by asserting that HRD has extended beyond a narrow concentration on training to include organizational and systems-level issues that influence the development of broad skill sets, abilities, and knowledge associated with learning in technical, social, and interpersonal areas.

Abdullah (2009) squeezing from many researches has concluded that in countries, such as in Thailand, Singapore and India the scope of HRD is seen to be very broad,

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encompassing activities related to the possibility of developing human resources, physically, emotionally, spiritually and intellectually along with improving their technical and productive skills.

According to Rao (1995) According to Rao (1995) developing people is the essence of any HRD effort and it is an important goal of all other development activities (plans, policies, programs, establishment of new structures, mechanism). All forms of development (economic, technological, ecological, agricultural, industrial, etc) are ultimately meant to serve people in terms of improving their happiness through better quality and standards of life. The scope of HRD is extended, at one side, to developing competencies of human resource by enhancing knowledge, building skill, changing attitude and teaching values, and at other side, creation of conditions through public policy, programs and other interventions to help people to apply these competencies for their own and others' benefits and making things happen. Education and culture constitute the core of the strategy, however, it is not education in the narrow sense of schooling, but a broad concept encompassing health, nutrition, employment, science & technology, equality and special attention to weaker groups, education being used as an instrument of peoples' development and access to opportunities and facilities in all these areas.

Yussof and Kasim (2003) revealed that the role of HRD is crucial, in promoting and sustaining growth and, HRD, in particular. Education and training, contributes significantly to economic development in terms of increased worker productivity and income. The economy becomes more productive, innovative and competitive through the existence of more skilled human capability.

Khan (2009) revealed that the concept of HRD deals with many facets of development of individuals including their physical, intellectual, Psychological/emotional, political, and spiritual aspects. Economic (financial) development is also an important aspect of HRD and its physical, emotional and intellectual development depends too much on its economic development. Khan (2009) further asserted that Physical development comes from good nourishment and medical care. Intellectual development comes through the process of education and socialization. Social development involves developing the ability to live as the member of the society or a group and contribute to it, at the same time deriving benefits from it. The need for existence of all human beings makes this development imperative. Political development ensures human dignity through freedom of expression, democratic participation and an opportunity to influence things that in turn influence the individual's living. Moral and spiritual development is required to bring order, discipline and peace in the life. Thus all aspects of development are integral part of HRD.

Expressing the importance of education for worker Michaelowa and Waller (n,d) opined that several features are characteristic of the link between educational attainment and labor market outcomes in industrialized countries. A higher level of education is associated with better chances on the labor market: more highly educated people face a lower risk of unemployment. Moreover, they have higher chances of being employed on stable lifetime contracts. Their incomes from work are above the incomes of those with lower educational attainment.

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In this paper human resource means all human beings of community, country or world.

Importance of Language

Moore (1999) asserted the importance of language as:

Language is the soul of the people;
Language is the mind of the people
Language is the spirit of the people

Skutnabb-Kangas (2004) also quoted two remarks of an anonymous philosopher expressing the importance of language as:

Grandmothers and Grandfathers
Thank you for our language
that you have saved for us.
It is now our turn to save it
for the ones who are not yet born.

And

"As long as we have the language, we have the culture.
As long as we have the culture, we can hold on to the land."
Skutnabb-Kangas (2004)

Ross (2004) asserted (quoting Joan Oro 1998; Hanks 1996; Bakhtin 1986 and Garrett & Lopez 2002) that spoken language is the most intimate expression of the identity and personality of the people. Language is also the clearest expression of knowledge, wisdom, freedom and culture of the peoples and of their creative spirit. Language helps in building the peoples' collective consciousness and to reflect on it. The linguistic environment broadly expressed:

Socialization is the process through which people acquire the knowledge, orientations and practices enabling them to participate effectively and appropriately in the society. Language is fundamental to this process being, "the primary symbolic medium through which cultural knowledge is communicated and instantiated, negotiated and contested, reproduced and transformed". This knowledge and practice allows one to function and to be regarded by others as a competent member of a community. However, language is not an autonomous system but responsive and receptive to changes in society and penetrated by outside influences historically and politically.

Kadel (2010) quoted interesting remarks of Prof. Ekkehard Wolff, (2006) as:

"Language is not everything in education, but without language, everything is nothing in education." These remarks highlight the importance of language for education, and everyone knows the importance of education very well.

Orekan (2011) asserted (referring some studies) that one learns and continues to perform the functions of "thinking, counting and dreaming" only in one's primary language. Language is very closely related to the mind because one thinks and conceptualizes, by means of language and without language normally no one can think. It emphasizes the psychological importance of language to humans particularly the mother tongue, the language which the child first learns. Mother tongue also makes the orientation in the cultural environment. Considering language culture close relation is an expression of the common cultural

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experience of this language, speaking members of the community, which highlights the socio-cultural value of language to mankind.

Mother Tongue and its Importance

Ross (2004) extracting idea from several reports and researches (SIL- Summer Institute of Linguistics 2004; Terralingua 2004; Beardsmore, 1986;) defined 'Mother Tongue' –in a variety of ways: i.e. the language learnt from the family; the language used at home; the first language a child speaks; ; the language used in the community; the language most competent in; and the 'preferred' language. It forms a person's identity, their defining quality.

Orekan (2011) quoted definition as:
Mother tongue is "the language one thinks, dreams and counts in".

Bloch (n.d.) quoted a definition of mother tongue as:
"A mother tongue is the language the child can speak fluently before going to school. It is the language in which the child can operate confidently in all domains relevant to the child's life. It may or may not be the language spoken by both parents. In this sense the bilingual child has two mother tongues".

Mother tongue also provides helps in learning and understanding the second language. According to Mackenzie & Walker (n.d.) it is convincingly evident from research that a second language is learned best when a first language is learned well.

Daniel (2003) asserted that language and identity are linked – as the term 'mother tongue' implies. A healthy identity balances different aspects of our personalities. A community expresses part of its identity in its languages of instruction and a healthy society makes choices that promote harmonious communities and confident individuals. Fortunately these goals are usually congruent. Daniel (2003) argued that is more and more a right to speak one's own language. International 'Mother Language Day' proclaimed in 1999 by UNESCO and marked on 21 February each year, is one example. Alongside bilingual or multilingual education, encouraging education in the mother tongue is one of the principles set out by UNESCO. On top of this, languages are now regarded as an integral part of a people's identity, as shown in the UNESCO Universal Declaration on Cultural Diversity, which recognizes the importance of languages in promoting cultural diversity. Language and identity are linked – as the term 'mother tongue' implies. A healthy identity balances different aspects of our personalities. A community expresses part of its identity in its languages of instruction and a healthy society makes choices that promote harmonious communities and confident individuals. Fortunately these goals are usually congruent.

Ross (2004) stated that language movements and the politics of language are inherently and necessarily associated with the modern state and modern politics. Ross (2004) also aware that neglecting the indigenous language and its concomitant culture by the dominant formal schooling system, results in a lack of linguistic competence in the mother tongue and any subsequent positive identification with the culture. Institutional and cultural linguicism and discrimination exists where people in powerless positions are unable to negotiate the validity of their mother tongue. The challenge for educators and policy-makers

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is to shape the evolution of national identity in such a way that the rights of *all* citizens are respected, and the economic cultural, and linguistic, resources of the nation are maximized, because Baart (2003) has communicated the warning that large-scale loss of languages, is a symptom of economic stress experienced by local and indigenous communities around the globe.

Pflepsen (2011) concluded that mastering a first language and core learning concepts promotes general cognitive development that is needed to more easily and rapidly learn a second language. Because language and reading are closely related, learning to read in one's first language facilitates reading in a second, since many key skills related to reading are transferable from one language to another.

Hassanzadeh et al. (2011) revealed (referring and making an addition on Butzkamm, 2003) that first language which is home language is particularly important for the development of a positive self-concept and well-being of a child's. Children having the chance of maintaining their first language can extend their cognitive development, while learning other languages as a second language. In the second language their level of competence is related to the level of competence they have achieved in their first language. Children having sound knowledge of their first language can transfer skills from one language to another. The mother tongue opens the door, including its own grammar, to all grammars, in which it awakens the potential for universal grammar that lies within all of us. It is the valuable asset people bring to the task of language learning. Because of this, the mother tongue is the master key to foreign languages, the tool which gives us the fastest, surest, most precise, and most complete means of accessing a foreign language. Successful learners capitalize on the vast amount of linguistic skills and world knowledge they have accumulated via the mother tongue. For the beginner, becoming aware of meanings automatically involves connecting them with the mother tongue – until the first language has established an ever-more complex network for itself. The relationship between languages should be clearly established and not ignored or suppressed. The non-use of the mother tongue, however, seriously constrains what can be said and read. Mother Tongue will save learners from a feeling of frustration, which will eventually lead them to avoid all topics of personal interest. The measured and well-calculated contribution of the mother tongue can allow pupils to tackle more difficult texts sooner, Hassanzadeh et al. (2011) extended the claim of Butzkamm (2003) that ― "You can banish the mother tongue from the classroom, but you cannot banish it from the pupils' heads".

Tariq Rahman (n.d) expressed that movements for the preservation of minor or weaker languages in Europe tell that, if someone is told that his language is inferior, the message being conveyed is that he is inferior. In short, one is giving a negative image to someone by telling him that the 'cultural capital' he possesses is not capital at all but a stigma and a handicap. This makes him an aspect, and an essential one at that, of his legacy, history, culture and identity. What is created is 'culture shame' ---being ashamed of one's own true identity.

According to Fakeye (2011) several studies (Amao 2010; Gladstone 1969; UNESCO 1953; Patton & Gay 1993) have shown a close relationship between the child's mother tongue and his culture. Amao (2010) emphasized the significance of the language as the carrier and embodiment of the features of cultural environment. While Gladstone (1969) claims that

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language and culture are interwoven, hence, according to UNESCO (1953), the culture and the personality of the individual are reflected in his language. It is therefore claimed that the use of the Mother tongue for instruction will foster the cultural values of the child. Further, to Patton and Gay (1993), language, having developed in the context of a certain culture of necessity, reflects that in particular culture, language, not only differentiates and integrates human interaction, but also, guides to behavior and motives to conform. A number of other writers have advocated the use of the mother tongue as a medium of instruction and as a pre-requisite for effective learning of a second or foreign language. In the Report on African languages and English in Education, it is said that:

> *It is quicker and more efficient for the illiterate, first to acquire literacy in the mother tongue and then to proceed to English… literacy in the mother tongue should normally be a condition of being taught English.*

Keysar et al (2012) is of the opinion that, there are good reasons to believe that the use of a foreign language would reduce people's ability to rely on more systematic processes, because it is harder to use a foreign language which increases cognitive load and leads to greater reliance on intuitive and affective processes.

Mother Tongue as Medium of Instructions - (Education)

Daniel (2003) expressed that bilingual and multilingual education means using two or more languages as mediums of instruction. UNESCO adopted the term "multilingual education" at its General Conference in 1999, to mean use of at least three languages in education – the mother tongue, a regional or national language and an international one. This is noted in a just-published UNESCO position paper called Education in a Multilingual World. Several declarations and conventions adopted by UNESCO Member States set out guidelines for this and for education. For example, the 1976 Recommendation on the Development of Adult Education, calls openly for education in the mother tongue.

Bender et al (2005) disclosed that the world's fifty percent out-of-school children live in communities where the schooling language is rarely, if ever, used at home, a situation that underscores the biggest challenge to achieving Education for All (EFA). This is a non-productive practice that leads to low levels of learning and high levels of dropout and repetition. In these circumstances an increase in resources, although necessary, would not be sufficient to produce universal completion of a good-quality primary school program. Bender et al (2005) further stated that first language instruction results in (i) increased access and equity, (ii) improved learning outcomes, (iii) reduced repetition and dropout rates, (iv) socio-cultural benefits and (v) lower overall costs.

Gacheche (2010) revealed referring the '2010 Education for All' (EFA) report on reaching the marginalized sombrely notes that, "children who are members of an linguistic or ethnic minority or an indigenous group, enter school with poorer prospects of success and emerge within fewer years of education with lower levels of achievement". The report advices that to effectively teach around 221 million children worldwide speaking a different language at home from the one used as medium of instruction in schools, there is a need to teach them first in their home language (L1) while gradually introducing the national or official language (L2). However, researches have shown that mother tongue-based schooling significantly improves learning. The use of a familiar language to teach children literacy is more effective

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than a submersion system as learners "can employ psycholinguistic guessing strategies" to learn how to read and write. This means that since children can already speak the language, they can learn to associate sounds with the symbols they see, thus facilitating understanding. When literacy skills, such as reading, are taught in a foreign language, the children first have to gain familiarity with the sound before they can master the symbol. Such cognitive development takes time, which is a luxury submersion. This forces learners and teachers to resort to rote teaching and learning, where the children merely memorize what the teacher says without necessarily understanding the meaning.

According to Ball (2010) studies showed that children learn best in their mother tongue as a foundation for and bilingual and multilingual education. Children's ability to learn a second or additional language does not suffer when their mother tongue is the primary language of instruction throughout primary school. Research has confirmed that six to eight years of education in a language are necessary to develop the level of literacy and verbal proficiency required for academic achievement in secondary school. Fluency and literacy in the mother tongue lay a cognitive and linguistic foundation for learning additional languages. When children receive formal instruction in their first language throughout primary school and then gradually transition to academic learning in the second language, they learn the second language quickly. If they continue to have opportunities to develop their first language skills in secondary school, they emerge as fully bilingual (or multilingual) learners. If, however, children are forced to switch abruptly or transition too soon from learning in their mother tongue to schooling in a second language, their first language acquisition may be attenuated or even lost. Even more importantly, their self-confidence as learners and their interest in what they are learning may decline, leading to lack of motivation, school failure, and early school leaving.

Coleman and Capstick (2012) expressed in a report referring Pakistan that it was widely believed that there are major injustices in the education system in Pakistan. 'There is a "cultural capital" divide in Pakistan between home and school. Those whose cultural capital matches that of school flourish.'

Pflepsen (2011) reported (referring Ball, 2010) that a recent review of research reports on language and literacy concludes that becoming literate and fluent in one's first language is important for overall language and cognitive development, as well as academic achievement

Hassanzadeh et al. (2011) quoted the words of Butzkamm, (2003) that ―You can banish the mother tongue from the classroom, but you cannot banish it from the heads of pupils. The relationship between languages should be clearly established and not suppressed or ignored. The non-use of the mother tongue, however, seriously constrains what can be said and read. Mother tongue will save learners from a feeling of frustration, which will eventually lead them to avoid all topics of personal interest. The measured and well-calculated contribution of the mother tongue can allow pupils to tackle more difficult texts sooner. Hassanzadeh et al. (2011) also expressed that first or home language is particularly important for the child's development of a positive self-concept and well-being. Children who have the chance to maintain their first language can extend their cognitive development, while learning other languages as a second language. Their level of competence in the second language has relationship to the level of competence they have achieved in their first language. Children with a sound knowledge of their first language will be able to transfer skills from one language to another. The mother tongue opens the door, including its own grammar, to all

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grammars, in which it awakens the potential for universal grammar that lies within all of us. It is the valuable asset people bring to the task of language learning. For this reason, the mother tongue is the master key to foreign languages, the tool which gives us the fastest, surest, most precise, and most complete means of accessing a foreign language.

Coleman and Capstick (2012) reported conclusion of a language conference about Pakistan in the points that:

- Use of the mother tongue strengthens links between home and school and parents can become involved in education of their children without 'feeling afraid'
- Children's sense of identity is strengthened and validated if home language and school language are the same
- Children find learning enjoyable if it takes place through a language with which they are already familiar
- Basic conceptual development of children is more effective if it takes place through a language which they understand therefore children can play a much more active role in their own learning, by questioning and by exploring ideas
- Use of the mother tongue contributes to the maintenance of languages whose survival might otherwise be threatened. 'If languages are lost, we lose our identity' and 'If language death occurs, the speakers' self - respect is tarnished.'

The supporters of a mother tongue policy recognized that a number of problems would be encountered and several provisos needed to be made:

- in order for a mother tongue policy to be just and equitable, it would have to apply to every child in, regardless of the type of school they were studying in. If this were not the case, then there was a danger that schools using the mother tongue as medium of instruction would simply become ghetto schools for the poor.
- Most proponents of the mother tongue policy also believe that a shift to the use of Urdu (National Language of Pakistan) as the medium of instruction will need to take place after a number of years. Many also proposed that a further shift to English as the medium of instruction would also be needed at some later point in the child's educational experience.

1- Many participants recognized the benefits that accrue when children are taught through their home language. Responses include 'Easy to understand for them everything & when they are shifted from mother tongue they get confused' and 'better communication between teachers, students and parents.'

2- Parents would respond positively to a mother tongue policy because:

- 'They want their children to understand the things.'
- 'Parents will be able to cope with their children's progress in school and provide active support.'
- 'It will bring confidence as Pakistani students'

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- In other words, policies of going 'straight to English' are likely to be counterproductive. Children need to be skilled and confident speakers of their first language and able to read and write in their first language before starting to learn a second language in a school context; omitting the stages of achieving oracy and literacy in the first language actually handicaps children in the learning of the second language. Moreover, children find learning a second language in a school context easier if they have positive feelings about both their home language and the language, which they are learning. But their learning of the target language is likely to be less productive if they have a negative attitude towards their own language or if they feel that their home language is of low status compared to the language, which they are hoping to learn.

According to Coleman and Capstick (2012) it has been estimated that even in high exposure contexts (such as North America), it takes children about two years to acquire social English but seven years to acquire 'educational English'. In the low exposure contexts in which the majority of children in Pakistan find themselves, the process will take much longer. With this in mind, it seems that attempts to teach science and mathematics through English to children who are not literate in their first language are doomed to failure.

Mackenzie & Walker (n.d.) stated that a significant proportion of children in many developing countries, enter school not speaking the language of the classroom. Many education systems use 'global' languages or national language instead of mother-tongue teaching or education is often carried out in an international language, such as English or the old colonial languages. This is based on the belief that certain internationally 'important' languages give children a competitive advantage in later life. In other countries, education is taught in the dominant language of a main linguistic group, sometimes at the expense of more marginalized ethnic or linguistic groups. In far too many countries, the educational basics - textbooks, learning materials and the teacher's language of instruction - are primarily or entirely available only in non-mother-tongue languages. Sometimes, in multilingual countries with many local languages, teachers themselves do not speak the local language which children learn at home, and speak the dominant language. In other cases, the teachers themselves may not be fully proficient in the language of instruction.

Mackenzie & Walker (n.d.) are of the view that a curriculum, rooted in the child's known language, culture and environment, with appropriate and locally-developed reading and curriculum materials, is crucial for early learning success.

Phiri (2013) expressed that, children in remote rural areas, who speak one language at home and have no contact with the school language outside of the classroom, often have the biggest problems in gaining any understanding of the language taught at school. This is a significant factor contributing to poor quality education and continuing low literacy.

Phiri (2013) advised with reference to some studies that the mother tongue should be used as a medium of instruction; it is the most appropriate means for effective teaching because it has the learner's experiences. It is a language that he knows well and can use to form sentences and expresses himself.

Conclusion

From the above literature it can be concluded that:

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1- Developing people is the essence of any HRD effort and it is an important goal of all other development activities because the role of HRD is crucial, in promoting and sustaining growth of a community or country.

2- the concept of HRD has many facets of development of individuals (including their physical, intellectual, Psychological/emotional, political, and spiritual aspects). Therefore the scope of HRD is very broad, encompassing activities related to the possibility of developing human resources, physically, intellectually, emotionally, spiritually, and politically along with improving their technical and productive skills. Intellectual development comes through the process of education and socialization.

3- Language is very important for human beings and is a very sensitive matter of life of individuals, communities, nations or countries. Because language is related very closely to the mind, by means of language human beings think and conceptualize which emphasizes the psychological importance of language to humans particularly the mother tongue, the language first learned by the child. Spoken language is the most intimate expression of the personality and identity of the people. Language is also the clearest expression of freedom, culture, wisdom and knowledge of the peoples and of their creative spirit. Language helps to build the collective consciousness of a people and to reflect on it.

4- Mother tongue is the first language a child speaks; the language used at home; the language learnt from the family; the language most competent in; the language used in the community or the 'preferred' language. It forms a person's identity, their defining quality.

5- Languages are now regarded as an integral part of a people's identity, as shown in the UNESCO Universal Declaration on Cultural Diversity, which recognizes the importance of languages in promoting cultural diversity. Orientation in the cultural environment is also made by means of mother of tongue. Language and identity are linked – as the term 'mother tongue' implies. A healthy identity balances different aspects of our personalities. A community expresses part of its identity in its languages of instruction and a healthy society makes choices that promote harmonious communities and confident individuals.

6- speaking one's own language is more and more a right. International Mother Language Day proclaimed in 1999 by UNESCO and marked on 21 February each year, is one example. Encouraging education in the mother tongue, alongside bilingual or multilingual education, is one of the principles set out by UNESCO.

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APPLICATION OF THE METHODOLOGY FOR IMPROVING THE BUSINESS PROCESSES FOR THE COMPAMY FOR AIRPORT SERVICES TAV AIRPORTS HOLDING, MACEDONIA

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[2]TAV Airports Holding, Macedonia

Abstract

In this paper we will make a full diagnosis of some business processes in the company for Airport services TAV Airports Holding, Macedonia. Based on the analysis we have made on the existing quality system an appropriate methodology is designed for each feature of the TQM (Total Quality Management) system in order to find the optimal solution for smooth operation of the airport traffic, in order to meet the wishes and needs of the customer, while the company makes a profit.

The methodology of TQM is continuous improvement of all processes in the organization through small changes in short periods of time including all organizational members regardless of their hierarchical level and are performed without large capital investments. The application of methods and techniques for non-defect work will achieve greater efficiency and effectiveness in the company. The benefits of the application of this methodology led to satisfying customer needs, increasing the number of passengers, strengthening the company's place in the international market, employee satisfaction and improving the community.

Keywords: TQM philosophy, Pareto diagram, Ishikava diagram, Gantogram, Trend chard.

1. The need for the design and implementation of TQM system for the airport services company TAV Macedonia

The airport services company - TAV Macedonia officially started operating in 2011, when the Turkish company TAV Airports Holding took over management of the airport and it will run for the next 20 years. During this period, 110 million euros will be invested, according to reports from the developer, the most modern airport and the second largest in the Balkans, with a capacity of 4 000 000 passengers per year, 1500 passengers per hour, 21 aircraft parking positions, 23 counters for check-in, 6 outputs of air bridges and 5 secondary bridges and cargo capacity of 25 000 tons. Because of its strategic location, the airport is expected to become a regional Balkan transit center. The management team of TAV Airports Holding, Macedonia caught an inert firm (JPAU - Macedonia) that under the umbrella of the state had many flaws (small capacity input and output gates with constant "bottleneck" due to outdated technology, overstaffing and application of minimum standards operation). Frequent auditing controls from the past indicate that the airport barely meets the criteria for work, constantly highlighting irregularities in the reports that needed to be removed. With the arrival of the TAV Airports Holding, the Macedonian airport made major structural and organizational changes in order to build trust between employees and the management team, which will be transmitted to the service users, and it will result in an increased number of passengers and increased flights and the airport company income. Strong will and determination of the new management team contributed that the former so-called "Local bus

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station" transform its perspective and become the main artery of the Macedonian air traffic and the pride of the state. The company for Airport TAV Airports Holding, Macedonia is progressing with great speed, transforming itself into a major regional brand.

The main activity of the company airport services, transport and logistics as part of it and most of the activities of the enterprise is in sectors dominated by transport logistics, treatment of employees, customers and creating business culture to the satisfaction of all stakeholders. The airport services provided at this airport are identical as elsewhere in the world in all international and domestic airports, but are distinguished in the way, the service quality and timing because the passengers are always in need of quality service, competence, discretion and efficiency (Mitreva, 2012).

The changes that occurred with the change of ownership in the company imposed the need of designing a system of total quality management in response to customer demands and changes inside and outside the organization (Shiba, Walden, 2002; Koc, 2007; Reiner, 2008). The development of the company will be enabled only if quantitative and qualitative changes are created in the volume and characteristics of objects, phenomena and processes in nature and society. Often in many companies there is no clear picture and idea for perfection (Nair and Boulton, 2008; Svensson, 2006). The policy is clear, but as a strategy to reach the goal for many managers is a big problem. The new strategy towards quality, called integrated quality management or total quality management (TQM), answers the questions: What does the customers want? What should I do? What processes should be used? Analyzing the situation, formulating the problem and using multiple methods to solve (Nakata, 2002).

In order to realize the methodology of TQM in the airport services a progress in all parts of the process or service should by exercising their conversion error (Casadesus & Jimenez, 2000; Muppavarapu, 2011). The adoption of this philosophy implies full commitment of management on the road to perfection, focusing on passengers and work towards adopting their needs to the benefit it all: passengers, employees, airport concessionaire of Alexander the Great and the wider community. This philosophy differs from others primarily because it (Evans, 2005):

- the focus on meeting the needs and desires of travelers;
- changing the way managers manage with a substantial change in their paradigm – not to work hard but smart;
- provides quick return on investment.

If top management decided just to redesign the business processes, which means making small improvements or modifications to existing processes, in that case the methodology for reactive improvement of business processes is used which leads to the identification, problem solving and setting standards.

The methodology for reactive improvement of business processes is based on different approaches for improving quality using methods and techniques from the point of PDCA (Plan, Do, Check, Act) cycle (Mitreva, 2009).

There are two stages in the application of this methodology (Mitreva, 2009):

- **Phase 1:** diagnosis and determining the existing condition and
- **Phase 2:** rehabilitation or solving the problem and improve the quality of the overall operation.

The methodology for quality improvement supported by the PDCA cycle takes place in several steps, Table 1.

Table 1: Steps in the implementation of the methodology

PDCA cycle	Step	Activity

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Plan	1	Initiative for making a project for improvement
	2	Defining the object of interest
	3	Measurement, collection and analysis of data
	4	Analysis of the causes of problems
Do	5	Choosing a improvement solution and establishing improvement plans
	6	Implementation of the solution
Check	7	Monitoring and evaluating the results of the improvement plan
Act	8	Standardizing the solution
	9	Closing the improvement project, reflection and effects

The proactive work begins with an analysis of the business organization, continues through the analysis of the requirements of internal and external customer service and ends with a detailed definition of the process. Management personnel in the enterprise with its goodwill and perseverance should include their human resources by forming teams of all profiles, integrating their knowledge to achieve full mastery of quality in all processes of the company, with the lowest cost of operation. This way possible malfunctions are being prevented, problems are timely eliminated by removing the possible causes. The usual resistance and fear of change quickly overcome and a strong desire to change the current situation takes its place, with a new approach to quality with full dedication towards customers, employees, environment and state.

2. Subject Analysis and Research

The subject of research is the company that provides airport services TAV Airports Holding, Macedonia with the internal diagnostics and integration with the external environment. The survey was conducted by identifying the existing business processes in the company, diagnostics and analysis of anomalies in all operations, appeals and complaints from customers, as well as determining the "bottlenecks" in the implementation of activities. The analysis of the current situation in the airport services company TAV Airports Holding, Macedonia allows for making suggestions for improving them through the application of TQM methodology in each function. The applied research methodology for improving business processes through the following steps.

The realization of the research:

Step 1: Initiative project making to improve business processes;

Users of the airport services are passengers, airlines, cargo clients. The objections by them in the form of requirements, needs, complaints, appeals and complaints, are taken seriously by the company management. In a situation where the management is looking for ways to attract more airlines and passengers, it is trying to improve the business processes by offering quality service in order to retain existing and attract new customers. Considering the fact that each airline defines certain time to serve their aircraft at landing at airports and based that time plans the flight, passenger connection with other lines, use of the plane for another destination, etc. Therefore, for each airliner the time spent on the airport is very important, and there including the full servicing time which if not done properly can shake the image of both the airliner and the airport. Top management at Skopje Airport has all these details and requirements for carriers, elaborates the plans and business processes to meet their

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requirements, applies new tools and techniques for non-defect operations and thereby annuls all vulnerabilities and weaknesses from the past caused by the lack of input and output ports, counters, low throughput of passengers at rush hours at passport control and customs, poor technical equipment, outdated technology and so on. The initiative to improve was conducted in order to get a realistic picture of all the possibilities and potential of the company, the effective utilization of resources and proposing corrective measures for improving business processes, and implementing them in practice would mean bringing the company to a World class level. It would mean a greater focus on preventive measures, in order to increase customer satisfaction and service company profits.

Step 2: Determining the subject of interest or defining the problem;

Analysis of the company for airport services are made based on observation and direct contact with some of the employees working on one of the key business processes: loading and unloading of luggage, cargo, aircraft cleaning, supply of drinking water plane, catering, re-fueling in other words the entire servicing platform. In the conversations with the staff it has been diagnosed that in this business process there is an opportunity for improvement. Based on their initiative a function bearer of the process was assigned, and thus their duties and responsibilities were defined towards the diagnosis of the current state of the business process for servicing the platform to provide solutions to improve the proposal. The holder of the process along with the staff were obliged to obtain a realistic picture of the current state of this process by analyzing the existing organizational structure of the process of ramp handling in order to detect any problems and aspects that affect the successful implementation of same.

Step 3: Measuring the quality of services by applying adequate methods;

The critical operations of the business process for the handling platform are measured in intervals defined in terms of whether they are within a set of norms enabled by AHM (time given by companies - Airport handling manual). If the norms of AHM clearly specified the time for this kind of handling and it is not respected by the team, then the responsibility rests with the holder of the process (controller / supervisor). As a result of these deficiencies the company will pay penalties. The leader of the team along with some of the staff are responsible for the overall servicing of the airlines in a timely, high quality and safe manner.

The initial step where information about the timing of the activities of this business process are measured and recorded are based on daily reports - check lists where the type of the problem is identified and fixed. The team leader along with several employees measures and optimizes each activity based on the capabilities of the resources available in the airport and it serves as a normative value for the time it takes to serve on the board. These activities (operations) include: setting the passenger stairs, entry and exit of passengers, refueling, loading and unloading of luggage and goods, supply catering, aircraft towing, etc. The problems that arise are recorded on a check list, and often address the slow passenger entry in the plane and occupation of, seats irregularities concerning travel documents, immigration problems, problems with defects of the aircraft, crew coming late etc. All involved in the work process, the leaders of teams make their checklist. Irregularities in check lists and reports are being analyzed by the managers and appropriate measures to eliminate them are being taken. Any process of service has check lists. The leader of each group records the time of serving. For example, the leader of the group where checking is done, after the reception of passengers and control their identity, luggage, travel tickets, documents, interviews with passengers is completed controls the quality of service that his group carried out and makes the checklist with a report for the work done. It is to be noted that a special importance is given to the communication, because the processes are linked and complement each other, Figure 1.

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CHECK LIST 0015393

STA/ATA 11.25/11.30 STD/ATD 12.40/12.36

Tlx			Check-in	11.00	12.30
Push back			Gate	12.15	12.30
Choks	11.30	11.32	Gpu		
Gpu	11.32	12.30	Refuel.	11.35	11.55
Elevator	11.32	11.51	Elevator	12.15	12.33
Bagg. tro	11.40	11.52	Trs	12.15	12.35
Trs	11.32	11.35	Toilet	11.50	11.58
Unloading	11.32	11.45	Water tru	11.55	12.00
Toilet			Cleaning		
Cleaning	11.42	11.55	Catering		
Catering	11.45	12.00	Paxa\c	12.15	12.30
Refuel.			Loading	12.15	12.30
			Loadsheet	12.00	12.30
			Push back	12.36	12.40

A/P Supervisor signature

TAV Macedonia

CHECK LIST 0015393

Date 15.10.13

Carrier AUSTRIA

Supervisor LAZAROVSKI ZLATKO

FLT	DES	A/C	REG
OS-780	VIE	A-320	OS-AGO

Special request

VIP - 3pcs

Priority - 24pcs

Remarks

FUEL - 3400l.

Carrier's Representative signature

Fig 1: *Example of a completed check list of supervisors of the business process loading / unloading*

From the check list it can be seen (Fig. 1) that Austria Airlines plane landed five minutes later (11:30), but is was serviced with all the necessary operations during four minutes earlier (12:36). Any delay in servicing is a result of poorly performed operation and the managers through these checklists can find these anomalies in terms of whether they are repeated and what corrective actions should be to taken. In Fig. 2 is given a Gantogram of the servicing of aircraft B- 737 and DC- 9 and can be used for other similar aircraft, containing the times required for the activities in the servicing platform.

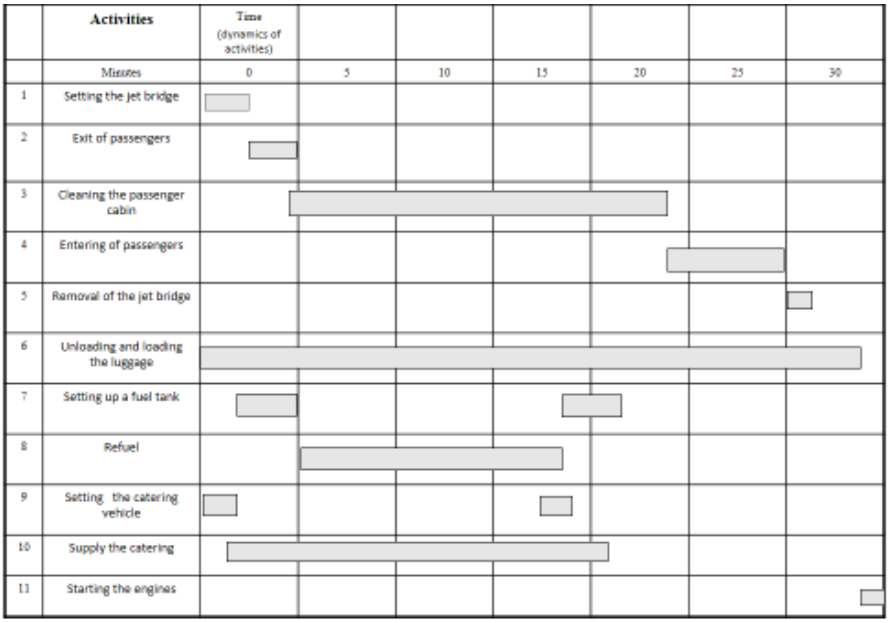


Fig. 2*: Executed activities with real-time servicing of aircraft B-737 and DC-9*

From the diagram it can see that to serve one type of plane it takes 30 minutes, and in the past it took an hour and a half. Before landing the plane all necessary preparations should be

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made. This is done by obtaining information through the mail from the departure airport on the number of passengers and their structure, the number allocated by the luggage rack and cargo goods. Immediately after landing and parking of the aircraft all operations are performed in a fixed sequence, and while strictly complying with the order of work and time required for implementation.

Step 4: Collection and analysis of data and determining the severity of the problem;

The holder of process for serving the platform diagnoses that the plane doesn't take off on time, the delay code that determines the delay was due to some reasons which are recorded on the check list. In the first case the holder of the process noted that the fuel tank, even though the team was informed in time, was late five minutes the reason being the distance from the base station. The second problem occurs because of a long time it takes to do the cleaning of the passenger compartment by the hygiene service on the grounds the cause being lack of direct staff - cleaners in times when there are three aircraft on the platform. Due to aviation rules, passengers can't get on board while running this service and while fuel is poured due to safety reasons. A third problem arises because of the bad behavior of some passengers and their low level of culture that creates delays on the counters that prolong the time for checking of the other passengers. The fourth problem is the outdated technology that often causes delays due to cancellations of equipment for servicing aircraft, resulting in prolongation of the time to serve.

As a result of the collection and analysis of the data, determining the severity of the problem, the new management team through redesigning the business processes and active involvement of every individual, granted authority and responsibility while conducting each of the tasks. The whole enterprise is redesigned and got sections responsible for traffic, cargo parking, administration, catering. In this paper we stick to ramp handling - enabled as the default operating segment. Mistakes and delays are recorded in tables and graphs and analyzed by managers. The total errors in the check lists are collected in Table 2, noted and calculated cumulative percentage, and then entered in the Pareto diagram, Fig. 3.

Table 2: Delays and errors in the service noted in the period from November to April 2012

Delays and errors in the process of service	Total frequency	Share in %	Cumulative percentage %
Delays due to incorrect documents	13	31.7	31.7
Delays due to failure of the devices	8	19.6	51.3
Delay due to the bad behavior of passengers	7	17	68.3
Delays due to cleaning of the aircraft cabin	7	17	85.3
Delays due to weather	6	14.7	100
Total:	41	100	

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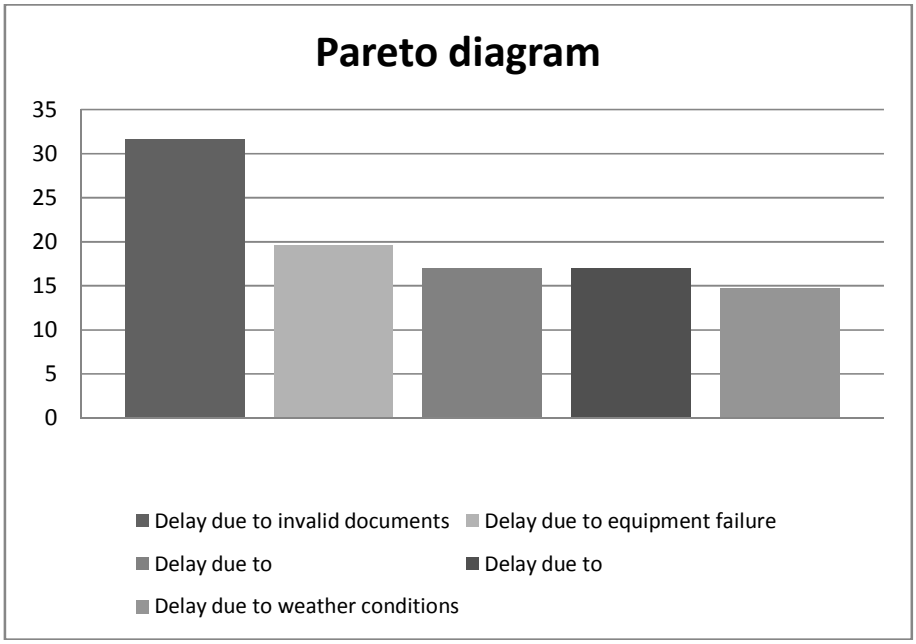


Fig. 3: *Pareto diagram for delays and errors in the service period from November to April 2012 at the business process for handling the platform*

From Table 2 and Figure 3 we can see that the errors are not always by the holders of the activities of the process and must be taken into account delays by travelers, weather conditions, malfunctioning devices etc. that simply are not predictable, and as such in the most part are justified and did not affect the percentage of errors in the implementation of TQM methodology, which records only delays caused by negligence of the teams.

Step 5: Analysis of the causes of problems and identifying the cause of the problem;

Managers using the Ishikava diagram (Dale and Lascelles, 2007) as a management tool are able to estimate the cause and effect relationships of problems, in Fig.4, for the purpose of:

- tracing the causes of emerging issues;
- encouraging the team members to use their knowledge to analyze the process;
- finding and identifying the areas where you need to gather data for further study.

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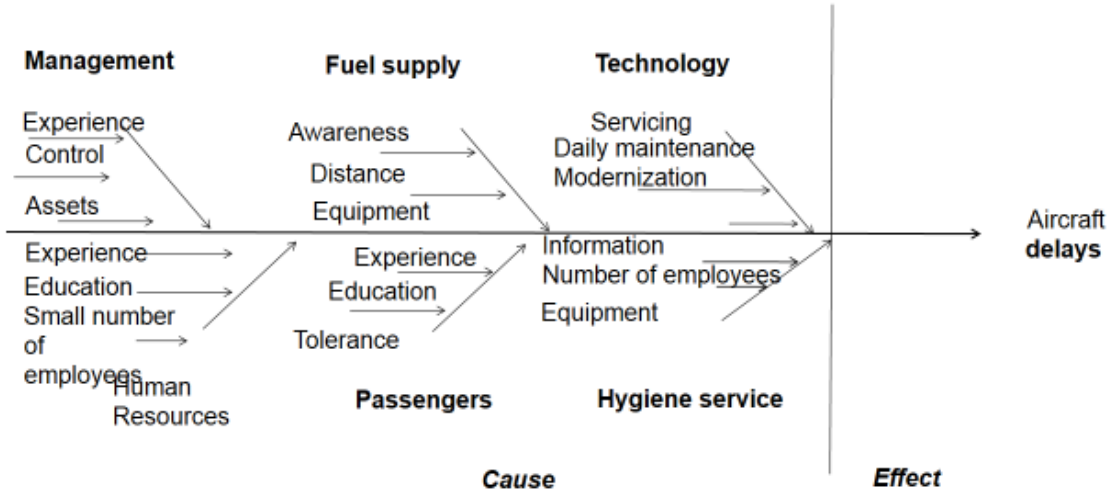


Fig. 4: *Ishikava diagram to identify the major causes of problems in handling the business process handling the platform*

Based on the analysis made using methods and techniques for non-defect working the reasons for some anomalies have been detected. The first problem is related to the delay in fuel tanks as a result of lack of a hydrant underground system of the platform causing delay in refuel. In the second case, in terms of maintaining hygiene on board it was noted that the team that cleans was delayed due to lack of feedback information leaving the last passenger on the plane and the lack of staff - cleaners. The third problem is due to poor conduct of passengers and their revolt against the strict safety rules for organizing the flight as a result of ignorance of the law and safety regulations and requirements for travel and flying. The fourth problem is the failure of the technology when it is most needed due to obsolescence.

Step 6: Choosing and applying the solution to improve and establish a plan for improvement;

The top management together with the holder of the process adopted corrective measures to eliminate the causes of the problems, with some dynamic activities in order to improve. To reduce the time for travel of the fuel tank to the platform, the management team has taken the following corrective measures (Mitreva, et al., 2013):

- the process holder (agent) must contact the department responsible for the flights, and they the pilot to obtain information on time (before the plane landed) whether the planes fuel should be charged. If necessary, the tank should be prepared and on the required position or;
- to get information by the telex service from the departure airport (before the plane takes off) by the pilot if additional fuel is needed.

As for the number of cleaners in prime time hours this has been proposed:

- to make a proper schedule by the number of cleaners and the number of flights for the next day, with the possibility of their displacement and rotation and
- to provide timely information about the last passenger on the plane to the head of the team by radio station so it can access the activities needed for maintaining the hygiene on board.

In order to deal with the problem of bad behavior of passengers, the management made a school training center at the airport to train the staff in the direction of how to deal with this

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kind of travelers, and thereby not to violate the values and norms of the airport and other passengers. Through these trainings the counter workers relationship with the passengers was changed, and the serving time was reduced. The school center works continuously on training employees through learning from the mistakes of other airports as well as acquiring new knowledge in the field of legislation. The way this is achieved that workers feel professional, licensed, motivated and fully engaged, and thus fulfill the three basic principles: fast (time), quality and safety making the employees and passengers happy, keeping the reputation of the company high and meeting profits projections (Nair and Boulton, 2008; Svensson, 2006). To overcome the problem with outdated technology the management has taken the following corrective measures:

- continuous monitoring of the development of modern technology and modernization in accordance with certain dynamic needs;
- regular servicing of existing equipment;
- conducting daily care for the correctness of the equipment.

Step 7: Control of implemented corrective measures for improvement;

Control should show whether the undertaken corrective measures contributed to the elimination of errors, complaints and whether the business processes is optimized or not. The service control using the tools and techniques for non-defect production monitors the progress of business processes and monitor the frequency of errors and changes made as a result of the corrective measures and if the results are visible.

Step 8: Assessment of the effects of the problem solving in terms of confirmation for improvement;

Table 3 shows the estimates of the effects of corrective measures as confirmation that real solutions that are found for the smooth operation and optimization of business processes. Today, the everyday problems faced by TAV Airports Holding, Macedonia are often related to defects of aircraft, crew delays, slow entry of passengers, and less due to delays and errors of operating offices in charge of handling the platform as a result of the application of TQM methodology.

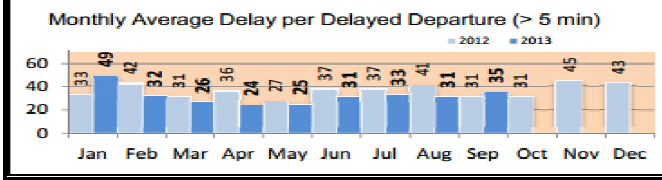
Table 3: Most frequent delays in TAV Airports Holding, Macedonia

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DELAYS to AIR TRANSPORT - SEP 2013

During August, from total of 468 Air Transport Departures, 50 flights (10.7%) were delayed more than 15min., and 109 flights (23.3%) more than 5 min. with average delay of 35 min. / per delayed flight.

Proportion of Delay Reasons	Delay codes	%
Aircraft rotation, late arrival from prev. sector	dl 93	53.4%
Mandatory security /Immigrations	dl 85-86	8.4%
Air Traffic Flow Menagement restrictions	dl 81-84	6.9%
Crewing	dl 64-69	
Operational requirements, flight plan	dl 61-62	3.7%
Slow embarkation (W6 company code)	dl 60	9.0%
Damage during flight (bird strike)	dl 51	3.7%
Aircraft defect	dl 41	3.7%
Passengers, baggage	dl 11-19	6.0%
Wheelchairs	dl 05	1.5%



The delay of the representatives of airlines passengers are understanding, but the business policy of the company is no delay on the part of the airport services company, as they carry over a financial losses, distort the image of the company as well as the confidence of travelers. Through the service control it has been estimated that some work processes have been improved and errors have been reduced, and in some processes there are almost no mistakes.

Table 4 illustrates the benefits of the corrective steps taken in dealing with irregularities and errors that are taken care of and are reduced from 50 up to 100 %.

Table 4: Reduction of errors from a security perspective

TAV Macedonia	SKOPJE "ALEXANDER THE GREAT" AIRPORT *Safety objectives and Safety assurance*	Page : 1/ 1 Date : 30.01.2012 Rev. : 0

I. Safety objectives for SKP:

1. Identify and eliminate as much hazards related to processes and operations;
2. Perform hazard and risk assessment for proposed new operations, equipment, and procedures;
3. Provide relevant SMS training to relevant personnel;
4. Provide a safe, healthy work environment for relevant personnel;
5. Minimize accidents/incidents to determined acceptable level of safety;
6. Prevent damage and injury to property and people as the result of operations;
7. Improve the effectiveness of the safety management system through safety audit.

II. Safety assurance

Safety performance indicators till end of 2011 per 10.000 ops	Safety performance targets till end of 2012 per 10.000 ops
2.7 Bird strikes	Reduce 50%
1.8 runway incursion caused by external vehicle	Reduce 100%
1.8 Aircraft ground damage	Reduce 50%
1.8 Safety training	Increase 50%
0.9 Airside vehicle collision	Reduce 100%
0.9 Staff injured airside	Reduce 100%
0.9 Safety related finding by external audit	Reduce 100%
0.9 Safety hazard reports	Increase number of received hazard reports 100%
0 Apron FOD events and Jet blast damage	Maintain same level
0 Dangerous Goods Occurrence and Fuel spillage on the apron	Maintain same level

Step 9: Standardizing the solution and constantly improving the perception of the company for airport services;

The analysis showed that the practice of implementing the methodology for total quality management increases the company's efficiency and performance (Chepujnoska, 2009;

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Mitreva, 2012; Bugdol, 2005; Haar, 2008). The benefits have led to satisfying customer needs, strengthening the company's place in the international market, employee satisfaction and improvements in the community. The results of the application of methods and techniques for non-defect working and TQM methodology and the standardization of new solutions demonstrated a realization of the planned and actual monthly performance for the number of operations (takeoffs and landings), the number and structure of the passengers (men, women, children, direct and transfer), the amount of cargo. Table 5 shows the expected and realized outcomes for each month, and the map of trend has given the effect in quarters in 2012 and 2013.

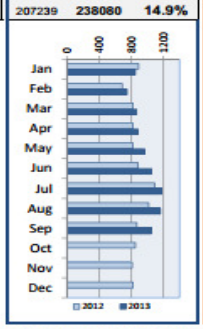
Table 5: Map of the trend of realization of airport services TAV Airports Holding, Macedonia (compared to 2012-2013)

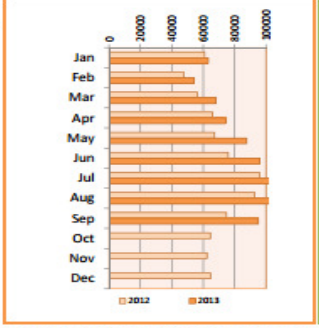
SKOPJE ALEXANDER THE GREAT AIRPORT

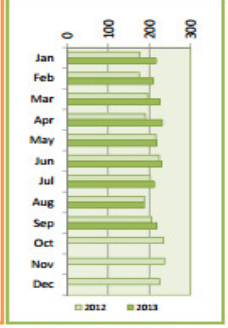
Tepe Akfen TAV Macedonia

Traffic Flow at Skopje Alexander the Great (compared 2012-2013)
- monthly development -

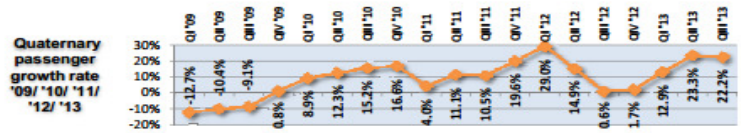
Month	Total Aircraft movements			Total Passengers: Terminal			Total Passengers: Transit		Freight+mail (in tonnes): Total Cargo with Trucked		
	2012	2013	% '13/'12	2012	2013	% '13/'12	2012	2013	2012	2013	% '13/'12
January	895	853	-4.7%	60911	63275	3.9%	517	165	176.66	216.19	22.4%
February	690	750	8.7%	47492	54242	14.2%	275	43	175.50	208.17	18.6%
March	826	868	5.1%	56158	68223	21.5%	1	211	195.49	225.05	15.1%
April	822	883	7.4%	65938	74340	12.7%	112	41	190.55	231.40	21.4%
May	823	966	17.4%	67225	87711	30.5%	695	281	215.87	217.87	0.9%
June	887	1054	18.8%	75968	95810	26.1%	1158	527	223.66	228.90	2.3%
July	1093	1184	8.3%	95890	112483	17.3%	1039	484	202.54	212.22	4.8%
August	1019	1166	14.4%	92903	114366	23.1%	974	657	187.54	187.87	0.2%
September	872	1053	20.8%	74800	95209	27.3%	1478	620	206.08	218.09	5.8%
October	854			64504			137		234.24		
November	814			62371			131		236.64		
December	824			64671			179		224.99		
Total Jan-Sep	7927	8777	10.7%	637285	765659	20.1%	6249	3029	1773.89	1945.75	9.7%
A/C MTOW	207239	238080	14.9%								







*Total Cargo data includes cargo from Trucked Service (on AWB bases), which according Cargo Center for the January-August period amounts 116.26 tons.
*Passenger Data includes number of infants (approximately 2% of total number).



Analyses in practice (Table 6) showed that the implementation of the methodology for total quality management increased the number of take-offs and landings of aircraft and passengers. The services offered by this company are made quickly and efficiently to respond to market demands.

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Table 6: Improvement in the number of take-offs and landings of aircraft and passengers compared from 2012 to 2013.

SKOPJE ALEXANDER THE GREAT AIRPORT

Tepe Akfen TAV Macedonia

Traffic Statistics (compared 2012 - 2013) ARRIVALS and DEPARTURES

		Aircraft movements			Terminal Passengers			Cargo volume (in tonnes) with trucked		
Month		2012	2013	% change	2012	2013	% change	2012	2013	% change
January	Arrived	450	428	-4.9%	28075	28910	3.0%	133.80	153.09	14.4%
	Departed	445	425	-4.5%	32836	34365	4.7%	42.86	63.11	47.2%
	Total	895	853	-4.7%	60911	63275	3.9%	176.66	216.19	22.4%
February	Arrived	344	376	9.3%	23245	26420	13.7%	130.66	145.98	11.7%
	Departed	346	374	8.1%	24247	27822	14.7%	44.85	62.19	38.7%
	Total	690	750	8.7%	47492	54242	14.2%	175.50	208.17	18.6%
March	Arrived	413	433	4.8%	28862	35616	23.4%	150.55	169.27	12.4%
	Departed	413	435	5.3%	27296	32607	19.5%	44.94	55.88	24.4%
	Total	826	868	5.1%	56158	68223	21.5%	195.49	225.05	15.1%
April	Arrived	410	441	7.6%	33873	36928	9.0%	147.46	172.02	16.7%
	Departed	412	442	7.3%	32065	37412	16.7%	43.09	59.38	37.8%
	Total	822	883	7.4%	65938	74340	12.7%	190.55	231.40	21.4%
May	Arrived	412	483	17.2%	34133	45315	32.8%	150.46	150.10	-0.2%
	Departed	411	483	17.5%	33092	42396	28.1%	65.42	67.77	3.6%
	Total	823	966	17.4%	67225	87711	30.5%	215.87	217.87	0.9%
June	Arrived	443	528	19.2%	42212	52097	23.4%	167.19	168.92	1.0%
	Departed	444	526	18.5%	33756	43713	29.5%	56.47	59.98	6.2%
	Total	887	1054	18.8%	75968	95810	26.1%	223.66	228.90	2.3%
July	Arrived	547	592	8.2%	53282	62661	17.6%	148.68	143.39	-3.6%
	Departed	546	592	8.4%	42608	49822	16.9%	53.86	68.83	27.8%
	Total	1093	1184	8.3%	95890	112483	17.3%	202.54	212.22	4.8%
August	Arrived	510	583	14.3%	40105	49847	24.3%	133.85	131.33	-1.9%
	Departed	509	583	14.5%	52798	64519	22.2%	53.69	56.55	5.3%
	Total	1019	1166	14.4%	92903	114366	23.1%	187.54	187.87	0.2%
September	Arrived	436	526	20.6%	33617	42738	27.1%	145.46	149.73	2.9%
	Departed	436	527	20.9%	41183	52471	27.4%	60.62	68.35	12.8%
	Total	872	1053	20.8%	74800	95209	27.3%	206.08	218.09	5.8%
October	Arrived	427			30604			160.58		
	Departed	427			33900			73.65		
	Total	854			64504			234.24		
November	Arrived	407			29468			168.98		
	Departed	407			32903			67.66		
	Total	814			62371			236.64		
December	Arrived	411			33787			165.89		
	Departed	413			30884			59.10		
	Total	824			64671			224.99		
Total Jan-Sep	Arrived	3965	4390	10.7%	317404	380532	19.9%	1308.10	1383.81	5.8%
	Departed	3962	4387	10.7%	319681	385127	20.4%	465.79	562.04	20.7%
	Total	7927	8777	10.7%	637285	765659	20.1%	1773.89	1945.75	9.7%

Step 10: Closing the project for improvement and validation of the problem identified, and response to new problems;

By introducing a system for proposals, employees will have the opportunity to continually provide ideas, comments, opinions and suggestions for improvement of the operation.

Conclusion

The application of methods and techniques for non-defect working in this company contributed for more efficiency and effectiveness and satisfaction of customer needs, strengthening the company's place in the international market, employee satisfaction and improving the community. In recent years the number of passengers increased by 20 % due to the favorable conditions that the company offers to low-cost companies, its attractive airline tickets have increased the number of passengers, fulfilling the strategic goal of the company.

The company TAV Airports Holding, Macedonia will continue to create value for all

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customers in all segments of Macedonia and will provide services to maintain its lead and strengthen its dominant power. By implementing the system for total quality management in accordance with European standards, the company has started the process of changes in the approach to quality. The management team and all employees have accepted all the proposed changes, in order to achieve the best quality at the lowest cost of operation. Daily practice of every employee is not only control the work, but the staff is trained to act proactively, rather than be occupied with detection. Employees were given the responsibility and power to correct their mistakes and take out any problem concerning the quality of service. This created a total quality care, but the process still takes a long effort, and a commitment of the top management and reliance on oneself to fulfill the set obligations. The willingness of top management to adopt new knowledge and techniques in order to improve business processes also cannot be neglected.

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Consumer Attitudes toward Mobile Marketing and Its Impact on Customers

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Abstract
Marketing is connecting with the customers and trying to reach the potential customers. A message sent through mobile device is an opportunity for that business service to place itself in front of the consumer. Large or small business, mobile marketing is being adopted to move forward to capture and have an impact on customers buying decision.
This paper focuses on studying the attitude amongst different occupations, nationalities and gender towards mobile marketing communication. The paper also attempts to study the impact of mobile marketing messages on the buying intention of the consumer.
The study focuses on attitude among college students, professionals and home makers towards mobile marketing communication. Consumer attitudetowards mobile marketing communication between male and female is also studied.

Key words: Mobile marketing, marketing communication, buying intention, customer buying decision.

Introduction

The technological developments have created new media channels for marketing. High usage of mobile devices and easily accessible high speed wireless network makes marketers interested to use this medium as a means of marketing. Marketing is about connection with the customers and trying to convince them to invest their time and money in your services. To reach customers the small and large marketers need to use mobile marketing channels. A message send through mobile marketing is an opportunity for that service to place itself in front of the consumer. Large or small mobile marketing is being adopted by business to move forward to capture and have an impact on customers buying decision.
Consumers are using their mobile devices to not only call or text friends but also using these devices to conduct research on various services offered. Consumers always look for ways to save and compare products through their devices while they are in the stores or just about to make a purchase decision.

Theoretical Concepts and Framework

Mobile marketing is using mobile devices for marketing purpose. Marketing communication is done through the mobile medium as means of marketing communication. Advertising or promotional messages are sent to the customers by using wireless networks to provide customer time and location based personalized services and ideas which add value to customers. Mobile marketing is done through wireless medium; marketing by any computer connection to a home local area network is not a part of mobile marketing. Mobile marketing is done through mobile devices such as E-Readers, tablets, smart phones, portable entertainment players and GPS devices. Types of mobile marketing will include

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SMS, MMS, mobile applications, location based services, QR codes, Voice marketing, pay per call mobile, mobile banner ads and Bluetooth wireless proximity based marketing. (wikipedia)

A mobile device is electronic devices that are small and are handheld computing device that has an operating system and run various types of application software. These devices can be operated by Wi-Fi, blue tooth, GPS capabilities that allow internet connections. Mobile devices such as E-readers help the marketers to promote their product on the reading devices such as sony reader, amazon kindle. Tablets arenotebooks which is a type of computer. This is very convenient for the consumers to use and is being used by large number of people such as anipad. Smartphones is a combination of a mobile phone and a handheld computer in a single device such as blackberry, iphones. These use internet of low rater and hence people subscribe for internet packages on these devices which is can be used as an opportunity by the marketer to reach the consumers. Portable Entertainment players are mp3 players and are used for playing games. These can be connected to the network and this can be used by marketers to provide applications or brand information. GPS and navigation devices receive signals to determine where the device is currently located on the earth. They have maps which direct the user to reach the desired destination. Marketers can use this for providing location based services. (harpsocial)

Types of mobile marketing channels include SMS which are in form of text messages. The marketers can use this channel to send relevant promotional text messages.Eg: Get 15% off for dinning in tonight from 7pm to 10pm at Chillis. MMS include an audio, video and images. Marketers can use this multiple media elements for their promotional messages. Mobile applications will have ads inside an application design. The consumers just have to download the desired apps and can receive updates and promotional messages in these apps.Eg: Zara has an app in the app world. I would just have to download this app and get news about latest offers or new stock in. Bluetooth wireless proximity based marketing is like TV advertising on cable which is used through network channels. The ad or a message will only display for that particular area or location which is picked up by the wireless devices. In location based marketing the user of the mobile device is send message according to the location via GPS technology. QR Codes allow the consumers to quickly scan the bar code and view the ad on their devices. Voice marketing is calling numbers through a computer managed list, when the call is answered it plays a pre-recorded message.

Mobile banner ads are same like ads for desktop web pages but these mobile ads are much smaller which fit on a mobile screen and run on mobile content network. It's basically a website with an ad when seen on a mobile device. (harpsocial)(papimedia)
Attitude is an important concept in marketing for doing any kind of research. An attitude is defined by schiffmanas "A learned predisposition to behave in a consistently favorable or unfavorable way with respect to a given object." Attitude as an object in relation to consumer orientation is referred as marketing related concepts such as a product, product category, brand, service, product use.Attitude are learned through direct experience or through perceived. Attitude has consistency as it is consistent with behavior but attitudes are not permanent, they do change. Attitude can occur or be affected by the situation. Situation maybe events or circumstances that at a particular point of time influence relationship between attitude and behavior.

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Mobile marketing can help to develop a positive attitude towards a brand. Mobile device user has increased drastically and people receive ads, promotions and offers on these devices. (Philip kotler, 2010)

Consumers are the final or the ends users who use the product or services. A consumer can be a group of people or an individual. A consumer may purchase the products or services for personal use and not for reselling or for manufacturing.
Brand according to Philip Kotler and Gary Armstrong a brand is defined as "a name, term, sign symbol or a combination of these, that identifies the maker or seller of the product" A brand can be a symbol, a design, name or any kind of distinct feature of the service that can be used by the marketer to create an identity for the service. Branding can be implemented through mobile marketing to make an impact on the consumers about services offered.(learnmarketing)

Literature Review

In the research paper "consumer responsiveness to mobile marketing" it has been studied that digital marketing channels have increased and have become an opportunity for the marketers to reach the consumers. These channels help in interaction as well as personalisation of content on messages. With large number of media options it is difficult to get attention of consumers. This research studies consumers' responsiveness to mobile marketing communication particularly SMS and MMS. The paper states that consumer responsiveness is a perceived relevance of the marketing message on the disturbance/acceptance of the context of receiving the message. A relevance/disturbance framework can measure the effectiveness of mobile marketing communication. The result of the study implicates that responsiveness of consumers towards mobile marketing varies. The responsiveness towards mobile marketing is lower that direct mail and commercial mail. There are a large number of consumers who showed low responsiveness but there are consumers who show positive response. (Strandvik)

According to the author Hans H. Bauer in his research "driving consumer acceptance of mobile marketing" states that with increasing mobile phones users and the high speed wireless technology a large number of companies investing in mobile marketing is increasing day by day. This research studies the factors on how customers accept mobile phones as a means of communication for promotional messages. This study has hypotheses which include determinants referring to consumer personality and referring to form of advertising. Hypothesis such as the more positive the attitude toward mobile marketing the higher the behavioural intention to adopt mobile marketing and the more positive the subjective perception of social norms concerning the adoption of mobile marketing the higher the behavioural intention to adopt mobile marketing. This hypothesis is empirically tested by using a linear structural equation model. The empirical results that entertainment value and information value is the strongest acceptance of mobile phone for advertising or promotional communication. (hans.H.bauer, 2005)

In the research paper "Mobile marketing using a location based service",Christopher Ververidis and George C. Polyzos are presenting a business model for Location Based Service which can be incorporated into the mobile web. Mobile marketing can be used for location based service. With today's world moving in fast pace everybody demands or needs information at fast speed. The demand stands as "anywhere anytime information". Location Based Service (LBS) is one such solution to this demand of satisfying the user

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needs. This study describes the architecture of the information system which supports the proposed service. Software is implemented using an environment which feeds the location information for this particular service. There are numerous wireless applications available today, but people are still demanding for a "killer" wireless application. One such solution is the LBS which have been discussed in this paper. This study results in an information system which is done through Location Based Service for the mobile marketing and a suitable business model to support this service.(Polyzos)

In this paper "Mobile marketing research: The-state-of-the-art", KaanVarnali states that the potential of business in mobile marketing has attracted many researchers from different areas to give their contributions regarding mobile marketing. There is lot of literature of this but still the research is in the early stages. This paper studies how to classify and organize mobile marketing literature and analyze the state of the art in order to help bring out growth and development. This study has reviewed journal articles from various journals which were published in year 2000- 2008. The study results in the progress of mobile marketing research and it gives in a framework which helps in giving a direction for future research. (Kaan Varnali∗, 2012)

This research investigates "young consumer's motive for using SMS and perceptions towards SMS advertising". This research studies the young consumer's usage frequency and attitude towards sms advertising. Consumers have various motives for using SMS. Frequency varies in different age groups and the attitude towards SMS advertisement. SMS advertising has become popular and its advantages such as cost effectiveness and broad channelization is very helpful for marketing. SMS is a very convenient medium which involves social involvement, enjoyment, personal communication. It is very stable and allows public expression The factor analysis done on the motives of the young consumers resulted in a few factors such as convenience, social involvement, enjoyment, escape, personal communication, economical reasons, and public expression. It is difficult to understand motives of using SMS and SMS being used as an advertising or promotion tool , as very little research has been done to conclude the true nature of this relationship. The study concludes the reasons that have an impact of the sms usage frequency are convenience and economic factors. SMS advertising is also influenced through social factors. (Ian Phau,1980)

In this research paper "Consumer attitudes toward mobile advertising: an empirical study" investigates the growth, expansion and popularity of mobile phones and other mobile devices has set path for a complete new track in terms of marketing channels. The emerging use of short message services (SMS) has gained so much popularity making it a perfect and an effective medium for one to one marketing. This research studies the attitude towards mobile advertising and the bonding between attitude and behaviour. An instrument for attitudes towards mobile advertising is developed. The surveys that have been done have indicates results stating consumers have developed a negative attitude towards mobile advertising unless they have specifically requested or subscribed for it or if they have given their consent for receiving such advertising updates. There is a definite correlation between consumer attitude and consumer behaviour hence it is inevitable to get the prior permission of the consumer for such mobile advertising which will be more effective.(Melody M. Tsang)

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According to the author Stuart J. Barnes in the research paper "Mobile marketing: the role of permission and acceptance" there is a tremendous base that has been developed for business services due to the advance growth and convergence of distributed networks and wireless communications. Mobile marketing is a key aspect in the consumer markets. The convenience, ease of interactivity and the mobility of the wireless devices provides a sound platform for marketing. The personal and ever-present nature of devices means the interactivity can be provided at any point of time at any desired place. The acceptance by the consumers is still the issue that has overcome in order resolve and set a smooth path for mobile marketing. The paper conceptualists' key attributes for mobile marketing that is permission and recognition. The paper concludes with the forecasting on the future of mobile marketing and some core areas for additional research.(Stuart J, 2004)

According to the research " The influence of personalization in affecting consumer attitudes towards mobile advertising in china" done by David Jingjun Xu is that the frequent usage of mobile phones has resulted in the using of handheld devices to conduct mobile commerce and with the web's interactive and quick response capabilities has ensured to the growth of mobile commerce applications.Right on top in mobile commerce would be mobile advertising. SMS has been a stand out service in the current practice of mobile marketing. As per the author the existing research investigates the factors that will hinder consumer attitudes towards mobile advertising in china with particular zoom in on personalization. The results of the survey throws light upon the relationship between consumer attitude and intentions of the consumer and personalization is a key factor in affecting consumers' attitude towards mobile advertising, particularly for female users. Hence it is important that the designers and the marketing decision makers should effectively strategize their advertising designs considering the personalization factor.(Xu, 2006/2007)

Significance of Study

The significance of the study is to understand the consumer attitude towards the various mobile marketing mediums. People today are connected more than ever and most are addicted to their mobile devices; marketers can use this medium to ensure they reach their consumers. Mobile marketing provides marketers and business to connect more closely to customers. Business services target mobile marketing and reach more number of audiences. It would provide the marketers with new opportunities. Mobile marketing is been largely adopted by small and large services and are spending time to develop and execute mobile marketing strategy. It is important for the marketer to know if the consumer is being able to accept and adopt to such a communication. It is important for the marketer to know the impact of mobile messages on the buying intention of the consumer or if it is having a negativeimpact on the consumers inform of disturbance and as an invasion to their privacy. The screens of these devices are small but the worlds they open are huge.

Objectives of the Study

1. To study the attitude towards mobile marketing among college students, professionals and house makers.
3. To compare the attitude towards mobile marketing between male and female.
4.To study the impact of mobile marketing messages on the buying intention of the consumer.

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Scope of the Study

Understanding the attitude of the consumers towards mobile marketing communication and understanding how these affect the consumers and their buying intensions. This study is focuses on the college students, professionals and home makers attitude towards mobile marketing in the business services area. This studies the impact of mobile marketing messages on the buying intention of the consumer.

Research Methodology

Research Design

"A research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure."(Research methodology)

Nature of research

It is a Quantitative study to understand the consumer's attitude towards mobile marketing and its impact on consumers in services sector in Oman.

Type of research

It is a descriptive research design. Descriptive Research design includes conducting survey and finding facts of various types. In this method the researcher has no control over the variables. (Research methodology)

Sampling Design

Sampling is a method of collecting information about the entire population by studying only a part of it.

Sampling: Process of obtaining information about an entire population by examining only a part of it.(Research methodology)

Sampling Technique: Non-Probability – Convenience Sampling.

Sample Size: 100 respondents

Data Collection Method(s)

Sources of data: Primary and Secondary.

Data collection Instruments: The data for this research is collected through Survey Method – Questionnaires.

Limitations to the Study

The study is limited to Oman only. There are various factors that affect the attitude of consumers towards mobile marketing but in this we have limited it to gender, nationalities, house makers and professionals.

Data Analysis

Respondents Profile

Table 1 Sex

	Frequency	Percentage
Male	36	36.0
Female	64	64.0
Total	100	100.0

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Analysis: This table shows that 36% of the respondents were male and 64% were females.

Table 2 Age

	Frequency	Percentage
18-24	31	31.0
25-35	34	34.0
36-45	26	26.0
Above 45	9	9.0
Total	100	100.0

Analysis: This table shows the different ages groups, 18-24 are the youngsters, 25-35 and 36-45 and above 45 are middle aged group. 31% youngsters and in the group of 25-35 34%, 36-45 26% and above 45 9% have responded.

Table 3 Occupation

	Frequency	Percentage
College Student	40	40.0
Professional	40	40.0
Homemaker	20	20.0
Total	100	100.0

Analysis: This figure shows the occupations of the respondents, out of which there were 20% homemakers, 40% professionals and 40% college students.

Table 4 Devices used by the respondents.

	Frequency	Percentage
Tablets	17	17.0
Smartphones	53	53.0
Entertainment player	3	3.0
GPS devices	2	2.0
None of the above	5	5.0
More than 2	20	20.0
Total	100	100.0

Interpretation: Majority of the respondents use Smartphone's and tablets. Most of them use more than 2 devices. Very few of them do not use any of the above devices.

Reliability

Cronbach's Alpha For Attitude:

Attitude is "A learned predisposition to behave in a consistently favorable or unfavorable

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way with respect to a given object." Attitude is a feeling of like or dislike towards a particular object.

The Statements to understand consumer's attitude towards mobile marketing by using Cronbachs Alpha test are:

- I find receiving advertisements as sms/mms on mobile devices useful.
- I find mobile marketing plays a vital role in marketing of any business.
- I find receiving advertisements such as sms/mms very informative and gives me knowledge about current offers and promotions taking place.
- I respond to the messages I get by further going online through my mobile devices and checking for more information.
- I like to scan QR codes to view the advertisements.
- I find mobile shopping convenient and entertaining than traditional shopping.
- I find shopping through mobile devices interesting and have a positive view.
- I find doing banking easier through mobile applications rather than traditional methods.
- I like receiving mobile marketing messages on my mobile devices.
- I find it easier to recall those brands who have sent me marketing messages about their service.
- When I receive messages about the various services offered by a service provider it creates a brand image in my mind.

The reliability of the above statements was tested by using Cronbach's Alpha Value. It was found to be .843.

Table 5 Reliability Statistics

Cronbach's Alpha	N of Items
.843	11

Cronbach's Alpha For Acceptance:
Acceptance is a behavioral aspect towards any condition.

Thestatements to understand consumers acceptance towards mobile marketing by using Cronbachs Alpha test are:

- Acceptance of mobile marketing messages would be more favourable if the sender gets permission beforehand from the receiver.
- Acceptance of mobile marketing messages would be more if the content of marketing messages is relevant to me.
- Acceptance of mobile marketing messages would decrease if the messages are sent to me at non-suitable timings.
- Acceptance of mobile marketing messages would be more favourable if the marketing messages are specific to my location such as area of residence or work place.
- Mobile marketing is the easiest way of communication between companies offering various services and the customer.

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- Acceptance of mobile marketing messages would be unfavourable to me as I feel uncomfortable about the security issues when companies sent messages about their services.
- When I feel satisfied with the marketing message received on the various services, I tend to forward to my friends.
- When I receive messages about the various services offered by a brand, it does not have any impact on the brand image.
- The reliability of the above statements was tested by using Cronbach's Alpha Value. It was found to be .711

Table 6 Reliability Statistics

Cronbach's Alpha	N of Items
.711	8

Cronbach's Alpha For Acceptance is .711

Cronbach's Alpha For Buying Intentions:
Buying Intensions means planning to make a purchase of any good or service.

The statements to understand if mobile marketing has an impact on customers buying intention by using Cronbachs Alpha test are:

- The marketing messages such as SMS/MMS sent to me on various services offered has made a clear impact on my buying decision.
- On receiving marketing message of any particular business service sent on my mobile device attracts me to make a purchase.
- I have made a purchase after getting influenced on receiving marketing message about a business service on my mobile device.

The reliability of the above statements was tested by using Cronbach's Alpha Value . It was found to be .865

Table 7 Reliability Statistics

Cronbach's Alpha	N of Items
.865	3

Cronbach's Alpha For Buying Intentions is .865

Relationship between Attitude, Acceptance, and buying intention with Gender, Nationality and Occupation.

Relationship between Occupation and Attitude towards mobile marketing:
Statement: I find mobile advertising plays a vital role in marketing of any business.

Cross tabulation
Table 8

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		Occupation			Total
		College Student	Professional	Homemaker	
I find mobile marketing plays a vital role in marketing of any business	Strongly Disagree	2	1	0	3
	Disagree	3	3	1	7
	Neutral	8	7	4	19
	Agree	14	24	12	50
	Strongly Agree	13	5	3	21
Total		40	40	20	100

Interpretation: Professionals have a little more favorable attitude on mobile marketing as a vital role in marketing than the college students and homemakers. Since professionals are working it is easier and convenient for them to receive marketing messages in their mobile device. Hence Attitude remains unchanged in different occupations.

Relationship between **Gender and Attitude** towards mobile advertising:
Statement: I find mobile advertising plays a vital role in marketing of any business.
Cross tabulation
Table 9

		Sex		Total
		Male	Female	
I find mobile marketing plays a vital role in marketing of any business	Strongly Disagree	2	1	3
	Disagree	4	3	7
	Neutral	5	14	19
	Agree	21	29	50
	Strongly Agree	4	17	21
Total		36	64	100

Interpretation: This shows that majority of both male and female find mobile marketing is vital for any business as it makes the customers aware about the new products or latest offers. There is a more favorable attitude observed in both males and females towards mobile marketing irrespective of the gender.Hence there is no change in attitude for mobile marketing in gender as both male and female have a positive attitude towards mobile marketing.

Relationship between **Occupation and Acceptance** towards mobile marketing:
Statement: When I feel satisfied with the marketing message received on the various services, I tend to forward to my friends.
Cross tabulation

Table 10

	Occupation	Total

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		College Student	Professional	Homemaker	
When I feel satisfied with the marketing message received on the various services, I tend to forward to my friends.	Strongly Disagree	9	1	2	12
	Disagree	8	7	3	18
	Neutral	13	18	6	37
	Agree	9	6	9	24
	Strongly Agree	1	8	0	9
Total		40	40	20	100

Interpretation: Homemakers have more acceptances with the marketing message received on the various services and also forward to friends as they have the time to read the messages. College student are not too keen in accepting marketing messages. Hence acceptance remains unchanged in different occupations.

Relationship between **Gender and Acceptance** towards mobile marketing:
Statement: When I feel satisfied with the marketing message received on the various services, I tend to forward to my friends.

Cross tabulation
Table 11

		Sex		Total
		Male	Female	
When I feel satisfied with the marketing message received on the various services, I tend to forward to my friends.	Strongly Disagree	3	9	12
	Disagree	3	15	18
	Neutral	15	22	37
	Agree	10	14	24
	Strongly Agree	5	4	9
Total		36	64	100

Interpretation: This study shows that males have more acceptances on mobile marketing than females. As less females agree that they feel satisfied with the marketing message received on the various services and tend to forward to friends as well as the disagree percentage for females(38%) is more compared to males(16%). Hence there is no change in acceptance for mobile marketing in gender.

Relationship between**Occupation and Buying Intention** towards mobile marketing:
Statement: On receiving marketing message of any particular business service sent on my mobile device attracts me to make a purchase.
Cross tabulation
Table 12

	Occupation	Tot

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		College Student	Professional	Homemaker	al
On receiving marketing message of any particular business service sent on my mobile device attracts me to make a purchase	Strongly Disagree	1	3	1	5
	Disagree	6	9	6	21
	Neutral	9	8	4	21
	Agree	20	18	7	45
	Strongly Agree	4	2	2	8
Total		40	40	20	100

Interpretation: Professionals have received marketing message of business service sent on mobile device and has attracted them to make a purchase more than homemakers. Hence buying intensions remains unchanged in different occupations.

Relationship between**Gender and Buying Intentions** towards mobile marketing:
Statement: On receiving marketing message of any particular business service sent on my mobile device attracts me to make a purchase.

Cross tabulation
Table 13

		Sex		Total
		Male	Female	
On receiving marketing message of any particular business service sent on my mobile device attracts me to make a purchase	Strongly Disagree	2	3	5
	Disagree	6	15	21
	Neutral	9	12	21
	Agree	18	27	45
	Strongly Agree	1	7	8
Total		36	64	100

Interpretation: There is not much difference among the males and females on receiving marketing message of any business service sent mobile device that attracted to make a purchase. Hence there is no change in buying intentions for mobile marketing in gender.

Summary of findings of the study
Majority of the respondents use Smartphone's and tablets. Most of them use more than 2 devices and only 5% do not use any of the above devices.

Majority of the respondents have used online shopping and mobile banking services. Most of the respondents have used more than 2 of these services.

75% of the respondentsfindssms/mms useful and very few of the respondents do not agree with the usefulness of sms/mms.

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Majority of the sample population have strongly agreed that mobile marketing is vital for any business and few on them slight disagree to this.Majority of them find receiving advertising such as sms/mms very informative as they are aware of the latest offers and promotions.

Even today people prefer the traditional way of shopping that is by going to malls and making their purchases.

Majority of the respondents like receiving mobile marketing messages on their devices.
The acceptance of marketing messages would be more when the sender seeks permission is most preferred by the respondents according to the study and very few believe that they do not need any permission seeking process to receive messages according to 69% respondents.

Acceptance of mobile marketing messages would be more favorable to the respondents when they are relevant to them.

When the messages are sent on suitable timings the acceptance of the respondents would be more positive towards these messages.

Respondents find it confusing when there are too many details given through advertising.

Most of the respondents prefer messages send specific to their locations such as their work place or area of residence.

Majority of the respondents find mobile marketing the easiest way of communication between companies and the customer.Very few believe that it is not the easiest way. 34% of the respondents disagree that they feel uncomfortable about the security issues.

Majority of the respondents neither agree nor disagree that they forward the message to their friends when they are satisfied with the marketing message. Very few disagree with regarding forwarding messages to their friends.

50% of the respondents agree that it is easier to recall those brands that have sent marketing messages about their service. Very few disagree that they help in recalling brands.

Majority of the sample population agree that these messages help in creating a brand image in the minds of the prospects.

Majority of the respondents disagree to there is no impact on the customers as
Most of the respondents agree that the messages sent on various services offered have made a clear impact on their buying decisions. Only 9% believe that It does not have an impact on the buying decision

53% of the respondents agree that receiving marketing messages of a particular business service sent on mobile devices attracts them to make a purchase and influence their buying decisions.

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Cross tabulations

Table 3.36 indicates Professionals have a little more favorable attitude on mobile marketing playing a vital role in marketing than the college students and homemakers. Since professionals are working it is easier and convenient for them to receive marketing messages in their mobile device. HenceAttitude remains unchanged in different occupations.

Table 3.38shows that majority of both male and female find mobile marketing is vital for any business as it makes the customers aware about the new products or latest offers. There is a more favorable attitude observed in both males and females towards mobile marketing irrespective of the gender.Hence there is no change in attitude for mobile marketing in gender as both male and female have a positive attitude towards mobile marketing.

Conclusion

According to the findings, majority of the respondents use mobile devices and hence mobile marketing messages would be an excellent medium to reach the potential customers. Respondents find it very useful and informative when they receive marketing messages in form of sms/mms on their mobile devices as the customers can be kept updated on the latest offers or promotions. The study indicates that mobile advertising is vital for any business. Respondents find mobile marketing the easiest way of communication between companies and the customer.Very few believe that it is not the easiest way.

The study shows that there is a positive attitude on receiving mobile marketing messages on mobile devices. The study also shows that marketing messages to recall those brands that have sent to the customers and mobile marketing messages help in creating a brand image in the minds of the prospects. The study indicates customers still prefer Traditional shopping than online shopping even though online shopping is a more convenient option. This maybe they would get better shopping experience from traditional shopping.

Acceptance of mobile marketing would be more when the marketing messages are relevant and are sent to the receiver at suitable timings. The acceptance would be more when messages are send specific to their locations such as their work place or area of residence. The sample population prefers mobile marketing messages and is favorable and comfortable with it.

The study also concludes that a message sent to the receiver attracts them towards the offers or promotions. The study also concludes that after receiving marketing messages respondents have been attracted but and has an influence or have an impact on their buying intentions.

Professionals have a little favorable attitude on mobile marketing playing a vital role in marketing as professionals are working it is easier and convenient for them to receive marketing messages in their mobile device but more or less attitude remains unchanged in different occupations.

Suggestions

It is advisable for business to adopt mobile marketing as respondents feel mobile marketing the easiest way of communication between companies and the customer.Majority use mobile devices and hence mobile marketing messages would be an excellent medium to reach the potential customers.

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From the study we conclude that mobile marketing messages sent to the customers attracts them towards the offers or promotions. This can be used as a medium to attract customers when there is a new launch product or new features introduced into an existing service.

Cross-cultural studies in the area of mobile marketing can also be taken up for further research.

Directions for Future Research

Marketing message sent to the receiver attracts them towards the offers or promotions but the study also concludes that it does not influence or have an impact on their buying intentions. A further research can be done on why there is no influence or have an impact on their buying intentions.Cross-cultural studies in the area of mobile marketing can also be taken up for further research.

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Questionnaire

This survey is been conducted to understand consumer attitude towards mobile marketing and its impact on consumers. This study focuses on the mobile marketing communication of various business services in Oman. Your response is very valuable for this study and will be used only for academic purposes .

Please read the questions carefully before answering. Please tick the appropriate options:

Sex: ☐ Male ☐ Female

Age: ☐ 18-24 ☐ 25-35 ☐ 36-45 ☐ Above 45

Nationality: ☐ Omani ☐ Non Omani

Occupation: ☐ College student ☐ Professional ☐ Homemaker ☐ Self Employed

1. Do you have any of the following devices?

☐ Tablets ☐ Smartphones ☐ Entertainment players (ipod/others)
☐ GPS devices ☐ None of the above ☐ More than two devices

2. Have you ever used any of the following?

☐ Mobile banking
☐ Online shopping
☐ Location based services
☐ Scanned QR code (QR- Quick Response Code)
☐ None of the above
☐ More than two

3. Please tick the appropriate option.
   1 being Strongly Disagree and 5 being Strongly Agree.

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
I find receiving advertisements as sms/mms on mobile devices useful					
I find Mobile Marketing plays a vital role in marketing of any business service.					

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I find receiving advertisements as sms/mms very informative and gives me knowledge about the current offers and promotions taking place.					

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
I respond to the messages I get by further going online through my mobile devices and checking for more information.					
I like to scan QR codes to view the advertisements					
I find mobile shopping convenient and entertaining than traditional shopping					
I find shopping through mobile devices interesting and have a positive view.					
I find doing banking easier through mobile applications rather than traditional methods					
I like receiving mobile marketing messages on my mobile devices					
As soon as I get message related to marketing of any business service I delete it without reading					
I prefer blocking such numbers due to security reasons					
I prefer blocking these numbers as they are annoying as messages of different services keep coming all day long.					

4. Acceptance: (Please tick the appropriate option)

How many messages on an average/day do you receive on your mobile device?

☐ Less than 2
☐ Less than 5 and more than 2

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree

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Acceptance of mobile marketing messages would be more favourable if the sender gets permission beforehand from the receiver					
Acceptance of mobile marketing messages would be more if the content of marketing messages are relevant to me					

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Acceptance of mobile marketing messages would decrease if the messages are sent to me at non-suitable timings					
Too many details about a service through advertisement causes confusion					
Acceptance of mobile marketing messages would be more favourable if the marketing messages are specific to location such as area of residence or work place.					
Mobile marketing is the easiest way of communication between companies offering various services and the customer					
Acceptance of mobile marketing messages would be unfavourable to me as I feel uncomfortable about the security issues when companies sent messages about their services					
Reading marketing messages through mobile devices is time consuming					
Receiving marketing messages about services throughout the day creates a negative impact towards mobile marketing					
When I feel satisfied with the marketing message received on the various services, I tend to forward it to my friends.					

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree

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I find it easier to recall those brands who have send me marketing messages about their service					
When I receive messages about the various services offered by a service provider it creates a brand image in my mind					
When I receive messages about the various services offered by a brand, it does not have any impact on the brand image.					

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
The marketing messages such as sms/mms send to me on the various services offered has made a clear impact on my buying decision					
On receiving marketing message of any particular business service send on my mobile device attracts me to make a purchase					
I have made a purchase after getting influenced on receiving marketing message about a business service on my mobile device					

THANK YOU

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Analysis of Attitude, Experience, Subjective Norm and Behavioral Control on The Entrepreneurial Intention and Behavior: A Case Study toward The Pawners of Sharia Pawnshop of Surakarta Branch Office, Central Java, Indonesia

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ABSTRACT

The objective of the research is to examine and analyze the effect of the attitude on entrepreneurial behavior, the entrepreneurial experience, the subjective norm, and the behavioral control toward the entrepreneurial behavior and intention. The samples of the research were 205 pawners of Sharia pawnshop of Surakarta branch office including the service units in Sukoharjo and Karanganyar regencies, Central Java, Indonesia, which intended to be and had already started the entrepreneurship. They were taken by using convenience sampling technique. Twenty three questionnaire items were deemed valid, six variables were considered reliable, and the criteria of the research model feasibility analyzed with SEM were fulfilled. The result of the research shows that all proposed hypotheses are verified. The attitude and the subjective norm have a direct positive effect on the entrepreneurial behavior and intention. Meanwhile, both the attitude control being felt and the entrepreneurial experience influence the entrepreneurial intention, which in turn affects the entrepreneurial behavior.

Keywords: Attitude, Entrepreneurial experience, subjective norm, behavioral control, entrepreneurial intention, entrepreneurial behavior

INTRODUCTION

The existence of entrepreneurs in a country is increasingly important to be realized. The increasing entrepreneurs, in quantity as well as in quality, are expected to be a safety valve for the creations of job opportunity, increased productivity, and improved prosperity of community. The accomplishment of the entrepreneurial behavior and performance needs to be developed. The intention accuracy in entrepreneurship and the factors affecting the intention, which in turn affect the entrepreneurship behavior, need to be ensured more. The objective of this research is to analyze several factors which influence the entrepreneurial intention and behavior based on the aspects of attitude, experience, behavioral control, and subjective norm of 205 research subjects constituting the pawners (*rahin*) of the Sharia

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pawnshop (*rahn*) of Surakarta branch office, who have already started the entrepreneurship.

To some degree, this research is inspired by Ajzen's (1988) Theory of Planned Behavior, developed from the Theory of Reasoned Action, which was introduced by Fisbein & Ajzen (1975), by adding the construct of perceived behavioral control, so that the determinants of the intention and behavior are the controls' attitude, subjective norm, and behavior. The experience factor is also added into this research since it is assumed that it will influence the entrepreneurial intention, which in turn will affect the entrepreneurial behavior.

Kroeger, Reilly, and Carsrud (2000) have elaborated the presence of the situational factor in determining the entrepreneurial intention and behavior that this research includes, namely the factor of experience, which is elaborated in the aspects of perceived desirability and perceived feasibility. John (1992) states that in the context of the quality of the care service given in a hospital, it is affected by the previous experience of getting the care service in the same hospital, which will affect the present quality and satisfaction, which will, in turn, affect the care service quality in the future.

PROBLEM STATEMENTS

The problems of the research are formulated as follows:

1. Whether the attitude influences the entrepreneurial intention and behavior.
2. Whether the experience influences the entrepreneurial intention.
3. Whether the behavioral control influences the entrepreneurial intention.
4. Whether the subjective norm influences the entrepreneurial intention and behavior.
5. Whether the entrepreneurial intention influences the entrepreneurial behavior.

OBJECTIVES

The objectives of this study are to examine and analyze:

1. The effect of attitude on the entrepreneurial intention and behavior;
2. The effect of experience on the entrepreneurial intention;
3. The effect of behavioral control on the entrepreneurial intention;
4. The effect of subjective norm on the entrepreneurial intention and behavior; and
5. The effect of entrepreneurial intention on the entrepreneurial behavior.

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BENEFITS

The benefits of the research are as follows:

1. Giving input to governmental and private institutions for the development of the entrepreneurial behavior, for instance in developing the entrepreneurial atmosphere and spirit for those intending and starting to be entrepreneurs through relevant training and education programs.
2. Giving input to the prospective entrepreneurs and the entrepreneurs so as to increase the entrepreneurial intention and to realize a successful entrepreneurial behavior.
3. Enriching the result of theoretical and empirical study on the factors required for increasing the entrepreneurial intention and behavior.

THEORETICAL STUDY AND HYPOTHESIS DEVELOPMENT

Entrepreneurial Attitude, Intention, and Behavior

Eagly & Chaiken (1993) states that attitude is a psychological tendency of a certain party which has evaluative traits, either beneficial or not, towards certain behaviors, which encompass the cognitive aspects (career match, opinion rationality), the affective aspects (interest, hope for satisfaction) and the conative aspect (behavioral tendency). Shook & Bratianu (2010) explains that the epitome of a person attitude is based on that person's conviction of getting the result; if it is thought to be more beneficial, it will influence the behavioral intention better than when it is thought to be unbeneficial.

Meanwhile, according to Fishbein & Ajzen (1975), the entrepreneurial intention is the degree of seriousness of the urge to behave in certain way. The intention to be an entrepreneur explains how far a person has an urge or is motivated to have an entrepreneurial behavior. If the urge is strong, the person is said to have a strong intention and vice versa. The role of intention is very important, since it will determine the value and the outcome that will be gained as the consequence of the chosen behavior. Katz & Gartner (1988) state that intention is a search for information that can be used to help to fulfill the objectives of the venture creation. The intention is reflected on the accuracy of motivation, obsession, and seriousness in preparation, probable failure anticipation, determination, utilization of knowledge and experience, and consultation to other party. The quality of the intention to behave affects the quality of behavioral success. The results of the researches by Solvesik et al., (2012); Fisbein & Ajzen (1975); Ajzen (1991,2002); Nurul Huda (2012); Zhao et al., (2005); Seagel et al., (2005); and Guido et al., (2011), all show the positive effect between the

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entrepreneurial intention and the entrepreneurial behavior. On that ground, then a hypothesis is formulated as follows:

Hypothesis 1: The attitude on the entrepreneurial behavior positively influences the entrepreneurial intention

Behavior including the entrepreneurial behavior is an actualization of action to realize certain objectives. Behavior functions as individual characteristic and environmental characteristic. The entrepreneurial behavior on the practices in processing the company resources results in goods and/or services and gives services to corresponding customer segment. It is shown in the performance of employee management, finance, and operation and marketing. Homer & Kahle (1988) propose the positive effect between the entrepreneurial attitude and the entrepreneurial intention. On that ground, the following hypothesis is formulated:

Hypothesis 2: The attitude on the entrepreneurial behavior positively influences the entrepreneurial behavior

Entrepreneurial Experience

Experience is an important determinant in affecting a person's behavior and performance. Experience explains the accumulation of one's journey. Entrepreneurial behavior reflects the intensity and the extensity of repetitive behavior in cultivating the entrepreneurial practices. There is a learning process through continuous quality improvements. John (1992) states that in the context of the quality of the care service given in a hospital, it is affected by the previous experience of getting the care service in the same hospital, which will affect the present quality and satisfaction, which will, in turn, affect the care service quality in the future. This experience can come from oneself (starting one's own business or working for other parties) and from other parties (such as parents, friends, and colleagues). The results of the researches by Kroeger, Reilly & Carsrud (2000); John (1992); Zhao et al., (2005); and Boyd & Vozikis (1994) reports the positive effect between the entrepreneurial experience and the entrepreneurial intention. Thus, the following hypothesis is formulated:

Hypothesis 3: The entrepreneurial experience positively influences the entrepreneurial intention

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Perceived Behavioral Control

Ajzen (2005) states that behavioral control explains one's perception toward several factors that give both ease and difficulty in the actualization of a certain behavior. Behavioral control measures a person's ability to control one's behavior directed to the expected result of a behavior. Behavioral control is based on how far a person is willing and able to control his/her behavior, so that his/her behavioral tendency can be observed, whether it gives ease or difficulty. If his/her behavioral control is high, it will give a better chance: he/she will be more prepared, more optimistic, easier, and able to master the process of starting and developing the entrepreneurship and vice versa. The results of the researches which show the positive effect between the behavioral control and the entrepreneurial intention are stated by Autio et al., (2001); Davidson, (1995); Kroeger, Reilly, & Carsrud (2000); Solvesik et al., (2012); Nurul Huda (2012); Linan & Chan (2009); and Guido et al., (2011). Based on that ground, a hypothesis is formulated as follows:

Hypothesis 4: The behavioral control in entrepreneurship positively influences the entrepreneurial intention

Subjective Norm

Nilsson, Borgstede, & Biel (2004) affirm that subjective norm is a construct which explains a person's belief to refer to the influence of other parties in behaving in certain way and in being motivated to fulfill certain reference. In other words, it is a person's tendency to consider and follow view, guidance, and encouragement to behave or not to behave from other parties individually and in group, such as from relatives, friends, and community leaders. Meanwhile, according to Rhodez & Courneya (2003), the subjective norm reflects the appraisal of the social pressure on a person to behave or not to behave, including the one in entrepreneurial behavior. Cialdini, Reno, & Kallgren (1990), sort subjective norm into descriptive norm, as a perception of individual idea on the behavioral prevalence, and injunctive norm, as the experience pressure to behave in a certain way. The results of the researches which show the positive effect between the subjective norm and the entrepreneurial intention are published by Solvesik et al., (2012); Fisbein & Ajzen (1975); Ajzen (1998,1991,2002); Linan & Chan (2009); Schwarz (2009); Shook & Britanu (2008); Tkachev & Kolvereid (1999); Guido et al., (2011); and Rhodes & Courneya (2003). Based on that ground, a hypothesis is formulated as follows:

Hypothesis 5: The subjective norm positively influences the entrepreneurial intention

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Meanwhile the results of the researches which show the positive effect between the subjective norm and the entrepreneurial behavior are proposed by Rimal & Real (2003); Miner (2001); and Armitage & Conner`s (2001). Based on that, a hypothesis is formulated as follows:

Hypothesis 6: The subjective norm positively influences the entrepreneurial behavior

Perceived Behavioral Control

Entrepreneurial Intention and Entrepreneurial Behavior

Intention reflects a person's strong will that inspires and motivates certain behavior. The role of intention really determines the quality of the behavior. If a person's intention is strong and correct, it will influence the correctness of the behavior, because all of energy, material, and information underlie the occurring behavior. The results of the researches by Jogiyanto (2007); Ajzen (1991); Homer & Kahle (1988); Kolvereid (1996); Tkachev & Kolvereid (1999); Schwarz (2009); Fayolle et al., (2006); and Mazzarol et al., (1999) show the positive effect between the entrepreneurial intention and the entrepreneurial behavior. Based on that ground, a hypothesis is formulated as follows:

Hypothesis 7: The entrepreneurial intention positively influences the entrepreneurial behavior

Based on the theoretical study and hypothesis formulation, the research model can be drawn as seen on Figure 1:

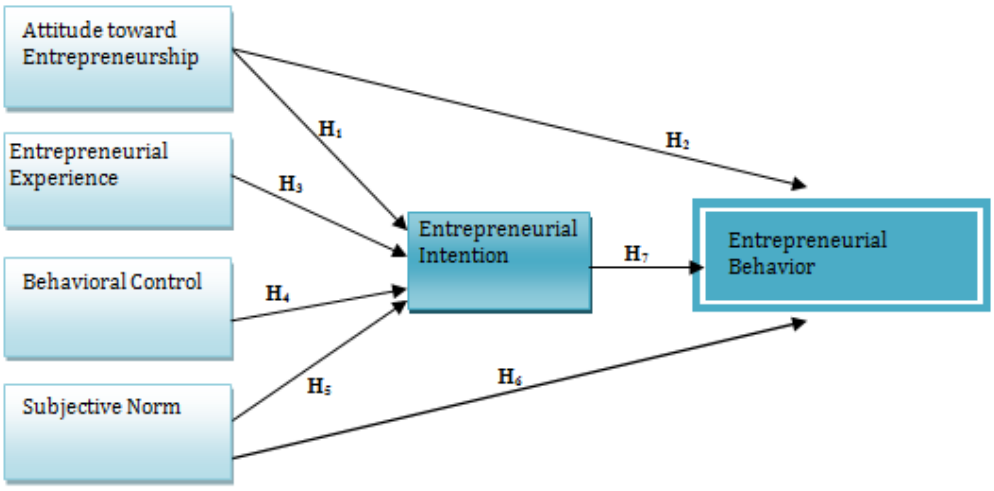


Figure 1: The Research Model

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RESEARCH METODOLOGY

Population and Samples

The population of this research was all of the customers of the goods and services supplied by Sharia Pawnshop of Surakarta Branch Office and its five service units in Surakarta, Karanganyar, and Sukoharjo, especially the pawners. The samples of the research were 205 out of 263 respondents.

They were pawners who intended to be entrepreneurs and had started their business in various fields and who made their transactions in Sharia pawnshop, and were willing to be interviewed and to fill out the prepared questionnaire. The samples were taken by using the convenience sampling technique.

RESULTS AND DISCUSSION

Results

Descriptively, most respondents are females (64.4%) aged 20 to 33 (34.6%) and 34 to 47 (38.5%); 52.2% of them hold secondary education, and 22.5 % of them have bachelor degree; they (45.4 %) have been pawners of the pawnshop for 3 to 6 years; Most of them (72.8%) have a monthly income of less than Rp5,000,000.; and only 10.7% of them have an orientation to pawn in a Sharia pawnshop, and the rest 89.7% have the mixed orientation, that is, the conventional and Sharia orientations.

In addition, the average score of the variables of the research ranges from 3.4748 to 3.6427 with the deviation standard ranging from 0.57716 to 0.78752. All questionnaire items are deemed valid, as can be seen from the value of loading > 0.5. Each variable has the value of average variance extracted > 0.5 and the value of composite reliability > 0.7, which show that all variables fulfill the reliability criteria. Moreover, all of the data fulfill the normality criteria and there are no outlier data.

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Model Suitability Analysis (Goodness-of-Fit)

Table 1: The Result of Goodness-of-Fit Model

Goodness-of-fit *Indices*	Cut-off Value	Result	Remarks
Chi-Square (χ^2)	Expected to be	251,763	-
Degrees of freedom	positive and small	217	Fit
Probability level (p)	≥0.05	0,053	Fit
CMIN/DF	≤2.0	1,160	Fit
GFI	≥0.90	0,900	Fit
AGFI	≥0.90	0,873	Marginal
TLI	≥0.95	0,982	Fit
CFI	≥0.95	0,984	Fit
RMSEA	≤0.08	0,028	Fit

Source: Primary data, processed (2014)

From the model suitability analysis, the measurement of the goodness of fit as can be seen in Table 1 indicates that the model being analyzed can be verified.

Path Coefficient Analysis

Table 2: The Result of Path Coefficient Analysis

Causal Path			Estimate	S.E.	C.R.	*p*
Entrepreneurial intention	<---	Attitude	.194	.074	2.627	.009
Entrepreneurial intention	<---	Experience	.182	.069	2.635	.008
Entrepreneurial intention	<---	Behavioral control	.265	.092	2.889	.004
Entrepreneurial intention	<---	Subjective norm	.265	.125	2.131	.033
Entrepreneurial behavior	<---	Attitude	.151	.075	2.021	.043
Entrepreneurial behavior	<---	Subjective norm	.386	.119	3.238	.001
Entrepreneurial behavior	<---	Entrepreneurial intention	.477	.095	5.024	.000

Source : Primary data, processed (2014)

Based on the data on Table 2, the result of Path Coefficient Analysis shows that all paths being analyzed have significant relations, as can be seen from the level of significance (*p*) of the hypothesis test, which is smaller than 5%.

The Result of Analysis and Hypothesis Verification

1. Hypothesis 1: The attitude influences the entrepreneurial intention. This hypothesis is verified by the C.R. value = 2.627 with the *p* value = 0.009.
2. Hypothesis 2: The attitude influences the entrepreneurial behvior. This hypothesis is is verified by the C.R. value C.R= 2.021 with the *p value* = 0.043.
3. Hypothesis 3: The entrepreneurial experience influences the entrepreneurial intention. This hypothesis is verified by the C.R. value = 2.635 with the *p* value = 0.008.

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4. Hypothesis 4: The subjective norm influences the entrepreneurial intention. This hypothesis is verified by the C.R. value = 2.131 with the *p* value = 0.033.
5. Hypothesis 5: The subjective norm influences the entrepreneurial behavior. This hypothesis is verified the C.R. value = 2.238 with the value of *p* = 0.001.
6. Hypothesis 6: The behavioral control influences the entrepreneurial. This hypothesis is verified by the C.R. value = 2.889 with the *p* value = 0.004.
7. Hypothesis 7: The entrepreneurial intention influences the entrepreneurial behavior. This hypothesis is verified by the C.R. value = 5.024 with the *p* value = 0.001.

The Results of the Research:

1. That the attitude influences the entrepreneurial intention can be verified.
2. That the attitude influences the entrepreneurial behavior can be verified
3. That the entrepreneurship experience influences the entrepreneurial intention can be verified.
4. That the subjective norm influences the entrepreneurial intention can be verified.
5. That the subjective norm influences the entrepreneurial behavior can be verified.
6. That the behavioral control influences the entrepreneurial intention can be verified.
7. That the entrepreneurial intention influences the entrepreneurial behavior can be verified.

Discussion

First, that the attitude influences the entrepreneurial intention can be verified. The attitude here is the positive one of the entrepreneurs coming from the pawners of the Sharia pawnshop. This result supports several previous researches findings from Solvesik et al., (2012); Fisbein & Ajzen (1975); Ajzen(1991,2002); Nurul Huda (2012); Zhao et al., (2005); Seagel et al., (2005); & Guido et al., (2011). This result means that an entrepreneur should always improve various positive attitude aspects and decrease negative attitude aspects in the entrepreneurship, which in turn will increase the quality of the entrepreneurial intention.

Second, that the attitude influences the entrepreneurial behavior can verified. Other than affecting the strength of the entrepreneurial intention, the attitude aspect also directly affects the entrepreneurial behavior. This result is in line with the findings of Homer & Kahle (1988) research. Therefore, various efforts to have various positive attitude aspects - cognitive, affective, and conative - are needed to accomplish successful the entrepreneurial behavior.

Third, the entrepreneurial experience positively influences the entrepreneurial

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intention. It means that entrepreneur's experiences in undergoing the entrepreneurship bring positive influences on the entrepreneurial intention. This intention surely needs to be grown and implemented in the entrepreneurial attitude. This result supports previous researches of: Kroeger, N. F., Reilly, M. D. & Carsrud, A. (2000); John (1992) ;Shapero & Sokol (1982); Bandura (1994); Zhao et al., (2005); and Boyd & Vozikis (1994). The finding of the research explains that a person who has intention to be an entrepreneur, moreover one who has already started to be, should use various good experiences, either one's own experiences or those of others, as the best teacher to strengthen the entrepreneurial intention, which will ensure the successfulness of the entrepreneurial behavior.

Fourth, the subjective norm positively influences the entrepreneurial intention. Various inputs, encouragements, and supports from third parties such as family, community leaders, friends, colleagues, and others are utilized to strengthen the entrepreneurial intention as a way of life to fulfill one's need in the future. This is compliant with the researches results found by Solvesik et al (2012); Ajzen (1975,1998,1991,2002); Linan and Chan (2009); Schwarz (2009); Shook & Britanu (2008) Tkachev & Kolvereid (1999); Guido et al., (2011); and Rhodes & Courneya (2003).

Fifth, the subjective norm positively influences he entrepreneurial behavior. This finding is in conformity with those of the researches of Rimal & Real (2003) and Armitage & Conner`s (2001). This means that various inputs, encouragements, and supports from third parties (family, relatives, friends, colleagues) are used to strengthen the entrepreneurial intention and are actualized to help to achieve the higher entrepreneurial behavior success.

Sixth, the behavioral control influences the entrepreneurial intention. It means that the ability to control the perceived behavior will influence the entrepreneurial intention. If the entrepreneurial behavior can be controlled and steered toward successful efforts, it surely will strengthen the intention in the effort to realize the successfulness of the entrepreneurial behavior. It is compliant with the findings of the researches of Autio et al, (2001), Davidson (1995); Kroeger, N. F., & Reilly, M. D. And Carsrud, A. (2000); Solvesik et al., (2012); Bandura (1997); Nurul Huda (2012); Linan & Chan (2009); and Guido et al., (2011). The spirit of this finding explains that the ability and the belief to control the entrepreneurial behavior will determine the sustainability of the correct entrepreneurial intention so as to ensure the realization of a more successful entrepreneurial behavior.

Seventh, the entrepreneurial intention influences the entrepreneurial behavior. This means that the strong intention for the entrepreneurship needs to be proven in successful

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entrepreneurial behavior through improved attitude, experience application, ability to control behavior, and application of inputs, reinforcements, and supports from third parties, either from family, friends, colleagues and others, in reinforcing successful entrepreneurial behavior. This finding is compliant with several researches findings of Jogiyanto (2007); Ajzen (2001,1991); Homer & Kahle (1988) ;Kolvereid (1996); Tkachev & Kolvereid (1999); Schwarz (2009); Fayolle et al., (2006); and Mazzarol et al., (1999).

In general all of the four variables predicted to influence the entrepreneurial intention of the pawners of the Sharia pawnshop positively influence the entrepreneurial intention, and in turn, the entrepreneurial intention of the pawners of the Sharia pawnshop influences their entrepreneurial behavior. In particular, this research also looks into the direct effect of the entrepreneurial attitude and the perceived subjective norm in the entrepreneurship toward the entrepreneurial behavior of the pawners of the Sharia pawnshop, which shows positive result. Other than directly influencing the entrepreneurship intention, the entrepreneurship attitude also directly influences entrepreneurship behavior. Thus, in the aspect of implicit attitude, there is also the aspect of behavioral tendency (the conative aspect) which influences the behavior actualization as a realization of a follow-up tendency which becomes the consequence of relevant actions. On the other hand, other than directly influencing the entrepreneurial intention, the subjective norm factor also directly influences the entrepreneurial behavior. This may be caused by the fact that the actualization of each behavior is also influenced by the change of intention dynamics. This change should always happen consistently, and that the entrepreneurial intention progressivity should be increased through the influence of interaction with various third parties. These third parties become a reference in optimizing the entrepreneurial behavior.

RESEARCH LIMITATION

This research is based on one point only, without considering the development of the dynamics on the entrepreneurial intention and behavior. Thus it cannot really describe the patterns of entrepreneurial intention and behavior in the long run, during which a more realistic conclusion can be drawn. Moreover, this research has not yet differentiated those who want to be entrepreneurs and those who already started, with the respondents for the most part earn under IDR. 5,000,000.00. The result also has not yet used Sharia values in predicting the entrepreneurial intention and behavior.

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RECOMMENDATION

Recommendations and supports for future research.

1. For government and private institutions, it is a valuable feedback for developing the entrepreneurial behavior, such as developing the entrepreneurial climate and spirit for those who want to be and have already started to become entrepreneurs through relevant education and training program.
2. An entrepreneur should always interpret any factor that can potentially influence the entrepreneurial intention and behavior. Those four factors being studied should be examined; their patterns of influences toward entrepreneurial intention and behavior should be understood, and their manifestation should be presented.
3. The theorists and the researchers need to enrich their field of study toward various factors which directly and indirectly influence the entrepreneurial intention and behavior. The researchers need to differentiate the respondents, separating those who want to be entrepreneurs and those who already started, and classify them based on certain criteria, such as based on Sharia or conventional orientation, or both orientations, or based on their business scales.

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The Relationship Between Strategic Leadership, Human IT Infrastructure, Project Management, Project Success, and Firm Performance

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Abstract

The rapidly evolving technologies are changing how information technology professionals plan, design, and develop their IT projects. Despite the importance of IT in today's environment and the huge amount of money invested in IT projects, there is high percentage of project failures. IT professionals are being called to be more creative and strategic than ever. This creativity is best planned and managed as projects. This paper proposes a conceptual framework to empirically examine the relationships between strategic leadership, IT personnel skills, project management, project success, and firm performance. The proposed model incorporate the principles and tools of project management into the human IT infrastructure construct. Future research is needed to test the model.

Keywords: Strategic Leadership, Project management, Human IT Infrastructure, Firm Performance

Introduction

The rapidly evolving technologies arechanging howinformation technology (IT)professionalsplan, design,and develop their IT projects. IT is a major force that is affecting today's highly-competitive business environment. IT spending has been increasing worldwide. In 2010, an estimated $2.4 trillion was spent by organizations and governments on IT hardware, software, and services worldwide (Predgo, 2011). Lovelock (2013), Gartner forecast analysts for 2013, reported that IT spending in U.S. dollars increased from 3.8% in the previous quarter to 4.2% this quarter. IT spending is projected to total $3.7 trillion in 2013, a 4.2% increase from 2012 spending of $3.6 trillion (Lovelock).Despite the importance of IT in today's environment and the huge amount of money invested in IT projects, one in eight of IT projects can be considered truly successful(McManus & Wood-Harper, 2013).

Keeping pace with new technology is challenging, but there have been established methodologies and tools to deploy successful information systems that will provide business value. Dennis, Wixom, and Roth (2012), has defined business value as the benefits that the system will create for the organization.There is a continue demand for information systems in order to support business applications. One of the ongoing roles of the IT professionals is to manage projects. IT professionals are being called to be more creative and strategic than ever. This creativity is best planned and managed as projects. A project is "a temporary endeavor undertaken to create a unique product, service, or result" (Project Management Institute [PMI], 2008). The results of projects are information systems. Information technology is defined as the collection of computing systems, their users, and the management of these technological resources (Turban & Volonino, 2011).

Many researchers have established that to compete in today's business environment, IT professionals must align their information systems, their users, and the management of these technological resources (Turban &Volonino, 2011; Luftman et al. 2012).Luftman and Ben-Zvi (2010) pointed out that IT initiatives are developed to identify opportunities in order to reduce costs and improve productivity. Michael Krigsman, a recognized authority on the causes and prevention of IT failures, exposed that 68% of IT projects resulted in a waste of

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resources and damage the standing of IT professionals. According to Krigsman (2008), a significant number of IT projects fail to accomplish their original objetives. Al-Khoum (2012), depicted that the high failure of IT projects are related to the fact that organization's tend to treat IT projects from purely technological perspectives, and do not give much attention to other organizational issues.

The percentage of project failures calls for further research on this area. This paper proposes that strategic leadership, IT personnel skills, and project management (PM) are critical to project success through which IT influences firm performance. Based on the above discussion, this study addresses the following research questions:

- How strategic leadership has an impact on firm performance?
- How strategic leadership has an impact on human IT infrastructure and project success?
- How human IT infrastructure has an impact on project success and firm performance?

Purpose of the Study

The responses to the 2011 Society for Information Management's survey showed that IT strategic plan is still one of the top concerns in today's dynamic business and technical environments (Luftman & Ben-Zvi, 2011; Luftman & Zadeh, 2011; Luftman et al., 2012). IT leaders must be prepared for the challenges of their new realities. This reality has impacted their necessary knowledge and skills (Ross, 2011). IT professionals must understand their organizations' strategies and expectations about IT.

More than ever organizations increasingly depend on IT to reliably provide core services and capabilities. Among the top five management concerns for IT leaders in USA, Latin America, and Asia/Africa were: business productivity and cost reduction,IT-business alignment, and IT reliability and efficiency (Luftman & Ben-Zvi, 2011; Luftman & Zadeh, 2011). Consequently, IT leaders must have the ability to fundamentally rethink, recreate, and re-imagine what IT is and what it can do (Sondergaard, 2011). The purpose of this study is to propose a conceptual framework to empirically examine the relationships between strategic leadership, IT personnel skills, project management, project success, and firm performance.

Theoretical Foundation

Most IT departments or units face a demand for IT projects that far surpasses the department's ability to supply them (Dennis et al. 2012). Managing projects is a difficult task; clearly more research is needed to understand the mix of skills necessary to implement successful projects. Technology readiness is not an issue; it is how enterprises adopt new technology and their IT professionals are confident to undergo the necessary organizational changes in relation to processes and people to get value from the investments (Accenture, 2008). Sondergaard(2011) reported that IT leaders will be able to meet the considerable demands of the 21st century if they reject rigid IT definitions, embrace powerful new technologies, and cultivate widespread connectivity and collaboration between employees, partners and customers.

Since 1980 the Society for Information Management (SIM) has been conducting research to identify key issues of concern facing IT executives in the USA and in other countries. According to Luftman and Ben-Zvi (2011), among the top ten management concerns on the SIM survey was business productivity and cost reduction. It was also the top concern in 2010, and has been on top of the list of concerns since 2007. This is consistent with Nash' survey that reported cost saving and increasing operational efficiency of the business was the top objectives for IT departments in 2010. Tucci (2008) found that 2%–15% ofprojects taken on by IT departments are not strategic to the business.

SIM survey showed that IT strategic planning remains as a top concern for almost 30 years for IT executives (Luftman, et al. 2012; Luftman, Ben-Zvi, 2011). . Thus, firms that use IT to provide greater support for the business strategy will realize greater payoffs from IT. In a research of more than 20,000 executives, Schoemaker, Krupp, and Howland, (2013), identified six skills to operationalized strategic leadership. These are: the abilities to anticipate, challenge, interpret, decide, align, and learn. According to these skills, an IT professional must be a strategic leader who is firm and flexible, persistent in the face of obstacles, but also able to react strategically to environmental shifts. If these six skills are mastered and used in concert, will allow leaders to think strategically and innovate.

Wolf (2007) exposed that contemporary strategy frames the objectives of the organizations, guides people, thoughts and behavior, and keep the organization focused on results. Organizations need to detect threats and opportunities in their environment in order to gain competitive advantage or differentiate from their

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competitors (Schoemaker, 2013).Small, medium, and large organizations perceived alignment in a similar way, but there are significant differences in the way its implement their planning integration strategies (Gutierrez, Orozco, & Serrano, 2009). Luftman and Ben-Zvi (2011) pointed out that IT initiatives are developed to identify opportunities in order to reduce costs and improve productivity. In order to generate value through IT projects, firms need a human IT infrastructure with the necessary knowledge and skills to implement their IT strategies.

Human IT infrastructure refers to the knowledge and skills of the IT professionals required to effectively manage IT resources within an organization (Lee et al., 1995). Lee, Dourish, and Mark (2006) defined human infrastructure as the set of people, organizations, networks and arrangements that constitutes business as a collective entity itself. Lee et al. (2006) viewed the human IT infrastructure as the arrangements of organizations and actors that must be brought into alignment in order for work to be accomplished. Project management is the application of knowledge, skills, tools, and techniques to project activities in order to meet project requirements (Kloppenborg, 2010). PMI (2008) defined project as a temporary work endeavor designed to meet business objectives.

Gulla (2011) exposed that the most common cause for IT failures are related to project management. A project failure is defined as any software project with severe cost or schedule overruns, quality problems, or that suffers outright cancellation (Gulla). Among the reasons for project failure are loose definition of project scope and management, and missing methodology and tools (Isfahani, 2010). Evidence suggested that methodology and tools used on IS development projects are poor and inappropriate (Gulla). According to Marchewka (2012), a project can be a technical success, but an organizarional failure.

To improve the chances of success, a project requires an organized set of work effort that are planned carefully (Kloppenborg, 2012). Marchewka (2012) related the chances of sucess with a new discipline called IT project management. Project success is meeting the objectives of the project. According to Kloppenborg, a project is successful when the outputs satisfy all specifications: meet quality goals, completed on schedule and on budget.

Accenture's (2008) ongoing effort to identify the common underlying behaviors and characteristics of high performance businesses, found that high-performing IT organizations spend 40% more of their budget on building and integrating new systems than low performing IT organizations. Tippins and Sohi (2003) claimed that managers have begun to realize that the adoption and integration of IT by organizations has become a competitive necessity. Organizations are focusing in leveraging IT to help reduce business expenses (Luftman and Ben-Zvi, 2011). Delone and McLean (2005) exposed that it is critical to measure information system success or effectiveness. According to these authors this measurement is necessary to understand the value and efficacy of IS management actions and IS investments. Thus, it is important to determine the benefits that the systems will create for the organization.

Santhanam & Hartono (2003) found strong evidence that IT capability has a sustained impact on firm performance. According to Alshawi, Irani, and Baldwin (2003), organizations need to develop rigorous evaluation processes before implementing IT in order to improve their firm performance. Ravichandran and Lertwongsatien (2005) reported that performance can be explained by how effective the firm is in using information technology to support and enhance its core competencies. Rai, Patnayakuni, and Seth (2006) defined business productivity as the degree to which a focal firm has superior performance relative to its competition. Researchers have shown that a firm's ability to effectively leverage its IT investments by developing a strong IT capability can result in improved firm performance (Santhanam & Hartono, 2003).

Conceptual Framework

The objective of this study is topropose a conceptual framework to examine the relationships betweenstrategic leadership, human IT infrastructure, project success, and firm performance. As organizations and technology have become more complex, most large organizations now build project teams that incorporate several IT professionals with different, but complementary, roles. Accordingly, the human IT infrastructure has two dimensions: IT personnel skills and project management. We can build successful IT project incorporating the principles and tools of project management into the human IT infrastructure construct.

Our proposition is that without a strategic leadership, it will be difficult to IT personnel to innovate and develop information systems that will provide business value. Researchers have provided validated variables for assessing the relationships. The proposed model in Figure 1 serves to understand the underlying dimensions in the relationship between strategic leadership, IT personnel skills, project management, project success, and firm performance.

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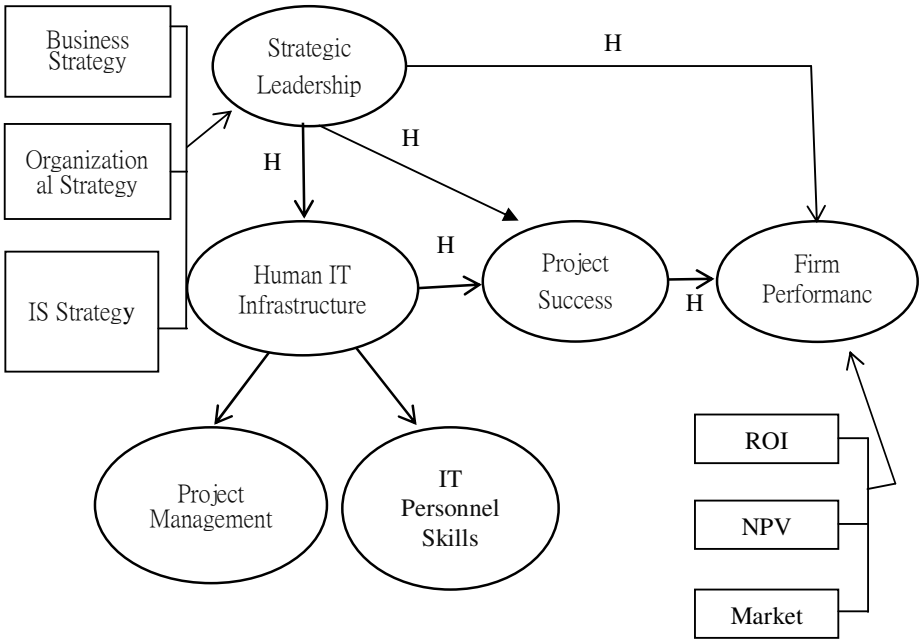


Figure 1. Conceptual Model, Developed by Authors.

Items for IT Personnel Skills	IT for Project Management (adapted from of nine knowledge area from the PMBOK Guide)
1. Technology management knowledge and skills, which include an understanding of where and how to deploy IT effectively and profitably by meeting the strategic goals and objectives of an organization 2. Business functional knowledge and skills, refers to the ability to interpret business problems and develop appropriate technical solutions 3. Interpersonal and management skills, which include abilities like planning, analyzing, designing, implementing, and leading 4. Technical knowledge and skills, involve know-how and skills in technical areas.	1. Integration management 2. Scope management 3. Time management 4. Cost management 5. Quality management 6. Human resources management 7. Communication management 8. Risk management **9.** Procurement management

Items for Project Success (adapted from Kloppenborg (2012)
1. Meeting agreements – cost, schedule, and requirements met 2. Customer success – needs met, customer satisfied 3. Project team's success – loyalty, development, satisfaction

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This paper now discusses the constructs and hypotheses of Human IT Infrastructure, project success, and business performance.

Strategic Leadership

One way to leverage organization's investment in IT is by aligning their IT efforts with their organization strategies.Kjelin (2009) defined strategic leadership as the ability of firms to anticipate, envision maintain flexibility, and empower others to create a strategic chance and a viable future of the organization. Strategic leadership is when the technology is used to support current and emerging business strategies. The conceptual model incorporates the Information Systems Triangle to operationalized strategic leadership. The triangle linksbusiness strategy, operational strategy, and information strategy.Pearlson and Saunders (2010) defined the three elements of the triangle as:

- Business strategy starts with a mission in order to fulfill objectives, purpose and goals, and set limits.
- Organizational strategy deals with the people, work processes, structure, and hiring practices. Allows for achievement of business goals.
- Information strategy involves consequences, intended or not, within business and organizational strategies.

Thus, the previous discussion leads to the following hypotheses:

H_2: Strategic leadership is positive correlated with project success.

Human IT Infrastructure

The human IT infrastructure refers to acquisition, training, and development of the knowledge and skills of the IT personnel required to effectively manage IT resources within an organization. Within a flexible IT infrastructure, the technical resources are considered the basis that enables business-critical IT capabilities to be used and shared (Lewis & Byrd, 2003; Byrd &Turner, 2000). These IT capabilities are possible with the skills and knowledge of the IT personnel to plan, design, and develop successful projects. Thus, human IT infrastructure is the ability of the personnel to drive successful IT projects. Theconceptual model will incorporate four variables validated by Chung et al., (2005) and Lee et al.,(1995). Based on the discussion, the following was hypothesized:

H_1: Strategic leadership is positive correlated with human IT infrastructure.

H_3: Human IT infrastructure is positive correlated with project success.

Firm Performance

About performance, a basic premise is that a firm's performance is influenced by how effective the firm is in using IT to support firm's core competencies (Ravichandran & Lertwongsatien, 2005). Nash (2010) suggested that cost saving and increasing operational efficiency of the business were the top objectives for IT departments in 2010. Researchers claimed that IT is considered to be a large capital investment, but many firms often find difficult to justify its implementation due to their low profit margins (Ravichandran & Lertwongsatien, 2005). In line with previous studies, this study will use return on investment (ROI), net-present value (NPV), and market share to measure business performance. ROI is an indicator of financial performance. Marchewka (2012) exposed that from PM point of view, ROI provides a measure of the value expected or received from a particular alternative or project. Return on investment is a calculation that measures the average rate of return earned on the money invested in the project (Dennis et al., 2012). Net present value is the difference between the total present value of the benefits and the total present value of the costs (Dennis, et al.). This will guide to the following hypotheses:

H_4: Project success is positive correlated with firm performance.

H_5: Strategic leadership is positively correlated with firm performance.

Methodology

As stated before, the purpose of this study is to provide a conceptual framework to examine the

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relationships between strategic leadership, human IT infrastructure, project success, and firm performance. In this pursuit, this study proposes a new construct for human IT infrastructure incorporating both IT personnel skills and project management knowledge areas.

To test the model, this study proposes a quantitative approach using the survey method to collect the data. The quantitative research involves the collection of numerical data in order to explain, predict, and-or control phenomena of interest. The quantitative approach provides summaries of data that support generalizations about the phenomenon under study (Cooper, & Schindler, 2011; Leydens, Moskai, & Pavelich, 2004). A survey is a means of gathering information about the characteristics, actions, or opinions of a large group of people (Pinsonneault & Kramer, 1993). Surveys are extremely helpful instruments in providing actual values that can be used to test predicted values and relationships that may be drawn from hypotheses or propositions (Cooper, & Schindler, 2011; Lee, 1997).

Selection of Participants

It is proposed to testthe model using data from manufacturing, finance, insurance, and service sectors in Puerto Rico. Manufacturing is 46.4% of gross domestic product in Puerto Rico while finance, insurance, and real estate account for 19.6%; and finally service sector is12.5% (Puerto Rico Homepage, 2012). The target population will consist of chief information officers, IS executives, supervisors, department heads, IT managers, and or general managersin Puerto Rico.

Results will be summarized using descriptive statistics, reliability analysis, and correlation and regression analysis to test the relationships. The structural equation modeling will be used to provide a deeper and more explanative estimate of the accuracy of the model parameters and to explore if a higher degree of model fit exits relative to the multiple regressions. A structural equation modeling (SEM) will be conducted to test model constructs.

Conclusions and Research Implications

This study makes several contributions to IT research and practice. This conceptual model contributes to the existing literature by expanding models for strategic leadership and firm performance. Also contributes on the areas of IT infrastructure flexibility, and project management.On the other hand, researchis needed to explore why the percent of IT projects failures is still too high. The validation of this model contributes to align industry technological trends, job developments, and help in addressing the gap between academic and real world.From testing this model, decisions makers can effectively and efficiently design their IT strategy in order to obtain competitive advantage.

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Responsible Operations through Materials' Conservation – An Overview of Techniques and Trends

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ABSTRACT
Materials' cost contributes the highest to the total cost of a product in most of the manufacturing industries. The cost of materials continues to rise due to the shortage arising from several reasons like the fast depletion of the naturally available materials, indiscriminate usage and wastage of materials due to poor designs and poor processes. The operations managers need to reexamine their material strategies to bring down the overall cost, and in this regard minimizing the consumption of materials seems to be the appropriate strategy to minimize the overall cost. This paper explores the established techniques and practices to minimize the consumption of materials that would also motivate the manufacturers to become responsible corporate citizens. This paper illustrates how these approaches can help in setting up the materials utilization strategy through examples and applications finally moving towards responsible operations.

Keywords: Corporate, Lean, Materials, Operations, Responsible, Strategy, Value

INTRODUCTION

Manufacturers typically worry about the shortage of resources, whether energy or materials or skilled people or infrastructure, as these resources play a crucial role in controlling the costs and realizing the required margins to remain sustainable and profitable. In addition, often the manufacturers have to comply with the numerous rules and regulations imposed to protect the stakeholders and the ecosystem. In response to these restrictions that govern the consumption, transportation, and distribution of materials, the manufacturing priorities underwent changes periodically in the history of production and operations management as examined and reported by several researchers like Bozarth and Edwards (1997) and Bozarth and McDermott (1998). Some companies developed their own strategies to stay competitive over a long time, notable being Toyota Production System developed by the Toyota manufacturing Company (Sugimori, et al.,1977) and "benchmarking" popularized by Xerox Corporation (Camp, 1993). These strategies are not just restricted to controlling the material consumption but to help the company to remain efficient and productive.

Historically the manufacturing companies have grappled with the issue of minimizing their material consumption, which admittedly used to be the major expense in building up the cost of the finished product. More than the money spent, the companies have to focus on combating the shortage of materials, depletion of natural resourcesthat can occur due to excess material consumption and waste, and the ecological damages dueto unscientific methods of waste disposal. It is in this context, this paper reexamines the choices available to the manufacturing companies to adopt a materials strategy not just to overcome the present crisis but to use it as a sustainable model in future too. Hence, the paper looks at the different

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approaches in the form of an overview and elaborates on the recent trends. Any strategyshould not be a one-off or anadd-on to the corporate activities, but be practiced continuously.Further, concern towards material conservation, reduced consumption, and designing for low material content need to be priorities in formulating the materials strategy,which can ultimately lead to reducing the overall costaccrued through the material content. Manufacturing industries definitely need to relook at all these possibilities.

The various approaches examined in this paper, though not exhaustivelyare: Standardization, Simplification, Variety reduction, Value analysis, Lean Management, Green purchasing, 3 R - Reduce, Recycle, Reuse, and finally initiatives towards becoming responsible corporate citizens. It is important to keep an open mind towards all the options, and adopt a policy of mix and match for a given situation.

This paper first provides a brief review of operations and manufacturing priorities, which addresses various issues related to the entire gamut of operations in the manufacturing industries. This overview indicates how the competitive priorities changed over time depending on the changes in the regulations, technology, environment, and trade and exchange policies across countries. The objective of this paper is not to critically review the competitive priorities but to converge to the strategies that are applicable to material consumption patterns.The companies can judiciously select the different strategies described here and mixthe best practices to achieve their goals.

Historical perspective of the operations' priorities and strategies

Organizations today, whether in manufacturing or service, need to address multiple objectives. While sustaining through fierce competition is mandatory, equally important is to survive the turbulent situations that throw challenges regularly. Traditional skills are no longer sufficient to manage the affairs and a constant update is required. Operations managers have been grappling with the correct type of competitive priorities right from the time when manufacturing activities started.The organizations were set up under different categories like, craft or job, batch, mass, flow or continuous production, based on volume and variety of outputs. Thus,volume and variety became the prime factors of operations decisions and ledto the classification of production systems, (Heizer& Render, 2010). The other aspects of production systems like facilities, location, aggregate planning, maintenance, inventory, and scheduling revolved around them.Organizations today do not exist only with the goal of wealth creation but have to perform according to the rapid global changes,which keep applying pressure on the systems,(Slack& Lewis, 2011). A number of secondary objectives have started surfacing as the scope of operations started stretching in all the directions. Today's operations managers have to be innovative in their approaches so that the company's internal and external customers are happy and the business sustains.The manufacturing priorities across the small manufacturing industries are very much applicable to other types of manufacturers also, (Kathuria, 2000). These priorities are the traditional three factors, namely quality, cost, and delivery on time. Later, two more priorities,namely flexibility, (in scope and scale) and speed (of operations and changeovers) augmented the common priorities across all types of manufacturing industries. From these primary objectives, several secondary objectives have been established which include productivity, performance excellence, rapid design and development, environmentally friendly operations and improved safety and reliability. With the development of information technology support and devices, particularly the web-based technologies (for example, web based purchasing), operations strategy has taken new dimensions. Alongside, the industries have also showed their preferences in getting

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certified by the international standards, the most popular being the ISO 9000 series standards to satisfy their customers' or clients' requirements.

A company can formulate its working principles and evolve those practices that will later become benchmarks,(Chambers, 2008),as seen in the history and development of the Toyota Manufacturing Company. It is further commentedthat the policies like "just in time" and "Kaizen or continuous improvement" adopted by the Toyota company became industry best practices later and even spread worldwide. Further,as early as in 1934, Kichiro Toyoda of the Toyota founder's family had listed some advice for the people, which highlighted the duties and responsibilities of the employees along with a reminder about their contribution towards society. This no doubt set the foundation for Toyota's mission later and enabled the company to become the world's leading automaker. The immensely popular Toyota Production System that integrates lean practices with the focus on just in time and quality, is being practiced or adopted in many places across the globe.

In the beginning of manufacturing, the activities taken up by the companies focused internally towards improving the productivity and efficiency and meeting the volume and variety requirements. This happened by adopting better methods of manufacturing or service along with the conscious efforts towards less material consumption, improved utilization of costly or scarce resources, and reduced transportation both within and outside the company. These initiatives are more relevant today considering the shortage of resources, depletion of naturally available materials, and increasing competition. Also minimizing all kinds of waste became a common objective. These practices automatically enhanced the scope for improvement and created a competitive environment for the companies to demonstrate and display their creativity and leadership towards releasing better products while being able to maintain healthy margins. On the other hand, companies that did not apply proper controls and resorted to protective pricing policies coupled with aggressive marketing campaigns soon realized that they would not be surviving for long. The customers rejected the overpriced products and started accepting products that they consider as "value for money".

Materials Strategy –A Critical Success Factor

Materials contribute towards 34 to 63% of the sales income, (Dobler and Burt, 1996). As a representative example,consider Sintex Industries Limited, a reputed manufacturer of plastic products in India. Sintex Industries Limited started their plastics division in the year 1975 and hasdiverse manufacturing capabilities in plastic processing with 10 plants spread across India. The "Sintex"brand stands for high quality plastic molded productsapart from metal fabrications and concrete products. Table 1 gives the raw material cost as a percent of the total income over a period of 10 years. The data for the ten years is from the annual report 2011-2012.

Table 1 Material cost and Income of Sintenx Industries

Financial Year	Sales and Other Incomein millions of Rupees	Cost of Raw Materialsin millions of Rupees	Cost of Raw Materials as % of Sales and Other Income
2002-03	4470.1	1965.1	43.96
2003-04	5472.7	2543.7	46.48
2004-05	6879.8	3181.5	46.24
2005-06	8747.4	5105.4	58.36

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2006-07	11841.7	6963.9	58.81
2007-08	17196.0	10250.8	59.61
2008-09	19980.6	11592.2	58.02
2009-10	20934.9	12728.9	60.80
2010-11	26706.2	16576.9	62.07
2011-12	25818.2	16579.8	64.22

Higher the material contentmore will be the erosion into the earning potential of the company because of the regularly going up prices of the materials. In addition, due to the shortage of the naturally available materials the prices always escalate.Thus,the operations managers started focusing on minimizing the material content.

Several techniques have emerged over time to cut down the material consumption in a manufacturing company. The fundamental approach is to reduce the material contentin the product body in the design stage leading to material saving. However, other secondary objectives like less damage to the environment while processing or transporting or storing, easy to process, easy waste disposal, reduced efforts in the storage and handling of materials, to name a few, also became the concerns.

Summary of material conservation strategies and trends

The strategies are listed in Table 2 are briefly illustrated in the subsequent paragraphs.

Table 2. Material conservation strategies

No.	Strategy	Main focus	Application
1	3 R - Reduce, Recycle, Reuse	Consumption control	Where material wear is minimum, typical metallic and high grade plastic products
2	Green supply chain management	Environmental concerns	In any kind of manufacturing
3	Lean Management	Minimizing the waste	In all kinds of industries
4	Simplification	Reducing the frills and cosmetic features	In all kinds of products
5	Standardization	Minimizing the variety or number of variants	In typical productlines where the same product is available in a progressive sequence of size or volume
6	Substitution	Using less expensive or easily available material	In products that are costly because of expensive materials
7	Value analysis	Eliminating the unwanted and non-value contributing features	Consumer goods
8	Variety reduction	Minimizing the variety or number of variants	Typically in product line manufacturing industries

3 R - Reduce, Recycle, Reuse

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The 3-R approach is a mixed strategy. "Reduce" refers to any attempt in reducing the overall content of the material by improved design or reducing the quantity of consumption. This depends on the creativity of the people to come out with better designs and reducing the quantity by shifting the pattern of usage or even a radical change. For example, "soft copies" instead of hard copies will reduce the quantity of paper used in an office. Wherever the material in its current form is not damaged or destroyed it is possible to reuse the material. Whereas recycling is possible when the used material is processedand converted to usable material. When choosing the processes, it is better to develop processes to enable recycling of materials and develop ways for reusing the items. Recycling of plastic and recycling of lubricants are good examples of saving on materials. Recycling of paper which otherwise would have drastically consumed the natural resources is a major business now. Similarly, developing e-writing pads has resulted in savings on paper and recommended to students all over the world. In the academic world, switching over to e-textbooks, and e-documents has resulted in reducing the huge investments on paper.

Many universities have set up their own units of recycling of paper which has reduced their paper burden both in buying and in disposal of old papers**. http://recycling-guide.org.uk/** provides a comprehensive guide to recycling of different types of materials. A large number of resources are available on the internet to educate people about the 3R approaches applicable to different situations. It is interesting to note that many universities and schools have included a formal course on 3R approach both at elementary and higher education level. This awareness enables the individuals working in different organizations to adopt their own methods to adopt the 3R techniques. However, material in every form is not recyclable or reusable. Secondly, the cost of conversion and transformation into reusable form needs to be carefully established and the time and cost factors have to be developed while scheduling the operations.

Green Supply Chain Management

A good illustration of green practices is given as "Green Supply Chain Management (GSCM) =Green Purchasing + Green Manufacturing/Materials Management + Green Distribution/Marketing + Reverse Logistics", which indicates the gamut of activities to be carried out, (Hervani et al. 2005). The concept of green purchasing which focuses on environmentally friendly practices has caught up the attention of the corporate world right from the days of Henry Ford when the Ford Company was producing different models of car. Green purchasing encompasses two principles namely (1) purchasing of items that are recyclable, and (2) following safe disposable methods so that the environment is not affected, (Dobler and Burt, 1996). It is important to note that green purchasing managers should be aware of all the required legal and environmental issues associated with different materials. Many companies on their own or in collaboration with their suppliers, have developed green supply chains wherein the end to end chain comprises green practices that may include logistics, packaging, storage, and other related aspects. Buying recycled materials has become a big business involving both the major companies and their numerous suppliers. This enormously reduces the material procurement burden and brings down the cost benefit across the whole chain.

How important it is for the supply chain mangers to reduce costs, be innovative, and strive towards balancing the environmental issues is very well described, (Pagell, et. al. 2004). The organizations which are moving towards green supply chains have considered closing the loop with the help of their supply chain,(Beamon,1999; Seuring, 2004). It is interesting to

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note (Zhu et al. 2008) the industrial practices followed by four different industrial settings along their green supply chains and also the implications. There must be a consensus among the partners along the supply chain and the core enterprise as to what practices need to be commonly followed for the supply chain success, (Cruz, 2008).

ISO 14000 series standards can help in achieving green supply chains, as they establish the norms to be followed by the companies to be compliant of their environmental responsibilities. Getting certified in ISO 14000 standards is much challenging and demanding because of the stringent requirements. Definitely the role of ISO 14000 standards is laudable as many of the major companies have encouraged and supported their vendors who moved towards acquiring ISO 14000 standards. A handbook for operations managers to enable them to understand how to implement an environment management system for a company and whether such certification adds value to the working of the company is also well described (Sturn and Upasena, 1998).

A very good example of green purchasing by a corporate giant is the case of Toyota, which has developed guidelines, (Toyota Green Purchasing Guidelines, 2013). This document primarily focuses on three aspects namely (1) Enhancing and Reinforcing Environmental Management which addresses (a) Acquisition or renewal of ISO14001 certification, and (b) Management of Products and Materials Delivered to Toyota, (2) Environmental Initiatives Related to Supplier Business Activities, and (3) Reduction of CO_2 Emissions and Packaging Materials in Logistics. In their comprehensive handbook the Toyota company has made it clear that both theirs and their vendors' activities have to respect the environmental management system along with the certification of ISO 14001 standards.

The green supply chain management practices in Indian companies apart from the environmental performance index (EPI) of India and the major four activities of the green supply chain management namely green purchasing, green manufacturing, green marketing and reverse logistics, are well described in literature, (Dheeraj&Vishal, 2012).

Lean Management

Toyota Production System (TPS) became a popular benchmark across the manufacturing companies, and under that system, lean management became a standard practice. While companies at one time were reluctant to follow the principles of TPS, later they had to switch over to this system adopting it partially or fully or in a modified form, to survive and compete under resource constraints and tougher regulations. The adoption of lean and green manufacturing practices through a case study pertaining to an Indian manufacturing company is well described, (Jasti et al., 2012). The authors have examined the various aspects of green manufacturing along with the lean systems to understand how they satisfy the established practices. It is not the intention here to give the details of the lean manufacturing practices but only the essentials are illustrated by quoting one of the most commonly referred books, (Womac et al.,1990) along with books by others, (Taylor& Brunt, 2001;Carreira, 2007; and Hobbs, 2004).

Lean practices are an integral part of the TPS and revolves around the most important concept of "value". Any activity not creating value is regarded as a waste and attempts are made to minimize or eliminate the waste. Hence the primary focus is on reducing waste and historically seven wastes are listed which are: over production, inventory, transportation, inappropriate processing, waiting, unnecessary motion, and defects. In the recent times, new

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wastes are identified, (Bicheno&Holweg, 2009).The most prominent among the new wastes is unutilized or underutilized people. Other new wastes include excessive information and communication, waste of time, waste of inappropriate systems, wasted resources, waste of no flow through, and waste of knowledge. Among all these wastes identified, it is important to remember that not all of them pertain to material conservation or saving and hence proper discretion is required before working on these wastes.

Simplification

Simplification is understood in many ways with respect to material planning and control. It is said to be a corollary of standardization and involves typically the variety reduction by decreasing the cosmetic features, and removing the frills in a product. On one hand, simplification refers to the proper planning and application of common usable items and components, which enable to minimize the categories leading to savings in stock and procurement. On the other hand, simplification refers to changes in the item designed to eliminate redundant features, avoid complex characteristics, easy repair and maintenance aspects, and even material substitutions,(Dobler& Burt, 1996). Simplification can also be extended to assemblies by reducing the number of constituent parts and in some cases combining the functions to eliminate some components. Often there may not be any way of quantifying the results of standardization and simplification to assess their impact on the financials of a company, (Dobler& Burt, 1996). This is where a systematic procedure needs to be established.

Standardization

The history of standards is as old as the history of mankind, (Russell,2006; Ping, 2011). Standards emanated due to several reasons like voluntary improvement efforts taken up by producers, interchangeability requirements of parts and assemblies, societal pressures, governmental enforcements, trading transactions, and authoritarian rules under different forms of government at different parts of the world. The world wars and the emergence of mass production gave a big boost to standardization and made standardization a kind of a mandatory requirement in trade and commerce. The demand for uniformity and interchangeability of parts and sub-assemblies gave a fillip to standardization and led to the formation of associations and agencies to develop and implement various types of standards. Engineering industries including manufacturing companies adopted standards at a very early stage and thus set the pace for standardization. Today, the outsourcing of components and sub-assemblies,has become a major issue because of global standards that are governing the whole supply chain processes. This point is well asserted by stating that the increased globalization activities have boosted the standardization efforts of the countries, (Mendel, 2001).

While standards can ensure a common practice across the entire chain of supply and demand, whether they help in conserving the materials needs to be carefully ascertained. This is because standards are primarily developed keeping in mind the safety, comfort, and minimum guaranteed performance under different working conditions. To what extent,the standardshelp in material savings can be explored by comparing the proprietary designs with the standard designs. Industries, particularly in the component-manufacturing sector follow the standards meticulously but may not check the extent of reduction in the material consumption. This is because strict adherence to standards is essential in the acceptance of the product no matter how the material consumption occurs.Globally scattered suppliers have to meet the standards prevalent in different countries to match the assembly requirements of the manufacturers

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located in those places. Secondly, the trimming and finishing allowances apart from the process based allowances to deal with machine constraints and operator requirements, may indirectly lead to a slight increase in the material quantity.

However, the standards do offer significant advantages in material minimization as follows:

- Change over from costly material to less expensive material that too recyclable or reusable, for example, from steel to plastic.
- Compel the producers to use particular methods or processes or materials as decided by the international standard agencies.
- Enable a firm to purchase fewer items, in large quantities, and at lower prices to reduce efforts and time in purchasing, receiving, inspection, and payment costs.

Further inventory control also becomes simpler and less costly, and cost of logistics decreases because of standard practices of containerization and storage systems, (Dobler& Burt, 1996).

Substitution

Quite often to obtain the desired product performance or properties the use of a particular material for a product is stipulated. As long as this material is available in the desired quantity and quality at an affordable cost, the material continues to be purchased and used. Once the material proves to be costly, or scarce, the price shoots up high and the product will no longer be economically viable. This forces the manufacturers to switch to less expensive materials.
A recent example of material substitution is in the case of aircraft manufacturing. Both, Boeing's 787 Dreamliner and Airbus's A350,have substituted the conventional aluminium metaland rely on lightweight carbon fibre composites,which are woven mats of carbon embedded in plastic. This has reduced the weight, cutting down the cost. The two companies are able to save one millionUSD over the life span of the aircraft, for every kilogram of weight reduced, (Bowler, 2014). This is a huge saving in the industry.

Value analysis

Value analysis is often considered a powerful technique in minimizing the cost of the products and services by a systematic analysis of material content, features, and functions and ascertaining the value by a careful examination. It verifies whether the product's features and design aspects can be provided at a lesser cost without compromising in the value, (Miles, 1962). Value analysis is sometimes called as value engineering to emphasize the use of this technique during the initial stages of service or product design. The analysis attempts to minimize the cost by exploring the possibility of providing the required functional capability without reducing the value and at a reduced cost. Value engineering and value analysis are used synonymously though the activities performed under these two headings may be different at different times, (Dobler& Burt,1996). The two general conceptual tools common to value engineering or value analysis are: (1) design analysis of the required product, part, or material, and (2) cost analysis of the required product, part, or material.

Value engineering (or value analysis) was extensively used in the design of products during the war periods but was subsequently disregarded, as the concern for material content took a back seat. However, it came back into reckoning because of resource crunch and shortage of materials, coupled with the pressure to competitively price the products. It is interesting to note that value analysis essentially uses the standardization and simplification approaches in eliminating the redundant features or material content. The design and construction that emerges out of value analysis may later become the industry benchmarks. The value analysis along with the checklist approach is used by many suppliers, (Dobler& Burt,1996).

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Variety Reduction

Variety reduction is a subset of standardization and simplificationand both engineering and non-engineering applications are found in different industries. In the early days of mass production, to facilitate easier communication and subsequent supply of parts and components, certain series of numbers were established, which helped to limitthe variety of products.

A very early attempt in reducing the variety is in using the "preferred numbering system",which played a major role in the development of metric standards. Preferred numbers represent a series of numbers in geometrical progression and are adopted worldwide. As stated in http://en.wikipedia.org/wiki/Preferred_number, its first known application was in the 1870's by Charles Renard, a French army captain who reduced the different diameters of rope for military balloons from 425 to 17. ANSI B4.2 and ISO 497 standards describe the preferred sizes.

Whenever a manufacturer decides to start or redesign the production system the first question to be answered is how many different sizes need to be offered in the product line or family so that the volume and capacity requirements can be established. This is typically looking from the ease and convenience of internal operations. The question of variety reduction is also discussed from the point of revenue generation, (Hill, 1999). However, the basket of products and services offered to the customers needs to be ascertained for revenue generated.Further by applying the Pareto principle it is possible to identify those 20% of the products that are responsible for 80% of the revenue. The "Pareto rule" or the "80/20" or "vital few, trivial many", principle helps to identify the products that result in bulk of the revenue. There are several advantages of variety reduction based on Pareto principle (Hiil, 2005) which include simplified aggregate planning, reduced inventory, appropriate allocation of capacity, and easier operations planning and control.

The Toyota production system uses "mix planning" which involves carefully choosing the 20 percent of the product range that represents the 80 percent of the demand in that region, (Iyer et al., 2009). Further the product complexity is also reduced by mix planning.

From materials management to corporate citizenship

Companies today have to focus both on profitability and maintain good corporate practices that go well with the society.In the last two decades the proliferation in the variety and volume of products boosting the consumerism culture has resulted in generating substantial waste.In particular, the products used in the information technology field have proved to be even challenging the environment because of the non-biodegradable waste. Thus it is imperative that a critical view of material content is taken so that the ever rising garbage levels are controlled.

The companies feel that they are responsible for the impact of their operations on the environment and hence must be well prepared to mitigate the adverse impact on the society in general. Just like the people of a country are expected to be responsible citizens, companies too have to demonstrate that they are corporate citizens. Many companies have introduced codes of conduct in their supply chains, which ensures good practices among all the players in the chain,(Gautam&Singh, 2010, Dey&Sircar, 2012). The companies around the world are formulating the suppliers' code of conduct which facilitates adherence to better practices, (Jagadeesh, 2012) so that they are resource friendly and less harmful to the environment.

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The various techniques described in this paper are not isolated approaches but are interconnected and hence need to be applied in tandem or parallel.These strategies can smoothly complement each other towards building better organizations and making them responsible corporate citizens.

Conclusion

Organizations have to establish appropriate material control strategies and need to focus on material conservation. This paper provides a listing of all the popular strategies that help in material conservation which helps in cost saving to the companies and also contributing towards a better environment.No attempt is made to compare the strategies with respect to cost, time frame involved, expertise required, benefits, and consequences. Such a study would warrant a separate investigation focusing on different sectors or domains or companies. The paper makes an appeal to conserve the materials by adopting a mix of strategies so that maximum benefits are obtained. While all the earth's natural resources like metal ores, wood, and petroleum products are getting depleted faster, it is the need of the hour to save materials so that the next generation will still have some materials left for them. Hence,all possible measures to conserve materials have to be taken so that the companies do not just conserve materials but play the role of responsible corporate citizens with pride and diligence.

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Something for Nothing? An Investigation into Online Product Sampling

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Abstract:

The application of websites to offer free samples of products and services to consumers is widespread. Online approaches, including the use of "freebie" sites and social media, offer consumers free product samples by completing a request form. However, this study demonstrates that a significant number of requests are ignored or unfulfilled. Companies who fail to provide the requested samples, risk undermining the potential benefits of offering freebies online by creating customer dissatisfaction.

Keywords marketing, free product samples, freebie, consumer behavior, Facebook

Introduction:

Marketers have used free samples to promote goods and services for centuries. Traditional channels such as shopping malls, supermarkets and retail stores are commonplace, allowing consumers to try a product or service free of charge. The intention is that by offering a risk free trial, companies can promote new products, promote themselves and evoke switching between rival products to increase market share. Consumers who have the opportunity to try free samples are often more willing to purchase the products later and have the potential to become loyal customers. (Laran and Tsiros, 2013) and free sample usage has a positive impact on brand image (Amor and Guilbert, 2009).

The internet has revolutionized marketing and advertising over the past three decades and has become an essential channel for promoting and selling goods and services. Therefore, it is not surprising that retailers are applying this non-traditional marketing channel to promote and distribute free samples or "freebies". Freebies have an edge over other types of promotional campaigns, especially among younger age groups (Banerjee, 2009). Clearly, there are significant benefits to this approach in terms of increasing the customer reach and market research. However, as this study will demonstrate, there are a significant number of retailers who risk customer dissatisfaction by failing to provide the products requested.

Current literature mainly focuses on traditional (physical) forms of sample distribution, whereas research focusing on online requests through websites and social media is relatively limited. This study explores the effectiveness of retailers in meeting customer requests free samples. The primary aims are to:

1. measure the success rate of companies fulfilling customer requests for freebies and samples

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2. compare the success rate where customers make their requests directly through the website of primary companies (manufacturers) or indirectly through social media and other third party sites.

Literature Review:

Product Sample Marketing Campaigns

Research has shown that offering free samples to consumers is an effective method for promoting both brand and product awareness, when targeting the right client base with appropriate products. A study by Amor and Guilbert (2009) highlighted effective product sampling campaigns in the luxury cosmetic market with very high usage of samples (up to 72%). Their findings encouraged the use product sampling, especially for well-known brands, but reasoned that it is not profitable to target consumers with low-annual spending for these types of products. Heilman (et. al., 2010) also supports the effective use of free samples in encouraging product trial, especially with educated consumers. Their finding demonstrated that sampling encourages consumers to purchase products and to switch to the promoted sample brand.

Successful campaigns have encouraged marketers to increase their offer of free samples. In 2010, the Promotion Marketing Association reported that samples reached 70 million U.S. households and 81% of consumers indicated they would try a product offered as a free sample (Rhodes, 2010).

Banerjee (2009) classifies samples as either utilitarian or hedonic. Utilitarian samples relate to products that have a specific use, e.g. cleaning products, ballpoint pens. Hedonic samples include more pleasurable or novelty products, such as gifts, ornaments, luxury goods. Banerjee suggests that successful sample campaigns may promote both classifications of products as different consumers have various needs and desires. The right combination of product and promotion can be effective in increasing product sales and helping brand recognition.

In 2010, companies spent over $94 billion promoting the trial of new products (Tuttle, 2011). Tuttle also supports the use of free samples, reinforcing the view that companies will find it much easier to encourage consumers to try a product where is no financial loss.

Online Sample Marketing

By exploiting the worldwide customer reach, marketers have inevitably integrated product sampling into web-based promotion campaigns, thus providing an alternative channel for consumers to trial goods and services. As well as promoting their goods, marketers can use online registration processes to collect personal information about consumers (Rhodes 2010). Beeler (2000) indicates that marketers can also use online freebies to gain specific niches within consumers groups. Amor and Guilbert (2009) however, ask marketers to consider the implications of freebie websites, where the types of consumers cannot be fully controlled.

The use of social media is another effective channel for marketing campaigns and should be considered for promoting and distributing freebies. Rhodes (2010) reports that brand name companies are adopting social media networks, using their sites to post reviews and videos about new products samples. Corcoran (2009) describes a joint venture between beauty

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consultants and marketers to create freebie sites on Facebook. These ventures have succeeded in generating sales leads, but have also triggered a number of viral campaigns.

Zetlin (2013) also supports the use of social media for effective brand or product promotion, but suggests that marketers may wish to be more selective in who receives the free sample. The author suggests selecting consumers that are more likely to purchase the product, or those that will write a review promoting the product, e.g. via a 'blog. Beeler (2000) discusses freebie sites where companies respond to consumer questions about the products, providing instant feedback furthering market research. Gathering information from consumers before and after they sample products allows manufacturers, such as Proctor & Gamble, to assess the reaction to new products and adjust the marketing mix accordingly. When requesting consumer feedback, freebie sites have an average response rate of up to 70%.

The success of offering free samples is well documented, as there are significant benefits to both marketers, in terms future sales, and consumers in trying products "risk free". However, Slutsky (2009) indicates that increased internet traffic does not necessarily translate to increased sales. When embarking on a marketing campaign with freebies, companies must ensure that they have enough free samples to cover what could be an unprecedented demand. Failure to supply products, even when given free, can have a detrimental effect on future orders. If consumers feel deceived the resulting publicity (especially online) could be devastating. Tresemme, a manufacturer of shampoo and conditioners, were beset by angry customers via Facebook when it was felt they had failed to honour a freebie shampoo campaign (White, 2011).

A collateral benefit of offering free samples online is the customer information gathered through registration. Clearly, this information can support the market research of the company collecting it, but could also be sold legitimately to third parties. Clearly, experienced customers will be aware of the implications and therefore may have concerns about privacy. Rudzki and Li (2007) highlight the subsequent risks to consumers spending time dealing with unsolicited e-mails, other non-consented marketing approaches and even the fraudulent use of their credit cards. With "big data" technology such as data mining becoming more available, the rewards for enticing customers with free products in exchange for personal data are greater than ever. Limbu (et al, 2012) study suggests that deceptive practices and even the perception of unethical behaviour will result in consumer mistrust and a suspicious attitude towards a company's website and any future promotions.

Clearly, there are cost implications in the creation, promotion and distribution of freebies and these must be outweighed by increased sales and more intangible benefits, e.g. market research. However, with the increase in aggregate sites such as "Fatwallet.com" and "Seriouslyfreestuff.com" a subculture is emerging where offering free products attracts consumers who solely collect samples and have no intention of purchasing the product in the future (White 2008).

Legal Issues

In campaigns where consumers are being given something for nothing, there is a temptation to play on this desire by offering deals that are "too good to be true". The practice of offering a free trial period and then charging customers afterward may be legal, but can be seen to mislead. Many customers claim that they were unaware that they had to explicitly

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cancel the order after the trial period and the procedure to cancel is excessively complicated. There are legislative bodies that provide some protection against deceptive or misleading advertising. For example, in the US, there are federal, state and local government bodies that detect and prosecute companies that engage in deceptive online practices. In 2009, the Federal Trade Commission (FTC, 2009) charged a weight-loss marketing firm with violating the Electronic Fund Transfer Act by debiting customer bank accounts without obtaining written authorization. The FTC state that negative option marketing can pose a serious financial risk to consumers, who may think they are only ordering free samples, yet are charged for goods without their consent. The FTC recommends the firms have a clear disclosure policy on their site.

Fitzpatrick (n.d.) proposes that advertisements for freebies must fairly inform the consumer to keep within stated legal limits. One suggestion is that companies must have reasonable quantities of stock to meet the demand for the sample product. If this is not possible, then the advertisement must explicitly state that quantities are limited and not everyone who requests a sample will necessarily receive one. Some US states, including California, now have a law that mandates this practice.

The FTC (2001) also has shipment and delivery time legislation for orders placed by phone, fax or the Internet. Federal law requires companies to have a reasonable basis for a product shipped in a certain time, and this should be clearly stated e.g. on their website. Customers should also be notified when products cannot be shipped within that time. This FTC law would seem to indicate that companies that promise product shipment for purchased products or free samples should honor their commitment to customers.

Prior Studies

There have been a number of quantitative studies demonstrating the extent of traditional forms of product sampling as an effective method to increase brand awareness. However, most academic studies have focused on the potential benefits of product sampling from a consumer point of view. For example, Saleh (et. al., 2013) found high levels of consumers purchasing responsiveness related to free samples given in retail grocery stores, and summarized the findings by gender, age and income. They concluded that marketers should pay more attention to free samples as an important marketing incentive, and also found women and younger consumers are more attracted to free sample campaigns. A survey conducted by the Opinion Research Corporation found that 81% of consumers stated that they would try a product after receiving a sample (Rhodes, 2010).

Academic research examining the use on online freebie/sample sites is sparse and there were no studies found reviewing the effectiveness of companies actually providing the requested samples. Thus, this paper contributes to the academic literature by providing a methodological study of the responsiveness of online freebie sites to consumer requests for product samples.

Methodology:

To measure how effective companies are in honoring consumer's requests for product samples, the study selected several freebie sites. Once selected, specific free samples were ordered from these sites and the date recorded. The progress of each sample was then monitored to obtain a final delivery date. The study took place over seven months

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in 2013.

Selecting Freebie Sites

Consumers can request freebies from several types of websites. Companies can promote and process requests directly from their websites or indirectly via social media sites such as Facebook. Alternatively, consumers visit aggregate 'blogs sites which allow companies and "bloggers" to post information or links to current freebie promotions. The popularity of these aggregate sites and the sheer number of posts, mean that consumers often perceive them as a 'one-stop' shop for freebies.

For this study, three aggregate freebie sites were chosen from a random sample of the top twenty websites in a Google search of 'free sample sites'. By reviewing the random sample, several sites were eliminated because they did not meet specific criteria including:

1. The site must offer links to specific request sites directly representing the product manufacturer. The consumer will complete a request form independently of the original freebie site.
2. The site must be independent, and not endorsed or created by a specific manufacturer
3. The aggregate freebie site does not require customer registration.

The three freebie sites selected were:

1. Fatwallet.com
2. Seriouslyfreestuff.com
3. Allyou.com

Choosing Which Samples To Order

The freebie sites were reviewed daily, to identify potential product samples from the list of new postings. Each link was followed to the request site where the sample would be ordered, if it conformed to the following criteria:

1. The sample was a specific physical product, rather than services and downloads, such as apps, online music or publications.
2. The sample, including delivery, was free
3. The request only required a minimum amount of personal data, e.g. name, email and shipping address. Requests that required confidential information such as credit card information or social security numbers were excluded for privacy and data protection.
4. The request was made directly via an online registration system. Some sites insisted that consumers email their request separately.
5. The sample was available for delivery to a residential address in the USA. Unsuitable products, for example, free sports games tickets outside the geographical location of the residential address were not ordered.
6. Only samples delivered directly to the consumer's address were requested. This excluded any requests that required the consumer to collect the product using, for example, an online coupon.

Data Collection

The daily review of the selected freebie sites resulted in the collection of data over a seven month period from 1st May through to 30th November 2013. Any product samples that met

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the above criteria were requested and the following information was recorded on an Excel spreadsheet.

1. Freebie site name (Fatwallet, Seriouslyfreestuff or Allyou)
2. Description of product sample
3. Request site link of where the request was made
4. Date ordered
5. Date received

The "Date received" column was set once the product sample had been delivered to the residential address in the USA.

During the initial two weeks of data collection, it was noticed that many product postings were replicated on all three freebie sites. Two of the sites, Seriouslyfreestuff and Allyou, had far fewer product postings, and nearly all postings to these two sites were duplicated on the third site, Fatwallet. Therefore, for simplicity's sake the decision was taken to only review the Fatwallet site, as this seemed to include the vast majority of sample offerings. The resulting loss of data was considered negligible and was clearly outweighed by a far simpler data collection process. The freebie sites themselves were not being studied and were simply being used as a source to related request sites where the sample could be ordered.

The request sites themselves were categorised into three distinct types:
1. The company / manufactures website, e.g. www.finishdishwashing.com
2. A social media site, e.g. the vendors Facebook page instead of their specific company site.
3. A third-party site where companies such as Walmart and Target stores would promote, process and distribute free samples on behalf of the manufacturer.

The sample requests were for a range of non-perishable products, divided in the following main categories:
1. Personal care (soap, shampoo, conditioner, body lotion, anti-aging cream, toothpaste, dental floss)
2. Health care (dietary supplements, vitamins, pain relief, eye contact solution, sleep aids)
3. Food (sweetener, oil, coffee, fruit juice, tea, salt, seasoning, candy)
4. Other (calendars, coloring book, dog/cat food, blade saw, toilet paper, rubbish bags, wipes, decals, cookbook)

Occasionally, a product sample could not be ordered, due to technical problems with the web browser, e.g. the registration form would not process correctly. There were also some promotions that would appear as a free product initially, but on closer inspection would be an offer was for a printed coupon or a game of chance to win the product.

Results:
By summarizing the data collected over the seven-month study, it was possible to calculate the total response rate for sample requests from the selected websites. Table-1 displays this and compares the websites by the categories described earlier, i.e. company websites, social media sites, and third-party sites. The following information is displayed for each category and total.

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1. Responded: - the number of companies that responded to the request for the sample product. A response is recorded if the requested sample is delivered to a residential address. There has been no account taken for samples that may have been dispatched, but for some reason were not received. The statistics are shown with the actual number, as well as a percentage, of the total requests.
2. Average response time: - the mean delivery time for samples dispatched and received in days.
3. Fastest response time: the fastest delivery time in days.
4. Slowest response time: the slowest delivery time in days.
5. No response: - the number of requests that were not fulfilled, i.e. undelivered. Again, the statistics are shown with the actual number, as well as a percentage of the total requests.

Table-1: Sample Product Response Results

	Company site	**Social media site**	**Third party site**	**Total sites**
Responded	38 (37%)	32 (71%)	34 (69%)	104 (53%)
Average response time (days)	35.8	30.3	32.3	33.0
Fastest response time (days)	7	11	9	7
Slowest response time (days)	96	62	95	96
No response	63 (63%)	13 (29%)	15 (31%)	92 (47%)
Total	102	45	49	196

In total, 196 product sample requests for were made over the seven month study resulting in only 104 (53%) being fulfilled, i.e. almost half of products sought were not received. The average delivery time was 33 days, i.e. just over one-month after the initial request.

This poor total response rate is the result of the companies that use their own websites to promote and process the requests for freebies. Over half (52%) of all of the requests were made directly to the manufacturers websites, but unfortunately less than 2 in every 5 (37%) were received. Where companies used either a social media or third party site the response was far higher, 71% and 69% respectively.

The average delivery time for company websites also compared unfavourably to those recorded for social media and third party sites, being 5.5 and 3.5 days slower respectively. The company websites also recorded the fastest (7 days) and slowest (96 days) delivery times.

In comparison, social media sites fared slightly better than the third party sites. The response rate (71%) and average delivery time (30.3 days) of the social media sites was marginally better than the figures (69% and 32.3 days) recorded against the third party sites.

Implications, Discussion and Future Studies:

The study statistics show that almost half of the requests made were unfulfilled, i.e. the samples were not delivered. If this is indicative of all freebie requests, many companies may have the mindset that the processing of free samples is less important than orders purchased. Clearly, any company that only shipped half of its orders would not survive long. However,

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marketing departments may wish to consider the impact of not fulfilling sample requests. Firstly, the sample will not be tried by as many consumers and therefore reduce the potential for future purchases. Secondly, consumers may attribute the failure to deliver a sample as a failure of the company. This could result in a simple case of apathy towards the company's other products to a damaging complaint via social media sites. It is interesting to note that where companies have promoted and processed free samples using their own website the response rate plummets to 37%.

Following on from this, is the significant difference between the response rate of company websites compared with sample promotion via social media and third party sites. Consumers requesting samples through a social media site are almost twice as likely to receive it. One theory is that company staff who deal with social media are more aware of the consequences of not fulfilling the requests and therefore ensure that samples are delivered appropriately. When considering third-sites, e.g. Walmart and Target, one should consider it as a well-established relationship between the manufacturer and the vendor, with mutual benefits and risks. Therefore, it could be theorized that the third-party sites ensure sample requests are fulfilled to protect the reputation of both the vendor and the manufacturer.

Further studies would be required to support the above theories and it would be interesting to analyse the sample requests in more detail, to identify the indicators determining their successful fulfillment. Factors to consider could be the type and size of the manufacturer, and the size, category and cost of the product.

Finally, one should also consider the possibility of freebie promotions established for the sole purpose of gathering personal information. During the study, there was a significant increase in spam emails to the addresses specifically established for requesting samples. This may be an indication that the email addresses were simply being harvested and sold to third-party marketers. Polakis et. al. (2010) conducted a study where they were able to acquire 9 million unique email addresses from Facebook and Twitter. Consumers are becoming more aware of these activities and are beginning to weigh up the potential irritation of spam emails against the benefit of the receiving something for 'free'. Further research could determine which sample requests resulted in spam email. This information could highlight potential harvesting sites and well as those who fulfill sample requests, but exploit or sell on personal information.

Conclusion:

The use of free samples in promotion campaigns has clear benefits to both the marketer and consumer. From the marketer perspective, offering free samples is an effective method of promoting new products and encouraging brand switching. Online campaigns provide additional benefits by increasing the customer reach worldwide and providing approaches to gather market research through automated registration processes. The benefit to the consumer is the opportunity to try a product or service without any financial risk or simply to get something for nothing.

However, there are associated concerns with offering product samples particularly when promoted online. Clearly, there are significant costs involved with these campaigns, e.g. the sample products and their distribution, and the marketer cannot easily target which consumer types receive free samples. The emerging freebie culture is encouraging consumers to

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request free samples of products that they do not intend to purchase later. Consumer concerns focus on the privacy of the personal information provided to request a sample. This study observed a significant increase in spam emails sent to the addresses used to request samples. This suggests that personal information may well have been sold to third parties. There have also been many recorded incidents of fraud when credit card details have been supplied.

For a campaign to be effective, it is essential that the consumer receive the product samples. This study has shown that the response rate to product sample requests, over a seven-month period, was surprisingly low. Almost half of the samples requested in the study were undelivered, despite US legislation. It can be surmised that company staff perceive free samples as less important than purchased products, despite the negative publicity that can result from unfulfilled requests.

The response rate to sample requests improves dramatically when companies employ social media or third-party websites, to promote their campaign and process the requests. It can be suggested that this may be because staff working with social media are far more aware of its public relations potential and hazards.

To conclude, companies must significantly improve their product sample processing and ensure that consumer requests are fulfilled and products delivered. Legislation may become tighter and more widespread and negative publicity can damage reputations globally. The main purpose of free sample campaigns to promote products by allowing consumers to try them. Companies need to be aware of how many potential customers are being lost through unfulfilled requests.

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Does Organizational Culture matter for Job Satisfaction in Jordanian private aviation companies?

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Abstract:

the purpose of the present study was to investigate the relationship between organizational culture and employee job satisfaction in Jordanian private aviation companies. This study was performed by measuring the data collected from the five point likert scale. The organizational culture assessment instrument was used to measure organizational culture, while job satisfaction survey was used to measure job satisfaction. A sample of 228 employees was studied and SPSS 19 was used for the analysis of data based on descriptive statistics. The findings of the present study revealed a positive significant relationship between organizational culture and job satisfaction in Jordanian private aviation companies, while they tended to emphasize market culture. The results of this study also indicated a positive relationship between clan culture and job satisfaction, and negative relationship between market, adhocracy, hierarchy cultures and job satisfaction in Jordanian private aviation companies.

Key words: organizational culture, job satisfaction, Jordanian private aviation companies

Introduction

The employees' job satisfaction is considered as one of the main concerns of human resource management department in business organization. The reason of this concern is twofold. On one side it supports the retaining of people and on the other side it improves their performance level (Sabri et al, 2011). People are one of the factors that could have crucial affect on the survival and success of firms in a competitive environment. This is especially true for service firms that depend profoundly on their good behavioral personnel to provide their customers with courteous and friendly services in this competitive environment (Shah et al, 2011). It was once thought that satisfying the employees needs detract resources and facilitates of firms. Upon this idea in order to achieve the least return, a firm must satisfy the minimum requirements. Today, management scholars concuss that if people real needs are not taken into consideration and respected well, and managers do not try to satisfy them, firm will turndown. As motivation and interest to the job may lead to positive and great effort at work, and as a result the cost will be decreased (Zeinalipoor et al, 2014). According to Moynihan & Pandy (2007) one of the significant factors of employees' job satisfaction is organizational culture. As it considered as a set of values, beliefs and expectations shared and learned by organization members and it affects their attitude and behavior to the work (Robbins & Coulter, 2005). It plays a prominent role in the lives of employees, though, the introduction of culture as an independent variable influencing people attitudes and behavior can be traced back several years ago to the notions of institutionalization that means the firm takes on a life of its own apart from its founders or any of its employees (judce , 2009). Beside that, organizational culture is recognized as one of the most significant tools of company's success or failure. It exerts a strong and pervasive influence on all components of the organization. Every firm has its own culture, and relying on its strength, the organizational culture may have a great effect on employees' values, behavior and interaction with each other within the organization and with people outside the organization (Johnes & Jennifer , 2008).

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To this end, and despite the significant association between organizational culture and job satisfaction of employees, yet no study has been conducted to explore interactions between these variables in the field of aviation industry particularly in Jordan. A better understand of these relationship will contribute to theory and practice in aviation industry and provide further insight into the influence of organizational culture on job satisfaction. To fill this gap of strategic importance, this study is designed to investigate the relationship between organizational culture and job satisfaction in Jordanian private aviation companies.

Literature review

Organizational culture has been a significant theme in management and business studies for some two decades, because of the prominent role it plays in determining levels of corporate performance. It refers to the deep and complex collection of values, beliefs and expectations of firm that heavily influences employees. Organizational culture may be the direct or indirect notions proposed by the founder who has a vision of what the organization should be. Mostly the process includes some versions like, the owner has a perspective for the firm, who manages to recruit key employees and create a core group to share a common vision about the idea is good, worth taking risk, workable, and worth to invest money and time, afterword the founding core group starts to work to establish a firm and hired people join the organization, and as a result a socialization begins to be built (Luthans , 1995). Some firms practiced exclusive procedures to create a strong culture in order to use it as a strategic weapon against competitors. These procedures may be involve, new hires consistently recognize the firms, specific tasks assigned to new comers, extensive training on beliefs and values of the hired organization, transcendent values and focusing on company strengths and applying language, stories, symbols and ceremonies technique (Daft, 1998). According to Wheleen & Hunger (2008) organizational culture is considered as a set of shared values, assumptions and behaviors that are adopted by organization employees and can be recognized in everything within the firm from decision making and working hours to attitudes towards employees relations and how they dress. Song (2003) commented that organizational culture is a pattern of shared and learned assumptions by organizational members as it has its validity as a result of its positive influence and performance, and it solves external adaptability and inter-group coordination. Zammuto and Krakower (1991) defined organizational culture as a pattern of ideas and values that shape people behavior within the organization. Schein (2004) described organizational culture as a pattern of learned assumptions by people that matches' with its problems of internal integration and external adaptation, and worked well to be recognized valid, and, therefore, transmitted to new comers as the best way to feel, think and perceive in relation to those problems. Thrap (2009) has concluded that the definitions of organizational culture through the years have shared some common features. First of all, it's recognized as a social construction, related to each firms, and personnel history, location and job environment. Secondly, it sounds to be composed of many cognitive and symbolic strata, in addition to multileveled and multidimensional culture, finally, it involves the concept of sharing which means it's only developed within groups. Furthermore, to determine the dimensions of organizational culture, various scholars have proposed different instruments in their works. Accordingly, Glaser et al (1987) have designed instrument that includes meetings, supervision, climate and moral, team work and climate, involvement and information flow. In (1996) Walker et al, have investigated relations, performance, human resources and decision making as organizational culture dimensions. Gillespie et al (2007) proposed adaptability, involvement, consistency and mission. Givarian et al (2013) viewed adaptability, mission, partnership and compatibility as corporate culture features. Again, (Quinn & Rohrbaugh1983; Quinn & Cameron, 1983; Cameron & Freeman, 1991) have introduced the competing values framework that suggests two dimensions; the first dimension differentiates the effectiveness

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criteria that emphasize flexibility, discretion and dynamism from the criteria that emphasize control, order and stability. The second dimension differentiates the effectiveness criteria that emphasize an integration, unity and internal orientation from the criteria that emphasize rivalry, differentiation and external orientation. The framework consists of four types of organizational culture clan, market, hierarchy and adhocracy. Cameron& Quinn (2006) indicated that the CVF is a useful tool in supporting firms study the change of organizational culture needed to attain a desired quality culture. They viewed organizational culture as being taken for granted values, expectations, collective memories, underlying assumptions and definitions exist in organization as each quadrant has been given a label to differentiate its most notable characteristics. Again and based on the CVF theory, they proposed four cultural value types clan, adhocracy, market and hierarchy as showed in figure 1. Each cultural value is characterized by specific collection of organizational characteristics such as strategic emphasize, style of leadership, shared beliefs, criteria of success and dominant characteristics.

According to Cameron& Quinn (1999) clan culture is used because of its similarity to a family type organization as whole organization look like a family. The head and top members of the firm are recognized as opinion leaders and followers. These types of firms adopt some principals which are important for creating a social environment, since the primary concern of clan culture is human relations. This culture emphasizes flexibility and maintains primary focus on the group culture for group maintenance. Second, although the adhocracy culture aims at enhancing the creativity, flexibility, adaptability as ambiguity, uncertainty and information overload are typical. It emphasizes on flexibility and change; it maintains focus on the external environment. In this culture, the organization should offer innovative products according to the customer needs and expectations, as the environment is changing rapidly and the organization should adopt the change quickly for the survival and getting the top position in the industry. Third, the market culture refers to a type of firm that operates as a market itself. The main purpose of organizations with emphasize on the market culture is to attain and achieve the well defined objectives of the firm effectively and efficiently and get the top position in the term of market share and market leader by offering a wide rang of differentiated products. This culture oriented towards the external environment instead of internal affairs and it emphasizes performance, productivity and goal achievement. Finally, the hierarchy culture is consisted of seven characteristics such as impersonality, separate ownership, specialization, hierarchy, rules, accountability and meritocracy. The main purpose of this culture is to execute the rules and regulations, procedures and methods, and defines duties and working criteria effectively. It emphasizes on evaluation, coordination, uniformity and internal efficiency. Cameron & Freeman (1991) have developed an assessment instrument to measure organizational culture with CVF which is applied to identify organizational culture profile on the basis of cure values, interpretations, assumptions and approaches that characterize organizations. Several studies concluded that this instrument is valid and reliable for measuring organizational culture in different industries (Colyer, 2000; Shilbury & Moor, 2006; Cameron & Freeman, 2006; Cameron & Quinn, 1999). Colyer (2000) has confirmed moderate to high internal consistencies as Cronbach's alphas ranging from 0.58-0.88.

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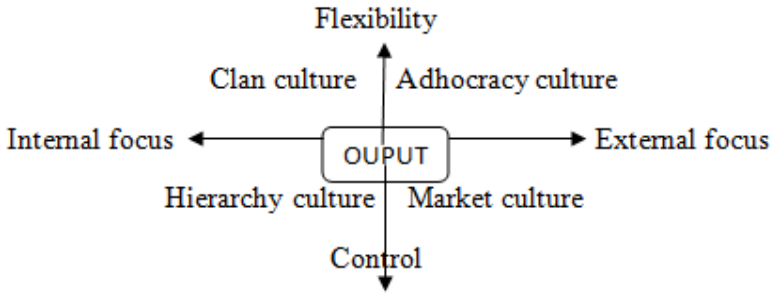


Figure 1. Competing Values Framework (Cameron & Quinn, 1999).

Employees in nature prefer to work in a trusted and respected environment where they feel they can participate in achieving organizational goals and objectives (Anderson & Pulich, 2000). Job satisfaction is essential in theory and practice. Since the knowledge of work satisfaction may help organizations management to understand how to motivate their employees to improve productivity. Hence, all firms are invited to satisfy their employees as dissatisfied workers are prone to absenteeism and excessive turnover (Melamed et al, 1995). Robbines (2003) concluded that there are three reasons for the significance of employee job satisfaction. First of all, satisfied employees are more healthy and long life. Secondly, unsatisfied employees usually not interested in work and possibly quit. Finally, satisfaction to the job may be brought into life outside the work. Job satisfaction has been defined and measured both as global construct and as a concept with multiple dimensions or facets. Generally, job satisfaction can be considered as a positive feeling or pleasurable emotions that reflected from work valuation or experience (Luthans, 2006). Nasarudin(2001) defined job satisfaction as a positive emotional condition that comes from the effective evaluation of employees job or job experience. Ivancevich et al (1997) stated that job satisfaction is a positive emotion of employees that comes from how well he/she is in an organization. Dawis & Lofquist (1984) identified job satisfaction as a pleasurable state of emotions coming from employees' appraisal of the way in which the experienced job condition meets employees' needs and expectations. Furthermore, Job satisfaction may include many dimensions such as degree of influence, opportunity for growth, communication, evaluation, and relationships with co-workers, job design, supervision and rewards (Price, 1997). Luthans (2006) argued that job satisfaction indicators are salary, promotion opportunity, colleagues, supervisor, and work. In the view of Ambrose et al. (2005) job satisfaction factors are salaries, mentoring and promotion opportunities. Other dimensions of job satisfaction suggested by Whisenant, et al (2004) are job security, pay, co-workers, supervision, general satisfaction, and personal growth. Spector (1997) has developed a job satisfaction survey to measure job satisfaction that includes 36 items. Therefore, in the current study only 20 items from (JSS) were used to measure five facets of job satisfaction such as benefits, co-worker satisfaction, supervision, rewards and operating procedures. The reason for this is most of the studies that have been conducted in the middle east have concluded that these facets are the most crucial facets that have an influence on job satisfaction in middle east environment(Shurbagi&Zahari,2012; Alesayoi,2003; Twati,2006).

On the grounds of the mentioned above this quantitative study provides the following hypotheses:

H1: Dominant culture in Jordanian private aviation companies is (clan, market, adhocracy, hierarchy) culture.

H2: There is a relationship between organizational culture and job satisfaction in

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Jordanian private aviation companies.

H3: There is a relationship between four types of organizational culture and job satisfaction in Jordanian private aviation companies.

Research method

Questionnaire survey was used to collect primary data from the research sample. Respondents were permanent workers in Jordanian aviation companies. The information about the companies was obtained from Jordanian civil aviation regulatory commission. The population of this study consisted of 12 Jordanian aviation companies. As many as 320 questionnaires were submitted directly by researcher to aviation companies' sample. A total of 249 questionnaires were received until the end of survey, and after deep investigation a number of 21 questionnaires were found unfit for analyzation. Therefore, a total of 228 questionnaires were used in the analyzation which considered as the study sample. The stratified sampling was used in this study and the sample size has been chosen according to the population of company then the sample was selected randomly. The data was then analyzed using statistical package for social science (SPSS). The questionnaire was in three segments. Segment A captured information about the respondents, such as information regarding, their organizational tenure, education, gender, and length of service in avaiation industry. Segment B captured information on culture types (clan, market, adhocracy, and hierarchy). Segment C tackled questions on job satisfaction dimensions (benefits, co-worker satisfaction, supervision, rewards and operating procedures). In answering the questionnaire, the respondents were asked to indicate their responses to the questions on a five point likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). The items used in the study were adapted from different studies (Colyer, 2000; Shilbury & Moor, 2006; Cameron & Quinn, 1999; Spector, 1997; Shurbagi&Zahari, 2012; Alesayoi, 2003; Twati, 2006).). The instrument was pilot tested using 40 employees from population. It has showed high validity as the correlation values of indicators to total correlation ranged from 0.61-0.78 >0.30 (Cooper and Emory, 2002). Reliability of constructs was tested with Cronbach's Alpha as suggested by Hair et al. (1998), the values for Cronbach's Alpha ranged from 0.72-0.91 > 0.60. Thus, it can be concluded that the instrument used in this study was valid and reliable.

Results and discussion

Data was analyzed through descriptive statistical methods with mean, standard deviation, percentage, Pearson correlation coefficient, T-test and regression. The means and standard deviations values related to the perception of respondents of the Jordanian private aviation companies about organizational culture and job satisfaction in their companies are as follows, clan (mean= 3.71, SD= 0.83); market (mean= 3.92, SD= 0.78); adhocracy (mean= 3.73, SD= 0.81); and hierarchy (mean= 3.84, SD= 0.75) respectively. Therefore, and based on these values the participants of Jordanian private aviation companies have stressed the dominant culture in their companies was market culture. This result concur with previous studies by (Choi, 2005; Twati, 2006; Choi et al, 2008; Shilbury & Moore, 2006) who pointed out that public and business organizations had strong cultural emphasize on both the market and hierarchal culture. The market culture oriented towards the external environment instead of internal affairs and it emphasizes performance, productivity and goal achievement. It operates mainly through economic market mechanisms, especially monetary exchange. That is, the main goal of market culture is to carry transactions such as sales, contacts and exchanges with other constituencies in the market place in order to create positive performance and sustained competitive advantage (Cameron & Quinn, 1999). Twati (2006) viewed that most organizations usually take turns at different cultural types during their lifecycle. As they establish in clan culture, then they move to adhocracy culture, then to market culture and finally to hierarchy culture. The Jordanian private aviation companies have established their

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businesses in the late 90s, which mean that they are fit in market culture at this time. On the other hand, the respondents also confirmed that they were satisfied with all job satisfaction facets as mean scores ranging from 3.42 to 4.06 at fifth point scale. This result is in harmony with previous studies by (Shilbury & Moore, 2006; Alesayoi, 2003) who argued that the most suitable job satisfaction facets can affect Arab countries environment were benefits, co-worker satisfaction, supervision, rewards and operating procedures. Based on the aforementioned it can be concluded that the dominant culture in Jordanian private aviation companies is market culture and the respondents were satisfied with all job satisfaction facets.

Multiple regression analyses were used to investigate the variables of the study. From table 1 the F value (74.10) indicates that there is a relationship between organizational culture and job satisfaction as the value of the significance level (0.000) related to F value was less than 0.05, suggesting the presence of the relationship. The value of R2 shows how much the independent variable explains the variance of the dependent variable (job satisfaction); upon this idea, organizational culture (clan, market, adhocracy and hierarchy) explains 71.3% of the variance of job satisfaction. On the same line, based on the results of multiple regression analyses the relationship between types of organizational culture and facets of job satisfaction is positive and significant as the highest association was found between clan culture and reward satisfaction ($\beta = .402$, $t = 3.643$, $p < .05$) and the lowest association was found between hierarchal culture and benefits ($\beta = .330$, $t = 2.580$, $p < .05$), i.e. higher the organizational culture, higher the job satisfaction level of Jordanian private aviation companies employees. Thus, this result confirms the positive and significant relationship between organizational culture and job satisfaction that found by several scholars such as (Shurbagi & Zahari,2012; Hu et al, 2009; Twati, 2006).

Again, multiple regression analysis was also used to investigate job satisfaction with the four cultural types. Each of the four cultural types was tested as an independent variable. Table 1 showed the following results. For clan culture, the T value (4.09) reflects the importance of this element as the value (0.042) was less than 0.05, indicating positive relationship with job satisfaction. This means that the clan culture is the most desired cultural type to improve job satisfaction and this finding is supported by the fact that the significance of personal values and respect for employees should lead to better retention rates, loyalty, and job commitment despite of cultural boundaries. Clan culture encourages participation and trust as central principles. It focuses parent-figure mentor, cohesiveness, people development, friendly environment, and membership satisfaction so line managers should be supportive, participative, and encourage the interaction through teamwork. Market culture, the T value (1.86) and Sig value (0.070) was more than 0.05, indicating negative relationship with job satisfaction. This result requires the organization management to press on productivity, employee orientation, performance, and innovation. Also, they should encourage employees to create new ways of adapting to the external environment change and uncertainty which may lead to outperform competitors and entering new markets. Adhocracy culture, the T value (0.95) and Sig the value (0.058) was more than 0.05, indicating negative relationship with job satisfaction. Based on this result, the organization should move to a more flexible structure that focuses on rewards, agility, and speed that may improve employees' innovation, creativity, and performance. Organizations adopting adhocracy culture are bounded by innovation and experimentation as this type of culture is recognized as production oriented. Hierarchy culture, the T value (1.24) and Sig value (0.062) was more than 0.05, indicating negative relationship with job satisfaction. This means that the organization management should concentrate on improving the communication from the top to the bottom of the organization as it's significant to stimulate the employee performance and corporate performance as well; also they need to encourage all employees to participate in decision

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making and strategic planning in order to create positive organizational outcomes. The above mentioned findings are in harmony with (Lund, 2003; Choi, 2005; Gull & Azam, Shurbagi & Zahari,2012,and Choi et al, 2008) results.

Table 1. Multiple linear regression analysis to test the relationship between organizational culture and employee job satisfaction

variable	R	R^2	F	Sig ()	β	T	Sig(t)	β_0	decision	
Clan culture	0.762	0.713	74.10	0.000*	0.421	4.09	0.042*	0.875	accepted	accepted
Market culture					0.303	1.86	0.070*			rejected
Adhocracy culture					0.286	0.95	0.058*			rejected
Hierarchy culture					0.319	1.24	0.062*			rejected

Conclusion

Organizational culture considered as a collection of norms, values, and expectations that can influence the behavior of organizational members. Organization can adopt the characteristics or facts of a specific culture to enjoy the desired job satisfaction level. The characteristics of the supportive facts can produce a positive level of job satisfaction. The overall results of this study showed a positive significant association between organizational culture and job satisfaction, while the dominant culture is market culture in Jordanian private aviation companies. The findings of this study also indicated a positive relationship between clan culture and job satisfaction, and negative relationship between market, adhocracy, hierarchy cultures and job satisfaction in Jordanian private aviation companies. On the ground of those results, Its significant for an organization to adopt the characteristics of the clan culture to enjoy the highest job satisfaction. The characteristics of the supportive fact are known as friendly, family, sociable, trusting and loyalty. Furthermore, clan culture focuses on parent-figure mentor, cohesiveness, people development, friendly environment, and membership satisfaction. On the other hand, the organization should eliminate the characteristics of the market, adhocracy, and hierarch culture as those types of culture will result in lower employee job satisfaction.

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ECONOMIC ADJUSTMENT OF UNITED KINGDOM AND EXCHANGE RATES

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ABSTRACT
This research study find out "imports, exports, inflation, interest rate, government consumption expenditure and foreign direct investment" have a impact on exchange rate and is exchange rate volatility and oil prices shocks has long run relationship with economic growth and what is its short run adjustment mechanism in short run in UK's economy? Cointegration results shows that imports, exports, inflation, interest rate, government consumption expenditure and foreign direct investment has a significant impact on real effective exchange rate in the long run and short run. Engle Granger results indicate that relationship is significant in the long run and its error correction adjustment mechanism (ECM) in short runs is significant and not correctly signed for UK.

Keywords; Exchange rate, Imports, Exports, Economic Growth

INTRODUCTION
Oil price fluctuations and exchange rate volatility have considerable consequences on real economic activity. The impacts of oil price fluctuation are expected to be different between in oil importing and in oil exporting countries. An oil price increase should be considered as good news in oil exporting countries and bad news in oil importing countries, while the reverse should be expected when the oil price decreases. Economists are trying to investigate the relationship between oil prices volatility and economic growth and noted that increase in oil prices is regarded as a positive signal for the oil exporting countries like Iraq and Nigeria and appreciation in exchange rate will have a significant positive impact on economic growth. So for those countries oil prices and appreciation in exchange rate are positively correlated with Gross domestic product (Aliyu 2009), (Al-Ezzee 2011) (Kilian 2007). A rise in oil prices has affected the global economy positively. The rise in oil prices is due to increase in demand not by supply side effects (Bjørnland 2009). Oil prices are more worthwhile than monetary contraction. Federal Reserve's in case of increase in increase in oil prices increases interest rate to control inflation. Increase in oil prices is affecting the oil producing countries in two contexts. First is positive effect that is income and wealth increases in oil producing countries, because importing countries pays more and if the exporting countries utilize income in home country then investment will be more in countries and increase employment in the society. It increase money supply in the society and currency appreciates in this regard.

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Second effect is negative because increase in oil prices will decrease demand for oil in oil importing countries and worsens balance of trade position in oil exporting country. Depreciation of a currency is positively correlated with economic growth in developing countries like china, India, South Korea, Taiwan, Uganda and Tanzania but is negatively correlated in Mexico which is a developed country (Rodrik 2008). Devaluation of a currency leads contraction in aggregate demand and output. Devaluation increases general price level and decrease in real money value increase demand for nominal money and interest rate and have a negative impact on investment and consumption decisions. Government has to pay more money for external debt which is either generated from taxes or by reducing expenditure. If it is by increase in taxes then it will lessened the private sector spending and negatively affects economy (Munir A. S. Choudhary 2006). Literature empirically proves that depreciation in exchange rate will make imports expensive that will encourage exports and stronger balance of trade position and leads to higher economic growth. Despite that, appreciation in exchange rate will make imports cheap and has studied affect the economic growth as well (Aliyu 2009), (Tille 2003), (Hsing 2005). Exchange rate volatility and fluctuation in oil prices adversely affects economic growth. This problem is faced by both developing countries and developed countries. The various factors affecting exchange rate are inflation, interest rate, exports, imports, foreign debt, industrial growth and foreign direct investment. Exchange rate and oil prices have a significant impact on the growth of the economy. So, the research problem is to find out "the macroeconomic variables like imports, exports, inflation, interest rate, government consumption expenditure and foreign direct investment have a significant impact on exchange rate and is exchange rate volatility and oil prices shocks has a significant long run relationship with economic growth and what is its short run adjustment mechanism in short run in UK. Different macroeconomic variable affects the exchange rate (Kim 2007), (Dornbusch 1984), (Globerman and Shapiro 1999), (Hafeez-ur-Rehman 2010), (Ravn 2012), (Ali 1999),(Jin 2008), (Hsing 2011).

METHODOLOGY

Growth of any country is affected by different macroeconomic variables like government investment and consumption decisions, foreign direct investment, political conditions, industrial and manufacturing growth rate, oil prices and exchange rate. Oil prices and exchange rate affect positively as well as negatively to the different countries. Annual data of variable is taken from International Financial Statistics (IFS) from 1971 to 2012. Gross domestic product is taken in national currency in billions. Data of exchange rate variability is taken as CPI based real effective exchange rate from the same source. Data of world oil prices is taken in current US $.Then conversion of all the data in US dollar for UK.

$$GDP = \beta_0 + \beta_1 REER + \beta_2 OILP + \mu \ldots\ldots\ldots\

$$REER = \beta_0 + \beta_1 Imp + \beta_2 Exp + \beta_3 CPI + \beta_4 RIR + \beta_5 GCE + \beta_6 FDI + \mu \quad \ldots\ldots\ldots\ldots\ldots\ldots (2)$$

Before applying any statistical technique Stationarity of the time series data is to be checked.ADF augmented decky fuller is a most trustworthy source for checking the Stationarity of the data.

Time series modeling and forecasting became quite popular following the publication of the text time series analysis forecasting and control by George box and Gwilym Jenkins in 1976. They suggested some properties of time series that would suggest departures from stationary, that is, these would suggest non stationary. The two main properties were visual cues. First, if a series does not seem to have a constant mean (part of the definition of stationary) when graphed, that is a visible symptom of non stationary. The stationary or otherwise of a series can strongly influence its behavior and properties -e.g. persistence of shocks will be infinite for non-stationary series. If the variables in the regression model are not stationary, then it can be proved that the standard assumptions for asymptotic analysis will not valid. In other words, the usual "t ratios" will not follow a t-distribution, so we cannot validly undertake hypothesis tests about the regression parameters. If a non-stationary series, yt must be differenced d times before it becomes stationary, then it is said to be integrated of order d. We write yt~I(d). So if yt~I(d) then Δdyt~I(0).

An I (1) series contains one unit root,

e.g. yt = yt-1+ ut

A series is said to be trend stationary when it is stationary around a trend:

$y_t = \beta_0 + \beta_{1t} + u_t$

t= trend

If all variables are found to be integrated of the same order, the following process is generally employed. The first step is to estimate whether stable long-run dependencies exist among the variables, i.e. whether the variables are cointegrated. If the cointegrating relations are identified, the next step is to determine the number of long-run equilibrium relationships or cointegrating vectors among the variables. The two most widely used tests for cointegration are the two-step estimator and the (Johansen & Juselius, 1990) maximum likelihood estimator. Since the long-run cointegrating relation is found among the variables, the estimation of cointegrating vectors is executed at the same time. If there is evidence of cointegration between two or more variables, then a valid error correction model should also exist between the two variables. The error correction model is then a representation of the short-run dynamic relationship between X and Y, in which the error correction term incorporates the long-run information about X and Y into our model. This implies that the error correction term will be significant, if cointegration exists. In the previous section the cointegrating relationships of the variables are identified, and it will be included explicitly as error-correction terms into a short-run system. The estimated bi-variate ECM for Italy takes the following form:

$$\Delta RGDPit = \alpha + \Sigma \beta 1i\, \Delta ROILPit\text{-}1 + \Sigma \beta 2i \Delta REXRit\text{-}1 + \varphi ECTit\text{-}1 + u1it \ldots\ldots\ldots\ldots\ldots\ldots (3)$$
$$(i=1\ldots n1)\ (i=1\ldots n2)$$

Where Δ is the difference operator, $RGDP_t$, $ROILP_t$ and $REXR_t$ are as defined before; ECT_{it-1} is the error correction term derived from the long- run co integrating relationship, u1t is the white noise error terms t denotes the years and n1 is the lag orders of α's and β's respectively. The error correction model (ECM) results distinguish between short-run and long-run Granger causality.

RESULTS

To check cointegration among oil prices, real effective exchange rate with gross domestic product, firstly augmented dickey-fuller (ADF) test is applied. Result shows that there exists a long run relationship among the variables at the first difference as shown in table 1.

Table-1 ADF test

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Variables	Test Specification	ADF Test	Critical Value	Prb	DW
GDP	I-Δ-1%	-4.3807	-4.219	0.0066	1.84
OILP	I-Δ-1%	-6.669	-3.616	0.0000	1.98
REER	I-Δ-1%	-5.35	-3.616	0.0001	1.96

Either to check short run adjustment mechanism error correction mechanism is to be used in table 3. Optimal lag selection is tested and it fulfills all the criteria at lag 1 as shown in the table 2. All the series are found to be integrated at the same order. All the variables are significant at first difference, in such case I (1) exist and equilibrium relationship exists among the variables.

Table-2 Lag order selection Criteria

0	-235.0994	NA	40.31107	12.21022	12.33819	12.25614
1	-128.0227	192.1888*	0.264264*	7.180653*	7.692518*	7.364305*

The two-step Engle and Granger model suggests that if any set of co integrated time series has an error-correction representation, which reflects the short-run adjustment mechanism. The lag value of the residual term must be negative showing that shocks in the long run having short run adjustment mechanism. ECM is general to specific approach to econometric modeling.

Table 3: Cointegration and Error Correction Mechanism

Variables	Coeff.	S.E	t-stat	Prob.
C	-10.59108	4.752514	-2.228522	0.0320
OILP	0.059457	0.019712	3.016222	0.0046
REER	0.175746	0.051139	3.436623	0.0015

A fundamental parameter in the estimation of the short-run dynamic model is the coefficient of error-correction term which measures the speed of adjustment of real GDP to its equilibrium level. The results show that the factor of the error-correction terms in the model is statistically insignificant and not correctly signed. This confirms that GDP has automatic adjustment mechanism and that the economy responds to deviations from equilibrium in balancing manner for UK. As far as t-statistics are concerned if t-statistics are statistically significant then the shocks will adjust in that year and the remaining will be carry forward to the next year and if t-statistics are insignificant then the shock will recover in the same year. So the econometric equation will be;

GDP = -10.59108+0.175746REER + 00.059457OILP …….. (4)

From the above results, the signs of real effective exchange rate and oil prices both are positive showing that 1 unit increase in exchange rate will cause 0.175746 units change in economic growth and 1 unit increase in oil prices will cause 0.059457units change in gross domestic product.

To check either cointegration exist in consumer price index (CPI), export(EXP), government expenditure (GCE), imports (IMP), interest rate (IR), foreign direct investment (FDI) with endogenity of real effective Exchange rate (REER), which shows stochastic trend that can only be removed by taking first difference. Unit root test is applied to check the Stationary of the data at level and first difference. A technique for Stationary of data is Augmented dickey fuller a most trustworthy source.

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Table 4: ADF test REER

Variable	Test Specificion	ADF Test	Critic-al Value	Prb	DW
ER	I-Δ-1%	-5.350	-3.616	0.0001	1.96
CPI	IT-Δ-1%	-3.360	-2.940	0.0186	1.73
EXPR	IT-Δ-1%	-6.537	-4.219	0.0000	1.87
GCE	IT-Δ-5%	-3.536	-3.533	0.0496	1.85
IMP	IT-Δ-1%	-6.680	-3.620	0.0000	1.77
IR	I-Δ-10%	-3.419	-3.198	0.0637	1.74
FDI	I-Δ-1%	-6.054	-4.219	0.0000	1.97

All the variables are integrated at first difference so order of integration is 1. After the estimation of order of cointegration, lag order must be selected. As far as to achieve this purpose VAR lag order selection criteria must be used. For this purpose we use: Final Prediction Error (FPE), Akaike Information Criterion (AIC), Schwarz Information Criterion (SIC), and Hannan-Quinn Information Criterion (HQ).Table 5 Shows the results of the optimal lag Selection. According to the results lag 1 is to be selected for in the VAR model.

Table 5: Optimal Lag selection Criteria REER

Lag	Log L	LR	FPE	AIC	SC	HQ
0	-685.4675	NA	1.01e+08	35.45987	35.71581	35.55170
1	-530.5996	254.1422*	233376.3*	29.36408*	31.15561*	30.00687*

The value of Trace statistics and maximum Eigen value will tell the number of cointegration equations in this. It is noted that Trace statistics is greater than critical value at 5% level of significance then there exist cointegration (long run relationship) among the variables. From the results in the table 6 as per trace statistics there are 2 cointegration equations.

Insert Table 6: Unrestricted cointegration Rank Test REER

No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.**
None *	0.655647	133.6008	125.6154	0.0149
At most 1*	0.589833	93.08949	95.75366	0.0752
At most 2	0.460613	59.22428	69.81889	0.2600
At most 3	0.334246	35.76604	47.85613	0.4082
At most 4	0.284006	20.30628	29.79707	0.4023
At most 5	0.160805	7.611113	15.49471	0.5079
At most 6	0.024671	0.949254	3.841466	0.3299

REER=60.965+4.109expr-80.63imp+0.644inf-1.148IR+3.609FDI+93.05GCE…(5)
(-0.35) (5.90) (-5.81) (2.57) (-3.67) (-7.86)

Equation indicates that in UK 1 unit increase in exports will cause increase in real effective exchange rate by 4.109 units and 1 unit decrease in imports will cause 80 unit increases in real effective exchange rate and interest rate, foreign direct investment, inflation and government consumption expenditure are positively correlated. So, 1 unit increase in inflation, foreign direct investment, inflation and government consumption expenditure will cause 0.644, 3.609, 93.05 and 68.8 units increase in real effective exchange rate.

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5. CONCLUSION

Oil prices and exchange rate has positive relation with economic growth of the UK. So positive sign showing that rise in oil prices will be affecting positively to gross domestic product and in exchange rate will also increase in gross domestic product. Short run error UK economy adjustment mechanism shows that all the errors does not exist in short run. Secondly, effect of imports, exports, interest rate, inflation, government consumption expenditure and foreign direct investment are having effect on exchange rate. Interest rate, inflation, government consumption and import of the country have significant positively related to the exchange rate while the exports has negatively related to the real effective exchange rate.

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E-HRM IMPACT TOWARDS COMPANY'S VALUE CREATION: EVIDENCE FROM BANKING SECTOR OF PAKISTAN

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ABSTRACT

E- HRM is a way of implementing the HR strategies, policies and practices with the use of technology. The e-HRM technology supports the HR function through web technology based channels. It provides a portal which enables managers, employees and HR professionals to view extracts or other information which is necessary for managing, training and deploying the human resource of the organization. In this research an attempt is made to evaluate the e-HRM journey towards company's value creation in banking sector. Value could be created through spending time on Strategic HR activities, HRM Roles, HRM efficiency, HR Service Quality, Perceived effectiveness of HR Practices. The data collected from different banking organizations were analysed using different statistical toolsto identify relationships. The research used a sample consisting of banking sector with new HR technology. The outcome of the research would be to investigate the value created activities of current systems, its exploitation levels, benefits, influences and users perceptions about what they in fact desire to have in an e-HRM system.

Key Words: E-HRM, value creation, company performance, banking sector.

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Introduction:

Value creation is about creating valuefrom beginning to end along with appropriate strategic planning for the both customers and employees. Value is created by providing the customers quality services and goods and making such products that are consistently useful. Value could be more effectively created if the organizations focus on employees by providing them proper recruitment & selection, equality based reward system, proper working environment, more benefitsand most up-to-date technology.

Now a day's such value creation is usually based on innovative ideas and understanding exclusive customer needs with rising speed and precision. To create this value, organizational employees play a major role. Value must be created for employees and they must be involved in the decision making process. This involvement will help them in doing their work with full devotion and motivation. Value is derived from the policies, practices and activities of a firm. A difference existsbetween the use of valueusersand value in exchange. An organization must understand that the objective of a business is to create value for all stakeholders in which customers, employees, investors are included. These three stakeholders are interrelated, and they must be addressed together when value is created. Customer is consider king in the process of value creation but this objective can only be achieved when the right employees are hired, appropriately trained and compensated.

The concept of Human resource management (HRM) involves a comprehensive and strategic approach to the management of an organization's assets. It plays a very important role in creating value for both their employees and customers. Members of an organization work individually and as a team towards the achievement of business objectives (Armstrong, 2006).

The diagram below demonstrates accurately what Huiskamp and Schalk (2002) have been trying to articulate. It shows the development of HR from simple businessfunction to that of a strategic partner.

Electronic Human Resource Management (e-HRM) is a management concept that utilises information technology to carry out human resource functions. Revolutions in information technology have made it possible for organization to exercise greater control over its employees; their performance and behaviour can be modified to better achieve organizational goals. The aim of a well-functioning e-HRM system is to better manage employee relations and improve the efficiency with which information is used for decision making purposes. E-HRMmakes optimal use of web-technology based channels in order to

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implement policies and practices and formulate an effective HR strategy.

Confirmed organizational goals for e-HRM investments comprise cost reduction through reforming HRM operations (Marler, 2009), improved effectiveness through providing improved assistance of HRM services (Ruël, Bondarouk, &Looise, 2004) and transformation of the HRM function to a strategic business partner (Lepak& Snell, 1998).

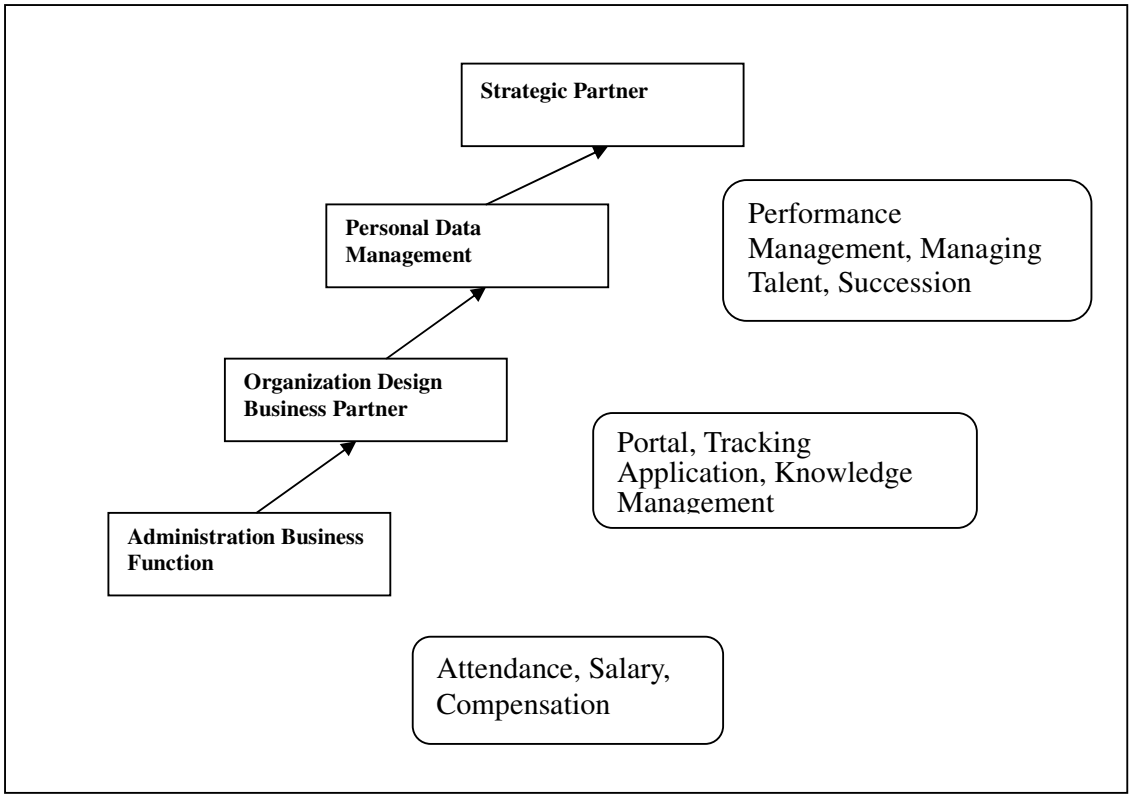


Figure 1: HR-Tree. Reprinted from "Evolution of the HR function" by Bhatia, 2008, *HR Practices, 9, 1-10*

The utilize of e-HRM may allow the HR function to boost its value (or the charges that it generates) through an increase in differential labor in the form of a strategic orientation (Emma Parry, 2011).WhileEHRM (along with accounting), due to the quantitative intricacy of the profession, joined with its responsibility for massive record-keeping, has a very long history of information technology practice in organizations and continues to be a leader in the execution and use of IT (Townsend and Bennett, 2003), few studies have come across at the level of technology implementation from HR specialists (e.g. Ball, 2001; Hendrickson, 2003).

Three types of e-HRM activities are described in current literature onthe subject, they include; operational e-HRM, relational e-HRM and transformational e-HRM.These distinct categories are typified in the work of Lepak and Snell (1998). In carrying out the three

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distinct HRM functions, managers much decide on which human resource functions will be offered face to face and which will be offered through web based HR platforms.The decision to ask employees to update their personal information through a web based platform or have a dedicated staff tasked with doing this for them illustrates this issue as it relates to operational HRM.The decision to carryout recruitment and selection activities using a web based application or favouring a paper based approach that includes traditional classified ads, paper application forms and letters will be an issue for relational HRM. In regards to transformational HRM, a manager can develop a dynamic workforce that is receptive to change by using an integrated set of web based tools, enablingemployees to develop in harmony with a firm's strategic direction; or they can decide to use paper based materials. A large portion of the literature studied emphasizes two main benefits of e-HRM for the HR function. One is the improvement in efficiency and the associated reduction in HRM related costs (Buckley, Minette, Joy and Bartel 2004). The second is to allow HR to play a more strategic role within the organization (Snell, Stueber and Lepak 2002).

This study focuses on the banking sector; a quantitative study seeks to answer the question of how the use of e-HRM contributes to the use of the value creation concept. To accomplish this an assessment of e-HRM applications were measured; this wasdefined as the degree to which e-HRM applications are seen as appropriate for their use, and the extent to which employees perceived the resulting HR function to be improved by the frequency of the use of e-HRM. The study focused on the banking sector of Pakistan and ends with a discussion on how the use of e-HRM will increase the value creation role in the industry. The study concludes that e-HRMis both an efficient and highly effective tool to manage employees.

Problem Statement:

The introduction of technology in human resource management presents an opportunity for HR professionals to become active strategic partners in an organization. With an e-HRM system in place that assists in carrying out core HR functions the HR department is free to focus their attention on strategic initiatives.

In today's business environment e-HRMis considered important for organizations around the world. The Banking sector of Pakistan particularly is facing the problem with implementation of an effective e-HRMsystem. Very few studies have focused on the banking sector to shed light on the observed organizational impact of e-HRM. This leads to the conclusion that e-HRM is not being given the attention it deserves.

The purpose of this study is to examine and better understand the use of e-HRM in

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Pakistan, and to develop and propose a framework for analysing activities such as theappropriate usage of e-HRM, frequency of usage of e-HRM, time spent on strategic HR activities, HRM efficiency, HR service quality, and perceived effectiveness of HR practices of such electronic systems in the banking industry. More clearly the research problem of interest is "What is the extent to which HR departments in Pakistan's banking sector have adopted or made use of e-HRMfor value creation as an organizational function; and whether this adoption has had an observable impact the employee performance inthe banking sector."

Research Objectives:

This research is based on the following objectives:

- To study the effect of e-HRM on employee performance and to determine if there is there a positive relation between e-HRM application and employee work.
- To study the effect of e-HRM on value creation variables such as HR service quality and perceived effectiveness of HR practices.
- To conduct the study to investigate the role of e-HRM to improve the performance of the banking sector of Faisalabad Pakistan.

Proposition of Research:

The purpose is to investigate the appropriate use of e-HRM. For the purpose three propositions are developed that include:

P1-The value creation will be higher if the system is appropriate for the usage of e-HRM and the frequency of use is high.

P2 - E-HRM implementation leads to better service quality.

P3-When e-HRM support HR practices, their perceived effectiveness shall increase.

Literature Review:

Value creation is a central thought in the management and organization literature for both micro level (individual, group) and macro level (organization theory, strategic management) research.

According to Paul O'Malley (1998) organizations must establish aprocess of value creation that is sustainable and is based on the organization's long term growth. This is possible only when organizations focus on continuous improvement of products and customer services. Organizations areresponsible to provide a working environment and various types of resources to its employees so they mayeffectively utilize the external opportunities. That

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value-creation process is predicated on the capacity and motivation of a company's employees.

Buckley, et al. (2004) explained in his research that, the major successful value creation strategies were; continuous improvement in the quality of product and process, obvious understanding of competitive changing, real time awareness of customer needs andtaking advantage of new technologies in existing markets, specifically information technology. Further a company may find opportunityin technology or regulatory changes to forge new markets and reconfigure and improve upon company and industry value chains. The organizations were also responsible for mutually beneficialrelationships with customers, employees, and suppliers. Electronic HRM system is an automated employment recruiting and screening system for hiring potential employees in an organization. This automated recruiting and screening system was helpful and applicable to Electronic Human Resource Management as value creation in the Banking Sector of Pakistan when it would be adopted in this sector. The author shows the results of this automated recruiting and screening system in following diagrams, the given table shows the detail of the difference between traditional HRM and e-HRM.

Omer Faruk Unal1, Mehmet Mete (2012) elaborated the importance of Information Technology as it serves as a significant instrument for acknowledging of HR activities and extensively utilization of IT in the HR activities influences HR administration in numerous aspects. Traditional HR activities: Use of IT inside the HR capacities increments viability and proficiency of HR. New HR practice: Self administration HR, e-learning and e-recruitment was new appearanceconceivable with IT apparatus. These new practices noticing viability, productivity and cost make more worth than accepted HR formed accomplish for the assortment. New sorts of living up to expectations: Widely utilization of IT in the business makes new sorts of works, for example teleporting and online venture contracts.

Mullins (2013) concluded that people are essentially social beings; as such their inter-personal interactions and relationships are of great importance to their survival. How well people are able to manage their relationships is dependent upon their actions, their ability to manage their actions and the reactions of others. This human factor makes dealing with people, addressing grievances and managing conflicts a challenging task in any workplace.The unique characteristic of people adds to the complexity of this task; everyone has different tastes, likes, dislikes, preferences habits and priorities. Further, people who find themselves in the same workplace often come from diverse cultural, ethnic, national and

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familial backgrounds, bringing with them a distinctive set of morals and values. Generally, an organization is where a group of people meet to accomplish a specific task; the goal is to successfully achieve the strategic objectives of the organization.

Armstrong, Michael (2006) contends that an organization is completely dependent on its people. This point is strongly supported by the fact that organizations often mimic the behaviour of the people who are a part of that organization. An organization without people is simply the plant, property and equipment that occupy space. The primary task that management is concerned with is controlling people, and creating a workplace that is conducive to a high level of productivity and job satisfaction.

Sparrow, P. R., &Hiltrop, J. M. (1994) states that there are different forces that influence the organization of its surrounding. These were divided into major groups that include competitive and social forces, all having a significant impact on the functions ofan organization.

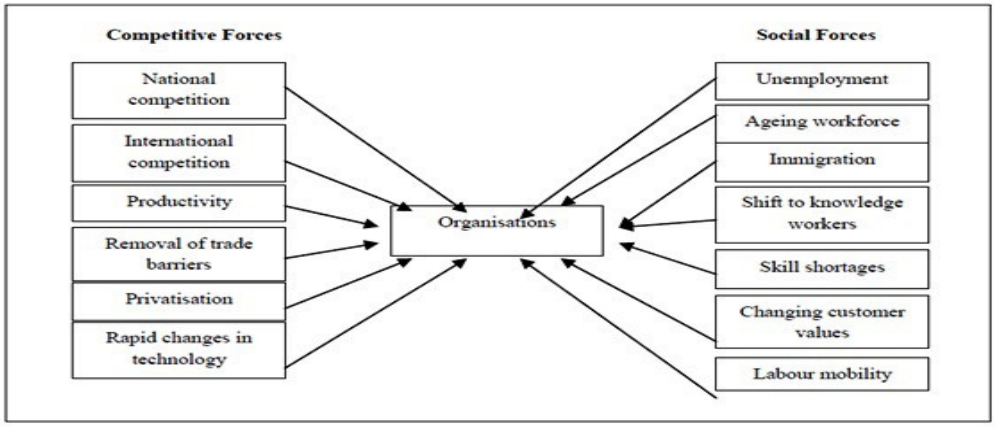


Figure. 2 Forces effecting the organization (Adapted)

There are various forces within an organization that affect the organizational environment these include “competitive forces” and social forces”. Competitive forces are concerned with competition on a national and international level, while social forces refer to national level forces in which society related variables are included to overcome these forces.

Human resources management in any organization has aimmensesignificance because it supervised the most important and most luxurious assets of the organization. The human resource management as explained is by (HafizaHafsaNayyab, 2011) is associated with all the managerial functions concerned in planning for recruiting, selecting, developing, utilizing, rewarding, and maximizing the Potential of the human resources in an organization. In addition, (Ho, Wilson, & Chen, 2010) make out that the exclusive human resource

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management systems and strategies focus on the interaction between cognition and administrative organization. Also, (Günsel, 2006) separated human resources practices that influence on the performance of the company into five groups. These groups are Selective Recruitment, Use of Teams and Decentralization, Training, Performance, and Information Exchange.

HRM is a brain of any organization which works for the excellence of performance within an optimal resource utilization within the required time. It assists in capturing and managing the talent, provides a training framework for individuals, for the growth of capabilities and aptitudes, promoting the spirit of the group, give a challenging environment to improve responsibility and commitment and also the training of escalating the yield and benefits of organization.

Human resource management is tasked with the responsibility of managing people within an organization. It involves a comprehensive and strategically oriented approach to manage workers, who are working both individually as well as collectively to achieve organizational objectives. (Armstrong, 2006).

Barut and Dogerlioglu(2010) explained that the human resource information system and its implementation by taking social and technical factors and by the relationship between these factors. This research evaluated that both social and technical factors give success to human resource information system projects. By combining these two factors the socio-technical approach increases the output of human resource information system projects in the form of effectiveness, efficiency, system usage, technological quality user satisfaction and general success evaluation.

HRM usually utilizes IT as HRIS. HRIS is incorporated systems obtains and accumulating data used to formulate analysis, compose decisions on the ground of HR (Hendrickson, 2003: 381-394; Luck, 2010).HRIS is a database about the employee of the organization. It contains the complete record of employee demographic, informative data about workers' information, vocation, provision necessity, work attributes, determination and staffing, strategies of business, corporate structure, expert and single change, training expenses, exhibition examination, faculty arranging and composing. Also this information is utilized for numerous purposes straightforward or complex (Lippert and Swiercz, 2005, 340–353; Bernik et al. 2007:130)

This research seeks to explore the role of information technology in human resource management (HRM) as it relates to modern organizations. One of its aims is to put forth a

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greater understanding human resource management by exploring various contemporary issues. These include, the role and structure of HR within an organization, what makes people an indispensible resource in a firm and how can this resource be better managed with the help of e-HRM in the 21st century and finally how can such technology be used to improve employee performance in the banking sector of Pakistan.

E-HRM is a provision of Information Technology with a particular level of utilization and complexity which is accomplished in a conglomeration to make representatives fit to be associated and do their HR identified exercises (Strohmeier 2007).E-HRM is totally different from with web-based HRM , intranet-based HRM, Human Resource Information System (HRIS), and virtual HRM (De Sanctis 1986) .

E-HRM can be divided into three subtypes to include; operational, relational and transformation human resource management. Activities such as administrative activities, employee payroll and the collection of personal employee data are the domain of operational e-HRM.Other activities and processes more closely related to recruitment and selection, managing performance and training fall under relational e-HRM. Transformational e-HRM has a more strategic orientation. Human resource activities such as knowledge management and the development of HR related strategy fall under transformational e-HRM.It is up to the organization which e-HRM activity it would like to improve and as such which sub-activity it wishes to focus on to reach their HR objectives.

Research Methodology:

Descriptive and explanatory research design is used in this research work. Quantitative analysis tools are used to explore the relationships between different variables. Questionnaires are used to gather the required information from the research participants of different banking organizations. Descriptive statistics were in conjunction with correlations and regression analysis to verify the propositions made by the author.

A questionnaire was utilized to gather institutionalized information. This was essential to have the ability to sum up the effects and to get dependable results which stood for the research population. The questionnaire used in this paper was internet based and some in person as well. It was section constrained to avert missing qualities. For respondents, a web based survey was straightforward to fill in, and respondents could figure out themselves when to finish the questionnaire.

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The operational structure of the questionnaire is presented below.

- The independent variables used in research are appropriateness and frequency of usage of e-HRM which are measuring the dimension of usage of e-HRM. The questionnaire for appropriateness was adapted from Ruel HJM, 2001 and frequency of usage was adapted from Yvonne Loijen 2011.
- Questionnaire for HRM effectiveness was adapted from Lepak and Snell 2002 and the perceived effectiveness of HR Practices was measured by the adapted questionnaire from Delery and Doty 1996 and has 13 items.

The population used in this study includes more than 1000 employees working in three large banks in Pakistan; including Al-Habib Bank, Alflah Bank and NIB. These banks were chosen based on the fact that they have benchmark HR practices and reputation for developing sophisticated e-HRM systems. A simple random sampling technique was used to select a representative sample from the identified population. There were 250 questionnaires created a distributed among bank employees in various departments including managerial staff. Of the 250 questionnaires 120 were returned of which 8 were partially filled reducing the sample size to 112. The sample size was large enough for the purposes of this study to provide reliable results.

For the purposes of the study primary data was collected through the distribution of a questionnaire among HR managers and other staff in the selected banks.The questionnaire had two sections, one to collect demographic information related to employee position within the bank and duties and a second section to obtain various information about value creation and use of e-HRM. After the data collection data was analyzed on the behalf of propositions and then propositions were tested using the statistical tool correlation and regression analysis.

Theoretical Framework:

The theoretical framework of the research can be shown in the following diagram.

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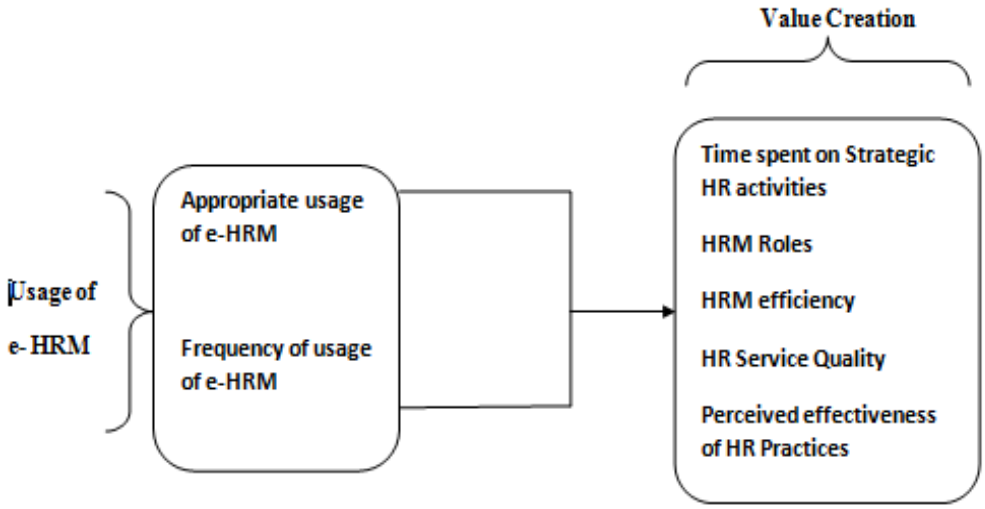


Figure 3 - Theoretical design showing the relationship of usageof e-HRM with value creation of the company

Research Questions

In the light of literature a review and research objective the main research questions for the study is:

1. How e-HRM doescreate value for the banks?

The sub questions are:

a. What are the measures of value creation for a banks related to HRM?

b. Does the usage of e-HRM application create value for the banks?

This research study is quantitative in nature in which correlation and multiple regression models are used along with descriptive statistics. Mean values are reported for demographic factors, while the proposition are first verified through correlation analysis and then through five multiple regression models.

Analysis and Discussion:

Demographics: Three different demographic characteristics are used in this research study.

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Age:

Age group is distinguished based on the age of the respondents and their point of view on the usage of e-HRM and value creation of the firm. The age group of the respondents was between 25 to 65 years and they are divided into 5 groups. There were 28 respondents in 25 – 29 years age group, 46 were in 30-30 age group, 24 were in 40-49, 12 were in 50-59 and only 2 respondents were either in their 60 years of age or above. So there were sufficient representations of each age group except 60 year age group, which is obviously the retirement age.

When we discussed the mean values of their responses, it is observed that in all age groups the scores of usage and HRM efficiency are more as compared to other variables. However the mean score of age group 60 is somewhat lower than other age groups, this was because of two main reasons. First there were only two respondents in that age group and secondly they are not much familiar with the electronic and information technology usage.

Table 1 - Mean values of age wise differences in usage of E-HRM and value creation

Age Group	N	Usage of E-HRM	HRM Service Quality	Perceived Effectiveness
25-29	28	3.321	3.39	3.64
30-39	46	3.261	3.58	3.58
40-49	24	3.229	3.37	3.54
50-59	12	3.167	3.50	3.16
>60	2	2.500	3.00	2.50

Role in the organization:

Second demographics feature used for grouping the research respondents was their role in the organization they are working. On the basis of their designations and departments they were divided into four groups. The first group of respondents was from an HR - department and were total 35 in numbers, second was from different functional department and were 22 in total, the respondents of the third group were information technology specialist and were 33 and the last group was of general employees associated with different departments in sample organizations.

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Results show that there is no significant difference among different groups. All the groups perceive that usage of e-HRM increase the HR efficiency and the score for this variable was on the high side.

Table 2- Mean values of Organizational role wise differences in usage of E-HRM and value creation

	HR Professional N= 35	**Functional Manager N=22**	**IT Professional N=33**	**Employee N=22**
Usage of e-HRM	3.37	3.34	3.09	3.18
HR Service Quality	3.60	3.28	3.51	3.40
Perceived effectiveness of HR Practices	3.51	3.54	3.54	3.50

Gender:

To further dig deeper a gender characteristics were also examined in the analysis. Out of total 112 research participants 70 were men and 42 were women. There was no such significant score difference between the gender both realized that HRM effectiveness and efficiency increased due to the appropriate and timely usage of e-HRM system.

Table 3-Mean values of gender wise differences in usage of E-HRM andValue creation

	Male	**Female**
Usage of e-HRM	3.257	3.226
HR Service Quality	3.414	3.571
Perceived effectiveness of HR Practices	3.642	3.333

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Correlation Analysis:

The correlation was run to examine the relation among the variables used in the study. Correlation analysis explains the relationship between the variables either it is positive or negative or how much strongly they are related to each other. Normally the values of correlation range from -1 to +1 in two tailed test. Results show the Pearson's correlation among the dependents and independent variables.

Table 4- Correlation between variables

		1	2	3	4	5	6	7
1	**Appropriate usage of e-HRM**	1.000						
2	**Frequency of usage of e-HRM**	0.454"	1.000					
5	**HRM Service Quality**	0.142	0.239'	0.126	0.290"	1.000		
7	**Perceived effectiveness of HR Practices**	0.509"	0.385"	0.223'	0.514"	0.235'	0.577"	1.000

**.Correlation is significant at the 0.01 level (2-tailed).*. Correlation is significant at the 0.05 level (2-tailed).

Overall all the variables included in table 4.4 shows positive correlation with each other. Time spent on strategic HR activities has a moderate positive correlation with both appropriate and frequency of usage of e-HRM with the values of 0.443 and 0.304. However the relation with appropriate usage is relatively more positive and strong then frequency of usage.

HRM roles also have a moderately positive correlation with both appropriate and frequency of usage of e-HRM with the values of 0.415 and 0.448. But the inverse to previous mentioned variable the relation with appropriate usage is relatively less positive and strong then the frequency of usage. Furthermore HRM roles have slightly positive correlation with time spent on strategic HR activities with a value of 0.150.

HRM service quality was the next to examine. It has weak positive correlation with both appropriate and frequency of usage of e-HRM with the values of 0.142 and 0.239. Similar to previous mentioned variable (HRM Roles) the relation with appropriate usage is relatively less positive and strong then the frequency of usage. In addition to this HRM service quality have a weak correlation with time spent on strategic HR activities and HRM roles.

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While looking at the HRM efficiency correlation with appropriate and frequency of usage of e-HRM it has moderately positive relationship with them having the values of 0.456 and 0.420. In addition to this HRM efficiency have weak to moderate correlation with time spent on strategic HR activities, HR service quality and HRM roles.

The perceived effectiveness of HR Practices shows weak to moderate correlation with all the variables used in the construct of the study. However it is more strongly correlated to appropriate usage, effectiveness and effectiveness of HRM practices.

Regression Analysis:

Multiple regression analysis was done to further elaborate the relationship between variables uses in the construct. Overall five regression models were run for the analysis, examining the effect of all independent variables on all five dependent variables. The detail discussion for each model is below.

Table 5- Regression Analysis

	Model 1			**Model 2**		
	Coeff.	**t-values**	**Sig**	**Coefficient.**	**t-values**	**sig**
Appropriate usage of e-HRM	0.351	4.025*	0.000	0.228	2.87*	0.05
Frequency of usage of e-HRM	0.128	1.351*	0.180	0.303	3.52*	0.01
F-value	18.81*			18.82*		
R2	0.257			0.257		

* Significant at 0.05 level,

Dependent Variable: Model 1 (Time spent on strategic HR Activities), Model 2 (HRM Roles)

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Table 6- Regression Analysis

	Model 3			Model 4		
	Coeff.	**t-values**	**Sig**	**Coefficient.**	**t-values**	**sig**
Appropriate usage of e-HRM	0.330	0.406*	0.685	0.276	3.62*	0.00
Frequency of usage of e-HRM	0.186	2.111*	0.037	0.240	2.91*	0.04
F-value	3.339*			19.62*		
R^2	0.059			0.265		

* Significant at 0.05 level

Dependent Variable: Model 3(HRM Service Quality), Model 4 (HR Efficiency)

Table 6- Regression Analysis

	Model 5		
	Coefficient.	**t-values**	**Sig**
Appropriate usage of e-HRM	0.379	4.465*	0.000
Frequency of usage of e-HRM	0.188	2.135*	0.035
F-value	22.119*		
R^2	0.289		

* Significant at 0.05 levelDependent Variable: Model 5 (Perceived effectiveness of HR Practices)

In model 1 the dependent variable is time spent on strategic HR Activities which is regressed on appropriate usage and frequency of usage of e-HRM. In second model HRM Roles, in third one HRM service quality, while in fourth model HR efficiency and in 5th model Perceived effectiveness of HR Practices was used as dependent variables.

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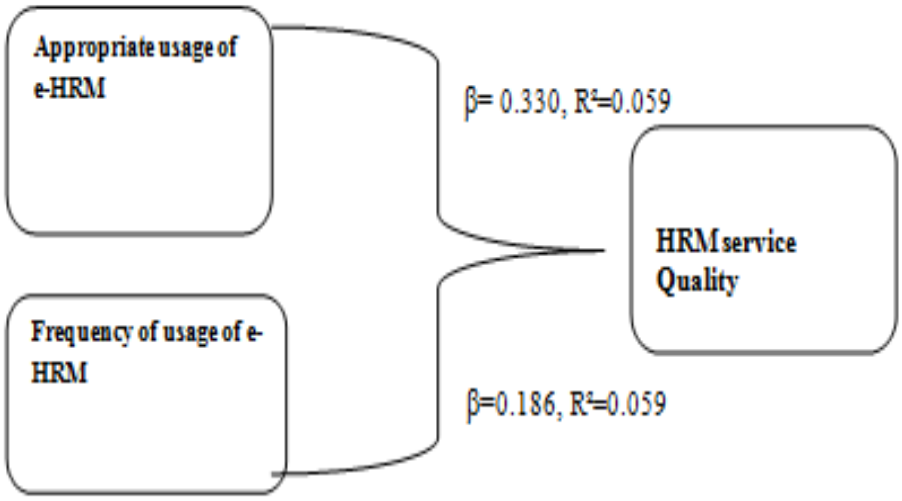


Figure4: Regression analysis of HR service Quality

Regression analysis indicates a frequency of usage of e-HRM significantly regressed on HRM Service Quality; however appropriate usages of e-HRM are not significant with Service Quality. Service Quality declares only 5.9 % (R^2=0.059) of appropriate usage and frequency, but has a weak positive effect on frequency of usages of e-HRM. (β=0.186).

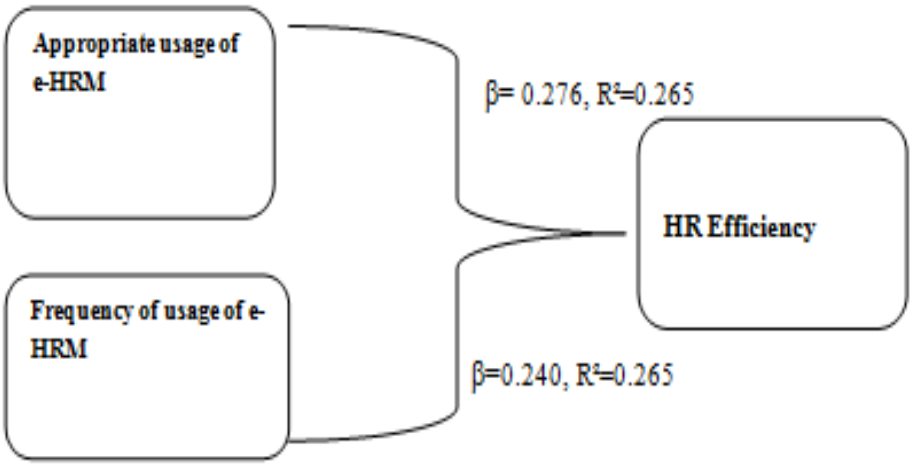


Figure 5: Regression analysis of HR efficiency

Regression analysis in model 4 indicates that appropriate usages of e-HRM and frequency of usage of e-HRM significantly regressed on HRM efficiency. Which declares 26.5 % (R^2=0.059) of appropriate usage and frequency, but has a moderate positive effect on both appropriate usages of e-HRM and frequency of usages of e-HRM. (β=0.276, 0.240).

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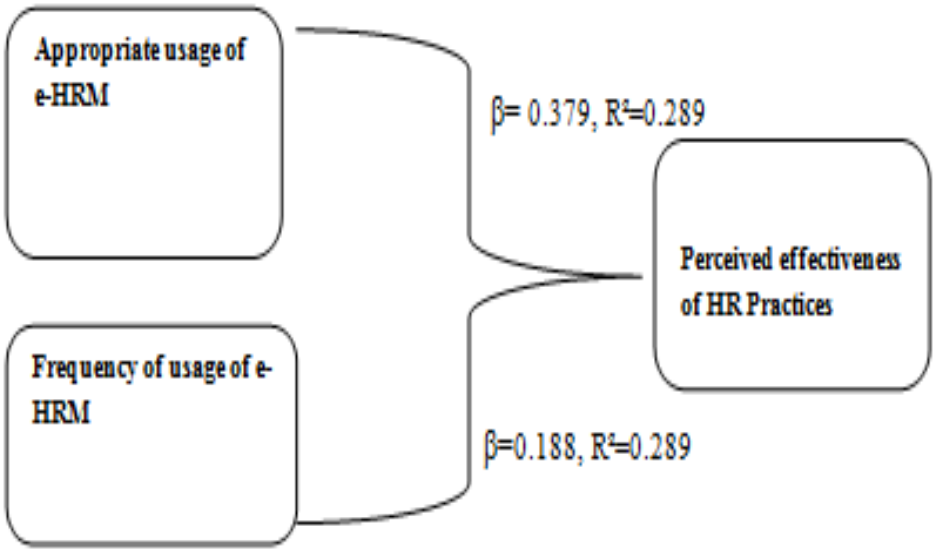


Figure 6: Regression analysis of HR practices

In model 5 Regression analyses indicate that appropriate usages of e-HRM and frequency of usage of e-HRM significantly regressed on Perceived effectiveness of HR Practices. Which declares 28.9 % (R^2=0.289) of appropriate usage and frequency, but has a moderate positive effect on both appropriate usages of e-HRM and frequency of usages of e-HRM. (β=0.379, 0.188).

Conclusion:

Proposition 1: The value creation will be higher if the system is appropriate for the usage of e-HRM and the frequency of use is high.

Proposition 1 is accepted because appropriate usage of e-HRM and frequency of usage has positive correlation with five other variables of value creation. Furthermore these variables are also positively regressed with each other except time spent on HR activities and HRM service quality with frequency of usage of e-HRM.

Proposition 2: E-HRM implementation leads to better service quality.

Proposition 2 is also partially acceptable, HR Service quality show a weak positive correlation with appropriate usage, frequency but evidence does not support the appropriate usage increase the service quality of HE professional.

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Proposition 3: When e-HRM support HR practices, their perceived effectiveness shall increase

Proposition 3 is accepted because the perceived effectiveness of HR practices do increase after the implementation of e-HRM. Respondents are very positive about the effectiveness of HR practices.

Recommendations:

It is concluded from the proposed study that HRM effectiveness and Perceived effectiveness of HR practices are the two important value creating factors. Organizations have to focus on the success enablers that can influence these two value creating factors. IT environment has a strong influence on HRM effectiveness and Perceived effectiveness of HR practices.

A high degree of appropriation can be reached when the system is easy to use, when the HRM system itself is consistent, and when there are enough facilitating conditions. To achieve a consistent HRM system, there should be agreement between the goals of top management and employees, the different HRM messages should be in harmony and the messages should be stable over time. When organizations want to influence the perceived effectiveness of their HR practices, they have to focus on theconsistency of the HRM system, the facilitating conditions and on appropriation.

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Procurement process of professional services: A case study of legal services

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Abstract

As companies concentrate on their core competencies, they increasingly require business-to-business services. Consequently, research on services is increasing, and the procurement process is under investigation. This is also true for the specific fields of the professional knowledge-intensive services. However, the majority of these studies have been conducted in consulting and marketing services. This work focuses on legal services, which are characterized by inherent uncertaintiesand the demand for transparency. First, procurement of legal services is analyzed with brief references to information economics and an agency perspective. Then, a case study is used to explore the procurement process. Based on the findings, an evolved procurement process for legal services is set up in seven phases. Concerning the practical implications, a process flow diagram visualizes the legal service procurement process and the involved parties.

Keywords: professional services, knowledge-intense services, legal services, service procurement, purchasing process

Introduction

Fourastié stated in his "three-sector hypothesis" that consumption-oriented services will increase (Fourastié, 1954). However, business-to-business and business-to-government services increased instead (van der Valk and van Iwaarden, 2011).The empirical data indicate a typical share of 39 percent and more than 60 percent of the total purchasing volume of services even for industry (Ellram et al., 2007). This reveals the importance of service procurement, particularly because "[...] rules for buying goods do not work when applied to the buying of professional services" (Wittreich, 1966). The high relevance demands a systematic service procurement process (Thiell, 2006).

However, although organizations increasingly source services from external suppliers, the scientific basis is still limited (van der Valk, 2008). The areas of professional knowledge-intense services still pose numerous questions, and their specifics are hard to explain with the existing process models on service procurement (Strambach, 2008). Due to their peculiarities, it seems useful and necessary to concretize the procurement processforspecific professional services to address them and optimize the outcomes (Nordenflycht, 2010). To contribute to filling this gap, this paper focuses on legal services.

Procurement of legal services is a topic that has become increasingly important, as the

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outsourcing of legal services has increased steadily (Sako, 2009) Furthermore, in times of globalization, the economic complexity and dynamics increase the risk of possible legal disputes, which in effect demonstrates the utmost importance of the procurement of legal services (Staub, 2006). In addition to the effectiveness of legal services, the high potential for savings and efficiency is assumed (Strambach, 2008).

Therefore, this paper aims to concretize a concept for the procurement process of legal services. To achieve this, an analysis of the process models for professional services contributes to the explanation. The theoretical underpinnings are matched with findings from an empirical analysis to contribute to the scientific design. The case setting is striking, as the case company is an outstanding German stock company with worldwide business relationships. With insights into the case company, this work could analyze several processes and within-case examples of legal services procurement.

For presenting this work, the paper is structured as follows: In the next section, we present our methodology. Then, the theoretical underpinnings are derived from a review of professional services procurement, which is followed by the case study section. Afterward, the case findings are discussed and merged with an extended legal services-specific procurement process.The paper ends with a conclusion and an outlook for further research.

Methodology

The methodological approach of this contribution is a combination of conceptual and empirical research (Eisenhardt and Graebner, 2007; Yin, 2009). First, a procurement process for professional (legal) services will be derived from an analysis of various models for services-procurement processes (Aminoff and Tanskanen, 2013; van der Valk et al., 2009). For this purpose, a literature review has been conducted with a focus on the data base “Business Source Premier” (EBSCO HOST). In the initial search, only articles from the beginning of the year 2005 were considered. A list of search terms has been used. Search strings included service, procurement, purchasing, management, legal, outsourcing, professional, business, knowledge intense and their German translations (Denyer and Tranfield, 2009). Furthermore, all selected articles are peer reviewed and meet the requirement C or better of the German journal ranking system (VHB Jourqual 2.1). Apart from this, further articles were found due to references in the approved articles. However, they may be older than 2005 but also meet the minimum C ranking of the VHB-Jourqual.The articles were evaluated and selected in the first stage by their abstracts and in the second stage by a profound content analysis (according to Denyer and Tranfield, 2009).

The second element of our methodology is empirical qualitative research in the form of a single case study with several within-case examples (Yin, 2009; van der Valk and Wynstra, 2012). The case study was conducted with a German stock company listed on the DAX 30 with 62,000 employees in more than 100 countries. In the business year 2012, this company achieved a turnover of 16 billion euros. Purchase expenses are approximately 12 billion, of which five billion euros were spent for services, representing a share of more than 40 percent. This company spends 30 million euros exclusively for legal services. Therefore, the case company seems to suit an in-depth analysis of professional and legal services procurement (Eisenhardt and Graebner, 2007; van der Valk and Wynstra, 2012).

Due to the explorative and descriptive character of the research topic, the case study method is suitable to investigate the legal procurement process (Eisenhardt and Graebner, 2007; Yin, 2009). To verify the case study, give in-depth understanding and meet the case study quality criteria, various sources have been analyzed (Voss et al., 2002; Yin, 2009).

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Documents, observations and interviews are used to give the project validity. The internal and external validity are addressed using the logic sequence models and the comparison of the theoretical literature findings with the practical procedures of the case company (van der Valk and Wynstra, 2012). Finally, reliability has been achieved through numerous protocols and data. These include documents, presentations, organization charts, e-mails, evaluation sheets and contracts. Due to the few scientific sources and the novelty of the research about legal services, expert interviews and document analyses compose the basis of the case analysis. Semi structured interviews have been conducted in eight sessions with a timeframe of 45 to 120 minutes (similar to Werr and Pemer, 2007). Interview partners are represented by the head of legal operations and the global procurement manager of the investigated company (van der Valk and Wynstra, 2012; Werr and Pemer, 2007). All interviews have been transcribed. Multiple sources for case study information were used to meet the requirements of triangulation (Aminoff and Tanskanen, 2013).

Review on the procurement process of professional services

Professional and legal services

Grönroos defines services as: "[…] a process consisting of a series of more or less intangible *activities* that normally, but not necessarily always, takes place in *interactions* between the customer and service employees and/or physical resources or goods and/or systems of the service provider, which are provided as *solutions* to customer *problems"* (Grönroos, 2000). However, there are various types of services. One type represents professional knowledge-intense services (Axelsson andWynstra, 2002; Debely et al., 2008). Examples of professional services are management consulting, marketing and legal services (Axelsson andWynstra, 2002; Nordenflycht, 2010). These are said to be the most complicated services, which demand high individualization and interaction (Kissling, 1999).

Professional services are a subcategory of services and therefore share the fundamental features and peculiarities. Axelsson and Wynstra (2002) and various other authors mention intangibility, heterogeneity, the uno-actu-principle and the integration of external factors as common features. As a consequence, bidirectional relationships are of great relevance (van der Valk, 2008). These constitutional features cause the procurement complexity (Kissling, 1999; Thiell, 2006).

Due to the peculiarities, professional services have to be modeled individually. Apart from this, the uno-actu-principle and the expert form for the day prevent professional services from being analog, which leads to differing outputs and qualities (Axelsson and Wynstra, 2002). It seems that professional services cannot be standardized (Debely et al., 2008). In addition to this, Axelsson and Wynstra (2002) add the peculiarity that there is no transfer of property. Professional services are coined by further characteristics. These are: low capital intensity, highly professional staff and high knowledge (Nordenflycht, 2010). Knowledge embodies both the input and output (Debely et al., 2008). Because of this, the most important factors are the experts who incorporate the knowledge (Nordenflycht, 2010). Consequently, professional services require specialized personnel with expertise. These experts know about the necessity and configuration of the service (Liu 2011; Sieweke et al., 2012). Hence, the problem of information asymmetriesarises (Causholli and Knechel, 2012).

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Information asymmetries are a major challenge in professional services procurement (Axelsson and Wynstra, 2002), which includes the problem of assessing services quality, accuracy, performance and outcome (Causholli andKnechel, 2012; Sieweke et al., 2012). The principal cannot control the agent's action. Information economics and principal-agency theory (Eisenhardt, 1989; Nelson, 1970) aim at overcoming information asymmetry (Hirshleifer and Riley, 1979). Both theories investigate the asymmetric distribution of information between business partners (principal and agent), which in effect leads to interest and goal conflicts (Sako, 2009). The agent could behave opportunistically (Causholli and Knechel, 2012). Fundamentally, the problem of transparency prevails. However, specifics and the context are crucial (Mudambi and Tallman, 2010).

Focusing on the specifics of professional services, one phenomenon represents the "cat herding problem" (Nordenflycht, 2010). This problem is caused by highly skilled individuals and their strong preferences for autonomy. This complicates coordination and affects the outcomes (Malhotra and Morris, 2009; Nordenflycht, 2010). Moreover, professional services are expensive because of their expertise and variable disposability (Axelsson and Wynstra, 2002). In addition, the constitutive characteristics hamper objective pricing (Debely et al., 2008). Apart from this, markets for professional services are volatile and marked by uncertainty and risk (Ellram et al., 2008; Pemer et al, 2014; Strambach, 2008; Thiell, 2006; van der Valk et al., 2008). Thus, organizations opt for substitutes to evaluate and choose their provider (Causholli andKnechel, 2012; Sieweke et al., 2012). Substitutes are guarantees, certificates, brands, references, reputation and price (Axelsson and Wynstra, 2002).

The above-mentioned specifics for professional services are particularly relevant for legal services. Legal services embody a subcategory of professional services (Nordenflycht, 2010). They can be referred to as especially professional because the experts require licenses, proofs and certificates to exercise their trade (Nordenflycht, 2010). Often, markets for legal services are characterized by restrictions, regulations and high wages (Grout et al., 2007). Simply stated, legal services are the services involving legal or law related matters such as issues regarding legal consulting, opinion, filing, pleading, law suits, etc. by a lawyer or attorney. However, the diversity and uncertainty of the scope and definition of legal services is best explained by a glance at a legal definition by the German ministry of justice, which uses a combination of conceptual, enumerative and confining elements. Legal service is any activity in specific affairs performed for another party, once a legal examination of an individual case is required (conceptual definition). Legal service includes collection services (the enumerative definition). Legal services are not the reimbursement of scientific advice or activities of conciliation and arbitration boards, referees and umpires (the confining definition).

This indicates the heterogeneity of legal services, which also implies that heterogeneous bundles of legal services often might be required because different legal areas might be addressed in a single legal issue (Thiell, 2006). The procurement of legal services poses numerous specific challenges, as legal service providers can hardly be switched (during ongoing legal issues), and errors in legal decisions are prone to have tremendous consequences because of their leverage effect (Lenz, 2012). Fines, loss of reputation, criminal action and even the shutdown of the organization are some examples (Staub, 2006). Therefore, quality trumps price because sloppy legal management causes high costs.

As legal services represent credence goods, information asymmetries are – even within the service sector - very high (Nelson, 1970). This challenge is amplified by the lack of formal procedures and guidelines on how to perform such a service (Malhotra and Morris, 2009). To reduce these asymmetries, organizations employ internal legal advisors (Lenz, 2012). However, specific and unique legal questions can only be solved by external legal

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experts (Lenz, 2012). As a consequence, the contracting out of some legal tasks is prevalent. However, organizations do not know how to evaluate and select the right external legal expert. At the least, there is a high degree of uncertainty (Pemer et al, 2014; Sieweke et al., 2012). Due to this lack of transparency, organizations use information substitutes (Causholli andKnechel, 2012; Sieweke et al., 2012), as mentioned previously. Therefore, the procurement of legal services is perceived as interactive, transaction-and cost-intensiveand risky (Werr and Pemer, 2007; Wynstra et al., 2006). In addition to customer demands, social, technical, legal and economic influences have to be considered (Axelsson andWynstra, 2002; Stouthuysen et al., 2012; Wynstra et al., 2006).

In general, remuneration, cost efficiency, evaluation and transparency present significant challenges (Brivot, 2011; Pemer et al, 2014). However, Susskind (2008) states that legal services evolve from a unique and tailored service to a standard commodity. Because of this, he suggests the possibility of standardizing legal services.

Professional and legal services procurement process

When organizations buy legal services, they of course try to achieve economic goals (Lenz, 2012). The reduction of uncertainty and risk is associated with generating value as well as cost reduction (van der Valk andRozemeijer, 2009). Neverthelesscost reduction does not represent the main goal. Quality is the most important target, which is expressed through validity, accuracy and the fulfillment of customer demands (Lenz, 2012; Wittreich, 1966, Sieweke et al., 2012). In general, legal services prevent legal issues (Susskind, 2008). The procurement of services is often compared with the highly professional procurement process for goods. However, in comparison to goods, the procurement of services seems unsystematic and random (van der Valk and Rozemeijer, 2009). Professional services are typically bought by business units in an informal and nontraditional way, with no or low involvement of the procurement department (Ellram et al., 2010). The characteristics of professional services are not taken into account, which leads to the necessity of adapting the procurement process (Selviaridis and Spring, 2010; Sonmez andMoorhouse, 2010; Tate and van der Valk, 2008; Werr and Pemer, 2007). Derived from various procurement processes for services, the common phases can be established (Axelsson and Wynstra, 2002; Jackson et al., 1995; Kissling, 1999; Nasr et al., 2012; Selviaridis et al., 2011; van der Valk and Rozemeijer, 2009; van Weele, 2010; Wildemann, 2000 among others). Table 1 visualizes the representative procurement process models for services and their phases.

As table 1 illustrates, the process models differ in the number of process steps (from 4 to 8 steps) and in the content of each step. To establish a reference model for the latter case study analysis, we considered six different process steps (the last column in table 1): the demand identification phase, the information gathering phase, the selection phase, the contracting phase, the service provision phase and the postservice provision phase. This model integrates in each step the content of the previous models. This six-step model is the starting point to analyze the process for legal service procurement.

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	Jackson 1995	Kissling 1999	Wildemann 2000	van Weele 2005	van d. Valk /Rozemeijer 2009	Reference process model for case study analysis
1	Demand awareness	Demand initiation and specification	Demand analysis	Specification	Specification	Demand identification and specification
2	Information gathering	-	Demand request	-	Request for Information	Information gathering
3	-	-	-	-	Detailed Specification	
4	Make-or-buy-decision	-	-	-	-	Selection
5	Request for proposal	Request for proposal	Request for proposal	-	-	
6	Selection	Selection	Selection	Selection	Selection	
7	-	-	Contracting	Contracting	Contracting	Contracting
8	-	-	Ordering	Order	Order	Service Provision
9	Expedite and consume	Expedite	-	Expedite	Expedite	
10	Evaluation	-	Controlling	Evaluate	Evaluate	Post service provision
	7 steps	4 steps	7 steps	6 steps	8 steps	6 steps

Table 1: Representative service procurement process models

The first phase of the service procurement process is demand identification. This process step can be subdivided into further steps. First, there is the identification of legal issues, after which business units report the issue to the internal legal services department. Then, the internal lawyers analyze the issue and derive a legal issue definition (Selviaridis and Spring, 2010) to decide in a last step whether external legal support is needed.

Thereafter follows the information gathering phase, which is associated with the supplier selection phase (Kissling, 1999). Procurement mainly uses word-of-mouth, existing networks or ties with other market participants to gather information (Pemer andSkjolsvik, 2013; van der Valk et al. 2009). Systematic search and market analysis is rare (Werr and Pemer, 2007). While gathering information, organizations focus on the local suppliers, expertise, price, reported skills and the legal service provider's organization. A further crucial criterion is the individual expert and his education (van Weele, 2010). These preselection criteria are rarely operationalized.

Then, the organization derives its decision and final selection. The comparison of quotes results in a ranking of the potential suppliers. Mainly indirect and subjective indicators are used to evaluate the provider, which leads to a focus on reputation (Staub, 2006). Moreover, quality plays an important role (Sieweke et al., 2012). Pemer (2013) suggests various methods to assess quality. Finally, organizations select the suitable legal service provider.

Afterward, the contract phase takes place. This phase is subdivided into negotiations, the determination of contract elements and the signing of the contract (Ellram et al., 2007). Then,

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the organizations order legal services,which implies the beginning of the legal service delivery phase.

After the award of the contract, service provision takes place, often in a dynamic and very interactive context (Roodhooft and van Abbeele (2006). The integration of the external factor and services quality is crucial (Nasr et al., 2012; van der Valk and Rozemeijer, 2009; van Weele, 2010). The outcome is determined by the goal, the design and the coordination of a legal service. Therefore, as stated by Gomez-Mejia and Wiseman (2007) as well as Werr and Pemer (2007), the controlling activities should accompany the service provision.

Finally, the post service delivery phase starts with the need to evaluate and derive future actions (Xue and Field, 2008). To evaluate the performance, organizations use various quantitative and qualitative methods (Axelsson and Wynstra, 2002; Ellram et al., 2007). Finally, organizations can draw conclusions about future actions, supplier management (Nasr et al., 2012; Wildemann, 2000) and supplier selection (Jackson et al., 1995). At the end of service delivery, an authorized entity confirms the legal performance and approves the invoice. Afterward, the finance department pays the bill.

Case study findings

The six-step process model is used as the analytical reference for the analysis of empirical procurement procedures for legal services in a case study setting. The case company spent 12 billion euros for goods and services in the business year 2012. Of this amount, 5 billion euros were spent for services, which represent a share of more than 40 percent. The company spent 30 million euros for legal services.

The following are some general facts regarding the procurement function of the case company: The case company installed a permanent internal legal department, which has a global support function. Organized as a matrix organization, there are people in authority for regions and for business areas according to their specialized fields. The legal department comprises 13 leading lawyers as well as 120 assistant lawyers and associates. Moreover, the head of legal operations is responsible for legal services outsourcing. The company spends more than 30 million euros for legal services, but only 10 legal service providers are responsible for services, which amount to an 80 percent share of the total legal expenses.

This case study is based on semi-structured interviews, documents and information from the case company. Overall, eight interviews with a timeframe of 45 to 120 minutes have been conducted. In the document analysis, four different awards of contract were regarded as "within case examples" (Yin, 2009). In general, all four cases addressed the purchase of legal services consulting to prevent legal issues. Investigating the procurement process of these cases, we found that they differ only in the level of detail, their specifications, time period and amount of services. Therefore, all four cases are presented here together, following the process steps and not the example case content.

The case company established a standardized procurement process. However, this does not apply to the procurement of legal services. The legal department takes on the procurement, with only very limited or no involvement of the procurement department. Compared to the six-step reference model, the procurement of legal services in the case company included five phases: the demand definition, supplier selection, contracting, service provision and post-service provision. The two phases "information gathering" and "selection" from the literature are merged in the case company into one process step: "supplier selection".

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The first step of the legal services procurement process is demand identification.Within the case company, two departments participate: the business unit and the internal legal advisor. The business units are in charge of perceiving the legal issues. Only if the business units claim their demand, will the legal department know the impending issue. This implies that legal advisors do not work proactively but rather through acclamation. However, as legal services represent a credence good, information economics plays an important role, which presents challenges. One challenge is, for instance, to identify a legal issue early. This identification problem is exacerbated in the case by the low cooperation between the business units and the legal departments as well as the lack of time. Because of these factors, legal issues might be overlooked. There are but few regulations as to when the legal department has to be consulted. The legal department has to be consulted in legal affairs above a monetary threshold and in cases connected to subsidiaries or compliance issues. If recognized, the legal advisors attempt to specify the needed legal service. In the case of outsourcing, the requirements and needs cannot be determined exactly by the internal lawyer, due to a lack of expertise, which is a problem associated with information economics. Although the head of legal services is aware of this problem, the internal legal department tries to specify the legal topic and engages in a great deal of effort to define the issue. This could have a negative impact if they are wrong. After the identification, an internal lawyer decides if external legal support is needed on the basis of a make-or-buy analysis that is based on capacity and expertise. The quality aspects, the costs and risks such as confidentiality, are associated with this decision. External legal support is often needed in the areas of intellectual property, taxes, employment law, contracts, the environment and business law. Finally, the demanding business unit has to approve the outsourcing because they are responsible for the invoice. Only in cases of breaches of the law does the legal department have authority of decision.

The second step of the legal services procurement process in the case company is supplier selection. This step combines the content of two steps: information gathering and selection. To gather information, the head of legal operations, an additional internal legal advisor and a representative of the business unit participate. Nevertheless, only the responsible internal lawyer conducts the market analysis. The case company focuses on local legal providers to meet the local jurisdiction's requirements. However, the head of legal operations confesses that the identification of a suitable supplier will still be difficult because of the lack of expertise. The prevalent challenges originate from agency and information economics theory. The legal department does not recognize that they could be supported by the procurement department and prefer to perform the market analysis independently in an unsystematic and unprofessional manner. However, as the internal lawyers are not proficient in market analyses, the procurement department could offer support with its sophisticated competence in performing market analyses. However, cooperation would still be required because the procurement department needs the support of legal experts to determine the requirements. A more intense cooperation would bring efficiencies to the actual process.

Next, supplier selection is divided into two main scenarios, as reported in the interviews. One is the procurement of commonly occurring legal services. These legal issues are categorized in regions and legal areas. An internal legal provider database supports the decision without a reconsidered market analysis. The second scenario is the procurement of legal services concerning new and unknown topics. For this category, books of reference and online data bases are used to analyze the market. The legal services scope and importance determine the effort invested in market analysis. In principle, all legal providers are selectable. However, it is possible that the number of suitable legal providers is limited or restricted to a

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single firm. If there is only one suitable legal provider, the choice is set. Nevertheless, the case company refers to the cooperation partner's recommendation, word-of-mouth, relationships with other market participants and lawyers who are known. This could be dangerous because manipulations are to be expected, and the chances of selecting a new and better legal service provider are ignored. Systematic searches and market analyses are not present in the case company's legal service procurement approach. The case company does not strive to evolve and support new suitable legal service suppliers.

To select a supplier, they focus on expertise, skills, the legal service provider's organization and the individual expert. Personal contact is important, which is achieved through phone calls, face-to-face interviews and "pitches". Trust is deemed to be crucial at the case company. The head of legal operations stated that they select a person and not a legal services firm, which underlines that criterion. Moreover, the legal department is willing to pay a higher price for someone with a good reputation. Finally, the head of legal operations makes the decision based on criteria, which is rarely operationalized. This decision is approved by the business unit because it has to pay the invoice.

The next step in the procurement process of the case company is the contracting phase, in which the legal department, the business units and the procurement department participate. It focuses on the negotiations and the contract. Goals and expected outcomes are defined and signed in either the project or framework contracts. The basis of the contract is standardized. Moreover, specifications such as remuneration, working days, team constellation, deadlines, service elements and availability are defined. However, the head of legal operations admits that the contracts remain incomplete. Nevertheless, they restrict the agent in his actions. Remuneration seems to be of utmost importance. The case company uses different remuneration methods, which depend on the aggregated demand, the cooperation time and expertise. A fixed scale of charges and the amount in dispute are neglected. For cases of low legal complexity, blended rates and hourly rates are used. Highly complex legal tasks are remunerated in fixed prices. Prices are set arbitrarily without a proper foundation. The case company accepts premium prices to receive the best outcomes and quality. They strive for long-term relationships. However, the case company is reluctant to agree on obligations. Discretionary competence remains at the case company.

Again, cooperation between internal departments seems to be missing. Apart from this, the content of the contract might not reflect the actual needs because the definitions employed by the internal legal department might not encompass all issues because of the lack of expertise.

Next, the service provision phase begins. The participating parties exchange information, after which the service provision is conducted. An interesting aspect of this phase is that the external legal providers perform their tasks independently. There is no control mechanism, and the case company does not monitor the external legal provider. Moreover, the external provider works in an isolated manner without much contact and communication with the case company's (legal) departments. This was explained by the fact that the internal lawyers do not have the expertise to contribute to or to control the process. Consequently, the internal legal department is not involved directly but only serves as coordinator. Passivity and the inability to infer actions influence the outcome of the legal service.

Finally, the postservice provision phase begins. The official participants are the legal department, the controlling department, the external legal service providers and, in special circumstances, the business unit and the procurement department. However, there was no sign of cooperation between the departments. The legal department seems to be responsible and

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directs all actions. The internal legal advisor examines the legal services results based on plausibility checks and quality assessments. However, because of the lack of expertise, the head of legal operations is aware of the fact that internal lawyers can simply assume whether the legal performance is of high quality and correct. To assess the plausibility and quality, the case company uses an evaluation form with mandatory and fixed criteria. It focuses on the output. However, these evaluation criteria are not operationalized. Furthermore, the evaluation of the legal services provision process and soft criteria such as cooperation and interaction are ignored. There are no key performance indicators for legal services.

Moreover, the internal lawyer examines the invoice to review the daily and hourly rates as well as the hourly billing. In case of doubt, he contacts the external legal provider and asks for clarification. At the end of the process, the internal lawyer transfers his overall results into an internal legal data base, which can only be assessed by the legal department. It is used for future research. The case company does not keep a record of the outputs, unless they become absolute. Consequently, there is no knowledge and expertise accumulation.

Finally, the internal lawyer approves the invoice and prompts the finance department to pay the bill. Concerning long-term relationships, the case company installs relationship managers and organizes review meetings. With this procedure, the case company tries to reduce uncertainties emerging as outlined by the agency theory. Moreover, these review meetings are used to make suggestions on how the supplier should be placed for possible future engagement. Concerning short-term relationships, no further measures are established, and feedback is missing.The impact of legal services on the net operating profit or on the avoided expenditures is not analyzed. Moreover, there are no incentives concerning the legal areas.

Discussion

As indicated above, there are certain major issues in the fuzzy procurement process for legal services in the case company. A systematic structure of the process seems to be the basis for improvement (Lewis and Brown, 2012). Therefore, this section further adapts the service procurement process to legal services.

A striking inadequacy is associated with the legal advisor's attempt to specify the needed legal service (Selviaridis and Spring, 2010). In the case of outsourcing, the requirements and needs cannot be determined exactly by the internal lawyer, due to the lack of expertise (Werr and Pemer, 2007). Van der Valk and Rozemeijer (2009) state that the identification of services, their content and their specifications will remain imprecise and incomplete either way. Due to the lack of expertise, even the internal lawyers cannot define the requirements precisely (Axelsson and Wynstra, 2002; van der Valk, 2008). For particular cases in very specific fields of legal regulation, it is virtually impossible to specify the expected methods, procedure, time and effort (costs) of a provider that are required to deliver high-quality performance – without expertise in the field.

As information asymmetries can be viewed as the main cause for this, the specification of legal services should use the expertise of external legal service providers. Findings in the case suggest that a first vague definition of the legal issue from the internal legal departmentshould be sufficient to start the procurement process. After a couple of process steps, a detailed specification should be developed together with the external expert. This is illustrated in figure 1. The following paragraphs discuss the new seven-step process for legal services procurement.

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In the demand identification phase, it was perceived that internal legal advisors do not work proactively but only through acclamation. This seems to be a common feature as expressed by Lenz (2012) and Thiell (2006). Moreover, a major challenge is to identify a legal issue early in the process (Malach et al., 2006). This identification problem is exacerbated by low cooperation, business unit egoism, lack of time and information asymmetries between business units and the legal department (Pemer et al, 2014; Susskind, 2008). To identify the legal issues as early as possible, management and employees should be trained in perceiving the legal issues (Lenz, 2012; Susskind, 2008). Therefore, rules could be established regarding the appropriate time to consult the legal services department (Grout et al., 2007; Staub, 2006; Thiell, 2006). For instance, a defined purchasing expense or defined topics could be used (i.e., checklists). Areas such as marketing and research and development as well as topics such as healthcare, merger and acquisitions, employment law, innovation and compliance seem to be extremely common.

Concerning the information gathering phase, there are further inadequacies. Concerning the information gathering, one problem is that a company needs to have the relevant competencies and the capacity to perform the required detailed market analyses (Axelsson and Wynstra, 2002). These are required because companies should have an understanding of the small, specified and flexible professional service firms, as their services increasingly surpass the full-service providers (Chung et al., 2006). Despite the preference of local legal service suppliers, organizations should take into account the possibility of buying legal services globally (Sako, 2009). This is viewed as critical by Staub because of the country-specific jurisdictions (Staub, 2006). However, organizations ignore chances if they do not procure globally. The problem recognized by Staub can be solved by the separation of legal services into standardized and individualized legal services. Standardized legal services can be procured globally. Consequently, profound market analyses are needed (Brivot, 2011; Lenz, 2012; Staub, 2006). However, systematic searches and market analyses are rare (Werr andPemer, 2007). As the internal lawyers are not proficient in market analyses, they need the support of the procurement department because it provides the competencies to perform the market analyses. However, the identification of suitable suppliers will be difficult because of the lack of expertise (van der Valk andRozemeijer, 2009; Wittreich, 1966). The close cooperation between the legal department and the procurement department is recommended. As was mentioned by the case study interviewees, a structured approach is highly important. This might include a harmonized and unified request for proposals as a standard instrument to gather information (similar to the findings in Werr and Pemer, 2007).

All of the information gathered contributes to the supplier selection phase. The majority of legal suppliers are selected through indirect and subjective indicators (Staub, 2006; van Weele, 2010) depending on reputation, trust and existing networks (Nordenflycht, 2010; Pemer and Skjolsvik, 2013; van der Valk et al., 2009). However, these criteria are subjective and can be biased (Graebner, 2009), and manipulations are possible. Whether companies use subjective or objective selection criteria, a joint approach and extensive cooperation are recommended (Ellram et al., 2010; Lenz, 2012). Experience and the composition of the selection team influences the selection decision (Garry, 2008). Therefore, a balanced cross-functional team should be assigned to the legal services provider selection (van der Valk and Rozemeijer, 2009).

At this point in the procurement process, we suggest an alteration with the implementation of an additional process step “(legal service) specification”. Without this phase, an inaccurate specification could be established and cause serious consequences. The specification phase aims at including the external expert in a cross-functional team to specify the exact legal service (Axelsson and Wynstra, 2002; Kissling, 1999; Pemer et al, 2014).

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From an agency perspective, this decreases the information asymmetry between the internal legal department (principal) and the external legal service providers (agents). Organizations then can directly use the external lawyer's expertise (Selviaridis et al., 2011). According to Carson (2007), specifications are needed because they lead to a better outcome. Therefore, it is suggested to use service level agreements that define, for instance, the number of workdays, which includes lawyers'billable hours as well as the service elements. Instead of representing a detailed contract, this specification phase shapes the framework of the legal service to harmonize goals and interests. The specification phase is placed after the selection phase because transaction costs would increase significantly if this phase were to be conducted with several (possible) providers (Kissling, 1999). The specification phase increases the probability of an optimal outcome. Moreover, the results can be used for the following phase.

The parties then sign contracts in the contracting phase (Ellram et al., 2007). Typically, contracts concerning legal services are extensive, very detailed documents with mutual commitment, describing every step in detail (Mudambi and Tallman, 2010). This is due to the risks inherent in legal services transactions. However, contracts stay incomplete due to the changing requirements, volumes and costs despite being detailed and voluminous. Further, detailed contracts can be counterproductive and hamper outcomes (Koch and Peyrache, 2011). Instead, information exchange and mutual trust should substitute detailed regulations (Rai et al., 2012). However, certain specifications should be integrated, especially concerning service elements and remuneration (Selviaridis and Spring, 2010). The patterns of interaction (Selviaridis and Spring, 2010) and the scope of action of the external lawyers have to be determined (Carson, 2007). The type of contract influences the following phases.

In the services provision phase, integration of the external factors, interaction and service quality are crucial (Nasr et al., 2012; Sieweke et al., 2012). Consequently, cross-functional teams and close cooperation are necessary. This is underlined by the importance of the information exchange (van der Valk et al., 2009). Gomez-Mejia and Wiseman (2007) indicate that this implicates the controlling activities. The controlling activities concerning the legal service sensustricto can be performed by the internal legal advisor. Therefore, key persons should be installed (van der Valk, 2008), either by localizing an external lawyer at the client's location or by integrating an internal lawyer in the external legal service provider's team (Malhotra and Morris, 2009; Roodhooft and van Abbeele, 2006). In addition, in the service provision phase, controlling activities concerning contract management and relationship management can be performed by the procurement department. Apart from the control activities, the coordination is important (Malhotra and Lumineau, 2011).Therefore, regular meetings and information exchanges appear to be crucial (Lenz, 2012: Selviaridis and Spring, 2010). Due to uncertainties, evaluation problems and the lack of opportunity to standardize (Pemer et al, 2014), key performance indicators (KPI) can be recommended to provide a measureable service specification and monitoring construct (Lewis and Brown, 2012; Xue and Field, 2008). These KPIs should be balanced and include financial and non-financial indicators (Tate and van der Valk, 2008), and they should be developed together for the principal and agents to achieve an integrated service development (Xue and Field, 2008). Outcome-oriented and incentivized KPIs (performance-based contracting) align the interests of principal and agent in service settings (Kleeman and Essig, (2013); Glas, 2012). Again, close cooperation is recommended because of the integration of the external factors and the information exchange.

Finally, the postservice provision phase ends the process and leads to future measures (Xue and Field, 2008). A structured, systematic process with standardized criteria is crucial to support comparability and the objectivity of the evaluation (Wildemann, 2000; Pemer et al, 2014). To define the evaluation criteria, internal lawyers, procurement and internal clients

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should cooperate (Staub, 2006; Tate and van der Valk, 2008; van der Valk et al., 2008). Suitable indicators are, for instance, the utilization rate, number of conversations and client satisfaction. Furthermore the budget transgressions, number of innovative proposals and prevented legal costs could be considered. The internal lawyer is crucial for the evaluation (Lenz, 2012), but he should be accompanied by the procurement department and business units (Skobranek, 2011).

After the evaluation, the invoice is processed by the finance department. Then, the legal department, procurement department and the business units should close the legal service project in an internal meeting.This meeting serves asthe final evaluation. All results and future measures are communicated internally. Afterward, representatives should communicate the relevant results to the external legal service provider to give and receive feedback and to derive future measures.

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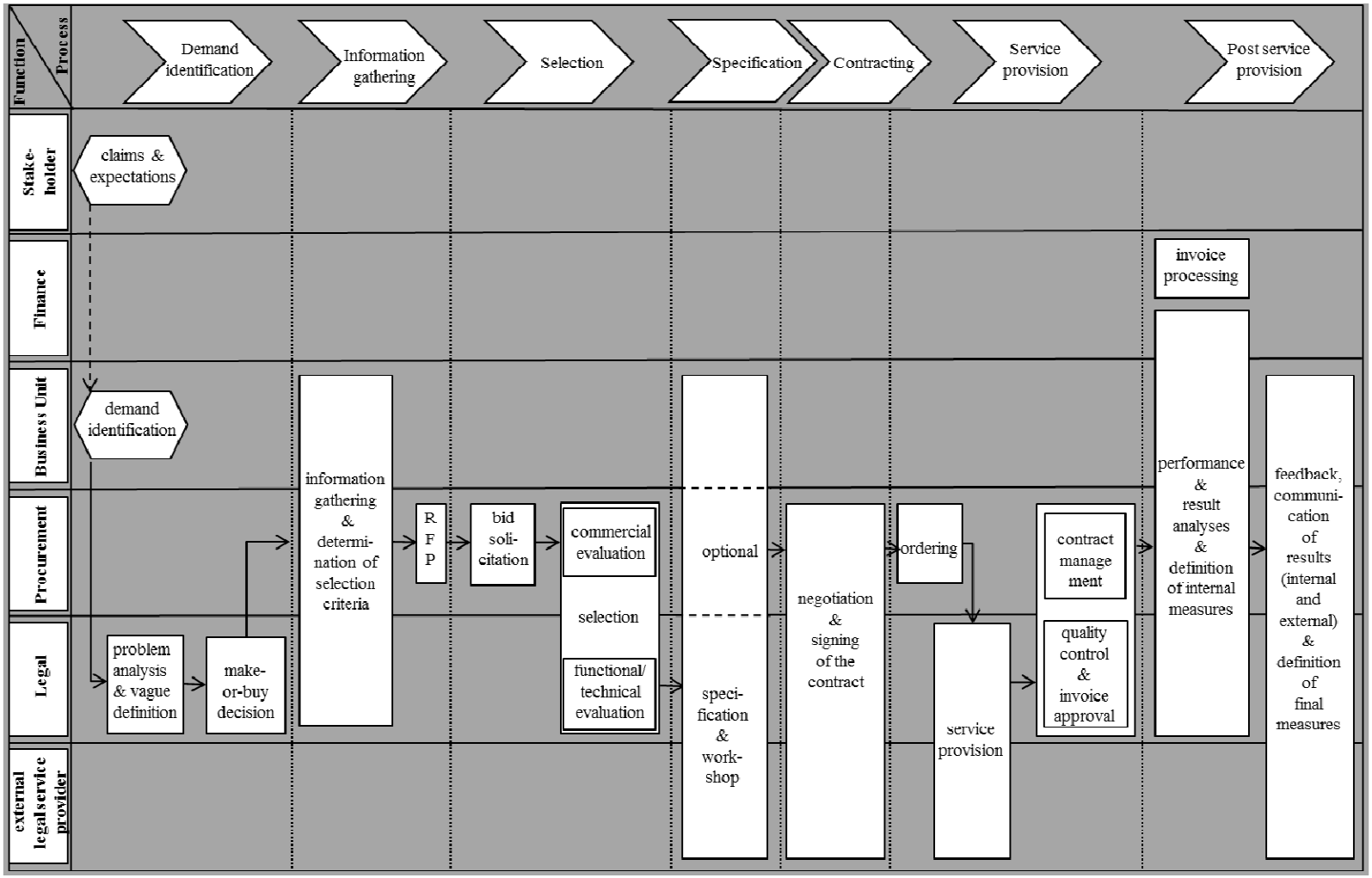


Figure 1: Modified legal services procurement process

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Admittedly, legal services are oftentimes individual; however, a certain part can be standardized and systematically organized (Fließ andKleinaltenkamp, 2004). To guarantee the best outcome "cross functional teams" including the external legal service provider in some phases and a structured systematic procurement process are required (Thiell, 2006; van Weele, 2010). It is not necessary to involve the procurement function in every step, however in some important ones (Sieweke et al., 2012). Figure 1 visualizes a suitable procurement process for legal services and depicts the integration of the different parties.

Conclusion

This contribution reviewed professional services and existing service procurement process models. A six-step process served as a reference model to analyze the procedures for the procurement of legal services in practice. The case study setting allowed for analyzing several procurement procedures (four case examples) from the early definition phase to the final post-service phase. Findings from the case imply the consideration of an additional process step. In previous process models, demand is specified within the demand identification and specification phase (step 1). In the case of only one process model, a second specification in is conducted in greater detail in the information gathering phase (step 2). In the original process models, this task is conducted by internal personnel. As indicated in the case, incomplete and asymmetric information prevents a precise and comprehensive demand description in the earlyprocess steps. Therefore, in our model for the procurement process of legal services, a detailed specification is now established together with the legal service provider in a separate and new phase, the specification phase (step 4). Finally, the procurement process for legal services is established with seven phases. Representatively, a swim lane chart visualizes the legal services procurement process and the parties that participate in every phase. This model could offer, for any procedure or routine,better quality and efficient outcomes through standardization (Susskind, 2008; Tate and van der Valk, 2008; Wynstra et al., 2006). The presented systematic process offers transparency and supports the organization in achieving its goals.

However, there are certain limitations. Few articles directly refer to legal services. Nevertheless the findings for professional services were transferred and projected to legal services. To alleviate this limitation, the case study was used to check plausibility. However, only a few case examples in only one case company have been investigated. Therefore, future research should be performed to verify the results and the transferability to other professional services such as consulting or marketing services.

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Customer Loyalty- Attitudinal and Behavioral Aspects (A Review)

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Abstract

The phenomenon of loyalty has received a great deal of interest among marketers. Customer loyalty is a customer's sense of belonging or identification with the employees, services or products of a company. These feelings have a direct impact on customer behavior and lead to the intention of repurchasing products and services and recommending other to purchase through words of mouth, which is the goal of industry. In general terms, customer loyalty is a complex subject to study since it comprises of many dimensions and its conceptualization has been dominated by the behavioral and attitudinal approaches. This article elaborates the behavioral and attitudinal aspects of loyalty on the grounds of research literature.

Introduction

The phenomenon of loyalty received a great deal of interest among marketers, (Reddy et al 2011) though there is growing interest in customer loyalty in recent years Kuusik (2007) but during 1980s customer loyalty was also in the minds of most marketers and many companies on customer relationship management programs spent millions on building customer loyalty (Pitta et al 2006). Generally, customer loyalty is an intention of repurchasing products and services of a specific firm, which is the goal of the firm (Pi, & Huang 2011) Customers Loyalty has attitudinal and behavioral dimensions. According to behavioral approach customers remain loyal till they buy and use a product or service of the firm (Clottey, 2008).

BOSE & RAO (2011) and Musriha (2012) opined that in the business context, customer loyalty is the commitment held by customers to do business with a particular firm which effects in repeat purchases or subscribe to its goods and services in the future (It is behavioral aspect). It also results in recommendation of products of the firm (goods and services) to friends, colleagues and associates (It is attitudinal aspect). Similarly Krumay & Brandtweiner (2010) expressed the customer loyalty as one of the key factors of the success of a company.

According to Pitta et al (2006) for many companies the brand loyalty or customer loyalty issue is,

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in behavioral terms, just repeat purchasing. In fact, most company efforts solely aim at increasing the repeat purchases percentage among existing customers.

Chen & Ching (2007) visiting literature extracted that customer loyalty is a deep commitment to re-purchase or re-patronize a preferred good or service in the future consistently, causing repetitive same-brand or set of same brand buying. The attitude of customers for a good or service (brand) including attitudinal commitment or preference has a greater impact on forming customer loyalty.

Abbasinarinabad, et al (2012) cited studies of Larson and Susanna (2004); Beerli, Martin & Quintana (2004) and Taylor, Celuch & Goodwin (2004) who believed that "Customer loyalty is the commitment creation in customer to deal in a special organization, buying products and services frequently". Loyalty comprises psychological process involving the assessment of different choices according to the different criterion. Loyalty is a deeply held commitment to buy a good or service repetitively giving superiority in the future. It means buying a brand again in spite of competitors' marketing actions and the environmental effects.

Definition of Customers Loyalty

Defining customer loyalty is not an easy task, because it is perceived equal to customers' repeat purchase behavior (Wijaya 2005) so there are no definite boundaries until now, on the customer loyalty supporting antecedents (Leong et al 2012).

Ivanauskiene & Auruskevicien (2009) cited statement of Gee *et al*. (2008) that there is no accepted description or common definition of loyalty and still many debates take place on what customer loyalty is, and what are its key drivers. They cited Dick & Basu (1994) who defined loyalty as a commitment of consumer to the brand or approach to the brand (product, service, category, etc.). They also referred Wilson, (1995) who described customer loyalty as an expectation of continuous relationship with a particular brand.

According to Krumay & Brandtweiner (2010) loyalty is defined in different ways, as Thompson (2007) has already reported that during a 'Customer Think' survey, 68 percent respondents defined loyalty as repeat purchasing behavior; 59 percent respondents as a customer made referrals to colleagues and friends; and 56 percent as an emotional commitment of customer.

Hasan et al (2011) citing research studies (Urban, 2004 and Howard, 1974) expressed that the advertising literature proposed that customer loyalty should be defined in two ways. The primary approach defines loyalty as "the different feelings making overall affection of an individual towards a product, service, or organization, paving the way for purchase intention. The second approach of loyalty is behavioral. Behavioral loyalty includes continuing in the direction of purchasing goods or services from the same dealer, also phrased as the repeat purchase.

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Yang & Peterson (2004) quoted definition of Neal (1999) from a behavioral view, that is:

> "A repeat patronage, that is, the proportion of times a purchaser chooses the same product or service in a specific category compared to the total number of purchases made by the purchaser in that category". Neal (1999)

Wijaya (2005) quoted a definition of customer loyalty offered by Kotler, Bowen and Makens (1999) as:

"How likely customers are to return and their willingness to perform partner-shipping activities for the organization". Kotler, Bowen and Makens (1999)

Basarir & Dhaheri (2009) asserted (referring Stone et al., 2000) that:

> *"The term customer loyalty is a physical and emotional commitment given by customers in exchange for their needs being meet".* Stone et al., 2000

Akbar & Parvez (2009) referred definition of Pearson (1996) as:

> *"Customer loyalty as the mind set of the customers who hold favorable attitudes toward a company, committed to repurchase the company's product or service, and recommend the product or service to others."* Pearson (1996)

BOSE and RAO (2011) appended definition of Khan and Khan (2006)

> *"Customer loyalty exists when a person regularly patronizes a particular (store or non store) that he or she knows, likes and trusts".* Khan and Khan (2006)

Chen & Ching (2007) quoted loyalty definition of Oliver as:

> *"A deeply held commitment to re-buy or re-patronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same -brand set purchasing."* (Oliver, 1999)

Attitudinal and Behavioral Aspects of Customer Loyalty

Antonios (2011) argued that customer loyalty comprising many dimensions, in general terms is a complex subject and its conceptualization is dominated by the attitudinal and behavioral approaches. Behavioral characterizations on the one hand are based on aspects of recurrent purchase behavior, the frequency of purchase, amount of purchase, and amount of offered brand switching. Attitudinal approach

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on the other hand comprises consumer preferences, attitudes, and brands dispositions and in turn allows greater insight into loyal behavior.

Marshall (2010) revealed (citing several studies) and Jumaev et al. (2012) in their research on bank customers argued that original work on loyalty defined it in behavioral terms (purchase or repurchase frequency) and later on admitted its attitudinal component. Behavioral loyalty indicates customer actions and involves the past purchases measurement of the same brand and the measurement of future purchase probabilities of past purchase behaviors. On the other hand attitudinal loyalty, is psychological disposition of the consumers for the same brand or brand-set involving the measurement of consumer attitudes. Behavioral and Attitudinal loyalties both are important concepts for understanding long-term customer relationships, especially when predicting customer future patronage.

Szczepańska & Gawron (2011) are of the opinion that customer loyalty is a positive and constant attitude towards an object (i.e. brand or business enterprise). Marketing definition of customer loyalty covered two aspects of the phenomenon: 1-behavioral aspect and 2 - attitudinal aspect. Behavioral aspect explained customers' actions of repeat purchases, their proneness to be attracted by marketing efforts of competitors and their willingness to be engaged in word-of-mouth (WOM) marketing.

Roy et al (2009) quoted Oliver (1997) who stated that stages of brand loyalty reveal a learning process, highlighting the relationship between behavior and attitude. He added that attitudinal loyalty should be seen as a three components structure, developing in three phases, i.e. cognitive, affective and co-native components. Further the attitudinal brand loyalty should be viewed as a sequential process wherein the customers become "loyal first in cognitive manner, later in affective sense and still later in co-native sense."

Yang & Peterson (2004) expressed that customer loyalty is viewed by some authors from an attitudinal perspective as a desire to continue a relationship with a service provider, and from a behavioral view, as repeat patronage, that is, the number of times a buyer chooses the same service or product in a specific category as compared to total number of purchases made by the customer in that category.

Clottey (2008) quoted from literature that customer loyalty has attitudinal and behavioral dimensions. According to behavioral approach customers are loyal as long as they continue to use or buy a good or service. Its strongest evidence is the percentage of enthusiastic customers referring a particular good or service to a colleague or friend. Behavior approach includes criteria of share-of-wallet, repeat purchase, and word of mouth referrals, whereas the attitudinal approach consists of criteria like emotional attachment, commitment, or trust. In attitudinal approach customers feel a sense of commitment or belonging to the good or service. The stronger is the attitudinal commitment, the more likely are consumers to remain loyal. Thus the attitudinal measure also indicates the behavioral dimension of loyalty.

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Lin & Wang (2005) and Jumaev et al. (2012) referred Oliver who defined brand loyalty as "a deep commitment to re-purchase or re-patronize a preferred product or service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior." This emphasizes the, behavioral and attitudinal aspects of loyalty. Behavioral, loyalty indicates repeated purchases of the goods, whereas attitudinal loyalty indicates a dispositional commitment degree, in terms of unique values associated with the product. Here loyalty is viewed bi-dimensional, having both behavioral re-purchase intention and attitudinal commitment.

Similarly Wijaya (2005) also referring few studies asserted that, for customer loyalty to grow two factors are critical. First is emotional attachment of customers for one certain product or service (attitudinal). Second is repeat purchase of customer (behavioral). Backman and Crompton depicted that loyalty is based on two dimensions, the degree of repurchase (behavioral) and the degree of attachment (attitude).

Chen & Ching (2007) Shih-I (2011) and Wahab et al (2011) mentioned that behavior and attitude are two measures or kinds or dimensions of loyalty. Behavioral measures or dimension characterizes consequential actions (i.e., as a result of loyalty); such as; volume or purchasing frequency, repeated purchasing, debt, returns, customer retention and longevity and complaints and interactions, whereas, the attitudinal measures or dimension, characterizes formative behaviors as commitment (i.e., a desire to maintain a valued relationship) that could be seen in the willingness to recommend, intent to repurchase, and developing leading indicators of customer loyalty. Customer loyal is result of the development of attitude leading to positive behaviors. Shih-I (2011) revealed (with reference to studies of Kumar and Shah, 2006; Lam et al. 2004, and Fullerton, 2005) that behavioral loyalty ensures the conversion of customer loyalty into actual purchase behaviors but attitudinal loyalty does not ensure that customers themselves will purchase products, they will, help through the word-of-mouth, to others in creating a positive image of the business and corporate image of the firm significantly increases behavioral loyalty. Satisfaction directly affects the behavioral loyalty. Behavioral loyalty happens because attitudinal loyalty does not necessarily cause custom, chance, or other factors.

Hasan et al (2011) suggested that customer loyalty should be defined in two ways i.e. 1 - 'Primary approach' and 2 - 'Subsequent approach'.

The primary approach defined loyalty as the different feelings making overall affection of an individual towards a product, service, or organization, paving the way for purchasing intention. The subsequent loyalty approach is behavioral which includes continuing in the direction of purchase goods and services from the same dealer, and also phrased as the repeat purchase. Whereas Tu et al. (2012) citing some studies expressed that customer loyalty is distinguished in three approaches including 1-behavioral approach; 2 - attitudinal approach and 3 - integration of attitudinal and behavioral approaches. The attitudinal loyalty helps to avoid switching behavior, and predicting how long customers will remain

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loyal. Therefore, perceiving loyalty as an attitude-behavior relationship permits integrated investigation of antecedents and consequences of loyalty. Cheng (2012) asserted that attitudinal loyalty holds negative or positive attitudes for their financial providers. Attitudinal approaches are focused on resistance to superior products; recommendations of brand, willingness to pay a price premium and repurchase intention.

Jumaev et al. (2012) argued (referring Oliver, (1997 & 1999; Gundlach et al., 1995 and (Dick & Basu, 1994) that behavioral and attitudinal loyalties are highly prized and highly intertwined. Repeated purchases cause positive affects leading to cognitive loyalty, intention to continue repurchase and high involvement level. They included both cognitive and affective loyalties to be kinds of attitudinal loyalty. Strong attitudinal loyalty makes the buyers more resistant to other marketers' attempts to take them away and also more resistant to counter the persuasion and alternatives' search.

Ivanauskiene & Auruskevicien (2009) citing many studies also mentioned that most researchers distinguish loyalty between two types 1 - attitudinal and 2 - behavioral. Yoo & Jae (2005) citing many researches classified customer loyalty into store loyalty, vendor loyalty, brand loyalty and service loyalty. Yoo & Jae (2005) also classified loyalty approaches into 1- behavioral approach, 2 - attitudinal approach, and 3 combined approach, whereas Boora & Singh (2011) also quoting literature classified loyalties into 1- behavioral, 2 - attitudinal and 3 - composite loyalties. These are explained below:

Attitudinal loyalty – It is an attitude causing, a long-term gradual relationship with the brand. Strong positive attitude or attitudinal commitment is a mandatory condition for building true loyalty with the brand. The concept of attitudinal loyalty shows that the negative brand information affects attitudinal-loyal customers, willing to recommend the brand to others, stronger than disloyal customers. Strong and positive arguments and positive beliefs for the purchased brand are assessed by the survey, asking how much users likes the brand and how much they wish to recommend it to others users.

Behavioral loyalty model is described by taking references on past purchases and after the buyer commitment and motivation toward a particular brand when analyzed. A vast majority of buyers are "polygamous" which means, loyal in category to the line of brand names whereas a limited number of buyers can be attributed to the "monogamous" (completely loyal to a single brand) or "promiscuous" or disloyal to a trademark. Behavioral loyalty model is explained as a loyalty formed after a number of purchases of product when consumer is satisfied with brand attributes and found out that more or less all brands in category are similar. Both models of loyalty - attitudinal and behavioral are "highly intertwined".

The third popular loyalty profile (when the individual's characteristics, environment and the purchase situations influence the purchase) identifies and shows that even a strong brand commitment and positive attitude don't matter when certain co-determined factors confronted with the product purchase. Loyalty is integrity of company image, satisfaction of brand, trust and communication. Researchers divide the loyalty antecedents into four main groups:

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(1) Environments Characteristics;
(2) Relationship Characteristics;
(3) Consumer Characteristics;
(4) Consumer's perception of the company.

Behavioral Definition

It reflects the actions of customer and involves the past purchases measurement of the same brand or the same brand-set and also the measurement of future purchase probabilities of given past purchase behavior. The behavioral measurements view consistent, repeat buying behavior as loyalty indicator and do not consider the cognitive processes behind that behavior. Brand loyalty is a function of purchasing history of customers or function of probability of purchasing of the same product or function of time for a specific product. Behavioral definition of store loyalty is "a tendency of consumers to purchase repetitively in a period of time" and measured and operationally defined as "purchase ratio as repetitive purchase behavior or purchase frequency". It can be objectively measured and has an advantage of distinguishing store loyalty for various stores. It also has limitations that can easily be used for subjective judgments however it is difficult to explain how the store loyalty is formed and how it changes. The major assumption from behavioral perspective of defining loyalty is spurious internal processes capturing of loyalty by behavior. The behavioral measures anticipate the consumers' repeat purchase pattern from basic information about average buying frequency and penetration. The behavioral approach advocates are of the opinion that for habitually bought brands most buyers have split portfolios of loyalty (Yoo & Jae 2005, and Boora & Singh 2011).

Attitudinal Definition

Attitude is a preference tendency for showing negative or affirmative, favor or disfavor reactions consistently. For a specified brand, consumers have a favorable attitude but because of various situations they don't always buy that brand. Attitude influences the buying behavior so the loyalty concept is not viewed separately, from the attitude representing psychological tendency of individual in repetitive buying. Moreover, the consumers' attitude for evaluating relatively a particular brand is important because consumers choose it among several alternatives in repetitive buying. Brand loyalty is more than just consistent buying the same brand. In an attitudinal sense loyalty of store is understood as psychological commitment or store preference and can be defined as: "favorable attitude to the specified store" and it can be measured operationally as future buying probability. The marketers can view the little practical value of store loyalty in attitudinal approach. The behavioral definitions failed in explaining how and why loyalty is developed and changed. The attitudinal loyalty approach infers loyalty from favoritism, psychological involvement, and a sense of goodwill, for a particular product or service and reflects the psychological disposition of consumer for the brand (Yoo & Jae 2005, and Boora & Singh 2011).

Composite Loyalty

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For considering a customer to be loyal both behavioral and attitudinal loyalties need to exist. Some authors define loyalty as "the strength of the relationship between an individual's relative attitude and their repeat patronage". The composite definitions propose that loyalty should always consist of intentions and repeat-buying and favorable attitudes. Loyalty is seen as "a deeply held commitment to re-patronize a preferred product or service consistently in the future, thereby causing repetitive same brand or same brand-set purchasing despite situational and marketing efforts having the potential to cause switching behavior". For provider of either products or services customer loyalty benefits include:

- Lower price sensitivity of customer;
- Reduced new customers attracting expenditure; and
- Improved profitability of organization

Customers demonstrate their loyalty in any one way; choosing to stay with a product provider, whether this continuance is termed as a relationship or not, or increase the purchases or the frequency of their purchases or both (Boora & Singh 2011).

Combined Definition of both Behavioral and Attitudinal Approach

Authors combining both attitudinal and behavioral approaches defined store loyalty as "favorable attitude and repetitive purchase of consumers so that the concept can be comprehensively understood" and argued that their concept is desirable since both components are measurable. Either repetitive purchase or favorable attitude alone cannot provide necessary and sufficient conditions of store loyalty index and in the light of consumers both must be considered together. In the light of this view, store loyalty is defined as: "Favorable attitude of consumers and tendency to purchase repetitively in a period of time" (Yoo & Jae 2005).

Akın (2012) citing some researches asked whether loyalty is an attitude or combination of attitude and behavior. According to behavior-based approach, "loyalty is the behavioral reaction based on prejudice as the function of psychological processes by the decision maker in the existence of one or more alternative in time". Behavioral approach explained loyalty on the criteria including consumption probability, the share in consumption, repeated consumption behavior, probability to consume the product again, and multidirectional consumption behaviors. On the basis of second approach, which is the combination of behavior and attitude, the brand loyalty "is a form of repeat purchasing behavior reflecting a conscious decision to continue buying the same brand, for brand loyalty to exist". The underlying positive attitude towards the brand must accompany the repeat purchase pattern.

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TO APPLY THE SIX SIGMA METHOD OR THE NEW TQM (TOTAL QUALITY MANAGEMENT) STRATEGY IN THE MACEDONIAN COMPANIES

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Abstract

Among the modern managerial routes from the last ten years of this century, the method of Six Sigma and TQM philosophy have been particularly stressed. This paper presents the proposed methodologies for the six sigma method and TQM strategy as well as their application in practice in Macedonia. Although the philosophy of the total quality management (TQM) is deeply involved in many industries and business areas of European and other countries it is insufficiently known and present in our country and other developing countries. The same applies to the six sigma approach methodology of reducing the dispersion of a process and it is presented in a small fraction of Macedonian companies. The results of the implementation show that the use of Six Sigma approach is not so much the number of defects per million opportunities, but the systematic and systemic lowering of the dispersion process. The operation and effect of the six sigma method engages experts that receive a salary depending on the success of the Six Sigma program. On other hand the results of the application of TQM methodology within the Macedonian companies will depend on the dedication and commitment of all employees and their motivation.

Keywords: TQM strategy, Six Sigma method, methodology, motivation.

The essence of the Six Sigma method

Six Sigma is a method to all processes, products and companies. It was first developed at Motorola in 1986, whose products are well known market brand. Today, the application of Six Sigma has become a worldwide trend caused by the economic achievements of Motorola, process oriented and product quality improvement practices, according to Coronado and Antony [1].

The company Allied Signal has published the effect of $ 800 million, generated in the period from 1995 to 1997, as a result of promotions, following the Six Sigma.

The company General Electric (GE) in the third quarter of 1997 realized $ 600 million (up from 13.8% to

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14.5%), thanks to the application of Six Sigma method. This company in 1999 achieved an effect of 2 billion dollars. For the company, the Six Sigma method presents a vision of quality expressed with only 3.4 defects per million opportunities for each product or service.

In year 2000, the company Ford Motor Co said that it is the first "automaker" which uses Six Sigma method for improving business processes and product quality.

The Six Sigma method for many authors [2] presents a mean to improve the processes by finding and eliminating errors, as well as to detect the causes of errors or defects in processes, with specific analysis output parameters that are important to customers or users.

Processes are implemented in different ways by technological schemes, and they affect people, materials, machines, methods, internal and external factors. Therefore, one of the tasks is fighting deviations of the process and retention within its minimum limits by applying Six Sigma method. If unauthorized deviations are identified earlier, the costs for additional processing and finishing of the defective products are lowered. This falls in the price of low quality. But, the implementation of the Six Sigma method is required to meet certain conditions [3].

Factors for successful implementation of the 6 Sigma method

A prerequisite for the successful implementation of Six Sigma program is having a modern management, i.e. strong leadership in particular.

The spread of this concept requires a certain social and cultural level of the environment (habits and mentality of employees), infrastructure creation and development of the company's corporate culture.

The basic concept of Six Sigma is defined by Motorola, according to the classical scheme of continuous improvement and quality improvement by applying PDCA cycle (Deming's cycle).

Today, the most commonly used cycle is the DMAIC [4], (Define, Measure, Analyze, Improve and Control).

Besides this methodology, the IDDOV cycle is being used too. This cycle consists of following phases: identification, definition, design, optimization and validation and is intended to create a new product or process.

Both methodologies define the steps for running a Six Sigma program in order to improve and help the team towards the fulfillment of the main goal. Furthermore, it will explain the methodology of DMAIC cycle, fig. 1.

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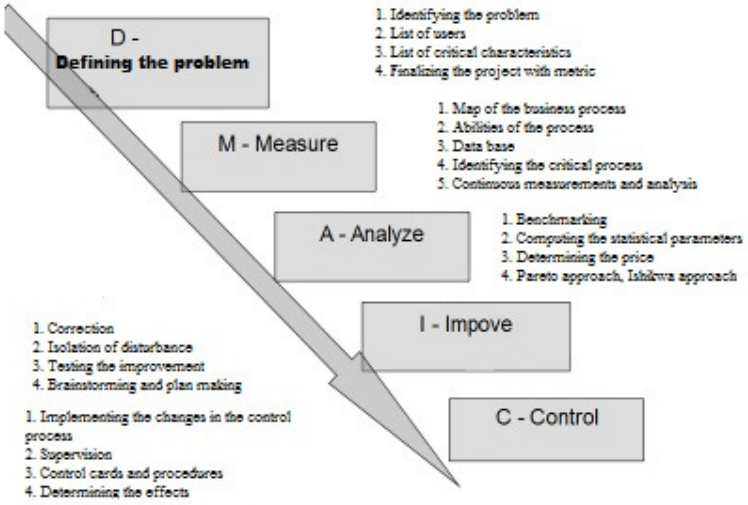


Fig.1 *DMAIC cycle for Six Sigma introduction*

The Six Sigma methodology goes through several steps:

Step 1: Identification of the problem.

Through identification of problems, both the purpose and framework of the project are defined and are identifying the problem that should be solved on the road to achievement of specified levels of tolerance.

Step 2: Measure the current situation.

The measurement is performed by using the appropriate methods and techniques to collect data and provide information on the current situation. Based on the data and information, the baseline levels of performance are being assessed, as well as the indicators and selected problems that require special attention.

Step 3: Analyze the problem and possible causes.

Through analysis for identification of the primary (main) cause of problems for quality assurance (by checking the data, using special methods and techniques for data analysis, etc.).

Step 4: Suggestions for improvement.

This step isolates the problem and provides models for improving business processes which are applied to real processes.

Step 5: Control of the implementation of improvements.

The purpose of the fifth stage - the control, is evaluation and monitoring of the results of the previous stages. At this stage, verification of the modification of the system is being performed.

New rules, procedures, instructions to staff and other norms of operation are being created.

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Each of these stages requires application of special analytical and mathematical methods out of a wide range of methods.

An important point in the implementation of Six Sigma is the distribution of the roles of specialists. For each step, implementers are being entitled with the following roles:

- Leader (Champion) - member of the top management of the company who has the obligation to accept the proposed solutions of Six Sigma project and to ensure its implementation. The leader has the task to create a climate and conditions, and to provide the necessary resources;
- Black Belt is awarded to an employee according to his specialist knowledge of high class or an expert in the field of Six Sigma. The employee prepares the project team, manages and performs training. He / she takes full responsibility for the complete execution of the program for acquiring the necessary skills in the team;
- Project group exercise program for Six Sigma is comprised of employees who implement the Six Sigma project. They are specialists in certain areas within the project Six Sigma, who have passed the training and are great support during the project implementation and work according to their knowledge.

Belts in applying the six sigma method:

- the difference in terms of TQM strategy;
- each zone has a well-defined content to be learned;
- the introduction of Six Sigma methodology starts with team formation, and then continues with education.

The biggest advantage of applying the Six Sigma method is to increase the viability and profit at the expense of reducing direct costs, while increasing the customer's and user's satisfaction.

By reducing the number of defects and cutting production cycle, productivity is being increased. The value of Six Sigma can determine the cost of poor quality.

Six Sigma methodology was applied in the Macedonian Public Revenue Office in terms of improving services to citizens or taxpayers [5].

The promotion was aimed at the business process where applications file tax returns.

The progress of implementation of Six Sigma went through the following steps [5]:

Step 1: Identification of the problem.

In the process of identifying the problems, the following was noted:

- long waiting in front of the counters for filing tax returns every 25th of the month;
- frequent wrong filed forms;
- waiting again for corrections;
- transportation costs of applications received by the center for data processing;
- errors occurring in the data processing of tax report.

Due to the problem of long waiting in front of the counters caused by filing tax returns by taxpayers and errors that occur because of erroneous forms and omissions, the top management decided to overcome this problem.

Step 2: Measuring the current situation.

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Through measurement and analysis of the current situation Six Sigma team concluded that:

- taxpayers spend a long time waiting in front of the counter;
- to serve customer more employees who perform the receipt of applications at the counter and more employees performing processing of applications are needed;
- need more staff to contact tax bonds that have errors in the submitted report.

All these abnormalities cause additional costs for the customers, as well as financial losses and wasted time for Office management.

Step 3: Analyze the problem and possible causes.

Top management of the Office decided to advance the business process in terms of reducing waiting time for filing tax returns, reducing errors in the preparation and reducing errors when processing them.

Step 4: Suggestions for improvement.

Starting from the motto of the Office "customer above all", management decided to have a system for electronic filling and processing of applications. For this purpose it has designed and implemented an integrated information system that fully meets the needs of taxpayers, respecting the standard operative procedures (SOP).

Step 5: Control of the implementation of improvements.

In this step, assessment and monitoring of the results of previous stages is made. At this stage to the new system and new rules, procedures and instructions for employees are verified.

After application of the improvements, by out repeated measurements, the following results have been obtained:

- reduced crowds in front of the counters;
- reduced number of employees to serve customers;
- reduced number of employees processing tax returns;
- reduced cost of transporting report of all the regional offices to the center for data processing;
- reduced errors in the report and contacts with taxpayers for their correction.

The effects of the implementation of Six Sigma method in management are recognized in cost savings during operation regarding the perpetrators of the process. Some employees are seconded to other jobs and optimization of the business processes.

Because of the positive results from the implementation of the decision, top management decided to apply this methodology in other business processes.

The Six Sigma methodology was applied in the enterprise for airport services "Alexander the Great" in Macedonia in the business process for ground handling of aircraft, in order to meet the needs of air carriers [6]. With great effort, the team uses Six Sigma method to optimize business process serving airline. Practice has shown that it is insufficient.

Companies can count on success in the future if they offer their customers / users innovation.

The Company is required to continuously enhance its activity. Increased application of Six Sigma methodology in terms of commitment to the stability of the process, meeting the established rules, opposite the incentive to innovation that deviate from the rules. The innovational approach leads to variations in the manufacturing process, disorders, unusual solutions, insufficient training, or anything

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that fights against Six Sigma method.

Six Sigma method is characterized by quality close to perfection but also in many companies, especially in the development of complex programs for quality assurance, made up of a million steps, the level of Six Sigma approach is insufficient for achieving a high level of satisfaction of customers / users.

The essence of TQM strategy

New TQM (Total Quality Management) strategy for quality requires new activities in the field of education employees, introducing standardization of all processes, introducing statistical process control to non-defect work, a new approach to the analysis of costs. This requires a scientific, methodical, planned approach, persistence and thoroughness. At the same time, it means a drastic change in the behavior of employees, radical changes in organizational structure, clearly defining the rights, obligations and responsibilities of each individual. The application of the new philosophy of total quality management (TQM), is related to the selection of appropriate people for the realization of all activities in accordance with education, motivation and ability of employees.

TQM philosophy introduces new key changes in access to quality. The first change refers to the establishment process of continuous improvement in all segments of the organization by involving all employees, and the other, to meet the needs of all users (not just customers) with the results of organization.

Following the interpretation that a European Foundation for Quality Management (EFQM), the importance of the total quality management (TQM) [5, 6] is defined as "Management strategies for achieving excellence in the organization and its results."

In countries with long term transition as ours prevailing passive-import oriented strategy prevails in which profits are realized in the economy mainly by imports.

Macedonian companies take poor care of quality, insufficient attention is given to continuing education, poor investing in innovation, in a small number of companies there is built a quality system, little attention is paid to employees, customers, suppliers and the community, has a weak application of statistical process control (SPC) and work in a team considered a return to the past. In short, here methodology for technological development is unknown, it is missing an integral model for the design and implementation of TQM (Total Quality Management) system in Macedonian companies.

This paper developed a universal, integrated methodology for design and implementation of TQM system in Macedonian companies [7], which should help to provide useful guidance to all Macedonian companies that tend to be organizations of "world class".

Integral methodology for designing and implementing TQM system companies

Foundation in creating this model redesign or reengineering business processes, after which, it starts a new phase in the business - continuous improvement or Deming Quality cycle (Plan-Do-Check-Act).

The need for reengineering can occur in companies that are in a major crisis or feel that the crisis will soon come. The application of reengineering is present in companies that are in good standing and have the potential for development and growth but also want to be in trend with the needs of the global market.

In reengineering, the buyer / user is primarily a user can also be employed within the company (other

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departments, agencies). The reengineering achieves narrow specialization of work and great autonomy in performing the tasks.

Integral methodology for designing and implementing TQM system consists of multiple methodologies: Subsystem methodologies - internal standardization; subsystem methodologies - Statistical Process Control (SPC); methodology for analyzing the total cost of a given process; subsystem methodologies - Education; Methodology about evaluating the success of projected and implemented system for TQM (Audit), fig.2.

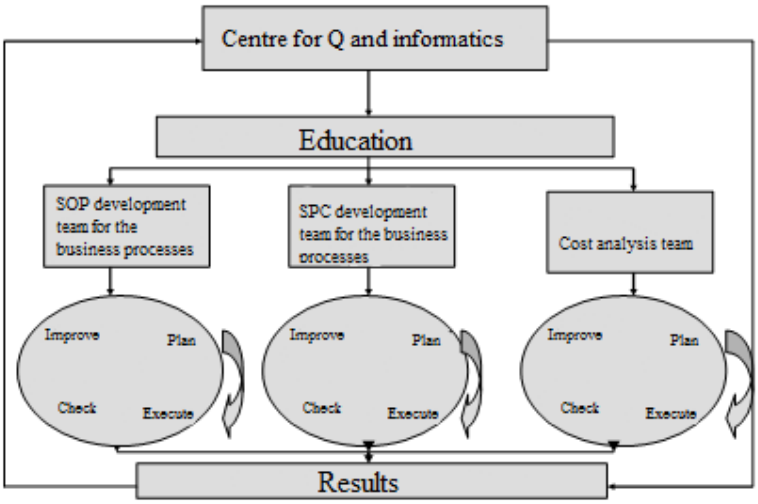


Fig2. *Integral TQM system design and implementation methodology*

Benefits of the proposed methodology

The model - methodology [7] that proposes an integral and universal meaning that is applicable to all companies regardless of the industry they belong to, and the success of its application depends if you only achieve integration of information technology: intern standardization, methods and techniques for non-defect production, system for cost analysis and continuous education and motivation of employees to provide competitive advantage. Integral methodology for designing and implementing TQM system has feedback as a result of the necessity of ongoing improvement of business processes. By repeating or spiral repetition of such cycles, we see the benefits of the application, with the changing organizational culture to such initiatives and an incentive to higher goals of excellence.

This methodology not only successful in the implementation of improved business processes in Macedonian companies, but will raise the awareness of employees about their quality and focus on increasing customer satisfaction. Without the commitment of top management to set goals for quality and consistency in their implementation, these efforts will only be spending time and money, while at the same time they will reduce the possibility of following such a successful initiative.

The benefits of implementing this model does not only increase the commitment of top management and employees to improve processes, but customer satisfaction, employees, shareholders, suppliers, the community and increase business results of companies that continue to serve as the driving force for

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continuous improvements.

However, it should be noted that without education in these areas and continuous education for managers first and then, through them, to all employees application of this methodology is not possible, it won't be possible for benefits from the quality system to be evaluated. Besides education, motivation is also an important driving force for achieving system total quality management.

Part of the proposed methodologies for subsystems of the house of quality tested in our practice from some companies from different economic sectors and good results have been shown in operation, the fact of the matter is that the proposed methodology is applicable in practice [8].

For this purpose, applied QC-CE (Quality Cycle & Cause and Effect) model for the design of standard operating procedures in the form of block diagrams, which can manage all business processes in companies in a way that will accurately determine the obligations and responsibilities of participants in the planning, execution, control and correction (PDCA) [9].

For the design of the standard operating procedures, appropriate methodology methods and techniques of statistical process control and non-defect production methodology for optimizing costs have been applied.

The results obtained in this study came to the conclusion that the application of the methodology for SPC and methodology for optimizing costs can achieve defined quality and better productivity at the lowest cost in operation. The application of the methodology for cost clearly shows the results of the improvements, but not the only indicator of them [10]. Increased product quality, increased employee motivation, better work environment and foremost customer satisfaction, are results that appear to be not measurable, but very important for the survival of their companies and its sustainable development. These methods yielded the same effects in different companies, which demonstrated the universality of the proposed methodology.

The design of the information system for quality factory rail vehicles applied QC-CE-Pyramid model, where through analysis of the existing information system with corrections and amendments to it through the approach QC-CE pyramid model, improving its performance and effectiveness [11].

CONCLUSION

The opportunity for creative work that is offered by the TQM strategy, providing expert input, respecting the personal views and opinions, sense of involvement in the management of the enterprise, the common spirit to succeed, the elements of teamwork that will contribute to the development of mutual trust and respect, dedication, openness, patience and loyalty to one another and loyalty to the company.

The success of the implementation of TQM strategy depends on the commitment of all employees and their motivation and the application and effects of Six Sigma professionals engaged that part of the salary they receive depends on the success of the Six Sigma program. The success of TQM strategy is based on simple methods and techniques, while Six Sigma requires rigorous application of statistical process control.

TQM strategy does not directly measure the success of the company through the financial indicators, while Six Sigma does.

The application of TQM strategy requires that the management personnel in the company by its good will and perseverance include the human resources by forming teams of all profiles, integrating their

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knowledge to achieve complete mastery of quality in all processes of enterprises at least costs of operation. This way will allow time to prevent possible malfunctions, time to eliminate the problem by removing the possible reasons. The usual resistance and fear of change is quickly exceeded and strong desire to change the current situation, a new approach to quality, is present, with full commitment towards customers, employees, environment and state.

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AN ASSESSMENT OF COMPETITIVENESS IN INDIA AND IRAN

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Abstract

Competitiveness is an indicator of a nation's productivity and people's standard of living. It is in this context that the Global Competitiveness Report of the World Economic Forum serves as a useful data base for the purpose of examining and understanding the competitiveness of India and Iran economies on a broad set of micro economic and macroeconomic indicators. Assuming that the competitiveness reflects the strength of micro economic environment of any nation, it is an essential parameter for an improved macro economy.

The objective of this paper is to assess the competitiveness of India and Iran economies using Global Competitive Reports and proving that Iran has performed better than India in indicators like Infrastructure, Macroeconomic environment and Health &Primary Education whereas India has performed better in other indicators like Good Market efficiency, Financial Market Development, Technology readiness, Market size, Business sophistication and Innovation during the study period.

Introduction:

The rapid changes in the context of the process of economic reforms, globalization and liberalisation have created greater compulsion for us to be productive and competitive than ever before. With rapid advancement in technology as well as management theory and practice, the concept and techniques of productivity have undergone a change over time, thereby creating a need for devising fresh approaches, new message and adopting a new idiom to spread the message to the stakeholders. Since 2001, the World Economic Forum has been using Growth Competitiveness Index (GCI) developed by Jeffery Sachs and John Mc Arthur to assess the competitiveness of nations. This forum explicitly incorporates notions of

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public sector accountability, efficiency, transparency and in generally, the various ways in which the government interacts with economic agents in the domestic economy, particularly in the business sector. It is in this context that the Global Competitiveness Reports serve a useful purpose of examining and understanding economic issues underlying competitiveness of nations.

Defining Competitiveness

In early days, the concept of competitiveness was considered as a country's share of world markets for its products. Prof. Michael Porter (Porter: 2005) says that this view though being intuitive is deeply flawed because then competitiveness becomes a zero-sum game; as one country's gain comes at the expense of another. A deeper insight into this reveals a vicious cycle, that is--a country designs its policies to provide subsidies, hold down local wages, and devalue currency; to expand exports; but the end result is an unattractive standard of living. The concept of productivity is central to the understanding of competitiveness as it determines the standard of living of citizens. Productivity is measured by the value of goods and services produced per unit of the nation's human, capital and natural resources. Hence, productivity becomes the unit of analysis for determining competitiveness of a nation.

Various authors have thus defined competitiveness in a number of ways--two of the most acceptable and quoted ones are given below:

Stephen Cohen, a great debate on competitiveness states

"Competitiveness has different meanings for the firm and for the economy. A nation's competitiveness is the degree to which it can, under free and fair market conditions, produce goods and services that meet the test of international markets while simultaneously expanding real incomes of its citizens. Competitiveness at the national level is based on superior productivity performance by the economy and the economy's ability to shift output to high productivity activities which in turn can generate high level of real wages".

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The most often quoted definition has been given by the World Economic Forum, which says that, *"Competitiveness is Collection of factors, policies and institutions which determine the level of productivity of a country and that, therefore determines the level of prosperity that can be attained by an economy".* (Lopez-Claros: 2005, xiii)

So, competitiveness becomes the fundamental determinant of the level of prosperity a country can attain and therefore, it is measured by productivity which allows a nation to support high wages, a strong currency and attractive returns to capital all leading to a high standard of living. Thus we see that the world economy is not a zero sum game; and, the challenge for a country to improve its economic development is to create conditions for rapid and sustained productivity growth.

Importance of Competitiveness

Though Porter (2004) suggested that the traditional focus on macroeconomic stabilization and market opening is insufficient for understanding a nation's rising productivity; still most of the discussion on competitiveness and economic development is focused on the macroeconomic, political, legal, and social circumstances that underpin a successful economy. These broader conditions are necessary but not sufficient. They provide an opportunity to create wealth but do not themselves create wealth. Wealth is actually created at the microeconomic level of the economy, rooted in the capabilities of a nation's companies, as well as in the quality of the microeconomic business environment in which these companies compete. Macroeconomic policies encouraging high rates of capital investment will not translate into rising productivity unless the forms of investment are appropriate, the company skills and supporting industries are present to make the investment efficient and strong competitive pressures and adequate corporate governance provide the needed market discipline. Sound monetary and fiscal policies and removal of distortions in exchange rates and other prices will eliminate impediments to productivity, but microeconomic foundations must be in place if productivity is to rise.

The prudence of foreign debt levels also depends on exactly where the foreign capital is invested,

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together with the microeconomic fundamentals surrounding its deployment and governance. Similarly, high rates of public investment will not pay off unless a nation's microeconomic circumstances create the demand for skills in companies. Privatizations will not boost prosperity unless companies can improve efficiency and are pressured by local competition. Thus we see that a sound economic development is a process whereby a country not only has to improve its macroeconomic conditions but also has to simultaneously bring about microeconomic reforms.

History of Iran-India Relations

For India, the number of variables that need to be taken into consideration for deciding its future relations with Iran, are many and varied. Historically, Iran and India have shared deep social, political and economic ties. It is documented in literature that the Islam that came to India through conquest was first brought by Mahmud of Ghazni of Persia. More importantly, one of the world's most important trans-national Islamic movements, ie., of Sufism, can trace its roots back to the Persian cultural influences in India of the 11th century. At the same time, India has been home to the Zoroastrians since the 7th century AD, when Islam took over the Persian Empire from the Sassanian dynasty, and the Parsis as a community stared migrating for survival. To date they exist as a thriving community whose contribution to Indian history and development has been markedly significant. Also, the evolution of Urdu (the language of the imperial camp) traces its roots from the Presiante patois to a more indigenous contact with Hindustani linguist style. Over the last century and a half, the language has been cultivated across the country from the Indo-Gangetic belt to the south of the Deccan.

Significantly, till the British colonisation of India, the court language of India was Persian. The relations between India and the rest of the world underwent a drastic change during British colonisation. Post-colonial political and cultural ties between the Shah of Iran and India retained their strength.

Objective of the study

The recent global financial crisis engulfed economies marked in full adjustment at the macro level

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coupled with micro level distortions and incentives created by past policy actions. The crisis spread was through four channels—trade, finance, commodity, and confidence. The slump in export demand and tighter trade credit caused a deceleration in aggregate demand. The global financial crisis inflicted significant loss in output in both India and Iran.

The paper aims at presenting a comparative analysis on competitiveness of India and Iran on the basis of Global Competitive Report published during the years 2010-11 to 2013-14. The study describes the methodology and approach towards measurement of competitiveness comparative ranking of both nations and ends with conclusions.

Research Methodology

In this context, to assess the competitiveness of India and Iran, we have used the Global Competitiveness reports for the year 2010-11 to 2013-14, because the methodology adopted by the reports have solid theoretical foundation and combines publicly available information and the results of an executive opinions Survey that was designed specifically for the needs of the study. Global Competitiveness Report allows measurement and benchmarking of many critical factors like a set of Infrastructure, Macro Economy, Health and Primary and Secondary education and training, Market efficiency, Technological readiness, Business Sophistication and Innovation.

It is important to note that none of these factors alone can ensure competitiveness. Therefore, the most competitive economies in the world will typically be those whose concerned efforts have been made to frame policies in a comprehensive way, their interconnections and need to address the underlying weakness they reveal in a proactive way.

In addition to the above factors we have also discussed the most problematic factors for doing business in these countries.

Table 1 reveals the key indicators of India and Iran during 2009 to 2012 that in GDP PPP in billion US$ (rank in world) India continued to be in top three where as Iran loses its one position. In case of GDP (US$ billions) India is the fastest growing economics in the current decade. It has been observed from the

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table that India in the year 2009 (1236 US$ billons) to 1825 US$ billions in 2012 where as Iran has not shown major difference when compared with India during the study period.

In GDP per capita (US$) Iran improved significantly i.e., (4460) in the year 2009 to (7211) in 2012 where as India's per capita income is low due to the higher population when compared to Iran.

Table: 1- Key indicators of India and Iran during 2009 to 2012

	GDP PPP in billion US $ (Rank in world)				**GDP (US$ billions)**				**GDP per capita (US$)**				**GDP (PPP) as share (%) of world total**			
	2009	**2010**	**2011**	**2012**	**2009**	**2010**	**2011**	**2012**	**2009**	**2010**	**2011**	**2012**	**2009**	**2010**	**2011**	**2012**
India	4	4	3		1236	1538	1676	1825	1031	1265	1389	1492	5.06	5.40	5.65	5.63
Iran	18	18	17	17	331	357	482	549	4460	4741	6360	7211	1.19	1.12	1.26	1.20

Source: Global Competitiveness reports

Table 2 reveals that none of the two selected countries have entered in top 50 in global competitiveness index ranking comparing to 2010-11 to 2013-14. In the year 2010-11 India (51^{st}) down nine positions attaining (60^{th}) place in 2013-14 where Iran in the year 2010-11 (69^{th}) has lost 13 places attaining (82^{nd}) place in 2013-14.

Table: 2 -Comparative Global Competitiveness Index Ranking for India and Iran Nations

Nations	**2010-11**	**2011-12**	**2012-13**	**2013-14**

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	(Out of 139)	(Out of 142)	(Out of 144)	(Out of 148)
India	51	56	59	60
Iran	69	62	66	82

Source: Global Competitiveness reports

Global Competitiveness Index provides holistic overview of factors that are critical in driving productivity and competitiveness and group them in to 10 pillars.

Infrastructure

Extensive and efficient infrastructure ensures effective functioning of the economy. Well developed infrastructure reduces the effect of distance between regions, integrating the national market and connecting it at low cost to markets in other countries and regions. The quality and extensiveness of infrastructure networks has significant impact on the economic growth and reduces the income inequalities and poverty in a variety of ways.

Macro Economic Environment

The stability of the macroeconomic environment is important for business and the overall competitiveness of a country. The government cannot provide services efficiently if it has to make high interest payments on its past debts. Running fiscal deficits limits the governments' future ability to react to business cycles and to invest in competitiveness-enhancing measures. Firms cannot operate efficiently when inflation rates are out of hand. In sum, the economy cannot grow in a sustainable manner unless the macro environment is stable. Macroeconomic environment of India continues to be characterised by persistent budget deficits, high public debt, and high inflation in 2010-11.

Health and Primary Education

A healthy human resource is essential to a country's competitiveness and productivity. Poor health leads to significant costs to business, absenteeism of workers or decreased level of work efficiency. In

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addition to health, primary education increases the efficiency of each individual worker. In other words, lack of basic education can become a constraint on business development, with firms finding it difficult to move up the value chain by producing more sophisticated or value intensive products, with the existing human resources.

Higher Education and Training

Quality higher education and training is particularly crucial for economies that want to move up the value chain beyond simple production process and products. In to day's globalizing economy it is necessary for countries to nurture pools of well-educated workers who can perform complex tasks and easily adopt to the changing environment and the latest needs of the economy. It measures secondary and tertiary enrolment rates as well as the quality of education as evaluated by the business community.

Good Market Efficiency

Health market competition, both domestic and foreign, is important in driving market efficiency and thus business productivity by ensuring that the most efficient firms, producing goods demanded by that market, are those that thrive.

The recent economic crisis has highlighted the degree of independence of economies worldwide and the degree to which growth depends on open markets. Protectionist measures are counterproductive as they reduce aggregate economic activity.

Financial Market Development

An efficient financial sector allocates the resources saved by a nation's citizens, as well as those entering the economy from abroad, to their most productive uses. It channels resources to those entrepreneurial or investment projects with the highest expected rates of returns rather than to the politically connected. A thorough and proper assessment of risk is therefore a key ingredient of a sound financial market.

Technological readiness

This pillar measures the agility with which an economy adopts existing technologies to enhance the

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productivity of its industries, with specific emphasis on its capacity to fully leverage information and communication technologies in daily activities and production for increased efficiency and enabling innovation for competitiveness. The information and communication technologies access and usage are key enablers of countries' overall technological readiness.

Market Size

The size of the market affects productivity since large markets allow firms to exploit economies of scale. In the era of globalization, international markets can to a certain extent substitute for domestic market, especially for small countries. Vast empirical evidence shows that trade openness is positively associated with growth.

Business Sophistication

Business Sophistication concerns two elements that are intricately linked: the quality of a country's overall business network and the quality of individual firms' operations and strategies. The quality of a country's business networks and supporting industries, as measured by the quantity and quality of local suppliers and the extent of their interaction, is important for a variety of reasons. When companies and suppliers from a particular sector are interconnected in geographically proximate groups, called clusters, efficiency is heightened, greater opportunities for innovation in processes and products are created, barriers to entry for new firms are reduced.

Individual firm's advanced operations and strategies (branding, marketing, distribution, advanced production processes, and the production of unique and sophisticated products) spill over into the economy and lead to sophisticated and modern business processes across the country's business sectors.

Innovation

Innovation can emerge from new technological and non technological knowledge.

Non-technological innovations are closely related to the know- how, skills, and working conditions that are embedded in organisations.

Table 3 reveals the global competitiveness index of India and Iran in the above mentioned pillars. In

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infrastructure India has improved drastically at (74th) in 2010 to (65th) place in 2013.

India micro economic environment has been a significant decline at (73rd) in 2010 to (110th) place in 2013. In case of Health and Primary Education Iran reached to below 50 positions in 2012. But India still continued its ranks above 100 during the study period.

In the pillar higher education and training there has been no significant change in their ranks. In case of good market efficiency pillar the two selected nations fall in its ranks India (71st) in the year 2010 to (85th) in the year 2013 and Iran (98th) in 2010 to (110th) in 2013.

In Financial market development pillar India posted its position in top 50 during the study period. But Iran lost 10 positions (120th) in 2010 to (130th) in the year 2013. In Technology readiness both nations posted fall in its positions. India (86th) in the year 2010 to (116th) in the year 2013. In market size pillar India continued its rank in top three positions while Iran improved to one positions i.e., (20th) rank in the year 2010 to (19th) in 2013.

In Business Sophistication, India ranks (44th) in 2010 went up to (42nd) position in 2013, where as Iran ranks (91st) in 2010 falling down to (104th) i.e., loses 12 places. In case of Innovation pillar Iran falling the position (66th) in 2010 to (71st) in 2013 out of 148 nations.

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Table: 3-Ranks on Global Competitiveness Index for

and Iran during 2010 to 2013

	India				Iran			
Factors	2010 (out of 139)	2011 (Out of 142)	2012 (Out of 144)	2013 (out of 148)	2010 (out of 139)	2011 (Out of 142)	2012 (Out of 144)	2013 (out of 148)
Infrastructure	86	89	84	85	74	67	69	65
Macro Economic Environment	73	105	99	110	45	27	57	100
Health and Primary Education	104	101	101	102	54	50	46	51
Higher Education & training	85	87	86	91	87	89	78	88
Good Market Efficiency	71	70	75	85	98	103	98	110
Financial Market Development	17	21	21	19	120	123	123	130
Technology Readiness	86	93	96	98	96	104	111	116
Market size	4	3	3	3	20	21	18	19
Business Sophisification	44	43	40	42	91	92	93	104
Innovation	39	38	41	41	66	70	65	71

Source: Global Competitiveness reports

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Table 4 reveals a detailed competitiveness index of India and Iran. In quality of overall infrastructure India posted (85^{th}) rank in the year 2013 while Iran (76^{th}) rank as the infrastructure remains largely insufficient and ill adapted to the needs of the economy. In case of quality of electricity supply India (13^{th}) in the year 2013 is ahead of Iran (56^{th}) in the year 2013. Mean while, in the macroeconomic environment pillar, general government debt, % GDP India lost 5o places reaching from (66^{th}) in the year 2011 to (166^{th}) in 2013. On the other hand Iran ranks (13^{th}) in the year 2011 to (9^{th}) in the year

2013. In case of Health and Primary Education pillar life-expectancy Iran has performed better compared to India during the study period. Primary Education enrolment, net % Iran posted single digit rank while India continued to be (80^{th}) rank. In case of Higher Education & training pillar, in quality of educational system India improved to 5 position while Iran improved only one position and in interest access in schools India posted better ranked comparing to Iran. In Good Market efficiency pillar, except total tax rate % profits, no. procedures to start a business, and no. days to start a business India performed better than Iran. In technology readiness pillar and Market size pillar India posted better ranks compared to Iran.

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Table: 4- Detailed Competitiveness Index of India and Iran

	India			Iran		
Indicator	**2011 (Out of 142)**	**2012 (Out of 144)**	**2013 (out of 148)**	**2011 (Out of 142)**	**2012 (Out of 144)**	**2013 (out of 148)**
Infrastructure						
Quality of overall infrastructure	86	87	85	78	74	76
Quality of roads	85	86	84	74	68	66
Quality of railroad infrastructure	24	27	19	50	45	46
Quality of port infrastructure	82	80	70	87	81	79
Available airline seat kms/week, millions*	67	68	61	137	132	122
Quality of electricity supply	12	13	13	49	53	56
Mobile telephone subscriptions/100 pop	112	110	111	72	60	117
Fixed telephone lines/100 pop.	117	118	123	31	112	28
Macroeconomic environment						
Government budget balance, % GDP	133	136	141	19	29	62
Gross national savings, % GDP*	15	22	28	10	3	15
Inflation, annual % change	139	116	130	136	142	148
General government debt, % GDP*	66	111	116	13	15	9
Country credit rating, 0–100 (best)*	117	43	47	114	108	119
Health and primary education						
Business impact of malaria	106	110	112	84	79	81
Malaria cases/100,000 pop.*	107	112	116	86	84	85
Business impact of tuberculosis	97	102	103	66	57	63

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Tuberculosis cases/100,000 pop.*	104	113	114	41	38	47
Business impact of HIV/AIDS	102	102	96	66	62	72
HIV prevalence, % adult pop.*	69	68	60	55	54	45
Infant mortality, deaths/1,000 live births*	114	112	120	92	88	93
Life expectancy, years*	110	110	111	86	86	87
Quality of primary education	86	81	84	66	61	65
Primary education enrollment, net %*	84	84	80	5	9	6
Higher education and training						
Secondary education enrollment, gross %*	108	107	110	80	62	81
Tertiary education enrollment, gross %*..	100	95	98	65	59	52
Quality of the educational system	38	34	33	104	94	103
Quality of math and science education	32	30	32	35	32	40
Quality of management schools	30	33	30	94	93	95
Internet access in schools	74	75	77	118	117	126
Availability of research and training services	58	59	47	79	73	82
Availability of research and training services	63	54	53	113	134	141
Goods market efficiency						
Intensity of local competition	31	34	24	106	106	121
Extent of market dominance	23	27	26	49	47	67
Effectiveness of anti-monopoly policy	31	34	29	73	60	73
Extent and effect of taxation	39	44	44	73	71	95
Total tax rate, % profits*	124	123	128	86	93	98
No. procedures to start a business*	119	121	129	34	47	74
No. days to start a business*	96	99	103	28	34	63
Agricultural policy costs	79	87	87	82	102	114

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Prevalence of trade barriers	91	78	61	137	125	113
Trade tariffs, % duty*	128	126	128	140	139	147
Prevalence of foreign ownership	83	84	94	141	144	148
Business impact of rules on FDI	59	62	67	128	127	136
Burden of customs procedures	89	84	88	104	100	103
Imports as a percentage of GDP*	119	101	107	133	137	147
Degree of customer orientation	63	60	78	115	114	122
Buyer sophistication	42	53	59	58	48	56
Financial market development						
Availability of financial services	45	44	45	134	135	137
Affordability of financial services	32	33	38	130	128	135
Financing through local equity market	15	19	18	80	65	86
Ease of access to loans	35	38	38	137	141	148
Venture capital availability	27	26	27	133	129	139
Soundness of banks	32	38	49	89	104	121
Regulation of securities exchanges	26	28	27	89	74	82
08 Legal rights index, 0–10 (best)*24	20	NA	28	NA	99	101
Technological readiness						
Availability of latest technologies	47	47	58	117	114	121
Firm-level technology absorption	41	40	48	120	119	120
FDI and technology transfer	38	44	32	111	108	123
Individuals using Internet, %*	112	119	120	102	95	98
Broadband Internet subscriptions/100 pop.*	101	101	106	104	89	85
06 Int'l Internet bandwidth, kb/s per user	100	104	113	103	115	122
Mobile broadband subscriptions/100 pop.*		102	99		128	136

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Market size						
Domestic market size index, 1–7 (best)*	3	3	3	18	17	18
Foreign market size index, 1–7 (best)*	4	4	4	15	26	25
GDP (PPP$ billions)*	NA	NA	3	NA	Na	17
Exports as a percentage of GDP*	NA	NA	125	NA	NA	103
Business sophistication						
Local supplier quantity .	14	10	2	53	46	57
Local supplier quality	67	69	76	129	123	128
State of cluster development	31	29	16	93	85	99
Nature of competitive advantage	60	75	80	95	100	116
Value chain breadth	42	38	40	107	107	112
Control of international distribution	51	51	38	21	21	34
Production process sophistication	44	46	52	76	71	80
Extent of marketing	58	48	52	114	113	120
Willingness to delegate authority	42	50	58	124	120	131
Innovation						
Capacity for innovation	35	42	41	67	59	85
Quality of scientific research institutions	34	39	37	49	40	43
Company spending on R&D	33	37	39	102	97	110
University-industry collaboration in R&D	50	51	47	93	87	90
Gov't procurement of advanced tech products	78	NA	92	61	66	73
Availability of scientists and engineers	21	16	15	37	34	37
PCT patents, applications/million pop.*	59	63	64	79	100	107

Source: Global Competitiveness reports

The table 5 represents the five most problematic factors for doing business in each of the countries. In

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case of India, the major challenges are (i) diversifying its growth towards manufacturing while maintaining service-led growth model, (ii) making the growth process more inclusive (iii) improving physical infrastructure (iv) developing the agriculture sector and (v) delivering essential public services such as education and health. Iran five most problematic factors for doing business are i) Policy Instability, ii) Foreign currency regulations, iii) Access of financing, iv) Inflation and v) Inefficient Govt. Bureaucracy

The problems that are common in both in countries are policy instability, inefficient government Bureaucracy and inflation.

Table: 5- The five most problematic factors for doing business in India & Iran

India	Iran
Inadequate supply of Infrastructure	Policy Instability
Corruption	Foreign currency regulations
Inefficient Govt. Bureaucracy	Access of financing
Policy Instability	Inflation
Inflation	Inefficient Govt. Bureaucracy

Source: Global Competitiveness reports

Conclusion:

From the above discussions and data analysis, we conclude that competiveness of nations have major impact on their economics. There exists remarkable competitiveness among the nations and that it has a major impact on depicting the strength of the nation in the world economy (through growth and development of that particular country)

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One significant observation from the assessment of competitiveness among the nations is that India and Iran showed incredible potential as the fastest growing countries and has exhibited great growth performance in the critical factors taken for the analysis. From the above discussion it is clear that fall in the level of the improvement made in the critical factors effects the country's economy and which would in turn create a situation for the withdrawal of the country from being in the competitiveness of the world economy. So there is a direct relation between the countries activities and measures it takes for its growth and development and is not just one or two but all the factors that contribute to the success of the nation that is the strength of the nation is expressed through the efforts made in framing policies in a comprehensive way their interconnections and also to address the underlying weakness that is revealed in a proactive way.

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Research on Competitor Impact on Beta of Listed Viet Nam Real Estate Companies

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ABSTRACT

Using a one factor model, this paperwork estimates the impacts of the size of firms' competitors in the real estate industry on the market risk level, measured by equity and asset beta, of 45 listed companies in this category. This study identified that the risk dispersion level in this sample study could be minimized in case the competitor size doubles (measured by equity beta var of 0,378). Beside, the empirical research findings show us that asset beta max value decreases from 1,580 to 1,242 when the size of competitor doubles. Last but not least, most of beta values are acceptable except a few exceptional cases. Ultimately, this paper illustrates calculated results that might give proper recommendations to relevant governments and institutions in re-evaluating their policies during and after the financial crisis 2007-2011.

KEYWORDS : *risk management, competitive firm size, market risk, asset and equity beta, real estate industry*

JEL CLASSIFICATION : *G00, G3, G30*

1. Introduction

Together with financial system development and the economic growth, throughout many recent years, Viet Nam real estate industry is considered as one of active economic sectors, which has some positive effects for the economy. Additionally, financial risk and reactions has become an issue after the global crisis 2007-2009 which has some certain impacts on the whole Viet nam economy, and specifically, the Viet Nam real estate industry. Hence, this research paper analyzes market risk under a one factor model of these listed firms during this period. The prpose pof this stdy therefore is to find out how mch market risk has been affected by changing scenarios of competitors.

For the estimating of impacts of a one factor model: the size of competitor on beta for listed real estate industry companies in Viet Nam stock exchange, research issues will be mentioned as following:

Issue 1: Whether the risk level of real estate industry firms under the different changing scenarios of the size of competitor increase or decrease so much.

Issue 2: Whether the disperse distribution of beta values become large in the different changing scenarios of the size of competitor in the real estate industry.

This paper is organized as follow. The research literature review will be covered in the next session 2, for a short summary. Then, methodology and conceptual theories are introduced in session 3. Session 4 presents empirical results and findings. Then, session 9 will conclude with some policy suggestions. This paper also

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supports readers with references, exhibits and relevant web sources.

2. Literature review

Black (1976) proposes the leverage effect to explain the negative correlation between equity returns and return volatilities. Diamond and Dybvig (1983) said banks can also help reduce liquidity risk and therefore enable long-term investment.

Next, Kim et all (2002) noted that the nature of competitive interaction in an industry is important in assessing the effect of corporate product strategies on shareholder value. Fama, Eugene F., and French, Kenneth R., (2004) also indicated in the three factor model that "value" and "size" are significant components which can affect stock returns. They also mentioned that a stock's return not only depends on a market beta, but also on market capitalization beta. The market beta is used in the three factor model, developed by Fama and French, which is the successor to the CAPM model by Sharpe, Treynor and Lintner. Pagano and Mao (2007) stated that An intermediated market can therefore remain viable in the face of competition from a possibly faster, non-intermediated market as long as the specialist can generate revenue for the above services that covers his/her costs associated with asymmetric information, order processing, and inventory management. As Luis E. Peirero (2010) pointed, the task of estimating cost of equity in emerging markets is more difficult because of problems such as collecting data in short periods. Daly and Hanh Phan (2013) investigated the competitive structure of the banking industries in five emerging asian countries including Viet Nam and showed that the global financial crisis affected dramatically the competition of banking system in emerging Asian countries.

Dimitrov (2006) documented a significantly negative association between changes in financial leverage and contemporaneous risk-adjusted stock returns. Aydemir et all (2006) identified in an economy with more realistic variation in interest rates and the price of risk, there is significant variation in stock return volatility at the market and firm level. In such an economy, financial leverage has little effect on the dynamics of stock return volatility at the market level. Financial leverage contributes more to the dynamics of stock return volatility for a small firm. Then, Maia (2010) stated the main determinants of firms' capital structures are related to firms' sensitivities to these systematic sources of risk and they affect asymmetrically low and high leverage firms. And temporary shocks are relatively more important for low leverage firms, and that financial distress risk seems to be captured by the sensitivity of firms' cash flow innovations to market discount rate news. Umar (2011) found that firms which maintain good governance structures have leverage ratios that are higher (forty-seven percent) than those of firms with poor governance mechanisms per unit of profit. Then, Alcock et all (2013) found evidence that leverage cannot be viewed as a long-term strategy to enhance performance, but in the short term, managers do seem to add significantly to fund excess returns by effectively timing leverage choices to the expected future market environment. And Gunaratha (2013) revealed that in different industries in Sri Lanka, the degree of financial leverage has a significant positive correlation with financial risk.

Last but not least, Ana and John (2013) Binomial Leverage – Volatility theorem provides a precise link between leverage and volatility. Chen et all (2013) supported regulators' suspicions that over-reliance on short-term funding and insufficient collateral compounded the effects of dangerously high leverage and resulted in undercapitalization and excessive risk exposure for Lehman Brothers. The model reinforces the importance of the relationship between capital structure and risk management.

Finally, financial leverage can be considered as one among many factors that affect business risk of real estate

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firms.

Conceptual theories

The impact of competition or the size of competitor on the economy and business

In a specific industry such as real estate industry, there are many firms offering the similar products and services and this helps customers select a variety of qualified goods that meet their demand. Competitors could affect price and customer service policies; hence, affect revenues and profits of a typical company. The competition could drive down profits that firms can earn. Sources of competition include, but not limit to, training. Increasing training can help competition raising productivity.

3. Data and Methodology

In this research, analytical research method is used, philosophical method is used and specially, scenario analysis method is used. Analytical data is from the situation of listed real estate industry firms in VN stock exchange and applied current tax rate is 25%.

Finally, we use the results to suggest policy for both these enterprises, relevant organizations and government.

The research sample has total 45 listed firms in the real estate industry market with the live data from the stock exchange. The stock data for all 45 listed firms is for the period 2007-2011. These data is taken from Viet Nam stock exchange (HOSE and HNX).

Firstly, we estimate equity and asset beta values of these firms, as well as the risk dispersion. Secondly, we change the competitor size from aprroxiamte size to doubling size and slightly smaller size to see the sensitivity of beta values. We figure out that in 3 cases, asset beta mean values are estimated at 0,481, 0,409 and 0,387 which decreases with the smaller size of competitors. Also in 3 scenarios, we find out equity beta mean values (1,021, 0,915 and 0,862) also decreases with the competitive firm size. Various competitors selected definitely have certain effects on asset and equity beta values.

4. Empirical Research Results

The research sample has total 45 listed firms in the real estate industry market with the live data from the stock exchange.

Firstly, we estimate equity and asset beta values of these firms, as well as the risk dispersion. Secondly, we change the competitor size from aprroxiamte size to doubling size and slightly smaller size to see the sensitivity of beta values. We figure out that in 3 cases, asset beta mean values are estimated at 0,476, 0,434 and 0,529 which are decreasing more if the size of competitors is bigger. Also in 3 scenarios, we find out equity beta mean values (0,513, 0,457 and 0,624) are also decreasing. Various competitors selected definitely have certain effects on asset and equity beta values.

Table 1 – The number of companies in research sample with different beta values and ratio

	current size		double size		smaller size	
Equity Beta	No. of firms	Ratio	No. of firms	Ratio	No. of firms	Ratio

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<0	0	0,0%	0	0,0%	0	0,0 %
0<beta<1	23	51,1 %	24	53,3 %	27	60, 0%
Beta > 1	22	48,9 %	21	46,7 %	18	40, 0%
total	45	100,0 %	45	100,0 %	45	100 ,0%
	current size		double size		smaller size	
Asset Beta	No. of firms	Ratio	No. of firms	Ratio	No. of firms	Rat io
<0	0	0,0%	0	0,0%	0	0,0 %
0<beta<1	41	91,1 %	42	93,3 %	43	95, 6%
Beta > 1	4	8,9%	3	6,7%	2	4,4 %
total	45	100,0 %	45	100,0 %	45	100 ,0%

In the below section, data used are from total 45 listed real estate industry companies on VN stock exchange (HOSE and HNX mainly). In the scenario 1, current financial leverage degree is kept as in the 2011 financial statements which is used to calculate market risk (beta) whereas competitor size is kept as current, then changed from double size to slightly smaller size. Then, two (2) FL scenarios are changed up to 30% and down to 20%, compared to the current FL degree. In short, the below Table 1 shows three scenarios used for analyzing the risk level of these listed firms.

Market risk (beta) under the impact of tax rate, includes: 1) equity beta; and 2) asset beta.

Table 1 – Analyzing market risk under three (3) scenarios (*Made by Author*)

	FL as current
Competitor size as current	Scenario 1
Competitor size slightly smaller	Scenario 2
Competitor size double	Scenario 3

4.1 Scenario 1: current financial leverage and competitor size kept as current

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In this case, all beta values of 45 listed firms on VN real estate industry market as following:

Table 2 – Market risk of listed companies on VN real estate industry market under one factor model (case 1) *(source: VN stock exchange 2012)*

Order No.	Company stock code	Equity beta	Asset beta (assume debt beta = 0)	Note	Financial leverage
1	API	1,686	1,580	RCL as comparable	6,3%
2	ASM	1,505	0,526		65,0%
3	BCI	1,203	0,542		55,0%
4	CCI	0,476	0,145	UIC as comparable	69,4%
5	CLG	0,383	0,092	UIC as comparable	75,9%
6	D2D	1,446	0,533		63,2%
8	DLG	0,596	0,198	SC5 as comparable	66,9%
9	DTA	0,974	0,466	RCL as comparable	52,2%
10	DXG	2,552	0,805		68,4%
11	HAG	0,632	0,295		53,3%
12	HDC	1,185	0,425		64,2%
13	HDG	2,696	1,053		61,0%
14	IDJ	1,198	0,776	API as comparable	35,2%
15	IDV	0,428	0,082	RCL as comparable	80,7%
16	IJC	0,426	0,124	BCI as comparable	70,9%
17	ITA	1,121	0,749		33,2%
18	ITC	0,286	0,164		42,8%
19	KBC	0,945	0,371		60,7%
20	KDH	1,071	0,670	LCG as comparable	37,5%
21	LCG	1,552	0,923		40,5%
22	LGL	1,304	0,573	DXG as comparable	56,1%
23	LHG	0,548	0,215	DLG as	60,8%

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				comparable	
24	NBB	0,923	0,317		65,6%
25	NHA	1,399	1,034	RCL as comparable	26,1%
26	NTL	1,557	0,701		55,0%
27	NVN	0,167	0,061	CLG as comparable	63,3%
28	OGC	0,593	0,271	ITA as comparable	54,3%
29	PDR	0,201	0,081	IJC as comparable	59,9%
30	PPI	0,673	0,299	LGL as comparable	55,5%
31	PVL	1,939	1,364	DXG as comparable	29,6%
32	QCG	0,718	0,290	SJS as comparable	59,5%
33	RCL	1,770	0,991		44,0%
34	SC5	1,497	0,240		84,0%
35	SDU	1,656	0,687		58,5%
36	SJS	1,509	0,799		47,1%
37	SZL	0,425	0,258		39,3%
38	TDH	1,103	0,722		34,5%
39	TIX	1,148	0,464		59,6%
40	UDC	0,216	0,071	LHG as comparable	67,2%
41	UIC	1,286	0,357		72,2%
42	VCR	0,901	0,564	LGL as comparable	37,4%
43	VIC	0,755	0,186		75,4%
44	VPH	0,070	0,019	UDC as comparable	73,5%
45	VRC	0,203	0,073	CCI as comparable	64,1%
Note: Raw data, not adjusted				Average	55,6%

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The above table shows us empirical results of market risk, measured by equity and asset beta, in the case of current approximate size competitor.

4.2. Scenario 2: competitor size double

All beta values of total 45 listed firms on VN real estate industry market as below:

Table 3 – Market risks of listed real estate industry firms under one factor model (case 2) *(source: VN stock exchange 2012)*

Order No.	Company stock code	Equity beta	Asset beta (assume debt beta = 0)	Note
1	API	1,325	1,242	PPI as comparable
2	ASM	1,505	0,526	
3	BCI	1,203	0,542	
4	CCI	0,424	0,130	TIX as comparable
5	CLG	0,802	0,193	HDG as comparable
6	D2D	1,446	0,533	
8	DLG	0,041	0,014	IJC as comparable
9	DTA	0,389	0,186	VRC as comparable
10	DXG	2,552	0,805	
11	HAG	0,632	0,295	
12	HDC	1,185	0,425	
13	HDG	2,696	1,053	
14	IDJ	1,027	0,666	D2D as comparable
15	IDV	0,311	0,060	UIC as comparable
16	IJC	0,104	0,030	OGC as comparable
17	ITA	1,121	0,749	
18	ITC	0,286	0,164	
19	KBC	0,945	0,371	
20	KDH	0,095	0,060	PDR as comparable
21	LCG	1,552	0,923	
22	LGL	0,242	0,106	UDC as comparable
23	LHG	0,048	0,019	IJC as comparable
24	NBB	0,923	0,317	
25	NHA	1,399	1,034	RCL as comparable
26	NTL	1,557	0,701	
27	NVN	1,175	0,431	HDG as comparable
28	OGC	0,293	0,134	PVX as comparable

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29	PDR	0,138	0,055	OGC as comparable
30	PPI	1,392	0,619	HDG as comparable
31	PVL	0,037	0,026	LHG as comparable
32	QCG	0,450	0,182	KBC as comparable
33	RCL	1,770	0,991	
34	SC5	1,497	0,240	
35	SDU	1,656	0,687	
36	SJS	1,509	0,799	
37	SZL	0,425	0,258	
38	TDH	1,103	0,722	
39	TIX	1,148	0,464	
40	UDC	0,474	0,155	BCI as comparable
41	UIC	1,286	0,357	
42	VCR	0,327	0,205	UDC as comparable
43	VIC	0,755	0,186	
44	VPH	0,299	0,079	NBB as comparable
45	VRC	0,707	0,254	SDU as comparable

The above table shows us empirical results of market risk, measured by equity and asset beta, in the case of doubling size competitor. The selected competitor is mentioned in the "note column".

4.3. Scenario 3: Competitor size slightly smaller

All beta values of total 45 listed firms on the real estate industry market in VN as following:

Table 4 – Market risk of listed real estate industry firms under one factor model (case 3) *(source: VN stock exchange 2012)*

Order No.	**Company stock code**	**Equity beta**	**Asset beta (assume debt beta = 0)**	**Note**
1	API	0,070	0,066	IDJ as comparable
2	ASM	1,505	0,526	
3	BCI	1,203	0,542	
4	CCI	0,011	0,003	VRC as comparable
5	CLG	0,383	0,092	UIC as comparable
6	D2D	1,446	0,533	
8	DLG	0,035	0,012	LHG as comparable
9	DTA	0,428	0,205	NHA as comparable
10	DXG	2,552	0,805	
11	HAG	0,632	0,295	
12	HDC	1,185	0,425	

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13	HDG	2,696	1,053	
14	IDJ	0,074	0,048	IDV as comparable
15	IDV	0,103	0,020	DTA as comparable
16	IJC	0,426	0,124	BCI as comparable
17	ITA	1,121	0,749	
18	ITC	0,286	0,164	
19	KBC	0,945	0,371	
20	KDH	1,071	0,670	LCG as comparable
21	LCG	1,552	0,923	
22	LGL	0,510	0,224	VCR as comparable
23	LHG	0,089	0,035	UDC as comparable
24	NBB	0,923	0,317	
25	NHA	0,779	0,575	SSS as comparable
26	NTL	1,557	0,701	
27	NVN	0,167	0,061	CLG as comparable
28	OGC	0,379	0,173	QCG as comparable
29	PDR	0,201	0,081	IJC as comparable
30	PPI	0,086	0,038	NVN as comparable
31	PVL	1,939	1,364	DXG as comparable
32	QCG	0,718	0,290	SJS as comparable
33	RCL	1,770	0,991	
34	SC5	1,497	0,240	
35	SDU	1,656	0,687	
36	SJS	1,509	0,799	
37	SZL	0,425	0,258	
38	TDH	1,103	0,722	
39	TIX	1,148	0,464	
40	UDC	0,192	0,063	VPH as comparable
41	UIC	1,286	0,357	
42	VCR	0,999	0,626	D2D as comparable
43	VIC	0,755	0,186	
44	VPH	0,488	0,129	ASM as comparable
45	VRC	0,030	0,011	API as comparable

The above table shows us empirical results of market risk, measured by equity and asset beta, in the case of slightly smaller size competitor. The selected competitor is mentioned in the “note column”.

All three above tables and data show that values of equity and asset beta in the three cases of changing competiotor size have certain fluctuation.

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Comparing statistical results in 3 scenarios of changing competitor size:

Table 3 - Statistical results (case 1) *(source: VN stock exchange 2012)*

Statistic results	Equity beta	Asset beta (assume debt beta = 0)	Difference
MAX	2,696	1,580	1,115
MIN	0,070	0,019	0,051
MEAN	1,021	0,481	0,540
VAR	0,3779	0,1334	0,244
Note: Sample size : 45			

Table 4 – Statistical results (case 2) *(source: VN stock exchange 2012)*

Statistic results	Equity beta	Asset beta (assume debt beta = 0)	Difference
MAX	2,696	1,242	1,4535
MIN	0,037	0,014	0,0228
MEAN	0,915	0,409	0,5061
VAR	0,4251	0,1101	0,3151
Note: Sample size : 45			

Table 5 - Statistical results (case 3) *(source: VN stock exchange 2012)*

Statistic results	Equity beta	Asset beta (assume debt beta = 0)	Difference
MAX	2,696	1,364	1,3316
MIN	0,011	0,003	0,0077
MEAN	0,862	0,387	0,4753
VAR	0,4712	0,1136	0,3576
Note: Sample size : 45			

The above table shows the range of 2 variables: equity and asset beta (max and min values), as well as other statistical measures such as mean and variance.

Based on the calculated results, we find out:

First of all, Equity beta mean values in all 3 scenarios are acceptable (< 1,1) and asset beta mean values are also small (< 0,5). In the case of reported leverage in 2011, equity beta max is 2,089 which is somewhat high in a few exceptional cases. If competitor size doubles, asset beta max decreases from 1,580 to 1,242. Finally, when competitor size is slightly smaller, asset beta max reduces to 1,364.

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The below chart 1 shows us : when competitive firm size decreases slightly, average equity beta value decrease slightly (0,862) compared to that at the initial selected competitor (1,021). Next, average asset beta decreases little (to 0,387). However, in case the competitor size doubles, the risk level of the selected firms is higher (0,425). Last but not least, the fluctuation of equity beta value (0,471) in the case of doubling size competitors is higher than (>) the results in the rest 2 cases. And we could note that in the case competitor size kept as current, the risk is more dispersed (0,133).

Chart 1 – Comparing statistical results of equity beta var and mean in three (3) scenarios of changing competitor size *(source: VN stock exchange 2012)*

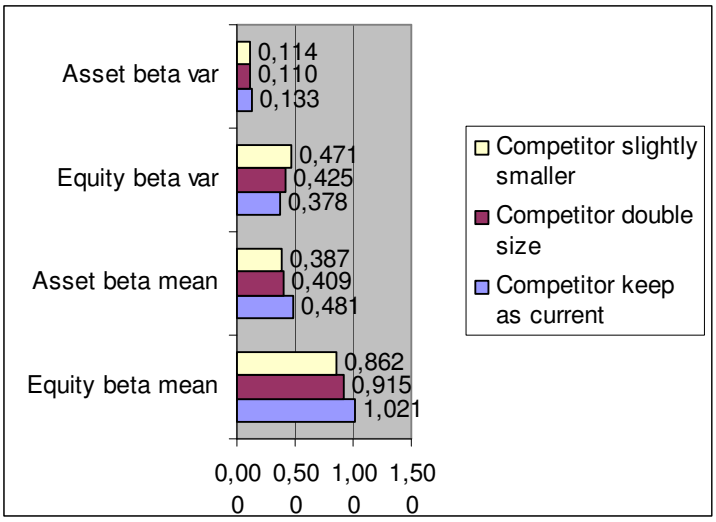
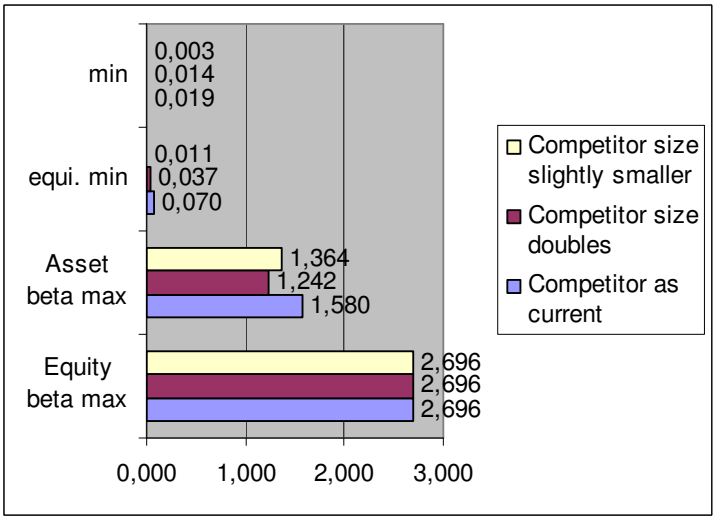


Chart 2 – Comparing statistical results of equity/asset beta max and min in three (3) scenarios of changing competitor size, 2007-09 *(source: VN stock exchange 2012)*



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5. Conclusion and Policy suggestion

In conclusion, the government has to consider the impacts on the mobility of capital in the markets when it changes the macro policies and the legal system and regulation for developing the real estate market. The Ministry of Finance continues to increase the effectiveness of fiscal policies and tax policies which are needed to combine with other macro policies at the same time. The State Bank of Viet Nam continues to increase the effectiveness of capital providing channels for real estate companies as we could note that in this study when competitive firm size doubles, the risk level decreases (equity beta mean value is estimated at: 0,915), and the equity beta var value (0,425) is little higher than that in case competitor size as current (0,378).

Furthermore, the entire efforts among many different government bodies need to be coordinated.

Finally, Although the paper works as much as possible, it might have limitations during qualitative analysis. This paper suggests implications for further research and policy suggestion for the Viet Nam government and relevant organizations, economists and investors from current market conditions. For example, future directions might include the combination of leverage and competitor size in a two factor model or even models with more factors.

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SELF-EVALUATION AS A BASIC APPROACH IN THE IMPLEMENTATION OF TQM STRATEGY WITHIN MACEDONIAN COMPANIES

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ABSTRACT

Assessment of business performance within Macedonian companies comes with the purpose to derive a feedback for how well things are done, what is lacking according the planned actions. The evaluation into companies needs to be done in each stadium and the outcomes gained should be used as a powerful weapon in order to continue the follow-up cycle towards continuous improvement.

The analyses in this paper are under the influence of the perception from our practice, manner of self-assessment and the issues that Macedonian companies experience with European and world market, as well as the measures that are undertaken from the managers in terms of improvement of products/ services and business processes.

Keywords: TQM (Total Quality Management) strategy, evaluation, continuous quality improvement.

INTRODUCTION

The core of the house of quality in a company lies in the defined measurement, the collected data to business processes, in order to understand and control, and to gather important information about products and services to improve their quality and optimization of business processes. Monitoring (Dumke, et al., 2006) does not only go in the quality of products/ services, but also the adequacy of the TQM (Total Quality Management) system in the implementation of the functions of quality. Measurement is necessary for:

- understanding of the process, products/ services, resources. It can serve as a basis for future comparison;
- controlling of processes, product/ services, resources, including corrective and preventive measures, which means, by analyzing the measurements can identify opportunities for improvement and defective processes, products/ services, resources;
- improving of processes and products. Measurements can be used to predict the future behavior of processes, products.

Self-evaluation as a basic approach in the implementation of the TQM strategy is of crucial importance in order to perform a correct application of it. Self-evaluation is realized through a multitude of

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documented procedures to compare the model realized in terms of projections.

The results of the measurement should indicate what the company has accomplished, while the features show how these results are achieved.

Analysis of external environment includes the following activities (Cepujnoska, 2009):

- collecting and processing information for the market power of customers / users based on defined standards of quality in the company;
- participation in the qualitative and quantitative transformation of information, standards and indicators, which must be accurately measured and expressed;
- determining the distribution channels for products meeting the relevant requirements of customers and achieving policy JIT (Just in Time).

The information should relate primarily to:

- the scope and characteristics of the needs of customers/ users, the opportunities the company to meet them at the required level of quality as well as limitations and problems of that time;
- what the competition offers, what is their competitive advantage, what are their capabilities and weaknesses;
- streamlining the system of information and making proposals in order to maximize the advantage over competitors or revitalize the flows.

Designing measurement system provides a systematic approach to the results of the analysis of external environment analysis and detection of critical points, determination of the losses, application of solutions to problems and their successful implementation. To close the circle PDCA (Plan - Do - Control - Act), is necessary to check the results and implement corrective measures in order to achieve a spiral, continuous improvement that will lead to new opportunities for improvement. The improvement process is the process of solving problems (Shiba, Walden, 2002). One of the key criteria for receiving the Malcolm Baldrige Award (National Institute of Standards & Technology, 1999) and European Quality Award (EFQM, 2000), is the satisfaction of customers/ users and measurement of business results.

METHODS AND DATA

The research is designed as an attempt to depict the existing condition within 151 Macedonian companies regarding quality system design and implementation, analyzed through 4 polls in the “house of quality” who’s top is the ultimate management, and as its base measurement, evaluation, analyzing and comparison of the quality are used.

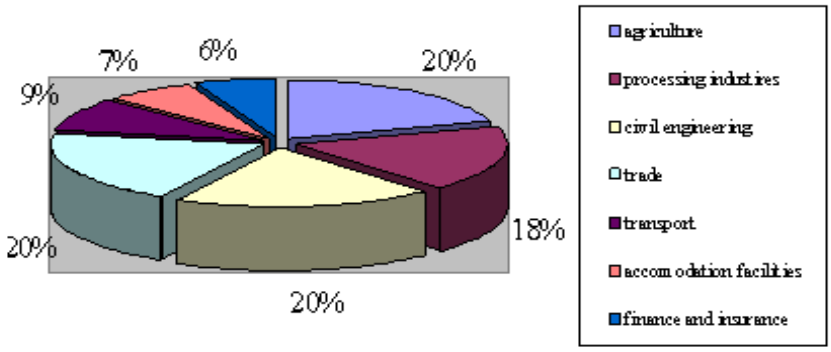
This paper presents an analysis regarding the condition of Macedonian companies through one of the criteria for receiving a European Quality Award in the direction of the activities undertaken in relation to achieve the planned satisfaction of all those who have financial interest in it (Mitreva, 2010).

A special attention has been given to the gathering of the entering data included in the research. As an instrument, there was a questionnaire used that was designed to give an accurate analysis in a manner of complete and correct fulfilling.

At the same time, there were some direct contacts made with the top management and the employees in order to depict the authenticity of the questionnaire and to present the realistic condition of the companies.

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The data received from the research are processed with an adequate mathematical - statistical methods. In this regard, the Pareto analysis was used for frequency as well as for analysis in order to calculate the involvement of certain answers in percentages. The structure of the examined companies (151) – the participants in the research according the economic activity that it belongs to (National qualification of activities – NKD Rev. 2 – "Official Gazette of R. of Macedonia" no. 147, 26th of November 2008) is given



in Figure 1.

Fig.1: Companies' participation divided according their economic activities

Listening to the wishes, the needs of customers/ users and companies and the effort to meet their needs will increase customer's satisfaction and provide competitive advantage.

Collecting data on customer's satisfaction for the quality of products/ services should show what measures companies should take to improve their satisfaction. Sources of measurement may be objections, complaints, surveys, debates and more (Nakata, 2002).

As to the question in what way do they get informed what their customers/ users require, the following data is obtained:

- 60% of the examined have answered that they have *found out about the wises* and needs of customers *by analyzing the consumption/ supply*;
- 20% of them *by analyzing the questionnaire*;
- 3% of them *did not deal with that issue*;
- 17% of the examined have answered with "*other*" (*and have listed direct contact with customers/ users and finding common optimal and acceptable solutions).*

The fact that is concerning is that there is a relatively weak interaction between customers/ users and manufacturers, indicating poor functioning of marketing services. Missing or poorly developed marketing services to Macedonian companies deprive them of knowledge and provision of market needs, thus adapting them to meet those needs.

As for the question whether they had requests from customers/ users which cannot be met, the following results are obtained:

- 59% of the examined have answered that they are fully able to meet the needs of customers/ users;
- 41% of them are not possible.

The reasons relate to the lack of technological capabilities, unrealistic demands of customers/ users as well as requirements for delivery deadlines appearing as shorter than optimal. Our companies use the

questionnaires to measure satisfaction or dissatisfaction of customers of their products in a small measure, in order to realize the way in which their products/ services do not meet the expectations of users. Hence, the following responses are received:

- 35.7% of the examined have answered that have find out for the low quality of its products/ services from complaints by customers;
- 23.8% of them have find out for the low quality of its products/ services from the realized sales (whether increased or decreased);
- 16.7% of them have find out for the low quality of its products/ services by analyzing the questionnaire to customers / users;
- 14% of them have find out for the low quality of its products/ services by the reports from service quality control;
- 4.7% of them have find out for the low quality of its products/ services from monitoring the competition and
- 4.7% of them reported other indicators (they have find out that direct contacts with customers is much of a help in discovering whether their services meet their expectations or not).

In order to promote company's products/ services, it is important not to interpret located objections or complaints of customers incorrectly and to practice continuously monitoring their satisfaction, which will give a priceless information source for business analysis, and their management.

For the company to reach successfully the condition of its position and position of their products on the market, it is necessary to adequately collect and evaluate data and parameters of users in terms of the product, their experiences and expectations regarding products, their degree of satisfaction with the usage of those products.

Measurement of performance should be financial and additional. When asked what problems are encountered with the performance of the market (domestic and foreign), the following survey results show that the biggest problem facing the Macedonian companies are:

- 35% of the examined have answered that *unfair competition is* the biggest problem;
- 29% of them point out the *high-priced products/ services;*
- 19% of them point out the *strong competition*;
- 11% are reported under "*other"*.

Under "other" is stated: *illiquidity of firms, lacking of distribution networks, the frozen rate of the Euro, fake brands, protectionist in terms of government procurement resulting in poor distribution of capital and concentration of capital only in certain structures, reduction of customs formalities as well as electronic approval of licenses and permits.* None of the examined companies have put forward the quality of their products/ services (non - quality) as a problem faced by the participation of domestic and foreign markets.

In measuring business results, the trend of performance results and comparison with competitors in key business areas is being followed. Self - assessment of the company by comparing its practices with best practice using benchmarking strategy should help the organization by encourage internal creation.

The question whether competition is a threat to them and whether they see the benefits of competition,

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provided the following data:

- 76% of the examined have answered that the *competition is a threat to them*;
- 24% of them *see no threat of competition*.

Again, 86% of them cited reasons that the danger of competition can be seen as: improvement of quality; design; competitive prices; more efficient distribution networks; quality input supplies, etc.

Advantages of competitors as a threat for companies

- 26% of the examined have answered that the advantage of competition is find in the better quality of their products/ services;
- 26% of them reported that low prices are a major advantage of competition;
- 21% of them reported that well - developed distribution network is advantage of competition;
- 12% of them pointed out the importance of quality of incoming raw materials as advantage of competition;
- 5% of them reported that the design of products is key to the success of competitors;
- 10% of the examined have answered with "other" (they have find that the advantage of competitors is building the "favorite" brand - lovebrend).

Customers / users should love the brand in Macedonian companies. Creating Macedonian brands that identify with the Macedonian identity is a necessity. For example, if you want to promote Macedonian wine you need to compete on all wine festivals and will probably win. And then you say that the Macedonian wine had just beaten the German one and would be proud of it. People in Macedonia are very sensitive to the pride, identity and nationality, so it should be used. The fact that Macedonians are avoiding Macedonian products does not mean that they are substandard, but it is necessary to strengthen the brand. Here there are some brands that produce a sense of pride, as a "Skopsko" because everyone will say it best. Tikves winery which is the largest winery in the Balkans has "Tga za jug" as a symbol of the Macedonian beauty and love for motherland and Macedonian be loved brend.

CONCLUSION

Our research showed that 68% of the examined companies perform consistently in comparison with the competition which are the best in their field and take measures to improve business processes and products. Based on these measurements the competitive advantages of competitors are revealed, and 26% of the examined companies have said that the advantage of competitors has improved the quality of their products/ services. In this way, benchmarking is a useful method in the management of quality, especially for observation and continuous measurement of the gap between internal (own) best practice and external practice in establishing dynamic measurable standards, and based on these measurements policy and strategy organizations are being built. Turning all these information into measurable indicators and standards is necessary in order to meet the demands of customers, but a platform for understanding and cooperation with internal departments and services within the organization to meet those requirements is needed. Thus, the development of these indicators and standards enabling the measurement and monitoring of quality, achieving an acceptable level of quality in all sectors, elimination of defects and waste, thus avoiding the presence of a separate control of each workplace and costs are reduced. Measurement should not encourage imitation, direct copying of a competitor, as mass movements and

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trends in our country, but it is also a kind of manipulation of customers/ users.

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Financial Risk Tolerance Based On Demographic Factors: Pakistani Perspective

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Abstract

Purpose: The foundation of this study to examine the phenomena of Risk taking ability in response to the demographic variables in Pakistan. An individual's risk taking ability is very vital aspect to recognize his most favorable investment portfolio.

***Design/methodology/approach*:** Responses from Random sample of 110 respondents were collected for this research purpose from Pakistan. The questionnaire of 12 Questions was developed for collecting data for this research paper. A Compare means ANOVA F test were used for analysis purpose and several descriptive statistics technique like, mean and standard deviation used to inspect the relationship. Another POST HOC TUKEY test was also applied on one variable for deep analysis.

Findings: Gender, Marital status and occupational status, were found to have a major impact in identifying a person's risk tolerance level. But the most informative result is that education, age and income level were not have a significant manipulation on financial risk tolerance.

Research limitations/implications: End result might not generalize outside Pakistan or to other financial related decision matters other then financial advisors.

Practical implications: The present study helps the financial advisors and financial consultant institutes to understand and find solution to those demographic factors which cause decrease or increase on

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individual risk tolerance. The study can also help in making investment portfolio which is related to financial investment decisions.

Originality/value: Worldwide evidence shows that several demographic factors have a considerable impact on a person's financial risk taking ability. But up till now very minor effort has been carried out to find out this relationship. The paper mainly concern to and reveal the association among person's financial risk tolerance aptitude and demographic variables.

Paper Type: Research paper

Key words: financial Risk Tolerance, demographic factors, and financial decision.

Introduction

Risky alternatives and selection among these alternatives is part of our daily life: driving, smoking, making investment and even groceries all involves any kind of risk. If we observe our daily life, then it can be explored that in an equal risky condition, people proceed and appreciate risk differently. In simple words, every individual varied in his readiness to take risk. An individual's financial risk tolerance stance is multidimensional issue so it is very hard to measure it. It is indefinable concept and idea that will persuade by different biasness (Trone, Allbright, and Taylor, 1996). Over the precedent decade the scholastic's society and financial service providers' positive appreciation about knowledge of financial risk taking ability is growing significantly. Is a person is using all type of available information while determining his risk taking mindset? Financial and economic experts having an extensive discussion on the behavior aspect of financial decision maker and said that all type of decision in financial matters are affected by the use of unemotional judgment (Kahneman, 2003). For giving proper and accurate financial advice it is very important to identify the risk tolerance level of that person appropriately, if they want to accomplish the rule of "know your client rule" (Van Wyk, 2011).

The issue of measuring risk tolerance of an individual leftover unsolved in the literature involves indicating multidimensional erratic that manipulates financial decisions. The main rationality of this empirical research is to carry forward the previous researchers' efforts to enhance the understanding of financial risk acceptance determinants. On the basis of different risk eagerness, an investor has different type of investment opportunities like gold, silver, currencies, real estate, bank deposit, government, private bonds, shares and stocks, mutual funds, insurance and derivatives. Main purpose of investor is to earn standard returns on savings however projected rate of return varied from personality to personality on the basis of his financial knowledge and risk taking attitude. Evaluating one's risk tolerance might be unpredictable. Individual should think about not just what large amount failure he can bear to take and additionally what large amount loss he will be able to acquire.

Lugovskyy and Grossman (2007) recommend that in many situations typecast and stereotypes have been used to identify and measure the level of risk tolerance of a finance client and this type of bias judgments will produce negative results. This article is an effort to explore risk tolerance ability measurement and test out risk tolerance measures developed internationally and their effectiveness to verify whether or not

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demographic factors recognized in the literature are relevant factors in clearing up risk tolerance. This research paper is ordered as follows: initially, center of attention is on risk tolerance ability, in Section 2 on various demographic aspects such as age, education, gender, marital status, occupation level and income level, in Section 3 potential factors of individual risk taking tendency sequentially to get a set of hypotheses for practical examination. In segment 4, we examine these hypotheses empirically with primary statistical data. Finally concludes the whole results.

Literature Review

Financial Risk Tolerance

Hallahan,,Faff and McKenzie, (2004) explicate that "...a person's attitude towards accepting risk..." is his financial risk taking ability. According to Irwin (1993), financial risk tolerance is the agreeableness of any person to hold in "behaviors in which the outcomes remain uncertain with the possibility of an identifiable negative outcome".

Universally a person having a high intensity of risk tolerance will act differently to the risky actions as compared to that person who has a low level of risk tolerance. Anyone who has a high level of risk taking ability might be probably in agreement to take superior disclosure to risk, take solitary responsibility of all kinds of losses, made a decision on small magnitude of information and have internal locus of control so need less external supervision (MacCrimmon & Wehrung, 1986). On the other hand a person with a low level of risk taking ability wants to take less likelihood of losses and requisites more quantity of information to make a desirable investment decision (MacCrimmon & Wehrung, 1986). Halek and Eisenhaeur (2001) had done an empirical research and used data on life insurance to measure comparative risk aversion coefficients and then look at the relativity of demographic factors with it. They found that there is an effect of demographic factors on risk taking ability but affect of gender is highly significant.

Demographic Variables

The definition of demographic factors is provided with a purpose to make clear that why these uniqueness are continuously used by financial managers and several researchers to be considerable in making differentiate between level of risk tolerance and why these are used as a significant mechanism when financial manager are doing background investigation.

Gender

According to the Estes and Hasseini (1988) if other leading factors are constant like age, education, knowledge, experience and asset holding, then in making financial decisions women has less self-confidence level. So it is general perception that women have a lesser amount of risk tolerance ability than males (Barsky, et al 1997: 550; Halek and Eisenhauer, 200). Powell and Ansic (1997), used computer-based research and conclude that women have a large extent of risk aversion level than males, in spite of the extent of knowledge, structure or rate. Empirically research of Strydom et al. (2009) where women and men have same educational level, conclude that males are willing to take high level of financial risk but research of Gumede (2009) shows that there is not any kind of difference in financial

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risk taking ability among men and women. Barber and Odean (2001) identify the reason why men are more financial risk love then women is overconfidence. As while making any kind of financial decision men have more self-assured than women.

Eagly (1995) carry out survey research from the general psychology literature and identify gender dissimilarity by actions, thoughts, cognition, choice making and individuality traits in relation to the decision making about risk. That research concluded that women are not much violent, less certain, more careful and hold lesser management power and problem solving qualities.

H_1: There is significant relationship between the individual's Gender and the Risk Taking Ability.

Age

Naturally, every person can suppose that financial risk tolerance will decrease as a person get grown-up because younger investor has a huge time to recover any type of financial losses. Younger investor will spend more time and effort to reimburse all the losses of portfolio investment (Al-Ajmi, 2008). Furthermore Yao et al. (2005) examined the consequence of race and culture on financial risk tolerance ability and explore that age is a permanent factor. Their study find out that normally there is decrease in risk taking ability by 2 % as every year increase in age of that investor, or financial decision maker.

As compare to this concept Wang and Hanna (1997) found that here is considerable relationship among age and risky assets so risk acceptance. Grable and Lytton (1999b) also verified that when a person become older then he became more risk tolerant but find out one more things that age is less significantly related to the variant in financial risk tolerance. Hanna et al. (2001) and Anbar and Eker (2010) concluded that age is less relate to increase or decrease in risk tolerance level. Al-Ajmi (2008) also found that there is imperative difference in different age groups but he also concluded that there is not a clear relationship between age and financial risk tolerance. When people grew older there investment experience increases so their willingness to take risk will increase respectively. But it contrast there is also evidence that there is decrease in cognitive ability of senior age group people (Fair, 1994).

H_2: There is significant relationship between the individual's Age and the Risk Taking Ability.

Marital Status

According to Barber and Odean (2001) research findings married have less ratio of risky assets in their portfolio as compare to unmarried who have more risk taking ability. So for determining risk tolerance marital status is important indicator as single investor is more risk aversion (Hallahan et. al, 2004). Hawley and Fujii (1994) concluded that household which are headed by men and married males had a lesser amount of liking for risk taking but at the same time unmarried have more fond to take risk. They

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also found that in contrast to single female and women heads, married women are less risk averse.

A married person have more amount of duties and have more dependents on him so as compare to single person he will take less financial risk tolerance. While investing in risky assets unmarried person have less social risk for example possibility of loss of self esteem (Roszkowski, Snelbecker and Leimberg, 1993). Vein, Hawley and Fujii (1994) done an empirical research scheduled figures since 1983 examination of consumer finances in that they ask question about priorities of respondents for taking financial risk tolerance. In comparison of single females married women preferred less riskiness.

Jiankoplos and Bernasek (1998) utilized the similar data and research out that with the increase in income level, single female as more ratio of risky asset in her portfolio as weigh against to single male and married couple.

H_3: There is significant relationship between the individual's Marital Status and the Risk Taking Ability.

Income

Income level is an important aspect to evaluate the risk tolerance of any person. They also conclude that households which lie in superior rich income group demonstrate a tendency of declining comparative risk aversion (Morin and Suarez, 1983).

Correspondingly, Grable and Lytton (1999b) provide evidence that there was a trend of above-average risk taking ability in high level of income group. As when the income level of any person increased then the proportion of risky asset will increase, whereas Hallahan et al. (2004) also proved that there present affirmative and significant affiliation among income level and risk tolerance. The research on comparative analysis conclude that high level of earner either they are males or household had more risk taking ability than females and low income households (Bashir, Uppal, Hanif, Yaseen, & Saraj, 2013).

Gumede (2009) used an extra complicated method to compute income effect, he find out that there is a association among level of income and risk taking ability but according to the statistical results the relationship is not so considerable. Furthermore according to the O'Neill (1996) improved level of earnings leads to amplified levels of risk tolerance. Because investment administrators had founded that increase in earnings is related to the entrance to additional instant property.

H_4: There is significant relationship between the individual's Level of Income and the Risk Taking Ability.

Education

Masters (1989) define education in the context of financial risk tolerance as; education is the formal level of education which is accomplished by any person. Several researches have showed that there is a clear and significant impact of education completed and risk taking ability of an individual. Education was vital interpreter of subjective financial risk tolerance and which respondent's lies in higher category of educational status had a proportion of risky asset in his portfolio (Chang et al., 2004).

On the basis of individuals educational rank and private investment information an financial manager can

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make categories of risk taking ability for example above and below-average and they can be highly differentiate from each other (Grable, & Lytton, 1999). Sung and Hanna (1996) initiated that there is consistent affiliation among risk tolerance and education and income rank. An individual is geared up to receive higher intensity of risk if he has attained a higher level of education.

H_5: There is significant relationship between the individual's Education Level and the Risk Taking Ability.

Occupation

By definition occupation is any action in which any person is involved for getting salary for example labor, surgeon, executive, lecturer, and managerial employees. Many investment administrators made conclusion that occupational category is best indicator of any investors risk taking ability, so high occupation category for instance industry director, attorney, etc. may be used as an classifying indicator of high level of risk tolerance (Roszkowski et al., 1993). So if other variable remains constant difference in occupation can be used to classify investors risk taking ability (Roszkowski et al., 1993). For instance it has been accepted from a long period of time both universally and in investment perspective that self-employed persons, salesmen, and people employed by non-government organizations relatively public organizations be likely to exhibit more risk tolerance. Schooley and Worden (1996) judged the willingness of household to take risk in portfolio investment, and quantify it as the fraction of risky assets to possessions. They found that the household which has female as chief has less proportion of risky asset to total wealth. According to Prince's (1993) research result, female students were not taking interest and they were less willing to study finance related subject matter and they fell uncertainty and unsure in these type of decision.

H_6: There is significant relationship between the individual's Occupation and the Risk Taking Ability.

Problem Statement and Research Objectives

The intention of conducting this research was to find out that either the demographic factors like gender, age, marital status, occupation, income level and education level might be utilize to identify and discriminate the level of risk tolerance among different financial decision makers. In modern era, investment administrators and researchers are taking improved interest in indulgent about investor risk tolerance. It is obvious from the former literature review that if an investment manager wants to attain most favorable investment portfolio then he must first understand an individual's financial risk tolerance level.

Theoretical Frame Work

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Figure 1: Proposed Conceptual Model of the study

Methodology

Sample

Random sample from 110 respondents were collected for this research purpose. In this survey 45% are male and 55% are female respondents. Whereas 63% respondents are the age of below 25 and 77% are single. Approximately 70% held a graduate and post graduate educational status. There are 72% respondents which have income level below Rs. 20,000 with standard deviation of 0.71.

Data Collection Tools

The questionnaire of 12 Questions was developed for collecting data for this research paper. In first section this questionnaire contains 6 questions about demographics to get information about gender, age, education level, marital status, occupational status and income level. Into the subsequent segment 6 questions were made to measure the risk tolerance of respondents. All respondents were requested to point out degree of respondents risk tolerance by pointing a numeral on the rating scale in the questionnaire, intended for every item.

Data Analysis

A Compare means ANOVA F-test were used for analysis purpose and several descriptive statistics technique like, mean and standard deviation used to inspect the relationship between independent and dependent variable which was financial risk tolerance.

First of all for variables were tested by ANOVA test to measure the significant level of demographic factors with risk tolerance. This test was recurring until each demographic variable is used as independent variable. SPSS was used as analysis software and significant level was 0.05. If the relationship level is highly significant then another POST HOC TUKEY test was applied on one variable for deep analysis

and identifies which category is different with in a demographic variable.

Reliability Analysis Test

Reliability analysis is used to measure the degree of consistency among questions which are used to measure a factor or variable. When the value of Cronbach alpha is closer to 1 then questions are more vibrant. Reliability Statistics test shows that result of reliability test. The Cronbach's alpha of the 6 questions which exist to evaluate the financial risk tolerance based on SPSS outcome is 0.768, and that is up to the standard amount for dynamicity of these questions.

Empirical Analysis and Results

Table 1: Sample Descriptive Statistics

Characteristics		**No. of Respondents**	**Percentage**	**Mean**	**Std. Deviation**
Total No. of Respondents		**110**	**100**		
Gender	Male	50	45.5	3.42	0.87
	Female	60	54.5	3.70	0.71
	Total	**110**	**100.0**	**3.57**	**0.79**
Age	Below 25 y	69	62.7	3.54	0.66
	26-35y	25	22.7	3.55	0.95
	36-45y	9	8.2	3.72	0.99
	46-55y	4	3.6	3.33	1.34
	above 56	3	2.7	4.39	0.77
	Total	**110**	**100.0**	**3.57**	**0.79**
Educational status	Middle	10	9.1	3.83	1.16
	Matriculation	4	3.6	3.08	1.08
	Intermediate	18	16.4	3.64	0.78
	Graduate	28	25.5	3.58	0.68
	Post Graduate	50	45.5	3.53	0.76
	Total	**110**	**100.0**	**3.57**	**0.79**

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Occupational Status	Student	65	59.1	3.49	0.68
	Working Professionals	21	19.1	3.68	0.84
	Businessman	12	10.9	2.97	0.92
	Housewife	10	9.1	4.50	0.31
	Retired	2	1.8	3.92	0.59
	Total	**110**	**100.0**	**3.57**	**0.79**
Income Level	Below 20,000	80	72.7	3.61	0.71
	20,000-30,000	14	12.7	3.76	0.89
	30,000-40,000	7	6.4	3.33	1.12
	40,000-50,000	2	1.8	2.67	0.00
	Above 50,000	7	6.4	3.21	1.10
	Total	**110**	**100.0**	**3.57**	**0.79**
Marital Status	single	77	70.0	3.48	0.71
	Married	27	24.5	3.66	0.93
	Divorced	3	2.7	4.06	1.11
	widow	3	2.7	4.61	0.38
	Total	**110**	**100.0**	**3.57**	**0.79**

Source: Primary Data collected from the questionnaire

Gender and Financial Risk

ANOVA: Table 2: Financial_Risk_Tolerance and Gender

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	2.046	1	2.046	3.335	.071
Within Groups	66.261	108	.614		
Total	68.307	109			

The first hypothesis was empirically tested to check either there is distinction between the capacity of risk tolerance of different gender (male and female). According to the statistical result there is less significant relationship between gender and risk taking ability. As we can see in table 2 that significance level is .071, which is closer to 0.05 standard significant levels. So gender is not a very imperative variable to identify the risk tolerance level of any individual in Pakistan. But in table 1 mean tolerance of men is 3.42 and female 3.7 mean, which indicates that female has less risk tolerance then men but this difference is very negligible.

AGE AND FINANCIAL RISK:

ANOVA: Table 3: Financial_Risk_Tolerance and Age

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	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	2.518	4	.630	1.005	.409
Within Groups	65.789	105	.627		
Total	68.307	109			

In table 3 Statistical result shows significant level or p value of .409 between age of respondents and financial risk tolerance. These results imply that there is not a significant relationship between independent and dependent variable. So we will reject our second hypothesis. These results may happen due to small records in some of the classes, as from table 1we can see that only 9 respondents were considered which have age between 36-45 years. Out of total 110 respondents only 4 respondents have age between 46-55 years and 3 are above the age of 56. But according table1 the mean results above 56 years individual are low risk tolerance. Consequently we can say that as the age increase there is decrease is risk taking ability.

Marital Status and Financial Risk Tolerance

ANOVA: Table 4: Financial_Risk_Tolerance and Marital Status

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	4.766	3	1.589	2.650	.053
Within Groups	63.541	106	.599		
Total	68.307	109			

The marital status variable was discovered to be less significant at the five percent level with a p value equivalent to 0.053. This outcome recommended that over the marital status classifications of being single, married, divorced and widow there was distinction in risk tolerance levels conversely, a larger sample might demonstrate otherwise due to the reality that the *p* value was slightly greater than standard level. In light of this one can't dismiss the invalid theory that marital status has no impact on risk tolerance.

Income Level and Financial Risk Tolerance

ANOVA: Table 5: Financial_Risk_Tolerance and Income Level

	Sum of Squares	df	Mean Square	F	Sig.

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Between Groups	3.584	4	.896	1.453	.222
Within Groups	64.723	105	.616		
Total	68.307	109			

The result of ANOVA regarding the association among financial risk tolerance and income level shows that there is insignificant relationship between them. From above table we can see that p value is .222 which is not acceptable. Then this also demonstrates that income level of any person cannot be used to identify the tolerance level of any person. While as shown in table 1 persons who have income of Rs. 40,000-50,000 has high level of risk taking ability then the other classes of this variable. Other remaining classes have same risk tolerance.

Educational Level and Financial Risk Tolerance

ANOVA: Table 6: Financial_Risk_Tolerance and Educational Level

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	1.794	4	.449	.708	.588
Within Groups	66.513	105	.633		
Total	68.307	109			

ANOVA test was exercised to check the connection among educational level and financial risk tolerance. It was sought out from result that fifth hypothesis is rejected as the value of p value is .588 which is not acceptable. On the basis of this we can say that educational level is not a suitable measure to check the risk tolerance level of individual and there is no difference among different education level people. These results propose that additional follow a line of investigation interested in the association among educational level and risk tolerance is necessary.

Occupational Status and Financial Risk Tolerance

ANOVA: Table 7: Financial_Risk_Tolerance and Occupational Status

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	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	13.809	4	3.452	6.652	.000
Within Groups	54.498	105	.519		
Total	68.307	109			

TABLE 8: Financial_Risk_Tolerance Tukey Hsd

(I) Occupational Status	(J) Occupational Status	Mean Difference (I-J)	Std. Error	Sig.
Student	Working Professionals	-.18767	.18083	.837
	Businessman	.52265	.22636	.150
	Housewife	-1.00513*	.24472	.001
	Retired	-.42179	.51720	.925
Working Professionals	Student	.18767	.18083	.837
	Businessman	.71032	.26071	.057
	Housewife	-.81746*	.27680	.031
	Retired	-.23413	.53313	.992
Businessman	Student	-.52265	.22636	.150
	Working Professionals	-.71032	.26071	.057
	Housewife	-1.52778*	.30847	.000
	Retired	-.94444	.55024	.428
Housewife	Student	1.00513*	.24472	.001
	Working Professionals	.81746*	.27680	.031
	Businessman	1.52778*	.30847	.000
	Retired	.58333	.55805	.834
Retired	Student	.42179	.51720	.925
	Working Professionals	.23413	.53313	.992
	Businessman	.94444	.55024	.428
	Housewife	-.58333	.55805	.834

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ANOVA Results proves that there present a considerable effect of occupational position on financial risk tolerance. As table 7 shows that p value is .000 which is highly significant. So the 6th hypothesis is accepted according to the findings of research. Then we applied Tukey test to check the difference in risk taking ability of different categories of occupational status.

First when student status is compared with other categories then its mean difference form housewife was -1.00513, that is highest difference from all classes. This difference can also see by sig. column as .001 p value shows that student's financial risk tolerance level is highly significant different form housewife's risk tolerance level. Moreover we can also see from table 8 that housewife's risk tolerance level is significantly different from working professionals, businessman and retired individual's risk tolerance level. That's why occupational status is highly significant demographic variable which have an impact on risk taking ability.

Conclusion and Further Research Recommendations

For managing financial wealth or portfolio of any person it is very necessary to identify the financial risk tolerance of that person. But unfortunately this side is given less value by the financial managers. This empirical research represents how demographic variables have impact on risk taking ability and provides precious imminent and understanding that how that individuals of Pakistan make their decision which are related to finance. These results will help and provide guidance to financial managers that how to predict tolerance level of individuals and give appropriate suggestion to them. McCrae and Gerace (2006), emphasis that all financial advisors must gather trustworthy, significant and applicable information about investors to judge their risk tolerance attitude, and not make their judgment based on heuristics. Because there is possibility that financial manager can categorize incorrectly and even that investor himself not knows his risk appetite.

Results from the range of investigation carry out in this research provide additional facts that an individual's demographic distinctiveness plays a central role in identifying their risk tolerance levels. Gender, Marital status and occupational status, were found to have a major impact in determining an individual's risk tolerance. But the most informative result is that education, age and income level were not found to have a significant manipulation on financial risk tolerance. It was concluded that female are more risk averse and avoids risk taking then man. At the same time it was also accomplished that women who are married are willing to take more risk than unmarried, divorced and widow women. Occupational status has great impact on the risk taking ability of individual. Housewife has least risk tolerance ability because they have no proper mean of earning they depend fully on their husband for all financial decision.

As a final point we can conclude that demographic factors demonstrate a bit about a person's risk tolerance. If we want to make categories of individuals on the basic of their ability to take risk then these factors are imperfect system and process. They just offer a starting point to judge risk taking ability of

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your customer to whom you are giving financial advice. According to the findings of this study identify risk tolerance level is very complex and difficult process and by identifying it only by using these demographic factors will be erroneous.

Further study is required to find out that factors which will provide more clear representation of risk taking ability of individual in context of demographic factors to the financial advisor. Additional factors like expectations, culture, activities, thoughts, liking, family background socio-economic distinctiveness, and financial steadiness needed more consideration by researchers as demographic variables. Make more categorize of demographic variables like age gender, educational level to accomplish a more comprehensive research. Researchers can replicate this research by classifying risk tolerance in different categories and determine which factors are more considerable.

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Languages in Danger of Death – And their Relation with Globalization, Business and Economy

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Abstract

It is the age of globalization referring increasing interconnectedness and interdependence of the modern world. The flow of money and information has become quicker than ever across countries. Goods and services produced in one part of the world are increasingly available in all parts of the world. In this era of globalization many languages are dying and some are suffering from danger of death. Linguists are very anxious about endangerment of languages, who, think that, the smaller languages of the world are dying due to the standardization created by the modern state and the corporate sector. If languages are lost, we lose our identity and when any community loses its language, at the same time it often loses a great deal of its cultural identity. With death of language its knowledge, experiences, traditions, are also lost. This article is dedicated to discuss, languages endangerment, its causes, consequences and its relationship with globalization and internationalization, of business, economy and communication facilities.

Introduction

According to Xiulan (2007) in the current times' age of globalization refers the increasing interconnectedness and interdependence of the modern world. Through increased international communication and travel people are more connected to each other than ever before around the globe. The flow of money and information has become quicker than ever across countries. Goods and services

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produced in one part of the world are increasingly available in all parts of the world. This phenomenon has been named 'globalization. But Extinction of a substantial proportion of languages of the world is one of the main linguistic issues in the 21st century the world is facing. The social, economic, cultural, and technological, trends of globalization seem to contribute towards the endangerment of languages. Cultural and linguistic homogenization demand of the 'free market' ideology of globalization appears to lead the extinction of minority languages around the world. Throughout the world some six thousand languages are spoken today, and not in the so distant past this number was probably higher because many languages due to various reasons, including globalization, have become extinct. Extinction process all over the world is still going on so the threat to linguistic resources is now recognized as a worldwide crisis. Nearly 60 percent of world languages are already endangered. Xiulan (2007) quoting Krauss (1992), Hale (1998), Woodbury (1998) and (Nettle & Romaine, 2000) expressed the belief that out of the 6000 plus present languages only 600 are fully secure and the languages with fewer than 10,000 speakers are probably at risk, which are 53% in Asia, 77% in South America, 78% in North America, and 9.5% in Australia/Pacific.

Tariq Rahman (n.d) after excursion of recent literature about languages mentioned the consciousness of linguists about endangerment of languages who think that, the smaller languages of the world are dying due to the standardization created by the modern state and the corporate sector. Either the speakers of a language die or, they shift voluntarily to a powerful language for their survival but as members of another human group rather than their own. These threatened languages can be saved merely from extinction 'by following careful strategies that focus on priorities and on strong linkages to them, and only if linguistic competence, the true complexity of local human identity and global interdependence are fully recognized.

Importance of Language

Highlighting the importance of language Moore (1999) quoted as:

Language is the soul of the people;
Language is the mind of the people
Language is the spirit of the people

Skutnabb-Kangas (2004) also expressing the importance of language quoted two remarks of an anonymous philosopher as:

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Grandmothers and Grandfathers
Thank you for our language
that you have saved for us.
It is now our turn to save it
for the ones who are not yet born.
And
"As long as we have the language, we have the culture.
As long as we have the culture, we can hold on to the land."
Skutnabb-Kangas (2004)

Ross (2004) asserted (quoting Joan Oro 1998; Hanks 1996; Bakhtin 1986 and Garrett & Lopez 2002) that spoken language is the most intimate expression of the identity and personality of the people. Language is also the clearest expression of knowledge, wisdom, freedom and culture of the peoples and of their creative spirit. Language helps in building the peoples' collective consciousness and to reflect on it. The linguistic environment broadly expressed:

> Socialization is the process through which people acquire the knowledge, orientations and practices enabling them to participate effectively and appropriately in the society. Language is fundamental to this process being, "the primary symbolic medium through which cultural knowledge is communicated and instantiated, negotiated and contested, reproduced and transformed". This knowledge and practice allows one to function and to be regarded by others as a competent member of a community. However, language is not an autonomous system but responsive and receptive to changes in society and penetrated by outside influences historically and politically.

Kadel (2010) expressed the importance of language in the words of Prof. Ekkehard Wolff, 2006 as:

"Language is not everything in education, but without language, everything is nothing in education." These words highlight the importance of language for education, and all of us know the importance of education very well.

Because of extreme need of language for mankind thousands of languages have been invented.

Berlin (2000) reported that people speaking a language among the many feel that there is an integral link between their language and culture and believe that their culture is expressed through their own language and cannot be adequately represented by any other language.

Xiulan (2007) summing up (from literature) the arguments advanced for protecting minority

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languages around the world highlighted the importance of languages as: Language is a valuable resource and carrier of the knowledge and experiences accumulated by a group or a nation, throughout history. It also builds ambition, conveys the core values of the community and spurns invention essential to strengthening the peoples' aspirations. Structures of language provide a means of perceiving the world of which the speakers are unaware. With disappears, of a language there is likely to be a serious loss of cultural legacy and inherited knowledge to the nation and to the world as well. Language is also an essential element of identity of a person and inseparable from his identity as a speaker of that language and that should be respected.

Orekan (2011) asserted (referring some studies) that one learns and continues to perform the functions of "thinking, counting and dreaming" only in one's primary language. Language is very closely related to mind because one thinks and conceptualizes, by means of language and without language normally no one can think. It emphasizes the psychological importance of language to humans particularly the mother tongue, the language, which the child first learns. Mother tongue also makes the orientation in the cultural environment. Considering language culture close relation is an expression of the common cultural experience of this language, speaking members of the community, which highlights the socio-cultural value of language to mankind.

Languages in the World

Woodbury (n.d) revealed that most linguists agree that there are well over 5,000 languages in the world. According to one count in the year 1996, there were 6,703 separate languages spoken in the world. Of these, spoken in the Asia were 2165 in Americas 1000, in Africa 2011, in the Pacific, including Australia, 1320 and in Europe 225. These numbers should be taken with a grain of salt, because our information about many languages is scant or outdated, and it is hard to draw the line between languages and dialects.

According to Gorter (n.d.) and Baart (2003) though it is difficult to determine in the world the exact number of languages but an estimate is of almost 5,000 to 7,000 languages spoken in the world. Languages in fact are not isolated entities and between them in many cases there are no clear boundaries, rather it is a continuum extending along a geographical area.
Gorter (n.d.) gave following continent-wise languages distribution.

Distribution of languages by area of origin www.ethnologue.com

Continent	Languages	
	Count	**Percent**
Africa	2,092	30.3
Americas	1,002	14.5

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Asia	2,269	32.8
Europe	239	3.5
Pacific	1,310	19.0
Totals	**6,912**	**100.0**

Threats to Languages (Marginalization of Languages)

Tariq Rahman (n.d.) in his paper "Language Policy and Localization in Pakistan: Proposal for a Paradigmatic Shift" wrote with grouse that for localization only those languages have been selected which are used in the domains of power---government, military, judiciary, bureaucracy, media, commerce, education, research etc---thus further strengthening them vis a vis the marginalized languages of the people. Therefore it is argued that the efforts at localization should be rights-based i.e. all language communities should be considered equal and their languages should be localized because they too should be strengthened by being put to such use and not because of their present use in the domains of power.

Gorter (n.d.) expressed that in the world today linguistic diversity is an issue of increasing social importance because a majority of all living languages are threatened in their continued existence.

Xiulan (2007) also reported that linguistic and cultural diversity embodies Linguistic Human Rights (LHR). The overwhelming majority of endangered languages are an indictment of the history of injustice towards minorities and their languages. Owing to urbanization deficient education programs and unequal distribution of access to literacy and language study for minority languages ends with unfair competition in the globalised 'linguistic market'. Minority cultures and languages are stigmatized for being backward, narrow, inferior and traditional. They are marginalized, deprived of resources for their development and use.

Language Endangerment (What is meant by a Language in Danger?)

Woodbury (n.d) disclosed that an endangered language is one that in the near future is likely to become extinct. Many languages are falling out of use and being replaced by others languages more widely used in the region or nation, such as Spanish in Mexico or English in the U.S. And unless current trends are reversed, these endangered languages will become extinct within the next century. Many other languages are no longer being learned by new adult speakers or by new generations of children; so when their last speaker will die these languages will become extinct. In fact, today dozens of languages have only one native speaker still living and with death of that person the language will extinct: It will no longer be spoken, or known, by anyone.

Xiulan (2007) revealed that one of the main linguistic issues the world is facing in the 21st century

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is the extinction of a substantial proportion of the languages of the world. The economic, cultural, technological, and social trends of globalization seem to contribute towards the endangerment of languages.

Baart (2003) in a research paper about Pakistan narrated that the disappearance of many indigenous languages and the spread of a few dominant languages is a worldwide phenomenon. According to the Ethnologue, near to 7,000 languages are spoken currently in the world. As per estimate of optimists, 50 percent languages of the world will become extinct in this century while estimates of other, more pessimist say that 75 to 90 percent languages will die during this century. Baart (2003) warned in the words that all around the world, indigenous cultures and languages are disappearing at an alarming rate. According to ethnologue, there are some seventy different languages in Pakistan and many of them can be further divided into various distinct dialects. In Pakistan, too, the future viability of many of these unique language varieties is seriously endangered. A few of these are already on the verge of extinction and others are very much subject to the modernization-related language attrition processes. Therefore it is a real possibility that the number of living languages in Pakistan will be reduced significantly during this century.

Degrees of Endangerment

Woodbury (n.d) revealed that if it is no longer being learned by children the fate of a language could be changed in a single generation. For example in Alaska among Yupik Eskimo communities, just 20 years ago all of the children spoke Yupik language but today the youngest speakers of Yupik in some of these communities are in their 20s, and their children speak only English. Similarly, Scots Gaelic language was spoken on Cape Breton Island, Nova Scotia, until the 1940s, but by the 1970s the language was no longer being learned by children. Some languages have declined much more slowly, for example Iroquoian languages like Onondaga and Mohawk, spoken in upstate New York and adjacent parts of Canada, have been declining for over two centuries but they are still spoken by older adults and, in the case of Mohawk, some younger people as well.

Moseley (2012) classified language endangerment in following degrees in terms of generations of users.

Safe

A language is safe if it is spoken by all generations, and its, intergenerational transmission is uninterrupted.

Stable yet Threatened

If all the generations speak any language in most contexts with unbroken transmission although multilingualism in the native language and one or more dominant languages has taken over certain contexts the language is at the stage of stable yet threatened.

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Vulnerable

If most children or families of a particular community speak their parental language as a first language, even if only in the home then language is vulnerable.

Definitely Endangered

If the youngest speakers of a language are of the parental generation and it is no longer learned as the mother tongue or taught in the home.

Severely Endangered

If only the grandparents and older generations speak the language and the parental generation may still understand it but will not pass it on to their children.

Critically Endangered

If the youngest speakers of any language are of the great-grandparents' generation, and the language is not used every day. These older people may only partially remember it and have no partners for communication.

Extinct

If no one speaks or remembers the language and it has fallen out of use in the past sixty years,

Matter of Concern (How many languages are endangered?)

Woodbury (n.d) revealed that according to one count in the year 1996, there were 6,703 separate languages spoken in the world. However, many of these languages a century from now may be extinct. Some linguists believe that the number of languages may decrease by half and some are of the view that the total number of languages could fall to mere hundreds as the majority of the languages of world, most spoken by a few thousand people or less would give way to languages like English, Russian, Spanish, Indonesian, Portuguese, Mandarin Chinese, Hindi Arabic, and Swahili. By some estimates, 90% languages of the world may vanish within the next century.

About Americas Woodbury (n.d) reported that (according to a recent survey) in North America only 194 languages remain out of hundreds, once spoken languages. Of these, 33 are spoken by both adults and children; another 34 are spoken by adults, but by few children; 73 are spoken almost entirely by adults over 50; 49 are spoken only by a few people, mostly over 70; and 5 may have already become

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extinct.

Tariq Rahman (n.d.) narrated that three excellent books on language death were published in the year 2000. These books were: 'Language Death' by David Crystal; Vanishing Voices and Tove by Daniel Nettle and Suzanne Romaine and Linguistic Genocide in Education or Worldwide Diversity and Human Rights by Skutnabb-Kangas, which made linguists conscious that, with the standardization created by the corporate sector and the modern state, the smaller languages of the world are dying. Either the speakers die or, they voluntarily shift to a powerful language which helps them survive but as members of another human group rather than their own.

Xiulan (2007) asserted that throughout the world, some six thousand languages are spoken today. In the not so distant past this number was probably higher, but many languages have become extinct due to various reasons, including globalization and the process of extinction is still going on all over the world. The threat to linguistic resources is now recognized as a worldwide crisis. Xiulan (2007) also wrote (referring Hale, 1998; Woodbury, 1998 and Krauss, 1992) that out of 6000 plus present languages, only 600 are fully secure. A language with fewer than 10,000 speakers is probably at risk so nearly 60 percent of world languages are already in danger. The Percentage of languages with fewer than 10,000 speakers which are 53% in Asia, 77% in South America, 78% in North America, and (9.5% in Australia/Pacific are in danger.

Daniel (2003) highlighted that at least 10 languages disappear every year. Of the 6,000 languages currently spoken in the world, about half are threatened. Languages have always been disappearing and since human beings started speaking at least 30,000 are thought to have disappeared. Only a few – such as Chinese, Greek, Hebrew and Sanskrit have lasted more than 2,000 years. A survey conducted by Summer Institute of Linguistics of the University of North Dakota, in the United States, in 1999 showed that more than 3,000 languages are each, spoken by fewer than 10,000 people. Linguists are of the view that a language is in danger when number of its speakers is fewer than 100,000.

About Pakistan Baart (2003) stated that as per ethnologue around 70 languages are spoken in Pakistan and a few of these are on the verge of extinction and it is a real possibility that the number of living languages will be significantly reduced during this century.

Simons & Lewis (2013) revealed quoting the great linguistic Krauss (1992), who using the best available sources, surveyed the global situation and estimated that in the long term only 10% of languages seem safe, up to 50% may already be moribund, and remainder are in the danger of becoming moribund by the end of this century. Now after twenty years better information is available and the information from the latest edition of the *Ethnologue* (2013) to offer an update to the global statistics on language viability, specifically the data from the EGIDS or Expanded Graded Intergenerational Disruption Scale. More than 75% of the languages that were in use in Australia, Canada, and the United States, in 1950 are now extinct or moribund. Overall 19% of the living languages of the world are those to which, children

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no longer learn.

Tariq Rahman (n.d) presenting his feelings about plight of endangered languages and their speakers that specifically about Urdu the national language of Pakistan asserted that there are many literary works in Urdu and other languages---not to mention one's own observation---showing how embarrassed are the poor by their food, their clothes, their houses, their means of transportation and, of course, their languages. In short, the reality constructed by the rich and the poor alike conspires to degrade, embarrass and oppress the less powerful the less gifted the less affluent of the human race. This relates to language-shame---being embarrassed about one's language---and hence to possible language death.

About smaller languages of Pakistan Tariq Rahman (n.d) is of opinion that these smaller languages of Pakistan are under threat and any policy, which can help them cope with the dangers of internal linguistic pressure and globalization should be welcome. Tariq Rahman (n.d)

Causes of Death of a Language

Languages researchers are of the opinion that preventive laws, colonial conquests and genocide, urbanization, standardization created by the corporate sector and the modern state, death of speakers, nationalism (some times in the form of rise of nation-states) and globalization, internationalization of world financial markets and the growth of electronic communication are causes of extinction of languages.

Xiulan (2007) wrote that language loss in the development of society and language is a natural phenomenon. Nationalism is one of the main reasons why small groups come to be conceived as minorities. Nation building and nationalism often favor linguistic assimilation to make sure that every member of a community is able to use the dominant language, which results in asserting the superiority and transferring prestige to, dominant language. Despite their political ideology, all nation-states have persecuted minorities in the past, and many today are continuously doing so through the policies designed to assimilate indigenous people into the dominant culture. In extreme cases, linguistic minorities are given little or no rights.

Bianco (2009) also expressed that Europeans to some extent, have overcome a historic tendency of nation states towards mono-lingualism; however, there are also pressures towards English-only efficiency thinking in the European Union.

Xiulan (2007) referring many studies (Maurais & Morris, 2003; Maurais, 2003) comprehended that globalization around the world is accelerating extinction of minority languages. Now in a globalizing world than in a less technologically advanced world competition between languages is considerably more

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fluid and languages are more susceptible to change, hence a number of languages will disappear much more quickly than before. Emergence of new types of media, such as: radio, internet and television satellites force languages to adopt technical norms for facilitating the transfer of computerized data. Standardization of new information technologies make most minority languages excluded de facto from the 'World Wide Web', thus new technologies could have consequences for the destiny of many world languages, because for the software giants they do not represent sufficiently profitable markets.
Global economic influences are prompting the young to leave isolated villages for the urban area in search of better lives. Thus for the sake of social mobility the native cultures and languages will be abandoned. The age of globalization confers privilege upon those prestigious language speakers by inevitably elevating the widespread languages over others. Nowadays, generally the more and more tightly integrated world favors the spread of English, a strong language accepted and used as the medium of international communication and also being accused of threatening the existence of other languages. Similarly the French Spain, Norway, and several other states' authorities are being accused of suppressing minority languages within their borders as well. In the age of globalization the future of the major languages of the world is at stake, including officially recognized by governments or sub-national regions, the 100 or so tongues such as the constitutional languages of India and the languages of the Russian nationalities. Most of the thousands of sometimes struggling minority languages are in danger of extinction. Xiulan (2007) also asserted that the economic, cultural, social, and technological trends of globalization seem to contribute towards the languages endangerment because the 'free market' ideology of globalization demands cultural and linguistic homogenization around the world, which causes the death/extinction of minority languages.

Daniel (2003) has also endorsed it by writing that more recently, the growth of electronic communication and the internationalization of world financial markets have further speeded up the process. Just one example: English is spoken by less than 20 per cent of the world's people, but 68 per cent of the Internet's web-pages are in English.

Tariq Rahman (n.d.) expressed that smaller languages of the world are dying, with the standardization created by the corporate sector and the modern state. Either the speakers die or, they voluntarily shift to a powerful language which helps them survive but as members of another human group rather than their own.

Daniel (2003) about dying languages stated that what is new, though, is how fast languages are dying off nowadays. Colonial conquests are estimated to have disposed of 15 per cent of the languages of the time, and from the 19th century with the rise of nation-states territorial unity has been partly based on a shared language.

Xiulan (2007) is of the opinion that all the world languages do not have the same vigor or the

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same function, the same prospect. Fewer than 4 per cent of the languages of the world have any kind of official status in the countries where they are spoken, while most languages are restricted to local community and home functions and spoken by very small groups of people, are unwritten, and officially not recognized. The future of a vast majority of languages is in doubt, and more and more efforts are being made to document, describe or even preserve them. Languages, also like some animals, can be regarded as endangered species.

Simons & Lewis (2013) accounted that more than 75% of the languages that were in use in Australia, Canada, and the United States, in 1950 are now extinct or moribund but less than 10% of languages are extinct or moribund in sub-Saharan Africa. Overall 19 percent of the living languages in the world are to which children are not learning. It is hypothesize that these outcomes of radically different language endangerment in different parts of the world are explained by observations concerning the effects of settlement colonization versus exploitation colonization on language ecologies. It is also speculated that like settlement colonization, urbanization may also have effects and may thus pose the next great threat to minority languages.

Woodbury (n.d) revealed that one cause of language extinction is outright genocide. For example, when European invaders in the early 19th century exterminated the Tasmanians, an unknown number of languages died as well. Languages however often become extinct when a community finds itself under pressure to integrate with more powerful or a larger group. Sometimes the people learn the language of outsiders in addition to their own, which happened in Greenland, a territory of Denmark, where Kalaallisut is learned alongside Danish. But often the community is pressured to give up its language and even its cultural and ethnic identity. It happened with ethnic Kurds in Turkey, who are forbidden by law to formally teach or print their language. It has also been the case for younger speakers of Native American languages who, were punished for speaking their native languages at boarding schools as recently as 1960s.

Weinreich (2008) squeezing from (Zoller 2005; Lorimer 1937) asserted about saving languages from the encroachment of other languages specifically in Pakistan that in Northern Pakistan language shift is by no means a recent phenomenon. For example, Pashto language has spread in areas of Swat and Bajaur and in most of the adjoining valleys since the Pashtun invasion of Swat and Bajaur in the 15th century on the expense of other languages. By going even further back in time and considering the evidence of place names to be found all over the Karakoram area, which suggest that a large part of the territory long since covered by Shina and Indus Kohistani languages must once have been Burushaski-speaking.

Magga et al (2004) revealed that there are only 300-600 oral languages are out of threat, to which parent generation transmit to their children; these are probably languages having speakers more than one million, and a few others. Most of the disappearing languages in the world will be indigenous languages,

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and most indigenous languages in the world would disappear according to these estimates. Education is one of the most important direct causal factors in this disappearance - behind it are of course the economic, social, political and techno-military forces of the world.

Consequences (Effects) of Death of a Language

Berlin (2000) squeezing from many studies showing worries about languages extinction expressed that when a language dies, much more is lost than the language itself.

Daniel (2003) highlighted that if nothing is done, half of the languages spoken today will vanish over the century. This is all the more, serious, because when the last speaker of a language dies, it is very hard to revive it.

Coleman (2010) reporting the proceeding of a conference asserted that use of the mother tongue contributes to the maintenance of languages whose survival might otherwise be threatened. 'If languages are lost, we lose our identity' and 'If language death occurs, the speakers' self - respect is tarnished.'

Woodbury (n.d) expressed that when any community loses its language, at the same time it often loses a great deal of its cultural identity. Loss of language always involves pressure of some kind, which is often felt as a symbol of defeat or as a loss of social identity, but it doesn't mean that social identity of a group is always lost when its language is lost; for example, both the Chumash in California and the Manx on the Isle of Man have lost their native languages, but not their identity as Chumash or Manx. However language is a powerful symbol of identity of a group because, much of the spiritual, cultural, and intellectual life of people is experienced through language which, ranges from ceremonies, myths, prayers, poetry, oratory, and technical vocabulary to everyday greetings, conversational styles, leave takings, humor, ways of speaking to children, and terms for habits, emotions and behaviors. With loss of a language, all of this must be refashioned in the new language, with different sounds, words, and grammar, if it is to be kept at all. Frequently traditions are abruptly lost in the process and replaced by the cultural habits of the more powerful group. It is often very important to the community itself that its language may survive. When a language disappears much is lost from a scientific point of view as well. A history of people is passed down through its language, so when the language disappears, it may take with it important information about the early history of the community. The loss of human languages also severely limits what linguists can learn about human cognition. By studying what all of the languages of world have in common, can be found out what is and isn't possible in a human language. This in turn tells important things about the human mind and how it is that children are able to learn a complex system like language so quickly and easily. The fewer languages there are to study, the less we will be able to learn about the human mind.

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Xiulan (2007) argued that a language loss is the permanent, irrevocable loss of a certain vision of the world, comparable to the loss of an animal or a plant. Traditional knowledge even after loss of a native language may indeed linger but its diversity and richness cannot survive even one generation of language loss. With disappears, of a language there is likely to be a serious loss of inherited knowledge and cultural legacy to the nation and to the world as well. Commenting on the decrease in the use of a language Xiulan (2007) asserted that one consequence of declining use of a language is a loss in its complexity and richness of expression.

Remedial Measures to Save a Language (Revival of Languages)

Woodbury (n.d) expressed that because of danger of disappearance of so many languages linguists are trying to learn about then as much about them as possible, so that even if the language disappears, all knowledge of the language won't disappear at the same time. Researchers are making audiotapes, videotapes, and written records of languages use along with translations in both formal and informal settings.

Tariq Rahman (n.d.) quoting Fishman (2001) asserted that dying languages can only be saved 'by following careful strategies of focusing on priorities and on strong linkages to them, and only if the true complexity of local human identity, linguistic competence and global interdependence are fully recognized'.

About languages in danger Daniel (2003) asserted that only a determined effort, such as that made in Japan to preserve the Ainu language, which was spoken by only eight people on Hokkaido Island in the late 1980s, can save them. Daniel (2003) further stated that the UNESCO Universal Declaration on Cultural Diversity attaches great importance to languages. Several of them, such as the tongue spoken by the Garifuna people of Belize, have since been put on UNESCO's list of Masterpieces of the Oral and Intangible Heritage of Humanity, started in 2001.

Xiulan (2007) expressed that languages constitute an irreplaceable resource for understanding the work of the human brain and provide information about the way the human brain processes thoughts. Thus, preserving the thousands of currently existing human languages may help scholars to understand working of language. To train future generations of students in linguistic analysis and to perfect their theories of language structure, linguists need to study as many different languages as possible. 'If every linguistic system finds a slightly different way for individuals to communicate, conceptualize, reason, be expressive and so on, then the loss of one way takes away a building block that might allow to understand the process more clearly'. Freedom to name the people is one of the essential human rights. Linguistic, cultural, and other human rights should act as a strong corrective to the market economy. LHR are situated both on an individual and collective level, supporting free identification with

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the mother tongue and allowing a group to exist and to reproduce its language and culture. They are 'necessary rights' to maintain linguistic and cultural diversity. Human rights are guarantees of cultural and linguistic diversity. The defence of cultural diversity is an ethical imperative, inseparable from respect for human dignity. It implies a commitment to human rights and fundamental freedoms, in particular the rights of persons belonging to indigenous peoples and those of minorities. Multilingualism is a personal and cultural fortune, and it is necessary for the protection of human rights in many countries. Maintenance programs will become natural human rights only when the educational authorities and state stop being a problem by looking at minorities as if they were the problem. Freedom of thought is essential for linguistic diversity and the survival of modern people. Linguistic Human Rights support the existence of minority languages and they should be used to prevent further loss of cultural and linguistic diversity in the world.

Moseley (2012) wrote that because most languages have never been written, so a language is considered to be extinct that is usually no longer spoken. And extinction is usually irreversible. Revive of extinct languages may be possible, if there is adequate documentation and a strong motivation within the ethnic community. For spoken languages the most dramatic case of reversal of fortunes in modern times is of Hebrew, which was always a canonical, codified language, venerated as the vehicle of Scripture, but which extended its domains greatly when adopted as the state language of Israel. Cornish and Manx languages were revived more recently but are not yet taught to children as a mother tongue.

Language a Need of Business & Economy and Vice Versa

Some researchers are of the opinion that language problems affect the business and preserving or saving languages solves business problems and lead to socio-economic development. Baart (2003) quoting book of Nettle and Romaine (2000) on language extinction expressed that linguistic diversity loss, should be taken very seriously because it is itself an indication of a larger problem. It is seen when it is recognized that "a language is not a self-sustaining entity but it can exist only where there is a community to speak and transmit it. A peoples' community can exist, only where there is a viable environment for them to live in, and a means of making a living (Economy/Business). Where communities cannot thrive, their languages are in danger."Large-scale loss of languages is a symptom of economic stress to which local and indigenous communities experienced around the world. Often this stress results from major changes to the natural environments, in which these communities live. If there is need of sustainable economic development for humanity as a whole (and sustainable development is needed because with current economic activities resources of the earth are eaten up, which is something that cannot go on forever), it will be needed to reverse the trend by empowering local communities, protecting their rights and giving them control at the local level over their environments to the greatest possible extent. This includes a positive validation of their systems of indigenous knowledge and their languages because there is now widespread agreement that the problem of sustainable development is more likely to be solved if indigenous systems of knowledge and languages are valued and brought into play. Thus, to deal with the

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problem of language loss it is to deal with the other side of the coin, which is the precarious socio-economic state of many local communities. And if the latter problem is dealt in an appropriate way, advances in both sustainable development and preservation of linguistic and cultural diversity will be seen. Baart (2003)

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