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A SIMILARITY JUDGEMENT OF PRODUCT PERFORMANCE MEASURE: MULTIDIMENSIONAL SCALING ANALYSIS APPROACH

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INTRODUCTION

Many marketing organizations have a lot of core values/benefits listed for the products they market. This is often the premise upon which branding stands.

The factors that influence consumers buying decision vary from persons to persons and are also a product of the consumers' peculiarities, environment, product technology and marketing strategy. A clearer perspective of these influences assumes/adapts Kotler (2001) product step with the market as the base points at the epicentre of a square based pyramid. The apex of the marketing pyramid is the meeting point of the hypotenuses of the triangles formed by the perpendicular bisector of each face of the square, as the preferred product / brand image. The more specific and cause-related the product technology and marketing strategy are; within a well understood impactful environment and consumers' peculiarities the more distinct from, and more superior to, the features of the product from that of the competitors, and the clearer the pathway to branding will be. Every market station before the vertex of the pyramid is sub-optimal and consequently plateaued competition and may promote inter-temporal substitution which only a holistic technological leapfroging of a brand can distintegrate (Hartman 2006, Hendel & Neva 2004).

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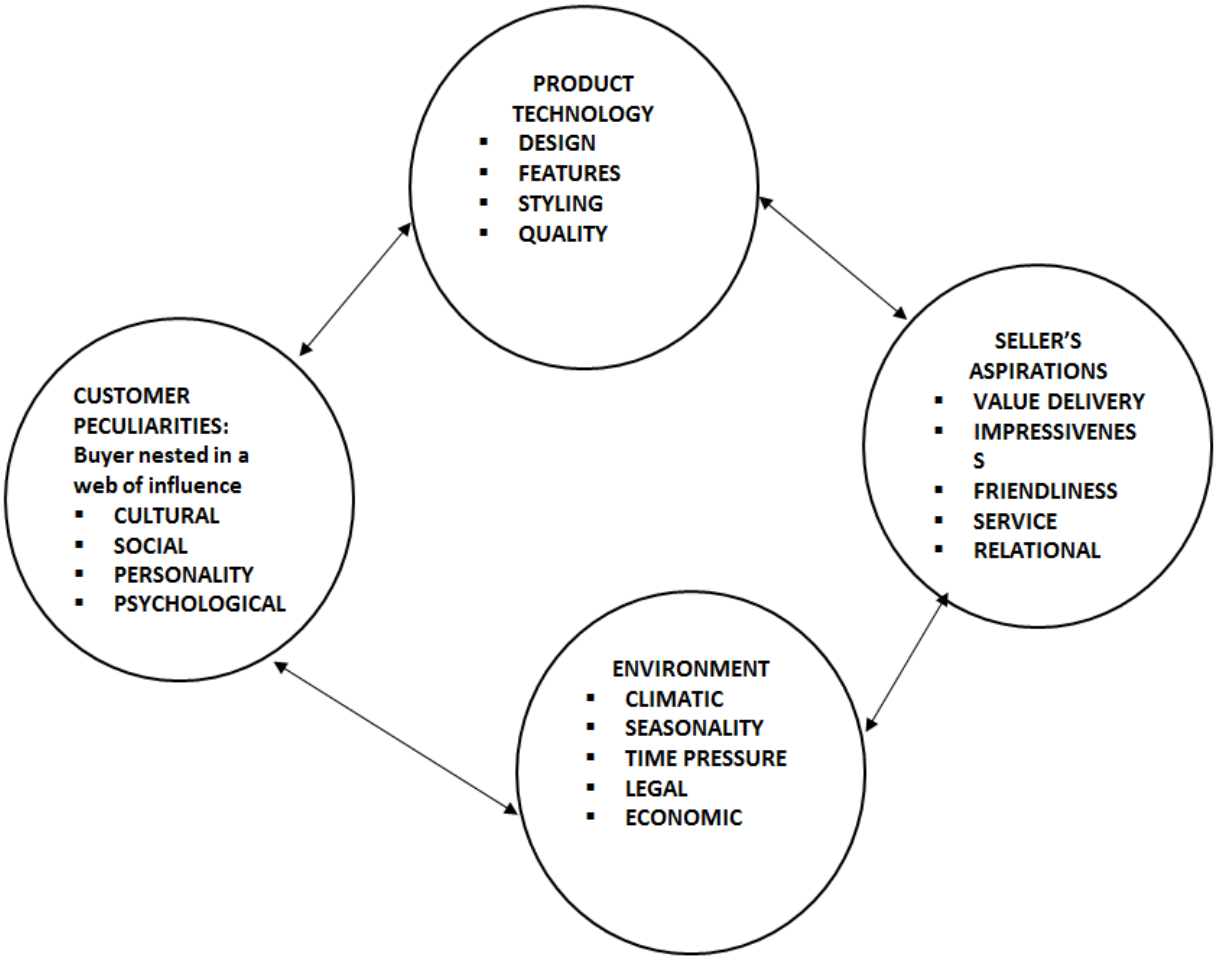

Fig 1: Adapted Product Step from Kotler (2001).

Branding is therefore a valid marketing document bearing an unwritten seller's promise or documented agreement to consistently and continuously deliver a set of reliable features, benefits and services to buyers (Kotler and Armstrong 1977, Kotler 2001).

Invariably, if a product can be validly defined from the consumers' perspective as an expectation of benefits that will bring satisfaction and from the marketers' perspective as a bundle of utilities that will deliver value, the product technology right from the design stage through to post purchase must embed distributive value (Charles 1987, Kotler 2001). The existence of a sync between the perceptions of the consumer and the seller's aspiration implied that products need contain core and aspirational hierarchy of values at both customers' real and potential perceptions in order to satisfy both the functional and psychological needs of consumers at different product levels (Kotler 2011, Keller and Kotler 2009).

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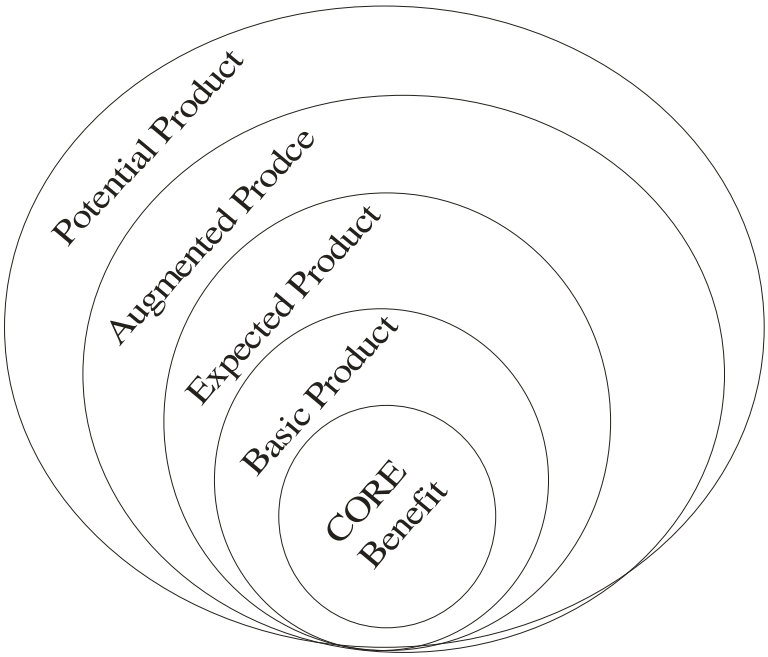

Source: Phillip Kotler, 2001

Figure 2: Product Component

METHODOLOGY

In order to explore and identify the perceived and psychological relationships among brands, paired brands were bombarded by groups of stimuli which are represented by geometric relationships known as spatial maps (Wayne and Wu 2001, Rick and Manria 1999, Malhotra & Dash 2011).

In this study a Multidimensional Scaling (MDS) technique was used to analyse responses from 223 randomly selected respondents from various categorized segments of a market. The aim of the study was to do a brand image measurement with attitude scale construct and develop the appropriate dimensionality and configuration of the attitude space. It was further aimed at comparing the customers' and non customers' perception of the firm with the firms perception of itself and identify the emerging perceptual gaps.

Questions were asked about selected unidentified brands A, B, C, D, E and F of a milk for a similarity judgement test on paired brands. The feasible number of pairs obtainable from a formulation $n(n-1)/_2$ where n is the number of stimuli equals 15 pairs (DeSarbo and Manrai 2007). Thus a non-metric MDS procedure was adopted for this study.

FINDINGS

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A raw unscaled Data input into MDS programme reflect a symmetric similarity matrix with the iteration stopping at the sixth level. The iteration history based on the SPSS output 2016 gave a stress measure (S=0.07387) and the R-square which represents the level of variance in the data as $R^2 = 0.97538$ for n-dimensional configuration.

Tables 1a, b and c.

Table 1a

Raw (unscaled) Data for Subject 1

	1	2	3	4	5	6
1	'000					
2	5.870	.000				
3	5.520	5.470	.000			
4	5.350	5.260	5.060	.000		
5	5.260	5.130	4.830	4.870	.000	
6	5.350	5.100	4.920	4.920	5.110	.000

Table 1b

Interation	S-stress	Improvement
1	.11058	
2	.07740	.03318
3	.06789	.00951
4	.06233	.00557
5	.06030	.00202
6	.05961	.00069

For matrix

Stress = 0.07387 RSQ = 0.97538

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Table 1c

Stimulus Number	Dimension Stimulus Name	1	2
1	A	2.2836	.6758
2	B	-1.8646	.8797
3	C	-0.678	-1.2203
4	D	.0885	-.1272
5	E	.1063	-4424
6	F	-5460	.234

Source: SPSS Output, 2016.

Kruskal and Wish (1978) have however proposed suggestive interpretation using the following levels or range of stress.

Stress 0.20 (poor),

$0.10 \leq$ Stress ≤ 0.20 (Fair),

$0.05 \leq$ Stress ≤ 0.10 (Good),

$0.025 \leq$ Stress ≤ 0.05 (Excellent),

while stress = 0.00 denotes a perfect situation where no stress is perceived at all or where it is very negligible to have any impact.

Tables 1a, b and c revealed that stress situation was found to be Stress = 0.074 thus implying that the model obtained for this study is good. Equally important is the R-square value of 0.975 obtained depicting quite a fit model.

The claim of "goodness and fitness" is underpinned by the output of ALSCAL module of SPSS with a square asymmetric dissimilarity matrix with ordinal measurements and a Euclidean distance model represented diagram magically in Fig.3 below.

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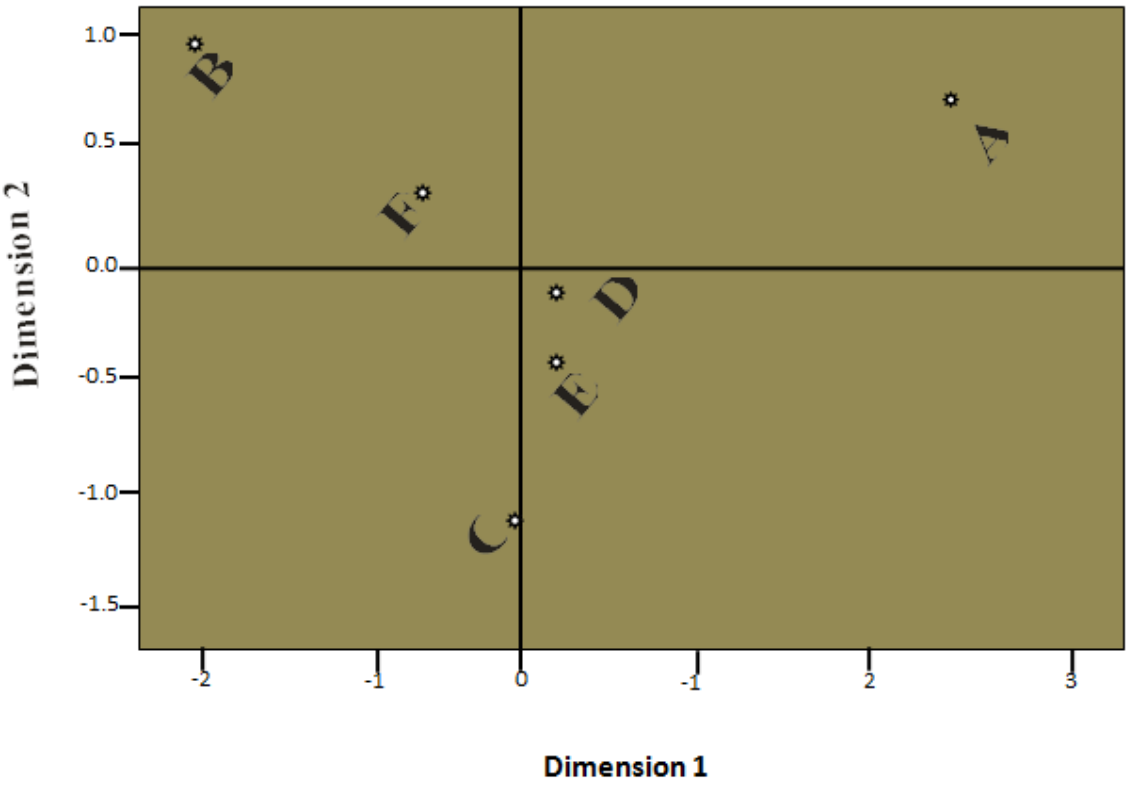

Euclidean Distance Model

Figure 3: Derived Stimulus Configuration Map

The MDS showed a spatial configuration that best fits the input data in only two dimensions. Though the fit could ordinarily have improves with increasing number of dimensions, spatial mapping of higher dimensions often presents a configuration or maps too difficult to interpret, hence the representation stopped at only two dimensional distance model.

Marketing strategies are often better formulated at segments or aggregate level than at individual levels. That's probably why the SPSS ALSCAL module used cluster objects (milk brands) together on aspect represented by the X and Y axes and discerned distinctness of separate clusters. In other words, Tension points that are similar are grouped into strands and are distinguished from other strands along X and Y axes where the paired similarity criteria were considered. Though the study admitted that the art of interpreting the resulting map could be subjective and value-laden, it all the same reflects acceptable laddering technique rather than adopting a contrarian marketing approach that is merely rhetorical.

In summary the figure above points out an objective characteristic relationships that identified similarity between brands D and E and contrarily pronounced dissimilarities manifested particularly between D and F; C and B; C and A and lastly between B and A.

RECOMMENDATION

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Deriving from the findings above the marketing of milk brands D and E are too close / similar for comfort and so calls for strategic marketing approach that would not necessarily be agnostic but quite sufficiently offensive to create a wholesome distinction between the seemingly similar brands.

The marketing implications of the findings is that the paired brands D and E, that showed so close similarities are likely to demonstrate similar brand performance preference as they promise similar set of reliable features, benefits and services to customers. Such demonstrable similarity/(ies) characteristic of brand homogeneity may further serve to satisfy either or both functional and/or psychological needs. The latter will occur if the close relationship existing is caused by product component/ingredient i.e. the core product whereas psychological satisfaction derived from the tested variables – creamy, flavor, scent, solubility, smoothness, taste and texture predominating in this experiment – are derivable from product augmentation (Kotler 2001). In such augmented product, the appropriate marketing strategy may be the offensive marketing whereby each competitor offering the same kind of brand adopts a proactive, image-driven, directional and focused marketing strategy that strives to not only increase its own market share but also attempts rigorously to take some/part of the market share away from the other. This is what offensive marketing does. Offensive marketing also provokes competitors into adopting defensive marketing strategy thus keeping the market dynamics alive, strong and interestingly vibrant (Lilien and Yoon 1900; Dacko 2000, Dacko 2002, Echu 2007).

However if such identified similarity was deliberate, a more than compensating dissimilarity aimed at meeting the functional needs of consumers, through a perfect understanding of the consumer peculiarity sort of, should be embedded in the product technology process. The marketing strategy would also be adjusted to emphasize the new product orientation without engaging in any form of intrusive marketing that may promote brand war or inter-temporal substitutability of brands.

In situation(s) where the brand performance is overwhelming enough to translate to a control of larger market share nearing market domination, the organization must however do a strong maintenance marketing that would prevent massive brand switching while at the same time, not stirring the hornets' nest and provoke a ruthless and devastating agnostic marketing.

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APPLICATION OF A TWO PERIOD REAL OPTIONS SIGNALING GAME

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Abstract
Uncertainty and competition poses major challenges for investment appraisal. Real options and game theory have been used in several settings to provide models to assist stakeholders' decisions. This paper presents the application of a real options signaling game model in discrete time along with the solution concept and overview of relevant theory. After preliminary review we proceed to the presentation of the model and the application in details. This work builds upon and advances previous approaches by introducing a relative novel approach in discrete time framework.

Keywords: *Real options; signaling games*

1. Overview

Signaling behavior occurs in almost every aspect of human activity. By signaling behavior we refer to the selection of a specific action taken by an agent that is sent as a signal to several opponents either in natural or economic setting. The key concept underlying the behavior is the information possession by the agent which is hidden for her opponents. Hidden information is a tool thus and incentive to mislead opponents in order to maximize her benefits. On the other hand, the agents that receive the signal lack the information but have the control of the reaction. In order to maximize their benefit they use inference methods to identify or unhide sender's information. However, although sender may try to mislead her opponents, they have the final word and may react not according to her expectations. Complexity is increased due to hidden information and there is no generic approach to fit all as many factors influence the setting such as the timing, the cost of signaling and the specific environment.

In strategic settings game theory with its formal language has become a valuable tool to study signaling. In game theory, signaling games comprise a well-studied class of dynamic games of incomplete information with observable actions. Real options games has been studied in research works that combine game theory and real options in different settings, however works focusing on signaling behavior are quite limited.

This paper presents an application of a real options signaling game model in discrete time along with an overview of basic theory. After preliminary review on signaling games we proceed to the presentation of the model and the application. This work builds upon previous research and advances the relevant approaches by introducing a relative novel approach (Zhu, 1999, 2003; Smit and Trigeorgis, 2004; Van de Walle, 2010; Watanabe, 2011, 2012; Grenadier 2000a, 2000b, 2002; Grenadier and Malenko, 2011, Rigopoulos 2014a, 2014b, 2014c, 2015, 2015b, 2015c).

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2. Signaling Games

In its simplest basic form a signaling game involves a set of two players, named as sender and receiver accordingly, with different degrees of information. The sender is being informed of a parameter value and then selects an action based on that perceived as signal. The receiver observes the sender's action and he also takes an action contingent to the signal. At the end of the game the payoffs of both players are based upon the parameter value, and their actions. In a more general setting, signaling games comprise of a strategic setting with players that acquire different levels of information and use actions as signals of their opponents to infer hidden information (Osborne, 2004). In the following, we introduce the basic definition of a signaling game. For further details the interested reader may refer to relevant literature (Rigopoulos 2014a, 2014b, 2014c, 2015, 2015b, 2015c).

Formal definition of basic signaling game

Formally, a signaling game is a Bayesian game in extensive form with observable actions which in its basic form comprises of

1. A player 1 who is called the "Sender" (S)
2. A player 2 who is called the "Receiver" (R)
3. A random variable t whose support is given by a given set T and is called the type of S (S knows the value of t)
4. A probability distribution $\pi(.)$ over T, which are the prior beliefs of R and are considered as common knowledge (When T is finite the $\pi(\mathrm{t})$ is the prior probability that the "Sender" (S) is of type t. When T is unaccountably infinite, $\pi(.)$ is a density function).
5. A set M of actions for the "Sender" (S). Sender's actions are called signals or messages $s \in M$
6. A set A of actions for the "Receiver" (R) with $\alpha \in A$
7. A function $u^i : \mathrm{T} \times \mathrm{M} \times \mathrm{A} \to \square$ that is the payoff to player i at the end of the game

The timing of the game is as follows

1. Nature selects a type t_i for the Sender (S) from the set $T = \{t_1, t_2, ..., t_i\}$ of the feasible types according to a probability distribution $\pi(\mathrm{t}_i)$, where $\pi(\mathrm{t}_i) > 0 \quad \forall i$ and $\sum_i \pi(\mathrm{t}_i) = 1$
2. The Sender (S) observes t_i and selects an action (message) $s_j \in M$ from her set of feasible actions $M = \{s_1, ..., s_j\}$
3. The Receiver (R) observes the message s_j (but does not know t_i) and selects an action $\alpha_k \in A$ from her set of feasible actions $A = \{a_1, ..., \alpha_k\}$
4. The game ends and players' payoffs are given by the function $u^S(t_i, s_j, \alpha_k)$ and $u^R(t_i, s_j, \alpha_k)$ accordingly

3. The Real Options Signaling Game model

The proposed model here simulates a realistic scenario with low complexity. The scenario for the model is that of information asymmetry in investment decisions within a duopoly market by means of signaling behavior and real options and the model simulates the results by modifying various variables of the game. The first basic assumption is that only pure strategies will be considered in the game, and the second is that the game will be studied in discrete and not continuous setting. The second assumption leads to the approximation of the Brownian motion in real options in the game by the binomial lattice. Another assumption is that the game is finite which simplifies the calculations. In the following the real options signaling game is introduced. The overall game setting is as follows.

We consider a duopoly market with information asymmetry, where two firms compete for profits by

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selling products. The profits result from potential investment in a project which has an initial cost in case of a firm invests in it and it may generate future revenues with a certain present value by advancing its production. Both firms' investment decisions are based on public and private information that is available to them. The same public information is available to both firms. However, one of the firms possesses private information as well. The asymmetry in information is represented in the game by the fact that the one firm is considered as the incumbent and the other as the entrant. None of the firms is in the market prior to the game, however the incumbent possesses both the public information and the private, which gives an information advantage. While the entrant is aware only of the public available information and can have only beliefs about the private information that incumbent holds.

Regarding the flow of the actions in the game, the incumbent is the first to act by deciding to invest or not and the entrant follows by the same decision, to invest or not. The incumbent decides based on the public information as well as the private information he holds. On the other hand the entrant decides based on the same public information with incumbent and the beliefs he forms about incumbent's private information.

Signaling behavior comes to the scene when incumbent acts according to what he expects about entrants beliefs, by knowing that his behavior can act as signal to mislead entrant to an action that will maximize incumbent's profit. By knowing thus entrant's beliefs, incumbent may select to act not according to entrants' expectations but according to maximization of his profits by sending even false signals. Real options come to the point where either the incumbent or the entrant decides to invest. Every time they come to a point to decide, they can either decide to invest or wait. The decision to wait is a real delay option until market conditions are more evident. According to real options theory this option has a value and the evaluation of it in every decision point prior to the game is a factor that both firms consider in their decisions.

In this way signaling and real options are combined into a discrete timing framework which is consisted of nodes where either firm decides to invest or delay investment for a later time. All calculations are executed on the basis of signaling game theory and binomial tree for real options.

Two period game formulation

In the following we introduce the formal representation of the proposed game model where we have considered the following assumptions, so as to reduce the model to a simple form. Some, assumptions are also necessary for the discretization of time (van de Walle, 2010).

1. *Assumption 1*: Time is not considered as continuous but discrete, meaning that investments can take place not at every time point but at the end of certain intervals equal in duration.
2. *Assumption 2*: Time is considered as limited and not infinite.
3. *Assumption 3*: Following the previous assumptions, the core model is consisted of only two periods where the game takes place. In each period, decisions to invest or not are taken from participating firms.
4. *Assumption 4*: Only pure strategies will be examined.
5. *Assumption 5*: Binomial lattice model will be used for the delay options value calculations and the game will be finite.

Following the above, the overall concept is that two firms compete in the same market for the maximization of profit share from a project investment that improves the production operation and generates future revenues, in case of investment. So, the market consists of two firms which compete for the profits that a project investment may generate. The two firms may act according to their information and beliefs and may mislead the opponent. The one firm is considered as the incumbent which has an information advantage and in the game he has the role of the sender of the signals. The other firm is the entrant who has an information disadvantage and in the game has the role of the receiver. For simplicity

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we use the notation 'he' in case we refer to the incumbent and 'she' when we refer to the entrant in the following. The investment to the project has a cost which according to the assumptions has fixed values, although it can be stochastic in reality.

The formal structure of the game is as follows

1. A set of players $N=\{S,R\}=\{Inc,Ent\}$ and Nature, where Inc is the incumbent firm and has the sender role, and Ent is the entrant firm which has the receiver role. Nature is the player that selects the type of the incumbent.
2. A random variable t whose support is given by the set $T=\{L,H\}$ and represents the type of the sender S (S knows the value of t). This variable depicts the investment cost level and it can take either the value L which stands for low, or the value H which stand for high. The actual investment cost is selected by nature at the beginning of the game and is known to the incumbent but not to the entrant. This stands for the information asymmetry of the game. Incumbent has private information which is not common knowledge to the entrant.
3. A set of cost values $C^t=\{C^L,C^H\}$ which contains the actual investment cost per type t. The investment cost can take either the low value C^L or the high value C^H and it remains constant during the game. *(Both firms face the same cost in case of investment and know the actual values).* The actual investment cost is selected by nature at the beginning of the game and is known to the incumbent but not to the entrant. Only the incumbent knows the type t at the beginning of the game. The values of $C^t=\{C^L,C^H\}$ are common knowledge.
4. A probability distribution $\pi(\mathrm{t})$ over $T=\{L,H\}$. The $\pi(\mathrm{t})$ is the prior probability that the incumbent Inc is of type t. We consider that the value for the L type is $\pi(\mathrm{L})=\mathrm{p}$ while the value for the H type is $\pi(\mathrm{L})=1-\mathrm{p}$. The values of $\pi(\mathrm{t})$ are common knowledge.
5. A probability distribution for the incumbent $\pi_S[.\mid \mathrm{t}]$ over the set of messages $s_j\in M$ for every type $t_i\in \mathrm{T}$. These represent the probability for each message that the incumbent will send the specific message conditional on his type $\pi_S[\mathrm{s}\mid \mathrm{t}]$. These values are common knowledge.
6. A set of posterior beliefs of the entrant Ent which represents entrant's beliefs about incumbent's type conditioned on the message and are considered as common knowledge. The entrant assigns these probabilities on each message for every type and as soon as the incumbent sends a message the entrant updates his beliefs according to Bayes rule. These are common knowledge as well. The beliefs are updated as follows

$$\mu(t_i,s_j)=\mu(t_i\mid s_j)=\frac{\pi(\mathrm{t}_i)\ \pi(\mathrm{s}_j\mid \mathrm{t}_i)}{\sum_{t_i\in T}\pi(\mathrm{t}_i)\ \pi(\mathrm{s}_j\mid \mathrm{t}_i)}\quad \text{where}\quad \sum_{t_i\in T}\pi(\mathrm{s}_j\mid \mathrm{t}_i)=1.$$

7. A set M of actions for the incumbent Inc which are called signals or messages. The actions are of type $s_j=\{d_1,\{d_{2,1},d_{2,2}\}\}$ where $d_1=\{I,N\},d_{2,1}=\{I,N\},d_{2,2}=\{I,N\}$ are the decisions in nodes 1, 2,1 and 2,2. The allowed decisions are to invest I or not invest N.
8. A set A of actions for the entrant Ent which are called actions. The actions are of type $\alpha_k=\{d_1,\{d_{2,1},d_{2,2}\}\}$ where $d_1=\{I,N\},d_{2,1}=\{I,N\},d_{2,2}=\{I,N\}$ are the decisions in nodes 1, 2,1 and 2,2. The allowed decisions are to invest I or not invest N.
9. A function $u^i:\mathrm{T}\times\mathrm{M}\times\mathrm{A}\to\square$ that is the payoff to player i at the end of the game, where the two players' payoffs are given by the function $u^S(t_i,s_j,\alpha_k)$ and $u^R(t_i,s_j,\alpha_k)$ accordingly.

As the decisions can be of type invest or not invest in discrete time, the game is comprised by nodes

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where both players decide to invest or not.

In the two period core game the timing of the flow of the game is as follows.

1. At the beginning of the game, or node 1, Nature selects a type that defines the investment cost. The probability distribution of the incumbent types is defined and is common knowledge.
2. This type is revealed by nature to the incumbent only. Following that, the incumbent is of a certain type that contains the information about the cost structure and is known to him.
3. The incumbent, being in node 1, knows the investment cost, the investment payoff and the option value to wait. So he decides either to invest or not invest but wait, or do nothing. His decision is based on investment cost and profit but considers entrant's decisions as well. So the incumbent selects a message which acts as signal to the entrant, with the objective to maximize his payoff given entrant's beliefs and actions. If incumbent invest in node 1 his influence on the game ends and he cannot invest again.
4. The incumbent knows the Bayesian update of the entrant for each message and according to it he sends a message (signal) that reveals his strategy. The incumbent on the other hand, by knowing the entrant's update beforehand, he bases his selection on that fact and tries also to maximize his own payoff even by sending misleading signals.
5. The entrant has a set of the prior probabilities for each message given entrant's type and waits for the message. The entrant observes the message from the incumbent and updates her beliefs about incumbent's type (cost in the present scenario) and selects an action based on her posterior beliefs on the type with the objective to maximize its payoff. If the incumbent invests, or not, in node 1, the entrant may invest, or not, in node, but wait or do nothing at all.
6. In case there is no investment in node 1 by the incumbent but the incumbent selected to wait, the investment payoff follows the approximation of a GBM and in the simple binomial lattice, it may take two values at next period. Either up or down with appropriate probabilities. The PV of the investment is calculated accordingly. The tree now has 2 new nodes, 2.1 for up movement and 2.2 for down movement. In each node the incumbent may again decide to either invest or not according to the PV and the entrants' beliefs and actions.
7. Being either in node 2.1 or 2.2 the entrant after observing incumbent's message she updates her beliefs and selects her action according to the signal she receives with the objective to maximize her payoff.
8. This core game ends when the decisions on nodes 2.1 or 2.2 take place and payoffs are calculated on the basis of actions and messages considering the cost and the PV of the node, which is the wait option.

As the two nodes take represent decisions in two subsequent time periods we consider it as a two period game and analyze it as such.

Two period game analysis and solution concept

In the following we introduce a more detailed analysis of the game along with its solution concept. In order to depict the game we can use either the extensive form or a binomial lattice form. In the extensive

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form the game comprises of a number of decision nodes where players select upon their action spaces. In the lattice the game depiction is based on the time period that decisions take place in accordance to the binomial movement. In the specific setting players' decisions are taken only on the end of every period and the payoffs are calculated for the lattice form, so it gives another perspective of the game. Both forms are necessary in order to present a clear view of the setting.

Players

The set of players is the following for the basic scenario

$$N = \{S, R\} = \{Inc, Ent\}$$

Types

Incumbent's types are included in the following set and are either high or low, representing the high cost or low cost type.

$$T = \{L, H\}$$

Investment Costs

Cost can be either high or low resulting in the following set.

$$C^t = \{C^L, C^H\}$$

Incumbent's messages

The strategy is a set $s_j = \{d_1, \{d_{2,1}, d_{2,2}\}\}$ where $d_1 = \{I, N\}, d_{2,1} = \{I, N\}, d_{2,2} = \{I, N\}$ for the three nodes for the two period game. Each strategy defines the exact action on each node and as such is considered as a message.

The entire messages set is the following

$$s_j = \{\{I, \{.,.\}\}, \{.,\{\mathrm{I,I}\}\}, \{.,\{\mathrm{I,N}\}\}, \{.,\{\mathrm{N,.}\}\}, \{.,\{\mathrm{N,N}\}\}\}$$

For the two periods the messages are depicted in the following table

Table I

	Node		
Message	n_1	$n_{2.1}$	$n_{2.2}$
s_1	I	.	.
s_2	N	I	I
s_3	N	I	N
s_4	N	N	I

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s_5	N	N	N

Entrant's Actions

The actions' set is $\alpha_k = \{d_1, \{d_{2,1}, d_{2,2}\}\}$ where $d_1 = \{I, N\}, d_{2,1} = \{I, N\}, d_{2,2} = \{I, N\}$ for the three nodes for the two period game.

The entire actions set is the following

$$\alpha_j = \begin{Bmatrix} \{\mathrm{I}.,\{.,.\}\},\{.,\{\mathrm{I},\mathrm{I}\}\},\{.,\{\mathrm{I},\mathrm{N}\}\},\{.,\{\mathrm{N},\mathrm{I}\}\},\{.,\{\mathrm{N},\mathrm{N}\}\},\{\mathrm{N},\{\mathrm{I},\mathrm{I}\}\}, \\ \{\mathrm{N},\{\mathrm{I},\mathrm{N}\}\},\{\mathrm{N},\{\mathrm{N},\mathrm{I}\}\},\{\mathrm{N},\{\mathrm{N},\mathrm{N}\}\},\{.,\{.,.\}\} \end{Bmatrix}$$

For the two periods the actions are depicted in the following table

Table II

	Node		
Action	n_1	$n_{2.1}$	$n_{2.2}$
α_1	I	.	.
α_2	.	I	I
α_3	.	I	N
α_4	.	N	I
α_5	.	N	N
α_6	N	I	I
α_7	N	I	N
α_8	N	N	I
α_9	N	N	N
α_{10}	.	.	.

Entrant's posterior beliefs

The entrant updates his beliefs according to the following Bayes formula.

$$\mu(t_i, s_j) = \mu(t_i \mid s_j) = \frac{\pi(\mathrm{t}_i)\ \pi(\mathrm{s}_j \mid \mathrm{t}_i)}{\pi(\mathrm{t}_i)\ \pi(\mathrm{s}_j \mid \mathrm{t}_i) + (1 - \pi(\mathrm{t}_i))\ \pi(\mathrm{s}_j \mid \mathrm{t}_{-i})}$$

So for each message $s_j = \{\{I, \{.,.\}\}, \{.,\{\mathrm{I},\mathrm{I}\}\}, \{.,\{\mathrm{I},\mathrm{N}\}\}, \{.,\{\mathrm{N},.\}\}, \{.,\{\mathrm{N},\mathrm{N}\}\}\}$ the entrant updates the prior belief to the following posterior beliefs for each type $T = \{L, H\}$.

Expected costs

The incumbent firm knows his exact type so he knows whether the cost is high or low from the set $C^t = \{C^L, C^H\}$. Based on that information he can calculate his payoffs.

The entrant does not know the exact cost but she can only assign probability to whether it is low or high. The entrant has assigned initially a probability distribution $\pi(\mathrm{t}_i)$ for each type. After observing a

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message form the incumbent the entrant updates her beliefs and she can calculate a value for the expected cost per each message rather than the actual cost.

The expected cost is calculated for each message as $E\left[C^t\right] = \sum_t \mu\left(t_i \mid s_j\right) C^t$

Profit share

In the two period game there exist three nodes, one at the first period and two at the second one. The two companies are assumed to share the market profits. Although it can be assumed that when the two firms invest in the same period they share the profits according to the relevant Cournot market formulas, we make the assumption of a profit sharing according to the timing. In real situations investments do not take place at exact the same time but there is a time difference. So in order to model the concept that the more the distance between the investments in time the less the profit share a firm will take, we consider that the share is a function of the time distance and especially the difference between the periods in the specific setting. So, we define a variable d as the difference between the periods of investment and a variable $\delta\varphi$ as the portion or share of the profit a firm will take. The variables $\delta\varphi$ and d are depending on the nodes and their values affect the firms' payoffs finally. Similar approach is followed by other authors as well (van de Walle, 2010; Grenadier, 2000a, 2000b).

Demand function

The market is considered as a Cournot like and the demand function is the following $p(\mathrm{Q}) = \mathrm{a}_{i,j} - \mathrm{bQ}$ where $\mathrm{a}_{i,j}$ is a stochastic variable which follows a geometric Brownian motion and is approximated be a binomial tree which evolves in time. The value of $\mathrm{a}_{i,j}$ is thus evolving in time and in the binomial tree the values are calculated according to the values of up and down probabilities for the tree. Notation $\mathrm{i,j}$ means that the period is i and the node of the period is j starting from the top. In each node thus the demand parameter is calculated according to the binomial motion and it gives the market demand level which in consequence derives the profits.

In period one the value of $\mathrm{a}_{i,j}$ is equal to the initial value. In period two the market may have been changed up or down. The up and down of the market are approximated by a binomial lattice and the up values with the corresponding probabilities are given as below.

The binomial parameters for up and down are u and $d = 1/u$ accordingly. So the value of market demand parameter $\mathrm{a}_{i,j}$ to subsequent nodes is given by $\mathrm{a}_{i+1,j+1} = \mathrm{u}\mathrm{a}_{i,j}$ for up motion and $\mathrm{a}_{i+1,j+2} = d\,\mathrm{a}_{i,j}$ for down motion in node two.

Assuming that the risk free interest rate is r and the risk adjusted discount rate in the last stage is k, then the risk neutral probabilities for the binomial motion are obtained by $p_u = \dfrac{(1+r-\delta)-d}{u-d}$ and $p_d = 1 - p_u$, where $\delta = \dfrac{k}{1+k}$ is the constant asset payout yield for a perpetual project (Smit and Trigeorgis, 2004).

Marginal costs

The incumbent is considered that has a marginal cost of c before the investment but this is reduced to c_1 after the investment.

Profits at a single node (with real option and no signaling)

At the beginning of the game nature selects the type of the incumbent and reveals it to him. The incumbent next decides either to invest or not at the initial period or wait for the next period. If he invests then the entrant' s turn has come. The entrant may decide to invest, or not, but he cannot decide before the incumbent, or invest after a no invest decision of the incumbent.

If both players decide to invest in the first period (node n_1) or both invest in the second period (nodes $n_{2.1}, n_{2.2}$) then the game ends and the players will compete as Cournot duopolists. In this case the profits for the incumbent

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will be (assuming that incumbent is of high cost type) $\frac{(a_{\mathrm{H}}-2c_1+\mathrm{c})^2}{9b}-C_H$ and for the entrant will be $\frac{(a_{\mathrm{H}}-2\mathrm{c}+c_1)^2}{9b}-C_H$ where c_1 stands for the marginal cost after the investment which reduces the incumbent's cost from c to c_1 due to technology advancement. If the incumbent decides to invest in period one (node n_1) or two (nodes $n_{2.1}, n_{2.2}$) but the entrant decides not to invest then the game ends and the incumbent operates as monopolist. In this case the profits for the incumbent will be $\frac{(a_{\mathrm{H}}-c_1)^2}{4b}-C_H$ and the same will apply for the entrant.

Payoff functions

In each node the payoff is calculated based on the market direction, the expected profits and the costs. A firm will decide to invest if it expects to gain profit. As the incumbent has knowledge of the actual cost he can calculate all possible payoffs. The entrant on the other hand can evaluate only expected payoffs as he lacks the information about actual costs. So payoff is a function of messages, actions, and market moves and is calculated for every node of the lattice. The decision to invest or not at a node is based on the value of the payoff function.

The payoff function is a function of the message, action, belief and results to the following formulas for the incumbent and the entrant. In this we follow the overall approach of van de Walle (2010).

The payoff at a message action belief tuple for the incumbent is given by

$$u^S\left(s(\mathrm{t}),\alpha(s(\mathrm{t})),\mathrm{t}_s\right)=\sum_{\{(\mathrm{i},\mathrm{j})\mid(\mathrm{d}_{i,j}=\{I\})\in s\}}\frac{p_{i,j}(\mathrm{V}_{i,j}\,\varphi_{i,j}^{INC}\left(s,\alpha\right)-\mathrm{C}^t)}{r^i}$$

where the payoff at a specific node is given by $u_{i,j}^{INC}\left(s(\mathrm{t}),\alpha(s(\mathrm{t})),\mathrm{t}_s\right)=\mathrm{V}_{i,j}\,\varphi_{i,j}^{INC}\left(s,\alpha\right)-\mathrm{C}^t$

The payoff at a message action belief tuple for the entrant is given by

$$u^R\left(s(\mathrm{t}),\alpha(s(\mathrm{t})),\mathrm{t}_s\right)=\sum_{\{(\mathrm{i},\mathrm{j})\mid(\mathrm{d}_{i,j}=\{I\})\in s\}}\frac{p_{i,j}(\mathrm{V}_{i,j}\,\varphi_{i,j}^{ENT}\left(s,\alpha\right)-E(\mathrm{C}_s^t))}{r^i}$$

where the payoff at a specific node is given by

$u_{i,j}^{ENT}\left(s(\mathrm{t}),\alpha(s(\mathrm{t})),\mathrm{t}_s\right)=\mathrm{V}_{i,j}\,\varphi_{i,j}^{ENT}\left(s,\alpha\right)-E(\mathrm{C}_s^t)$

Net present values and real options values

A firm may decide to invest in a node or wait in order to get more information about the market demand. This delay is an option to wait and it has a value that can be calculated by using the payoff values. The option value is the future's net present value minus the value of immediate investment.

So the real option value is given by $ROV_{(\mathrm{i},\mathrm{j})->(\mathrm{i}+1)}^{INC}=\left(NPV_{(\mathrm{i},\mathrm{j})->(\mathrm{i}+1)}^{INC}-u_{i,j}^{INC}\right)$ The net present value for the two period game for movement from period one to period two is calculated by the binomial formula for the incumbent $NPV_{1->2}^{INC}=\frac{p_u u_{2.1}^{INC}+p_d u_{2.2}^{INC}}{r}$ and accordingly for the entrant.

Profits at a single node (with real option and signaling)

The previous profits are valid in the case of no real options. However as we consider the evolvement of real options and signaling we consider that the profits for each node must consider the beliefs of the entrant which are updated according to incumbent's messages.

Thus for each node each player has a payoff which is considering the actions, messages and beliefs as well as the incumbent's type and the market evolvement.

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Equilibrium and optimal strategies

The game is a signaling game where the solution concept is the perfect Bayesian equilibrium, which is a strategy profile $\sigma^* = (m^*, \alpha^*)$ and posterior beliefs such that the three requirements are satisfied. The solution concept that is used for the game is the following. We consider an assessment $\{(s(L), s(H)), \alpha(.), q(.)\}$ which is consisted of the incumbent's messages $s(L), s(H)$ for high and low type, the entrant's action $\alpha(.)$ for the incumbent's message and the posterior entrant's belief for the incumbent's message and type.

Based on that, the optimal solution is the assessment $\{(s^*(L), s^*(H)), \alpha^*(.), q^*(.)\}$ which satisfies the following conditions

An optimum solution is a pair of strategies $\alpha^*(s)$ and $s^*(t)$ and posterior beliefs $\mu(t_i \mid s_j)$ with $\sum_t \mu(t \mid s) = 1$

Given the incumbent's message and the entrant's belief the entrant's optimal actions is found by the following. For each message $s(t)$ the entrant's action $\alpha^*(s)$ must maximize his utility, given the belief $\mu(t_i \mid s_j)$ about which types could have sent $s(t)$. That means that $\alpha^*(s)$ solves the following $\forall s, \quad \alpha^* \in \arg\max_{\alpha \in A} u^{ENT}(s(t), \alpha(s), q(s))$

$$u^{INC}(s(t), \alpha^*(s(t)), q(s)) = \max_{\alpha \in A} u^{ENT}(s(t), \alpha(s), q(s))$$

Given the entrant's strategy the incumbent must maximize his own utility for each type. So for each type t and given the entrant's action $\alpha^*(s)$ the incumbent's message $s^*(t)$ must maximize his payoff. That means that $s^*(t)$ solves the following $\forall s, \quad s^* \in \arg\max_{s \in S} u^{INC}(s(t), \alpha^*(s), q(s))$

$$u^{INC}(s^*(t), \alpha^*(s^*(t)), q(s)) = \max_{s \in S} u^{INC}(s(t), \alpha^*(s), q(s))$$

The belief $\mu(t_i \mid s_j)$ is the entrant's posterior belief which is updated when the incumbent sends a signal and the update is done according to the Bayes formula as follows

$$\mu(\mathrm{L} \mid s) = \frac{\pi(\mathrm{L})\ \pi(\mathrm{s} \mid \mathrm{L})}{\pi(\mathrm{L})\ \pi(\mathrm{s} \mid \mathrm{L}) + (1 - \pi(\mathrm{L}))\ \pi(\mathrm{s} \mid \mathrm{H})} \quad \text{where} \quad \mu(\mathrm{L} \mid s) = 1 - \mu(\mathrm{H} \mid s)$$

When the previous are satisfied the assessment $\{(s^*(L), s^*(H)), \alpha^*(.), q^*(.)\}$ is a perfect Bayesian equilibrium.

4. Numeric example

In this section a numeric example is presented in details in order to demonstrate the actual implementation of the 2-period game model of the previous section and the application of the solution concept. With reference to the previous section we formulate the game setting assigning values to the basic parameters and next apply the solution algorithm in order to find the equilibrium.

Demand

We consider a dynamic signaling game with real options, under the assumptions that were defined in the

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previous section. The game comprises of 2 players (plus Nature which is selecting the type of one of the player) which compete in a market that has the Cournot duopoly characteristics. The demand function is considered as $p(\mathrm{Q}) = \mathrm{a}_{i,j} - \mathrm{bQ}$, where $\mathrm{a}_{i,j}$ is a stochastic variable which follows a geometric Brownian motion and is approximated by a binomial tree which evolves in time. The two players are considered to be firms which compete on some new product or service which in order to be produced a strategic investment in firm expansion must take place. None of the players is in the specific product market before, but the one (incumbent) has gained experience in the specific market by producing relevant products or services at a known marginal cost. The decision to expand infers an investment cost for the firms if they proceed to it, but on the other hand reduces the marginal cost of the incumbent and leads to the generation of revenues that depend on the specific market demand. The question is to find the optimal strategies for both firms for the investment according to the market evolvement, the real options value and the signaling behavior. Below we define the game setting and assign values to the various parameters.

Players

The set of players comprises by two players, one player is the incumbent and the other is the entrant $N = \{S, R\} = \{INC, ENT\}$. The incumbent is considered as the sender in the signaling game and the entrant as the receiver. The incumbent has two types $T = \{L, H\}$ which are linked to its cost function. So the high type represents high cost while the low type represents low cost $C^t = \{C^L, C^H\}$ accordingly. The type of incumbent is selected by Nature at the beginning of the game and is revealed only to the incumbent. The entrant can form only beliefs about the type and the cost. In the following, where necessary, for conventional reasons, we will denote "he" as the incumbent and "she" as the entrant.

Prior probabilities on incumbent's type

Before the game starts the entrant has assigned a probability distribution $\pi(\mathrm{t}_i)$ for each type of the incumbent $T = \{L, H\}$. After observing a message from the incumbent the entrant updates her beliefs and she can calculate a value for the expected cost per each message rather than the actual cost.

For the game example the initial values of the parameters and the values of the derived variables are given in the table below:

Table III

Node n_1

Parameter/variable	Value	Formula	Value
Risk adjusted discount rate k	1%		1%

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Initial market demand $a_{1,1}$	50		50
High cost C^H	40		40
Low cost C^L	20		20
Initial incumbent's marginal cost c	6		6
Reduced incumbent's marginal cost c_1	4		4
Binomial parameters			
Risk free rate r	1%		1%
Time T	4		4
Periods n	1		1
Maturity ΔT		$\Delta T = T/n$	4
Volatility σ	20%		20%
u		$u = e^{\sqrt{\sigma \Delta T}}$	1,492
d		$d = 1/u$	0,67
Constant asset payout yield δ		$\delta = \frac{k}{1+k}$	0,038
Risk neutral probabilities			
p_u		$p_u = \frac{(1+r-\delta)-d}{u-d}$	0,401
p_d		$p_d = 1 - p_u$	0,599
Profit share $\delta\varphi$	0,2		0,2
Prior probabilities			
$\pi(s = L)$	0,5		0,5
$\pi(s = H)$	0,5		0,5

Incumbent's messages

The entire incumbent's message set is the following

$$s_j = \{\{I,\{.,.\}\},\{.,\{\mathrm{I},\mathrm{I}\}\},\{.,\{\mathrm{I},\mathrm{N}\}\},\{.,\{\mathrm{N},.\}\},\{.,\{\mathrm{N},\mathrm{N}\}\}\}$$

For the two periods the messages are depicted in the following table. So the incumbent has 5 messages, where each one comprises from investment or deferral decision in a specific node.

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Table IV

	Node		
Message	n_1	$n_{2.1}$	$n_{2.2}$
s_1	I	.	.
s_2	N	I	I
s_3	N	I	N
s_4	N	N	I
s_5	N	N	N

Entrant's Actions

The entire actions for the entrant set is the following

$$\alpha_j = \begin{Bmatrix} \{\mathrm{I}.,\{.,.\}\},\{.,\{\mathrm{I},\mathrm{I}\}\},\{.,\{\mathrm{I},\mathrm{N}\}\},\{.,\{\mathrm{N},\mathrm{I}\}\},\{.,\{\mathrm{N},\mathrm{N}\}\},\{\mathrm{N},\{\mathrm{I},\mathrm{I}\}\}, \\ \{\mathrm{N},\{\mathrm{I},\mathrm{N}\}\},\{\mathrm{N},\{\mathrm{N},\mathrm{I}\}\},\{\mathrm{N},\{\mathrm{N},\mathrm{N}\}\},\{.,\{.,.\}\} \end{Bmatrix}$$

For the two periods the actions are depicted in the following table. So the entrant has 10 actions, where each one comprises from investment or deferral decision in a specific node.

Table V

	Node		
Action	n_1	$n_{2.1}$	$n_{2.2}$
α_1	I	.	.
α_2	.	I	I
α_3	.	I	N
α_4	.	N	I
α_5	.	N	N
α_6	N	I	I
α_7	N	I	N
α_8	N	N	I
α_9	N	N	N
α_{10}	.	.	.

Entrant's posterior beliefs

The entrant forms at the beginning of the game a set of prior beliefs $\pi(s_i \mid \mathrm{t})$ for the type of the incumbent for each one of the messages of the incumbent. These are assumed as type contingent

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probabilities and are defined in ad hoc basis. These reflect the entrant's lack of information and are the prior beliefs on the type of the incumbent per message, but before the incumbent's initial message. After the incumbent's first message the entrant updates his prior beliefs according to the following Bayes formula $\mu(t_i, s_j) = \mu(t_i \mid s_j) = \frac{\pi(\mathrm{t}_i)\ \pi(\mathrm{s}_j \mid \mathrm{t}_i)}{\pi(\mathrm{t}_i)\ \pi(\mathrm{s}_j \mid \mathrm{t}_i) + (1-\pi(\mathrm{t}_i))\ \pi(\mathrm{s}_j \mid \mathrm{t}_{-i})}$. So for each one of the 5 incumbent's messages $s_j = \{\{I,\{.,.\}\},\{.,\{\mathrm{I},\mathrm{I}\}\},\{.,\{\mathrm{I},\mathrm{N}\}\},\{.,\{\mathrm{N},.\}\},\{.,\{\mathrm{N},\mathrm{N}\}\}\}$ the entrant updates the prior belief to the following posterior beliefs for each type $T = \{L, H\}$ resulting thus to the following 10 posterior beliefs.

Table VI

Prior Belief		Posterior Belief	
Prior type contingent belief	Prior belief value	Posterior Belief	Posterior Value
$\pi(s_1 \mid \mathrm{L})$	0,2	$\mu(\mathrm{L} \mid s_1)$	0,571
$\pi(s_2 \mid \mathrm{L})$	0,4	$\mu(\mathrm{L} \mid s_2)$	0,888
$\pi(s_3 \mid \mathrm{L})$	0,2	$\mu(\mathrm{L} \mid s_3)$	0,25
$\pi(s_4 \mid \mathrm{L})$	0,1	$\mu(\mathrm{L} \mid s_4)$	0,5
$\pi(s_5 \mid \mathrm{L})$	0,1	$\mu(\mathrm{L} \mid s_5)$	0,5
$\pi(s_1 \mid \mathrm{H})$	0,15	$\mu(\mathrm{H} \mid s_1)$	0,428
$\pi(s_2 \mid \mathrm{H})$	0,05	$\mu(\mathrm{H} \mid s_2)$	0,111
$\pi(s_3 \mid \mathrm{H})$	0,6	$\mu(\mathrm{H} \mid s_3)$	0,75
$\pi(s_4 \mid \mathrm{H})$	0,1	$\mu(\mathrm{H} \mid s_4)$	0,5
$\pi(s_5 \mid \mathrm{H})$	0,1	$\mu(\mathrm{H} \mid s_5)$	0,5

Expected costs

The expected cost is calculated for each message as $E[C^t] = \sum_t \mu(t_i \mid s_j) C^t$ or in details

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Table VII

Expected Cost	Expected Cost Value
$E\left[C_1\right]$	28,57
$E\left[C_2\right]$	22,22
$E\left[C_3\right]$	35
$E\left[C_4\right]$	30
$E\left[C_5\right]$	30

Profits at a single node

The profit values are calculated according to Cournot duopoly formulas as below.

Table VIII

		Payoff			
Player	Node	Binomial probability	Demand value	Formula	Value
INC (II)	n_1	1	50	$\frac{(a_H - c_1)^2}{4b} - C_{H/L}$	509
	$n_{2.1}$	0,401	74,59	$\frac{(a_H - c_1)^2}{4b} - C_{H/L}$	1225,78
	$n_{2.2}$	0,599	33,51	$\frac{(a_L - c_1)^2}{4b} - C_{H/L}$	197,79
INC (IN)	n_1	0,401	74,59	$\frac{(a_H - 2c_1 + c)^2}{9b} - C_{H/L}$	236
	$n_{2.1}$	0,401	74,59	$\frac{(a_H - 2c_1 + c)^2}{9b} - C_{H/L}$	565,49
	$n_{2.2}$	0,599	33,51	$\frac{(a_L - 2c_1 + c)^2}{9b} - C_{H/L}$	90,36
ENT (IN)	n_1	0,401	74,59	$\frac{(a_H - 2c + c_1)^2}{9b} - C_{H/L}$	176
	$n_{2.1}$	0,401	74,59	$\frac{(a_H - 2c + c_1)^2}{9b} - C_{H/L}$	472,71

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$n_{2.2}$	0,599	33,51	$\frac{(a_L - 2c + c_1)^2}{9b} - C_{H/L}$	52,34

Payoffs

Next we calculate the values of the feasible payoffs for both players

Equilibrium and optimal strategies

Next the entrant's best responses to each incumbent's message are calculated. For example if the incumbent sends message s_1 then the entrant will select, given his updated beliefs, the action α_6. Next the incumbent's best responses to each entrant's action are calculated. For example if the entrant selects action α_6 then the incumbent will select, given the entrant's beliefs, the message s_1. So we finally get the best response of the incumbent, given the entrant's actions and beliefs and the best response of the entrant, given the above.

Net present values and real options values

Given the above we calculate the value of the real option for the incumbent.

Table IX

Player	Node										
INC	n_1	Action									
	Message	α_1	α_2	α_3	α_4	α_5	α_6	α_7	α_8	α_9	α_{10}
	s_1										
	s_2		159,42								
	s_3										
	s_4										
	s_5										

.

Solution

The solution thus for the above numeric case in the case of low cost or type L of the incumbent is (s_2, α_2). If we recall the specific message and action from the relevant table, we can see that the incumbent actually selects to wait in node n_1 waiting for any information from period two. While on the other hand, the entrant selects not to act in node n_1 but wait for more information on period two. In period two the incumbent selects to invest in whatever node he is, either $n_{2.1}$ or $n_{2.2}$. Then the entrant selects to invest in whatever node he is, either $n_{2.1}$ or $n_{2.2}$.

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Table X

	Node		
Action	n_1	$n_{2.1}$	$n_{2.2}$
s_2	N	I	I
α_2	.	I	I

5. Conclusion

In this paper we presented a model for a real options signaling game for the case of discrete time along with a detailed numeric example. Specifically, the theoretical basis of the model, the solution concept along with an overview of basic theory of games with incomplete information were provided in details. The approach and the application seems to be valid for the application of such methodology for investment appraisal.

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EU CONVERGENCE: SOUTH EAST EUROPE SIX FACING MACROECONOMIC CHALLENGES

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Abstract

Coping with competitive pressures and market forces within the EU in the medium-term, the South East Europe Six (SEE6) needs to address important challenges through determined implementation of structural reforms. Progress with structural reforms can help for macroeconomic stability, for example, by reducing the structural external deficits. It helps nominal convergence too, as the productivity realizes the improvement of competitiveness and helps disinflation by maintaining low unit cost.

Also, the paper is focusing on periods of low inflation and deflationary pressures, when exchange rate anchors do not allow sufficient space for fiscal and monetary stimulus. In this respect, policy makers are under following dilemma: to deviate from exchange rate anchor and increase the space for fiscal and monetary stimulus; to accelerate structural reforms and competitiveness and on short run deepen the recession pressures; and to increase foreign debt and thus increase scope for fiscal and monetary stimulus while preserving the exchange rate anchor.

Key words:
EU, SEE6, Macedonia, convergence, reforms.

JEL classification: O11.

1. Introduction

Because of the fact that Southeast European countries rely mainly on exchange rate anchors to reduce inflation, the appreciation of the real exchange rate among countries in the region is significant, and it is slightly lower when compared to countries in the EU member states. As a result, these countries suffer from loss of competitiveness. This can be clearly seen from the movements of the deficit on their current account, which are important in all these countries. Using the exchange rate as anchor for inflationary expectations, on long run has been effective so far, producing a low and stable inflation rates. However, in periods of low inflation and deflationary pressures, exchange rate anchors do not allow sufficient space for fiscal and monetary stimulus. In this respect, policy makers are under following dilemma: to deviate

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from exchange rate anchor and increase the space for fiscal and monetary stimulus; to accelerate structural reforms and competitiveness and on short run deepen the recession pressures; and to increase foreign debt and thus increase scope for fiscal and monetary stimulus while preserving the exchange rate anchor.

Economic policies can be instrumental for growth in the short- and the medium-term in SEE6. On the fiscal side, sustained reform effort is needed to address structural rigidities in the budgets of SEE6. Priorities include: changes in the composition of public expenditure toward investment and away from wages, public expenditure targeting and prioritization as well as improvements in revenue collection and the broadening of the tax base, among others. On the monetary policy side, with regional inflation at a very low 1.2 percent and big output gaps remaining, some scope for short-term easing of monetary conditions exist, especially in those countries where deficits have begun to decline.

2. A Brief Review of Recent Changes

Acceding into the European Union (EU), countries are facing with macroeconomic challenges on their way to this membership. Countries should meet a number of economic, political and legal criteria. For countries in transition, formal economic criteria for accession are primarily focused on establishing a functioning market economy. The formal process for access puts more emphasis on progress of transition reforms in the early stages of accession, as countries struggle to establish market economies, while compliance with specific criteria for macroeconomic stability are prevailing in the later stages. Fulfillment of economic criteria, in fact, is real and nominal convergence. The progress with market reforms can be measured through various indicators of transition. These reforms are essential for improving real convergence or revenue growth to the level of the EU, which helps countries to advance the competitive pressures in the economic union (Bishev and Boshkov, 2015). Macroeconomic stability and nominal convergence of key macroeconomic indicators such as inflation and fiscal deficits to the EU levels, is also important for development and progress of a functioning market economy.

Referring to the macroeconomic stability and progress in the transition, both are closely related and important for sustainable growth and progress towards a functioning market economy. Progress with structural reforms can help for macroeconomic stability by reducing the structural external deficit. It also helps to nominal convergence, as productivity realizes the improvement of competitiveness and helps to disinflation by maintaining low unit cost. The challenge for the accession process is to realize a nominal and real convergence with macroeconomic stability and stable development. Further, this could be complicated by the need of facing with potential shocks as large and volatile capital flows and to finalize the transition to a market economy.

Like many countries in the early stages of transition, Southeast European countries rely mainly on the exchange rate to reduce inflation (DeBroeck, 2006). Aside from Albania, and Serbia, all other Southeast European countries have neither the currency nor the boards tightly controlled management or pegging for a specific time. Initially, inflation declined with the exchange rate, but increasing of external deficits prompted a move towards managing fluctuation in 2003 (Buiter, 2003). Inflation continued again,

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oppressed administrative prices were adjusted and growing euroisation contribute for increasment of foreign currency-exchange rate shift to the prices. Moving of the regime may hit the credibility of monetary policy adversely, as it is shown through growing euroisation. The drivers were less successful in reducing external imbalances, suggesting trade off with inflation. Although large fiscal deficits can contribute for external imbalances in some countries (Croatia). They also reflect the slow progress in reforming the real economy. The largest current account deficit is among the countries with the most progress on structural reforms (Serbia, Montenegro, Bosnia and Macedonia), which are measured with the same transition indicators or the share of private sector in GDP. This confirms that nominal convergence and macroeconomic stability are closely connected with real convergence and the introduction of market economy.

3. Theoretical Notes and Reality

Exchange rate as fundament and slow structural reforms put pressure on competitiveness (Oskooee 2001). Fixed or nearly fixed exchange rate could lead to unsustainable real appreciation and loss of competitiveness, unless fiscal and income policy remain closely tied and structural reforms increase productivity. For example, in Serbia, the exchange rate in 2002 became unsustainable as real wages grew up and external deficit increased. Pressure for real appreciation in the region is also growing due to large inflows of foreign currency. The sustainability of the exchange rate in Southeast Europe in particular will depend on the accompanying policies. So far, the slow progress of structural reform in many of these economies increases the risks associated with soft pegging. Competitiveness can also be torn over time through a lack of fiscal discipline or weak-income policies. In Serbia and Macedonia, where fiscal policy is tight, exchange rate as fundament can become problematic if competitiveness is lost. This can happen if income policies are also lost or structural reforms fail to boost productivity. Croatia, which has significant fiscal deficits and exchange rate as an anchor may also face with problems of competitiveness over time. This can be activated if the currency inflows to the tourism sector or strong capital inflow leads to real appreciation, with opposite effects on other sectors of traded goods. Any move toward more flexible arrangements in Southeast Europe should be carefully considered to avoid market distortions successfully.Various indicators show that the economies of Albania, Bosnia, Macedonia, Serbia and Montenegro need more progress in transition reforms to become functioning market economies, a key criterion used by EU for moving the countries from one phase of the approach to another. Slow structural reform is also reflected through low levels of FDI and this may limit the potential for growth in the medium term - or real convergence. Slow structural reform also affects macroeconomic stability, which is the core of large external imbalances in some countries. Especially in Bosnia and Serbia, large current account deficit reflects low level of competitive exports, while imports is increased by foreign remittances, strong credit growth or potential flexibility of required management.

4. Regime Diversity and Reforms

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Macroeconomic challenges in other countries of Southeastern Europe are related with viability of their monetary framework, risks of rapid financial deepening and future fiscal consolidation in supporting growth and stabilization. Many current actors for exchange rate may not be sustainable over the whole time, unless if they are better supported by fiscal consolidation and structural reforms. Also, various indicators haven't show a clear sign of problems with the competitiveness of these countries now. Large external deficit and weak supportive policies in some countries may increase these risks over time. The shift towards more flexible monetary framework is complicated by high euroisation, resulting in weak monetary transmission mechanism. In future, this underlines the need for fiscal consolidation and increased flexibility of fiscal policy in responding to the shocks as the need for structural reforms in lowering external imbalance too. Rapid credit growth, especially in foreign currency, add further pressure on the external balance and inflatory dynamic in many countries. This is challenging supervisory capacity in mitigating the risks in the financial sector. Most South-east European countries have "space" to reduce public spending and to increase the share of growing consumption. A lower deficit will increase private sector, leading to growth as it facilitates macroeconomic management too. Also growth will increase by reducing high taxes on labor in many countries. But the biggest fiscal adjustment blow should come by reducing bigger salaries in the public sector, subsidiary and transfers.

Exchange rate regimes in the region are different, ranging from currency board in Bosnia and Herzegovina to almost free fluctuation without inflationary targeting in Serbia. The common is that due the transition process these countries have dedicated special attention to their exchange rate regime and most of them used fixed exchange rates, reflecting their large trade openness and their efforts to set up a strong monetary authority. Regardless the exchange rate regime, the appreciation of the real exchange rate of the countries in the region is significant, though slightly lower when it is compared with the EU Member States. As a result, these countries also suffer from a competitive loss. This can be clearly seen from the movements of the deficit in the current account, which is important in all these countries. For example, current account deficits in 2007 ranged from 3.1% of GDP in Macedonia to 36.2% of GDP in Montenegro.

Using the exchange rate as the hope for inflation expectations have been effective until now, producing low and stable inflation rates (Goswami, 2011). In terms of high import dependence and relatively slow implementation of structural reforms realized in increased export potential, contributed to the importance of high trade deficit, was mainly financed by higher private transfers. The transition process in Macedonia is specific because of the relatively slower process of real convergence and continuing real depreciation of the Macedonian Denar (Bishev and Boskov, 2015) .In many cases productivity in the tradable sector is compared with growth of foreign partners with relative lower rates (Loko and Tuladhar 2005). This was due to the absence of large foreign companies and loss of important foreign markets, especially after independence. In such conditions, the only way to maintain the competitiveness of macedonian producers was the specialization and exports of lower quality products. These developments have generated inflationary pressures, which caused absence of real appreciation that was evident in other transition

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countries. In the past few years, Macedonia moves quickly and closer to the more advanced transition economies. As regards nominal convergence in the context of European Union integration, Macedonia faces with challenges which are common to the most economies in the region and beyond. Since 2007, there has been acceleration of the inflation rate, which is mostly caused by the global price rise of food and energy. Thus, uncertainty in the movements of these prices, and expectations of pressure caused by the process of real convergence, are the main challenges for monetary policy in the medium term.

5. Macroeconomic Achievements of SEE6

The SEE6 countries exited from recession in 2013 with economic growth supported by the recovery in high-income countries, particularly those in the European Union (EU) (NBRM 2013). External demand for SEE6 exports was the key driver of this growth recovery, reflecting an improving European and global economy. An export-led recovery combined with depressed domestic demand resulted in a significant narrowing of current account imbalances in all SEE6 countries.

Economic policies can be instrumental for growth in the near- and the medium-term in SEE6. On the fiscal side, sustained reform effort is needed to address structural rigidities in the budgets of SEE6. Priorities include:

- Changes in the composition of public expenditure toward investment and away from wages;
- Public expenditure targeting and prioritization, as well as
- Improvements in revenue collection and the broadening of the tax base, among others.

On the monetary policy side, with regional inflation at a very low 1.2 percent and big output gaps remaining, some scope for short-term easing of monetary conditions exist, especially in those countries where deficits have begun to decline (European Commission 2014).

However, caution needs to be exercised in the economies with flexible exchange rates to ensure that these do not come under pressure. In terms of financial sector policies, addressing the high NPLs would be critical to ultimately restoring the growth of credit and supporting entrepreneurship and job creation. The region that provides greater long-term rate of real economic growth, and sustainable GDP growth based on profitable production with sufficient export content has a better chance of attracting foreign capital. Namely, international investors rightly expect to achieve high rates of return on invested capital in that region enjoying long-term sustainable economic growth. Thus, the trend of the movement of the real exchange rate euro/dollar mostly affect the sustainable rate of real economic growth, which is associated with net capital flows. Financial stability and the efficient allocation of macroeconomic level appear in each economy as an indirect product of successful political coordination. Variables such loans, the cost of funds and the real exchange rate are not aim of any instrument; transparency limits the extent to which they could be involved in decisions. The experiences of this region confirmed that alternative monetary

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and fiscal regimes, giving adequate political support, can provide very well low inflation. Much more difficult for assessment are the risk characteristics of the regimes.

What can be concluded from the first aspect of the monetary framework which is best suited for managing the real and nominal convergence on the road to the euro, starts exactly from the view that inflation targets seem to have a better set of available tools than those that peg for managing the process of convergence with balance towards adopting the euro.The main risk for targeters are excessive fluctuations in exchange rates, but if the policies are aimed at macroeconomic stability, the probability to make this reality is reduced. Then, the possibility danger is excessive appreciation of the nominal exchange rate, which is likely to lead the country toward expensive interventions or reduction of domestic interest rate that could fuel a credit boom. Options are limited for those who peg.

6. Adoption of the Euro in the Republic of Macedonia

As part of the EU accession, from Macedonia is expected to adopt the euro as its currency some time after the accession. The time for accession to the euro depends of two factors: is the country able to meet the necessary conditions and where the benefits of EU membership outweigh the costs (Buiter and Grafe 2002).

Macedonia appears to be relatively well positioned in bidding early entry into the EU as long as its macroeconomic policy can withstand the shocks to join into the EU. The adoption of the euro should promote increased trade volume with other members of the eurozone (Schadler 2004). Considering the size of Macedonia and dependence of the trade volume, trade expansion should be seen as an important benefit of the adoption of the euro. Therefore, Macedonia expects capital inflows, including more FDI, even before the adoption of the euro; there will appear political challenge in the short term as benefit in the long run too. As a small country, Macedonia has limited room for independent monetary policy. The standard arguments for optimum currency area in view of the importance of synchronization of shocks among the members has some validity, but many transition economies that once were joined into the EU didn't experience a strong correlation of the shocks (Schadler 2005). Thus, the argument that appears is to be relatively early adoption of the euro if the process can be well managed. In doing so, this implies to the decisions on exchange rate policy and strong macroeconomic management. What kind of regime is needed to follow before or after accession depends of a certain part on how quickly the new Member States wishing to adopt the euro as its currency. The experience of the new EU Member States in terms of their choice of exchange rate is limited on two regimes: it can be called highly pegging, including the currency board arrangement and a floating exchange rate with monetary policy based on inflation targeting. The most advanced Member States have decided for a flexible regime and inflation targeting, while those with a higher volume of real convergence should begin to realize, such as Bulgaria and the Baltic countries, which opted for a strong pegging.

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In the past few years, Macedonia rapidly moves closer to the more advanced transition economies. Several years in a row there is positive and stable growth rate. Although economic growth rates are lower compared to those of the Baltic countries, and in some countries in the region, this is a sure sign of acceleration of the process of real convergence. This process is also supported by FDI and portfolio investment as rapid credit expansion too (Hochreiter and Tavlas 2004).

Regarding nominal convergence, Macedonia is facing with challenges that are common for the most economies in the region and beyond. Thus, uncertainty regarding the movements of prices and expectations of pressure caused by the process of real convergence, are the main challenges for monetary policy in the medium term. Further, Macedonia is facing with significant transition challenges and only through effective decision of these challenges the country will be able successfully to compete on the EU market. To formulate effective policy, it is necessary researching of the growth of total factor productivity in Macedonia as well as the reasons for low business investment. Macedonia's membership in the EU can improve the industrial situation only if access to a large extent makes Macedonia location from which foreign investors can serve to the EU market. This means that the domestic industry, with FDI must make the necessary changes to its output. These long-term structural shifts in employment and output, can be accelerated through the accession of Macedonia to the EU, i.e. sectoral change can be an important driver of change in aggregate factor productivity and income of workers in different sectors of the economy.

Given the large gap in price and income per capita between Macedonia and the EU, price accepting will be an important source of inflationary pressure, as it faces the existing price distortions in the energy, municipal services, etc. Before accession it can move this factor as inflationary engine around the time of access where the effect of real convergence on inflation is combined with negative short-term effects of EU accession on fiscal balance, falling interest rates and so on. This will require careful management of the exchange rate. This means that, if the Macedonian real growth accelerates, Macedonia will be more attractive candidate for EU membership, but it will face with more intensive pressures to the exchange rate regime and macroeconomic policies. Labor, capital and product market, all these are transmitters of the monetary and fiscal policy, i.e. creation of a functioning and flexible markets is important, not only in terms of meeting demand competitive single market but in terms of creating a more effective government macroeconomic policy. Regarding Republic of Macedonia, it is important to keep in mind that the economic policies and reforms should be consistent with the reforms and policies of convergence and integration with the EU, as long-term strategy.

So, in future, exchange rates can be seen not only as an instrument for maintaining price stability in Macedonia, but also as a tool that will contribute to the economic stability of Macedonia, strengthening the stability of the financial system and supporting for fast convergence meaning accession to the EU.

7. Conclusion

The role of the exchange rate as a nominal anchor derives from the characteristics of the domestic economy, as a small and open economy that is highly dependent on the import of primary commodities.

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According this, Macedonian exchange rate can be used as an instrument for export performances of the country and macedonian policymakers should create policy with several aims focused on exchange rate policy.

Boosting incomes in the medium to longterm with the aim of converging with EU standards will mean not only maintaining the pace of reforms—but also converting reforms benefits into robust and equitable economic growth. Both of these are proving challenging. The reform pace appears to have slowed during the financial crises. Countries will need to take advantage of the economic rebound to relaunch the reform and convergence processes. There is evidence suggesting that improvements in the business climate should be broad rather than targeted toward specific sectors, as growth and employment creating firms tend to be young and dynamic, but not concentrated in any particular sector. Improving trade links in terms of logistics, institutions and regulations will be important to take advantage of the EU market. In addition, governments need to provide reliable and streamlined processes that guarantee EU safety standards are met for exporting firms, particularly for agricultural exporters. Improvements in governance standards—including the rule of law—will be closely linked to the EU integration process. But reforms required by the EU will also help to boost economic growth in SEE countries. Such reforms are essential to boost labor demand, reduce unemployment, address the challenges driven by demographic changes and improve prosperity for all in SEE6. Increasing employment is essential to reduce poverty and to bring about shared prosperity in SEE6. Since the major source of income for most households is through selling labor, increasing employment opportunities and ensuring that workers have the skills necessary to take advantage of these opportunities are essential to increase the income generation capacity of the entire population.

The researches offer options that include increase of the labor contribution to economic growth by raising labor participation and reducing unemployment (Srinivasan and Archana, 2011).The second options means improvement of allocative efficiency. This understands promotion enterprise restructuring and reforming product market regulation as including regulation in the infrastructure sector. Next options are focused on deepening trade integration by promoting export-oriented FDI and developing the supply of exportable goods, meaning that Macedonia would need to integrate its logistics infrastructure. Accelerating the process of economic convergence to EU will be supported by fostering technological progress. The recommendations are focused on policy-makers, inviting them to identify what policies are politically feasible and to be checked for their consistency with the overall objective of raising and sustaining economic growth. Next, these strategies need to generate institutional requirements that are commensurate with the existing institutional endowment of Macedonia. This will lead to a near-term focus on deepening trade integration and fostering innovation, while measures related to expanding labor participation and employment could be adopted more gradually with a long-term perspective (Srinivasan and Archana, 2011). These measures would better position the country to fully benefit from EU Accession and to better manage the effects of the global financial crisis, by strengthening Macedonia‘s international competitiveness.

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THE ROLES OF TRANSFORMATIONAL LEADERSHIP STYLE FOR MAINTAINING EMPLOYEE IN TEAM PERFORMANCE; EMPIRICAL STUDY IN MALAYSIA 'PHARMACY INDUSTRY

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Abstract

This research is focusing on the influence of leadership style on employee job performance. Researcher also highlight on the type of leadership style which is transformational leadership and transactional leadership that will influence job performance among employee in this country. These researches are focusing on employee from private sectors which is in Pharmacy Store especially in Malaysia. The significance of the study is to identify how leadership style will influence employee job performance due to the significance of the type of leadership style that has been using previously. The study will identifies the appropriate leadership style that suitable for the employee job performance in organization. The completion of this study will help to understanding the concept of leadership style in organization. The data and information that has been collect could use to plans and design strategies in order to help the leaders to manage their employee in the future. By fulfilling the aims that were stated in the research objectives, this study will be helpful for other researchers who

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may be focusing on understanding the concept of leadership style that effect the employee job performance. This research shows the regression analysis which is transformational leadership showed that it has effect (sig. = 0.000) towards the employee performance. This hypothesis was accepted by employee in Pharmacy Store which is the manager that has a transformational leadership style will influence the employee performance.

Keywords

transformational leadership style, employee performance, Malaysia 'pharmacy industry

Introduction

In organization almost everything depends on the employee in order to complete the job or task. How well the employee performance is depends on how well they are managed by their leaders. The way the leader approach the employee will effect on their job performance and it's commonly agreed that the employee job performance will effect on an organization performance. Lussier (2013) state that leadership style of leader and their ability to motivate their self and others will affect the career success and an organization's performance.

There are many research regarding the employee job performance in the past. It has been prove that the employee job performance usually was affect by the leadership style in an organization. The leaders will inspire their follower, motivate them and influencing people to achieve an organizational goal.

Gikutha, (2009) stated that the leadership style in an organization is a major factor in order maintaining the performance of the employees. The way the leaders approach he/she employee will effect on their job performance. Then, the employee job performance will give impact on organization performance. Performance management seems reasonable and fairly simple to do, but the majority of leaders fall short when it comes to clearly communicating, coaching others to succeed, and correcting poor performance (Manning & Curtis, 2009). The performance of the employee and organization are depends on how the leaders manage their subordinate. This research therefore explored the influence of leadership style on employee job performance in organization.

Employee performance includes meeting deadlines, completing the task, and effectiveness and efficiency in doing work. The organizations need strong leadership styles to stimulate the employee performance. Some organizations that provide a services will face the problems such as poor services and inability to meet performance targets. This problem happen because the leaders fail to manage their employee. This study will investigates the leadership style that stimulates performance of employees in organization.

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Literature Reviews

Job performance - Job performance is dependent variable for this study. There are many research about job performance and it already been studies for long decade. Campbell (1990) define job performance as an individual-level variable, or something a single person does. According to Sonnentag & Frese (2002), performance of individual employees can be defined as their work-related behaviours. The behaviours and actions of the employee will represents their contribution to the organization. Borman & Motowidlo, (1997) provided s two types of employee behaviour that needed to ensure the organizational effectiveness which is contextual performance and task performance.

Leadership -Leadership is a process of interaction among individuals and groups that includes a structured or restructured situation, members' expectations and perceptions (Bass, 1990). Go et al., (1996), stated that leadership can be explained as the ability of an individual to have power that focuses on how to establish directions by adapting forces. Schermerhorn (1999) believed that the leaders will influence the followers by motivate them to working hard in order to support organizational goals. . Meanwhile Hersey et al. (2001) believed that the leaders could influence the followers' behaviours on individuals and organizational goals.

According to Cole and Kelly (2011) leadership theories focus on leader traits, behaviour which is what the leader actually does, the power influence approach which is the amount and type of power and how it is exercised, the situation or some combination therefore. Leadership is shaping beliefs, desires and priorities. It is about achieving influence, not securing compliance (Haslam, Reicher & Platow, 2011).

Transformational Leadership Style - James McGregor Burns was known as leadership expert introduced the concept of transformational leadership in his 1978 book, "Leadership." He defined transformational leadership as a process where leaders and their followers support with each other through morality and motivation in order to achieve the organization goals. Avolio et al. (2004) and Dvir et al. (2002) stated that employee was motivate by the leaders that give them inspiration. Transformational leaders inspire great loyalty and trust in their followers. They have high expectations towards their follower as well as they inspire them to reach their goals and objective. Choudhary, Akhtar & Arshad (2012) stated the organization could achieve the goals through the employee behaviour that affected by the leaders style. Transformational leader motivate people to buy into and deliver the vision, create an inspiring vision of the future and manage delivery of the vision. The charismatic of the leaders was help to engage their followers toward the organization goal (Choudhary, Akhtar & Arshad (2012). This leadership style more to trust-based relationships with their people. Leader who use this style need to work on their own skill, and set aside time and space for personal development.

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Research Methodology



IV **DV**

Based on the framework, it can be hypothesized that:

H1: There is significant relationship between transformational leadership and employee performance.

Population and Sample Technique - The population for this study is the total employees of the Pharmachy Store especially in Malaysia. There are 21 selected branches in Malaysia and 6 employees from each store were choosen. The total population is 126 employees that working in the Pharmachy Store. For a population of 126 employees, at a 95% level of confidence, it is estimated that the sample required is 108 employees. All questionnaire were returned by the employee.

Data Collection Method - The questionnaire has been distribute to collect data. A total of 108 questionnaire were distributed to Guardian Store especially in Kota Kinabalu branch. There is 21 store in Kota Kinabalu. The number of questionnaire distributed was based on the sample size of the employees in this study. The information was collected from the employees using hand delivery method and online survey. The respondent were questioned about the leadership style which is transformational and transactional leadership. They also questioned on their performance. Respondent were given appropriate instructions regarding how to answer the questionnaire and the method of marking their responses.

Data Analysis Methods - The collected data were analysed using the Statistical Package for Social Science (SPSS) software version 22.0. The data were entered in the SPSS database and several analysis were conducted. Descriptive statistics and inferential statistics were using to analyse the data. Descriptive statistics will analysis the frequency, percentage, mean and standard deviation. For inferential statistics, it will be using to analysis the Pearson correlation and linear regression. To determine the reliability of the scale, both dependent variable and independent variable were measure using the Cronbach's alpha value.

Questionnaire - The questionnaire for this study are taken from existing questionnaire. There is three sections in the questionnaire which is demographic profile, independent variable and dependent variable. For demographic section, the respondent required to stated their gender, age, race, education level and length of service. For independent variable section, it divided to transformational leadership and transactional leadership. **Transformational leadership has 6 question and 6 question on dependent variable section measured by .** For independent variable and dependent variable, the respondent are required to give a scale to answer the question. The linear scale is from 1 to 5, which is start with strongly disagree, disagree, natural, agree and strongly agree.

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FINDINGS/RESULTS

Reliability Analysis

Variables	Number Of Items	Cronbach's Alpha
Employee Performance	6	0.796
Transformational Leadership	5	0.787

Table 1 Summary of the Reliability

Based on Table 1, it shows the reliability of this study. The Cronbach's Alpha for employee performance (dependent variable) showed a questionable result which is 0.796. Meanwhile for the both independent variable also questionable. The Cronbach's Alpha for transformational leadership is 0.787. It can be concluded that the measuring factors that used in this research are reliable and can be adopted in this study.

Descriptive Analysis

Factors	Mean	Standard Deviation	Minimum	Maximum
Employee Performance	4.1065	0.61795	2.50	5.00
Transformational Leadership	4.1219	0.59967	2.50	5.00

Table 2 Result of Descriptive Analysis

Based on Table 2 shows the descriptive analysis of all variable used in this research. The mean value 4.1065 to 4.1407. Then, transformational leadership which is 4.1219 with 0.59967 standard deviation. For the dependent variables which is employee performance, the mean is 4.1065 with standard deviation 0.61795.

Correlation Analysis

	Employee Performance

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Employee Performance	Pearson Correlation Sig. (2-tailed)	1
Transformational Leadership	Pearson Correlation Sig. (2-tailed)	0.973

Table 3 Results of Pearson Correlation Coefficient

Table 3 shows the result of correlation analysis on the influence of leadership on employee performance. Both variables, which is transformational leadership and transactional leadership is having 0.973 Pearson correlation. Both independent variables can be considered have a strong relationship with dependent variables. The result show that it have a significantly relationship between employee performance, transformational leadership and transactional leadership.

Regression Analysis

Coefficients					
	Unstandardized Coefficients		Standardized Coefficients		
Model	B	Std. Error	Beta	T	Sig.
Transformational Leadership	.522	.084	.506	6.220	.000
R Square = .961 F = 1282.718 Sig. F = .000					

Table 4 Results of Regression Analysis

Tables 4 above shows the regression analysis of the influence of leadership style on employee performance. The first variables which is transformational leadership showed that it has effect (sig. = 0.000) towards the employee performance. Therefore, hypotheses H1 is accepted.

CONCLUSION

It can be concluded that, the study was successful investigate because this study discovered that employee performance are influence by leadership style of the leaders. Besides that, the study was successful in achieving its objectives by gathering the appropriate data and the result can be presenting. By using the information from the past research, the study was able to investigate the influence of leadership style on employee performance in an organization. Based on the findings, it showed that transformational

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leadership and transactional leadership are influence on the employee performance. These findings have important implications for managers and supervisors. By understanding the leadership style, the manager could be aware of their behaviour towards the employee. It should be note that transformational leadership and transactional leadership are having a different characteristics and behaviour. For transformational leadership, the leader will motivate the followers, bring a positive change and improve the productivity. But for transactional leadership, the leader more focus on accomplished goals of an organization. The employees that meet the expectations will be reward and employees that fail to perform will be penalized. The leadership style might be depend on the characteristics and circumstance of an organization. It also will depend on the type of employee and the goals of the organization.

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THE IMPACT OF MALAY TRANSACTIONAL LEADERSHIP STYLE ON EMPLOYEE PERFORMANCE; THE MALAYSIA 'PHARMACY INDUSTRY PERSPECTIVE

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Abstract

This research is focusing on the influence of leadership style on employee job performance. Researcher also highlight on the type of leadership style which is transactional leadership among malay that will influence job performance among employee in this country. These researches are focusing on employee from private sectors which is in Pharmacy Store especially in Malaysia. The significance of the study is to identify how leadership style will influence employee job performance due to the significance of the type of leadership style that has been using previously. The study will identifies the appropriate leadership style that suitable for the employee job performance in organization. The completion of this study will help to understanding the concept of leadership style in organization. The data and information that has been collect could use to plans and design strategies in order to help the leaders to manage their employee in the future. By fulfilling the aims that were stated in the research objectives, this study will be helpful for other

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researchers who may be focusing on understanding the concept of leadership style that effect the employee job performance. This research shows the regression analysis which is transactional leadership showed that it has effect (sig. = 0.000) towards the employee performance. This hypothesis was accepted by employee in Pharmacy Store which is the manager that has a transformational leadership style will influence the employee performance.

Keywords

transactional leadership style, Malay, employee performance, Malaysia 'pharmacy industry

Introduction

In organization almost everything depends on the employee in order to complete the job or task. How well the employee performance is depends on how well they are managed by their leaders. The way the leader approach the employee will effect on their job performance and it's commonly agreed that the employee job performance will effect on an organization performance. Lussier (2013) state that leadership style of leader and their ability to motivate their self and others will affect the career success and an organization's performance.

There are many research regarding the employee job performance in the past. It has been prove that the employee job performance usually was affect by the leadership style in an organization. The leaders will inspire their follower, motivate them and influencing people to achieve an organizational goal.

Gikutha, (2009) stated that the leadership style in an organization is a major factor in order maintaining the performance of the employees. The way the leaders approach he/she employee will effect on their job performance. Then, the employee job performance will give impact on organization performance. Performance management seems reasonable and fairly simple to do, but the majority of leaders fall short when it comes to clearly communicating, coaching others to succeed, and correcting poor performance (Manning & Curtis, 2009). The performance of the employee and organization are depends on how the leaders manage their subordinate. This research therefore explored the influence of leadership style on employee job performance in organization. Employee performance includes meeting deadlines, completing the task, and effectiveness and efficiency in doing work. The organizations need strong leadership styles to stimulate the employee performance. Some organizations that provide a services will face the problems such as poor services and inability to meet performance targets. This problem happens because the leaders fail to manage their employee. This study will investigate the leadership style that stimulates performance of employees in organization.

Literature Reviews

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Job performance - Borman & Motowidlo (1997) and Werner (2000) stated that task performance refers to behaviours that involve on activities that provide indirect support for the organization's core technical processes and producing good or service. And for contextual performance, the individual efforts are not directly involved in the main task function. Meanwhile, contextual performance is important because it will developed the organizational, social and psychological context (Werner, 2000). A good employee performance is necessary for the organization, this is because an organization's achievement is depending on the employee's creativity, innovation and commitment (Ramlall, 2008). The leader affects subordinates' performance by clarifying the behaviour's that will lead to desired rewards (Griffin & Moorhead, 2012).

Leadership - Robbins (2001) defined leadership as the ability of an individual to influence the behaviour of a group to achieve organizational goals. Leadership is a purposeful relationship, which occurs episodically among participants, who use their individual skills in influence, to advocate transforming change (Kearns, 2005). Based on Kreitner and Kinicki (2007), the definition of leadership has been divided for four commonalities which is leadership is a process between a leader and followers, leadership involves social influence, leadership occurs at multiple levels in an organization such as individual level, leadership involves mentoring, coaching, inspiring and motivating; leaders also build teams, generate cohesion, and resolve conflicts at the group level and leadership focuses on goal accomplishment. Leadership is a social influence process in which the leader seeks the voluntary participation of subordinates in an effort to reach organization goals (Omolayo, 2007). According to (French, Rayner &Rumbles, 2008), leaders provide inspiration, create opportunities, coach and motivate people to gain their support on fundamental long-term choices. Mayowa (2009) defined leadership is the ability to evaluate and or forecast a long term plan or policy and influence the followers towards the achievement of the said strategy. Leadership is a process of interaction between leaders and followers where the leader attempts to influence followers to achieve a common goal (Northouse, 2010; Yukl, 2005).

Transactional Leadership Style - The theory of transactional leadership style was first described by sociologist Max Weber in 1947 and then Bernard Bass make a further explore in 1981. This leadership style also known as managerial leadership. Nanjundeswaraswamy & Swamy (2014) stated that the relationship between leaders and followers is based on the contract and the leaders will focused on their followers basic and demand. The leaders will focus on the role of supervision, performance and organization. Franco & Matos (2015) state that transactional leaders focusing on structure, strategy and roles to make their followers to achieve the organization goal. Usually, this leadership style is used by the managers. It involve in motivating and directing followers through appealing their own self-interest. The leaders and followers are having a relationship that focus on exchange their own interest (Bass 1999). McCarthy and de Gaulle is known to use this transactional leadership style. The power of leaders comes from their formal authority and responsibility in the organization. The follower will obey the instructions by the leader and performs well on their job.

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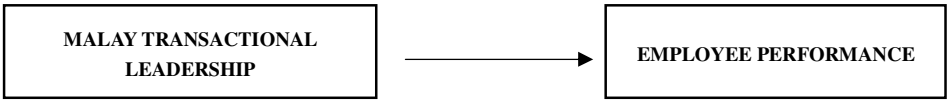
Bass (1985) states that the followers who reveal a good performance are rewarded, and those who do not are penalized. The leader will be monitored their employee in order to ensure the expectation are met. By giving a rewards and punishment, it will help to motivate the employee. Franco & Matos (2015) states that adopting reward and punishment in organization based on the employee's performance is to clarifying the expectation by the leaders. Transactional leadership more effective when the organization having a simple and clearly define problem. Other than that, it also work when the organization involve in crisis situation where they will need to focus on accomplishing a certain task.

Research Methodology



IV **DV**

Based on the framework, it can be hypothesized that:

H1: There is significant relationship between Malay transactional leadership and employee performance.

Population and Sample Technique - The population for this study is the total employees of the Pharmachy Store especially in Malaysia. There are 21 selected branches in Malaysia and 6 employees from each store were choosen. The total population is 126 employees that working in the Pharmachy Store. For a population of 126 employees, at a 95% level of confidence, it is estimated that the sample required is 108 employees. All questionnaire were returned by the employee.

Data Collection Method - The questionnaire has been distribute to collect data. A total of 108 questionnaire were distributed to Pharmachy Store especially in Malaysia. There is 21 store in Malaysia. The number of questionnaire distributed was based on the sample size of the employees in this study. The information was collected from the employees using hand delivery method and online survey. The respondent were questioned about the leadership style which is transactional leadership. They also questioned on their performance. Respondent were given appropriate instructions regarding how to answer the questionnaire and the method of marking their responses.

Data Analysis Methods - The collected data were analysed using the Statistical Package for Social Science (SPSS) software version 22.0. The data were entered in the SPSS database and several analyses were conducted. Descriptive statistics and inferential statistics were using to analyse the data. Descriptive statistics will analysis the frequency, percentage, mean and standard deviation. For inferential statistics, it will be using to analysis the Pearson correlation and linear regression. To determine the reliability of the scale, both dependent variable and independent variable were measure using the Cronbach's alpha value.

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Questionnaire - The questionnaire for this study are taken from existing questionnaire. There is three sections in the questionnaire which is demographic profile, independent variable and dependent variable. For demographic section, the respondent required to stated their gender, age, race, education level and length of service. For independent variable section, it divided to transformational leadership and transactional leadership. Malay **Transactional leadership has 6 question and 6 question on dependent variable section measured by .** For independent variable and dependent variable, the respondent are required to give a scale to answer the question. The linear scale is from 1 to 5, which is start with strongly disagree, disagree, natural, agree and strongly agree.

FINDINGS/RESULTS

Reliability Analysis

Variables	Number Of Items	Cronbach's Alpha
Employee Performance	6	0.796
Transactional Leadership	6	0.740

Table 1 Summary of the Reliability

Based on Table 1, it shows the reliability of this study. The Cronbach's Alpha for employee performance (dependent variable) showed a questionable result which is 0.796. Meanwhile for the both independent variable also questionable. The Cronbach's Alpha transactional leadership is 0.740. It can be concluded that the measuring factors that used in this research are reliable and can be adopted in this study.

Descriptive Analysis

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Factors	Mean	Standard Deviation	Minimum	Maximum
Employee Performance	4.1065	0.61795	2.50	5.00
Transactional Leadership	4.1407	0.56981	2.60	5.00

Table 2 Result of Descriptive Analysis

Based on Table 2 shows the descriptive analysis of all variable used in this research. The mean value 4.1065 to 4.1407. For the independent variables, the highest mean is transactional leadership which is 4.1407 with 0.56981 standard deviation. For the dependent variables which is employee performance, the mean is 4.1065 with standard deviation 0.61795.

Correlation Analysis

		Employee Performance
Employee Performance	Pearson Correlation Sig. (2-tailed)	1
Transactional Leadership	Pearson Correlation Sig. (2-tailed)	0.973

Table 3 Results of Pearson Correlation Coefficient

Table 3 shows the result of correlation analysis on the influence of leadership on employee performance. Transactional leadership is having 0.973 Pearson correlation. Thus, independent variables can be considered have a strong relationship with dependent variables. The result show that it have a significantly relationship between employee performance and transactional leadership.

Regression Analysis

Coefficients				
	Unstandardized	Standardized		

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Model	Coefficients		Coefficients	T	Sig.
	B	Std. Error	Beta		
Transactional Leadership	.522	.088	.481	5.908	.000
R Square = .961 F = 1282.718 Sig. F = .000					

Table 4 Results of Regression Analysis

Tables 4 above shows the regression analysis of the influence of leadership style on employee performance. Transactional leadership have a significant effect on employee performance which show sig =0.000. Therefore, hypotheses H2 also accepted.

CONCLUSION

The hypothesis suggested that the transactional leadership have an influence on the employee performance in an organization. This hypothesis also was accepted by employee in Guardian Store. The manager that has transactional leadership style will influence the employee performance. It can be prove by previous research such as (Greenberg, 1996, 2003, Tatum et al., 2003a, 2003b) that the transactional leadership have a significant impact when it involve on the employee perceptions of justice. Other than that, it give a significant when the employee trust in the leaders (Konovsky, Pugh, 1994, Korsgaard et al., 1995, Pillai et al., 1999).

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REVITALIZATION OF PRODUCT FEATURES AND QUALITY OF SERVICE (SERVQUAL) IN BANK NAGARI, INDONESIA

Heryanto

Abstract

The purpose of this study was analyzing the features of the product and service quality (SERVQUAL) that are considered important in determining customer satisfaction Bank Nagari. The population consists of all customers of Bank Nagari. Sampling using stratified random sampling technique. Sample size of this study namely 1110 respondent. To analyze the attributes that are considered important and analyze the performance in achieving customer satisfaction analysis was used IPA. The results of these studies show that First, the decline in the use of language features, parking area, cleanliness of the mushalla / toilet, tissue, location, responsiveness, accuracy and speed that impact customer satisfaction decrease. Second, phone banking feature, ATM Cards, Sikoci saving asurance and interest rate is a product feature that is necessary to improve and repair.

Keyword: revitalization, product, features, SERVQUAL, Bank Nagari

Introduction

Banks that have good performance always pay attention to the sustainability of its business, one way to do continuous improvement to our products and services, in order to obtain a quality of good products and service quality to satisfy our customers. This is done by banks for retain existing customers and new customers to remain loyal to the products and services that have been offered. Customer is a measure of the success of a bank and should be considered important by any bank, in order to improve the quality of its products and services. Customer is the object that is easy to change, so that the necessary research to find out the desire of customers to products and services that you want, when seen from a marketing standpoint.

The Bank is a financial institution which is engaged in the financial sector to raise funds, distribute and provide other financial services. The persistence of a bank can be strongly influenced by the loyalty of its customers for the quality of services and products provided by banks and also the participation of levels management to market the bank as a financial institution that can trusted by the community. To maintain its reputation in terms of operational quality Bank Nagari, it is necessary to step up monitoring of the physical and network service quality which is in contact with the customer to remain in the standards and conditions of good business activity. Commercial Bank development requires banks to have excellence in ministry to customers. Bank should form a strong positioning in the face of turbulent business services that are rapidly changing and avoid customer migration. Positioning involves how Bank Nagari responding to what is desired by the customer. Positioning will establish and strengthen brand differentiation, product and service Bank Nagari.

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Based on the above description which is the case in this study is are the features of the product and service quality (SERVQUAL) is considered important in determining customer satisfaction Bank Nagari?. As for the research purposes namely analyzing the features of the product and SERVQUAL that are considered important in determining customer satisfaction Bank Nagari. Benefits of this writing is the bank's management can use this research to revitalize the product features and quality of service Bank Nagari.

Literature Review

Marketing

Kotler (2003) suggests that marketing is a social process that is based on the individual processes and the way the group to get what is needed and desirable, by creating, offering and freely exchanging products and services of value with other. Service can be defined as economic activities provide benefits to the customer at a certain time and place, as a result of actions to realize the desired changes in themselves or on behalf of the recipient of such services (Lovelock, 2005).

Quality of Services

Parasuraman, Berry Zeithamldan in Nasution (2004), established the model that highlights the quality of services essential prerequisites to provide high quality services. This model can be seen in Figure 1, shows the five gaps that can lead to failure of the delivery of quality services.

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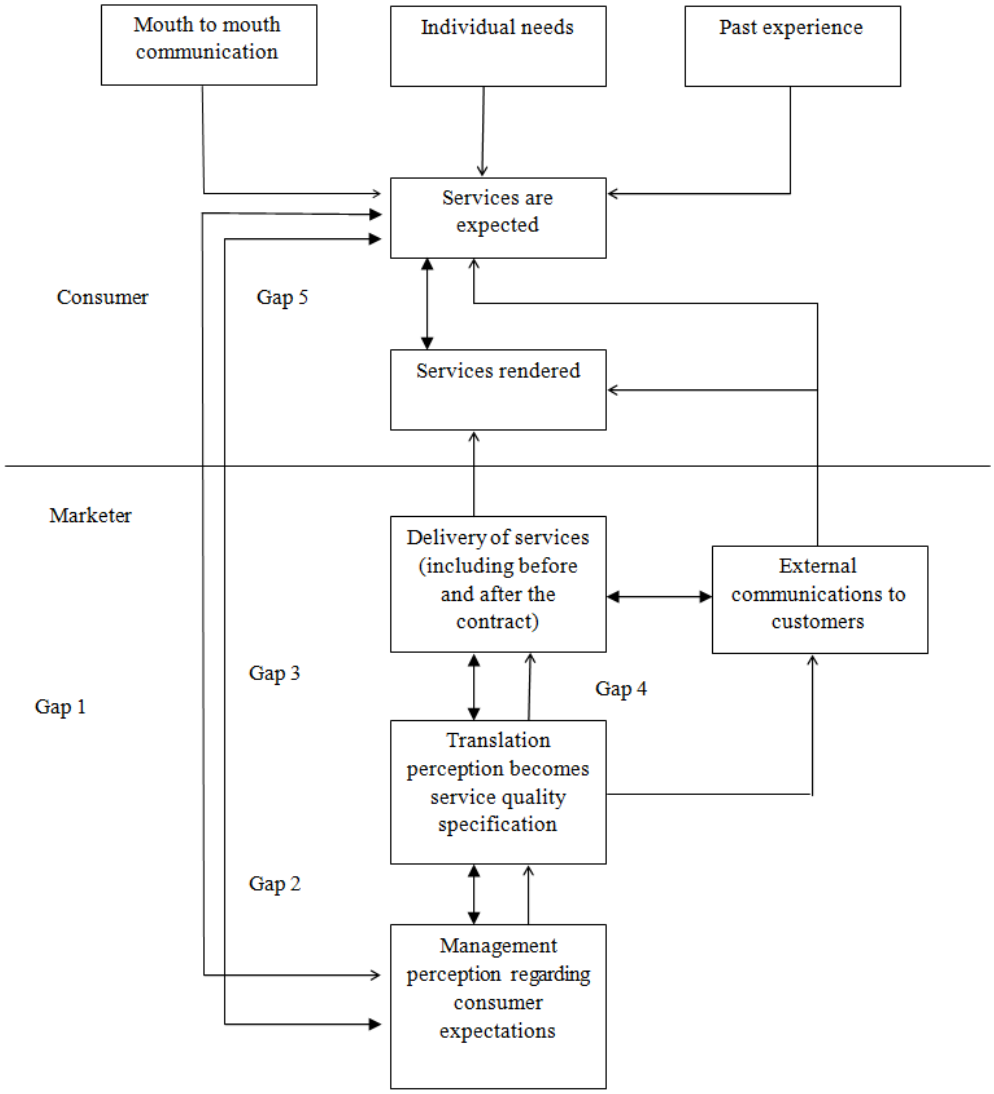

Figure 1: Service Quality Model

Customer satisfaction

Definition of Customer Satisfaction

Customer satisfaction is feeling happy or disappointed customers who come from a comparison between the impression of the performance or the result of a product or service and its expectation. If such performance was below expectations of customers, then these customers feel let down; if it meets expectations, that customer will be satisfied; if it exceeds expectations, the customer will feel very satisfaction. Customer expectation can be shaped by past experiences, comments from relatives, as well as appointments and information marketers and its competition. Customer are satisfied loyal longer, are less sensitive to price and gave good comments about the company (Kotler, 2003).

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Factors Driving Customer Satisfaction

There are five factors that determine the level of customer satisfaction (Irawan, 2003), namely:

1. Quality of the product.

   Consumers or customers will be satisfied if the results of the evaluation indicate that the products used are top quality products. Some dimensions are influential in shaping the quality of the product is performance, reliability, conformance, durability, features, and others.

2. Quality of service

   Forming components of customer satisfaction, especially for industrial jasa.Pelanggan will be satisfied, if getting good service or as expected. Dimensions of quality of service is already widely known as conceptualized by ServQual includes five dimensions such as reliability, responsiveness, assurance, empathy and tangible.

3. Emotional factors

   Consumers or customers will feel proud and have the belief that the other person will feel awe against him, when using products with a particular brand, so it will have a higher level of satisfaction. satisfaction is not because the quality of the product, but self-esteem or socia values that make customers be satisfied with the brand certain products.

4. Price

   Products that have the same quality, but price relatively cheap will give a higher value to customers. Clear that the price factor is also a factor which is important for customers to evaluate the level satisfaction.

5. Cost and ease

   Customers do not need to incur additional costs or not need to waste time to get a product or service, tend to be satisfied with a product or service. Factors that influence customer satisfaction can be seen Figure 2 (Irawan, 2003).

Keterangan :

1.The gap between consumer expectations and perceptions of management: Management did not always understand exactly what customers want.

2.The gap between management perception and service quality specification: Managment may fully understand the customer's desire, but do not set a specific of performance standars.

3.The gap between service quality specifications and delivery services: The personnel may be poorly trained or is unable or unwilling, or are faced with the opposite standard.

4.The gap between service delivery and external communications: Consumer expectations are influenced by the statements made by the representatives of companies and advertising companies.

5.The gap between the services of experienced and services expected: Gaps it occurs when a wrong perception about the quality of those services.

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Figure 2: Factors Affecting Customer Satisfaction

Customer Satisfaction Measurement

Joni (2009) conducted a research on the analysis of customer satisfaction for the quality of service of Indonesia Muamalat Bank of Bogor Branch, CSI analysis results indicate that the level of overall customer satisfaction on service quality attributes of the Bogor branch already high BMI. It can be seen from the CSI 76.07%, which is located between the satisfaction level of 0.71 to 0.81, meaning customers have been satisfied with the quality of service performance attributes of the Bogor branch BMI.

Customer satisfaction measurement is absolutely necessary for two reasons. First, so companies do not waste money useless. Without measurement, the company will not be able to determine the priority of improving the quality of the product or waitress expected by customers. Second, that companies can mobilize the commitment of all levels of employees to be involved in the process of improving customer satisfaction (Irawan, 2003).

According to Kotler (2003), there are four devices to track and measuring customer satisfaction. The fourth device is :

1. The system of complaints and suggestions

   Every organization oriented to customer needs provide an opportunity, as well as easy access and comfortable for customers to submit suggestions, criticisms, opinions and complaints. The media used can in the form of suggestion boxes placed at strategic locations, comment cards, a special toll-free telephone line, website and etc.

2. The customer satisfaction survey

   Most of customer satisfaction research conducted using survey methods, survey either by post, telephone, email, website, and interviews.

3. Shopping stealth (Ghost Shopping)

   One way to get a sense of satisfaction customers are employing some of the ghost shopper to act or pretend as potential customers of products competing company, who asked to interact with staff and media services using the products or services of the company.

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4. Analysis of customers lost

Wherever possible the company to contact customers who stop buying or switching supplier, in order to understand why it happened and attempt to be able to take further policy improvements or enhancements.

Bank Nagari Services to its customers based on a guidance service that lists the attributes of quality of service that must be met to service quality of customer satisfaction. Therefore, Bank Nagari called market-oriented bank, so understand that the perception of good quality service depends on the client's perspective. Customers evaluate the service quality that the Bank Nagari by comparing the level of interest of the customers with performance level (satisfaction). The level of interest is the customer's expectation of the performance of Bank Nagari, while the level of performance (satisfaction) is a reality accepted by the customer on the implementation of Bank Nagari service quality attributes. Chart frame of mind can be seen in Figure 3.

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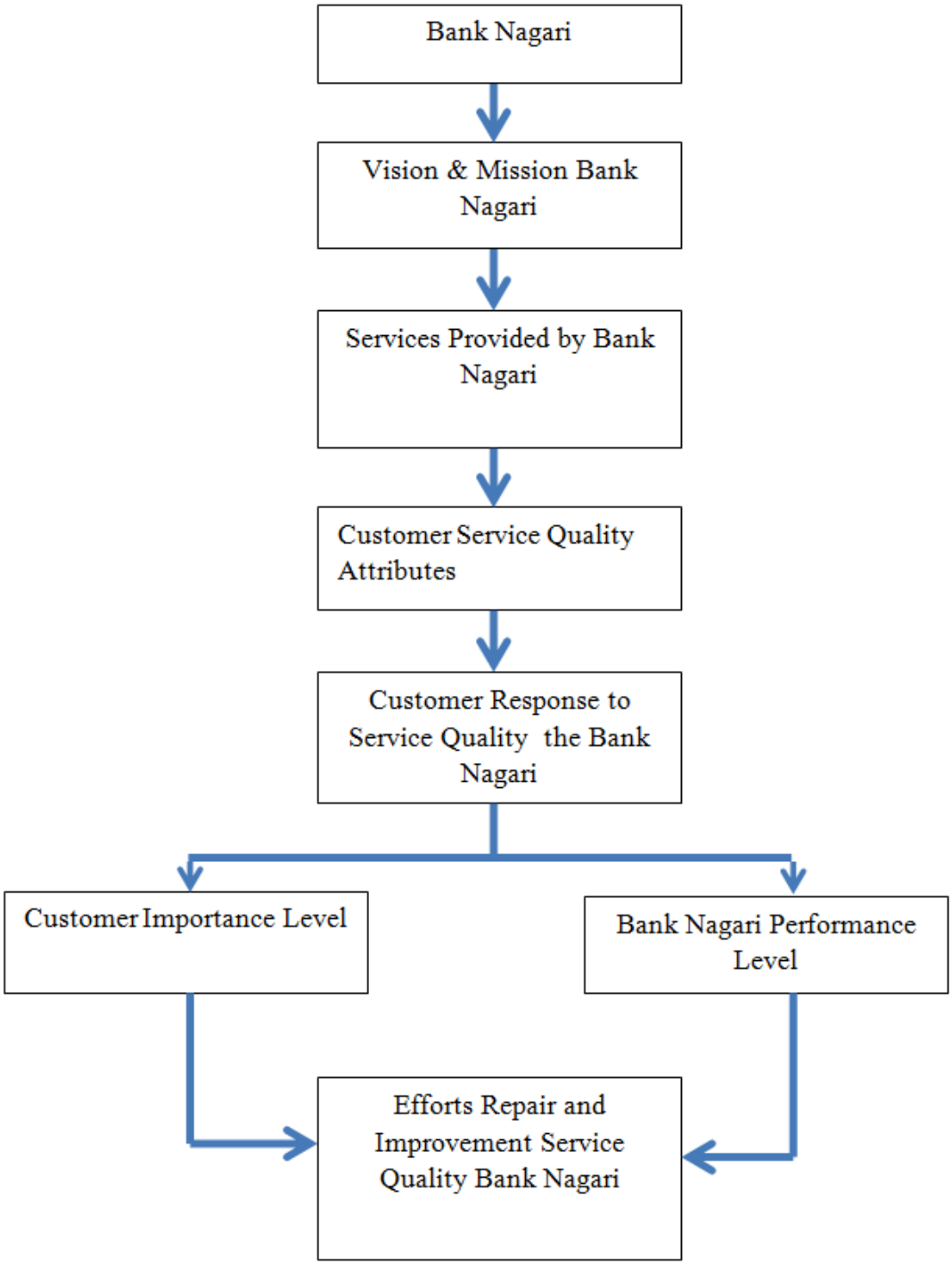

Figure 3: Research Framework

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Research Methods

This section consists of two parts. The first part emphasizes on the research locations, sample design covering the sampling procedure, sample size and instrument. The second part emphasizes on the analysis of data.

Research Location

Research location include branches of Bank Nagari comprising 30 conventional branches and sharia branch located in West Sumatra, Pekanbaru and Jakarta. The sites consist of:

Tabel 1: Branch & Bank Nagari Network

No	Briefing	Network
	West	**12**
1	Solok	3
2	Sawahlunto	2
3	Pulau Punjung	1
4	Sinjunjung	2
5	Koto Baru	3
6	Alahan Panjang	1
	East	**46**
7	Simpang Empat	4
8	Lubuk Basung	1
9	Pariaman	4
10	Bandung	2
11	Jakarta	4
12	Utama Padang	10
13	Pasar Raya	14
14	Syariah Padang	5
15	Mentawai	2
	North	**33**
16	Padang Panjang	3
17	Bukittinggi	7
18	Payakumbuh	5
19	Pangkalan	1
20	Syariah Payakumbuh	4
21	Pekanbaru	3
22	Lubuk Sikaping	1

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23	Ujung Gading	2
24	Tapus	2
25	Batusangkar	2
26	Lintau	1
27	Lubuk Alung	2
	South	**8**
28	Painan	2
29	Muara Labuh	3
30	Tapan	3
	Total	**99**

Samples Design

In this section discuss the sampling procedures, sample size and the instrument used in the study. Sampling procedures discuss sampling techniques, types, sources of data and data collection. Discussions on the sample size includes the description of the sample, margin error and confidence level. Followed by an explanation of the instrument used, which includes the level of customer satisfaction and Servqual.

Sampling procedures

Sampling Technique

The population consists of all customers of Bank Nagari. Sampling using stratified random sampling technique. This means that sampling is done stratified according to class / size of the branch office.

Type & Source of Data

The data used is the cross sectional. This type of data is qualitative data and quantitative data. The data consist of primary data and secondary data. Primary data were obtained by measuring the level of customer satisfaction and Servqual. While the secondary data obtained from the data publication of Bank Nagari.

Data collection

Data used in this study are primary data and secondary data. Primary data is data obtained directly from the first source, whether it be filling out the questionnaire by customers of Bank Nagari, direct interviews with employees, as well as the observation (CCTV footage) conducted on customer activity and the operational activities of employees of the Bank Nagari.

Questions concerning the quality of services obtained from Bank Nagari service book. In this case, each question is weighted by using a Likert scale, where the Likert scale used to identify or analyze the quality of services provided by Bank Nagari with the quality of service desired by the customer. Respondents were asked to choose one of a number of categories of answers to all the statements were observed. To

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measure the quality of services Nagari Bank concerning customer expectations and in assessing the implementation of the performance of the service quality of Bank Nagari used a Likert scale (Table 2).

Table 2: Score level of importance and the level of performance

Score	Importance Level	Performance Level
5	Very important	Very satisfied
4	Important	Satisfied
3	Quite important	Quite satisfied
2	Not too important	Less satisfied
1	Not important	Not satisfied

The data collection is done in September up to October 2012. Details of the study schedule is as follows:

No	Brief	Nw*	September				October				November				December			
			I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV
	West	**12**																
1	Solok	3																
2	Sawahlunto	2																
3	Pulau Punjung	1																
4	Sinjunjung	2																
5	Koto Baru	3																
6	Alahan Panjang	1																
	East	**46**																
7	Simpang Empat	4																
8	Lubuk Basung	1																
9	Pariaman	4																
10	Bandung	2																
11	Jakarta	4																
12	Utama Padang	10																
13	Pasar Raya	14																
14	Syariah Padang	5																
15	Mentawai	2																
	North	**33**																
16	Padang Panjang	3																
17	Bukittinggi	7																
18	Payakumbuh	5																

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19	Pangkalan	1																
20	Syariah Payakumbuh	4																
21	Pekanbaru	3																
22	Lubuk Sikaping	1																
23	Ujung Gading	2																
24	Tapus	2																
25	Batusangkar	2																
26	Lintau	1																
27	Lubuk Alung	2																
	South	**8**																
28	Painan	2																
29	Muara Labuh	3																
30	Tapan	3																
	Total	**99**																

***) Network**

-Team devided by 4 groups

Sample Size

The sample size in this study was determined by the formula Slovin (Umar, 2003), namely:

$n = N / 1 + Ne^2$ ……..(1)

where,

N = Total population

n = Sample size

e = Percent leeway inaccuracy due to sampling error can be tolerated, stipulated 3 %.

An unknown number of customers of Bank Nagari in 2011 as many as 1,145,042 people consisting of as many as 116.439 people credit customers and customer deposits as many as 1,028,603 people. From the above data can be calculated sample size as follows:

$n = 1,145,042 / 1 + 1,145,042 (0,03)^2 = 1110$ respondent

The sample distribution stratified random sampling. Samples of each branch is determined as follows Class A 50% with a total of 8 branches (555 respondents), 30% of class B with a total of 8 branches (333 respondents) and class C 20% with a total of 14 branches (222 respondents). The description of each sample shown in the following table:

Table 3 : The sample distribution by branch

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No	Brief	Branch Class	Total Respondent
	West		**200**
1	Solok	A	68
2	Sawahlunto	C	16
3	Pulau Punjung	C	16
4	Sinjunjung	B	42
5	Koto Baru	B	42
6	Alahan Panjang	C	16
	East		**434**
7	Simpang Empat	B	42
8	Lubuk Basung	B	42
9	Pariaman	B	42
10	Bandung	A	69
11	Jakarta	A	69
12	Utama Padang	A	69
13	Pasar Raya	A	69
14	Syariah Padang	C	16
15	Mentawai	C	16
	North		**403**
16	Padang Panjang	B	42
17	Bukittinggi	A	69
18	Payakumbuh	A	69
19	Pangkalan	C	16
20	Syariah Payakumbuh	C	16
21	Pekanbaru	A	69
22	Lubuk Sikaping	C	16
23	Ujung Gading	C	16
24	Tapus	C	16
25	Batusangkar	B	42
26	Lintau	C	16
27	Lubuk Alung	C	16
	South		**73**
28	Painan	B	41
29	Muara Labuh	C	16
30	Tapan	C	16
	Total		**1110**

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Processing and Data Analysis

1. Validity Test

Validity test used to indicate the extent to which the questionnaire can measure what you want measured. The analysis technique used is the Pearson Product Moment correlation analysis, to calculate the correlation between each question with a total score (Umar, 2003):

$r_{account} = n(\sum xy) - (\sum x)(\sum y) / \sqrt{[n\sum x^2 - (\sum x)^2][n\sum y^2 - (\sum y)^2]}$ ……. (2)

where :

$r_{account}$ = Validity indexs

n = The number of the questions

X = Score each question number

Y = N total score of respondents in answering questions

When the obtained r account is bigger than r table at a significance level (α) of 0.05, the statement on the questionnaire has construct validity or contained internal consistency in the question and fit for use.

2. Reliability Test

According Supranto (2001), to measure the reliability of the questionnaire can using Alpha Cronbach Alpha technique. Test is used to determine the level of reliability of the data produced by an instrument, meaning that show the stability of the measurement results when the instrument is used in different groups. Alpha Cronbach formula as follows:

$r_{11} = (k/k-1)\left(1 - \sum\sigma_b^2 / \sigma_t^2\right)$ ……....(3)

where : r_{11} = reliability of the instrument

K = a lot of the questions

σ_t^2 = total variance

$\sum\sigma_b^2$ = number of diverse items

Having obtained the account correlation, then compare with the correlation on table r product moment pearson with the significant level of 5 percent. If the account r is greater than table r, then the questionnaire is reliable, and vice versa if account r smaller than table r, then the questionnaire is not reliable.

Data processing was performed using the Microsoft Excel 2003 and SPSS programs (Statistical Program For Social Science) 13.0. To analyze the attributes that are considered important and analyze the

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performance in achieving customer satisfaction analysis was used IPA.

3. IPA

Descriptive and qualitative-quantitative methods used in processing and analyzing the study data. IPA (Rangkuti, 2003) or the analysis of the level of importance and employee performance are used to address issues regarding the extent to which the level of customer satisfaction with the services of Bank Nagari.

Total assessment of the level of importance and the level of performance of each attribute is obtained by adding the results of multiplication score of each scale with the number of respondents who chose the Likert scale. The range for each scale are:

(Xib – Xik) / The number of measurement scale …….(4)

where :

Xib = the bigger scores that may be obtained under the assumption that all respondents gave answers to very important or very good (score 5) to each element of i service quality.

Xik = the bigger scores that may be obtained under the assumption that all respondents gave are not important (score 1) to each element of i service quality.

Then the magnitude range for each class studied were:

[(5 x 1110) – (1x 1110)] / 5 = 888

Table 4: Distribution of the total value of the important level (expectation)

Important level	Range
Not Important	1110-1997
Not too Important	1998-2885
Quite Important	2886-3773
Important	3774-4661
Very Important	4662-5549

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Table 5: Distribution of the total value of the performance level (execution)

Satisfaction Level	Range
Not Important	1110-1997
Not too Important	1998-2885
Quite Important	2886-3773
Important	3774-4661
Very Important	4662-5549

The level of conformity is a comparison between the level of important and the level of performance. Such a comparison can be found by doing a comparison between the total score of the level of performance (Xi) and the total score of the level of important (Yi), with the following formula:

TKi = [Xi/Yi] x 100%.....(5)

Information :
TKi = Concordance level
Xi = Total score assessment of corporate performance
Yi = Total score assessment of customer important

The concordance level used to determine the extent of customer satisfaction. If the conformity is above the total average (> 100%), it can be said customers are very satisfied. If the value of conformity is equal to the total average, it can be said customers are not satisfied.

Discussion

Attribute Preference Customer Deposits

CBR research Andalas University (2009) showed that the important attributes that became the main preferences of customers deposits at Bank Nagari can be seen in the following table. From Table 6 it can be seen that the most important reason for customers to place funds in Bank Nagari is a bank location that is easily accessible with a response of 14.5%. This indicates that Bank Nagari has put the bank office is right on target market.

While three other attributes that became a major preference for customer deposits are the bank's reputation, service is fast and efficient and limit the low minimum initial deposit with each response of 13.7%, 12.3% and 11%. This indicates that the bank must always be close to our customers and always strive to build a reputation / image that is strong in the eyes of its customers. Further preference of customers for Bank Nagari will be higher if the bank can improve performance attributes of bank services on top of getting a response is still low from clients such as savings products that are innovative, hours of bank operations flexible, wide office network, E-Banking services, technology banks are more reliable, an emotional bond with the clerk, the number of ATMs that more and more.

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Table 6: Reasons for Saving in Bank Nagari

No	Reasons for Saving in Bank Nagari	Ranking	%
1	Bank office location within easy reach	**1**	14,45
2	Good bank reputation	**2**	13,70
3	Service officer quickly and efficiently	**3**	12,34
4	Minimum limit of the low initial deposit	**4**	11,04
5	Banks have different types of bill payment facility	**5**	7,77
6.	An emotional bond with the bank	**10**	2,86*
7.	The type and value of the lottery	**13**	1,98**

Source: CBR Andalas University 2009

*Not including the five main preferences

**Not including the five main preferences

Furthermore, based on the results of the analysis of the reasons customers save on Bank Nagari, raffle and great prizes are in a position no. 13. This shows that the raffle and the prize is not a major consideration for the respondent to keep in Bank Nagari. Respondents generally think more rationally in determining the choice of Bank.

For emotional attachment factor showed a low response category, with a response by 2.86% compared with the other attributes. Factors emotional ties can be said attributes the low level of importance in choosing a bank.

Factors - factors that become the most powerful reason for customers of Bank Nagari to become depositors at other banks are another bank's reputation ranks first (11.07%), followed by the rank 2 (9.99%) such as service personnel savings quickly and efficiently while the number of ATMs that much. Rank 3 wide network of bank offices 9.02%, ranking 4 Bank has phone banking facility of 6.74% and ratings Last post: Bank offers innovative savings products and varied with a response rate of 6.14% attribute.

Bank good reputation rank 1. It is clear that other banks have savings products that have good credibility. Which better reflects the credibility of such products which have the right positioning to be able to meet customers' needs.

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Table 7. The Bank Nagari Customers Reason Save in Other Banks

No	Deposit Have Reasons in Other Bank	Ranking	%
1	The good reputation of the bank	**1**	11,07
2	Service officer quickly and efficiently	**2**	9,99
3	Number of lot ATM	**2**	9,99
4	Extensive bank branch network	**3**	9,02
5	Banks have phone banking facility	**4**	6,74
6	Bank offers innovative savings products and varied	**5**	6,14

Source: CBR Andalas University 2009

There are four service attributes that became the main preferences of customers to deposit funds in other banks that are not on their preferences as customer deposits at Bank Nagari. Four of these attributes include the number of ATMs that much, a wide office network, phone banking facilities and savings products are innovative and varied. This has implications that Bank Nagari should improve its performance on all four attributes mentioned above so as to prevent clients moving to other banks.

Segment, Target & Positioning Savings Products

Positioning is how the savings products can meet customers' requirements. Savings Products Bank Nagari consists of Tabanas, Simpeda, Sikoci and Tahari Mabrur. Savings products spearheading the Bank for raising funds from the public. For that the product has a positioning, differentiation and a strong brand in the market.

From Table 8 shows that of the four savings products only 1 savings product which has a positioning that is Sikoci. Tabanas, Simpeda and Tahari Mabrur savings not have postioning. Positioning savings Sikoci 'Rescue In Difficulties' is a promise to customers savers should be realized through Sikoci savings. The lack of positioning credible result of these products less competitive in the market.

Table 8. Bank Nagari Saving Product Matrix

No.	Briefing	Saving Product			
		Tabanas	**Simpeda**	**Sikoci**	**Tahari Mabrur**
1	**Market Segment**	Students, employees and the general public	general public	general public	general public
2	**Product features**	a. Competitive interest rate based on daily balances b. Withdrawal and deposit every weekday c. Can be used as a medium of payment of	a. Competitive interest rate based on balances b. Saving lottery prize two times a year c. Withdrawal and deposit every weekday	a. Competitive interest rate based on balance b. Saving lottery prize two times a year c. Chance to get a	a. Facilitate obtaining the portion of the Hajj b. Connected on line with SISKOHAT at the Ministry of Religious

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		electricity bills, telephon, water, tuition, property tax, and other taxes, remittances and others d. Equipped with an ATM card of Bank Nagari	d. Can be used as a medium of payment of electricity bills, phone bills, account taps, tuition, PBB and other taxes, remittances and others e. Equipped with an ATM card of Bank Nagari	bigger reward and equitable d. Withdrawal and deposit every weekday e. Can be used as a medium of payment of electricity bills, phone bills, account taps, tuition, PBB and other taxes, remittances and others f. Savers be included insurance program g. Equipped with an ATM card of Bank Nagari	Affairs c. Withdrawal and deposit every weekday d. Savers offered 3 choices remuneration namely: 1. Does not require remuneration 2. Require remuneration to increase savings balances 3. Desiring remuneration but distributed to foundations or charities designated or submitted to the Bank Nagari e. Free account opening fee, monthly administration and closing of accounts f. Getting a gift / souvenir to support the implementation of the pilgrimage
3	**Product Requirements**	a. Complete the application form of Tabanas opening and customer data form b. Submit a copy of ID card / driving license / passport is valid	a. Complete the application form Simpeda saving opening and customer data form b. Submit a copy of ID card / driving license / passport (for foreigners) who apply	a. Complete the application form SIKOCI saving opening and customer data form b. Submit a copy of ID card/driving license/passport (for foreigners) c. The administrative fee guided by Decree of the Board applicable Decree of the Board applicable	a. Complete the application form TAHARI saving opening and customer data form b. Submit a copy of ID card / driving license c. The initial deposit of at least Rp. 100.000, - d. The next deposit is not limited in number
4	**Positioning**	Nothing	Nothing	Rescuer In Difficulties	Nothing

Tabanas saving market segment of students, employees and the general public. While Simpeda, Sikoci and Tahari Mabrur savings almost have the same market segment that is the general public. Product features that are not much different between Tabanas, Simpeda & Sikoci (Table 8). This means

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that of the three saving products are not visible 'unique value' of a product. The product does not have the differentiation in comparison with saving products that exist in the market.

Dimensions and Quality Attributes Services Bank Nagari

Quality of service can be assessed quantitatively by taking into account the dimensions of service quality Bank Nagari and describe the attributes of each of these dimensions. Joni (2009) determines the thirteen attributes of quality of service, including the location of the bank's strategic and easily accessible, large parking area, safe and comfortable, interior and exterior design of banks, ease of transaction, the employees were served quickly, facilities obtained from savings (ATM , phone banking, debit cards, etc.), extensive bank network (branches spread out, wide and easy access), the campaign carried out by Bank Nagari, multi-use savings products (such as wages and telephone), the product clearly inform the employee, the employee can instill confidence to customers, employees greet customers with a smile, say hello and greet and responsive to employee complaints. All attributes of quality of service based on the division of the dimensions can be seen in (Table 9).

Table 9. Bank Nagari service quality dimensions

Service Quality Dimensions		**Service Quality Attributes**	
1.	Tangible	1.	Bank Location is strategic and easy to reach
		2.	A large parking area, safe & comfortable
		3.	Employe performance are clean, tidy and polite
		4.	Cleanliness waiting room
		5.	Interior and exterior design
		6.	Mushola hygiene and toilet
2.	Responsiveness	7.	Ease of transaction
		8.	Employees serve quickly
		9.	Employee Accuracy
3.	Reliability	10.	The facilities were acquired (ATM, phone banking, debit cards, etc.)
		11.	Extensive bank network (branches, wide access and easy)
		12.	Promotion is done
		13.	Multipurpose savings products (such as wages & phone)
4.	Assurance	14.	Employees inform product clearly
		15.	Employees can instill confidence in the customer
		16.	Employees use language that is easily understood by customers
5.	Emphaty	17.	The employees greet customers with a smile, greet and salute
		18.	Employees responsive to complaints

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Analysis of Conformity / Gap

Based on the results of assessment of the level of interest and the level of performance, resulting calculation of the degree of correspondence between the level of interest and the level of performance at Bank Nagari. Suistability obtained through the comparison between the level of interest with the level of performance. The level of interest is the level of customer expectations of a product or service, both in terms of quality products and services. While the level of performance is any action taken by a company to manage and run their business.

Based on the survey of the Planning Division in 2013 that the level of concordance between the level of interest and the level of performance on each attribute of service quality are presented in Table 10. The level of compliance could be used also to see ratings or rankings of quality of service attributes studied and analyzed from the lowest to the highest , so it can see the order of priority of improving the quality of care and Bank Nagari. In Table 10 looks the order of priority to improve the quality of service on each of the attributes of service quality is obtained based on the level of conformity. Attributes employees use language that is easily understood by customers (4) is an attribute that is a top priority, because it has the lowest suitability score.

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Table 10. Level of concordance between the level of importance of each attribute performance quality of service

No.	Service features	Importance Score	Performance Score	level of Compliance (%)
1	The employees greet customers with a smile, greet and salute	3653	3308	90.56
2	Employees responsive to complaints	3687	3326	90.21
3	Employees inform product clearly	3615	3266	90.35
4	Employees use language that is easily understood by customers	4989	3464	69.43
5	Employees can instill confidence in the customer	3546	3282	92.55
6	Employe performance are clean, tidy and polite	3694	3448	93.34
7	Employee Accuracy	3681	3323	90.27
8	Employees serve quickly	3653	3299	90.31
9	Cleanliness waiting room	3421	3217	94.04
10	Multipurpose savings products (such as wages & phone)	3395	3191	93.99
11	Ease of transaction	3452	3252	94.21
12	Bank Location is strategic and easy to reach	3493	3110	89.04
13	Bank Interior and exterior design are attractive	3402	3164	93.00
14	Promotion is done	2931	3027	103.28
15	Extensive bank network (branches, wide access and easy)	3631	3039	83.70
16	Mushola hygiene and toilet	3585	2962	82.62
17	A large parking area, safe & comfortable	3503	2880	82.22

Source: Planning Division 2013

In Table 11 it can be seen that there is only one attribute that has reached even exceed the value of 100 per cent of the overall quality of service attributes were analyzed, namely the sale by Bank Nagari (10). This means that these attributes have met even exceed the expectations of customers, so that customers feel very satisfied. While all the other attributes sixteen percentage compliance rate was still below 100 per cent, so that the customer is not satisfied. This shows that the performance of Bank Nagari

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to the sixteenth attributes are not yet fully meet the expectations of customers, so it must constantly make improvements on an ongoing basis.

In general, the average degree of conformity of all the attributes of service rendered no one has reached 100 percent, but it can be said that the level of performance of Bank Nagari relatively quite good (approaching 100%). The average of the highest concordance rate is an attribute of the campaign carried Nagari Bank (17), while the average rate is the lowest suitability employees use language that is easily understood by customers (1).

Table 11. The order of priority of enhancement and improvement of quality of service on each attribute of quality of service

No.	Service features	level of Compliance (%)	Priority to-
1	The employees greet customers with a smile, greet and salute	90.56	10
2	Employees responsive to complaints	90.21	6
3	Employees inform product clearly	90.35	9
4	Employees use language that is easily understood by customers	69.43	1
5	Employees can instill confidence in the customer	92.55	11
6	Employee performance are clean, tidy and polite	93.34	13
7	Employee Accuracy	90.27	7
8	Employees serve quickly	90.31	8
9	Cleanliness waiting room	94.04	15
10	Multipurpose savings products (such as wages & phone)	93.99	14
11	Ease of transaction	94.21	16
12	Bank Location is strategic and easy to reach	89.04	5
13	Interior and exterior design	93.00	12
14	Promotion is done	103.28	17
15	Extensive bank network (branches, wide access and easy)	83.70	4
16	Mushola hygiene and toilet	82.62	3
17	A large parking area, safe & comfortable	82.22	2

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In Table 12 shows that the employees use Simpeda attributes that include phone banking (C13) is an attribute that is a top priority, because it has the lowest suitability score.

Table 12. Level of concordance between the importance of the performance of each product features

No.	Service features	Importance Score	Performance Score	level of Compliance (%)
A	**Demand deposit**			
1	Interest rate	1817	1220	67.14
2	Gifts	-	-	-
b	**Sikoci**			
3	Book design	1614	1168	72.37
4	Interest rate	1697	1173	69.12
5	Gifts	1687	1300	77.06
6	ATM card	1672	1072	64.11
7	Phone Banking	1431	898	62.75
8	Sikoci Saving Assurance	1016	603	59.35
c	**Simpeda**			
9	Book design	1493	1109	74.28
10	Interest rate	1688	1069	63.33
11	Gifts	1595	1086	68.09
12	ATM card	1481	842	56.85
13	Phone Banking	1045	493	47.18
d	**Time Deposit**			
14	Interest rate	1442	1062	73.65
15	Gifts	-	-	-
e	**Credit & financing**			
16	Interest rate	1347	1013	75.20
17	Profit sharing	1300	824	63.38
18	provision, commitment fees	889	575	64.68
f	**Other bank services**			
19	Transfer cost	1147	833	72.62
20	Save deposit box cost	883	639	72.37
21	The administrative costs of electricity / water / telephone	758	531	70.05
g	How are your hopes for Bank Nagari ATM features today			
22	Maximum cash withdrawal Rp. 5,000,000 per day	1020	836	81.96

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23	Bank [a] transfer maximum of Rp. 25,000,000 per day	994	812	81.69
24	Combined [b] transfer maximum of Rp. 25,000,000 per day	800	690	86.25
h	In this section you are asked to select ATM features according to future demand expectations (choice of more than 1)			
25	Maximum cash withdrawal Rp. 7,500,000 per day	669	519	77.58
26	Maximum cash withdrawal Rpl Rp. 10,000,000 per day	778	655	84.19
27	Interbank transfer maximum Rp. 25,000,000 per day	492	427	86.79
28	Interbank transfer maximum Rp. 35,000,000 per day	450	373	82.89
29	Interbank transfer maximum Rp. 50,000,000 per day	579	413	71.33
30	Interbank transfer maximum Rp. 75,000,000 per day	463	379	81.86
31	Interbank transfer maximum Rp. 100,000,000 per day	574	423	73.69
32	Combined transfer maximum Rp. 35,000,000 per day	420	332	79.05
33	Combined transfer maximum Rp. 50,000,000 per day	433	313	72.29
34	Combined transfer maximum Rp. 75,000,000 per day	431	327	75.87
35	Combined transfer maximum Rp. 100,000,000 per day	522	392	75.10
36	Discount on merchant	469	323	68.87
37	Airport lounge	413	310	75.06
38	Free notifications	395	308	77.97
39	Administration Cost Rp. 2.500	319	290	90.91

Source: Planning Divsion 2013

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In Table 13 it can be seen that there are no attributes which have reached a value of 100 percent of all product features are analyzed. However, it can be said that the level of performance product features Bank Nagari relatively quite good (approaching 100%). The mean levels of conformance are administrative costs (37) of the ATM features, while the average rate is the lowest suitability phone banking (1) in Simpeda features.

Table 13. The order of priority of the increase and improvement of products in each product features

No.	Service features	level of Compliance (%)	Priority to-
A	**Demand deposit**		
1	Interest rate	67.14	9
2	Gifts	-	-
b	**Sikoci**		
3	Book design	72.37	16
4	Interest rate	69.12	12
5	Gifts	77.06	25
6	ATM card	64.11	7
7	Phone Banking	62.75	4
8	Sikoci Saving Assurance	59.35	3
c	**Simpeda**		
9	Book design	74.28	21
10	Interest rate	63.33	5
11	Gifts	68.09	10
12	ATM card	56.85	2
13	Phone Banking	47.18	1
d	**Time Deposit**		
14	Interest rate	73.65	18
15	Gifts	-	-
e	**Credit & financing**		
16	Interest rate	75.20	23
17	Profit sharing	63.38	6
18	provision, commitment fees	64.68	8
f	**Other bank services**		
19	Transfer cost	72.62	17
20	Save deposit box cost	72.37	16
21	The administrative costs of electricity / water / telephone	70.05	13
g	How are your hopes for Bank Nagari ATM features today		
22	Maximum cash withdrawal Rp. 5,000,000 per day	81.96	31

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23	Bank [a] transfer maximum of Rp. 25,000,000 per day	81.69	29
24	Combined [b] transfer maximum of Rp. 25,000,000 per day	86.25	34
h	In this section you are asked to select ATM features according to future demand expectations (choice of more than 1)		
25	Maximum cash withdrawal Rp. 7,500,000 per day	77.58	26
26	Maximum cash withdrawal Rpl Rp. 10,000,000 per day	84.19	33
27	Interbank transfer maximum Rp. 25,000,000 per day	86.79	35
28	Interbank transfer maximum Rp. 35,000,000 per day	82.89	32
29	Interbank transfer maximum Rp. 50,000,000 per day	71.33	14
30	Interbank transfer maximum Rp. 75,000,000 per day	81.86	30
31	Interbank transfer maximum Rp. 100,000,000 per day	73.69	19
32	Combined transfer maximum Rp. 35,000,000 per day	79.05	28
33	Combined transfer maximum Rp. 50,000,000 per day	72.29	15
34	Combined transfer maximum Rp. 75,000,000 per day	75.87	24
35	Combined transfer maximum Rp. 100,000,000 per day	75.10	22
36	Discount on merchant	68.87	11
37	Airport lounge	75.06	20
38	Free notifications	77.97	27
39	Administration Cost Rp. 2.500	90.91	36

Conclusion

Conclusions of this research are as follows:

1. The decline in the use of language features, parking area, cleanliness mushalla / toilet, tissue bank, location, responsiveness, accuracy and speed that impact customer satisfaction decrease .
2. Phone banking feature, ATM Cards, Sikoci saving asurance and interest rate is a product feature that is necessary to improve and repair.

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DOES INFRASTRUCTURE MATTER?

THE ROLE OF INFRASTRUCTURE IN ATTRACTING FOREIGN DIRECT INVESTMENT:

A CASE STUDY OF SAARC REGION.

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Abstract:

The study is carried out to explore, the importance of infrastructure availability in the South Asian Association for Regional Cooperation (SAARC) developing countries in increasing their attractiveness for Multinational Corporations (MNCs). Through estimating a panel data econometric model for the time period 1999-2013, the decisive factors of foreign direct investment (FDI) inwards in SAARC states are considered. This study is founded on a sample of four (04) SAARC states, that areBangladesh,India, Pakistan andSri Lanka. In the models, dependent variable is FDI inwards. Explanatory variables are market size, economic growth, trade openness, human capital and infrastructure. According to the results of econometric estimations, in the main model, economic growth, trade openness and infrastructure has positive effects and are statistically significant in the SAARC region. Market size and Human capital has positive sign but both are not statistically significant.

Key words: Infrastructure, SAARC, MNCs, FDI and Panel data.

1. Introduction:

Most developing countries have faced the economic problems as they do not have enough national savings and import and export gaps to finance their investment needs. To fill this gap these countries are in perpetual need of inflow of foreign investment. Foreign direct investment (FDI) plays a very significant role in attracting approach for any host country to acquire new technologies, better

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infrastructure, new managerial techniques, and human capital and therefore in the development of a host country (Yuan, Chen and Wang, 2010)

In the light of Bouoiyour's (2003) study, a number of countries have focused on formulating policies to encourage foreign investment offering different types of product and services such as tax incentives, import duty immunity and subsidy to foreign companies, along with measures like market tendency, improvised infrastructures and at times monopoly privileges.

Numerous studies on FDI have admitted the infrastructure is one of the key factors along with other factors to attract FDI. Some of them are Shah (2014) Rehman et al (2011),Kok and Ersoy (2009), Sekkat and Veganzones-Varoudakis (2004), Asiedu (2002), Morrisset (2000) and Wheeler and Mody (1992).All of these are agreed that MNCs are interesting such market where they can achieve the profit maximization it can be done in such way that cost reduction i.e. public goods are in a better condition and cooperative to investors.

The empirical evidence shows that accessibility of infrastructure in the host country positively affects FDIinflows (Shah 2014).

The current study is one of its kinds as it examines the behavior of FDI mainly to infrastructure and other variables market size, trade openness, human capital and economic development. Our study focuses on the South Asian Association of Regional Countries (SAARC) countries (Pakistan, India, Bangladesh, Sri Lanka) for the period 1999 to 2013.

The sequence of the paper breaks up like this: part two explains the review of literature of FDI. The Model, data and methodology are illustrated in part three.In part four, the results are shared. At the end, the conclusions are drawn in part fifth.

2. Review of Literature

With expanded globalization in the course of the most recent decades the phenomenon of FDI has expanded and has become to be imperative for worldwide business environment.

Ozturk (2007) suggested that for economic growth of the nation, high quality of the infrastructure, local cooperation and well established banking system should be there to encourage foreign direct investment. According to him there is a strong link between foreign direct investment and economic development of the country provided that the host country has attained the required educational level and infrastructure growth.

Khan (2011) recommends that Pakistan do not have appropriate infrastructure facilities to invite foreign direct investment and if there is FDI, it is focused in telecom, oil and gas and finance sector.

Steve Kapfer (2007) verified infrastructure development (communication, transport and energy) shall encourage foreign direct investment. He empirically tested that foreign assistance has no direct

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relationship on foreign direct investment but assistance for infrastructure had positive and direct relationship with foreign direct investment.

M. AsimFaheem (2011) empirically verified if a nation has good physical and technological infrastructure, it will be in a good position to encourage foreign direct investment.

Behname (2012) recommended that metropolitan infrastructure facilities has positive influence on foreign direct investment and he further added that governments in these states should pay appropriate consideration to these variables to invite foreign direct investment.

Villanger (2004) stated that unstructured macroeconomic policies, poor infrastructure and well established regulatory atmosphere discourage foreign investors to invest in the host countries.

Panitchpakdi (2009) described that technological infrastructure and physical infrastructure were among the most important elements for foreign direct investment. He suggests that appropriate amendments in the existing business governing rules are necessary for removal of impediments in countries with massive natural resources. Similarly for countries with tourism attraction tourist friendly laws and regulations shall be introduced to attract foreign direct investment in the tourism sector.

Fernández-Arias and Montiel (1996), Calvo et al. (1996) and Gottschalk (2001) illustrates a two-factor categorization of the factors that influence FDI inflows: "push variables" are the ones that are beyond the geographical boundaries of the recipient economies of FDI. These are connected with the cyclical and well defined structural conditions. or "pull" factors are the ones inside the recipient economies such as financial/ economic, structural and sociopolitical environment, as well as risk.

A comparable arrangement has developed from the study of Tsai (1991), Ning and Reed (1995) and Lall et al. (2003) who figure out these elements as (i) those on the "supply-area" e.g., skilled and trained labor, infrastructure research and growth, (ii) "demand-area" host country economic and societal factors ,consist of market size, interest rates, , wage rates, income division, human capital, cost differentials, tax and tariff levels, economic policies, trade openness policies, cultural distance and physical etc,

The Studies carried by Musial and Sigue (2006) on FDI show that FDI in Africa region is reliant on the improvement of better infrastructure. Also, other research work on growing economies (Cotton and Ramachandran, 2001; Mengistu and Adams, 2007); growing economies (Zhang, 2001); European Countries (Botric and Škuflic, 2006) Western Balkan Countries (Kersan-Skabic and Orlic, 2007) and Southeast show the important contribution of infrastructure growth in encouraging FDI.

Dizdarevic and August (2005) have worked for infrastructure developmentwhich is a amalgamated score of five territories: power, transportation, railways tracks, telecom, water and waste water. The result of the study shows a positive relationship between these two variables infrastructure index and FDI.

Asiedu (2002) for his research study he used phone lines every 1000 individuals to determine infrastructure growth and the result discovered a positive and considerable association between phone lines and FDI.

Loree and Guisinger (1995); Asiedu (2002) suggested that the host country's quality of infrastructure to

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matters for attracting more FDI. Thus, for this study gross fixed capital formation (GFCF) is used as a proxy for the physical infrastructure of the state.

Root and Ahmed (1978) studied fourty-four (44) economic, societal and strategy factors to analysis FDI inwards in fourty-one (41) developing states. The results show that per capita GDP, export-import ratio, transportation and communication ratio, the level of urbanization proves to be important determinants of FDI.

3. Research methodology

3.1 Objectives:

The most important objectives of the research are to study the physical and intellectual factors affecting FDI inflows in the sample countries. Major physical factors taken in the study are market size, infrastructure and trade openness and intellectual capital factors are economic growth and human capital. Such an econometric model has been extensively in literature; Wheeler & Mode, 1992; Asiedu, 2002, and Quiz, 2005, has mostly included a number of explanatory variables determinants of FDI, such as physical and intellectual variables. For achieving the above objective panel data set for four countries is used over a time period of 24 years. The following model has guided by the empirical literature.

$FDI_{it}=f(\beta_1 GDP_{it}, \beta_2 GDPPC_{it}, \beta_3 Trade_{it,} \beta_4 HK_{it}, \beta_5 Infra_{it,})$ (1)

Where the subscript i, represent SAARC country and t represent time period from 1990 to 2013.

The justification for including these variables is briefly explained.

3.2 Data collection:

The Data for all dependent and independent variables is collected from World Development Indicators from the official website of World Bank (www.worldbank.org).

3.3 Sample size and period:

The sample size consists of the four SAARC member developing countries which include Pakistan, India, Bangladesh and Sri Lanka for a time period of twenty four years spanning from 1990 to 2013.

3.4 Hypothesis specification

3.4.1 Market Size (GDP):

The market size of host country plays a very important role for attracting FDI from the source country. The common inference is that the host states with developed and bigger market size are expected to draw in more FDI inflows. Generally MNC's can gain the economies of scales by having large market size. The market size has positive and significant effect on inward FDI to host country for example see Wheeler

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&Mody, 1992; Asiedu, 2006 Zhang, 2008; and Zheng, 2009. Gross Domestic Product (GDP) at current US$ and population are used as alternative pro

H_0: There is no relation among, market size,economic development,openness,human capital and infrastructure and foreign direct investment.

H_1. GDP is positively related with the FDI inflows.

3.4.2 Economic Growth (GDPPC):

A high growth in GDP per capital of the host country is a sign of good quality demand for the commodities and services produced by foreigner entrepreneurs. So, it is estimated that FDI per capital will be positively associated to the host country's consumer purchasing power. The literature shows that a resident country's economic size and growth rate are essential in determining country's inwards FDI (Tsai, 1994). Similarly, Schneider and Frey (1985) andGastanaga et al (1998) found positive and sadistically significant and impacts of development on FDI .

H_2. Economic development is positively related with the FDI inflows

3.4.3 Openness (Trade):

Multiple studies point out that trade openness has significant and positive effects on FDI inflows into a country, in case of export oriented FDI. Empirical literature also supports that a trade policy is one of the major factors for encouraging the FDI inflows into the resident country. For example, Sahoo (2006) MNCs mostly invest in large size markets, and which have regional trade integration and also in countries with better investment incentives in their trade agreements.Yih Yun et al., 2000; Asiedu, 2002; Feils and Rahman, 2008,also establish to be absolutely linked trade openness with inwards FDI.

H_3: Openness is positively related with the FDI inflows.

3.4.4 Human Capital (HK):

While the theoretical literature of FDI assumes human capital as one of the key requirement for FDI inflows (Dunning, 1988 and Zhang and Markusen, 1999).The history shows us that good health plays an important role in economic and human capital development. The expenditure on health is defended on the notion that healthy worker can positively affect the productivity of workforce. For our study, we have used Health expenditure per capita (current US$) as one of the proxy of Human Capital.

H_4. Health expenditure per capita as proxy of Human capital is positively related with the FDI inflows.

3.4.5 Infrastructure (Infra):

The main variable for our study is infrastructure. The availability of main telephone lines is essential to ease communication between the home and host countries. Campos and Kinoshita (2003) have contended that high quality infrastructure is an important requirement for MNCs to work effectively, regardless of the kind of FDI.. Botric and Skuflic (2005) include incorporate phone lines as a proxy for Infrastructure. Root and Ahmad (1979), Wheeler and Moody (1992), Kinoshta (1998), Kumar

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(2001), Asiedu (2002, 2006), Kok and Ersoy (2009) and Khadaroo (2010) found positive and significant effect of infrastructure on FDI.

For our study we have used telephone mainlines as proxy of infrastructure growth.

H_5. Infrastructure is positively related with the FDI inflows.

4. Model Specification

The econometric model specified is as follow:

Applying nature logarithm (ln) both sides of the (equation 1) for elasticities(reducing the expected hetereoskedasticity).

$\ln(FDI_{it}) = \alpha + \beta_1 \ln(pop_{it}) + \beta_2 \ln(GDP_{it}) + \beta_3 \ln(GDPPC_{it}) + \beta_4 \ln(Trade_{it}) + \beta_5 \ln(HK_{it}) + \beta_6 \ln(inf_{it}) + \beta_7 \ln(Infra_{it}) + \epsilon_{it}$

Table 1 Estimation Result for Market size, Economic Growth, Trade openness, Human Capital and Infrastructure.

Variables	Proxy	Random Effects GLS Regression	
		Coefficient / Standard Errors	P-value
Market size	Lnpop	.02725 (.0428)	0.524
Economic Growth	LnGDPPC	.0474 (.0125)	0.000***
Trade openness	LnTrade	.4792 (.0805)	0.000***
Human Capital	LnHk	.0287 (.0315)	0.362
Infrastructure	Lninfra	.0666 (.0309)	0.031**
R-Squared		0.60	
No of Observation		96	

Note: *** and ** indicate, 1% and 5% level of significant respectively.

5. Results and Discussions:

In this section we discuss the results based on panel data from four SAARC counties over period of 1990-2013.

The result indicates that market size, economic growth, trade openness, human capital and infrastructure have positive effect on FDI. Whether or not the market size influence FDI relies upon particular factors.

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For our study we use population as a proxy for market size, in our case market- size does not significantly effect on FDI. It must be emphasized that investor or MNCs not interested the market size for FDI population instead of income. As a result, log Population may be considered as a comparatively weak sign of market size in case of income. As per results we suggest that MNCs prefer rising counties to large size countries.

The results shows impact of human capital on FDI is substantially positive but not statistically significant. The result also suggests that a low literacy rate and lack of unskilled workforce is not essentially vital factor for FDI. Furthermore the result shows that the role of infrastructure on FDI is statically significant and positive which reflects that foreigner investors are encouraged to a developing state with quality infrastructure.

6. Conclusions:

According to our analysis, lnGDPPC used as proxy for economic growth have positive and significant effect. We can substantiate that economic growth is a decisive factor in drawing FDI to growing economies. That a fast growing country gives fairly superior opportunities for making profits as oppose to those growing gradually.

We can come to an end up from this result that economic development has been a deciding component in drawing in FDI to developing countries. That a fast developing economy gives fairly preferable chances to making benefits over the ones developing gradually.

The result shows trade openness of the economy has the positive and significant relation with FDI inflows in developing countries. It is reflects the willingness of a nation to accept FDI.

Large population can be providing a low wage workforce in developing countries, which attracted FDI because of its cost, rather than income. It is better chance for those MNCs which are working in vertical FDI.

Positive sign of human capital for developing countries FDI inflows proves that for most of the developing nations, the key element is human capital, but in our results indicate that relatively low levels of education and skills the positive sign but not statistically significant. According to our analysis, infrastructure has positive and statistically significant impact. It depicts that high-quality infrastructure enhances the production capacity of investments in a region and therefore encourages FDI inflows in developing countries.

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THE NEED FOR LOCAL GOVERNMENT REFORM IN THE REPUBLIC OF MACEDONIA

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Abstract

The high quality local government means to be able to increase customer satisfaction through the public services and build trust in public administration through transparent processes, accountability as well as through democratic dialogue. In this paper an analysis of the management of local government in several municipalities in the country. The results of the paper should reflect the operation and performance of Macedonian municipalities after the decentralization process in Macedonia. In order to do so, conventional business concepts of quality which regard public services as service providers and citizens as customers must be enriched by the TQM (Total Quality Management) concept of quality which perceives public agencies as catalysts of civic society, and citizens as part of a responsible and active civic society.

Keywords: *local government, public services, Total Quality Management, subsidies, municipal property, municipal administration, municipal authorities.*

JEL classification: D78, L53, O21, R51

1. Introduction

The TQM philosophy has been accepted in many local government worldwide, and its usage refers to new key adjustments into the quality approach within the business process. The very first alteration refers to the establishing of processes of continuous improvement in all segments of public administration by involvement of the staff, and the second by gratification of the needs to all users (citizens, stakeholders, employees and professional bodies, the society as a whole and the international forum) together with the benefits of public sector. What's the core of TQM strategy (Mitreva and Filiposki, 2012)?

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2. Literature overview

As of the interpretation that has been provided by the European Foundation for Quality Management the significance of the total quality management (TQM) is defined as follows: "Management strategy for flawless achievement of an institution and its outcomes" (Mitreva and Taskov, 2014). A developed local government is a prerequisite for a modern, democratic and integrated Europe. Considering the fact that Macedonia aspires to join the European Union, the importance of this issue is growing. The organization of the local government is crucial in the life of the citizens or for their daily functioning, but for its realization funding is a key business processes (Jakobsen, 2009:223). Local government is a form of governance in local communities in which citizens directly or through representatives who they choose, decide on the interests and issues of local importance. Constitutional concept of local self-government emphasizes direct democracy in decision-making at the local level (Hansen, 2001; Sellers and Lidstrøm, 2007). Citizens in this way are more involved in the affairs of the municipality where they live and this organization can achieve greater decentralization of power and greater efficiency in achieving the goals that are set for a municipality or in its entirety.

The charter of Local Self – Government is a modern, pragmatic, flexible legal instrument which should protect the rights of local authorities as closest to the citizens and to enable them effective and wide participation in solving local problems i.e. their involvement in local public life. The charter is one of the important pillars of democracy and the European integration and a first multilateral legal instrument that guarantees a high degree of local autonomy (Chandler, 2008: 355).

3. Research methodology

The draft of the Law on Local Self-Government of the Republic of Macedonia establishes municipalities as units of local government and the City of Skopje is considered as a separate unit. In the municipalities, citizens participate in decision making on issues of local importance established by the Constitution and the law through their representatives. The citizens of the municipality may establish local communities and other forms of local government. In local government there are two types of jurisdiction: original and delegated. The municipalities and the city of Skopje perform their original jurisdiction work through direct participation of citizens in decision-making through and through their bodies which constitute the representatives of the citizens. The direct participation of citizens in decision-making is accomplished through referendum and through other forms of direct expression. In performing the duties of original jurisdiction, the municipalities and the city of Skopje are independent and their rights cannot be abridged nor limited by Act of the Republic of Macedonia, or other public authority, except in cases and under the conditions laid down by law. Forms of original jurisdiction of municipalities include: the municipality adopts the spatial and detailed urban plan and program for construction of the land. The municipality provides and regulates the development of settlements, the maintenance and use of local roads, streets and bridges and other public buildings of importance to the municipality. Also, the municipality provides the supply of drinking water, waste water disposal, public hygiene, supply of electricity, public lighting, and many other responsibilities in the field of culture, sport, social and child protection, education, health care, protection of the environment.

Supervision of the work of the municipalities and the city of Skopje is performed by authorities of the

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republic with the jurisdiction to perform works of delegated authority. The government of the Republic of Macedonia by law, can entrust certain administrative matters within its competence in the municipality such as use of land, housing area and the social control of prices of goods and services and so on.

For the activities of local government, municipalities are financed from their own sources of income determined by law, from funds derived from income and property rights, property tax, tax on income from property, utility fees, part of the Sales Tax products and other sources. If the realization of municipal activities is lacking funds, they are provided from the State Budget. The municipality is guaranteed grants and subsidies by the state, and the right to borrow on the domestic and foreign market, but according to the law. The Association of Local Government (ZELS) brings together all 84 municipalities in the Republic of Macedonia and the city of Skopje as its members. For the realization of the objectives which are inherently unique, ZELS has found mechanisms for active participation of all intellectual and technical capacities of the municipalities, forming special committees covering all of the aspects of decentralization.

3.1.Funding sources of funding to municipalities

Providing the funding for municipalities is very important for the creation of preconditions for the implementation of competencies. The mayors of municipalities, a large part of the time spend on requests for financial support for projects, finding business partners for cooperation, preparation of appropriate projects that will use IPA or other funds and providing grants. Municipalities are financed from their own revenues, grants from the central budget and the budget of funds and by borrowing. Own sources of revenues are revenues that are provided by local taxes, local charges, local fee and income from property. The local taxes are: property tax, inheritance tax and gift tax on real estate and other local taxes established by law. The local charges are: utility fees, administrative fees and other local fees established by law. The local fee includes: the fee for construction land compensation of communal activity and compensation for spatial and urban plans and other local fee established by law. The municipality can generate income from: property (income from rent, interest and income from sale of property), donations, revenue from fines stipulated by law, revenue contribution from other income determined by law. The municipality has no right to sell the property if the disposition is to disturb the exercise of public functions and responsibilities of the municipality .The municipality takes part of the revenue realized from the personal income tax, 3 % of the personal income tax o from wages of individuals who live and reside permanently in the municipality and the total amount of personal income tax from natural persons that are crafts man in the place of registration. Proceeds from donations in the form of funds revenue budget and donations in the form of items are also recorded as property of the municipality. The Budget of the Republic of Macedonia and the budget funds allocated following types of grants or transfers of funds to the budget of the municipalities:

- Income derived from value added tax;
- Designated grants or grant intended to fund a specific activity;
- Capital subsidy or grant intended to fund municipal projects for capital investment;
- Block grants or a grant intended to fund competencies in each area established by law and

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- Delegated authority grant or transfer of funds from the budget of the state administration to the municipal budget used to finance the delegated authority.

4. Empirical Data and Analysis

4.1. Analysis of grants from the budget of the Republic of Macedonia to the budgets of the three local governments

The local government in the Republic of Macedonia is a constitutional matter. It is a fundamental value of the constitutional order. With the method of positive enumeration, the Constitution sets out the basic areas that extends municipal authority, guaranteeing their own sources of revenue and republic funds for their realization. In order for the municipalities to successfully operate their management method and management methodology are very important. In the surveyed municipalities the model is simple because the management of the municipality is basically the mayor and the Council that the citizens elected in local elections and the municipal administration that perform work in the jurisdiction of the municipality. The municipal administration is organized in departments and divisions. The Council may establish municipal inspectors and oversight of the municipal operations. With grants from the Budget of the Republic of Macedonia and the budget funds, additional revenues are being provided for the municipality for its responsibilities under the law. The type, amount and distribution of grants to municipalities are part of the budget of the Republic of Macedonia and budget funds. The competent ministries and funds by the 30-th April of the current year's publish criteria, procedures and deadlines for allocating capital and earmarked grants. Grants distributed in the Republic of Macedonia to the budgets of the municipalities in the following ratio:

- 82 % of total assets related to block grants;
- 10 % of total assets related to value added tax;
- 8 % designated grants.

Subsidies from the budget of the Republic of Macedonia in the budgets of the municipalities belong to the largest percentage of block grants, or 82 % of the total package of grants, while the grant of Value Added Tax takes 10 % , while the lowest percentage of 8 % belong to designated grants.

The trend of grants transferred in the last four years from the central budget to the budget of the Municipality Gorce Petrov is given in Fig. 1.

Figure 1: Trend of grants transferred from the central budget to the budget of the municipality Gorce Petrov

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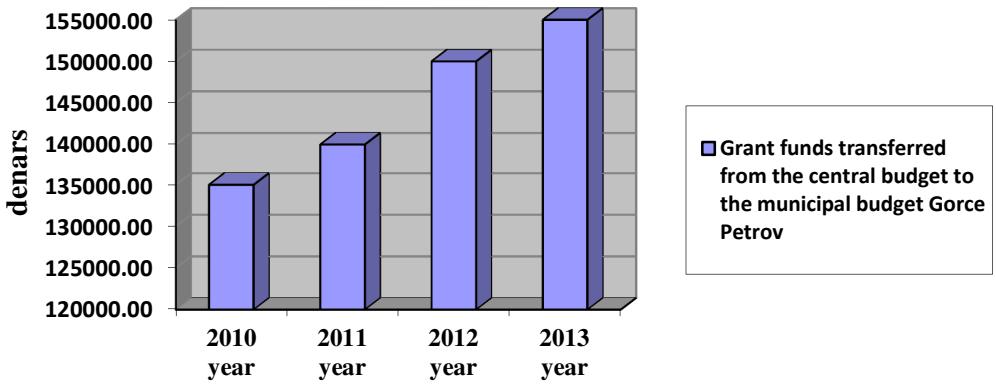


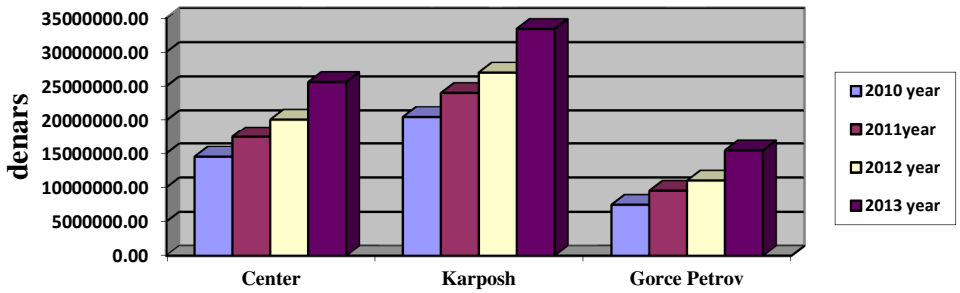
Source: Budget of the Municipality of Gorce Petrov period: 2010, 2011, 2012 and 2013

From Fig. 1 we can see that the growing trend of transferred funds from the central budget to the budget of the municipality Gorce Petrov from 2010 to 2013 is a result of the growth of the central budget and the increased delegated responsibilities of local governments.

4.2.Analysis of revenues from value-added tax as a subsidy from the Budget of the Republic of Macedonia to the three local governments

Revenues from value added tax (VAT) are grants that fund municipal competencies established by law and they are provided in the amount of 3 % of the total value added tax in the previous fiscal year. The distribution of revenues from value added tax (VAT) is 50 % done according to criteria per capita as well as other criteria established by the Regulation on the methodology for the allocation of VAT revenues adopted by the Government on the proposal of the Minister of Finance no later than June 30 of the current year for the following year. The use the VAT municipality decides its own. Fig. 2 presents the distribution of grants or trend of value added tax (VAT) from the central budget to the budget of the three local governments: Center, Karposh and Gorce Petrov in the period from 2010 to 2013.

Figure 2: Trend of grants from value added tax in the period 2010-2013 for the Municipality of Center, Karposh and Gorce Petrov



Source: Municipal Budgets Center, Karposh and Gorce Petrov for 2010, 2011, 2012 and 2013

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From Fig. 2 we can see that revenues from grants from the value added tax from the budget of the Republic of Macedonia to the municipal budget has seen a continually increasing trend as a result of increasing population and the number of companies in the municipalities.

4.3.Analysis of designated grants from the budget of the Republic of Macedonia to the three local governments

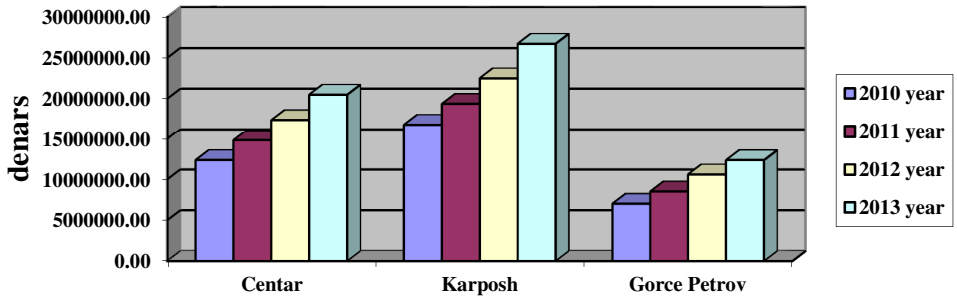
Designated grants are used to fund specific activities. The competent ministries and Funds make a suggestion to the Treasury for allocation of designated grants to municipalities' projects, institution and / or programs, budget calculation for the next budget year. The competent ministries and funds follow the use of the designated grants. In case of irregularities in the use of the grants the Ministries and Funds can stop payments and report to the Ministry of Finance. Designated funds as are distributed according to the following criteria:

- Variable costs or assets to finance activities of library, museum and music activities of local interest;
- Operating costs of local cultural institutions and related heating, electricity, water, sewer and garbage and property insurance institutions at prices determined by the insurance policies.

The Ministry of Culture transfers funds designated for grants to local institutions, municipalities and the City of Skopje, in agreement with the dynamics given from the Ministry of Finance in accord with the budget of the Republic of Macedonia.

Fig. 3 presents the distribution of designated grants from the central budget to the budget of local governments: Center Karposh and Gorce Petrov in the period from 2010 to 2013.

Figure 3**:** Trends in the distribution of designated grants from the central budget to the budget of local governments



Source: Municipal budgets of Center, Karposh and Gorce Petrov for 2010, 2011, 2012 and 2013

From Fig. 3 it can be seen that as a result of the increased responsibilities of the municipalities an increased number of activities has been undertaken thus an increase in the total revenue of municipalities from grants from the budget of the Republic of Macedonia can be noticed.

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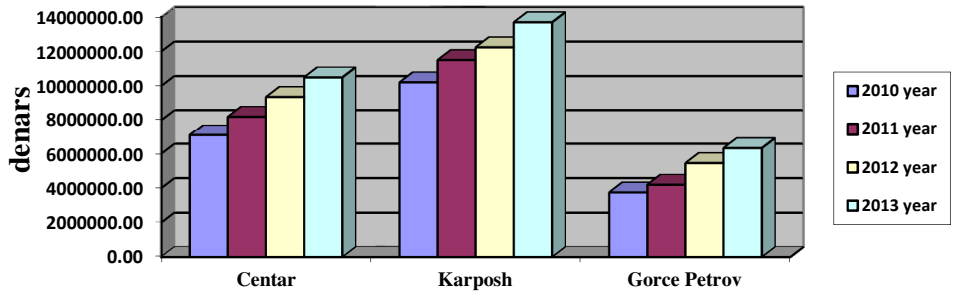
4.4.Analysis of capital subsidy from the budget of the Republic of Macedonia to the three local governments

A capital grant based on the program established by the Government of the Republic of Macedonia is used to finance investment projects. The competent Ministries and Funds in the allocation of capital grants give priority to projects that are fully collateralized by financial assets. The competent ministries and Funds monitor the use of the capital grant and if irregularities are found the competent ministries and funds can stop the disbursement of funds and inform the Ministry of Finance. Fig. 4 presents the trend of allocation of capital grants from the central budget to the budget of the three local governments: Center, Karposh and Gorce Petrov in the period from 2010 to 2013.

Figure 4: Distribution of capital subsidies from the central budget to the budget of the local government of Center, Karposh and Gorce Petrov



Source: Municipal Budgets for Center, Karposh and Gorce Petrov for 2010, 2011, 2012 and 2013

From Fig. 4 it can be concluded that over the years there is a growing trend of investment projects by individual local governments funded by the Republic's Government as a result of increased central budget of the Republic of Macedonia.

4.5.Analysis of the block grant from the budget of the Republic of Macedonia to the three local governments

Block grants are used to fund the responsibilities defined by the Law on local self-governance through specific programs. The competent ministries and Funds have developed a methodology for determining the criteria for allocation of block grants to municipalities. The government of the Republic of Macedonia adopted a Decree on the methodology for determining the criteria for allocation of block grants to the proposal of the competent ministry. Funds designated as block grants are used basic high schools expenditures such as: salaries, wages and employee benefits, supplies and other services.

Fig. 5 presents the trend of allocation of block grants from the central budget to the budget of the three local governments: Center Karposh and Gorce Petrov in the period from 2010 to 2013.

Figure 5: Trend in the allocation of block grants from the central budget to local governments: Center, Karposh and Gorce Petrov

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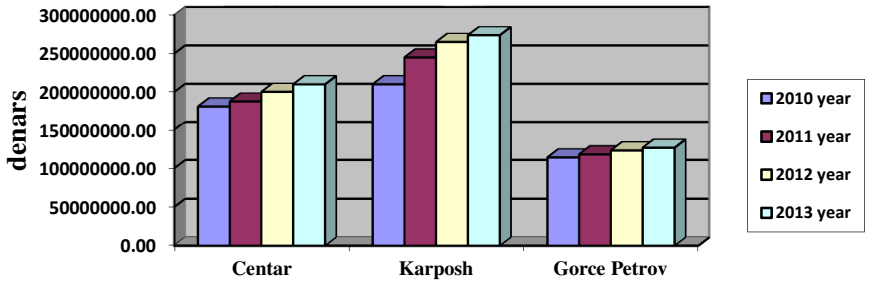


Source: Municipal budgets of Center, Karposh and Gorce Petrov for 2010, 2011, 2012 and 2013

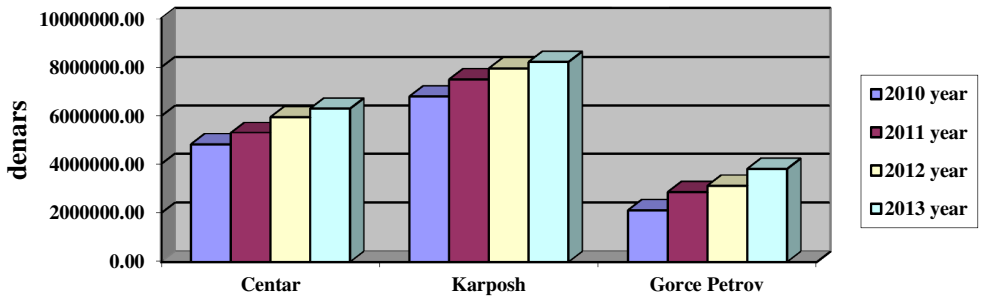
From Fig. 5 we can see that revenue based on block grants from the central budget of the Republic of Macedonia is increasing proportionally as a result of the increase in the central budget of the Republic of Macedonia.

4.6.Analysis of grant for delegated authority from the budget of the Republic of Macedonia to the three local governments

The grants for delegated authority are used to finance the delegated authority from the state administration to the mayor. The grants of delegated authority are transferred in a manner that allows for timely execution of the delegated work. The Minister who runs the civil administration and the mayor sign an agreement regulating the mutual relations associated with the grant of delegated authority. If the mayor does not perform the planned delegated authority, he is obliged to return the funds received to the Budget of the Republic of Macedonia within 30 days from the day when exercising of the delegated authority should have started, unless there were objective obstacles. The public administration body notifies the Ministry of Finance of any contracts for delegated authority.

Fig. 6 presents the trend of allocating grants for delegated authority from the central budget to the budget of the three local governments: Center, Karposh and Gorce Petrov in the period from 2010 to 2013.

Figure 6: Distribution of grants for delegated authority from the central budget to local governments: Center, Karposh and Gorce Petrov



Source: Municipal budgets of Center, Karposh and Gorce Petrov for 2010, 2011, 2012 and 2013

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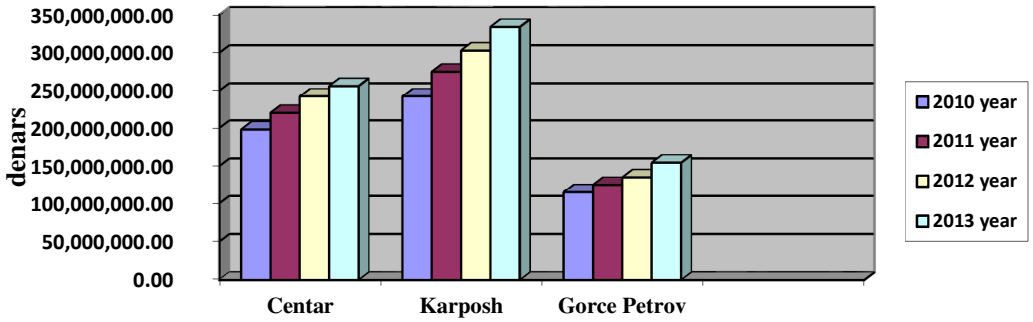
From Fig. 6 it can be seen that a very small percentage of total income in respect of grants accounted for grants of delegated authority and it is due to the decentralization of local government or the fact that there is still a great deal of responsibilities that belong to the central government.

4.7.Comparative review of grants from the Budget of the Republic of Macedonia to the municipal Center, Karposh and Gorce Petrov

Fig. 7 presents the trend of grants from the central budget to the budget of the three local governments: Center Karposh and Gorce Petrov in the period from 2010 to 2013.

*Figure 7***:** Trends *of 2010-2013 for grants from the central budget to the three municipalities: Center, Karposh and Gorce Petrov*



Source:

Municipal Budgets for Center, and Karposh

Gorce Petrov for 2010, 2011, 2012 and 2013

From Fig. 7 we can see that with the advance of the process of decentralization of the municipalities and consequently the increase of the scope of their responsibilities a growth of total revenue that municipalities receive based on grants from the budget of the Republic of Macedonia can be noticed.

5. MANAGEMENT OF LOCAL GOVERNMENT BASED ON FINANCIAL PERFORMANCE

5.1.Analysis of expenditure by municipalities

Fig. 8 shows the expenditure in respect of pay and allowances and social security contributions for 2013.

Figure 8: Comparative review of expenditure in respect to salaries, wages and social security contributions

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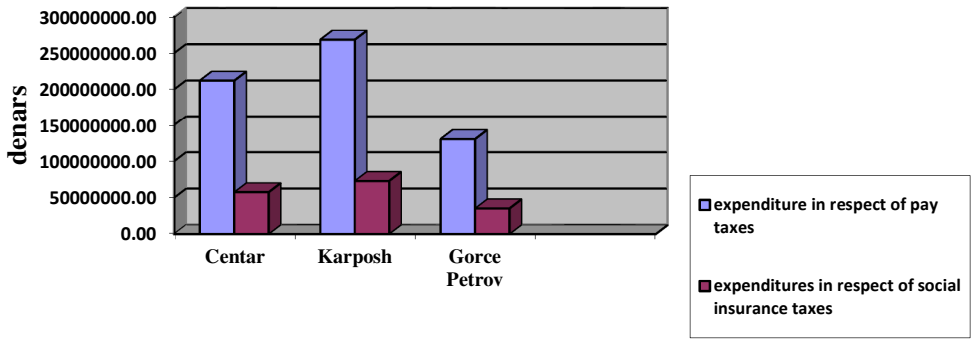
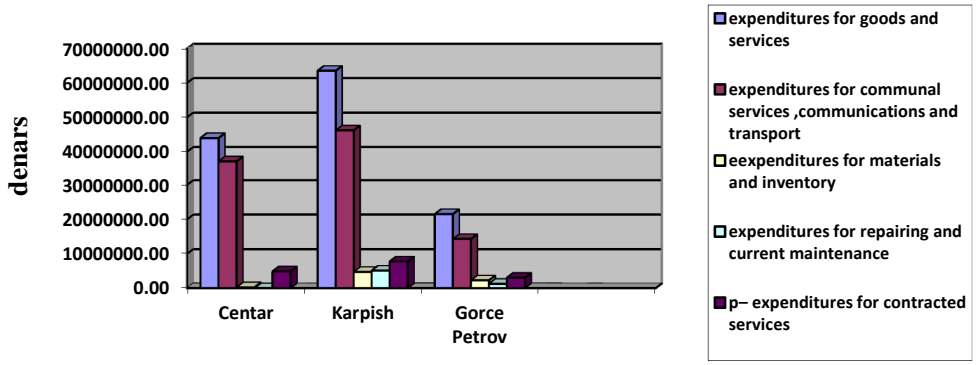


Source: Municipal Budgets for Center, Karposh and Gorce Petrov for 2013

From Fig. 8 we can see that the larger territorial municipalities serve a growing number of people and they need more staff in municipal administration compared with territorially smaller municipalities, consequently a greater percentage of the total budget funds were available for the municipality spending based on salaries, wages and social security contributions for employees. Fig. 9 presents costs based utilities, communications, transportation, materials and inventory, repairs and maintenance, and contract services for 2013.

Figure 9: Comparative review of expenditures for utilities, communications, transportation, materials and inventory, repairs and maintenance and contract services for municipalities: Center, Karposh and Gorce Petrov 2013



Source: Municipal budgets for Center, Karposh and GorcePetrov 2013

From Fig. 9 we can see that municipalities with larger populations, through which a growing number of people transit and in which territory there are many commercial entities, a large part of the funds from the municipal budget is used for current needs: utilities, communications, transportation, materials and inventory, repairs and maintenance, and contractual services.

5.2.Analysis of liquidity municipalities

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Liquidity of municipalities means that they are able to meet in a timely manner their financial obligations in full extent toward third parties, arising from the ongoing operations of the municipality. The municipalities Center Karposh and Gorce Petrov plan their expenditures successfully based on current costs and ongoing projects within the allowed funds in the budget for the current year and in none of the above mentioned years (2010-2013) the municipalities did not work with a loss.

5.3.Analysis regarding the management of municipal property

The municipalities Center, Karposh and Gorce Petrov generate income from renting of offices, businesses, sports entities, parks and municipal land etc. Specifically, Center makes the largest municipality revenue in this respect because of its numerous businesses that operate there (unlike the other two municipalities), and the number of forest parks that fall under the jurisdiction of the municipality. The municipality Centar and Karposh have responsibilities transferred from the Ministry of Transport and Communications of the Republic of Macedonia regarding the disposal of undeveloped land which also generates additional income. The municipality Gorce Petrov has a small number of companies on its territory, a few offices that may be subject to lease, and does not have any responsibilities transferred to manage the construction and build on state owned land. The Gorce Petrov municipality in terms of management of municipal property has planned an income from property in the amount of 90,000 euros in 2013. The management in a local government which tend towards implementention of the TQM philosophy, and which mind the necessity to improve their business processes, stimulates generation of new ideas, undertakes codification actions or transfer of ideas coming from the staff in any explicit form of their implementation. The generation of new ideas is a result of innovativeness and creativity of the employees and it could be further stimulated with other given activities straight from the management. Main designer of the innovative climate is the top management that needs to be enthusiastic for innovations, and being innovative by itself, i.e. thinking outside the rough schemes of business and being open to new ideas, ready to accept the risk and to be able to provide the necessary resources for realization, to listen, to encourage and support the employees, to trust and to be tolerant to any failures and errors.

5.4.Analysis in terms of inter-municipal cooperation

IMC in the country is poorly developed due to the low level of technical - technological equipment, the small number of people in certain communities and lack of skilled human resources in certain municipalities. The municipalities: Center, Karposh and Gorce Petrov are not immune to this condition because of the aforementioned facts and the fact that the mayors of the municipalities come from different political parties.

5.5.Analysis of spatial and urban planning and management

In the period from 2010 to 2013, based on previously developed urban projects in accordance with the detailed urban plans and general urban plan of the city of Skopje, the largest urban expansion was experienced by the municipality of Center in whose territory many residential buildings were built, public surfaces were renovated, roads were expanded and improved, a trend that the municipalities of Karposh

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and Gorce Petrov follow. For the realization of these plans each municipality has a municipal administration department for Physical and Urban Planning.

5.6.Analysis of the organization work of municipal bodies

On the level of the Republic in Macedonia, the number of employees in the municipal administration by individual municipalities corresponds to the number of residents of the territories of these communities, but in the age of information technology there is still a slow and insufficiently effective administration. The reasons lie in the age structure of the municipal administration causing it to be slow and inert toward changes and lifelong learning. To improve this situation employment of young, highly educated people willing to deal with the challenges posed by working in municipal administration and ones who have the desire and vision for improvement is required.

The commission to monitor the development of the system of financing municipalities has access to the necessary data in accordance with municipal law. Reports prepared by the Commission for monitoring the development of the municipal funding are submitted to the Government, which informs the public for their content. The introduction of the quality system is teamwork therefore in the environments where the rights and regulation for teamwork are not obeyed this system could be evaluated as unacceptable. One of the biggest changes that are demanded starting the implementation of the TQM (Total Quality Management) strategy within the public administration is to adjust the mentality, release the old habits and the transitional syndrome. The problem with the Macedonian mentality lays in the fact that they persistently and irrationally go against the external mental models, instead being wise and both analyze and implement them. When they accept new mental model without a detailed analyzes, they easily give up from the traditional model. The basic problem is how to join own traditional values that rule the work successfully.

6. Conclusion

Based on the research we can provide recommendations towards the improvement of business processes in local government and in terms of spatial and urban planning based on urban plans, the intensification of inter-municipal cooperation, in order to improve quality and delivery of decentralized services and success in the process of decentralization. Considering the fact that a number of municipalities have weak financial results, the local government should not be the only place that will provide improved services, but will secure their quality and delivery. It its needed that the European Charter id fully implemented regardless of the personalization of the municipalities. Local government should manage municipal property more constructively because the funds flowing into the budget will promote the work of the municipal apparatus. Following the example of West European countries where local governments receive 30-40 % of the personal income tax, the recommendations would be instead of 3 %, an increase to 5 % should be performed, and no correction to the grants received from the Budget Republic of Macedonia should be made. The distribution of grants in the country is 82 % for block grants compared with only 8 %of the total for designated grants. The recommendations is not to make reduction in

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subsidies but changing the redistribution or an increase of designated grants and delegated powers at the expense of block grants. The recommendations to local governments are to improve the business climate for small and medium enterprises, and one possibility is the IMC following the successful example of Gazi Baba where the YES - incubator exists, a business system of free space for new small businesses. A new item in the budget should be set up for educational support of entrepreneurs and businesses by creating local business community. Macedonian local government is based on the traditional approach and therefore there is a need of reorganization or reengineering of the whole business. Nevertheless, the most important aspect that is being developed into new theory is based upon on the third approach i.e. to an organization that is capable of being exposed to learning novelties. Hence, the conclusion is that the successful functioning of the local government is possible only with a solid function of the managerial teams, good cooperation with the employees, existence of new standards of rewarding and penalties, clear orders and precise instructions of the employees instead of agreeing with them and all of these would be done only if there are managers that are developing the TQM strategy.

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CAN INFORMATION AND COMMUNICATION TECHNOLOGIES CHANGE INDIVIDUAL'S VALUES?

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Abstract

As people spend more and more time using Information and Communication Technologies (ICT) in their daily lives they drive obvious benefits. In this study we explore if heavy use of ICT may affect individuals' values or not. The developed research model includes collectivism, individualism, broad-mindedness and imagination values. Based on the model a survey instrument was prepared. The survey questions are answered by 191 people. Cronbach's alpha values show that the survey is modestly reliable. Findings indicate that heavy ICT usage may weaken traditional ties which points out a decrease in collectivism. On the other hand, broad-mindedness increases with ICT usage. Among 18-24 age group women imagination value gets stronger with higher ICT usage. The significant correlation between education level and ICT usage implies the need for long term research and follow up about value change.

Key words: Culture, collectivism, individualism, ICT, broad-mindedness, imagination

INTRODUCTION

Values are abstract concepts which have major effects in observed human behaviors. Behaviors of an individual show his/her intensity of desire for various desiderata or the amount of his/her motivation to persist on them (Catton, 1959). Values are formed in the minds of people starting from early ages of childhood, with the influences from family and environment and effect cognitive processes such as perception, thinking, memory, imagination and attention (Shonkoff et al., 2012, Villanueva et al., 2016). As the person grows up, these values determine the individual's attitudes about various people and events,

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in different situations and contexts. The attitudes of the person lead to specific behaviors accompanied with cognitive and emotional components (Overwalle and Siebler, 2005).

Since they have very deep roots in human mind it is very difficult to change the values of an individual. It may be expected that when there are traumatic developments in the life and environment of a person, these extreme experiences may cause changes in the values of the exposed individual. This study explores if the developments in Information and Communication Technologies (ICT) and the effects they create on people's daily lives are strong enough to touch their values or not.

ICT are the technology components of globalization. It allows exchange of information on socio-economic, political and cultural issues. Universal protocols and platforms for connecting devices and sharing applications diminishes the distances rapidly, physically and culturally. A tendency for cultural unity or standardization is continuing. Increasing reach and richness of knowledge brings higher speed of change in people's environments. (Neyestani and McInturff, 2006). As ICT usage in daily life increases, ICT take more part in shaping family relations and social connections (Silverstone and Hirsch, 1992).

This study is built on the basic value works of Rokeach (1973), Hofstede et al., (2010) and Schwartz et al., (2012). Based on the following literature study it is hypothesized that the values which can be influenced from ICT usage could be collectivism, individualism, broad-mindedness and imagination.

LITERATURE REVIEW

Values

Values have long been a subject of deep interest to various social sciences such as anthropology, economics, political science, psychology and sociology. In each scientific area value perspectives and points of interests are different but somewhat related (McDonald and Gandz, 1991). Hofstede (1980) defines values as broad tendencies for preferring something when compared to another one and distinguishes values as the desired and the desirable. He derived this definition from Kluckhohn (1951) who had an anthropological perspective. This definition is also in line with Rokeach(1973) who used the terms "beliefs" and "attitudes" for specific mental programs. By definition of Schwartz (1992) values are the criteria individuals use to decide while evaluating people and events. These criteria are shaped by the experiences of people, under the influence of other people about what is right or wrong, what is good or bad, what is desirable or undesirable (Kulin and Svallfors, 2013). Individuals use their values for their almost every action including communication, motivation and their life styles (Schwartz, 2014). When values of a person are understood clearly, then estimations about beliefs, attitudes and behaviors of this person are possible. When a large number of strong values are shared with other members of society then a very strong culture is observed in this specific society (Hofstede et al., 2010)

Values are ordered concepts or beliefs which lead to desirable end states by having impacts on decision

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making process of an individual. Table 1. shows the classification of Rokeach's (1973) 36 values in two groups: Instrumental values and terminal values. Instrumental values effect daily decisions and life style. Terminal values are the ones an individual pursue throughout the life time (Weaver, 1996). Rokeach (1973) developed a Value Survey which is based on rating these values according to the level of importance of a specific value in the person's life on a seven point Likert scale. The number of values can be increased with more narrowly defined values or decreased by broad definitions (Cieciuch and Schwartz, 2012). Based on the study of Rokeach (1973), Schwartz (1992) developed a theory for identifying 10 broad values considering the basic motivations behind them: Universalism, Benevolence, Tradition, Conformity, Security, Power, Achievement, Hedonism, Stimulation and Self-direction.

Value studies gained more acceleration when researchers focused on measuring national cultures (Geertz (1973), Schwartz,(1992)). Hofstede (1980) emphasized culture and value relationship stating that cultural patterns have roots in value systems of major groups of the entire society. According to Hofstede (1980) culture is "the software of mind" and at the core of this software there are values. Power distance, Collectivism, Individualism, Universalism-Exclusionism, Avoidance of uncertainty, Masculinity, Indulgence versus Restraint are the main value dimensions which are also in the center of later studies (Hofstede et al., (2002), Hofstede et al., (2010)).

Schwartz et al. (2012) proposed a refined theory of basic individual values to enhance the original theory of 10 values. The refined theory is more accurate and expressive with 19 values of which two are completely new values: Face and Humility. The original theory's 10 values can be grouped into four higher-order values (Bilsky et al, 2011) and therefore the model has two hierarchical levels. Since the refined model has further portioning of 19 more narrowly defined values, it has a three-level hierarchical structure (Cieciuch et al., 2014).

Is Value Change Possible?

Although there is an ongoing cultural change in various societies due to globalization Hofstede at al. (2010) states that people in each society observe each other and they only make changes to adopt the groups they belong. According to Hofstede et al., (2010) values are stable, but behaviors may be modified.

Table 1. Rokeach's Instrumental and Terminal Values

Instrumental Values	Terminal Values
Ambitious	A comfortable life
Broadminded	An exciting life
Capable	A sense of accomplishment
Cheerful	A world at peace
Clean	A world of beauty
Courageous	Equality

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Forgiving	Family security
Helpful	Freedom
Honest	Happiness
Imaginative	Inner harmony
Independent	Mature love
Intellectual	National security
Logical	Pleasure
Loving	Salvation
Obedient	Self-respect
Polite	Social recognition
Responsible	True friendship
Self-controlled	Wisdom

However, Bagchi et al. (2015) claims that value shift may have already taken place in some nations based on significant findings of similarities and differences between developed and developing nations. The importance of values such as Self-direction, Conformity and Power differ among developed and developing countries. While Self-direction is more relevant, Conformity and Power values have no impact in developing nations.

The modernization paradigm which represents western patterns could serve for understanding and explaining change in society. However, instead of a shift towards westernization nowadays there is a shift toward individualism. Research shows that individualism will not be enough for analysis of social changes since changes occur at individual, interpersonal and group level and complex and innovative methods for analysis of change should be developed (Kagitcibasi, 2005; Abrutyn and Carter, 2014).

Atabek (1999) supports "value change" and states that although values are highly resistant to change sometimes slow, sometimes fast, sometimes small, sometimes deep changes may be observed. Some of the change can be expected in parallel to the evolution of societies, and some of them are related to moral corruption. According to Inglehart (1997) increasing individualism, more emphasize on hedonism rather than subjective happiness, decreasing importance of religion and family are expected value changes while the society transforms from being materialist to being post-materialist. In other words when job security is found and people have satisfactory amount of income to make their living they turn to other sources for satisfying their further needs.

Another evidence of "value change" is presented by Weber (2015) who analyzed value orientation of managers with a set of data collected starting from late 1980s until early 2010s and discovered that managerial value orientations (MVO) of managers in 1990s are significantly different from the MVO of today's managers.

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Value surveys in Turkey which go back to 1970s provide another support to "changing values" perspective (Boratav, 2009). Traditionally, in Turkish families politeness, obedience, respect and loyalty values are emphasized instead of self-independence and self-reliance (Imamoglu 1987, Kagitcibasi, 1973). Imamoglu and Aygun (1999) determined a lowering trend in these conservative values. Basaran (1992) compared university students and their parents and found that students emphasize self-respect, self-direction, freedom, independence and imagination, while their parents stick to traditional values such as national security, happiness after life, forgiveness and obedience. These studies present clear evidences of value change.

Another proof for "value change" comes from a multicultural study which was first done in 1970s and then repeated in 2000s with a focus on the "value of children". Decreases in "male child preference", "desired number of children" and "economic value of child", but an increase in "psychological value of child" are the strongest changes occurred (Kagitcibasi and Ataca, 2005).

Values and ICT Usage

According to Hofstede et al. (2010) people implement important technological developments to their familiar uses. Technology serves for the same actions as the previous generations did: Drawing money from bank and other financial transactions, to buy and sell products and services, to manage impressions on people, to have a more comfortable life, to play, to learn, to help, to apply pressure on others for demonstrating power or to impress others for romantic relationships. Although a lot of changes are observed in societies, rules of social game stays the same. People observe each other to see what they wear, what they eat, where they go in their vacations. In order to satisfy the basic need for belongingness people want to be part of certain groups in society. Nowadays, they use technology to gather all the social information they need for the purpose of being a liked member of a specific group of society and they adjust their behavior to be an accepted member of these groups.

Technological changes bring in new tools for acquiring and maintaining positions in social game. Any new tool which allows improvement in group membership and group cohesion is rapidly adopted by people and it brings competitive advantage in group and among groups to people who use it. People who fail to use these new tools will pay a social cost like alienation from groups, difficulty in finding partners etc… Groups that do not use new tools will not have enough performance to be the best since they do not have enough cohesion. Social software developments will continue at faster speed especially in the areas of relationship building and reputation maintenance. Technological advances do not change group structures or social rules but will enable groups to organize better supported by existing culture of the society.

Hofstede et al., (2010) claims that there is only a little evidence of "value change" except an increase of individualism for countries having become wealthier and although all technological developments and

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increasing connections and collaboration among nations value differences among nations are the same as centuries ago. However ICT brings more visibility to every social group from any part of the world which creates difference in awareness levels. As people observe each other they compare themselves and their comparisons may cause more and more conflicts among these groups.

There are surveys and observations from various countries about ICT usage. However most of them use instruments developed in individualistic societies such as U.S. and European countries. Bagchi et al. (2015) have determined that Security and Tradition are two values to be considered with priority since they are leading the internet usage behavior of individuals whether or not they are members of a developed country. In their study, they have explored the role of individual-level value types on internet use and concluded that there are observable individual differences and similarities in internet use across the world. Since ICT connect individuals it is accepted more in individualistic societies than collectivist societies. In collectivist societies people have more direct methods to build and retain connections with people. Individualistic societies have higher tendency to use ICT for shopping, banking and government relations in addition to private and business purposes. Less individualistic societies seem to use less ICT since they prefer to use their time for close family relationships and themselves. Masculinity and uncertainty avoidance are also important dimensions being effective in ICT usage (Hofstede et al., (2010)).

MATERIALS AND METHODS

This research study was performed with people from various ages, educational backgrounds and ICT usage levels. The research model is derived from the works of Rokeach (1973), Hofstede et al., (2010) and Schwartz et al., (2012) and it is shown in Figure 1. Since the scope of study is limited to measure the effects of ICT usage on values, a survey instrument was prepared considering only the relevant value categories. The model consists of four dimensions: Individualism, Collectivism, Broad-mindedness and Imagination.

***Individualism*:** According to Kagitcibasi (2005) since modernism and individualism are closely related, their characteristics are similar such as desiring gained success rather than attributed, independence against family authority, openness to innovations, focusing on science rather than religion, desiring high education level and dignity, preferring urban life, wishing the improvements of media, focusing on the future, activism and egalitarianism. In individualistic approach, a person is autonomous. His/her own targets are important than the group he/she belongs to. He/she acts according to his/her own desire not the cultural norms. The following are the values determining individualism:

Freedom, Independence, Autonomy: Self-determining, Stand on own leg.

Power and Accomplishment / Achievement: Social status, Respectability, Controlling People and Dominance, Leading, Showing skills, Evoking Admiration.

Social Recognition: Being realized, Taking the stage.

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Ambition and Capability: Always being successful, Showing all talents.

***Collectivism*:** In contrast to Individualism, Collectivism is basically related to traditionalism. In collectivistic approach, a person is empathetic and depends on the group he/she belongs to. He/she acts according to norms of the group or society (Hofstede et al., (2010)). Collectivism is a combination of the following values:

Obedience: Obeying the rules in all conditions, following the orders.

Dependence: Loyalty, Sacrifice.

Family and Groups: Obedience, Respect to parents, Protecting the benefits of society.

Traditions: Maintaining the traditions, Preferring the traditional ways.

Religions: Having religious beliefs, Adopting religious principles.

***Broad-mindedness*:** Being a value included in Rokeach (1973) and in Universalism domain in Schwartz et al., (2012) broad-mindedness is about showing tolerance to different opinions and beliefs and not having prejudices. Open minded people are eager for learning and trying new things; they are curious; they can consider people, objects and events from different perspectives. They respect and accept others' beliefs and opinions. They know that people have different perceptions, different ways of understanding the world including themselves.

***Imagination*:** Being one of the Instrumental Values of Rokeach (1973) Value List, imagination is related to creativity and ability to produce unique and unusual ideas. In Schwartz et al., (2012), Self-direction is the basic value domain encompassing imagination.

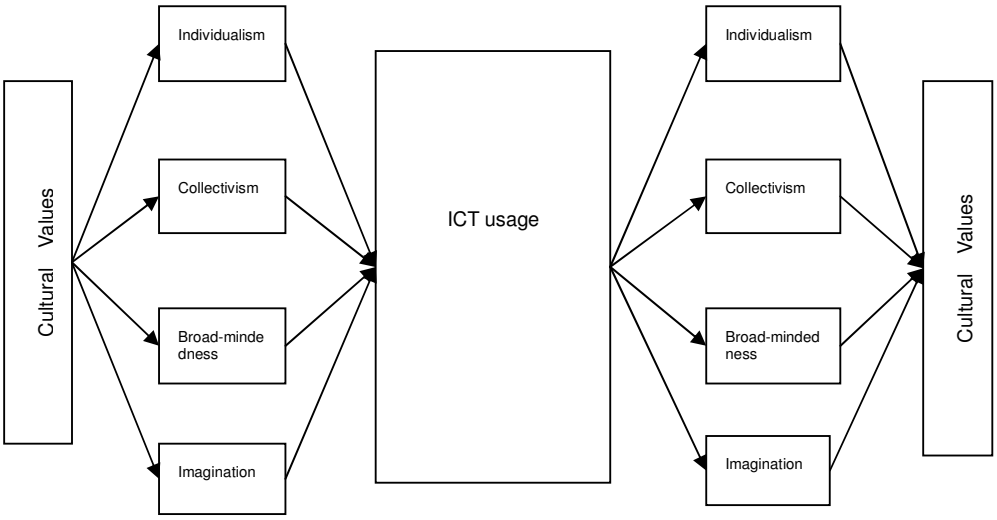

Figure 1. Research Model

The survey instrument includes 3 demographic and 5 internet usage habits questions, 14 questions for

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individualism, 19 questions of collectivism, 4 questions for broad-mindedness and 4 questions of imagination. Since individualism and collectivism has sub-dimensions number of questions is relatively high for these two dimensions. "Value" questions are structured questions of 5 point Likert scale.

The field study was conducted during April - June 2015, in Turkey. The survey has been completed by 191 respondents of whom 75 (39%) are male and 116 (61%) are female. Respondents are between 18-24 ages by 55% while 25 % of the participants are between 25-34 ages. Respondents have undergraduate level university education by 68%. From ICT usage perspective 63% of respondents are using ICT for more than 7 years and 21% of them for 5 to 7 years. 91% of respondents use internet daily. Daily internet usage rates of respondents are shown in Table 2.

Table 2. Daily ICT Usage Amounts (N=191)

ICT Usage	Frequency of people	%
Not using	5	2,6
Less than 1 hour	14	7,3
2 hours	35	18,3
3 hours	46	24,1
4 hours	34	17,8
More than 4 hours	57	29,8

It is obvious that ICT are digitalizing societies and organizations. Although the amount of digital change is different from country to country it inevitably exists in all countries. Some studies try to find main determinants of digital change level (Cyr and Head, 2013; Roger, 1995). In addition to economic factors, cultural factors are found to be effecting ICT usage of individuals (Straub,1994; Srite and Karahanna, 2006). All these studies are based on the assumption that values start the changes in society by influencing ICT usage (Furner and George, 2012; Gallagher and Savage, 2013; Bagchi et al., 2015). This study has the opposite perspective and tries to find out whether or not the heavy use of ICT may lead to change in values.

According to World Values Survey (1990-2011) the findings in Turkey indicate that there is no important, recordable change in specific values of society especially in the areas related to politics, and family/sex. For some of economic values, there is a small shift towards post-materialist values. Liberally-oriented and rapid socio-economic changes of the 1980s decreased the importance of collectivistic values and increased the importance of power and achievement related values. During the transition period, people got motivated with social status, prestige and a dominant position in the system. On the other hand, from religious values perspective, a development which is the reverse of what is expected in theory is observed (Atabek, 1999). This finding contradicts with Norris and Inglehart (2011) stating that as societies get more developed and wealthy, religious values lose their strength.

Although Hofstede et al.,(2010) states that values are stable, based on the evidences mentioned

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above H_1 is developed:

H_1: ICT usage levels effect people's values.

H_{1a}: Higher ICT usage levels indicate stronger possession of individualism value.

H_{1b}: Higher ICT usage levels indicate weaker possession of collectivism value.

H_{1c}: Higher ICT usage levels indicate stronger possession of broad-mindedness value.

H_{1d}: Higher ICT usage levels indicate stronger possession of imagination value.

A study done by Aygun and Imamoglu (2010) about values of people in Turkey used five value domains: Universalism, Benevolence, Self-enhancement (social power, achievement and hedonism), Tradition-religiosity, Normative patterning. Their findings indicate that a comfortable and pleasurable life, achievement, power and recognition in society are the values with highest importance. They also determined that education is negatively related with conservation (tradition-religiosity and normative patterning) and positively related with universalism. Another important finding in their study is that women are more interested in universalism while men give more importance to normative patterning. As education level increases universal values get higher rank in society and women have a key role in this change. Since this finding indicates an evidence for gender difference in value change the following hypotheses will be tested:

H_{2a}: Influence of ICT usage on values differs based on gender

H_{2b}: Influence of ICT usage on values differs based on age and gender

RESULTS

In the analysis of collected data SPSS version 21 is used. Cronbach's alpha values of reliability analysis are shown in Table 3. Having only two dimensions with Cronbach's alpha below 0,70 the survey instrument stands as modestly reliable.

Table 3. Scale Reliabilities (N=191)

Scale	N of Items	Cronbach's Alpha
Individualism		
Freedom, Independence, Autonomy	4	0,82
Power and Accomplishment, Achievement	4	0,75
Social Recognition	3	0,69
Ambition	4	0,77
Collectivism		
Obedience	4	0,78
Dependence	4	0,83
Family and Groups	5	0,86
Traditions	3	0,66
Religions	3	0,80
Broad-mindedness	4	0,73

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Imagination	4	0,85

As it is shown in Table 4. people's values differ slightly based on education level. ANOVA analysis reveal that significant differences exist for collectivism with a significance of 0,001 (Sig.≤0.001) and for broad-mindedness with a significance of 0,018 (Sig.<0.05) among different education level groups.

Table 4. Value means versus education level

Education level		Mean*			
		Collectivism	Indvidualism	Broad-mindedness	Imagination
Ph. D. N=2	Mean	3,7117	4,2143	3,7500	3,6250
	Std. Deviation	,07778	,20203	1,41421	,17678
None N=2	Mean	3,4000	2,6429	2,5000	3,0000
	Std. Deviation	1,70177	1,51523	,35355	,70711
Primary School N=13	Mean	4,4849	3,9560	2,7885	3,4423
	Std. Deviation	,38146	,57480	,74194	,53184
Bachelor degree N=129	Mean	3,5450	3,8704	3,7345	3,7035
	Std. Deviation	,76005	,66784	1,01250	,72670
Highschool N=18	Mean	3,9409	3,8571	3,5417	3,6528
	Std. Deviation	,81185	,62222	,95583	,54999
Undergraduate N=16	Mean	3,5733	3,9509	3,9688	3,7031
	Std. Deviation	,46181	,51884	,98689	,60703
Master degree N=11	Mean	3,9027	3,8961	3,4773	3,6136
	Std. Deviation	,43857	,43019	,94508	,49198
Total N=191	Mean	3,6695	3,8740	3,6440	3,6675
	Std. Deviation	,75317	,64612	1,01155	,67430

*5 point Likert scale

When the whole sample (N=191) is analyzed for correlations, a significant negative correlation between ICT usage and Tradition (Pearson coefficient=-0,209 and sig.=0,004 (Sig.<0.01), 2-tailed)) has been found. In the whole sample (N=191), ICT usage and broad-mindedness are also correlated (Pearson coefficient=0,212 and sig.=0,003 (Sig.<0.01), 2-tailed)).

Table 5. presents value means compared to daily ICT usage levels. Based on daily ICT usage, significant differences have been determined in broad-mindedness with a sig.=0,003 (Sig.<0.01) and tradition with a

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sig.=0,004 (Sig.<0.01) which is a sub-dimension of collectivism. T- test also indicates significant difference between the group using ICT less than 3 hours/day and the group using ICT more than 3 hours/day with a sig.=0,049 (Sig.<0.05, 2-tailed). These findings provide some support for H_{1b} and H_{1c} but H_{1a} is not confirmed. Regression analyses for a further check to clarify the existence of linear relationships reveals the following formulas:

Tradition value = 3.872 - 0.37 x Average Usage (R^2=0,044 Adjusted R^2=0,038)

Broad-mindedness value = 3.012 + 0.43 x Average Usage (R^2=0,045 Adjusted R^2=0,040)

Table 5. Value means versus Daily ICT usage

Daily ICT Usage		Mean			
		Collectivism	Indvividualism	Broad-mindedness	Imagination
Less than 3 hours N=100	Mean	3,7639	3,8379	3,4400	3,5875
	Std. Deviation	,82161	,67220	,99120	,71366
More than 3 hours N=91	Mean	3,5658	3,9137	3,8681	3,7555
	Std. Deviation	,65896	,61744	,99117	,62024
Total N=191	Mean	3,6695	3,8740	3,6440	3,6675
	Std. Deviation	,75317	,64612	1,01155	,67430

*5 point Likert scale

*91.1 % of sample is using internet daily.

Since in ANOVA analysis it has been determined that some values change with education and age level, the relationship between age, education level and ICT usage has been analysed with stepwise regression. The analysis indicates that ICT usage is linearly related to education which in turn effects collectivism and broad-mindedness:

ICT usage = 1.184 + 0.082 *x education level* (R^2=0,031 Adjusted R^2=0,026)

Broad-mindedness = 2.818 + 0.204 x education level (R^2=0,037 Adjusted R^2=0,032)

Collectivism = 4.757 - 0.326 x education level (R^2=0,052 Adjusted R^2=0,047)

In the analysis of the whole sample no significant gender difference has been observed in terms of value strengths. However, when only female sample (N=116) is analyzed significant correlations are found between daily ICT usage level and tradition value (Pearson coefficient= -0.292, Sig.≤0.001, 2-tailed), collectivism (Pearson coefficient= -0.207, Sig.< 0.05, 2-tailed), broad-mindedness (Pearson coefficient= 0.233, Sig.< 0.05, 2-tailed). These results provide partial support for H_{2a}.

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Table 6. Value means versus Age

Age		Mean			
		Collectivism	Indvidualism	Broad-mindedness	Imagination
12 below N=1	Mean	4,4133	4,0714	4,2500	4,5000
	Std. Deviation	.	.	.	.
12-17 N=7	Mean	3,6381	4,1224	3,3214	3,3929
	Std. Deviation	,93297	,52117	1,01770	,86431
18-24 N=105	Mean	3,4985	3,8816	3,9048	3,7143
	Std. Deviation	,75048	,64246	,95599	,64992
25-34 N=47	Mean	3,7671	3,9620	3,5372	3,7606
	Std. Deviation	,60434	,57082	1,06829	,68556
35-54 N=28	Mean	4,0531	3,6556	3,0000	3,4018
	Std. Deviation	,80177	,79231	,79349	,66784
54 over N=3	Mean	4,3700	3,6190	2,7500	3,4167
	Std. Deviation	,27936	,47559	,66144	,38188
Total N=191	Mean	3,6695	3,8740	3,6440	3,6675
	Std. Deviation	,75317	,64612	1,01155	,67430

*5 point Likert scale

Value means for age groups are summarized in Table 6. Participants between ages of 18-24 have weaker collectivism and stronger broad-mindedness when compared to other groups. Statistically significant difference between age groups exists for collectivism with a sig.=0,005 (Sig.<0.01) and broad mindedness with a sig.=0,000 (Sig.<0.001). Among woman sample, in the analysis of women between ages of 18-24 (N=63), a significant correlation between daily usage of ICT and imagination value (Pearson coefficient= 0.251, Sig. <0.05, 2-tailed) has been determined. This correlation brings strong evidence for H_{2b}. Younger women's imagination values are influenced from ICT usage. H_{1d} is also partially supported with this finding.

CONCLUSION AND FUTURE RESEACH

Starting point of this study was to search if intensive computer and smart phone usage could influence

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people's values or not. Observations show that people dedicate an important time portion of their lives to ICT. In the past, people spent long hours in libraries for getting information on specific topics of their interests. Nowadays, similar information is just a few clicks away. However, a lot of effort and attention is necessary to discriminate between which information is necessary or not, which information is true or not. This observation leads us to a general hypothesis stating that as the time spent with ICT increases, the effects of ICT in an individual's life also increase. Another research question related to this hypothesis would be: Is it an effect in individual's life style or is there any effect on individual's values? Life style changes may sometimes be superficial such as green life style or healthy life style. On the other hand, value change should have deep roots. Since values are placed in a person's mind starting from early childhood, value change is a difficult process. Some authors claim that values do not change and they are stable (Hofstede et al., 2010), while some other authors insist on the reverse (Bagchi et al. (2015), Weber (2015)). The authors who uphold value change do not claim a fast and easy change, but a change with very small steps in the long term (Atabek, 1999). The studies in the literature mentioned in the review part of this study present evidences of value change. Therefore intensive ICT usage and value change is an issue which needs long term follow up and data collection.

The model used in this research aims to test the hypotheses that ICT usage effects individual's collectivistic/individualistic values, broad-mindedness and imagination. One of the findings in the research indicates decrease in collectivism with increasing ICT usage. Although the research dos not confirm increasing individualism due to ICT usage, there is evidence showing its negative influence on collectivism. Among collectivistic values tradition has negative correlation with ICT usage. Since individual access to information is relatively easy and fast nowadays, people are able to complete their transactions quickly and they are able to spend time for the activities they like and take pleasure which leads to some life style changes in the long term. The change, according to our hypothesis is toward being more individualistic, open to innovations and having larger vision. People for whom individualism is highly important are more independent, take decisions and implement them by themselves. They value individual success, their social status and reputation. They want to be able to direct people's behaviors. For the purpose of being recognized, known, successful and talented individuals personal development is highly important for them and they invest on it. Since ICT offers various tools for "reputation management", it helps people to focus on themselves, feel happy and satisfied.

Traditional values lose their strength since they do not serve well in a changing society due to limitations they bring. However benevolence keeps its high rank since it supports close and intimate relationships in society (Aygun and Imamoglu, 2010). People do not only have a tendency to acquire individualistic values (self enhancing social power, achievement) but also universal values (traditional group loyalties, benevolence, interrelatedness).

On the other hand positive significant correlation of ICT usage with broad-mindedness is determined in this research. This finding indicates that the time spent using ICT leads to more openness to new ideas,

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experiences and perspectives which in the long term may influence people's lives. Since ICT usage is almost inevitable for new generations, it can be discussed that next generations will become more broad-minded and their connections to traditions will be relatively less which may cause a decrease in collectivistic behaviors of them.

Broad-mindedness as being part of universalism value is under a category which is called as "self-transcendence" (Cieciuch et al., 2014) and refers to acceptance and understanding of those who are different from oneself. It is a value of increasing importance related to increasing ICT usage. As people become open to new thoughts, opinions, perspectives, they approach different people and their different habits with understanding, tolerance and recognition. This attitude leads to self-transcendence and they proceed in becoming a new member of different groups. ICT usage is supportive and facilitating for gaining new perspectives and joining new groups. For example, in social media individuals are able to encounter and communicate with people of different views, values and opinions easily. Trying to understand others makes people more open-minded and effects broad-mindedness value. Being followed by a large number of people satisfies people's need for being liked and recognized and motivates them to be involved more in creative, different, attractive, likeable activities. Additionally, being able to access and share any kind of information, people feed each other intellectually and continuously.

Usage of ICT in business processes change work environments. Employees are empowered and they become more participative. Their skills and talents are improved continuously with new trainings and their ideas are valued relatively more by managerial levels compared to the past. The new work atmosphere prepares business environments appropriate for more democratic managerial styles supporting team work and collaboration (Laudon and Laudon, 2014). Creativity of employees is promoted when their opinions are valued, recognized and rewarded. In business places, ICT brings openness to learning new things, helps to cultivate a culture of respecting other's opinions and different perspectives and it influences corporate values which may be reflected in people's individual values in the long term. This perspective gives rise to a new topic of future research: "ICT related value change in business environments".

A by product of this research brings another proposition for future study: The linear and positive relationship between education level and ICT usage which indicates that as people have more education they will use ICT more. Although it is not one of the hypotheses of this study, it is revealed that with increasing education level a drop in loyalty to traditions may occur and in the long term alienation from collectivistic, conservative values may be observed. According to this finding value differences found by Basaran (1992) between university students and their parents may result with higher individualism in the long term and this proposition also needs to be followed by future research.

One of the most important side results of this study is the difference in values of 18-24 age group women based on ICT usage levels. In a previous study done by Aygun and Imamoglu (2010), possibility of value

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change in women is emphasized and this change is linked to education. The positive linear relationship between education and ICT usage supports this finding. For example, ICT usage of 18-24 age group women is found to be negatively related to collectivism and traditions, and positively related to broad-mindedness. Another important finding is that "Imagination" value has a positive correlation with ICT usage for 18-24 age group women. Imagination value is a sub dimension of "openness to change" indicating independent thought and action, choosing, creating and exploring. Since women have a large portion of roles in growing children they may influence value change more than expected in future.

While some results of this study support previous studies, part of the results provides basis for future research. Although this study did not show increasing individualism together with increasing ICT usage, it points out that loyalty to traditions decreases with increasing ICT usage. In order to determine if loyalty to traditions which is a sub dimension of collectivism may lead a decrease in collectivism, long-term research and follow up is necessary.

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THE RELATIONSHIP BETWEEN HRM PRACTICE, WORKPLACE COMMUNICATION AND JOB PERFORMANCE OF SERVICE INDUSTRIES EMPLOYEES IN VEHARI, PAKISTAN

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ABSTRACT

Among all service industries banking sector has become the powerful component. This research looked at the relationship of three aspects of HRM practices which are compensation and benefits, training and development and performance appraisal and achievement along with workplace communication on job performance among the commercial bank employees in Vehari, Pakistan. A total of 110 employees of commercial banks took part in this study. Pearson correlation and regression analysis was used to test the research hypotheses. The results of this findings revealed that the two dimensions of human resource management practices i.e. (training and development) and (performance appraisal and achievement) did not have a significant influence on job performance. However, compensation and benefits were found significantly impacted on job performance. Likewise, workplace communication was found also found to have significant influence on job performance. This study concluded with limitations and future study suggestions.

Keywords: workplace communication, job performance, banking industry, HR management practice

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INTRODUCTION

The financial sector in Pakistan is consisted of nationalized, foreign and private banks; and Non-Banking Financial Institutions (NBFIs) which consisted of Development Financial Institutions (DFIs), Investment Banks, leasing companies, modarabas, and housing finance companies. Before partition in 1947, British banks dominated banking in Pakistan. Later after independence from Britain, slow and steady banking sector has started boom in Pakistan (Ravi Magazine, 2016). In the beginning bankers were manually providing the banking services. But later on when internet came into exist in Pakistan in 1990, the banks moved towards this new technology. With the rapid technology innovation and development in the 21st Century, banking sector had introduced mobile and internet banking. These revolutions reflected the evolution of banking sector in Pakistan.

Commercial banks are largely providing banking services for their customers. In Pakistan environment banking sector is constantly being the most crucial source of finance for domestic economy. Therefore the growth rate was 16.8% of this banking sector. That was remained stable and sound during CY15 (Pak Economy, 2016). In service sector being the main player, the banking sector in Pakistan demands for sustainable growth and performance of all banks. This has increased the growth of commercial banks; mostly commercial banks had increased the workloads of employees. The workload on bank employees has been increased due to globalization among banks (Rizwan et. al., 2014). Consequently, the bank employees have been stressed to perform several tasks; not only for their own safe but also to be more competitive in the banking field.

Obviously, it affects the job performance of employees. Therefore it is duty of the employers to motivate their employees and help them to retain their job performance in a superb way. All the banks performance depends on the customer satisfaction towards them. Most importantly, if the employees perform well then their customer will also be satisfied accordingly. This will result in the overall performance of the commercial banks.

In a study by (Iqbal et. al., 2013) explained that organization major issues is Employee job performance which has become the core issues for their employers. In another study revealed that employee job performance has strongly related to organization performance (Wambugu and Ombui, 2013). It has been proved in many studies that job performance determine the growth and performance of the organization. In a study of Qureshi (2015) stated that researchers had tried to find out the best predictors that can influence the job performance very well.

An organization dependency towards the employees Job performance draw the good or bad impression on its growth (Fareed et. al., 2013). In a statement of William (2002) stated that job performance relies on the person factors and system factors of an organization.

Moreover, examining the dimensions of human resource management practices which are (compensation & benefits), (training & development) and (performance appraisal and achievement), likewise openness

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to communication will also be discussed in this study. This study will be conducted in the commercial banks in Vehari, Pakistan. Furthermore, the above predictors are considered as most important factors that can highly motivate employees to produce better job performance which also enhance the competitive advantage of the organization (Minbaeva, 2008; Uen et. al., 2004; Den et. al., 2013; Johlke et. al., 2000; Laksmana et. al., 2015; Ahmad et. al., 2015; Jalalkamali et. al., 2016).

PROBLEM STATEMENT

The main source of every organization in the world is its employees. Same as employees are also the source of overall performance of the organization. This argument proved in a study that job performance plays the central role to organization performance (shaffril, 2010; Qureshi, 2015). Consequently, if the organization does not listen to its employees then both the performance of employees and organization will fall down (Qureshi, 2015, Cropanzano et. al., 2005). Moreover, internationally banking sector is changing day by day. Therefore, employees have the main responsibility to fulfill those needs. Displeased employees will not perform well (Leblebici, 2012).

Banks are the central supporting part of the economy and human resource is in what way the employee performance. Banks have made the standard operating procedures. But they still need look for employees to run and control the system. As a result, many times employees become the great source of bank performance (Laksmana, 2015).In addition, this study was carried out due to less or no study conducted between the relationship of human resource management practices, communication and job performance in vehari context.

Purpose of the study

The purpose of this study was to determine the relationship between Human resource management practice, communication and job performance that might effect for new and existing employees of banks. This study was analyzed in commercial banks of vehari district in Pakistan.

Objective of the study

1. To see the relationship of compensation and benefits with job performance.

2. To see the relationship of training and development with job performance.

3. To see the relationship of performance appraisal and achievement with job performance.

4. To see the relationship of workplace communication with job performance.

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Significance of the Study

This study is significant for finding most important factors that have an effect on job performance between employees of commercial banks in Vehari, Pakistan. After examining the data the researcher would be able to know the employees' stance on job performance. This study is also beneficial to other researchers that how these factors influence job performance, mainly among the bank employees in Vehari, Pakistan.

Moreover, commercial bank employees will be capable to recognize real factors that effect on job performance. Ultimately these results can be used by the decision authority of commercial banks to move speedily and take actions. Consequently there will be a strong relationship between employers and employees of the bank which will increase the job performance. Similarly Human resource development can be reorganized to improve job performance using this study. Future researchers can use this paper as reference on job performance.

Research Questions

1. Does the relationship exists between (compensation and benefits) and job performance?
2. Does the relationship exists between (training and development) and job performance?
3. Does the relationship exists between (performance appraisal and achievement) and job performance?
4. Does the relationship exists between (workplace communication) and job performance?

Literature review

Job performance

Generally performance refers to contribution of employees to the organization (Laksmana, 2015). In a study of (Campbell et. al., 1990) performance imagined as noticeable actions of employees which meets the organization goals. Job performance is admitted as greatest ingredient in organizational psychology research not only for the survival (Borman, 2004; Jalalkamali et. al., 2016) but also to increase organization performance (Preko et. al., 2013). In study explained that job performance is all kinds of behaviors at work (Jex, 1998). Therefore most of the related studies are focusing on improvement of job performance (Kahya, 2007; Jankingthong et. al., 2012). Because, it is confirmed in another study that job performance changes frequently as it had directly linked with employee behavior (Ameeq, 2013).

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Moreover in a study of (Tahir et. al., 2014) proved that performance enhances the work efficiency and employees' ability to accept the accountabilities and perform tasks. Since organizations are directing eyes to attain their goals and wanting to beat others in the market, the effective job performance is judged as key to success (Jalalkamali et. al., 2016).

Moreover Job performance defined in another study as the "actions and behaviors" that are controlled by the individual that add to the goals of the organization (Rotundo et. al., 2002). Performance is a set of behaviors and these behaviors can be famed based on their efficiency, which has a potential impact on performance (Borman et. al., 1997). Job performance includes promotions, grades, recognition, results, values and achievements achieved from job (Jalalkamali et. al., 2016). In short job performance is an employee's productivity, and in a large way it is a set of efforts, professional skills, and conclusion gained and is crucial for both employees and commercial businesses (Chen, 2014).

Human Resource Management Practices

It refers to escort and manage human resources to achieve the organizational goals, when these practices are directly implemented by organization (Dessler, 2010). Therefore in this highly competitive market where everything is changing continuously, organization has given great importance to Human resource management practice (Ahmad, 2015). It is need of the time to put into operation best HRM practices for the employee development of the organization. As many researchers consider that Human resource management practices are instruments for the success of the organization (Harter et. al., 2002) and penetrate in the market (Jeet et. al., 2014). They have concluded that for efficient and effective management there is a strong need to stream line the HRM practices. As a result it will prop up the organization itself and more strengthen the organization for career development, better motivation for employees, and long term planning for growth (Ahmad, 2015). From these different perspective of researchers about HRM practices it can be said that HRM practices creates an environment where employees shine themselves and work hard for the completion of organization goals.

This research is focusing on three measurements of HRM practices which are (compensation and benefits), (training and development) and (performance appraisal and achievement) as the predictor variables. The researcher had chosen these variables because these three dimensions are directly related to the job. In addition, these three measurements of the HRM practices are well-known that can very much support job performance of employees and better advantage of the organization performance (Uen et. al., 2004; Minbaeva, 2008).

Compensation and Benefits

Different region takes different meaning of compensation and benefits. For example it is "total rewards" in UK and in Australia and New Zealand it is called "remuneration". Mehta (2014) defined it as intrinsic and extrinsic rewards that can affect employees. Furthermore a study from a bank proved that rewards operate a main part to motivate employees to better perform their job that can put in and produce more thoughts which can fruitful for the organization financially and non-financially and there is a positive

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relationship with employee job performance (Aktar et. al., 2012). Most of the previous researchers have found that there is strong positive relationship between compensation and benefits and employee job performance (Mehta, 2014; Wasiu et. al., 2014; Hameed et. al., 2014; Abdullah et. al., 2013; Gohari et. al., 2013; Aktar et. al., 2012). That is why, it has been found in many researchers that if employees believe intrinsically that organization will value and rewards their struggle, and they will perform their job more than ever.

Moreover the success of any company undoubtedly depends mostly on the competent and supportive working of human resources. Therefore organizations want to keep, attract and motivate its brains to touch its objectives. So compensation management is one of the main tools to retain and motivate the employees for (Kaur, 2016). Different researchers have proved that based on compensation and benefits employee will generate higher job performance.

Training and Development

It is a function of Human resource management that prepares the individuals and groups to better job performance within organizational surroundings. In a study found that training and development is the fast moving predictor that effect productivity and job performance of employee (Tahir et. al., 2014). Other study says that it is a learning practice in which employees can develop their skill and knowledge, in order to perform better (Dermol et. al., 2013; Guest, 1997). It is a source of self confidence where employees perform under pressure and work with least direction and coaching. In addition, training influence job performance and it will develop a moral sense that will bring about to increase loyalty among the employees (Bhat, 2014). Ultimately, the job performance will be improved. Similar result found by (Sultana et. al., 2012) that training yields rewards for employees. That is why organizations effecting job performance of employees by producing the abilities, skills, competencies and behavior of the employees (Sultana et. al., 2012). In a study found that training recognizes the depressed need of employees and indeed they would build their level of competency to perform well for the organization vision (Talwar and Thakur, 2016). Besides this, different studies study concluded that there is strong relationship between training and employee job performance (Sultana et. al., 2012; Farooq et. al., 2011; Bartel, 1994). Therefore, it is duty of the manager to find out the factors that deter training programs and take needed actions to support in uplift of employee job performance. Because training cause of greater height of employee commitment in the organization (Ahmad et. al., 2003).

Performance Appraisal and Achievement

It refers to a process by which job performance of an employee is well documented and examined. It is also called the performance review, employee performance or performance evaluation. (Gibbons et. al.,

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1994) defined it as a regular practice used to assess and appraise job performance of any employee to identify the getting and completion of task for the purpose of managing and rewarding them accordingly. Performance appraisal is used to trial the job performance of an employee for the healthier prospect of the organization and its employees (Kavanagh et. al., 2007). Equally, performance appraisal is a continuous procedure of examining employees which indirectly convince the rewarding process and training process (Mir et. al., 2014). A study concluded that performance appraisal makes a judgment on employees work and experience. As a result, it might increase the general commitment of the employees with the organization (Enz et. al., 2000). Performance appraisal may generate bad results for the organization if the evaluation is not done accurately resulting low employee job performance. It is also certified by (Akinyele, 2010) that fair performance appraisal is important for all the organizations. Performance appraisal records will visibly show the employees' achievement yet inaccurate evaluation results will reduce employee performance. Hence firm performance appraisal makes stronger the performance evaluation procedure and it portray a strong positive motion between the employer and employees (Ahmad et. al., 2015).

Workplace Communication

It refers to the total contact between organizational members (Farace et. al., 1977). Communication is a part of organizational culture which impact and strong positive association with job performance (Luthans, 1998). Employers anticipate the employees to be efficient communicators and price employees for their talkative performances (Keyton, 2013). Workplace communication is very significant for the organizations as it permits organizations to be creative and function successfully. Organization's employees can experience an increase in dedication, morale and performance if they are able to communicate vertically and horizontally in an organization. Regular communication creates more chances to simplify mistakes, thus making the transfer of difficult information easier (Zhang et. al., 2013). Another study concluded that leader's design of communication notably improved job performance of lecturers (Fashiku, 2016). Previous research also found that there is strong positive correlation between communication and job performance. Therefore information should be well designed in such a way that could certainly power employee job performance (Abiona, 2016). As a result when communication is widely implemented at workplace, it becomes actions. These actions may create the stronger relationships; carry out work goals and influencing organizational goals (Keyton, 2013). In the study of (Luthans, 1998) communication is the key instrument of organizational culture on employees' job performance.

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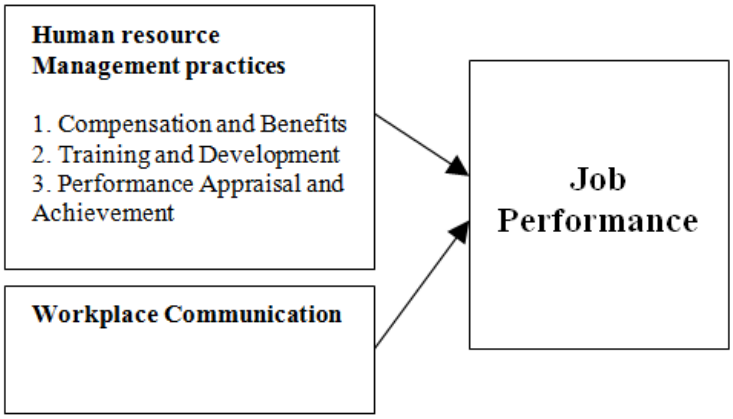
Research Model



Hypotheses: To examine the relationship following Hypotheses were developed.

H1: There is a positive relationship between (compensation and benefits) and job performance.

H2: There is a positive relationship between (Training and development) and job performance.

H3: There is a positive relationship between (performance Appraisal and achievement) and job performance.

H4: There is a positive relationship between (workplace communication) and job performance.

Methodology

This is a quantitative type research. This study is a cross-sectional research whereby data is collected and analyzed at one point of time only. In this study the unit of analysis is individuals. The respondents for this study will be the commercial bank employees in Vehari, Pakistan.

Population and sample size:

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The study was conducted in commercial banks in Vehari. The target population is commercial bank employees. There are 25 commercial banks in Vehari. Based on the considerable number of commercial banks, in such a small city it was considered a suitable environment for data collection. Purposive sampling technique was used in this research. Purposive sampling involves regarding the preparedness of the respondents to participate. It was difficult to get access all the employees directly due to rush of work in bank. Although the researcher selected those employees whose are easily willing to participate.

Research Instrument: In this study, Job performance is the dependent variable while human resource management practices, training and development, performance appraisal and achievement are the predictor (independent) variables. The questionnaires were adapted to collect information for this research and written in English.

Data analysis procedure: SPSS 22.0 was used for quantitative data entered in the computer. The result will be summarized using descriptive statistics (mean and standard deviation). Correlation analysis was used to examine the relationship. Regression analysis was used to see the impact of independent variables on job performance.

Response rate: A total of 180 questionnaires were distributed to commercial banks in Vehari that agreed to participate in this study. In two and half month time, total 130 questionnaires were returned. But, only 110 questionnaires were useable. So, response rate was 61.11 % for this study. Total twenty (20) questionnaires were incomplete therefore they were rejected for this study and were not useable for this study. The response rate of 61.11% was higher than the acceptable response rate of 20% for quantitative studies (Schindler, 2011). That is why the response rate was standard and adequate of quantitative study. Majority of males were respondents 67.5 % as compare to females 22.72%.

Demographic statistic

Table 1

Demographic	**Classification**	**Frequency**	**Percentage (%)**
Gender	Male	85	77.27
	Female	25	22.73
Age	18 - 28	57	51.82
	29 – 39	40	36.36
	40 – 50	10	9.09

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	Over 50	3	2.73
Position	Cashier GBO Ops manager Branch manager	41 37 20 12	37.27 33.64 18.18 10.91
Length of service in banking industry	<1 1-3 year 4-6 year >6 year	23 17 21 49	20.91 15.45 19.09 44.55
Length of service in current bank	<1 year 1-3 year 4-6 year >6 year	32 51 13 14	29.09 46.36 11.82 12.73

Descriptive statistics

Descriptive statistics is used to see overall broad observation of data for all variables. The result showed the mean and standard deviation on job performance (4.122, 3.477), compensation and benefits (3.553, 2.360), training and development (3.836, 3.512), Performance Appraisal and achievement (2.750, 1.690), Workplace communication (4.029, 0.415). Results of descriptive statistics are presented in Table 2.

Table 2

	N	**Mean**	**Std Deviation**
Job performance	110	4.122	3.477
Compensation and benefits	110	3.553	2.360
Training and development	110	3.836	3.512
Performance appraisal and achievement	110	2.750	1.690

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Workplace communication	110	3.901	4.380

Reliability and validity Analysis

Questionnaires were adapted from previous research therefore every items in questionnaire had been proven content validity. For reliability test Cronbach's Alpha was use to check the internal consistency of each items that covered the purpose of this study.

The reliability test for job performance which is the dependent variable of this study consists of eight (8) items and the Cronbach's Alpha value is 0.743. The Cronbach's Alpha value for compensation and benefits is 0.822. Training and development is 0.813. For Performance appraisal and achievement Cronbach's Alpha value is 0.677. The workplace communication is 0.742. The Cronbach's Alpha results for each variable are presented in Table 3.

Table 3

Variables	**Cronbach's Alpha**	**N of Items**
Job Performance	8	0.743
Compensation and Benefits	3	0.822
Training and Performance Management	6	0.813
Performance Appraisal and Achievement	2	0.677
Workplace communication	5	0.742

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Pearson Correlation Analysis

The results indicated that three variables (compensation and benefits), (training and development) and (workplace communication) are correlated positively with job performance. Yet, Performance Appraisal and Achievement was negatively associated with job performance with coefficient value of -0.82. Table 4 exhibits the results of Pearson Correlation Analysis.

Table 4

	1	**2**	**3**	**4**	**5**
Job Performance	1				
Compensation and Benefits	.210*	1			
Performance Appraisal and Achievement	-.082	.123	1		
Training and Performance Management	.229**	.295**	-.042	1	
Workplace communication	.621**	.030.	-.124	0.177*	1

*Correlation is significant at 0.05 level (1-tailed)

**Correlation is significant at 0.01 level (1-tailed)

Multiple Regression Analysis

Multiple regression was use to see the impact of four independent variables on dependent variable, The β value for each hypothesized relationship is found in this section. Based on the results, the compensation and benefits and workplace communication variable positively associated with job performance. The Beta value for compensation and benefits is ($\beta = 0.176$, $p < 0.05$) and the Beta value for workplace communication is ($\beta = 0.602$, $p < 0.05$). On the contrary, the results found that for other two variables are not associated with job performance. The Beta value for performance appraisal and achievement is (β =

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-0.029, $p > 0.05$), and training and development is ($\beta = 0.071$, $p > 0.05$) found non-significance impact on job performance. Table 5 presents the results of multiple regression analysis.

Table 5

	Standard Coefficientsbeta	**Sig.**
(constant)		
Compensation and benefits	.176	.021
Training and development	.071	.352
Performance appraisal and achievement	-.029	.701
Workplace communication	.602	.000
Value	21.579	
R2	.428	
Adjusted R Square	.408	

Summary of hypotheses testing

The findings of this study proved that the workplace communication has very important and positive impact on job performance. Compensation and benefits also found to have significant and positive impact on job performance. However, training and development, performance appraisal and achievement do not have significant influence. Summary of hypotheses testing is shown in Table 6.

Table 6

Hypotheses		**Result**
H1	Compensation and benefits is positively related with job performance	**supported**
H2	Performance appraisal and achievement is negatively related to job performance	**Not supported**
H3	Training and development is positively related to job performance	**Not supported**
H4	workplace communication is positively related with job performance	**supported**

The results have shown that all four hypotheses that have been tested, two hypotheses were not supported, and two other hypotheses were supported.

Discussion

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The purpose of this study is to see the relationship of human resources management practices namely (compensation and benefits), (training and development), (performance appraisal and achievement) and workplace communication on job performance among employees of commercial banks in Vehari. Overall, the findings proved that there is only one aspect of human resource management practices have a positive impact on job performance. Notably workplace communication also has significant impact on job performance among employees of banks. Yet, Performance appraisal and achievement in addition to training and development do not impact on job performance of commercial bank employees in Vehari.

It is proved that compensation and benefits have significant relation with job performance among the commercial bank employees in Vehari. This result is similar to research conducted by (Wambugu et. al., 2013; Sachu et. al., 2012) that discovered that compensation and benefits positively impact employee job performance. It is widely accepted that when employees are happy with the company, they work very hard for greater performance that will also good for the company growth. In addition to this, the banks' employees who participated in this study also give more preference that they are paid in the any bank.

The second and third hypotheses also proved no significant impact on job performance among the commercial bank employees. The results of this study is denying earlier studies such as (Sultana et. al., 2012), who found positive influence on job performance. Moreover, Performance appraisal and achievement influence job performance in a university study. May be it is because of different country and unit of analysis results were different. This study is conducted in Pakistan context. Therefore possibly, the culture differences had produced different results. The fourth hypothesis workplace communication has an impact and high positive correlation with job performance of banks employees.

Conclusion

The intention of this research is to find the dimensions of HRM practices namely with workplace communication on job performance among the commercial bank employees in Vehari. This research has two research objectives. It was found that high job performance of employees in is influenced by compensation and benefits and workplace communication. Based on the findings of this study the process of reciprocity occurs when employees are happy with the compensation and benefits of the bank and they tend to exchange it by producing high job performance. Altogether, compensation and benefits and workplace communication are found to have significant impact on job performance. Banks may give more attention on these two findings in enhancing job performance of employees in the banking sector.

Limitations of the Study

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There were some limitations identified in this study. First of all, this study contains only 110 respondents. Secondly, this study is limited to commercial bank employees in Vehari place only restricts generalizability, So that it could not represent the overall population of all commercial bank employees in Vehari.

Recommendations for Future Researchers

This study can be extended to large population consisting commercial bank employees in all provinces of Pakistan. Despite that, the research may also be conducted by done in various banking sector such as Islamic banking, financial companies. The study could also incorporate in different industries such as insurance industry and manufacturing industry. Further, the frame work of this research repeat to different group of people, for instance manufacturing or government employees. This possibly will boost the understanding of HRM practices and workplace communication influence on job performance.

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USING ALTMAN'S Z-SCORE MODEL TO PREDICT THE FINANCIAL FAILURE OF HOSPITALITY COMPANIES-CASE OF JORDAN

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Abstract
This paper aims to investigate the reliability of Altman Z-score model in predicating the possibility of financial failure that threaten hospitality companies in Jordan, at least a year before its occurrence, the sample has been derived from Amman stock exchange were there are a 13 listed companies in hospitality sector for a period between 2008 to 2009, Altman 's Z Score model has been applied to find out its ability to predict financial bankruptcy at least a year before it happens, the results show that the Altman's Z score model is unable to predict financial failure in hospitality sector in Jordan , the study recommend to find develop suitable models that have the ability to alter for possible financial failure in hospitality companies a year before it occurs.

Keywords: Financial failure, Altman's model, tourism sector , hospitality industry

Introduction

Recently its notable that changes in the business environment became sophisticated and rapid, companies have to adapt continues changes in their environment and compete effectively to be able to survive, Companies that meet the requirements of social, economic and technological changes become prominent in national and international markets whereas those that do not meet such requirements are not likely to survive. It is clear that these vital changes that effecting companies take place in the economic sphere. It

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is important to consider financial failure of the companies whom fail to take the necessary precautions against the changes their business environment and do not react to the development in its economic sphere and reflect that on its financial structure by using financial policies that protect them from go into financial failure.

It might be correct to state that financial failure of the companies is came out of failing to perform an accurate analysis of the economic factors that constitute the basis of the financial failure of the companies.

Many financial failure cases arise in hospitality sector in Jordan, the companies that are endangered by financial failure, especially in periods of inflation, as most of these companies still rely on simple financial analysis methods, summarized in presenting abstracted financial ratios that give a misleading picture of the financial position of the company. The adoption of these companies solely of financial statements prepared on a historical cost basis in financial analysis is considered the fundamental problem that prohibits getting the true picture of the financial position of the company in shadow of inflation. The problem is the possibility of preparing modified financial statements attached to serve financial analysis and measurement, so that modified data can be used to obtain adequate and reliable information that increase the accounting knowledge of users in order to predict the financial failure of the company.

In literature many studies conducted regarding financial failure; the first study was made by Smith and Winak in 1930. Perhaps Altman is considered the most famous researcher who studies how to predict failure and stumble of the companies and he had many studies in this field. Then the studied were continued in various sectors to include industrial sector with all its types, banking sector, and service sector. The researches and studies were concentrated in two directions:

1. The first direction represented by Beaver which concentrated on identifying only one best financial ratio that could be used in predicting the business failure of the companies. This is done after analyzing several financial ratios and selecting the most effective ratios in predicting financial failure. (Altman, 1968).
2. The second direction represented by Altman which aims to find the best group of financial ratios in the form of a model that is enabled to predict the financial failure of companies by using Multiple Discriminate Linear Analysis (Altman, 1968).

A study by Joel and Stephen, 1992, examines the impact of localized competition on rates of financial failure in the Manhattan hotel industry from 1898 to 1990. They investigated whether the organizations in a population with more similar resource requirements compete more intensely. This approach builds on existing density-based models of inter-organizational competition by including variation at the organizational level directly in both the model and measures of competition. A dynamic analysis shows that hotels located in densely populated regions of the distributions of organizational size, geographic location, and price experienced significantly higher failure rates. The findings show how an ecological approach to competition that incorporates intra population variation can provide a more detailed

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understanding of the competitive dynamics and evolution of organizational populations.

Hubert Ooghe, Sofie De Prijcker, 2008, in their study they observed four types of failure processes that occure as a result of one of the following reasons: unsuccessful start- ups, ambitious growth companies, dazzled growth companies, and apathetic established companies. Between these four failure processes, there exist major distinctions in terms of the presence and the importance of specific causes of bankruptcy, i.e. errors made by management, errors in the corporate policy and the importance of external factors.

Mehdi Divsalar (2001) , study that presents two branches of computational intelligence techniques, namely linear genetic programming (LGP) and radial basis function (RBF) neural network to build models for bankruptcy prediction. The main goal is to classify samples of 140 bankrupt and non-bankrupt Iranian corporations by means LGP and RBF. Another important contribution of this paper is to identify the effective predictive financial ratios based on an extensive bankruptcy prediction literature review and a sequential feature selection analysis. In order to benchmark the proposed models, a log–log regression analysis is further performed. A comparative study on the classification accuracy of the LGP, RBF and regression-based models is conducted. The results indicate that the proposed models effectively let estimate any enterprise in the aspect of bankruptcy. The LGP models have a significantly better prediction performance in comparison with the RBF and regression models.

Zheng Gu and Luyuan Gao (2011) study estimated a multivariate discriminate model for predicting hospitality firm bankruptcy. The model has 93 per cent accuracy in classifying the in-sample firms into bankrupt and non-bankrupt firms. The model suggests that unprofitable firms burdened with debts, short-term debts in particular, are more likely to be candidates for bankruptcy. Fast expansion and sales growth of those firms may increase their bankruptcy likelihood.

Hyewon Youn , Zheng Gu (2010) Using financial variables as predictors, this study developed logistic regression and artificial neural network (ANN) models to predict business failures for Korean lodging firms. While both models demonstrated comparable Type I errors, the ANN model showed considerably lower Type II errors for both in-sample and hold-out sample predictions. This study also found that interest coverage is the most important signal of business failure for the Korean hotel industry. This ratio is directly related to the hotel's solvency, ability to service debts and productivity of profits and can thus be regarded as a survival indicator of Korean hotel firms.

Tourism has become the largest contributor sector where it contributes by 15% in the GDP while it contributes by 16% of global consumption, and by 7% of global investment, and by 9.6% of total government spending. World Tourism revenues accounted for approximately 7-8% of the total world exports of goods and services, and provided about 200 million jobs, or the equivalent of 11% of the total workforce in the world.

Some went to define financial distress is a situation where a firm's operating cash flows are not sufficient

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to satisfy current obligations (such as trade credits or interest expenses), and the firm is forced to take corrective action. This imbalance between firm's own resources and its own external liabilities is spanned between the temporary imbalance and the permanent real imbalance, whenever this imbalance approaches the structural type it becomes harder for the firm to overcome this crisis caused by this imbalance.

Some scholar proposed that there is a difference between financial distress and financial failure considering that financial distress is a pre-state of the financial failure and it does not necessarily lead to it. This difference is referred to by the term of financial flexibility.

Tourism and Jordanian economy

http://www.jitoa.org/Business-Center/business-information/Tourism-in-jordan

Tourism has become an essential component of Jordan economy; tourism sector became an important driver for sustainable economic development and is considered the second fastest growing sector especially in terms of employment opportunities creation.

Jordan witnessed several development projects in some of key tourist attractions, mainly in Aqaba and Dead Sea, which cooperate in marketing Jordan as a tourist destination and raise its competitiveness within the region. In the recent Travel and Tourism Competitiveness Report, produced by the World Economic Forum, Jordan ranked in position 53 out of 130 countries on the Travel and Tourism Competitive Index.

The Jordan National Tourism Strategy 2010-2015 vision is to make Jordan a distinctive destination with diverse visitor experiences that will enrich the lives of Jordanians and their guests. The strategy, aims at improving quality of services and diversifying products and facilities to conform to international criteria and increase number of tourists visiting tourism sites.(**jitoa.org.2016)**

Tourism's contribution is an important factor in the growth and revitalization of the economy as it constitutes:

- 13% of GDP (as a ratio but not contribution)
- 64% of the total receipts of the services account in the balance of payments
- 26% of the total receipts in the current account balance of payments (This puts tourism in third place in terms of importance after commodity exports and remittances from workers abroad)

Research problem

Many companies have went in bankruptcy and demolished because of financial failure, furthermore many Jordanian companies and investors working in the hospitality industry lack to the awareness of financial failure risks, also is has been proven by previous researches that there is inability of financial ratios when used individually in the prediction of financial failure, it has been clear that financial analysis

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using financial ratios individually producing a deceiving results that could not be reliable enough to predict the future of the company, especially when the number of consecutively losing companies is increasing which leads to the erosion of capital , thus these failures will affect the national economy, therefor this research paper is trying to This to investigate the reliability of Altman Z-score model in predicating the possibility of financial failure that threaten hospitality companies in Jordan, at least a year before its occurrence

The significance of the research

Many sudden failure and the bankruptcy cases arise in international context to a giant companies and contributed in the recent international financial crisis, Therefore the significance of this paper lay in the importance of the financial failure and to which extent the predicting ability of stockholders like ;management, current and prospective investors, banks, creditors, auditors and government agencies to expected financial failure of a company especially in this region as a developing region , eg: Jordan.

Research objectives

The research aims to find out how the Altman's Z score model is reliable in predicting the probable financial failures that threaten hospitality companies in Jordan, at least a year before it happens.

Methodology:

This study is an attempt to use Altman's model to predict the financial failure of hospitality companies listed Amman Stock Exchange. The data of this research paper were collected from the listed companies' published financial reports. There were 13 companies listed under hospitality sector and all are included in achieve the purpose of this research. Data for the years from 2008 to 2011 were collected for analysis. This research is based upon one main hypothesis that is (*Altman's Z score model has the ability to predict financial failure of hospitality companies in Jordan at least a year before it happens).*

Theoretical Background

The concept of financial failure means that the inability of the organization to meet its all financial liabilities. Economic wise it means that the company cannot afford to achieve a moderate or reasonable return on their investment, Financial failure: occurs where the firm's revenue is not sufficient to cover its costs or when the internal rate of return (IRR) is less than the firm's cost of capital (Schall and Haley, 1984).

Some researchers have gone to distinct between financial distress and financial failure on the basis that the financial distress is a case that precedes the financial failure and it may not necessarily lead to it. This distinction was based on to the use of standard of financial flexibility and liabilities of the company more than the book value of the assets of the company (Ross and et al, 1999).

Deakin, Obedat and Joulani (1993) considered that the company is in a situation of financial failure

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when it went bankrupt, or faced financial hardship or filtered for the benefit of creditors. Beaver has been considered that the standard of failure of the company is bankruptcy, or its inability to pay their debts or non-payment of premium shares earnings. Hamzawi defined the troubled project as that project, which suffers from an imbalance in the relationship between income and expenses, where the second exceeds the maximum limit of the first. Also he used this description for the project in which the return on investment - based on book cost – is less than the cost of capital and the troubled project is characterized by its inability to fulfill its owed obligations despite the increase in assets over its liabilities (Hamzawi, 1997)

Previous studies

Study of Aljahmani and Dawoud, (2004), The study aimed to reach a group of financial ratios most able to predict the failure of public shareholding industrial companies in Jordan, in this study the multidirectional measuring technique was used on a sample of 24 industrial companies, half failed and the other half is not, and covered the period from 1993 to in 2000. Forty ratios were awarded the special financial ratio by liquidity, profitability, and funding structure and financial leverage, market activity and cash flow ratios. The study found that rates of profitability operating cash flows are more predictable of bankruptcy from the rest of the other ratios.

The study of Al Dahiyat (2008) This study aimed to develop a model which contains a series of financial and non-financial indicators, to present a comprehensive measurement of the performance of Jordanian brokerage firms, and to obtain mathematical model which consists of a group of financial ratios that are able to discriminate between financially successful and non-successful firms.The study has developed a model which contains a group of financial indicators and non-financial indicators, the financial indicator consists of the most important profit, activity, liquidity, and capital structure ratios, the non-financial indicators consist of customer, internal processes efficiency, learning and growth, legislative and social commitment indicators. The study also has enveloped mathematical model which can distinguish between successful and non-successful companies and consists of five ratios: Return on assets, net profit to accounts receivable, capital to net profit, capital to equity and accounts receivable to equity.

Study of Eidleman (1995) This study was titled “Z scores - a guide to failure prediction. (Business failure) (Auditing),“ the researcher has clarified that the incidence of business failure in the US was increasing. Statistics have shown that more than 300 companies went out of business every week. The high rate of bankruptcy was attributed to the combined effect of fiercer competition in the marketplace and heavier debt burdens carried by companies. Matters grow even worse when these two factors are accompanied by an economic downturn. A company's chances of survival can be predicted with the use of financial-statement analysis. One of the most commonly used statistical ratio models for predicting business collapse is Altman's Z score. This model has proven to be a reliable tool for bankruptcy forecasting in a wide variety of contexts and markets. However, it should be noted that the Z score does not apply to every situation. It can only be used for forecasting if the company being analyzed can be compared to the database.

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Study of Veazey (1981) This study aimed to develop a model for predicting distress where a sample of 216 industrial companies in USA was selected; about 20 financial ratios were analyzed using Multivariate Linear Discriminate Analysis. To do these two criteria were used to measure success:
The internal criterion: It is a percentage of net operating profit to average total assets, the model accuracy accounted for 96% in accordance with this criterion in the year in which the model was developed to predict the high success and less corporate success, while the model accuracy in the first two years before the development of the model was 93%, 0.96%, respectively, while in the following year of the development of model the accuracy has reached 93%.
The external criterion: Which is Treanor index, the model accuracy accounted for 73%in the year that it has been developed to predict distress, while the accuracy in the first two years before the development of the model accounted for 68%, .85%, respectively, while in the following year of the development of the model, Accuracy has reached 68%.
Study of Beaver (1966) Beaver selected a sample of 79 failed firms and 79 non-failing firms and investigated the predictive power of 30 ratios when applied five years prior to failure. Of the ratios examined, he found that there are 6 financial ratios that have an impact in the credit risk that are: Cash flow to total debt, Net income to total assets, Total debt to total assets, Working capital to total assets, Current ratio, No-credit interval.

Study of Altman, (2002) This study aimed to determine the appropriateness of the model that has been reached in the study (Altman 1968), by applying it to three samples on some companies in the United States, it was found that the accuracy of discrimination models ranges from 82% to 94% in the first year of study periods, then it dropped to 68% - 75% in the second year before the failure of the different periods of the study. Regression was justified the accuracy in predicting by the impact of past economic cycles.

Study of Mohammed Mattar (2001) This study was entitled "the nature and importance of financial failure indicators for companies - a comparative analysis of the perspectives of auditors and financial analysts In Jordan." The study aimed to identify the similarities and areas of disagreement between auditors and financial analysts in terms of the nature of financial indicators used to predict the failure of companies and in terms of relative importance, (63) subjects were studied that belong to two categories. The study showed that both groups agree to combine financial indicators and non-financial in building predicting failure model, but they differ in determining the financial and non-financial variables that are used to predict failure and they defer also in the preference given by each of the two categories of the types of financial ratios used process. The study concluded to build a model to predict financial failure consists of ten variables (from the perspective of auditors) so that 60% of which are financial indicators and 40% are non-financial indicators, but for financial analysts, the model consists of ten variables 50% of the variables represent financial indicators and the other 50% are non-financial indicators.
Altman's Model (1968) (z-score) Altman developed his model using financial ratios depending on a statistical technique called multiple discriminate analysis (MDA) to predict corporate failure. He

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succeeded in discriminating between successful firms and failed ones in the industrial sector. The technique used by Altman has proved its efficacy not only in predicting the ability of customers to meet their liabilities, the level of profitability of the ordinary stock but also it has proved its efficacy in categorizing financial institutions according to pattern of investment also in evaluating the handled bonds in the market of financial papers . From the original 22 variables, the final z-score model chosen was the following 5-variable model.

$$\text{Z-Model (Original Model):}\quad Z = 1.2X_1 + 1.4X_2 + 3.3X_3 + 0.6X_4 + 1.0X_5$$

Where

X_1= working capital/ total assets

X_2= retained earnings/ total assets

X_3= earnings before interest and taxes/ total assets

X_4= market value equity/ book value of total liabilities, and

X_5= sales/ total assets.

Altman then classified z scores as follows:

Z score	Probability of failure
1.8 or less	Very high
1.81 – 2.99	Not clear
3.0 or higher	Unlikely

The model has been shown to be about 90 – 95 percent accurate in predicting failure one year ahead and about 70 – 80 percent accurate in predicting failure two years into the future. Beyond two years ahead the success rate of the model diminishes.

Much criticism has been directed to this model, including:

- Only the industrial public shareholding institutions applied.
- It gives great importance to the ratio of sales to total assets and the ratio varies depending on the importance of industries.

Therefore Altman developed a model used for non-industrial firms where the model that is represented as follows:

$$Z=6.56(X_1) + 3.26\ (X_2) + 6.72\ (X_3) + 1.05\ (X_4)$$

Where

X_1= working capital/ total assets

X_2= retained earnings/ total assets

X_3= earnings before interest and taxes/ total assets, and

X_4=book value equity/book value of total liabilities

Where cut off scores reflect

Bankrupt firms< 1.23

Non Bankrupt firms> 2.90

Grey area= 1.23 - 2.90

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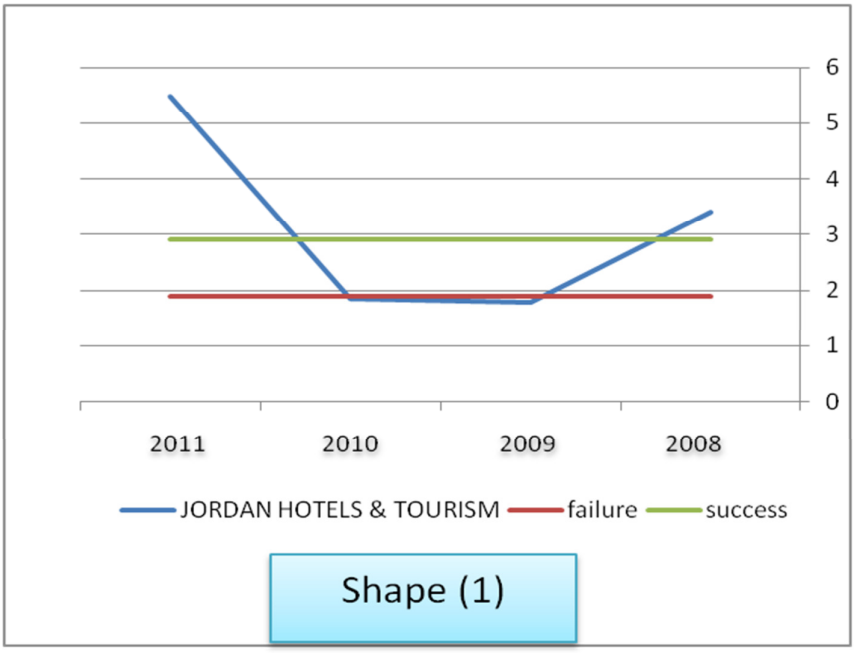
Analysis of the Study Data

Based on Altman's model when the value of z-score is greater than 2.9 it means that the probability of failure of the company is very small, and when the value of z-score is less than 1.9 it means that the company has a very large probability to stumble. However, if the value of the z-score less than 2.9 and greater than 1.9 that region, called the gray area which means that one cannot predict the success or failure of the company, the value of z-score has been calculated for thirteen companies working in the hospitality industry and over four years from 2008 to 2011, If the value of the z-score is less than 1.9 in any of the years (2008-2010) it means that the company is exposed to a large probability of failure "tripping" and come out of that sector based on the Altman's model as this model predicts the failure of the company before it happens, so the z-score values has been put in a graph to clarify whether the value of the z-score higher than 2.9 or less than 1.9 or in between, if the value of the z-score is higher than the green line in the graph that would mean there is a very little possibility for the company to be stumbled, but if the z-score value is less than the red line, it means that the probability of the failure of the company is very large, consequently to measure the hypothesis of this study these graphs was used. When the value of z-score below the red line, it means that the company will stumble next year, if the company left or closed by the next year it would indicate the success of the Altman model in prediction of the failure of the company before it happens, but if the company continues next year that would mean that Altman model has failed in the prediction of the failure of the company.



From Figure (1) the value of z-score of Hotels and Tourism company shows in 2009 it was under the red line and did not come out of the sector, the matter was so for the z-score value in the year 2010 and the company has not been shut down, thereby Altman's model failed to predict the failure of Jordanian Hotels and Tourism company.

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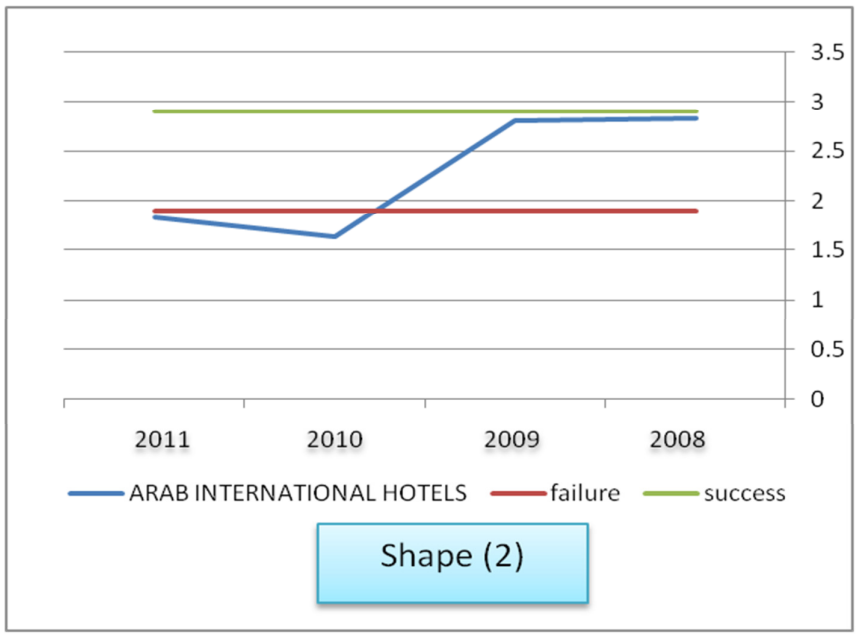
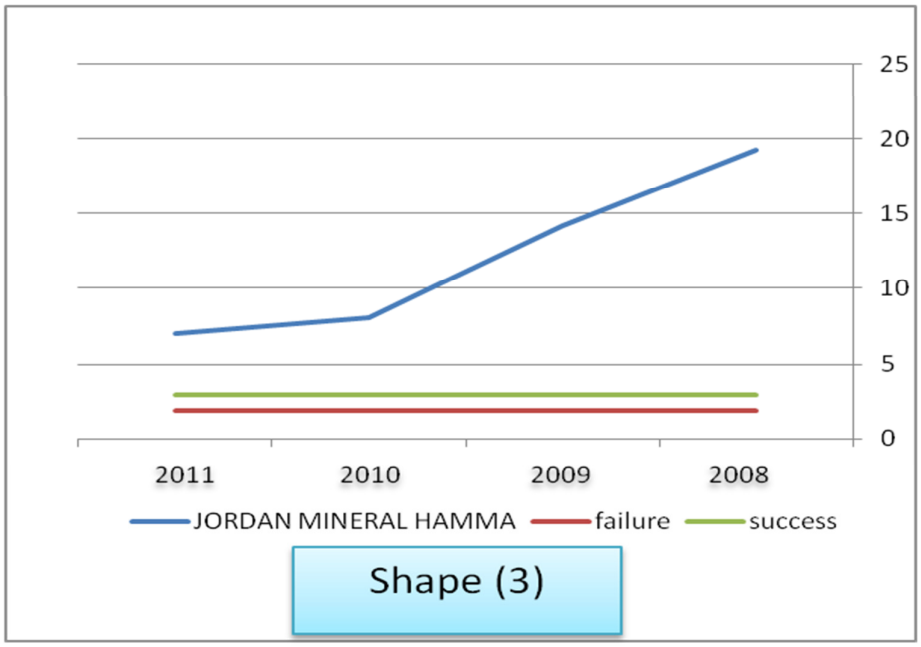


From Figure (2) in 2010, the value of z-score was less than 1.9 but the company continued in 2011 and thus the model failed to predict the failure of Arab International Hotels Company.



From Figure 3, the company did not show any value for z-score less than 1.9 and therefore, the companies that have z-score values greater than 1.9 one could not tell whether Altman model has failed or succeeded in predicting of the failure of those companies.

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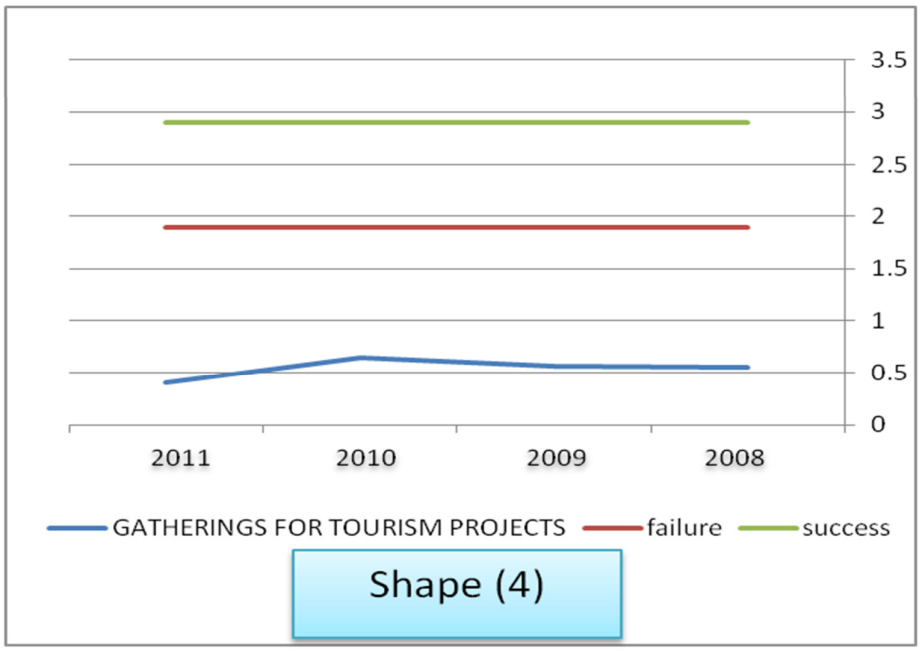
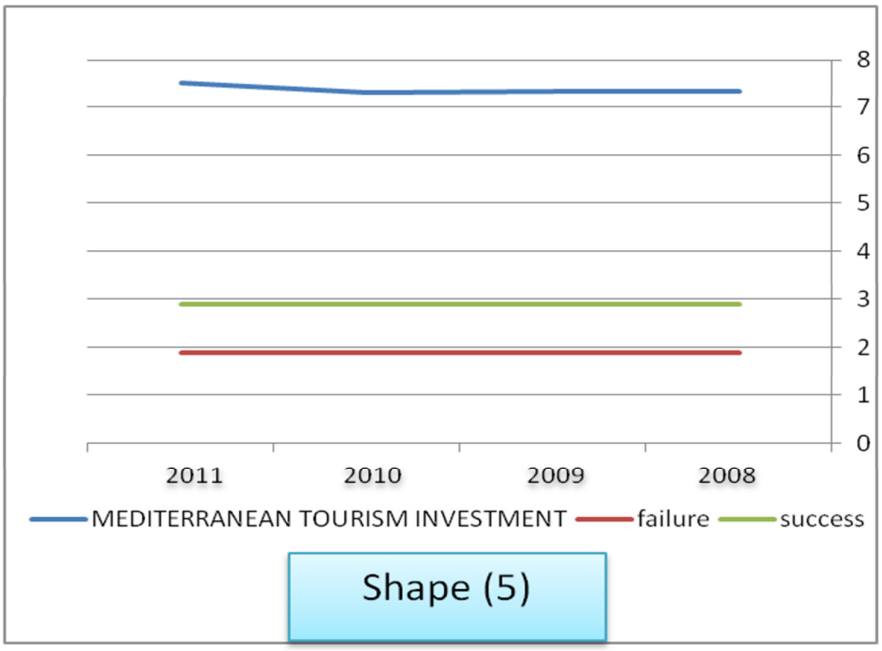


Figure 4 shows that all the z-score for values Altajammoat Company for tourism projects for the years 2009-2010 was is less than 1.9. However, the company is still continuing up to the year 2011, thus the model failed to predict its failure.



From Figure (5), the values of z-score of Mediterranean Company for Touristic Investment are all greater than 1.9 therefore one cannot tell about the success or failure of the model.

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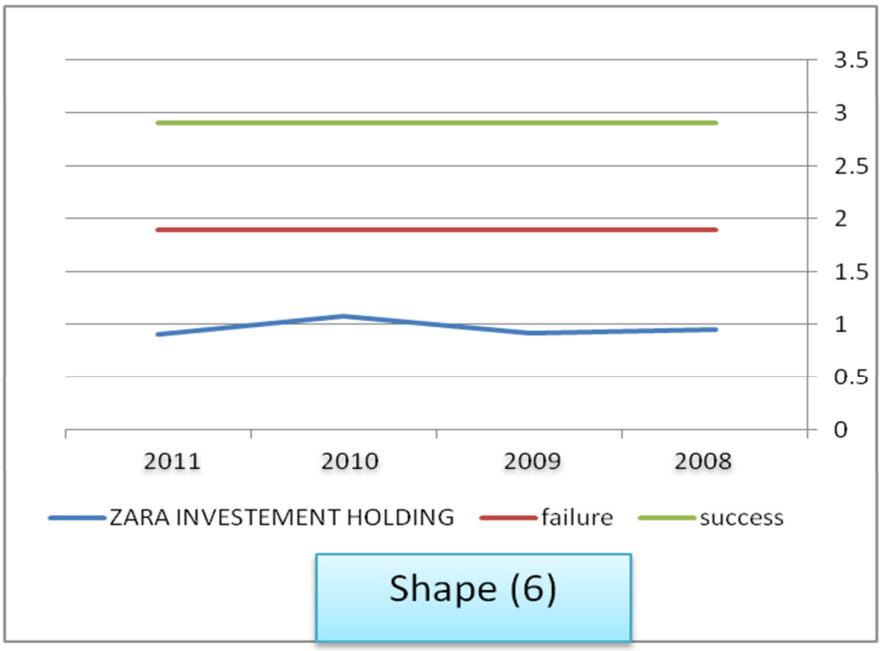
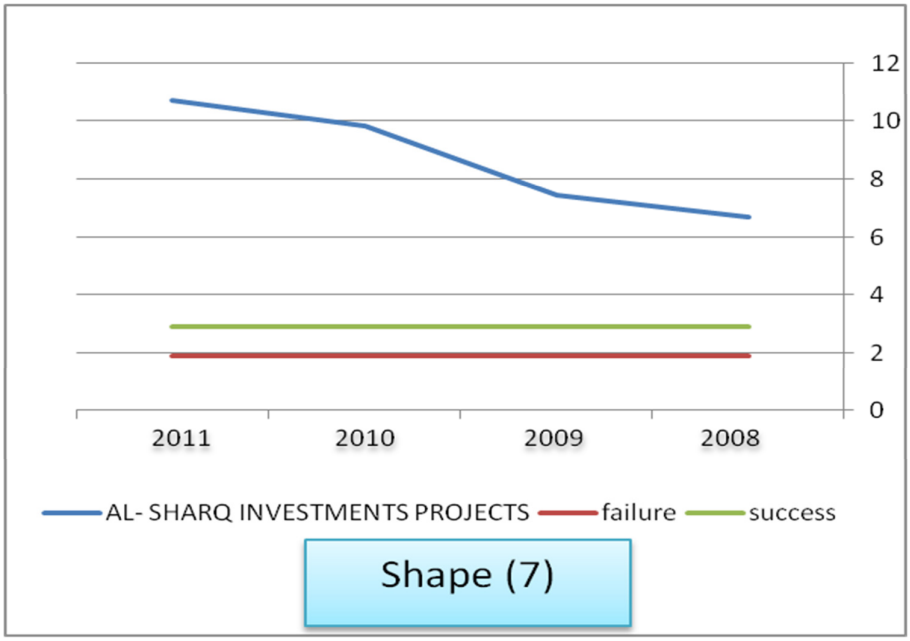


From Figure (6), all the values of z-score during the years 2008-2010 are less than 1.9 and it is clear from Figure (6) as the values of z-score line in blue is less than red line at which the value of z-score equal to 1.9, therefore, the Altman model also failed to predict the failure of Zara Investment Holding Company because it is still going on even until the year 2011.



From Figure (7), the values of z-score of Orient Investment Projects Company are greater than 1.9 and therefore one cannot tell about the success or failure of the model.

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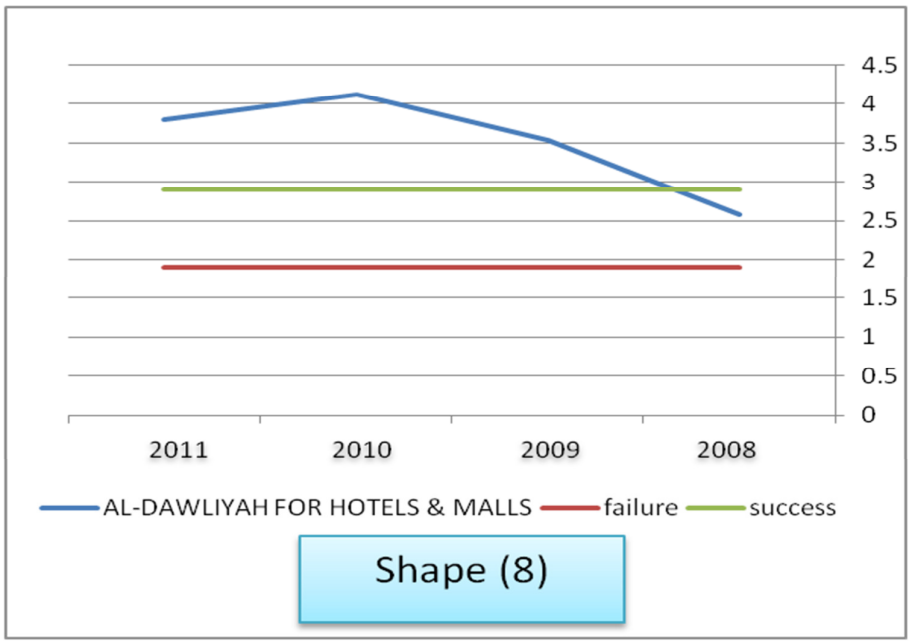
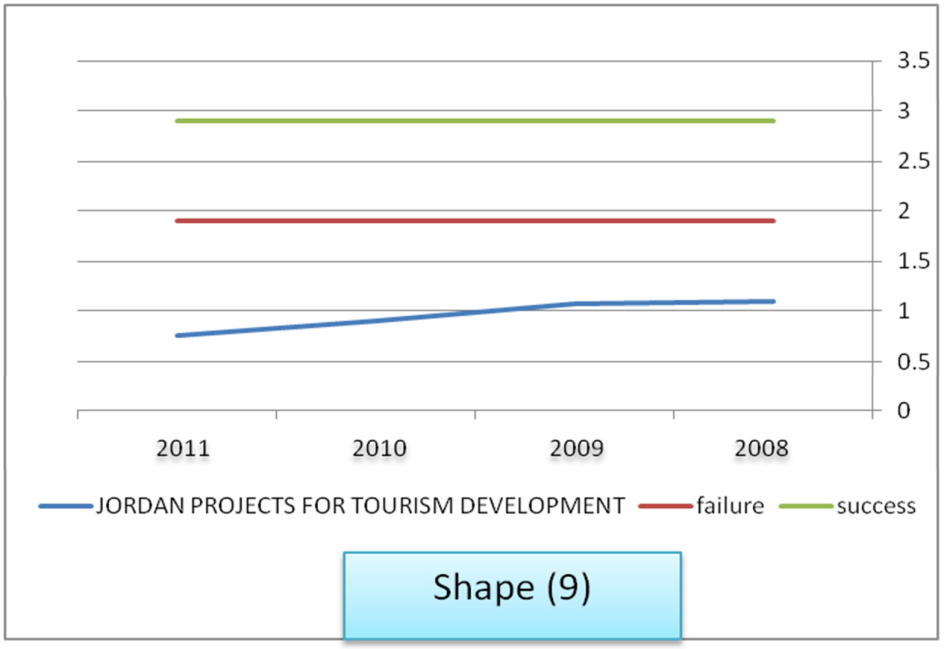


From Figure (8), all the values of z-score are greater than 1.9 and therefore one cannot tell about the success or failure of the model.



From Figure (9), all z-scores values of the Jordan Projects for Tourism Development Company during the years 2008-2010 are less than 1.9 but the company remains up to the year 2011 thus the model failed to predict its failure.

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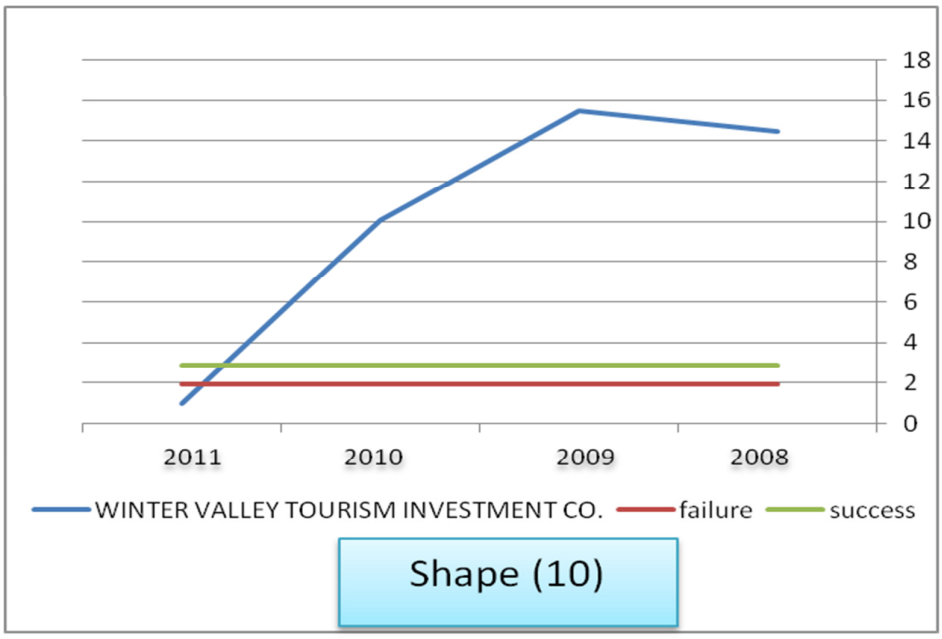
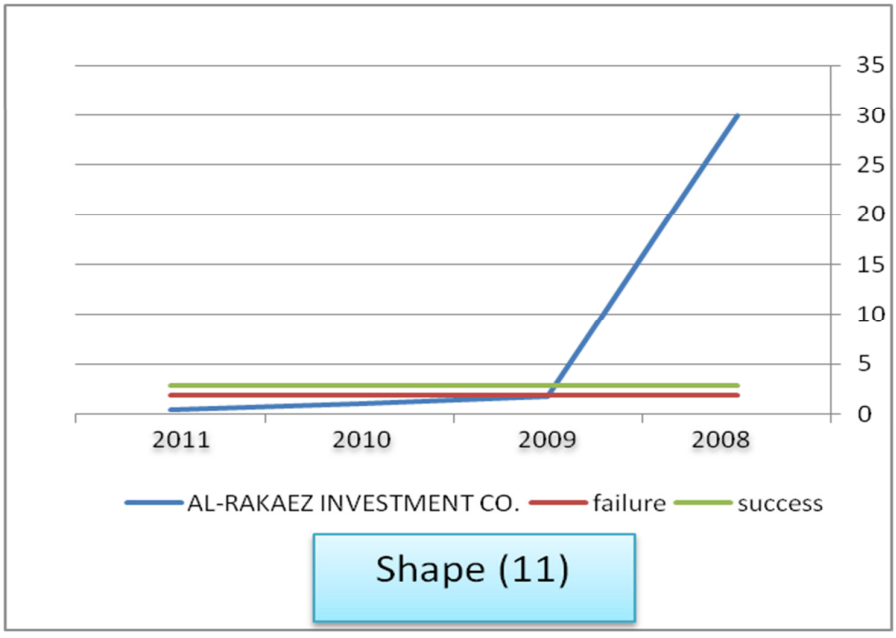


From Figure (10), the z-score values for the years 2008 to 2010 are all greater than 1.9 except in 2011, which shows the value of is less than 1.9, but one cannot tell about the failure of that model because the time period of this study are From the years 2008 to 2010,but 2011indicates whether the company is continuously and still working or not, and therefore the model failed to predict its failure.



From Figure (11), the z-score values for each of the years 2009 and 2010 are less than 1.9 and in spite of that the company is still continuing up to the year 2011, thus Altman model has failed in prediction of the failure of Alrakaaz Investment Company.

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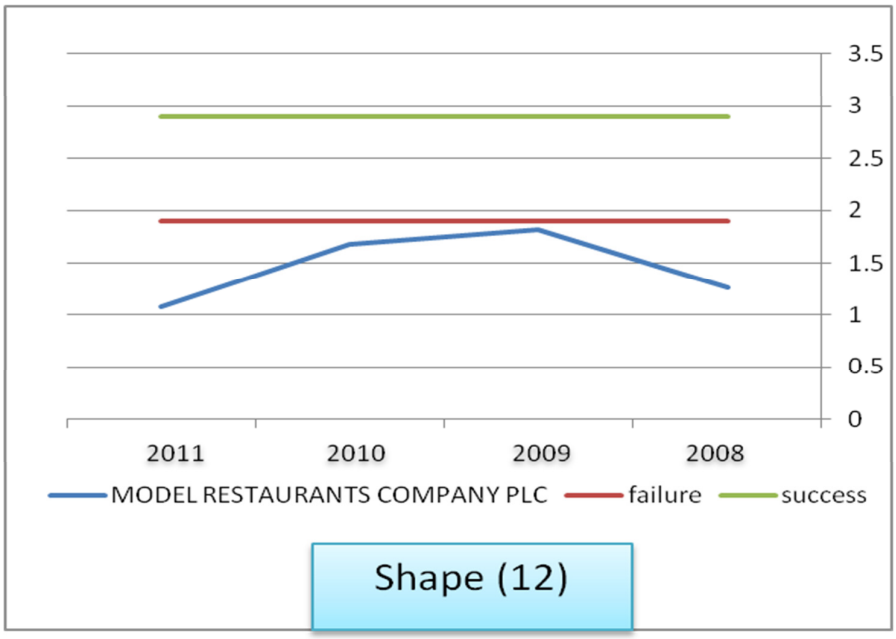
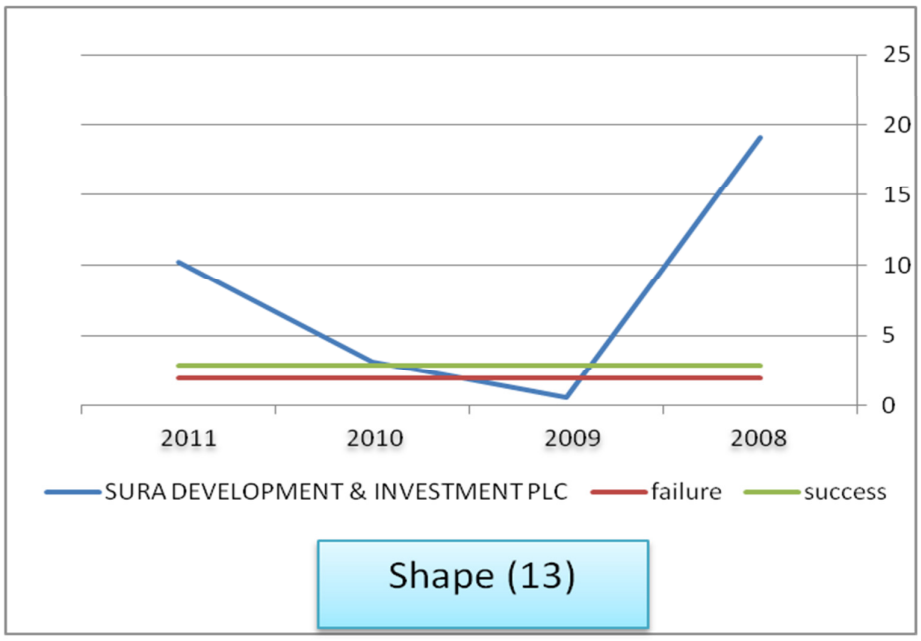


From Figure (12), all z-score values for the years 2008-2010 are less than 1.9 but the company is still continuing up to the year 2011, and thus Altman model has failed prediction of the failure of Alnamtdjeeh Company for Restaurants.



From Figure (13), the value of z-score for 2009 is less than 1.9 and with that the company remains until 2011, and so Altman model has failed in the prediction of the failure of Sora Company for development and investment.

The following table shows the companies that have z-score values less than 1.9 and the result of judgment whether Altman model fails to predict failure of the company or does not.

From Table (1), the companies that have z-score values less than 1.9 during the years 2008 to 2010 is 8

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companies out of 13 companies which represented 61.5% of the public shareholding companies that operate in the field of tourism and hotels, but there were no company failed or came out of that sector.

Based on the above arguments , the research hypothesis which ; Altman's score model can be used to predict the financial failure of hospitality companies in Jordan, will be rejected because Altman model has failed in predicting the failure of hospitality companies.

The researcher is recommending to develop suitable models that have the ability to predict the financial failure of hospitality companies in Jordan.

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YOUTH'S SPORT PARTICIPATION AND SOCIAL CHARACTER IN MALAYSIA

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Abstract
Almost decades, scholars have found that sport as a medium for development. Since then, study among sport and development has widely been discussed. The importance of sport participation among youth is that it can generate a healthy lifestyle of the youngster, and preventing youth to fulfill their leisure time with negative activities. This study, focus on youth participation in sport and how social character is created through it. This study also explains the link of interaction theory, social learning theory and situated learning theory in youth sport participation context. It has concluded that sport participation does bring benefit to the society as it brings positive personality and attitude. It is crucial for authorities to take action regarding youth and sport for the sake of nation development.

Keyword: Sport participation, interaction, social learning, socialization.

Introduction

Sports constantly became as a tool of unification throughout the world. Scholars have found that sports participation among youth has permitted a positive development (Sandford, Duncombe, & Armour, 2008; Camire & Trudel, 2010; Coackley, 2011; Paylor, 2013) and it is great for youth's social character in society. Government's initiatives on implementing *one student one sport* policy eventually have increased the sport participation and development among youth. It portrays that sport participation among youth is increasing since the government develop the policy that obligate student to participate in sport. Although government or public agencies have put forth on policy in sport, however things remain the same. There are still youth that expose in crime. This paper intent to focus on empowering sport participation among youth, and hope problems regarding youth in the society could be minimize.

Problem statement

Although government, public agencies and NGO has implemented sport as a tool to create a positive development, however problems among youth in social character are inevitably. Perhaps, youths are not clear with the government's objectives in implementing sport in institution. This unawareness leads youngster prone to activities that unbeneficial for them and society (loitering, vandalism, bullying, illegal racing, etc). Youth's leisure time mostly filled with activities. Somehow, it depends on the activities that they involve whether good or bad for social character. Taking part in positive activities may develop

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positive social character especially activities that involve more than one person, for example taking part in sport is good to untangle some of the conflicts happened in the society (Sandford, Duncombe, & Armour, 2008)

The importance of sport participation among youth is because this method can inject the positive character that would be beneficial to the society and nation. Sport is great to educate youngster to behave such as discipline and responsible in their environment (Oddner, 2010; Coakley, 2011). According to Fatemah & Parivash (2012), sport can be satisfy the youth's need in understanding personal value, emotional balance resolving personal and family problem and resolving social problem. Therefore, the objective of this study is to determine the influences of sport participation on social character among youth in Malaysia.

Literature review

Participation requires persons totally immersed with the activities, understand the social norms, behaviors, and values of the participated community (Handley, Clark, Fincham, & Sturdy, 2007). However, participation in sport has shed light to most of the sport society, politician, public and private agencies to strengthen the bonding of relationship. Sport participation is well known across the world as a tool for socialization. Through sport, one's can gain benefit of improving in health, increasing self confidence, building positive character, fostering self-control, acquiring more experiences and preventing crime (Coackley, 2011; Spaaij, 2009). Sport normally cannot be isolated from the process of socialization; it means that various fields of studies (education, religious, political, economic, etc.) have use sport for social integration (Coackley, 2011). For instance, Watson (2011) stated that sport participation can enhance feeling of connectedness and develop self concept. Furthermore, sport actually can enhance individual in the process of learning. It was supported by Fatemah & Pavirash (2012) that sport can stimulate physical, emotional and mental for learning to take place. It portrays that through sport, not only positive character can be develop but it can stimulate learning as well for education purposes.

Social character

Social character is the personality that individual possess and express it through interaction and communication in society. Social character can be positive or negative, and it base on the activities involve. According to Oddner, (2010) Social character can be influenced by sport participation, because sport is universally known as positive activity (Kelly, 2011). Through sport it can develop a positive attitude as the youngster had opportunity to interact and received guidance, information and advice (Camire & Trudel, 2010; Kelly, 2011; Lyras & Peachey, 2011). In addition, previous research had mentions that sport based program can be a method of reduction youth's crime, since sport activities is easy to access and allows greater number of youngster to involve (Kelly, 2011; Haudenhuyse, Theeboom & Nols, 2012).

Indeed, sport is good for channeling energy in beneficial way. There are evidences said that sport is good to channel negative energy and exhibit it positive ways with sport activities. For instance, study conducted by Lyras & Peachey, (2011) mention that sport can actually bring a societal change outcome,

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peace and development in condition of the environment that allow and promoting values cooperation, cohesiveness, respect and awareness. However, sport happens to be affect in positive and negative way, it depends on the environment that we created. For instance, in a long term time contact-sport may allow person to take drug for performance booster (Blake & Scott, 2013). Perhaps, contact sport can also influence person to exert aggressiveness (Rutten, Dekovic, Stamps, Schuengel, Hoeksma, & Beista, 2008). However, such cases happen to most of the professional athletes that seek for victory or earn living through sport. Since this study is focus to youth generally, therefore this study assume that youth that is not involve in any professional bodies or undergone in any intensive program in sport for excellent in Malaysia.

Indeed, youth in Malaysia is categorized at the age of 15 years old until 40 years old. At this phase, a normal youngster is currently in a good physical shape and energetic regardless of disadvantages person. Therefore, it is good to recruit more youngsters to be involved in sport so that would be a positive societal change (Kelly, 2011; Haudenhuyse, Theeboom & Nols, 2012; Lyras & Peachey, 2011)

Despite, sport is becoming a tool for individual to learn the ethic, responsibility, relationship, respect rules, show leadership and foster citizenship (Oddner, 2010; Evan & Omar-Fauzee et.al, 2012). As sport consisted rules for the games, individual who join the sport must follow the rules of the game as the guidance for them to play. This indicates individual to be responsible, obedience and follow the etiquettes throughout the activities (Oddner, 2010,). The positive character that individual obtain during the sport activities is the determinant for social character in the society (Paylor, 2013; Lyras & Peachey, 2011). The collective individuals that posses a positive personality may form a social character through process of socialization.

Socialization process

Socialization involves social life and social experience of individual through interaction, communication and sharing information of people. According to Dr G. Ralph Perrino in his writing, mentions that socialization process involve parent, school, media, peer, and any body that related to these institutions. Socialization is process of interrelated system that sharing values, and culture in the society. Socialization can occur when individual action is portraying individual ability and develop identity to interact with the world. Reviewed of literature have found that Interactions theory which explains how people define situation and give meaning to the experience when they interact with others (Chapter2: Using Social Theories). This interaction is the process of socialization as interaction requires communication, sharing information and values, and that would create a relationship and groupthink which then contributing to members of society (Bruner, Hall, & Cote, 2011).

Indeed, Socialization is the process of people sharing, integrate and connect with each other in the event. Sport participation can be considered as socialization process because the existence of people having interaction at the same time. Through sport activities, individuals communicate to share information, to give support and working in the team (Watson, 2011). There is no isolation of sport with the interaction of people since sport require team integration and team cohesion (Turman, 2008). This explains that sport actually integrate and connect individuals, and the process requires individual to portrays their personality

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in the society. An individual action in the society portrays their possessive character. Social learning theory suggests that youths learned attitudes, either good or bad, as they are socialized (Blake & Scott, 2013). However, scholars have adapted some theories in sport such as Functionalist theory, Interactionist theory, Conflict Theory, Critical Theory and Feminist Theory but not the learning theory. This study is emphasizing on social learning theory to explain in youth's sport participation and social character in Malaysia.

Theories of Interaction, Social learning & Situated Learning

Interaction theory

Scholars used interaction theory in different field of study such as sociology and psychology. Based on the view of interactionist, Peterson, (1987) he mention that the concept of interaction is define as exchanging individual (adolescent) ability, and sharing social concept and align action with the society (family, peer, school, etc). Similarly, according to Wilson (1988), children learn through process of 'take role of the others', understanding the meaning of the surrounding environment. By understanding the classical concept of interactionist, therefore this study adapt the theory whereby individual learn via playing the character as other person (sports person), understanding and interact to share the ideas and values that environment provide.

Social learning theory

According to Albert Bandura, (1977) social learning theory explains people learn through a process of observation behavior whether direct or indirect (Gibson 2004). This theory also explains that people can regulate their own behavior. Understanding this social learning theory, youth can learn and acquired new knowledge, skill, and attitude through process of observation and regulate own behavior before making decision to execute it in society (Hanna, Victoria, Crittenden & Crittenden, 2013). For instance, youth learn positive value through the action of others that shows following orders, responsibility, and leadership.

Situated learning theory

Situated learning theory originated by Lave & Wenger, (1991). Scholars explained, learning involve participation in the sense there was a curriculum to be engaged, task to be completed, knowledge to be acquired through interaction with others. The existence of interaction is shaping social character of youth since the behavior observed learned. It was supported that learning can occur through sport participation, and as a result it influence people on positive development (Light, 2011; Paylor, 2013; Fatemah & Parivash, 2012; Omar-Fauzee et al., 2012).

Scholars mention that learning happen through process of knowing the practice (*knowing in action*) at the social setting and it is important for social cohesion in term of cooperation and sharing mutual benefit (Handley et al., 2007; Kakavelakis & Edward, 2011). According Kirk and Kinchin (2003), people learned through a process of participation in a condition of environment that permits process of learning. Therefore, applying to this context, youth learn positive values and moral through sport participation with regard that parent, community, or any institutional provide a structured plan that allows learning to happen.

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Merging the theories

Social Learning theory explains that individual learn through a process of observed and interaction of people in the environment which later bring a positive interdependence, individual accountability, promotive interaction, interpersonal and small team skill, and team processing in order to achieve the learning outcome (Hanna, et al., 2013; Blake & Scott, 2013; Goosen, 2011). The interactions of people portray the Interactionist theory where it requires people to interact to share ideas and thus making a decision base on observed behavior. However, to link the interaction theory with social learning theory, Gibson (2004), proposed a social learning theory by Albert Bandura (1977,1986,1991) through a process of observation, where one's can learn through seeing another's behavior, and that occur over an individual life span, reflecting real life situation and problem, and very applicable in adult learning context. These interaction theory and social learning theory has overlap the concepts of learning, observation and interaction which can be explain by situated learning theory. Kirk & Kinchin (2003) explains, learning involve participation in the sense there was a curriculum to be engaged, task to be completed, knowledge to be acquired through interaction with others. The existence of interaction is shaping social character of youth since the behavior observed learned. It was supported that learning can occur through sport participation, and as a result it influence people on positive development (Light, 2011; Paylor, 2013; Fatemah & Parivash, 2012; Omar-Fauzee et al., 2012).

Addressing the problematic youth

Since sport is good at positive development for physical, mental, spiritual and social well being, therefore, it is good to instill the sport activities for youth in Malaysia. Review of literature, youth age range of 12-35 years fill their leisure time with negative activities such as loitering and illegal racing (Faizan, Nor Hidayatun, Sharifah Norhuda, Muhammad Zahran, & Halil, 2012; Wong, 2011). Loitering is common issues in Malaysia and public will look at it as bad image as youth like to show their rebellious action due to stress, and dissatisfaction (Faizan, et al., 2012). However to address youths' loitering is by taking initiative of providing interesting sport activities such as extreme sport (skateboarding and mountain bike) and organize the charity event to attract this youth to participate. It is an initiative to attract youths' interest to channel their negative energy (e.g., stress and dissatisfaction) by participating in sport. Besides, there should be no cost for youth to participate, because people would majorly attract to free stuff since the problematic youth are mostly come from the background of having financial issue and broken family (Faizan, et al., 2012). Consequently, youth that involve in sport tend to have sportsmanship spirit and other positive value (e.g, volunteerism, patriotism, altruism) will be absorbed by youth gradually.

Besides, Illegal racing is endanger to society and it has bad impact on social and economic of a country (Wong, 2011). Similarly to approach the illegal racer is by organizing the racing event and provides sponsorship. This can be a new challenge for motorsport in Malaysia to recruit more youth to get involve with this sport regardless of the bias issues. It is good to organize a sport that attract youth to participate because , firstly the energy is channeling to positive ways, and secondly, parent will be less worry about what their children involved with, at least it is not illegal and not against the law. Lastly, they learn how

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to follow the rules and regulations, discipline and any positive values happen to be appearing in sport. This is good to approach problematic youth using sport as a tool to minimize the youth's social problems. Consequently, the increase of youth participation in sport will develop a good society with great social character. By reducing the number of problematic youth, actually is increasing the number of healthy and productive youth society. The interaction, observation and learning would be better since the member of the society posses' positive personality and attitude; as a result it is good for nation development.

Nation Development through sport

According to the objective of youth development division in Ministry of Youth & Sports, the objective is to *develop Malaysian youths who are mentally, physically and spiritually balanced; responsible, independent, patriotic, with high voluntary spirit in contributing towards the nation's development and well being*. This can be achieve through sport participation as mention above that sport can bring the positive values, stimulate learning, being responsible which is good for social character. (Sandford, Duncombe, & Armour, 2008; Camire & Trudel, 2010; Coackley, 2011; Paylor, 2013; Fatemah & Parivash, 2012; Kelly, 2011; Oddner, 2010).

Since there are evidences that support positive development through sport participation, therefore, government not only Ministry of Youth & Sport, but other public agencies should undertake effort regarding youth and sport to encourage more youth in sport participation via attraction of providing sponsorship and enhancing the sport facilities in school, learning institution and sport centre. Besides, few successful athletes can be the icon for youth to get involve in sport (Datuk Nicole David & Dato' Lee Chong Wei). Nowadays, we can see that commercials have used these star athletes not only to promote the product but to influence the youngster to join the sport and healthy living. On the other hand, sport is good for nation development because, the young generation has potential to be our future leader. It is necessary to align the youth in positive life, positive attitude, and to be productive so that we can predict what life should be in the future. For instance, sport has become a new ramification in Malaysia to approach the people. When it comes to sport, people will put away their politician interest, racial interest and self interest, and only left with the sportsmanship spirit. Things happen when Malaysia football has a match with neighboring country, and we can see there was Malay, Chinese and Indian sitting together to watch the match and all the political things have been forgotten for a little while. This is a good sign for government to show that people actually can be united through healthy activities or to make it clear everything that related to sports is positive. Furthermore according to Sport Development Act 1997, second schedule; section 19, provided that any activities must be conducted without discrimination as to sex, race, colour, religion, social origin, language, political inclination or any other opinion held by its members. This interpret that Malaysia forbid any person that involve in sport to commit the wrong doing as mentions in the act. It is good for youth to practice this rules in any kind of activities involve, hence it will create a good intercultural relationship, good understanding, high cooperative and tolerance which is great for the nation. The healthy values instill through sport participation is one of the vision 2020 according to national youth and sport department. So it has been clear that sport is important for government to implement for youth development and the sake of country.

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Conclusion

Sport participation among youth is good to develop the positive attitude of the society. Society that consists of positive people is beneficial for producing productive and competent individual that is good for country. Therefore, this study determines how sport participation can influence on social character of the society. Above discussion had unveiled the advantages of sport participation in the framework of interaction theory, social learning theory and situated learning theory. Government, private agencies and NGO should emphasizing sport activities among youth. Furthermore, Ministry of Youth & Sport and Ministry of Education can figure, enhance, empower and emphasize any kind of program that focus on youth to participate in sport. Moreover, weight should be put on strengthening the sport's policy for encouraging youth to participate. It is crucial to have productive, responsible, and patriotic youths, because today's' youth is holding our future generation. However, this paper only addressing youth as generally problematic. This study does not provide youth that are under socialize, and afraid of taking part in sport because of less confident and fear of unknown injuries. Furthermore, Future research should provide a quantitative study on comparison of youth participation with dual type of youngster; *i) problematic youth ii) under socialize youth* for better understanding the concept of sport participation and its advantages.

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THE SRATEGY TO CREAT POSITIVE WORD OF MOUTH IN CUSTOMER OF BUSINESS RETAIL MODERN MARKET BASED ON CHANNEL IN THE ERA ICT

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Abstract.
In the era of ICT, WOM is not only done face to face, but it can be done via phone, SMS, WA, line, facebook, tweeter and others. WOM is done through communication channels (channel) that are more varied. This study aimed to uncover the most used channel customers and channel that contributes the most to stimulate WOM in the modern retail business market. Data obtained through questionnaires from 120 customers who live in the modern market Kudus, Semarang and Surakarta. Through descriptive statistics and ANOVA in SPSS program showed that the face to face is the most widely used channel customers do WOM. However, the fuel / WA / Line etc. communication network limited the group that became the most powerful channel to support the WOM. Therefore the modern market retailers can streamline channel-face and group communication network is limited to building positive customer WOM.

Keywords:
WOM, ICT, Channel and Modern Market

INTRODUCTION

In the last six years (2007-2012) the number of modern retail outlets in Indonesia experienced an average growth of 17.57% per year. In 2007, the number of retail businesses in Indonesia are still as many as 10 365 outlets, and then in 2011 reached 18 152 outlets spread across almost all cities in Indonesia (Apipudin, 2013). Shopping in the modern market into a lifestyle of today's society. Whether out of necessity or just follow your friends, but in fact the modern market visitors continued to wiggle. These conditions indicate the retail business market competition is getting stronger and rapid modern. Businessman modern market should be able to pick and mix the right marketing methods (Arbainah, 2015). One alternative that can be implemented marketing is marketing Words of Mouth (WOM). According to Brown et al. (2005: 125), Words of Mouth (WOM) occurs when customers talk to others about his opinion about a brand, product, service or enterprise in others. When customers deploy an opinion about the goodness of the product is referred to as positive WOM, but when customers deploy an opinion about the ugliness of the product is

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referred to as negative WOM.

In the era of the development of information and communication technology (ICT) is often called the era of Information and Communication Technology (ICT) at this time, the traditional marketing methods "gethok mouth" word of mouth or Words of Mouth (WOM) into a marketing method is mostly done through channels of communication that are more varied. WOM is now not only be done face to face, but it can be done via phone, SMS, WA, line, facebook, tweeter and others. A person can ask a friend's recommendation about where to eat tasty and inexpensive when traveling out of town via facebook or group WA. Likewise can be asked at the supermarket where the products are good but prices remain affordable, and others.

WOM research that has been done is to highlight the variable quality of service to WOM, while customer behavior has not been observed specifically. This phenomenon raises the question, how the application of WOM marketing communications era of ICT, especially in the modern retail business market (Arbainah, 2015). This study aimed to uncover the communication channel (channel) which are the most widely used and channel customers which contributed the most to stimulate WOM in the modern retail business market. This article is based on answers to questionnaires from 120 people living subscribes modern market in Kudus, Semarang and Surakarta. Collected data is processed with a quantitative approach with descriptive statistics and Anova with SPSS. The dependent variable in this study is WOM, while the independent variable is the communication channel (channel). Modern market retail business referred to in this article include a minimarket, supermarkets and hypermarkets, while the channel is a channel of communication used in the modern market customer WOM activity.

Positive WOM Modern Market In Retail Business Modern retail business market was first present in Indonesia, Sarinah Department Store, founded in 1962 (Marina L. Pandin, 2009: 1). Modern market include the type of minimarket, supermarkets and hypermarkets, as "Modern market in Indonesia is Minimarket, Supermarket and Hypermarket". (AC Nielsen, Indonesian Retailers Association, in Marina L.Pandin, 2009: 3). The development of modern markets one of which is supported by the growing number of visitors / customers from marketing results through customer that WOM. Positive WOM in the modern market retail business includes three indicators, namely (1) tells the modern market kindness to others; (2) recommend to shop in modern market; (3) to invite others to shop for the modern market.

Based on the indicator variables are used, the WOM modern market can be classified as a process of communication made between customers or between customers and prospective customers. Therefore, one way of strategically create the WOM in the modern market is the retail business using communications approach. According to Guffey (2005: 16) there are four elements, namely communications **Source, Message, Channel, Receiver** (**SMCR**). However, in this article only focuses on the elements of the communication channel (channel) in the era of ICT varies widely used customer.

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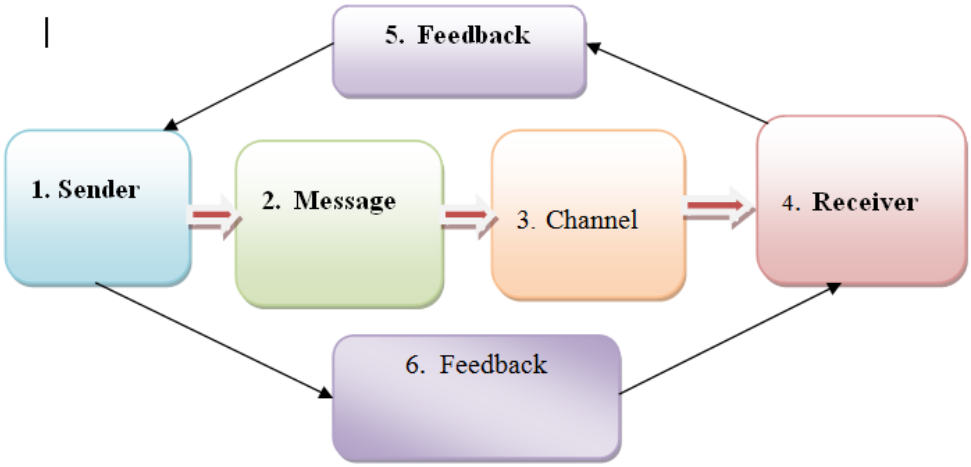

Figure 1. Process Communication
Source: Guffey, 2006: 16

Channel Modern Market in ICT Era

Channel communication is media communication channels where messages delivered. Typically use more than one medium (Curtis, 1998: 9). Channel in this study is the channel / media communication used in conducting WOM. In the era of advances in information technology and communication or ICT era is possible people should not meet in person (face to face) when requesting or giving a friend's recommendation. Therefore, when collecting data in this study are given five alternative communication channels that can be selected when making WOM namely (1) chatting / face to face; (2) phone; (3) SMS / BBM / WA / Line etc. personal communication networks; (4) Fuel / WA / Line limited group communication network etc. and (5) social media. The results of the data with descriptive statistics obtained results as shown in table 1

Table 1
Channel / Channel Communications Options First in positive WOM
In Modern Market Retail Business

No	Channel / Channel Message	Frequency	Percentage
1	chat / face to face	101	84.16
2	Phone	4	3.33
3	SMS / BBM / WA / Line etc. personal communication networks	8	6.67
4	BBM / WA / Line limited group communication network etc.	2	1.67
5	social media	5	4.17
	TOTAL	120	100

Sources: Primary data are processed, 2015

Table 1 shows the modern market customers in the era of ICT when asked which communications

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channel was first selected when making positive WOM. Of the 120 respondents note that 84.16% still choose via chat / face to face. This indicates that although the era of ICT continues to grow, but still maintaining the modern market customers face to face as the first and foremost choice used. This condition is in harmony with human nature that wants to gather and join others as homo homini socius (social beings). If the face is not possible to do so the next option selected communication channel is SMS / BBM / WA / Line etc. personal communication networks.

Channel Role in Promoting Positive WOM

Modern market customers known to have primary choices do WOM through face to face. But to know the channel which is most conducive to a WOM do ANOVA. From the ANOVA known that all five channels of communication are researched all have different roles in absolute terms, but the difference was not significant. This means that all channels have an equal role in encouraging WOM, so it should be no channel to be selected customers.

Although the difference was not significant, but for the sake of positive WOM marketing strategy formulation, business people need to know the order of the strengths of each channel in encouraging WOM. Berdaasrkan ANOVA test result that now is precisely the channel No. 4, namely fuel / WA / Line etc. group limited the communication network of the most widely supports the WOM. This is evident from the role of the highest average (18:50) owned. The order of the two achieved by social media; then the fuel / WA / Line / private communications network; chat and the last option is telephon. In full shown in the following table:

Table 2
The role of Channel / Channel Message in Positive WOM
In Modern Market Retail Business

No	Channel/Channel Message	Average Role in WOM
1	Chat/faceto face	15.27
2	Phone	12.50
3	SMS/BBM /WA/Line private communications network etc.	15.50
4	BBM / WA / Line limited group communication network etc.	18.50
5	Social media	15.80

Sources: Primary data are processed, 2015

Based on table 2 shows these conditions are very in tune with the progress of information and communication technology. ICT has a role more than the face-to-face communication. Information this condition is very noteworthy. Businessman modern market needs to add and incorporate which communication channel most support the spread of information as media promotion in this case is the BBM/WA/Line etc. group communication network is limited. The purpose of these findings can be

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interpreted that in supporting the positive WOM then businesses can take advantage of a limited group of network media to push occurrence of WOM. If possible, it can be formed communications group/community of modern business customers that any time could be used as a medium to put messages stimulus provoke the onset of positive WOM.

CONCLUTION

Channel which is widely used as the main option in this ICT era by modern market customers in conducting WOM is face to face communication, while salura / channel of communication that the most powerful role in supporting the WOM is the fuel / WA / Line etc. group communication network is limited. Businessman modern market should need to consider the results of this research by organizing meetings for the community through communication tatapmuka customers, so that customers and potential customers can be met and talked more freely. Besides businessmen can establish a modern market is also a community with a group of fuel / WA / Line etc limited group communication network for customers and leveraging the channel to menguplod messages that can function as a stimulus emergence Positive WOM communication.

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EFFECTIVE MANAGEMENT OF LITIGANT CHARTER OF E-COURTS SYSTEM IN SUMMONS-WARRANT SERVICE

(Suggested System for Summons/Warrants in Subordinate Criminal Cases Courts)

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Abstract:
In the Criminal Procedure Code, 1973 [CrPC] the provisions of the summons and Warrants are adopted from the [Old] Criminal Procedure Code, 1898. Since the year 1898 to till today, the environment, communication system , joint family system etc. is entirely changed and there are effects of Urbanization in India. But the mode of summons/warrant execution /service as provided in the CrPC are not changed as per the need of the stakeholders or effects of the changes in urbanization.
The object of summons or warrant is that , the person summoned shall remain present in the court on the fixed date. It is a process of the administration of criminal justice and therefore in a court process a proper method with proper authority is required to serve the process of the court and as a matter of convenience a new method or authority cannot be adopted unless amendments are carried out in the Procedural Code / Manual by the State Government.
In this study paper , it is studied that, in a conventional method, there is a communication gap in process service Method. During the entire process of conventional method, there is a need of effective management system. The conventional method is also a one way communication system between the court and the person against whom the process is to be served therefore it is studied that,benefits of urbanization are in better communication and openness, it is an opportunity to the ICT sector. The litigant charter of the e-courts system is helpful to dissolve the barriers in the communication between the stakeholders and may be useful to make a two way communication system. It is concluded that, an effective management of litigant charter is the need of the hour so that the e-court committee may develop a new platform of litigant/citizen Charter as per the needs of the stakeholders or the changes that will reflect during the urbanization process.

Keywords: Litigant charter , Citizen Charter, e-courts system, court process service , court communication system.

1. **Introduction:** The Criminal Procedure Code, 1973(CrPC), is applicable to every offence under the

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Indian Penal Code[6] or under any other law as applicable[7].The CrPC is divided into three stages: *investigation*[8]*, inquiry*[9] *and trial*[10].

On the filing of a criminal case[11] or complaint case[12], the court issues a process. During the inquiry or trial the person may be summoned to appear as an accused or to give evidence/witness or to produce a document or things. Thus, a Summons[13] means an order to appear before a judge or magistrate[14]. The summons may be issued for the first appearance of the person or if the previously appeared person failed to appear then for his subsequent appearance.

Warrant[15] means a document issued by a legal or government official authorizing the police or another body to make an arrest, search premises, or carry out some other action relating to the administration of justice.[16] The court may issue bailable or non-bailable warrant to produce the person. The CrPC [Criminal Procedure Code] has not defined bailable or non-bailable warrant , but the section 71 (1) of the Code has defined that, the warrant may be bailable[17] or non-bailable[18]. Thus the court may issue both , summons or warrant against a person to appear.

The procedure for issuing of Summons / Warrant is provided in Chapter VI CrPC that includes a process to compel appearance. The section 61 to 69 are the provisions of Summons and Section 70 to 81 are for warrants. The section 82 to 86 are for proclamation and attachment and section 87 to 90 are for the other rules regarding processes.

In a section 62 and 71 of the CrPC , a word *'Person'* is mentioned. A *' Person '* means a human being; by statutes and includes firms, partnerships, corporations, legal representatives.[19] The word, *'Person'* is not a gender discrimination[20] in a human being.

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6 Section 2(y) words defined in Indian Penal Code 1860 have the meanings respectively assigned to them in that code.

7 In Section 138 Of the Negotiable Instrument Act, procedure for issuance of summons is discussed in WRIT PETITION (CIVIL) NO.18 OF 2013,Indian Bank Association and others Versus Union of India and others,http://judis.nic.in/supremecourt/imgs1.aspx?filename=41436 accessed on 26-05-2016

8 Section 2(h) includes all proceedings under it for the collection of evidence conducted by a police officer or by any person (other than a Magistrate) who is authorized by a Magistrate in this behalf.

9 Section 2(g) of CrPC, includes every inquiry other than a trial.

10 Trial is not defined in CrPC. It is the examination and determination of a causes by a judicial tribunal which has jurisdiction over it.

11 Under Section 173 (2) (i), as soon as the investigation is completed, the officer-in-charge of the police station shall forward to a Magistrate empowered to take cognizance of the offence on a police report.

12 Section 2 (d) of the Code of Criminal Procedure (in short Cr PC) defines the term 'complaint' as any allegation made orally or in writing to a Magistrate, with a view to his taking action under this Code, that some person, whether known or unknown, has committed an offence, but does not include a police report.

13 The word 'Summons' is not defined in the CrPC but section 2(w) defines summons-case means a case relating to an offence,and not being a warrant-case.

14 Summons means an order to appear before a judge or magistrate, https://www.google.co.in/search?sclient=psy-ab&site=&source=hp&q=object+of+issuing+summons&oq=object+of+issuing+summons&gs_l=hp.3...2607.6821.0.7036.25.13.0.0.0.0.0.0..0.0....0...1c.1.64.psy-ab..25.0.0.KVMKq4YcPog&pbx=1#q=summons+meaning accessed on 22-05-2016

15 The word 'Warrant' is not defined in the CrPC but section 2(x) defines a warrant case means a case relating to an offence punishable with death, imprisonment for life or imprisonment for a term exceeding two years.

16 https://www.google.co.in/#q=warrant+meaning accessed on 21-05-2016

17 Section 72 of CrPC,It may include a direction that if the person arrested under the warrant executes a bond and gives security for his attendance in court, he shall be released. Warrant with such a direction is called as bailable warrant of arrest.

18 Non-bailable warrant is other than the bailable warrant.

19 Under section 2(11) of the Indian Penal Code, 1860 and http://legal-dictionary.thefreedictionary.com/person accessed on 24-05-2016

20 Section 2(8) of the Indian Penal Code, 1860

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A mode /methods of summons/warrant execution /service are provided in the CrPC. The summons / warrant provisions are for the administration of criminal justice as laid down in the CrPC , including the following provisions:-

- For summons as provided in Chapter VI, Section 93, 105, 105-B, 105-K, 113,114, 187,116,121,123,124,126,134,138,140,145,187,204, 205, 206, 242, 244, 250, 253,254, 255,256,258,259,319,350,465,466 of CrPC.
- For Warrant as provided in Chapter VI, Section 38, 87,90,93, 94,95, 99[21],100,101,105,105-B, 105K,113,113,114,116,121, 122, 124, 187,204 [If it is a warrants case, he may issue a warrant or a summons as he thinks fit],250,259,309,322,349, 419,390,420,444 and Chapter VI Section 90 of CrPC.

2. ***Procedure for Issuing and Executing/service process:-***

2.1 Conventional / Traditional Method for the issuance & Execution of Summons:-

* *Summons may be issued by a competent court for two reasons :-*

- Firstly, the person to appears before the Court as and when required [Section 62 of CrPC].
- To any person as a witness , that is required in the proceedings [section 69 of CrPC].
- The second situation where summons can be issued is to compel a person to produce documents in his possession before the Court [Section 91 of CrPC].

2.2 Conventional / Traditional Method for the issuance & Execution of Warrant :-

* *Warrant may be issued by a competent court for two reasons :-*

- To arrest and produced person before the court [Section 71 of CrPC].
- Search warrant [sections 93 and 94 of CrPC]
- *To compel a person to appear before the court :-*
  - If a Person is absconded or is concealing himself, then the court has to issue Proclamation against the absconding person [Section 82 of CrPC].
  - Issue of warrant in lieu of , or in addition to, summons [section 87 of CrPC].

3 . ***Study:-***

3.1 ***Areas for issuing & Execution of Summons*/conventional procedure*:***

After passing an order to issue summons or order under section 204 of the CrPC , the court staff has to follow procedure as laid down under section 61 of CrPC. The summons may be required to serve within or outside the jurisdiction[22] of the court. The summons has to be carried out for its service by the following executing / process service agencies :-

1. Police
2. Jail Authority [if the person is accused or witness in another case]

21 The provisions of sections 38, 70, 72, 74, 77, 78 and 79 shall, so far as may be, apply to all search-warrants issued under section 93, section 94, section 95 or section 97 .

22 Chapter II of the Criminal Procedure Code, 1973

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3. Other Public officer [bailiff]

4. If the person is corporate bodies or societies or witness then by Postal Registered Post with acknowledgement due, Courier Service.

3.2 ***If the summons has to be served within the jurisdiction of the court[23] , then the concern court Clerk has to comply as :***

I] The summons has to be sent for service to the concern police officer[24] or other public servant[25].

II] If the person summoned is corporate bodies and societies[26] then summons has to be send through police officer or public servant[27] or by registered post/courier service[28], addressed to the chief officer of the corporation.

III] If the person summoned is government servant[29] then summons has to be send through police officer or public servant to the head office and said the head of the office has to serve it and return its service report to the court under his signature with the required endorsement.

IV] If the person summons is a witness or whose evidence[30] has to be recorded[31] then summons has to be send summons through police officer or public servant or by registered post[32] /courier service .[33]

3.3 ***On Receipt of the Report[34] of the service of the summons , the concern clerk to verify:***

a] Personal service on the person summoned and duplicate copy[35] of the summons signed by the person summoned and officer who served it.

b] If the person summons not found by exercise of due diligence , then check the duplicate copy signed by the adult[36] male member of his family residing with the person summoned and the officer who served it.

c] If the summons cannot serve personally or service on adult male member of the person summoned is

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23 As per Chapter II and III of the Criminal Procedure Code, 1973 and section 2(j) of the CrPC.

24 A police officer as per Chapter V of the Criminal Procedure Code, 1973

25 Public Servant as per section 21 of the Indian Penal Code, 1860

26 Section 63 and section 305 of the Criminal Procedure Code, 1973

27 Public Servant as per section 21 of the Indian Penal Code, 1860

28 'courier' means a proprietorship concern, a firm, a company or a body corporate engaged in the business of delivering postal articles. Bombay High court Service of Processes by Courier Service (Civil Proceedings) Rules, 2013http://Bombayhighcourt.nic.in/libweb/rules/BomHCServiceofProcessesbyCourierServiceCivilProceedingsRules2013.PDF

29 Section 66 of the Criminal Procedure Code, 1973 and section 2(14) of the Indian Penal Code, 1860

30 Section 3, Chapter IX, X of The Indian Evidence Act,The Hon'ble *Supreme Court* of India in Sivrajbhan v. Harchandgir,AIR 1954 SC 564 held "*The word evidence in connection with Law, all valid meanings, includes all except agreement which prove disprove any fact or matter whose truthfulness is presented for Judicial Investigation. At this stage it will be proper to keep in mind that where a party and the other party don't get the opportunity to cross-examine his statements to ascertain the truth then in such a condition this party's statement is not Evidence."*

31 Judicial Proceeding ,Section 2(i)Cr.P.C.

32 Registered Post with Acknowledgement Due" is written on any postal article, for which the sender wants a proof or acknowledgement of delivery to confirm that it has been received by the addressee or his representative. The acknowledgement is "Registered" in the Register of the postal authority and a proof of the delivery is also given to the sender, http://lawgic.info/what-is-registered-post-ad-how-to-send-registered-post-with-acknowledgement/ accessed on 25-05-2016

33 Section 144 of Negotiable Instrument Act, provided courier services .

34 The court has to pass order to serve the summons in person or substituted service etc.

35 Duplicate copy means "exactly corresponding, that is an exact **copy** of"https://www.google.co.in/#q=duplicate+copy+meaning accessed on 25-05-2016

36 An *adult* is a person who has attained the age of majority. It is expected that, A adult who must be found in the dwelling or residence of person; A adult with enough discernment to understand the importance of a summons; A adult who knows how to read and understand English /Local language to comprehend the import of the summons; A adult who have the "relation of confidence" to the person.

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not served then it is necessary see the report of service officer who affixed one of the duplicates of the summons to some conspicuous[37] part of the house or homestead[38] in which the person summoned ordinarily resides[39];

d] If the person summoned is Corporate bodies and societies[40] then check the service on the secretary, local manager or other principal officer of the corporation. If a summons was sent by registered post/ courier service then check the postal acknowledgement or endorsement of postal department/courier service .

e] If aperson summoned is a government servant, then check the duplicate copy, signed by the person summoned and head of his office with required endorsement.

f] If the person summoned is a witness then check the personal service on the person . If summons was sent by registered post[41] then check the postal acknowledgement or endorsement of postal department/courier service .

3.4 ***If the summons has to be served outside the jurisdiction of the court , then the concern court Clerk has to comply as :***

To send a summons with a duplicate copy of the summons to the Magistrate within whose local jurisdiction the person summoned resides, or is, to be there served, or as per the order of summons passed by the court.

3.5 ***On Receipt of the Report , the concern clerk to verify:***

The above points for summons service within the jurisdiction as stated in '[a to e]' and in addition , an affidavit of the summons service officer attached to the duplicate copy of the summons returned to the court.

3.6 ***Summons to produce a document or thing.***

The concern clerk has to prepare a summons to attend and / or produce a document or thing by the person summoned at a particular time and place as per the order passed by the court.

On Receipt of the Report , the concern clerk to make a compliance as above [a to e] as applicable.

3.7 Warrant:

As per section 70 the court has to issue warrant[42].The duration of issued warrant remains in force until it is canceled/call-back from the court by which issued it, or until it is executed.

As per section 71 , there are two types of Warrants: Bailable Warrants or Non-Bailable Warrants.

As per section 72, A warrant of arrest shall ordinarily be directed to one or more police officers; but the Court issuing such a warrant may, if its immediate execution is necessary and no police officer is immediately available, direct it to any other person or persons, and such person or persons shall execute

37 Conspicuous comes from the adjectival form of the Latin verb, conspicere, meaning "to look at." Conspicuous can mean either very obvious to the eye (like something that is conspicuous from a distance) or attracting attention , https://www.google.co.in/#q=conspicuous+meaning+in+english accessed on 24-05-2016

38 *The dwelling house and its adjoining land where a family resides,http://legal-dictionary.thefreedictionary.com/homestead accessed on 23-05-2016*

39 See Kuldip Nayar vs Union Of India & Ors on 22 August, 2006,https://indiankanoon.org/doc/1903935/ accessed on 24-05-2016

40 Section 305 of Cr.P.C.1973, Procedure when corporation or registered society is an accused.

41 For the witness , summons through registered post has to be send , in addition to the service in person.

42 The sole function of a warrant of arrest is to achieve a accused's court appearance in a criminal case/trial.

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the same. A warrant of arrest may be executed at any place in India[43].

3.8 ***Warrant to execute within local jurisdiction of the court :-***

In case of Bailable warrant, the concern clerk has to check the compliance that, the officer to whom the warrant is directed to execute it , has forwarded the bond [return-back]to the Court.

In case of Non-Bailable Warrant of any person who is accused of a non-bailable offence as per section 73, the Chief Judicial Magistrate or a Magistrate of the first class may direct to arrest and produce before him. The police officer or other person executing a warrant of arrest shall (subject to the provisions of section 71 as to security) without unnecessary delay bring the person arrested before the Court before which he is required by law to produce such person, provided that such delay shall not, in any case, exceed twenty-four hours exclusive of the time necessary for the journey from the place of arrest to the Magistrate's Court.

As per the section 74 both warrants as directed to any police officer may also be executed by any other police officer whose name is endorsed upon the warrant by the officer to whom it is directed or endorsed. While executing the warrant, the police officer or other person executing a warrant of arrest shall notify the substance thereof to the person to be arrested, and, if so required, shall show him the warrant.

3.9 ***Warrant to execute outside the local jurisdiction of the court:***

The court may forward warrant by post or otherwise [through local police station] , to Executive Magistrate or District Superintendent of Police or Commissioner of Police within the local limits of whose jurisdiction it is to be executed.

If it is a bailable warrant the executing officer shall take such bail or security and forward the bond to the court which issued the warrant.

If it is a non-bailable, it shall be lawful for the Chief Judicial Magistrate (subject to the provisions of section 437), or the Sessions Judge, of the district in which the arrest is made on consideration of the information and the documents referred to in sub-section (2) of section 78 to release such person on bail.

As per section 87 a court may issue warrant in lieu of or in addition to summons where in as per section 88 power is provided to take bond for appearance.

4. ***Areas for Delay in issuing & Execution of Summons/Warrant*** **:** There are various problems / obstructions in issuing/preparation/execution of summons/warrants and therefore it affects to the trial and other process of the court and thereby causes delay in disposal of cases. Another reason is the pendency of cases and therefore the court cannot effectively monitor the entire process of the issue process system. A Committee on Reforms of Criminal Justice System[44], observed that,one of the causes for delay even in the commencement of trial of criminal cases is delayed in service of summons on accused. During the previous studies, it is observed that, among several causes for the pendency of court cases, one important factor has been delay and complexities in service of process and there is a lack of accountability of the court registry and court staff in getting service affected and for the delay in service.[45]

43 Section 77 Where warrant may be executed.

44 Report of Committee on Reforms of Criminal Justice System , Govt. of India, Ministry of Home Affairs, Report, Volume 1, March 2003

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Most of the criminal cases are pending for[46]:

Court / Summons-Warrant-Form Preparations:-

1. Passing order by the court , or
2. Preparation of Form for a summons/warrant, or
3. Further order by the court [After receipt of unserved report], or
4. Taking steps by complainant [in case of a complaint case , to pay process for fresh process],or
5. To send summons to witness by post [In addition] .

For Service/ Receipt - Report:

1. To send Summons/warrant to service agency, or
3. Return of service report from service agency.

Executing/service Agency for the summons :-

1. Police officer.
2. Other Public Servant /Bailiff [Only for Summons]
3. Postal Agencies/courier service.
4. Any other person.

Executing /service Agency for the Warrants :-

1. Police officer.
2. Any other person.

Mode of Service of summons to the Person:

1. In Person service, or
2. To Adult Male [in case of summons], or
3. Affixing to conspicuous part of house,or
4. By Post [For witness only].

If the person is avoiding the service of summons :-

1. Attach property, Proclamation [in case of accused]
2. Bailable Warrant & then Arrest and produce before the court[47] [in case of witness]

Rarely used Method:

1. Procedure to send summons by post [in addition to witness], or
2. Summons to serve by other public servant, or
3. Process outside the local jurisdiction of the court.[48]
4. Summons by email/Fax / Courier Service.
5. By any person[49]

Frequently Used Method:-

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http://www.wbja.nic.in/wbja_adm/files/Brief%20note%20on%20process%20service%20in%20Courts%20prepared%20by%20National%20Mission.pdf accessed on 20-05-2016

46 Live Pilot Project on "Mentor Judge, To Decrease Old Pendency And Increase Rate Of Disposal In Civil Judge Junior Division And Judicial Magistrate First Class Bhiwandi,http://www.scribd.com/doc/199836034/Court-Management

47 Section 87 of Cr.P.C.

48 Section 67 & 78 of Cr.P.C.

49 Section 72 of Cr.P.C.

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To send process through local police officer[50] .

5. Discussion of conventional procedure : From the above studies , the questions arise :

a] Whether two way communication is necessary to reduce a delay in processing service?

b] Whether effective management is necessary in conventional system ?

c] Whether the effective management of the platform provided in Litigant Charter by E-courts committee is necessary ?

There are three stakeholders in criminal cases:

1. Prosecution Side [including the victim, Prosecution witness, complainant, Prosecutor, Assist to Prosecution, Legal aid counsel etc.]

2. Defence side [accused and his lawyer, Legal aid counsel ,defence witness]

3. Summons/Warrant service Agencies [Police,Jail, other public servant,Any person, postal and courier services[51] etc.]

Communication System with Stakeholders:

Figure-1



There is a two way communication between the court and summons preparation staff, summons delivering staff, the summons service/executing agency. But, there are barriers[52] in communication or effective monitoring system between court and the court staff (summons preparation) , between summons delivering by court staff to summon service agency though it appears a two way communication system. Once the summons is served on the person, then there may be barriers in communication between "person " and Advocate, legal aid counsel, witnesses, prosecution agency etc.

50 Judges still use snail mail, blame law: The judges of subordinate courts expressed inability to use the modern mode of communication for lack of required amendments in the respective high court rules, which still specify that summons be delivered through process servers. Lower court judges, however, expressed their inability to adopt the modern practices since many high courts had not amended their rules in line with the changes carried out in the CPC,The supreme court's e-committee discussed that, the lower court judges from several states are continuing to send summonses only through process servers and not emails, courier or even the government's reliable speed post services as mandated by a 2002 amendment in Civil Procedure Code http://www.tatkalnews.com/news/105793-Judges-still-use-snail-mail-blame-law.aspx accessed on 20-06-2016. All the above observations are also applicable to the CrPC to issue process as per the provided modes of service.

51 Courier services" means services related to the handling of articles of mail i.e. collection, sorting,dispatch,conveyance and delivery including (I) handling of addressed letters subject to provisions in Section 4, (ii) handling of addressed parcels and packages,(iii) handling of addressed press products, (iv) express services for these articles subject to provision in Section 4(v)handling of unaddressed articles.http://www.indiapost.gov.in/Pdf%5CHighlights_of_draft_Post_Office_Bill_2011.pdf accessed on 24-05-2016

52 http://www.stevelaube.com/barriers-to-effective-communication/ accessed on 22-06-2016

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In short, [In Figure -1] it appears that, there is a two ways communicate system between court and executing agency only and one way communication system between courts and the Person on whom the summons has to / is served. There is no direct communication system between the court and the person against whom the process is served. There is no communication system to communicate the inability to attain or any difficulties of the person against whom the summons is served or bailable warrant is executed ,to attain the court on the fixed date mentioned in the process, except to attain the court and disclose the difficulties etc or to remain absent. Therefore the communication gap between the stakeholders and the court is also a one of the reasons to delay in the court process so effective management system is necessary with the help of the litigant charter provided in the e-courts system.

5.1 ***Obstructions in the communication system as:-***

5.2 **Court orders/Form Preparation / Delivery & Receipt of Report :** There is also a lack of accountability of the court registry and court staff in preparation of summons/warrants within time and to preserve the records for received / non received services and to attach it with the case.[53]

5.3 **Executing /service Method:** In the Criminal Procedure Code, 1973 the provisions for summons and Warrants are adopted from the old code,1898 [Criminal Procedure Code, 1898 [54]]. Since the year 1898 to till today the environment, communication system , joint family system etc. is entirely changed and there are effects of Urbanization in India.[55]. Therefore due to the following assumptions by process service officer, a difficulties may arises in service of process:-

a] The 'person' will be available to the process service officer in a single round/visit to serve the summons.

While providing the provisions in the Code of 1898 , the Indian position of that time regarding the literacy, custom etc. was considered and therefore the word '***Male'***[56] member is mentioned. But while service of the process or on receipt of the report a question may arise, What was a criteria to select an adult male member by the service officer, if there were male members ?. Thus the selection of male adult form other male members depends upon the ability of the process service officer.

To affix a copy to some conspicuous part of the house or homestead etc. of that the 'person' wherein the actual place of pasting on the address may dispute by the *person*. Moreover, to affix the summons, there is need of cogent evidence that, the person was /is residing in the given address/house.

b] The 'person' should attain on fixed dates:

53 In a Criminal Manual , there is no time limit fixed to prepare summons/warrants by court clerk, No time limit is provided to return the service/non service report of the summons/warrant prior to fixed date of the case and also no time limit is provided to pass order and to prepare the re-issued summons/warrant, http://court.mah.nic.in/courtweb/index_eng.php# accessed on 23-05-2016

54 http://Bombayhighcourt.nic.in/libweb/oldlegislation/CRIPC1898/Chapter%201%20to%2010.pdf accessed on dated 21-05-2016.

55 Urbanization: Causes and Effects of Urbanization in India,By Puja Mondal,http://www.yourarticlelibrary.com/india-2/urbanization-causes-and-effects-of-urbanization-in-india-766-words/4659/ access on 23-05-2016

56 Only in India the word 'Male' is mentioned. In most of other countries, word,'adult' is mentioned and not as ,'male adult'. In India, Order V Rule 15 of Civil Procedure Code, 1908 wherein the amendment is carried out for civil cases to serve summons on adult member, whether male or female, who is residing with him.

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If the summons is served then within a short time, the person summoned has to adjust his preoccupied appointments and if he could not attain to court then it is necessary to consider that, he may require to travel any distance upto the court premises , to communicate his difficulties. The traveling time and distance depends on the geographical conditions , available facilities. If the person is required to attain the court and he is under traveling process, and in the meantime the court adjourned the case [for any reason], then there is no system to communicate to the stakeholders / person summoned may go back for his rest of preoccupied works.

If the person , who is served with the summons and failed to appear on the fixed date, then it will be taken as a Contempt of Court. Moreover the provisions in Chapter X[57] of the Indian Penal Code,1860 [with little amendments] and Section 350[58] of Code 1973 are provided in the enactments.

While issuing the warrant, it is assumed that, the ***'person'*** is willfully avoiding to attain to the court , without considering his difficulties or his lawyer. If the accused failed to cooperate in the conduct of the trial and adopt any dilatory tactics, the trial court may remand him to custody by exercising its power under Section 309 of the Code of Criminal Procedure.[59]

In most of the circumstances, the *'person'* may require to make a close and continuous communication or touch with his lawyer[60]. The difficulties of the stakeholders are discussed in case of *Raghuvansh Dewanchand Bhasin vs State of Maharashtra and another*,[61] wherein the Hon'ble Supreme Court of India observed that, *"it cannot be said that merely because the accused fails to remain present on any particular date of hearing of a criminal case, issuance of a non-bailable warrant without ascertaining cause for his absence could be said to be an act with judicious exercise of such power."*

The provision for the proclamation, attachment of property etc are provided. To apply such provisions, there is need of detailed report that, the '***Person***' was / is residing at the given address and he is willfully avoiding or as per section 82, if the court has a reason to believe (whether after taking evidence or not)

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57 Chapter X of Indian Penal Code,Of contempts of the lawful authority of public servants.

58 Section 350 [Chapter XXVI] of Cr.P.C.1973 Summary Procedure for punishment for non-attendance by a witness in obedience to summons.

59 http://www.thehindu.com/news/cities/Madurai/trial-courts-can-remand-accused-for-adopting-dilatory-tactics-hc/article8670497.ece Trial courts can remand accused for adopting dilatory tactics . Accessed on 31-05-2016

60 The High Court of Punjab & Haryana, in Harpreet@Preet v State of Haryana, has observed, The lawyer's duty towards his client has to be balanced. They owe a duty to the Court and to the administration of justice. The lawyer who filed the petition and represented the petitioner till the last hearing had mislead the Court. The legal practitioner's duty to promote his client's interest must never transcend his duty to promote the interest of justice and truth. He also has a paramount duty towards the Court. His duty is to uphold the interest of justice and it should be of absolute condour. http://www.livelaw.in/lawyers-owe-duty-court-administration-justice-punjab-haryana-hc/ access on 24-06-2016

61 2008(1) Mh L J (Cri) 420,AIR 2011SC 3393, The court must ensure that warrant is directed to a particular police officer, it must be returnable whether executed or non-executed on or before the date specified there in. Every court must maintain a register in which warrant of arrest issued must be entered and chronological serial number of such entry reflected on the top right hand of the process. No warrant of arrest shall be issued without being entered in the register. A register similar one shall be maintained at concerned police station. The courts should not give a long time for return of execution of warrants. On the date fixed for return of warrant, the court must insist upon for compliance of report on the action taken by thereon by the Station House Officer of concerned Police station. The report of such warrant must be cogent and legible duly forwarded by a superior police officer, so as to facilitate fixing of responsibility in case of misuse. In the event of warrant for execution beyond satisfaction court issuing it procedure laid down under section 78 and 79 Cr.P.C. a court must be strictly and scrupulously followed. In the event of cancellation of arrest warrant by the court, the order cancelling warrant shall be recorded in the case file and register maintained. A copy thereof shall be sent to the concerned authorities requiring the process to be returned unexecuted forthwith. The date of return of unexecuted warrant will be entered in the above said register. A copy of such order shall also be supplied to the accused.

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that any person against whom a warrant has been issued by it has absconded or is concealing himself so that such warrant cannot be executed then such Court may publish a written proclamation.

6. Report of summons/warrant service:-

The summons / Warrants frequently returns with an endorsement of *" not found"*[62], *'address not known, busy in bandobast* by police" [guard for peace / law and order][63]. There is no effective [cross checking] system to ascertain the reason for non service of the summons /warrant and attempts made by the executing officer to ascertain the person against whom the summons/warrant has to be served.

The endorsement at the summons/Warrant reports like, *Not found, Not known, Busy in* ***Bandobast*** [busy in law & order maintenance process] etc, a question may arise, whether the reasons mentioned in non service of process are admissible in the Code ? Whether an unserved process requires a detailed reasons for making efforts to trace out the person and the signatures of the other residence from that area to show that, actually for such and such number of times the efforts were made to trace out the person against whom the process has to be served ?.

While effecting a substitute service a *panchanama*[64] has to be prepared. Therefore, it is studied that, there should be detailed description on affidavit to describe the attempts made to serve the process.

Ex. If no male adult member found in the family of the person summoned, then there should be specific enquiry report from neighbours.

Ex. If more than one male members are found , then the reason to select the male member to whom the summons is tendered / delivered.

Ex. In case of a report for ' *insufficient time*' there should be detailed report as to , why within the time it could not serve?.

In short a detailed report for the return of non service of process should clearly state or with particularity the facts and circumstances of: (a) The details of the number of attempts made at personal service; (b) The dates and time ((c) The reasons for the failure to personally serve the summons to the person. It must satisfactorily show that the efforts undertaken, and thus resulted in failure, would prove the impossibility of prompt personal service.

As most of the process is issued to serve through the police only. The police does not consider it as a priority item and they act in a casual and routine manner.[65] During the investigation, the police has to record the statement of witnesses by issuing summons / notice and to arrest to the accused to submit the charge sheet within limitation[66] . It is a one of the objects of the investigating officer[67] but same force is

62 If person is not found then search his phone number, use social media, search property records etc.

63 Police have to maintain law and order and to function as investigating agency. In a various studies it is suggested that, there should be a separate department in the police to ensure timely service of summons to accused, the witness and production of witness.

64 Memorandum , Panchanama is also called Mediators report. 'Panch' means in Sanskrit respectable persons. The panchanama is statement of persons present at the time of arrest,search and seizure. The Panchanama statement will be recorded at the scene of crime /offence with presence of Investigating officers ,Prosecuting witnesses,accused and two mediators,who should be unbiased,independent and honest persons,http://legalgensis.blogspot.in/2012/01/what-is-panchanama.html accessed on 23-05-2016

65 While dealing with the employees by superior officers, it is necessary to consider their problems, understand where they are stuck and solve it , so that the work does not suffer.

66 Section 167 of Criminal Procedure Code, 1973

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not noticed while executing a summons or warrants issued by the court.[68] There are innumerable instances in which the police officer concerned does not even send a report to the court as to the stage of NBW [Non Bailable Warrant] and the specific reason for non-apprehension of the accused . In previous studies it is suggested that, the police be trained[69] and sensitized to serve summons and executes bailable and non-bailable warrants promptly and produce witnesses in the Courts without fail and as per schedule.[70] In a good deal of research , it is suggested to establish special cell for summons/warrant service in the police department.

In addition to any established special cell or previous studies , it is studied that, the police from the beat may serve process more effectively in person. The organization of police also decentralized its area to specific officer. The beat police officer frequently visits to that area and possess a sufficient knowledge of the locations. A beat police officer has a regular specific area or route which he patrols-sometimes with another police officer-to check if everything is in order and nothing suspicious is going on.[71] Those officers could serve process faster than the special cell[72]. Therefore ,it is suggested in many studies that, it is necessary to increase the human resources in the police organization for the service of process.[73] The police unit system from Maharashtra State is well organized, ***Saraf*** Committee, observed that the police officers in charge of the beat could be directly responsible for a specific area.[74]

Merely because the prosecution could not produce the witnesses before the court, that by itself cannot be a ground to acquit the accused persons without making efforts to secure the presence of the

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67 The Duty of the investigating officer is not merely to bolster up a prosecution case with such evidence as may enable the court to record a conviction, but to bring out the real unvarnished truth"*,**Jamuna Chaudhary v State of Bihar**, [1974] 3 SCC 774*

68 https://books.google.co.in/books?id=rFN5CNm7cSMC&pg=PA290&lpg=PA290&dq=Bombay+police+manual+beat&source=bl&ots=bTMQ4543X1&sig=9dQBYkS515L84Vontqre74uJIBg&hl=en&sa=X&ved=0ahUKEwiUjeu3kfLMAhVDLI8KHU32C6IQ6AEINjAE#v=onepage&q=Bombay%20police%20manual%20beat&f=falseThe court also permitted the Government to initiate similar action against higher police officers (particularly IPS officers) with the approval of the competent authority, as the State has to seek the approval of the Union Government to initiate action against them.http://www.thehindu.com/todays-paper/police-face-action-for-not-serving-court-summons-warrants-on-janardhan-reddy/article2394664.ece accessed on 22-05-2016

69 The IIMB after examining the 77th Report of the Law Commission has also suggested that at least two well trained police officials at every police station should be set apart for getting service of summons effected upon witnesses for cases relating to that police station and for ensuring their presence on the date of hearing. Not only these police officials be set apart for service of process but they should not be diverted for other duties.,24. WORK METHODS AND WORK ENVIRONMENT,http://www.allindiajudges.org/Judgment/FNJPC24.htm

70 Judicial Training & Research Institute, U.P.Vineet Khand, Gomti Nagar, Lucknow,JTRI , Journal,Special Feature , Annual Report, 2011-2012,http://ijtr.nic.in/JTRI%20Journal%202012.pdf accessed on 26-05-2016

71 http://www.mahapolice.gov.in/mahapolice/jsp/temp/html/lo060111.pdf accessed on 23-05-2016

72 Chapter 1 ,Functions, Roles and Duties of Police in General,He shall promptly serve and would ensure service of summons and execute warrants,and Reasonable time should be allowed for service of summons issued by courts, and Police officers on their part should see that summons are served on the witnesses and they appear in court on the date fixed for hearing in addition to returning the served summon's to the court at least a day before that date.Ascertain or verify any definite piece of information concerning crime or criminals; Service of summons and execution of warrants,http://bprd.nic.in/writereaddata/linkimages/6798203243-volume%202.pdf accessed on 26-05-2016

73 Section 55 of CrPC , Procedure when police officer deputes subordinate to arrest with out warrant(1) When any officer in charge of a police station or any police officer making an investigation under Chapter XII requires any officer subordinate to him to arrest without a warrant (otherwise than in his presence) any person who may lawfully be arrested without a warrant, he shall deliver to the officer required to make the arrest an order in writing, specifying the person to be arrested .

74 Police Reforms in India,https://books.google.co.in/books?id=rFN5CNm7cSMC&pg=PA290&lpg=PA290&dq=Bombay+police+manual+beat&source=bl&ots=bTMQ4543X1&sig=9dQBYkS515L84Vontqre74uJIBg&hl=en&sa=X&ved=0ahUKEwiUjeu3kfLMAhVDLI8KHU32C6IQ6AEINjAE#v=onepage&q=Bombay%20police%20manual%20beat&f=false accessed on 24-05-2016

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material witnesses before the Court.[75] Therefore, in many cases, the court issues a coercive process to enforce the attendance of the witnesses.

It is studied that, there is no effective communication and monitoring system within the summons or warrant executing police agency to ascertain the received/delivered process from a court. Due to the non communication of process service report by the police agency, the provisions in Chapter X of the Indian Penal Code, 1860 or section 350 CrPC may require to initiate against the police officer.

The Police Machinery is the main service / executing agency. If the detailed particulars of the 'person' are supplied on the warrant / summons like PAN number, Adhar Card Number[A card issued by the Unique Identification Authority Of India], Domestic Gas Number of the person, Ration Card Number [Fair Price Shop], Vehicle Number etc. so that, the executing agency could get sufficient information to trace out the 'person'. Moreover, if the person is an accused who is released on bail or a witness who appeared and he was bond over to appear on the next date, then the court may collect sufficient information to supply to the service agency for locating the address of the 'Person' who failed to remain present. The person may change his mobile number, may sale his vehicle, house etc., the Adhar-Card / Unique Identification Card[76] may contain the previous address but the Domestic Gas Connection number may be useful to reach upto the destination of the person against whom summons or warrant has to be executed as per the methods provided in the code. As a result of industrialization people have started moving towards the industrial areas in search of employment. This has resulted in the growth of towns and cities, adverse effects, Problem of over population, Disintegration of Joint family, Increase in Crime rates, Impersonal relations,Stress.[77] So it is studied that, detailed information is necessary to serve process.

If a person/witness is in jail [Prison] or in any other authorized custody , then summons has to be carried out by police officers to serve it through Jail [Prison]Authority or that authorized officer of custody. In addition to it, a summons can send through Registered Post/ courier service to jail authority or that authorized officer of custody .

In a postal department, the postman visits at the location/address and makes an effort for personal service.[78] A Postman , lastly leaves an intimation at the said location. An intimation is left and then returned it as unclaimed article then there is no obligation cast to examine the postman.[79]

In case of summons to the witness, it is observed that, the police /prosecution is responsible to serve the summons[80]. Even after the service of summons, the witnesses fail, then the process to compel the witness

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75 **State of Orissa v. Sibcharan Singh** 1962 (2) Cri LJ 200 : AIR 1962 Orissa 157,it is clear that inasmuch as it is the duty of the court to enforce the attendance of the witnesses, there is no bar to take coercive steps to secure Investigation Officers and other witnesses.

76 https://uidai.gov.in/

77 Urbanization: Causes and Effects of Urbanization in India,By Puja Mondal,http://www.yourarticlelibrary.com/india-2/urbanization-causes-and-effects-of-urbanization-in-india-766-words/4659/ access on 23-05-2016

78 The endorsement 'not claimed' is required to be made in a responsible manner by the postman or the official of the postal department, so as to convey proper reason and to bring out the fact as to under what circumstances the registered letter could not be served on the addressee by the postman.http://katiharho.blogspot.in/2013/07/registered-letters-cant-be-returned.html?pfstyle=wp Madras high court , accessed on 24-05-2016

79 Thomsa P.T. vs Thomas Job 2005(4) CTC 30 (SC)

80 Simultaneously,the criminal courts should take care that summons to the witnesses are issued in time and efforts should

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to produce before the court is more complicated. Here , the actual summons service of witness , the time required to the witness to adjust his own business or urgent work etc has to be considered. Even if , he failed to appear then, there should be a effective system to communicate the next date. While service the summons, the mobile number etc of the witness should be collected by the investigating agency so that, the witness can be traced easily in the future. There are various types of witnesses. Some of them need not necessary to call for trial, but now it become a regular practice by the prosecutor to examine the maximum witnesses and some witness like medical officer has to be summoned through civil surgeon so that, the hospital work should not suffer.

If a summons is served on wrong person [may be person of the same name] then he has two options, first is to appear before the court and submit the submissions because there is a possibility of non-appearance amounting to contempt or in the alternative return the summons when served with a noting that it is wrongly served. While executing the summons the other persons from the locality [neighbour or person residing in the same address] may provide wrong information that, the person is left or dead etc. Most of the times, the person may dispute the service of summons on various grounds that, it is not signed by him, the adult is not from his family , the pasting of the summons is not carried out at his home or at conspicuous part etc.

To avoid any objections for the proper service of process an effective communication is necessary between the court and the person to whom summons is served. During such management, it is necessary to make arrangement for summons services and execution of warrants through concern police station or draft plan with police officers as a special drive for the attendance of 'Person'.[81]

In a summons case, under section 138 of the Negotiable Instrument Act, summons to the accused is provided through Registered Post. It is studied that, in case of *summons trial*[82] cases such provisions are necessary and it may require an amendment in the CrPC or Manual.

The substituted service should be resorted to only when there is no alternative after personal service. Only under those circumstances when diligent efforts will not reveal the whereabout of a person, should a substituted service so that, more cases would be decided on merits rather than having matters resolved on technicalities and to avoid to setting aside the order or to remand the matter.

In all the above processes, it is studied that, a tracking report system for the summons/warrant executing process is necessary so that, the court may effectively manage its case management system.

7. **Evaluation of conventional procedure :**

The provisions made in the CrPC are sufficient. The criminal manual has considered the variable affecting in the service of the summons and any changes in the variables and therefore provision in section 62 speaks as ,*' or subject to such rules as the State Government may make in this behalf*". But under the colour of secured service through police or as the police has filed case or as it is a criminal case,

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also be made that the material witnesses get served through investigating officer,if witnesses fail to turn up despite service,court should not hesitate to use coercive methods, Effective District Administration and Court Management by Hon'ble Mr. Justice P. Sathasivam, Judge, Supreme Court of India, http://www.tnsja.tn.nic.in/Article/Effectuve%20Dist%20Admn-PSJ.pdf accessed on 26-05-2016

81 Re-Engineering for Case Load Management and Case Flow Management-Suggested Method for district court, By sandjay Rambhau Salkute, Research journal's Journal of Management ,Vol.2, No.3 April 2014 ISSN 2347-8217

82 Summons Trial , Section 2(w) and Chapter XX of the CrPC.

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might be the one of the reasons that, the court frequently issues summons/warrant to execute through police agency only. The provisions for issuing summons to witness through postal department [section 69] are useful to the courts. The provision to serve summons through other public servant are rarely used by the courts. Another reason is that, the law recognized a personal service is a good service so it may be the reason that, the court issues process through a police agency to avoid the objections for proper service of process.

In the Code [Code 1898 or 1973], it is mentioned that, "*State Government*[83] *to make rules for summons by other public servant"*. The summons can be served through the police, public servant, government servant, postal and courier services at the address of the person summoned. The provisions in Chapter VI can be complied by public servant, government servant and authorities as per section 62 , by the State Government. If the person is in employment of any office, then it can be served through the head of that office by sending through registered post/courier service to person and to his officer also.

From the above provisions of service of summons, it clearly indicates that, Modes of Service of Summons (1) By personal service; (2) By Substituted Service; (3) By Extraterritorial Service. The service of summons to the accused other than the personal service is recognized under the law. It also shows that, the service of summons to an accused even in a criminal trial could be effected by substituted service by affixture of one of the duplicates of the summons to some conspicuous part of the house in which the accused ordinarily resides.[84] In the Criminal Procedure Code, 1973, the legislature has taken care of a few changes in environments and therefore the expression "*ordinarily resides*" has been used in Section 65 of the Code deliberately to strike a note of departure from the expression "resides".[85]

As far as possible a process should be personally served and it is studied that, the other public servant or government servant[86] including bailiff[87] of the court are useful in compliance of chapter VI except to execute bailable or non-bailable warrant and there is a need of amendment in section 62 of CrPC , an effective management system and two way communication system to reduce the delay in a process service.

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83 Under section 62 Unfortunately, rules have not been framed by many state governments to enable service other than through police officers. In exercise of the powers conferred by Section 62 (1) of the CrPC, in its application to the state of Maharashtra, the Government of Maharashtra has made the Maharashtra Service of Summons by an Officer of the Court or other Public Servant Rules, 1986. According to these Rules, in any proceedings initiated on a complaint or application under the code, if the court directs that the summons shall be served by the baliff then such summons shall be served by such baliff either in addition to or in lieu of the service of summons by the police officer as the court issuing the summons may order. It shall be the duty of the baliff to serve the summons without the aid of the persons connected with the proceedings but wherever necessary may seek the assistance of a village officer, a police officer or any other person not connected with the proceedings.

84 Mac Charles (I) Ltd. vs Chandrashekar And Anr.https://indiankanoon.org/doc/1407396/

85 Eralottu Chathu vs Patingattillath Gopalan https://indiankanoon.org/doc/1991204/

86 The Legal Information Management and Briefing system LIMBS to capture information pertaining to different courts/tribunals and categories them. There is alert system through SMS, http://fert.nic.in/sites/default/files/documents/LIMBS.pdf accessed on 26-05-2016

87 Chapter II Rule 3 & 4 of Criminal Manual,These rules may be called the Maharashtra Service of Summons by an Officer of the Court or other Public Servant Rules, 1986,In any proceedings initiated on a complaint or application under the Code, if the Court directs that the summons shall be served by the Bailiff, if any appointed on the establishment of the Court issuing the summons or of any other Court at the place of sitting of such Court, then such summons shall be served by such Bailiff either in addition to or in lieu of the service of summons by the Police Officer as the Court issuing the summons may order.Subject to the special directions, if any, issued by the Court issuing the summons, the Bailiff shall serve the summons in accordance with the provisions of the Code in this behalf and, save otherwise expressly provided in these rules, in accordance with the provisions of the Bailiffs' Manual and the Civil Manual in so far as they are not inconsistent with the provisions of the Code,http://court.mah.nic.in/courtweb/criminal/html/chapter2.html access on 25-05-2016

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8. **Platform from Litigant / Citizen Charter :-**

The National Judicial Data Grid [NJDG[88]] is a part of the on-going e-Courts Integrated Mission Mode Project[89]. NJDG works as a monitoring tool[90] to identify, manage & reduce pendency of cases. It also helps to provide timely[91] inputs for making policy decisions to reduce delay and arrears in the system, facilitate better monitoring of court performance and systemic bottlenecks, and, thus, facilitate better resource management. The NJDG covered all categories of cases, including those relating to the justice system.[92] National Judicial Data Grid (NJDG) is providing , litigants and others the consolidated figures of pending cases in the country's District Judiciary. The NJDG public access page can be visited at the National e Courts portal [ecourts.gov.in].[93]

The Charter of Services[Litigant Charter-Table-1] of e-courts system phase-II serves as a guiding baseline to make Phase-II of the Project as litigant service centric as possible.[94] Lawyers are getting daily cause list through SMS, email and on the website. The litigant charter includes the objectives of public information system through Web-page, Display Board, Kiosk and Judicial service center.[95] It informs the nature & form of the information to be provided to the stakeholders in instance and most accessible litigant centric mechanism for service delivery.[96]

8.1 **Discussion for Platform in Litigant /citizens Charter:**

It is studied that, the court should proceed with its own processes and at the same time it has to manage its system for effective communication within itself and between the stakeholders. Moreover , the court should remove hindrances / obstructions in the way of communications in many ways like clarifying the ideas before communication, **c**ommunicate according to the need of the stakeholder97, collect data from executing agencies or stakeholders before communicating with other stakeholders, ensure proper feedback from stakeholders and service agencies. In conventional method, there are various causes for delay in process due to non communication between the stakeholders.98 Now with the help of the litigant charter of

88 http://164.100.78.168/njdg_public/

89 http://supremecourtofindia.nic.in/ecommittee/PolicyActionPlanDocument-PhaseII-approved-08012014-indexed_Sign.pdf

90 No system is complete without a person monitoring it from the top.

91 There must be a time frame by when some action has to be taken.

92 http://www.thehansindia.com/posts/index/2015-09-21/What-is-National-Judicial-Data-Grid-176876 accessed on 220-05-2016

93 http://164.100.78.168/njdg_public/ accessed on 23-05-2016

94 http://doj.gov.in/sites/default/files/Brief-on-eCourts-Project-%28Phase-I-%26-Phase-II%29-30.09.2015.pdf accessed on 19-05-2016

95 Litigant Charter for e-courts system Phase-II indicates at Serial Number 6 Process issued Notification is through all except SMS pull and Number 24 Process Service through e-mail

96 eCourts Mission Mode Project Phase-II – A Judicial Tool [Suggested method To reduce the backlog cases in Subordinate Courts] Sanjay Rambhau Salkute,*www.aarf.asia/download.php?filename=j1ysxWjeK8AYaNg.pdf&new=* GE-International Journal of Management Research Vol. 3, Issue 11, Nov 2015 IF- 4.316 ISSN: (2321-1709) © Associated Asia Research Foundation (AARF)

97 Understanding the requirements of people is a continuous process.

98 The efficiency of an organization such as this however, one depends on the readiness of its stakeholders to support efforts that are intended to bring about improvement. There are several players that include litigants, Advocates, court staff and Judges. http://www.managementparadise.com/sanjay.salkute/blog/10299/ Madras HC to debar lawyers indulging in objectionable behaviour: New Disciplinary Rules notified ,

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e-courts system the causes of delay in the process can be minimized.

The platforms form the litigant charter is provided for those litigants who were / are already appeared before the court. Ex. The process issued notification platforms are for the complainant or the prosecution agency who filed the case. The service in case listing, case disposed , cause list, appeal /Revision filed against order/judgment are provided through SMS Push are for litigants. The case status information is through SMS pull and Cause list through SMS push and Pull are for litigants. Rest of platforms are through email, web, mobile App, JSC [Judicial service center], Kiosk is for litigants.

The platform like email, web, mobile App[99] requires a special type of electronic phone handset or instrument. The JSC and Kiosk are available within the premises of the court[100].

There is a provision for the information to the *Person* who will have to attain to the court for the first time in the newly instituted case against him and the platforms provided by litigant charter are useful for the issuance of process for the first time against the person against whom a case is filed subject to the availability of data. The SMS push for the process issued can be used if the sufficient data are available to the court to communicate to the person against whom the case is instituted or who is a witness or who has to produce documents etc. These provisions are made to make an effective communication with the litigants and counsels/ lawyers.

The CIS Version 0.2 is a communication system directly connects with the litigants and lawyers through litigant charter. It is studied that, the SMS message platform is useful for the two way communications.

At present , it is a one way communication from the court to '*person'* through an executing/service agency. It denies the facility to seek clarification, confirmation etc. from the 'Person' summoned. It only ensures the transmission of the messages. Such system may save a time because the sender is satisfied that he send SMS because of there is no way of questioning his information. It is studied that, there is a need of SMS Pull message service for the issued process, so that the person who has to attain to court may manage his pre-occupied schedules. Moreover the litigant or person summoned may require to make a communication with his counsel / lawyer. It is studied that, there is a need of the system by the SMS Pull message for the person who is in need of legal aid. As per the e-courts system plan, it clearly shows that, most of the facilities will be made available as per the Phases of the mission and the litigant charter will be developed as per the need of the stakeholders or changes reflects in the urbanization process.

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http://www.livelaw.in/madras-hc-debar-lawyers-indulging-objectionable-behaviour-new-disciplinary-rules-notified/ accessed on 6 -6-2016

99 *App for the Android phone that Predicts* confirmation chances of waiting list tickets, check irctc *pnr status*, train running *status* & train *schedule*. *Trainman*. Find trains and *predict* availability OR know confirmation chances of your *PNR*. http://www.trainman.in/ or http://m-indicator.soft112.com/. In future such App may be made available to confirm the date, its time, probability of the reaching the matter for hearing by the court or if the matter is transferred at another court then its location etc. There is a possibility of App that will provide the information as to when the arrested accused will be produced before the court, the location of court , need of legal aid to accused or victim etc. A smart card can be provided to witness. A electronic machine at the court premises will identify the witness and communicate to court about his presence and may also provide necessary information to the witness. It may also helpful to litigant to get information by merely placing smart card at the relevant portion of machine to get automatic information of case without feeding any required data [like ATVM system at Railway] at any court complex within India through Kiosk.

100 A telephone or automatic call system can be provided to give information from time to time.

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9. ***Need of Management of Litigant Charter:*** There are a number of facilities / platforms provided by the e-courts system Phase-II through litigant charter. [Litigant Charter-Table-1].At Serial Number 6 a process issued Notification is provided by all methods except SMS pull and Number 24 wherein a process Service through e-mail is provided. Moreover, at the web-page of Individual case, the *Rozanama* [recording the daily proceedings carried out by the court for the case] indicates the process carried out by the court on the fixed dates. Therefore, during the course of management of litigant charter[101], it is necessary to identify, Who is responsible for providing information?, and Where the information is to be uploaded, reported from?. There are other ways of communications are available like , Intranet, Internet, Phone, Video Conference etc. It is studied that, during the course of management of the litigant charter, an effective management for internal and external stakeholder is necessary and such process will be a communication of systems that helps individuals and groups to coordinate activities , process of the court, decision-making, problem-solving and change management processes. The litigant charter is a management of a communication system, therefore it requires effective management as per the plan of the e-courts system, its vision, policies, monitoring [102]etc[103]. Thus, a effective management of the Litigant charter is a need of the hour.

9.1 **Suggested Method:-**The object of summons or warrant that, the person summoned should remain present in the court. In a court process a proper method with proper authority is required to serve the process of the court and as a matter of convenience a new method or authority cannot be adopted. The Code is a procedural document, thus, it must receive a construction which would advance the cause of justice and legislative object sought to be achieved.[104] Therefore , it is studied that, till the effective amendments are made in the procedure code or manual for email, SMS, messages and other electronic mode for the service of the process the available modern method can be used only to make a two way communication between the court and the person summoned for that purpose the benefits of the

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101 It mentions the various facilities and services available for the litigants and the procedure to inspect the judicial records and to obtain certified copies of judgments, orders and documents, besides informing about procedure to obtain free Legal Aid and about various other alternate dispute resolution mechanisms available in the High Court,http://www.dailypioneer.com/state-editions/chandigarh/cj-releases-citizens-charter--of-hc-for-benefit-of-litigants.html .Litigant charter is to promote litigants to understand their rights, obligations and court processes in the course of tht litigation or other interaction with the court,https://books.google.co.in/books?id=hW2ILY5XNWEC&pg=PA96&lpg=PA96&dq=litigant+charter+management+system&source=bl&ots=kRKl4eltS0&sig=wjpNi0tyBzlHOaMcK8LMhdLw__k&hl=en&sa=X&ved=0ahUKEwjb8Jze7PnMAhWEtY8KHRXwC0gQ6AEITDAJ#v=onepage&q=litigant%20charter%20management%20system&f=false ,accessed on 26-05-2016

102 A judge must monitor and supervise his court staff and the process service agency to ensure that they complay with the requirement of law. Mishandling of service of process , whether deliberate or accidental, must not be allowed, District courts case management manual,Delhi, http://delhicourts.nic.in/Case%20Management%20Manual%20V1.0.pdf accessed on 24-05-2016

103 Transforming Court procedures, processes, organizational culture, and management to re-orientate them towards a culture of responsive, friendly, and effective service delivery accompanied by an integrated performance management system to ensure accountability, improvement and transparency;Reordering the Judiciary's administrative and judicial processes so that the former supports the latter to enhance delivery of services; improve the speed of justice; and improve access to justice especially for the marginalized and traditionally under-served communities;Judiciary Transformation Framework 2012-2016,Laying the foundations for the transformation of the Kenyan Judiciary,http://www.judiciary.go.ke/portal/assets/downloads/reports/Judiciary%27s%20Tranformation%20Framework-fv.pdf accessed ib 26-05-2016

104 Chabdra Babu @ Moses Versus State through Inspector of Police and others, http://supremecourtofindia.nic.in/FileServer/2015-07-07_1436262087.pdf

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urbanization and opportunities to the ICT has to identified.[105]

* The data / record of the individual cases should be updated so that, summons/warrant can be generated or print though CIS [Case Information System Software]. A user friendly method is necessary in generating / printing a summons/warrants in any software.

* A hard copy of the summons/warrant can be sent to the service authority as per conventional method and in addition a soft copy of the summons/warrant can be sent on the email address of the service officer or person against whom the summons/warrant is issued. A social media[106] like *Whatsapp*[107] may be useful if the mobile number is available so that, *.pdf* file of summons/warrant can be sent. The social media like *Whatsapp*[108] does not require an account or a lengthy procedure to open the message as it works on the basis of mobile phone number of the user.

* The summons/warrant service authority to send its summons service report by email[109] or *Whatsapp* followed by hard copy as per the traditional /conventional method.

* The concern clerk to verify the report of soft or hard copy and immediately and attach/upload it to the individual page of the case at the website and case papers. The information on individual page and other electronic mode authorized by the law, would be only to aware the parties to remove any barriers in two way communication till the amendment[110] in the law to held it as served by the court .[111] Till the amendment to the Code, the judge has to take the decision for service of summons as per the provisions in CrPC or Manual only.

* There is need to schedule the cases and fix a date to send the summons/warrants-Form and receipt of its service reports. It is expected that, the service report date should be fixed prior to the date fixed for the case so that, within the time the summons/warrant service mode can be changed by the court. In such circumstance, a e-court online system is useful to upload process and pay B*hatta* [allowance] for the re-issuance of summons/warrant.

* In case, the summons/warrant is not served or hearing could not carry out on a fixed date, then the court may schedule the waiting cases from the list for the hearing so that the court time should not be wasted in any circumstances.

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105 Sustainable urbanization: The role of ICT in city development , by Sandeep Dave, Gregor Harter, Ashish Sharma, Jai Sinha ,Originally published by Booz & Company: August 5, 2010, accessed on 1-06-2016 , http://www.strategyand.pwc.com/reports/sustainable-urbanization-role-city-development

106 First Service of a Summons Via Facebook Approved in Britain, http://serviceofprocesslookingforward.blogspot.com/2011/03/first-service-of-summons-via-facebook.html

107 It is a cross-Platform mobile messaging app for mobile phone, https://www.whatsapp.com/ accessed on 22-06-2016

108 Good Practices for setting up Whatsapp , Telegram grops are suggested http://Bombayhighcourt.nic.in/latest/PDF/ltupdtbom20160622171010.pdf access on 24-06-2016

109 Section 88-A Presumption as to electronic messages, The Indian Evidence Act, 1872

110 Divorce summons by courier won't do: Family court,http://articles.timesofindia.indiatimes.com/2010-01-25/Bombay/28148000_1_court-summons-family-courts-act-courier-service accessed on 21-06-2016. It appears that, the summons by email may not be legally sufficient and it will require to follow the modes provided in the Code only to come to the conclusion that , the summons is served.

111 Each business process needs to be both effective and efficient and an information system delivery process is no exception. There are many contributing factors that influence both its efficiency and effectiveness. Actually, the network communication system is based on direct reports. The network communication system provides the most effective framework for the management of the information technology projects, therefore it is useful in monitoring progress, Cooperation and knowledge transfer,Problem solving.

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* For scheduling the cases by the court, it is necessary to execute a short term plan[112] for the four months period within / at intervals and it will be also to schedule the activities for issuing summons to the witnesses.[113] In any circumstances, the summons/warrant should be served and report of served summons should be reached prior to the fixed date of the case or service report date.

* On cancellation or calling back the order of a warrant, it is necessary to inform to the summons service authority that, the warrant is cancelled. A hard copy of the order or soft copy should be immediately provided to the accused. So also it is necessary to immediately upload such order for the callback of process issued, at the individual page of the case to aware the other related stakeholders of the case.

* If the order passed by the court and issued Process-Form comes to know through modern methods to the concern person, then the person may appear before the court. If the person is accused / witness then he will appear before the court in such circumstances the delay in the trial can be reduced. Therefore, it is suggested to send a soft copy of the warrant to the accused so that, he will come to court to call back order. If the person against whom the process is issued attained to the court then the attendance of the person in the court on fixed date is material and not the modes of communication of process issued. If the person did not attain then the question of coercive process service may arise so in such circumstances,the court has to pass orders for the process served or unserved process according to the provisions as provided in the CrPC.

* The website [web-page of the individual case] also gives an idea that, the next date is fixed on a particular date or the case is fixed at court [If a case is transferred to another court].

* During the investigation , police has to collect a contact details of a 'Person', like mobile number or email address of witnesses in their record so that a message can be communicated to them in the event of postponement of a case. It would avoid greater inconvenience to the witnesses.[114]

* A email address of Government offices, police stations, Jail authorities, other authorities may be useful in service summons/warrant and its reports. A prompt and effective cooperation from such summons service agencies are expected. Thus, a effective management is necessary to serve the summons/warrants[115] and it may be useful to avoid actions under section 350[116] of Cr.P.C. A effective communication system is

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112 Plans are theories that can be successful only if they are given the wings of practical application.

113 Building Court Development Plan and Team Works (suggested System for District Court Management) by Sanjay Salkute, International Journal of Innovative Research and Development. Www.ijird.com,February,2014,Vol 3 Issue 2

114 N.R.Bhat -vs- State by CBI,Criminal Appeal No. 2191 of 2006 , Decided on 21-04-2016[http://www.livelaw.in/karnataka-hc-proposes-pre-trial-conference-avoid-delay-criminal-trials-issues-guidelines/]

115 Management Process for delivery of Summons/Warrant Form: After completion of the court business process, the court clerk has to prepare scheduling to deliver it as per the modes ordered by the court. For Postal or courier services, he has to maintain record and keep watch on tracking system to upload at the individual page of the court. For delivering the Forms to service agency, he has to prepare a schedule for each agency. The service agency has to frame a work area to assign the work to serve it. Prior to it, he has to assure the that necessary vehicles, infrastructure is ready with human resources. He has to estimate and record a daily workload for each area. As per priority and dates mentioned in the orders, he has to schedule the work so that, the person service it, should not be overloaded. He has to take entries of return served/unserved services and its reasons and send back to court.The person who has to serve it, to maintain a diary for rounds to visit to the person against whom the order/forms has to serve. There should be electronic system in the agency to monitor the actual visiting at the said area or he may take signature of village officer or other officer or respected person from that, locality to show that, he had been to that area.

116 **Section 350: Summary procedure for punishment for non-attendance by a witness in obedience to summons .-** (1) If any witness being summoned to appear before a Criminal Court legally bound to appear at a certain place and time in

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necessary ,[117] if the witness could not remain present [due to various reasons] and may appear through video conferencing.

* It is studied that, most of the accused feels fear of arrest by police. Due to various reasons the accused could not attain to court or communication barriers creates a situation to issue warrant against the accused.[118] On issuing the warrant, the warrant executing agency starts its execution. Due to fear of police or any other reasons , the accused makes an attempt to hide him or to make an attempt to prolong the case. If the accused is facing more-than one trial, then he may not be aware about the court from which a warrant is issued. So it is necessary to issue a bailable warrant and if the accused failed to comply with the served bailable warrant , the process for issuance of non-bailable warrant with notice to the surety of bailable warrant is desirable. A guidelines to be adopted in all cases where non-bailable warrants are issued by the Hon'ble Supreme court Courts.[119] Therefore , satisfaction as regards leaving of permanent residence by accused or that they were avoiding service or there is no chance to arrest them in near future is sine qua non for proceedings against accused under section 82 and 83 of Cr.P.C.[120] Moreover the amended provision section 50-A[121] of Cr.P.C.1973, may be helpful to provide the change in residence location of the person summoned.

In case of *Raghuvansh Dewanchand Bhasin vs State of Maharashtra and another,*[122] it is observed that, "*Once the warrant was cancelled it was necessary for the court to immediately communicate the same to the concerned police authority so that no inconvenience could have been caused to the person against whom the warrant was initially issued and it was necessary for the police officer to ascertain and to find out whether the warrant which was sought to be executed was still enforceable or had already been cancelled.*" Therefore to avoid the delay in procedure due to barriers in communication so it is studied that , a soft copy of the order can be send to the concern stakeholders.

While making a two way communication systems a built-in-system for feedback so ensure the further information, clarification etc may require. Such system will be a slow and time consuming process. But,

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obedience to the summons and without just excuse neglects or refuses to attend at that place or time or departs from the place where he has to attend before the time at which it is lawful for him to depart, and the Court before which the witness is to appear is satisfied that it is expedient in the interests of justice that such a witness should be tried summarily, the Court may take cognizance of the offence and after giving the offender an opportunity of showing cause why he should not be punished under this section, sentence him to fine not exceeding one hundred rupees.(2) In every such case the Court shall follow, as nearly as may be practicable, the procedure prescribed for summary trials.

117 Thus, there is no effective communication system between the summons service agency, witness and court and No feedback system between the served witness and court to ascertain any difficulty for his non appearance or to send fixed date, as observed in Re-Engineering for Case Load Management and Case Flow Management-Suggested Method for district court, By sanjay Rambhau Salkute, Research journal's, Journal of Management ,Vol.2, No.3 April 2014 ISSN 2347-8217

118 There was miscommunication between their advocate and defendants, due to which, advocate representing them filed discharge application , http://www.lawweb.in/2016/05/when-delay-in-filing-written-statement.html#sthash.5IWO29v7.dpuf and Putting the entire blame upon the advocate and trying to make it out as if they were totally unaware of the nature or significance of the proceedings is a theory which cannot be accepted and ought not to have been accepted, http://www.lawweb.in/2016/05/whether-litigant-can-disown-his.html#sthash.YRm8sxfn.dpuf accessed on 23-05-2016

119 Raghuvansh Dewanchand Bhasin vs State Of Maharashtra & Anr on 9 September, 2011 https://indiankanoon.org/doc/1934058/

120 Abdul Rehman and Another vs State 2007 Cri.L.J.3113

121 Section 50-A of Cr.P.C.1973[amended w.e.f.23-06-2006] it is obligation of person making arrest to inform about the arrest etc to a nominated person.

122 2008(1) Mh L J (Cri) 420

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the person who has a difficulty may interact with this process and it will be extremely satisfying to the person who will get a full opportunity to understand the message. During this process it will be necessary to avoid irrelevant issued raised by the 'person'.

In fact the pull123 SMS service is to anticipate the needs of the person for trial in advance and to prepare the scheduling as per scheduled time-table. A two way communication where a litigants,person,advocate or stakeholders can access required information through Push124 SMS is available. Therefore, it is studied that, for any summons/bailable warrant , there is a need to push & pull service and security system at the computer system. Such Pull SMS may be made available by other modes of electronic system.

Ex. For the served process for summons or bailable warrant message, it is necessary to provide a feedback mobile number for the confirmation of the presence of the person summoned or to solve any query by the person summoned. If the person is unable to attain to the fixed date and prayed for next date through pull message, then next date should communicate through push message. If on the next fixed date, if the court comes to conclusion that, the 'person' is avoiding to appear then the coercive process can be issued.

Each issued process may require a bar code system to track out its location through real time dashboard by the court. The tracking system will start since the preparation to return of the process by the agency. A portal for answer by the person [to whom it is served] or agency and verification of the bar code will be useful. By the way auto network diary of the advocate and memorandum of the court will be updated.

If GPS is adopted then, the location of the summons / advocates/ process service agency can be ascertained so that, the court may manage time to the case. Such GPS[125] can be useful to verify the actual visiting by the process service agency. A simple smart phone based solutions are helpful for such tracking and to give alerts for delays[126].

Ex. In case of summons serviced on the witness or accused who is in jail and if the jail authority is producing the accused or witness before the court, then such communication is necessary be made through litigant charter like SMS or social media like *Whatsapp* to the accused, victim , informant, defence counsel and prosecutor, legal aid cell counsel , so that they will be ready on fixed date for the

123 One can register for any number of cases. Lawyers can register for any multiple cases. Case status, copy, application, display board, whenever listed are also available. Push SMS based information system has been developed. It delivers information about case status. Digital Display Boards are placed in front of every court room, it displays particulars of other court rooms too, and different kinds of matters are displayed in different colures. Making it convenient for the advocated, so that they will not have to rush from one court to the other. Inside every court room also there are digital display boards. http://www.nja.nic.in/Interns%20Report%202015-16/P-942%20The%20Court%20Room%20Technology%20Workshop.pdf accessed on 6-6-2016

124 Any message origination from the server without a request from the receiver mobile is PUSH SMS. Any message originated from a mobile device and received at server end and server responds with the available information, then it is PULL SMS.

125 Judges still use snail mail, blame law, Furthermore, phase-II of the e-courts project also envisages equipping court staff with a hand-held GPS camera enabled PDA -palmtops or personal digital assistants -instruments. At the point of delivery of summonses, the PDA will track time and location of the court officials. This recorded data will simultaneously be available online, reducing the scope of any misgivings that summonses were not delivered. It is proposed to prepare mobile phone applications on various mobile operating system platforms to make available information regarding latest judgments delivered by the SC and the high courts, case status, and other information as may be required by lawyers and litigants, http://www.tatkalnews.com/news/105793-Judges-still-use-snail-mail-blame-law.aspx accessed on 20-06-2016

126 For example, some of the professional tools are available, but it is possible to develop software for court like https://www.youtube.com/watch?v=7muWZgzTrq4 accessed on 31-05-2016

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hearing /proceedings of the case, by offline method [actual production] or video conference method.

Ex. In case of personal service, the person who served the summons or bailable warrant has to file proof of service with a declaration. But in case of, email the proof of sending the email summons will be proof except the signature of the person. If any objection for the signature over the summons, then said signature has to be verified and properly identified.[127] Thus ,efforts must be made to procure the service of the summons by first delivering it personally through the service agency and in case of summons service outside the jurisdiction, it may be sent through email to the summons service agency, who will serve it personally and file his report by email followed by hard copy. Though the email send to the person , but the service report should be as per rules only. In addition a thumb impression, photograph of the person may be taken electronically by the summons service agency and may send scanned copy of the process-*Form* to the court directly followed by hard copy.

It is studied that, the other public servant was already busy in their work and they cannot be made accountable to the summons service process by the court other than the provisions provided in the CrPC. However, in case of poor response from other agencies, the computerized system and human resources of other public offices may be useful in process service but it may require an amendment by the State Government.

9.2 **Evaluation of suggested system :**

For SMS, e-mail or *whatsapp* , there should be confirmation that, the particular mobile number is using by the litigant / stakeholder. In case, the 'Person' has changed the service provider of his mobile phone then he has to inform to the court and change the number etc otherwise the liability goes to the litigant for issued notification / message to the wrong person.

If pull messages are received , then it should be stored in the data on the individual page of the case and after confirmation, it should display on the webpage so that the other stakeholders may be aware. This is also required in case of tracking system [reduces the total communication time spend on person]of summons services. In case of taking GPS photos etc , after confirmation, it should be displayed on the webpage of the individual case. Thus , this process may require bulk management [128] of SMS,messages,emails,data from GPS or any other instrument.

A modern electronic system is a useful in communicating to the person summoned. It requires an effective management system by the court and other stakeholder**s.** In a conventional system, there are barriers in communications between these stakeholders and court but now due to the computerization129 and electronic media, it is easy to minimize the barriers in communication. Thus, the entire process may require a task management, contact management or client management system or hardware management.

Limitations:

127 If the person denied his signature over the summons then he has to take steps to refer the disputed signature to the expert. Under section 73 of the Indian Evidence Act, court may compare the disputed signature of a party with his admitted signature for coming to the conclusion as to the genuineness of the disputed signature.

128 How to Respond to A Summons Online is explained at http://www.cand.uscourts.gov/Summons .A respond to summons for juror service and to make changes or request assistance https://juryduty.majury.gov/ojcweb/public/start.aspx . A helpful information about the courthouse to which you have been *summoned,* https://www.lacourt.org/jury/

129 Installed systems should be constantly upgraded, it should be latest and other effective tools should be properly used.

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1. Summons by police for investigation[130] is not studied.
2. Production of the accused for the first time[Remand & Bail[131]] and its communication with the other stakeholders is not studied.
3. Notice or summons for pre-litigation[132] of cases or for ADR[133] is not studied.

Suggestions:

1. Effective use of provisions in Chapter VI [except to arrest] through Bailiff , Postal Authority, Courier Services, litigant charter[Modern Methods].
2. Effective use and management of litigant charter of e-courts system.

Recommendations:-

1.To collect the data for the 'person' against whom the summons/warrant is served or to be served like email , mobile number, Adhar Card Number, Vehicle Number, Ration Card Number,domestic gas connection number. Also collect the same data of the relative or friends to whom the information on arrest of the person was given by the police.

2. Additional modes of service in Litigant charter for the communication by the stakeholders with the court is necessary so that the parties may communicate their attendance on fixed date through e-mail/SMS[134]/fax[135]/courier, wherever feasible which will result in the speedy delivery of the process.

3. In case the person summoned has no facilities of communications then to make an additional provision that, the email send to Postal Department, Revenue Department[136], Municipal Council office, Village Panchayat office[137], where summons would be print out and can be served on the person ,therefore under section 62 such rules are necessary.[138]

4. The process service agency to a create tracking system so that, the progress in process service can be

130 http://timesofindia.indiatimes.com/city/madurai/Police-must-issue-summons-in-writing-HC/articleshow/11881959.cms accessed on 20-6-2016

131 http://mja.gov.in/Site/Upload/GR/18.%20topic%202%20Sudhir%20S.%20Shirgaonkar%20doc.pdf accessed on 22-06-2016

132 http://gujarathighcourt.nic.in/gslsa/docs/Modalities_for_referring_Pre_Litigative_matters_in_English.pdf

133 http://www.legalservicesindia.com/article/article/adr-mechanism-in-india-224-1.html

134 Summons through SMS, e-mail valid,http://www.hindustantimes.com/delhi/summons-through-sms-e-mail-valid-2g-case-court/story-A1iBVVGJVvOWChnu0vnQGI.html accessed on 22-05-2016

135 A service by Fax or email or other electronic mode wherein it is necessary to attach the document being served in .pdf format. Fax or email is deemed complete upon generation of transmission of record. Due to the holiday, the completion of process is deemed to be complete on the opening day of the court.

136 MAHARASHTRA LAND REVENUE (PROCEDURE OF REVENUE OFFICERS) RULES, 1967,R. & F. D. No. UNF.2467-R(21-8-1967),As per section 329 of the Code, the Maharashtra Government make rules to service summons for that code, therefore it has to be covered 'other public servent' for service of summons.

137 Civic Bodies like a Municipal Council or corporation or Village Panchayat [Gram Panchyat] has its own force to service notices and being public servant , may be useful to serve the process except bailable or non-bailable warrant. As per Chapter IV of the Criminal Procedure Code, 1973 and section 21 of the Indian Penal Code, 1860 r/w 184 of the Bombay Village Panchayats Act, 1958.

138 Towards civil side, the Bombay High Court Appellate Side Rules, 1960 for sending urgent orders FAX or E-Mail, Bombay High Court (Original Side) Rules are for registered post with acknowledgement, speed post, Bombay High Court Process Fees Rules, 2006 wherein a women litigants have been provided with exemption from payment of process fees in cases relating to maintenance, property right, violence and divorce.

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uploaded at the individual page of the case. In short ,there is a need of office automation Apps, Court Business Development Apps[139].

5. Once in a year, the court development plan for short term [04 months period] has to be executed for pending /backlog/arrears of cases.

6. Time limit to prepare the Form as per section 61 and 70 by the court staff and return of report of service [expected that, it should be prior to fixed date] is necessary.

6. Designed and develop mobile android App for user.

7. Training for court staff, Lawyer and literacy to litigant is necessary.

Conclusion: A speedy Trial is the essence of criminal justice system. During the process of speedy trial, the court business process [summons/warrants issuing & execution] are also causes for delay in the trials. There are various problems in process service by the police, so it is necessary to explore the scope of word '*other public servant* ' , '*government servant ' t*o serve summons [other than arrest to the person as per chapter VI] or substituted service or electronic methods for proper service on the person against whom the process is issued. During the process of the speedy trial, all three stakeholders should communicate to each other through Court wherein the court will have to play a major role as a media. During the entire process, there is a need of effective management system in conventional method of issuing, executing the summons / warrants by all stakeholders.[140]

The court has to proceed with its own legal processes and at the same time it has to manage for effective two way communication within itself and between the stakeholders to avoid delay in trial. A benefits of urbanization are in better communication and openness therefore it is an opportunity for the ICT sector. Therefore the litigant charter of the e-courts system is helpful to dissolve the barriers to communication between the stakeholders and is helpful in making two way communication between the court and the person summoned. Thus, effective management of litigant charter is a need of the hour so that the e-court committee may develop the platform of litigant/citizen Charter as per the needs of the stakeholders or changes reflects during the process of urbanization. The Platform of litigant charter is a judicial tool to provide access to justice and speedy trial so to remove the barriers in communication between the parties and advocates the court organization needs to provide android technology by smart phone so that the litigant from remote places can get an opportunity to access the court cases data.

Reference:

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2. Criminal Manual by S.D.Dighe and A.K.Gupte, issued by the High Court of Judicature at Bombay[141], published by Hind Law House, Edition 2014

139 a self-contained program or piece of software designed to fulfil a particular purpose; an application, especially as downloaded by a user to a mobile device, https://www.google.co.in/#q=app+means accessed on 22-06-2016

140 Afterall the success is because of teamwork.

141 High courts of Bombay change in name Bombay ,http://indianexpress.com/article/india/india-news-india/high-courts-of-bombay-madras-to-undergo-change-in-names/ access on 5-7-2016

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Table-1 Litigant / Citizen Charter

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eCourt Project Litigants' Charter								
Sr. No.	Service to the litigant	Platform						
		SMS Push	SMS Pull	Email	Web	Mobile App	USSD	Kiosk
1.	Case Filing Confirmation	√	-	√	√	√	√	√
2.	Case Scrutiny – Defects Notification	√	-	√	√	√	√	√
3.	Case Registration Confirmation	√	-	√	√	√	√	√
4.	Case Allocation Notification	√	-	√	√	√	√	√
5.	Case Next Date Notification	√	-	√	√	√	√	√
6.	Process Issued Notification	√	-	√	√	√	√	√
7.	Case Listing Notification	√	-	√	√	√	√	√
8.	Case Disposed Notification	√	-	√	√	√	√	√
9.	Cause List	√	√	√	√	√	√	√
10.	Case Status Information	-	√	√	√	√	√	√
11.	Daily Orders/Proceedings	-	-	√	√	√	√	√
12.	Judgments	-	-	√	√	√	√	√
13.	Online Certified Copy with 2D Barcode Authentication	-	-	√	√	-	√	√
14.	Certified Copy Application Status	√	√	√	√	-	√	√
15.	Certified Copy Ready Notification	√	√	√	√	-	√	√

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SWITCHING BARRIER AND CUSTOMER LOYALTY: MODERATING EFFECT OF SUBSCRIBERS' ACCEPTANCE OF TECHNOLOGICAL ADVANCEMENTS AND RELATIONSHIP AGE IN MOBILE TELECOMMUNICATION INDUSTRY

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Abstract

A healthy customer base has become a crucial factor to make future profit for mobile telecommunication service providers due to subscriber's acceptance of new technologies in todays' market. As a result, mobile telecommunication firms' have identified the importance of switching barriers and customer loyalty in the process of setting up marketing strategies to retain their subscribers within the network. Therefore, this study focuses on providing insight on the implication of subscriber's perception of switching barriers and its' implications on customer loyalty. For the study, the quantitative approach was followed through a survey and data were obtained from randomly selected mobile users in Sri Lanka. Structural equation modeling was carried out in order to assess the statistical significance of the proposed relationship. The results show a fairly higher level of explanatory power with customer loyalty and the perceived switching barriers, which indicate the possibility of further utilized switching barrier concepts to retain subscribers within the company for longer period of time. Further, implications of relationship age and technological advancements on the above relationship were also identified through the analysis. Results of these analysis enabled to understand different groups of subscribers' perceptions in the mobile telecommunication market which enable firms to develop specific market strategies respectively.

Keywords: Switching barrier, behavioral loyalty, attitudinal loyalty, mobile telecommunication, technology advancements, relationship age

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Introduction

Technological advancements are not an unfamiliar situation for the mobile telecommunication sector. Although it is an industry that faces radical changes in the current market, these changes have also become a major implication for industry growth in recent years. The recent increase in the technological convergence of voice, video, and data has facilitated a wide range of services, leading to severer competition in the market (Srinuan et al., 2014). On the other hand, perceived benefits in the mobile telecommunication have made the markets highly penetrated where potential users of the service are aware and in many cases are active consumers of it. Therefore, due to subscribers' promptly accepting behavior of the new technologies, almost all mobile telecommunication service providers are using new technological adoptions as a key factor to differentiate their product and services in the market. These technological changes and differentiation strategies have transformed the services of the mobile telecommunication into a more complex scenario than before. As the services provided become more complex, the learning period for service use becomes longer and the evaluation process gets more difficult for subscribers, which indicates the increase of perceived switching cost due to differentiation (Serkan & Gorhan, 2004).

Attractiveness of the internet based communication tools is one of the key challenges that mobile telecommunication operators are facing in todays' digital era. The wide availability of high-speed telecommunication networks and wireless Internet services have spurred the rapid expansion of the mobile service market (Lee et al., 2015). But, the extent of subscriber's use is dependent on technology advancement which supports the broad use of mobile devices (NetLab, 2012). This led to the developments of mobile devices as well. As a result, currently available mobile phones have access to various mobile services beyond telephony. Furthermore, these are particularly designed and intended for individuals, satisfying their diverse needs and expectations (Boakye, 2015). Therefore, with the availability of broadband connectivity to mobile services, facilities such as Internet of Things (IoT), video streaming, and mobile payments have become more popular among subscribers.

On the other hand, from the service provider's financial perspective, these internet based applications

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have already caused a significant reduction in traditional profits which they used to make through telephony. These rapid advancements in Internet based mobile technologies have influenced to change mobile operators' prioritized functionalities and led them to become a platform supplier for data channels. Even though it has brought an unfavorable environment when compared to their past operations, these changes have opened a new market opportunity linked to mobile broadband. Industry forecasts indicate an extensive future profit generation from the mobile based internet market for mobile service providers as they offer facilities to the subscribers (GSM Association, 2016). In such a scenario, the customer base will become the key to grab these market opportunities. It implies that the network with a larger number of subscribers will get a favorable environment than others. Thus, the firms are required to implement a number of strategies to retain their current subscribers and to attract new ones to the current and new markets. This can be done by enhancing customer loyalty towards service providers or else by insisting on a higher level of switching barrier for their current subscribers. According to Kim et al. (2004) study in the mobile telecommunication industry, the best core marketing strategy to win the market in the future is to try to retain existing customers by heightening customer loyalty and customer value. That is because the result of a successful customer loyalty strategy leads to customer retention. On the other hand, in these types of highly penetrated competitive markets, long term relationship with a service provider will be beneficial for the firm (Gerpot et al., 2000). Therefore, this paper targets to provide an insight on the implication of subscriber's perception of switching barrier on customer loyalty in the mobile telecommunication industry. Understanding the relationship among these two vital factors in today's mobile telecommunication industry would be an interesting investigation, both from a theoretical and a managerial perspective. Furthermore, how subscribers' acceptance of technological advancements, namely Internet based application usage and multiple connection usage, moderate the above relationship will be investigated as well.

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Customer loyalty in mobile telecommunication industry

Customer loyalty is likely to influence a customer's willingness to stay, repurchase probability, and likelihood that they will recommend the brand (Johnson et al., 2006). Customer loyalty plays an important, if not a critical role in an organization's success. Loyal customers are one of main sources of increased profitability of a firm. They help to flow a consistent source of revenue via repeat buying and also increased purchases. On the other hand, due to their brand attachment, these group of customers' require less promotions which act as a mode of firm's cost reduction. Usually loyal customers are willing to spend more and may serve enthusiastic advocates for the organization (Harris & Goode, 2004). As a result, customer loyalty has become an important strategic objective in almost all organizations. Furthermore, customer loyalty has become a key component for a brand's long-term viability (Amin et al., 2012; Chen et al., 2010; Krishnamurthi & Raj, 1991). If the customers are loyal, they would like to attach with the same vendor which ultimately helps when a company faces many uncertainties in an intense competitive mobile telecommunication market. That's because customer loyalty does not simply indicate whether a customer will make repeat purchases; it also serves as a measure of customer support for a business (Shih-I, 2011).

In the mobile telecommunication context, it is crucial for all mobile service providers not only to attract new customers, but also to retain subscribers within the firm and to motivate the repeat purchasing of mobile services (Lee et al., 2015). As a result, loyalty has become one of key factors vastly discussed in a highly penetrated competitive markets. Further, this can be even more important in continuous service settings like mobile telecommunication (Karjaluoto et al. 2012).

Even from the financial perspective, retention is important because firms spend more than five times as much to obtain a new customer than to retain an existing one (Kotler & Keller, 2006). On the other hand, literature revealed that five percent in customer retention leads to an increase of 25 percent to 85 percent in profits depending on the industry (Li & Robert, 2011; Kerin et al., 2009; Reichheld & Sasser, 1990).

Basically three main categories of customer loyalty, namely behavioural loyalty, attitudinal loyalty and integrated loyalty, can be identified. Integrated customer loyalty presents a combination of both

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behavioural and attitudinal loyalty. Kim et al. (2004) have noted the concept of customer loyalty as a combination of customers' favourable attitude and the behaviour of repurchase. Similarly, many past studies have focused on attitudinal loyalty and behavioural loyalty basis (Bove et al., 2009; Jones & Taylor, 2007). According to this aspect, consumers' repurchase behavioural or intension of specific brand is described as behavioural loyalty (Russell-Bennett et al., 2007), and the consumers' sense of specific products or service has been described as attitudinal loyalty (Kumar & Reinartz, 2006).

Repeat Purchase (loyalty towards the purchase of a product); Retention (resistance to the negative influence of the company); Referrals (give reference to others regarding to the products and services) have been identified as indicators of loyalty (Kotler & Keller, 2006). Further, another set of past researchers have described customer loyalty as a construct consisting of purchase intention, recommendations, price tolerance, word of mouth, complaint behavior, and propensity to leave brands (Bloemer & Odekerken-Schroder, 2002; Zeithaml et al., 1996).

Switching barrier in mobile industry

Switching barriers are defined as "any factor, which makes it more difficult or costly for consumers to change providers" (Jones et al. 2000). Furthermore, in detail, Fornell (1992) has defined it as the difficulty of switching to another provider that is encountered by a customer who is dissatisfied with the existing service, or to the financial, social and psychological burden felt by a customer when switching to a new carrier. Based on that definition, Kim et al. (2004) has stated that the higher the switching barrier, the more a customer is forced to remain with his or her existing provider. Thus, service providers of the highly penetrated mobile telecommunication market are very keen on switching barriers and its' implications since it is enabling them to reach not only todays' firm revenue but also future profits.

On the other hand, due to industry competitiveness, many differentiation strategies have been used by service providers to win the market. One purpose of these differentiation strategies is to induce switching barrier within the firm since it is enabling those providers to hold their customer base. Latest technological adaptions were one of commonly used aspects in this regard. In mobile telecommunication, network based technologies were drastically used to separate particular service providers' subscribers

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from others. But today it is not possible for them to be isolated since they have to provide a common platform for all subscribers to get interconnected. On the other hand, though firms adopt these technology based costly inventions, the complexity created through it may create a switching barrier to subscribers since they need time to get familiar with it. Or else, it may not be new to the customers since these types of advancements have become more common in todays' society. As a result firms have very limited options to use technology to keep their subscribers within the firm. Apart from that, there are few technological advancements which can be caused to weaken the level of switching barrier in the mobile telecommunication. Multiple mobile connection access the facility through the same mobile device and mobile internet based voice calling facility known as mobile based voice over Internet protocol (mVoIP). These application usages are two of the most popular advancements in the mobile telecommunication industry. These technologies are independent from the service provider; thus it enables users to connect with others without service provider's telephony facility. This means, it is not necessary to follow the same approach that they used to contact others. As a result, due to the popularity and usage of these facilities in the market place, service providers have got fewer opportunities to institute switching barrier in the market, which weaken traditional customer locked-in models.

Customer locked-in models which are set up by instituting switching barriers, are common phenomena used in continuous markets like mobile telecommunication. Through customer locked-in effect, firms prevent switching of customers from one provider to another (Chang & Chen, 2007). In such a scenario, vendors are able to retain their customers even if there are attractive competitors in the market. This can be seen as a disadvantage for the subscribers. According to Johns and Sasser (1995), locked-in strategy is unlikely to be sustainable in the long term because a large number of customers feeling "trapped" is likely to lead to more negative word of mouth, lower acceptance of new products, less ability to cross-sell, and many other negative outcomes relating to having "terrorist" customers. Colgate and Lang (2001) have commented on this approach and have suggested to build stronger relationship values, such as trust to become more sustainable in the market place. Several studies have been conducted on this aspect and have identified the role of switching barrier to strengthen and to continue relationship between customer

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and company over time. According to Chang and Chen (2007) and Marzo-Navarro et al. (2004), to have such a relationship over the time, both parties must be benefited through it. It implies a favorable environment for the customers even in a locked in market environment. Further, customers are not willing to disconnect such personal relationship established with service providers which cost them. Jones et al., (2000) has stated such perceptions of consumer as another form of switching barrier.

Hypotheses and structural model

The main objective of this paper is to provide insight on the implication of subscriber's perception of switching barriers and its' implications on customer loyalty in the mobile telecommunication industry. Based on the results of earlier studies discussed above, the following hypotheses were formulated and detailed below. Though switching barriers were vastly used in past, due to the recent market changes as a result of technological advancements, implications of switching barrier may not be the same to the service providing firms today. Therefore, this would be an interesting investigation. Furthermore, to identify the moderating effects of those selected technological advancements on switching barrier and customer loyalty are targeted in this study. The proposed study was carried out while controlling mobile subscribers' age, income, education level and monthly spend for the mobile telecommunication.

H1. There will be a positive relationship between switching barrier and customer loyalty in the mobile telecommunication.

H2. Relationship age positively moderates the positive effect of switching barrier and customer loyalty in the mobile telecommunication.

H3. Mobile subscribers' usage of mVoIP applications positively moderates the positive effect of switching barrier and customer loyalty in the mobile telecommunication.

H4. Mobile subscribers' usage of multiple mobile connections moderates the positive effect of switching barrier and customer loyalty in the mobile telecommunication.

Methodology

Data collection

For the study, quantitative approach was followed through a survey to investigate the subscribers'

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perceptions of switching barrier and their loyalty towards their mobile service provider. Data were obtained from randomly selected mobile users in Sri Lanka and to test research hypotheses, the information was captured through a structured off-line questionnaire, and fieldworks were carried out in February 2016 and the data collection process lasted four weeks. The data collection procedure yielded 690 completed questionnaires, obtaining a total amount of 734 valid responses. For the data analysis, these 690 valid survey responses were filtered by excluding those with omissions or with randomly repeated answers.

The initial part of the questionnaire contained several socio-demographic questions to get a basic idea on sample profile. According to the descriptive, a total of 60.3% of the questionnaire respondents were female mobile users. In terms of mobile users' age, 21.8% of the respondents are between the ages less than 21 years, while the 11.6% were ages over 40 years and rest 66.6% between the ages of 21 and 40. From the education perspective, 50.6% participants have diploma, degree or higher level of education qualification. Among this group, 26% of mobile users are using post-paid connections while the rest use pre-paid connections. This proportion is almost equal to the country profile. Data set compromises of all kind of mobile users who are attached with a particular service provider for more than eight years as well as users connected recently. 31.1 percent of mobile users are having more than six years of relationship age with a particular service provider.

Variables and measurement scales

A multiple-item measurement scale was used to measure the identified constructs of the model. The measures were adapted from previously validated questionnaires, especially focusing on studies conducted in the mobile telecommunication industry. All item measures were gathered employing a five-point Likert scale which ranging from strongly disagree to strongly agree. Study was preceded with a random sampling among consumers residing in Sri Lanka. The designed English language questionnaire was professionally translated into the local language (Sinhala) to make it easy for respondent to understand the measurements. Further, conceptual equivalence was maintained of the translated questionnaire by following this translation several times (Mullen, 1995).

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Impact of switching barrier was measured by referring the model developed by Jones et al. (2000) based on three factors; namely switching cost, interpersonal relationship and attractiveness of alternatives. The seven-item scale developed by Aydin & Özer (2005) was adapted to measure switching cost in the Sri Lankan mobile telecommunication context. Interpersonal relationship of the service provider was measured by the four-item scale developed by Kim et al. (2004). The other component of switching barrier, attractiveness of alternative service provider was measured using the scale used in Kim et al. (2004) in their study carried out in the telecommunication industry. For this purpose three-item scale was adopted and used.

From dependent variable perspective, as this study required to measure both attitudinal and behavioral aspects of loyalty, the measurement scale developed by Karjaluoto et al. (2012) in their study in telecommunication industry was mainly adopted. For the purpose of measuring attitudinal loyalty, five items scale was utilized. They have been derived it from the study undertaken by Harris and Goode (2004) in which Oliver's (1997, 1999) four-stage loyalty framework applied. In this framework, the cognitive, affective and conative aspects were included. To measure behavioral loyalty, the scales developed by Zeithaml et al. (1996) and Garbarino and Johnson (1999) and which was applied in Karjaluoto et al. (2012) in their study in the telecommunication industry were adopted. Behavioral loyalty items are rated similarly in five-point Likert-type scales and five items scale is used.

Results and Discussion

Measurement model

Structural equation modeling was carried out in order to analyze the proposed model with AMOS. To check the reliability of data, internal consistency of the sample was analyzed. Initially, exploratory factor analysis of each construct was carried out, using Maximum Likelihood Estimation via the PROMAX method, as the orthogonal rotation method. Through the factor analysis, one cross loading factor was identified and eliminated from the analysis. Eliminated item is "comparison when switching" in the switching cost construct. After eliminating, the reliability analysis of each factor was performed. Results indicate a sound reliability level by getting over 0.7 Cronbach's alpha value for all factors examined

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(switching barrier = 0.922, loyalty = 0.895).

In order to analyze the constructs' validity of construct, a confirmatory factor analysis (CFA) was performed with the measurement model. This analysis assess whether the measuring tools have exactly measured the concepts in the study. Goodness of fit (GFI) = 0.964, adjusted goodness of fit (AGFI) = 0.951, root mean square residual (RMR) = 0.022, normed fit index (NFI) = 0.964 and comparative fit index (CFI) = 0.989 indicated generally satisfied validity evaluation standards. Details are shown below in Table 1.

Table 1: Index of fit of the model

Index of fit	Chi-Square	(df)	P	CMIN/DF	GFI	AGFI	NFI	CFI	RMSEA
Value	313.33	219	.000	1.449	.964	.951	.964	.989	.026

RMSEA - root mean square error of approximation

Further, unidimensionality is a necessary condition for reliability and construct validation (Mak & Sockel, 2001). The unidimensionality of the constructs was analyzed by specifying a measurement model for each construct. Consumer loyalty GFI (0.996) and switching barrier GFI (0.984) suggests that each of the constructs is unidimensional as the GFI of 0.90 or above stands for unidimensionality (Joreskog & Sorbom, 1993). On the other hand, Bentler-Bonett NFI was used to examine Convergent validity of the constructs. Consumer loyalty NFI (0.995) and switching barrier NFI (0.985) indicate convergent validity in both constructs used in the study.

An additional step was followed to further check for discriminant validity as recommended by Fornell and Larcker (1981): The average variance extracted (AVE) and share variance estimates (squared correlation) were compared between each pair of factors. Results showed that AVEs were higher than share variance estimates in all cases.

Structural model

Structural equation modeling was developed to assess the statistical significance of the research proposed relationship between switching barriers and customer loyalty. Results of the empirical casual model are

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shown below in Figure 1. Structural model's acceptance were measured using common model fit criteria used in AMOS such as chi-square test statistic, CMIN/DF, GFI, AGFI, RMR, NFI, CFI and RMSEA. All of the obtained fit measures indicated that the structural model was acceptable (Chi-square = 454.454; $p < .000$; CMIN/DF = 1.461, GFI = 0.956; AGFI = 0.942; RMR = 0.28; NFI = 0.953; CFI = 0.985; RMSEA = 0.026). In the structured model, while simulating the relationship, demographic factors such as subscriber's age, income, education and their monthly expenditure for the mobile telecommunication were controlled.

Chi-square = 454.454
Degrees of freedom = 311
Probability level = .000

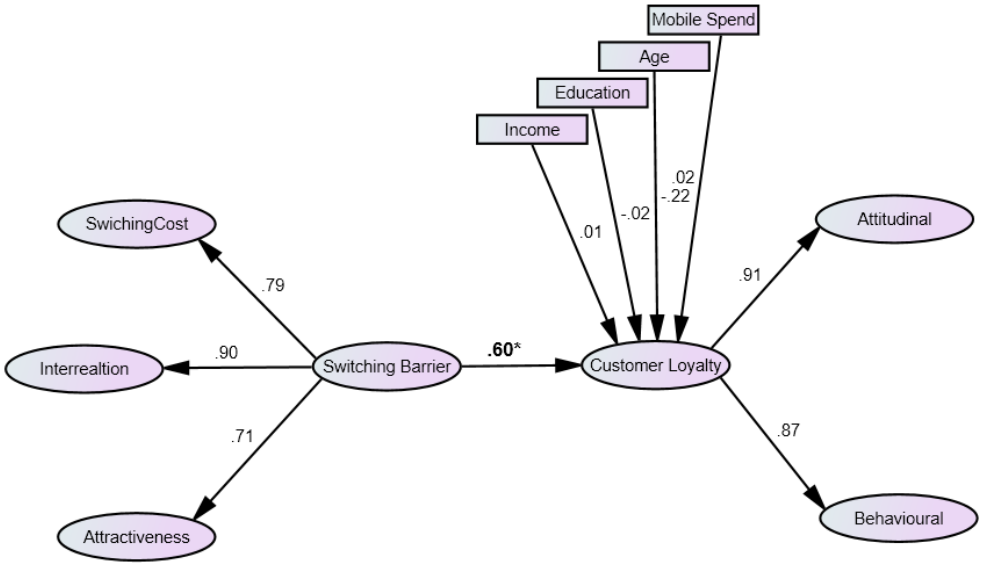

Figure 1: The results of the empirical causal model (SEM)

Hypothesis testing

H1. There will be a positive relationship between switching barrier and customer loyalty in mobile telecommunication.

The relationship between switching berries and customer loyalty is investigated under this hypothesis, H1. Therefore, path analysis were used to analyze the data. In accordance with the parameter estimates, results of the path analysis show that switching barriers were positively and significantly related to customer loyalty ($p > 0.01$). In other words, according to the test results, the regression weight for switching barriers in the prediction of customer loyalty is significantly different from zero

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at the 0.001 level (two-tailed). Thus, the null hypothesis of no positive relationship between switching barrier and customer loyalty was rejected as the significant level is less than 0.05. Furthermore, the model shows a fairly high level of explanatory power with customer loyalty and perceived switching barriers having squared multiple correlation (SMC) value of 0.60. It implies that when switching barriers goes up by 1 standard deviation, customer loyalty goes up by 0.60 standard deviations.

H2. Relationship age positively moderates the positive effect of switching barrier and customer loyalty in mobile telecommunication.

The moderating effect of the relationship age on the relationship between switching berries and customer loyalty was examined to test the above hypothesis. Multiple group path analysis was employed for this purpose. For the analysis, relationship age of subscribers were categorized into two groups; namely subscribers using particular mobile connection less than two years and more than two years of users. In accordance with the parameter estimates, results of the nested group examination of path analysis indicate a significant difference among these two groups (p = 0.038). Thus, the null hypothesis of no moderating effect of relationship age on the relationship between positive switching barrier and customer loyalty was rejected as the significant level is less than 0.05. Further, the multiple group analysis results indicate standard regression weights of 0.56 when the relationship age less than two years and standard regression weights of 0.68 when the relationship age more than two years (In both cases, relationships were statistically significant). This implies an increasing higher level of explanatory power with customer loyalty and perceived switching barriers when the relationship age increases. Results of this analysis are summarized below in Table 2.

Table 2: Regression weights of the relationship among switching barriers and loyalty based on subscriber's relationship age

	Regression Weights				
	Unconstrained				Structural weights
	Estimate	S.E.	C.R.	P	Estimate
less than 2 years	.654	.126	5.197	***	.559
over 2 years	1.066	.144	7.417	***	.680

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*** *absolute p value is less than 0.001*

H3. Mobile subscribers' usage of mVoIP applications positively moderates the positive effect of switching barrier and customer loyalty in mobile telecommunication.

The moderating effect of mVoIP application usage on the relationship between the switching berries and the customer loyalty was examined to test the above mentioned hypothesis. For this test also, the multiple group path analysis was employed. For the analysis, mobile subscribers were identified as mVoIP application using subscribers and mVoIP non users. In accordance with the parameter estimates, results of the nested group examination of the path analysis indicate a non-significant difference among these two groups (p = 0.451) at significant level of 0.05. Thus, there is not enough evidence to reject the null hypothesis that relates to the moderating effect on the relationship between positive switching barrier and customer loyalty at the significant level 0.05. Even though the multiple group analysis results indicate standard regression weights of 0.66 among mVoIP applications users and standard regression weights of 0.60 among mVoIP application non-users (In both cases, relationships were statistically significant). Results of this analysis are summarized below in Table 3.

Table 3: Regression weights of the relationship among switching barriers and loyalty based on subscriber's usage of mVoIP applications

	Regression Weights				
	Unconstrained				Structural weights
	Estimate	S.E.	C.R.	P	Estimate
mVoIP users	.776	.099	7.842	***	.661
mVoIP non-users	.672	.088	7.604	***	.602

*** *absolute p value is less than 0.001*

H4. Mobile subscribers' usage of multiple mobile connections moderates the positive effect of switching barrier and customer loyalty in mobile telecommunication.

The moderating effect of multiple connection usage of the above mentioned relationship was examined to test the above hypothesis. Similar to the previously tested hypothesis, multiple group path analysis was employed. For the analysis, subscribers were categorized into multiple connection

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users and non-users. In accordance with the parameter estimates, results of the nested group examination of path analysis indicate significant difference among these two groups, chi-square (1) = 3.987 p = 0.046. Therefore, the null hypothesis of no moderating effect of multiple connection usage on the relationship between positive switching barrier and customer loyalty was rejected as the significant level is less than 0.05. In addition, results indicate 0.00 level increases in parameters NFI, IFI, RFI and TLI while obtaining one model to another. Further, the multiple group analysis results indicate standard regression weights of 0.62 among multiple mobile connection users and standard regression weights of 0.58 among non-users (In both cases, relationships were statistically significant). This implies an increasing higher level of explanatory power with customer loyalty and perceived switching barriers based on their perceptions of main mobile connection when they use multiple connections. Results of this analysis are summarized below in Table 4.

Table 4: Regression weights of the relationship among switching barriers and loyalty based on subscriber's multiple connection usage

	Regression Weights				
	Unconstrained				Structural weights
	Estimate	S.E.	C.R.	P	Estimate
Multiple Sim User	.892	.114	7.800	***	.615
Non-User	.597	.087	6.836	***	.577

*** *absolute p value is less than 0.001*

Conclusions and implications

The primary purpose of this study was to investigate the relationship between switching barriers and customer loyalty in the mobile telecommunication. Further analysis was carried out to identify how relationship age and two most commonly known technological advancements, namely mVoIP application usage and multiple connection usage, moderate the above relationship in the Sri Lankan mobile telecommunication context.

According to the today's market trend, mobile firms need to have a healthy customer base to make future profits due to subscriber's acceptance of the internet based services than telephony. Therefore, retention

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of customers has become a crucial factor for mobile service providers. Switching barriers in the mobile telecommunications and customer loyalty are two main affecting factors which firms are mainly interested in this regard. According to the analysis, research model shows a fairly higher level of explanatory power with customer loyalty and the perceived switching barriers indicate customers' preference towards the service provider without concerning the presence of switching barriers. Thus, switching barriers can be further utilized to retain customers within the company for a longer period of time. Though locked-in scenarios make them feel like "trapped" due to the presence of switching barrier, interestingly, mobile subscribers are getting loyal when switching barriers are getting higher. That indicated that both parties are benefited even in the switching barriers presence customers locked-in market environment. Furthermore, this has further verified the Chang and Chen (2007) and Marzo-Navarro et al. (2004) findings. On the other hand, results of the moderating power of relationship age among customer and service provider has also provided further evidences to validate the above statement. It shows a much stronger bond among switching barrier and customer loyalty when the relationship age goes beyond over two years. Thus, relationship age is playing a key role even in today's market place though new technological advancements exists. Thus, from the service providers' point of view, customer retention strategies would help them to create a stronger, competitive customer base even in the future. Customers' attachment towards the mobile number and their contacts may be a reason for this market behavior. On the other hand, this market behavior is almost similar to the customer locked-in phenomenon which was discussed in the past. Customer locked-in strategy was also one of the successful strategies which were commonly used in continuous markets like mobile telecommunication in the recent past, and this findings direct the possibility of using them further to get more loyal subscribers to the firm even today.

However, it is believed that rapid technological advancements in the mobile telecommunication industry which are independent from service provider have the possibility to weaken this favorable environment for the service providers. Internet based voice calling facility and multiple connection access facility are two of these most commonly identifiable independent facilities in the mobile telecommunication industry.

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But the analysis indicate that these technological advancements do not largely effect the relationship between switching barrier and customer loyalty. In multiple connection usage perspective, there is a significant difference among the users of multiple connections and non-users, multiple connection users have slightly higher weight on this switching barrier - customer loyalty relationship. That indicates that even those subscribers using several mobile connections, their attachment towards the primary mobile connection is higher than others. They might connected with other service providers as it allows them to grab benefits offered by those companies. But their loyalty towards the primary connection is getting stronger with the relationship age. Therefore, switching barrier strategies targeted to firms' subscribers would be beneficial to the firm even in todays' competitive market.

From the mVoIP application usage perspective, a non-significant difference among these two groups behavior towards switching barrier and their loyalty has been identified. Though mVoIP application usage is believed to be weaken the relationship between switching barrier and customer loyalty, results indicate that the mVoIP application usage has not involved a significant change of the relationship. But, according to the sample results, 51% subscribers are using mVoIP facility to contact each other via the Internet. This indicates the expansion possibility of Internet based communication in the market. It gives an indication for the market change in the near future and this will be an issue when this market becomes saturated with internet based communications. Therefore, service providers have to focus on this since it has the possibility to create a favorable environment to weaken switching barrier impacts in the market.

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THE EFFECT OF ORGANIZATIONAL CULTURE ON EMPLOYEE'S CREATIVITY, THE MEDIATING ROLE OF EMPLOYEE'S COGNITIVE ABILITY

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Abstract
This study analyzed the impact of organizational culture values; power distance, individualism and masculinity on employee's creativity under the mediating role of employee's cognitive ability. The data was collected from banking sector of Pakistan and total respondents were 254. The results showed strong relationship between employee's creativity and organizational culture values. Employee's cognitive ability has positive impact on employee's creativity. This study revealed that individualism has higher relation with employee's creativity as compared to masculinity and power distance. However by the addition of mediator employee's cognitive ability, masculinity has more impact as compared to individualism and power distance. Individualism and employee's cognitive ability has more significant relation with employee's creativity but weaker relation between power distance, employee's cognitive ability and employee's creativity in banking sector of Pakistan. Limitations have also been discussed.

Keywords:
Power Distance, Individualism, Masculinity, Employee's Creativity, Employee's Cognitive Ability

Given increasingly turbulent environments, heightened competition, and unpredictable technological change, more and more managers are coming to realize that they should encourage their employees to be creative (Shalley & Gilson, 2004). Considerable evidence indicates that employee creativity can fundamentally contribute to organizational innovation, effectiveness, and survival. Employee's creativity

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is defined as the keystone of organizational change, starting point of innovation and a major key of effectiveness in organizing (Amabile, 1996; Woodman, Sawyer, &Griffin, 1993). Creativity is a very complex interaction between a person, and culture (Amabile, 1996; Woodman, Sawyer, & Griffin, 1993). Creativity is the initiation of novel and useful idea or solution (Amabile, 1996; Woodman, Sawyer, & Griffin, 1999).

From few decades, organization deals with managerial challenge such as coordinating business in a different organizational culture, it is necessary to recognize the influence of organizational culture on employee's creativity. We consider that the organization culture an appropriate concept to illustrate how much employee's creativity influenced by different human factor.

Organizational culture is very diverse and complicated to understand, due to much variation between country to country, land to land. Organizational culture develops by a process of different factors which influences the employee's cognitive state or mental state. We will further review the literature to find out the cultural diversification by time and in individual activities and organizational functioning. Organizational culture has dominant values and traditional norms, which creates the perception of organizational culture among employee's psychology and influence the effort of employees in creativity or novel work. Employee creativity directly depends on organizational environment. The organization culture definition is much more complex for understanding and learning, normally the most used definition is like the regenerate form of Taylor's concept portrait "that complex whole which includes knowledge, belief, art, morals, law, custom, and any other capabilities and habits acquired by man as a member of organization"

Hofstedes (1984) states the power distance as unequal distribution of power between superiors and subordinates. In high power distance organization culture there is a line between executive and subordinates and low power distance tend to have a flat organization system (Hofstede 1984) in high power distance there is a limited knowledge exchange that foster employee's creativity. In contrast, low power distance cultures the team shares information with each other. Williams (2005) and Shane (1993) making it possible to connect different creative ideas and thoughts, which can lead to unusual combinations and even revolutionary or unexpected breakthroughs. Williams and McQuire (2005) shows the negative relation of power distance with employee creativity. In individualism dimension exhibits that the people have a low level relation between individual and everyone, considered that their responsibilities for himself and their family (Hofstede, 2001). In collectivism people are tending for the group benefits more their interest, they loyal with each other (Hofstede, 2001). Individualistic cultures value freedom more than collectivistic cultures (Herbig and Dunphy, 1998; Waarts and van Everdingen, 2005).

Employee's cognitive ability is a process of individual ability of acquiring and processing the information

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(Ausburnt & Asburn, 1978). Messik (1976) defines employee's cognitive ability as individual attitude strategy that explores the individual approach of perceiving, remembering, thinking and solving problem. The employee's cognitive ability of team member high, then the acquiring of information, problem solving that increase organization creativity.

Review of literature

Power-Distance and Employee's Creativity

Centralized authority, rigid control systems, and close monitoring also characterize high power-distance cultures (Amabile, 1983; George & Zhou, 2001; Zhou, 2003), all of which decrease intrinsic motivation, thus inhibiting employee's creativity (Amabile, 1996). Hofstede (2005) defined power distance as the inequality of powers to which a less powerful member of society or organization expect and accept that power is unequally distributed within the organization culture. Different types of high power distance cultures based on bureaucratic system, centralized authority system, rigid control systems and close monitoring system; all of those systems are the main cause, which decreases intrinsic motivation and prevent the employee's creativity. According to the study of (George & Zhou, 2001; Zhou, 1998) trusted based control system based on raising their voices and hears the voices of everyone, which provides constructive feedback and foster psychology in organizational culture.

Shane (1992) clarified that in a high power distance culture the detailed or formal rules make tight control and that's why the employees has the barriers and restrictions on creative thinking. The Shane also explained that cognitive skills also affected by strict rules and pre-written decision by higher management. So, on the other side he supported the concept of a decentralized hierarchy system, in which the management and employee have strong relation and direct communication is more and more active. In further research the Shane (1993) showed with pragmatic evidence that power distance has an unconstructive effect on the number of trademarks per capita. Williams and McQuire (2005) established that power distance had a depressing effect on profitable creativity in a country. Employees in a low power distance organization mostly changed their creative ideas according to the formal procedure and spoil their original thoughts. Also in high power distance Organizational culture the employee's creative ideas, mostly rejected by higher management due to personal biases. In contrast, low power distance culture the employee raises their voices freely and present their ideas freely which may be much supportive of management in any creative procedure.

Power Distance and Employee's Cognitive Ability

Hofstede (2003) described that organization cultural foundation stands by four main dimensions, individualism and collectivism, femininity and masculinity, and uncertainty avoidance. These characteristics create a mental programming that makes difference from one group to another. Hofstede

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also argued that organizational cultural characteristics also are the main source of differentiation in national culture from one another. Hofstede mentioned organization cultural dimensions as a mean of mental programming and the development of employee's cognitive abilities. Mulder (1958) firstly used the whole concept of power distance and power imbalance in much detailed phenomena. Bruins & Wilke, (1993) study described the power distance as the inequality of power or imbalanced system of power between the most powerful individual of a society and less powerful individual of the same society.

Hypothesis1. **Employee's cognitive ability mediates the relationship between Power distance and employee's creativity.**

Individualism and Employee's Creativity

According to Brewer & Chen (2007), Markus & Kitayama (1991), individualism denote to "I" or self-construal, which means whole independence and in contrast collectivism as "WE" or intervenient self-construal or shows the dependency on other superiors. Collectivism is the system where a strong restricted system based on group where people have to answer the every deed he done before his superior (Hofstede & Hofstede, 2005). Individualism makes the unique and different concept of thinking from of others and non-conformity based thoughts which lead to employee's cognitive abilities exercise and make a path to employee's creativity. Individualistic culture promotes the independence the concept of "think out of the box" and great source of the inventing system (Goncalo & Staw, 2006; Shane, 1992). Individualism also creates roots to monitoring the environment and information collection system from different areas which facilitates the development of thoughts and support of employee's creativity.

Masakazu (1994) defined that in individualism, the individuals will be keener to compete with problem and more creative in their work. In his study, he gives the concept of modern individualism as individual's inner belief and independence nature which leads to competition.

According to the Redpath (1997) in America the people prefer to achieve their goals by competing and focus on individualistic culture. In native nations the individuals prefer to focus on the social and traditional norms not to be broken.

Individualism and Employee Cognitive Ability

Hofstede (2001), argued that collectivism includes the individuals who focused more on cultural values, norms and goals more than self-freedom and preferences are given to dependency on their groups in collectivist groups. On the other hand, his study showed the individualists as a self-driven much more free people of cultural values norms and these individualists have their own goals. These organization cultural differences gave birth to different cultural perspectives, which have the strongest impact on cooperative learning (another state of cognitive). Cooperative learning and cultural backgrounds, differences relation are also vast study to explore in research areas. Hofstede showed great relations among the organization

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cultural dimensions (Individualism and Collectivism) and cognitive ability skills (Cooperative learning). Triandis (1995) define these two dimensions of organizational culture by four different attributes; 1) The meaning of the Self, 2) the structure of goals; 3) behavior as a function of norms and attitudes; and 4) focus on the needs of the in-group or social exchange.

Nguyen, Terlouw, and Pilot (2005), defined the collectivism strong positive relation to the cooperative learning and mental programming (cognitive ability). The individualism societies are best fit of self-driven individuals. While explaining individuals in collective society, then, they will fail to identify what would be his responsibilities or what are would be group's activities. Wong (2004) explained by example of Chinese students, which are preferred to be spoon-fed by the teacher, have not much learning behavior (weak cognitive ability) while discovering for themselves. According to While Cooperative learning could be enhanced by the individualistic and collectivist cultural dimensions, so according to the (Johnson & Ward, 2001) cooperative learning is much supportive and helpful to increase the motor skill learning, which is another cognition factor.

Hypothesis2. **Employee's Cognitive ability mediates the relationship between individualism and employee's creativity.**

Masculinity and Employee's Creativity

Femininity cultures show soft sides of female, preferences are based on nonprofessional behaviors. A feminine culture based on the cooperation, modesty and caring for individuals of society (Hofstede, 2001). In masculinity culture the preferences are different than femininity, in this organization culture the individual achievement and assertiveness and making their own paths are the main preferences. Feminine cultures provide the characteristics of collectivism to some extent and preferred value equality, cooperation, collaboration and shared roles, while in contrast masculine culture value equity, competition, performance and clear separation or individualistic roles (Hofstede, 2001). Feminine culture promotes the compromised behavior while masculine cultures prefer competition. And competition is the true essence of employee's creativity.

Masculine culture concludes the different dominant aspects of individuals, like assertiveness, goal orientation, competitive nature and other masculine values. Masculine culture also supports the individualistic culture. The individualistic culture as it is based on much competition compare to collectivistic culture. On the other side, feminine culture based less competitive nature aspects, maturity, humility; forbearance and cohesion portray feminine activities. According to (Williams and McQuire, 2005), the masculinity and economic creativity is not much related to each other unless some influences have taken into knowledge. In contrast, the feminine culture emphases on the sympathetic atmosphere and individuals found more loyal to the organization. Less conflicts, trust, loyalty, harmony and emotional

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attachment to other colleges found in feminine culture. This feminine culture supports the employees to deal with the uncertainty of new ideas (Nakata and Sivakumar, 1996). Nakata and Sivakumar (1996) also exhibited the negative relationship between masculinity culture and employee creativity. Individuals are high on empathy and sympathy for their fellow workers and follow the traditional traits and norms, neglecting the base of novelty and emphases on relationships and personal ties (Schneider and Barsoux 1997, 80).

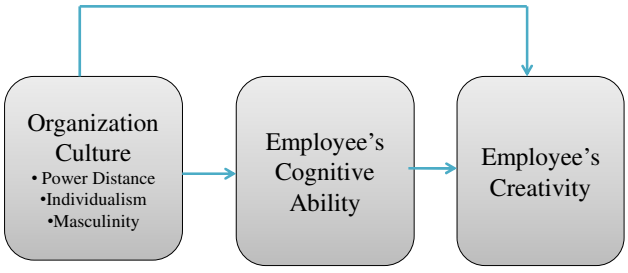
Masculaninty and Employee Cognitive Ability

According to the Hofstede (1980), the two different sexes of masculinity and femininity are based on biological association, differences of the existence, but in most of society, social roles that are attributed to men are imposed by different norms of organization culture. These dimensions of organizational culture based on the dominant attitude of sex role in the vast majority of both traditional and modern societies: that for example, male self-assurance or assertiveness and for female nurturance or artificial attitude. Meant to say that, Men are more self-assured, more practice needed and female acts like more conservative and snobbish (Hofstede, 1980).

The common concept is that men and women, besides their biological existence and physiology of behavior pattern also different. Studies show that both have great differences in an intellectual manner. The intellectual aspects of seeing a problem and sorting out solutions in different perspective founds in men and women. A lot of evidence suggests that men are more practical and more effective in leading role and also much better than women in guidance. For example, men tend to more efficient than women in the role of higher management and decision maker position because women have soft sides and more emotionally acts than professionals. Men founds more rational beings, that' why could handle more spatial tasks or intercepting projectiles (McKeever, 1986; Nyborg, 1988).

***Hypothesis 3*. Usage of employee's cognitive ability mediate the relationship between masculinity and employee' creativity.**

Figure 1



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METHOD

Sample and Procedures

A large sample size is a good, so 250 respondents were selected randomly for getting true responses. A questionnaire containing total 37 statements, covering subparts of culture, cognitive abilities and creativity was used. For covering the heterogeneity of population, random sampling technique was used to collect the data. Cronbach's (alpha) was applied to the instrument for checking the internal consistency of the instrument. The instrument was developed on a 5 point Likert scale. Multiple regression technique used to check the influence of employee cognitive ability as a mediator between the employee's creativity and organization cultural values. This study used both statistical techniques (descriptive and inferential), descriptive statistics was used for summarization of data while inferential statistics (multiple regressions) was used for investigation of cause and effect relationship between independent and dependent variable).
The independent variable, Culture was measured by the questionnaires taken from the study of Hofstede, (1984). This tool contains 16 items. These questions measured the effect of power distance, masculinity and collectivism. Questions of power distance are like, "Managers should make most decisions without consulting subordinates" and "It is frequently necessary for a manager to use authority and power when dealing with subordinates" while items for individualism was used "Group welfare is more important than individual rewards" and "Group success is more important than individual success". For masculinity measurement sample questions used, "Meetings are usually run more effectively when they are chaired by a man" and "It is more important for men to have a professional career than it is for women to have a professional career".

Employee creativity was measured by the tool taken from the Scott and Bruce (1994) having13 items and these items were checked for reliability by Cronbach's Alpha. The items were like "Suggests new ways to achieve goals or objectives" and "Comes up with new and practical ideas to improve Performance". The instrument tools of mediating variable employee's cognitive ability was taken from the article of Rosenberg (1964) which concludes 10 items based on mental variations of human nature to measure the effects of cognitive abilities on the dependent variable. Questions are like "I feel that I'm a person of worth, at least on an equal basis with others" and "I feel that I have a number of good qualities"

RESULTS

Descriptive Statistics and Correlation Table 5 of descriptive statistics shows the mean values and standard deviation of the variable used in our study. Mean values for the first dimension of Power Distance is ($\bar{x}$=3.81) and standard deviation of this variable is (σ=.47). Mean values for Second and third

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dimensions Individualism and Masculinity are ($\bar{x}$=3.74) and ($\bar{x}$=3.77) with having a standard deviation of (σ=.63) and (σ =.59). The standard deviation shows that the deviation of achieving targets from standard target. The mean value of the dependent variable (EC) is ($\bar{x}$=3.98) and standard deviation is (σ=.51). This table reflects that average response of Culture dimensions answer are centered around the mean value while it has a low standard deviation, which means that low ratio of responses were deviating from the standard. Dependent variable responses results are also lies near the center of standard. Meanwhile standard deviation (σ=.51) exhibits that very small extent of responses is deviating from standards. This table shows that study variables on average have low standard deviations.

Employee's cognitive ability use as a mediator in our study has also low standard deviation by numbers (σ=.48) and having a mean value of ($\bar{x}$=2.94) which means ($\bar{x}$=2.94) responses are located around the mean and employee's cognitive ability has a very low standard deviation less than 1, it means (σ.48) responses are deviating from the mean. This table shows on average that responses regarding variables have strong mean values and low standard deviations which show a strong statistical summary of data.
Correlation has shown a significant relationship between the study variable independent variables (PD, IND and MAS), mediating variable employee's cognitive ability and employee's creativity (dependent variable). The Pearson correlation value of dependent variable employee creativity showing relationship with cultural dimensions (PD=.54), (IND=.57) and (MAS.56). The entire cultural dimensions exhibit the positive and significant relation with employee creativity based on the standard of P<0.001. Whereas, the all dimensions show highly significant relation with creativity due to value is more than .50 and power distance also shows significant relation, but less than masculinity and individualism. The results of mediator relation with the ECA also have significant positive bonds with (EC=.41) in numbers. The correlation table shows that all variable goes parallel in direction. Suppose if one variable figure increases the other also increases, so the hypothesis of our study supported by this correlation table when the cultural factors induce in organization the ECA also rise and in results the EC shows significant positive results.

Figure 2

Correlations, Means and Standard Deviations of Study Variables

	Mean	SD	PD	IND	MAS	EC	ECA
PD	3.81	.47	-				
IND	3.74	.63	.64**	-			
MAS	3.77	.59	.40**	.47**	-		
EC	3.98	.51	.54**	.57**	.56**	-	
ECA	2.94	.48	.30**	.53**	.31**	.41**	-

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Note:

PD=Power distance

IND=Individualism

MAS=Masculinity

EC=Employee's Creativity

ECA=Employee's Cognitive Ability

**p < 0.001

Analyses

Figure 3 below shows the summary of results obtained from the SPSS outputs of regression analysis following the Baron and Kenny (1986) model. According to the Figure 3, the regression between PD and EC significantly related to each other also found the mediator role in this table output. The correlation of determination between PD and EC is (R^2=.29) while after adding the ECA it also raise to (R^2 =.36). This shows the presence of correlation between the dependent and independent variable are strong. Also the output shows the mediation effect by addition of ECA. In this figure the β value of Power distance shown by 0.58 which means by adding one unit of power distance the employee creativity increase to 0.58 unit. The significance level also find 0.00 which has significant impact. These results showed the significant acceptance of our study hypothesis H1.

The correlation found by R^2 the association between the variables. In the figure 3 the (R^2=.33) shows the correlation between IND and EC. So the variation in dependent variable is (R^2=33) percent. R^2 also increases after the use of ECA to the value of (R^2=.34) and the correlate to (R^2=34) percent. The variance of EC increases with the inclusion of mediator proves our study hypotheses. The coefficient of IND is (β=.47) statically acceptable but decrease little bit from the power distance coefficient value but also the co efficiency of ECA add (β=.40) in the results, cumulatively increase the coefficient level of IND effect on EC. IND enhances the individual's ECA and in result ECA raises the EC. These results showed a great significant acceptance of our study hypothesis H2.

The MAS culture associate the EC and (R^2=.32) which shows the correlation between MAS variable and EC is more significant than PD and less than IND relation with EC. Then by adding the ECA as mediator the association between variable increases to ($R^{2=}$.38) from ($R^{2=}$.32). That means the ECA and MAS cultural value variants the EC to (R^2=38) percent which is acceptable statically. In this table the MAS (β=.49) which means that (β=49) percent variation found in EC by adding of one unit of MAS variable (independent variable). This table supports our study objective that by addition of every unit (β) in the independent variables, the coefficient of dependent variable increases gradually. The result shows that MAS culture and ECA also have a positive effect on the EC. The results Sig Level also shown 0.00 highly significant.**Figure 3**

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	β	R^2	Sig
PD → EC	0.58	0.29	0.00
PD → ECA→ EC	0.50	0.36	0.00
IND → EC	0.47	0.33	0.00
IND→ ECA→ EC	0.40	0.34	0.00
MAS → EC	0.49	0.32	0.00
MAS → ECA → EC	0.42	0.38	0.00

DISCUSSION

The main study objective is to explore the relationship between the organization culture dimensions and employee creativity and also to measure the influence of employee's cognitive ability on both independent and dependent variable. Organization culture is varying from country to country; area to area that's why to understand the whole characteristics of organizational culture is the very unachievable target. But the literature on organizational culture provides the different evidences about the understanding of culture. This study conducted to understand the Pakistan's organizational culture in the banking sector and the effect of employee cognitive state. The employee's cognitive state plays mediating role in our study and influence the dependent variable employee creativity. This dissertation provides the evidences about the correction of alternative hypotheses of the study. The multiple regressions run to calculate the study hypotheses. These hypotheses show the importance of employee's cognitive ability in Pakistani organization culture and employee creativity. This learning will further support the researcher to understand the organizational culture dimensions and employee creativity relation. Though Hofstede (1990), work is much more supportive for the understanding of organizational culture dimension. This study presents how Organizational culture effects the employee's perception about the organization culture and in return employee's cognitive skills also affect the employee creativity.

This study is based on growing banking sector in Pakistan. The study is designed to measure the different aspects organization culture in Pakistan banks and the effects on employee's creativity in banks of Pakistan. The employee creativity is much needed in any organization as the breath for human being. So this study promotes the employee creativity and innovational mind set in banking sector to compete with other industry and business in Pakistan. Employee creativity of employees affected by the employees positive mindset, training and development of employee's importance also described in detail in literature to create the employees mind about the organizational support towards them. In results the employees attitude positively increased and employees found more attached to their work and trying to be part of organizational achievements and try to do something new for getting the employers attention

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and recognition among other coworkers. Employee creativity is the most important factor in banking sector growth.

So this study establish from beginning to end to experiment the hypothesis by inferential statistics (multiple regression) that all kinds of characteristics of organizational cultures dimensions and employees mental skills and also the employee creativity. The management plays important role to create employees cognitive abilities more positive to increase the creativity sense among employees by providing them different kinds of motivational rewards likewise; recognition, acknowledgement, bonuses, pay, appraise their performance to raise their creativity interest. Also management needs to allow the employees to some extent of decision making involvement to make them feel more recognized to get their best effort in organizational work. Employee's cognitive abilities have the great importance in our study. Employee's cognitive abilities plays vital role for employees to focus on the creativity or innovational tasks in organization to face any type of competition and achieve the competitive advantage in the market.

Limitations

Limitations of the study was minimization of time and lack of resource because for checking the relationship there is need of time to see the mediating effect of cognitive ability because cognitive ability went through slow procedure to affect the employee creativity. Further limitations or hurdle we faced to collect the data was to proper understanding of the cognitive ability amongst the employees about creativity. Due to organizational culture wideness and diversification from time to time and place to place, it's very difficult or unpredictable to cover the whole cultural characteristics from specific area.

CONCLUSION

It can be concluded from the results of this study that in the banking sector of Pakistan, the cognitive abilities have a great importance to focus for the creative or novelty environment. Cognitive ability in employees is the concern for the organizations because it raises the employee mental perception about to do something new or think differently. The main objective of this study is somehow fulfilled to measure effective role of organizational culture on the cognitive abilities of employees and employee creativity nature. The study proves that by providing the better organizational culture to employees, we can raise the employee cognitive skills and in return the employee creativity could also be promoted in well-organized manner. The results show that cultural dimensions exhibit the strong relationship with employee creativity in statistical and theoretical sense.

The study is based on the objective that employees could be more creative if the competitive culture is

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implemented in organizations. Multiple regression results showed that organization culture dimensions (power distance, collectivism and masculinity) and employee cognitive ability have a positive relation with employee's creativity. Inferential statistics result proved alternative hypotheses and rejected null hypotheses. So, it is concluded that organization culture is too much diversified and has great impact on employee cognitive ability and in return the cognitive abilities has great influence on the employee creativity. Organizational performance is a major important output for which any organization strive but this success can only be achieved through higher level of employee creativity. Further higher level of employee cognitive skills can also be achieved through improvement in training and development of employees and giving them roam to take decisions and act confidently.

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IMPACT OF OVERCONFIDENCE AND OPTIMISM ON INVESTMENT DECISION

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ABSTRACT

The aim of this research study was to examine the effect of overconfidence and optimism bias of the investors on investment decision. Data were collected in Islamabad Stock Exchange. Questionnaires were used in data collection, total number of distributed questionnaires were 300, in which only 156 questionnaires were returned, showing the response rate of 52 percent, by using Likert-scale. Two statistical tests were used in data analysis i.e.; (i) correlation and (ii) regression. After data analysis results shows significant relationships between overconfidence and investment decision and also between optimism and investment decision in this model.

Keyword: Overconfidence, optimism, investment decisions

INTRODUCTION

Investment is that activity in which people invest money for the purpose to get some extra money in future. The people invest or sacrifice today's money by the motive of getting return in future. According to Kahneman and Tversky, (1979) Prospect's theory states that investors made decision under uncertainty and the investors expects favorable returns. As these are future oriented activities and the future is uncertain, no one can know that what will happen in future. Capital asset pricing model shows relationship between risk and return and states that if someone takes high risk it also has a possibility of

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high return. In context of behavioral finance doing this activity the investor's decisions are effected by cognitive and emotional biases. These biases, which most of the investors may fall under and may affect their decisions are overconfidence and optimism.

According to Pompian, (2006: p52) overconfidence is that bias in which the investors over and under estimate their decisions. The investors are overconfident when they invest in the same stocks few times to get returns, then they overestimate the positive aspect of their decisions while under estimate the negative aspect. The overconfidence comes in a person when he overestimates his decision as compare to others and as a result expects positive outcomes (Malmendier & Tate, 2005). This bias arises due to psychological factors instead of the economic behavior of investors and takes place due to the cognition of an investor and also due to lot of information or lake of information about the market. In finance the investment decision need more experience and the awareness of investors about market, as those investors are more affected by overconfidence that have less experience about investment decisions (Kida, Kimberly, Moreno & Smith, 2010). The efficient market hypothesis states that investors are rational, but it does not assume irrationality. The change in overconfidence of investor's comes due to variation of stock prices (Dittrich, Güth & Maciejovsky, 2005). According to the jiangouxu, (2012) when the prices of the stock increases then the investor who are overconfident purchases and when the price of stock decreases then the less overconfident investors keeps the stocks, thus investing behaviors appear to be related to market conditions.

Optimism is that bias in which investors are taking risks and assumes the future favorable, successful and ignores failures. The investors are affected by their optimistic behavior as they are taking risks and thinking that their decisions are right (Felton, Gibson & Sanbonmatsu, 2003). They are motivated in investment decisions by their positive thinking about future they believe that their investment will give positive outcome (Schmitt, Michael, Zacher & Klemann, 2013). As a result of future oriented actions the investors underestimate risk and taking more risky actions that they will achieve success (Simon & Houghton, 2003). They are emotional about the future in making their decisions for getting successful results. Felton, Gibson and Sanbonmatsu, 2003) states that the investors who are taking high risk, have

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also the possibility of greater outcomes.

Yates, Lee and Bush, (1997), states that the people of Asian societies are more affected by behavioral biases than western. As in our context there is collective society and Hofstede, (1980) says that individuals of collective-oriented societies are overconfident, which is a behavioral bias. Now the objectives of this study are;

(1) To examine that the investors in Pakistan are overconfident or not.

(2) To examine whether the investors are optimistic or not.

Keeping the importance of human psychology in view this research study investigates the impact of overconfidence and optimism bias on investment decisions. As this study take investors overconfidence and optimism to see Pakistani stock market's investing decisions. This study will provide an insight into rationality of Pakistani investor. The findings can be used by investors to make investment decisions at right. Moreover it is useful in understanding market behavior. This can provide valuable information for financial advisers, educating clients and for asset managers developing trading strategies.

LITERATURE REVIEW

Relationship between Overconfidence and Investment Decision

Researchers have found that the overconfidence influences the process of decision making of individuals. In field of psychology the finding of research is that most of the people make their decisions due to their overconfidence (De bondt & Thaler, 1995). The overconfidence in CEOs leads to merger creation (Malmendier & Tate, 2005). The overconfidence arises in investors due to over placement, over precision and overestimation of their abilities (Barber & Odeon, 2000). When investors considers themselves more skillful as compare to others in investment domain are become overconfident and do excessive investments (Odean, 1998). The studies illustrates that investors are overconfident when they overestimates their abilities and ignores the risk factor (Johnson, 2004). Knight, Durham and Locke, (2001) states that the people who think that they are better decision makers, are overconfident and takes

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high risks. As risk is uncertainty and uncertainty is probability but all the risks are not uncertainties.

According to Townsends, Busenitz and Arthur, (2010) investors are overconfident due to their beliefs about themselves and perceives that they are better investors. The overconfident investors are emotional and the decisions taken in emotional state may results in positive outcomes (Seo& Barrett, 2007). If the market will stable then the investors will be confident and they will invest easily, as the investors receives information about the market by the prices of stocks (Peng & Xiong, 2006), and if the company's image will good in market then the investors invest excessively in that company (Ackert & Church, 2010). If the investors do investments in excess then this may results in mispricing of securities (Ko & Huang, 2007), but the lake of information about stock prices may lead to mistakes in investments (Berg & Lein, 2005).

Kirchler and Maciejovsky, (2002) states that overconfidence comes in an investor due to experience. When the overconfident investors will experienced then they set the estimates and according to that estimates they make decisions, they rely on their own estimates instead of others about their investments (Hilary & Hsu, 2001). The investors overreact to private information and under react to public information (Chuang & Lee, 2006). When the market performance will better then the investors will make better investment decisions. Furthermore the market performance may also be affected by the investor's sentiments and their performance (Brown & Cliff, 2005). The finding of Seo and Barrett, (2007) that the investment decisions made by overconfident people results positive.

Deaves, Luder and Schroder, (2010) states that overconfidence compels the investors in investments and when it comes in investor then its de-biasness is difficult. The investors overestimate their skills; knowledge and decision power as compare to other investors and thus are become overconfident (Cameror & lovallo, 1999). Overconfidence pulls the investors sometimes in a perception that they are powerful and can do everything (Fast, Sivanathan, Mayar & Galinsky, 2011) and the knowledge they have tends to persuade in investment (Graham, Campbell & Harvey, 2009). The study of Gruber, (1996) found that investors predict about future on past performance, but sometimes relying on past may lead to loss (Chan, Frankel & Kothari, 2004). The benefit of overconfidence is that the overconfident investors invests aggressively and may have the possibility of return (Daniel, Birshlifier & Subrahmanyan, 1998).

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Hypothesis 1: Investors are overconfident, so overconfidence is positive related to investment decisions.

Relationship between Optimism and Investment Decision:

The optimism comes in person when he underrates the negative happenings and will always in hope of favorable outcomes (Lipkus, Martz, Panter, Drigotas & Feagane, 1993). The people are optimistic when they have up to some extent familiarity to the situation and the outcome of their decision taken in presence of risk (Bracha, Brown, 2012). Weinstein, (1980) conducted a study on optimistic people and concluded that they believe that they can draw positive results from their investment as compare to their peers. As the investment decision taken by investors are related to future, so there exists uncertainty, then it will contain risk and the full avoidance of this risk is difficult once the decision is made (Heiner, 1983). If the investors receive return which they expect then they will be optimistic in future of that company's stocks but if their expectation were not meet then they will not invest next time in that company (Magnuson, 2011).

Lee, O brien and Sivaramakrishnan, (2008) states that if the investors have knowledge and experience on investment then the prediction will be easy for them and also will make correct predictions. Sometimes analysts predicts the future of company that may or may not be correct, the investors should keep in mind to take good decision because their main goal is profit maximization and these forecasts may not be correct all times (Qian, 2009). The analysts are optimistic in making these forecasts (Cowen, Groysberg & Healy, 2006).These prediction are made by analysts on the basis of earning of stocks (Victoravich, 2010). Lerner and Keltner, (2001) states that optimism comes in investor due to emotion that influences them and persuades to take decision.

As it is related to life satisfaction so the individual should to make such a decision that will fulfill the expectations of them (Bailey, Eng, Frisch & Snyder, 2007). As the career related planning and their exploration is related to optimism, individual makes decisions for favorable future (Creed, Wendypatton & Deebartrum, 2002). The optimistic people believe that situation will turn in their favor and will bring positive outcomes, so they are motivated by this motive, and they turn out of risk and takes decisions (Pulford, 2009). Hmieleski and Baron, (2009) has find negative relationship between the investors

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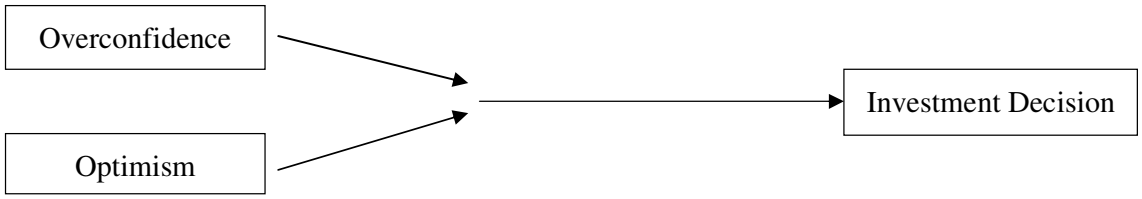
investments in new projects and their performance. The investors are motivated towards investment in stocks of the companies by the belief that it will give favorable return (Aspara & Tikkanen, 2011), this mean that the investments are made in accordance to expected return. If the people have little control on their emotions, may have to take good decisions (Klein & Larsen, 2010).

Hypothesis 2: Investment decisions of optimistic investors in stocks have positively relationship.

Theoretical Framework



RESEARCH METHODOLOGY

Instrumentation

The data were collected through questionnaires. The total distributed questionnaires were 300 and only 156 questionnaires were returned, of which the response rate was 52 percent. Likert-scale of five points was made, in which 1 was representing strongly disagrees and 5 representing strongly agree.

Measures

The measures for optimism, overconfidence were adopted for this research work.

Overconfidence. The overconfidence scale was adopted from Zaidi and Tauni (2012). It was consist of five questions and the Cronbach's Alpha was 0.702.

Optimism. The optimism was measured through scale adopted from Mishra, Shiv and Nayakankuppam (2007). The scale was consisting of ten questions, for purpose of increasing its reliability two questions were deleted. The Cronbach's Alpha was then improved and reached to 0.82.

Investment decision. The questionnaire was structured from an interview of Sahi, Arora and Dhameja (2013), that questions were put in questionnaire. Some questions were deleted that were not related to the present study and also for reaching the Cronbach's Alpha to 0.7 and then it was 0.755.

RESULTS

In this section we present the results that we have obtained from our data using SPSS. Initially we talk about the demographics of our collected data and then move towards correlation and regression.

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Sample and Procedure

The data for this study were collected from investors of Islamabad Stock Exchange of Pakistan. The sample include, 83.3% (n = 130) males and 16.7% (n = 26) females. Sample was a reasonable blend of different age groups as 50% (n = 78) were under 18-25 years old, 28.2% (n = 44) were between the age of 26-33 years, 21.6% (n = 34) were between the age of 34-41 years and 2.6% (n = 4). The sample included participants with average qualifications as 3.8% (n = 6) holding Bachelor degrees, 44.2% (n = 69) holding Master degrees, 45.5% (n = 71) holding MS or M.Phil degrees and only 6.4% (n = 10) having PhD degrees as shown in table 1.

TABLE 1

Demographic Characteristics

Category		Frequency	Percentage
Gender	Male	130	83.3
	Female	26	16.7
Age	18-25	78	50
	26-33	44	28.2
	34-41	30	19.2
Qualification	Bachelor	6	3.8
	Master	69	44.2
	MS/Mphil	71	45.5
	PhD	10	6.4

Correlation

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This study is carried out to know the impact of over confidence and optimism on the investment decision, and also to know that how much these variables are correlated with each other, the correlation results shows the correlation between the variables, in the table 2 the double steric ** shows that the variables are highly significant and correlated at level of 0.05 level. At significant level of (0.193*) the optimism is negatively correlated with investment decision. The overconfidence is highly correlated with investment decision at (0.469**).

TABLE 2

Correlation Analysis

	Predictors	1	2	3	4
1	Investment decision	1	1		
2	Optimism	-0.193*	-0.009	1	
3	Overconfidence	0.469**	0.04	0.049	1

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

Regression Analysis

The main objective of this study is to find out the impact of overconfidence and optimism on investment decision, in the regression table it is clear that independent variable (overconfidence) is statistically significant (with p-value 0.000) in its association with the dependent variable, the corresponding beta value of the variable is 0.525, that depicts that one unit change in overconfidence will bring 0.525 unit change in dependent variable. Similarly second independent variable (optimism) is also statistically significant (with p-value 0.016), the corresponding beta value is -0.193, and its association is negative.

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The value of R-square shows that how much the independent variables explain the dependent variable, table.3 shows that 25% changes in dependent variable, i-e investment decision is explained by independent variables overconfidence and optimism, and the remaining variation is due to some other variables.

TABLE 3

Regression Analysis for Outcomes

	Investment decision				
	Beta	R^2	ΔR^2	T	Sig
Step 1					
Control Variables		0.036			
Step 2					
Overconfidence	0.525	0.247	0.212	6.514	0.000**
Optimism	-0.193			-2.24	0.016*

N = 156; control variables were age, Gender, and Qualification.

DISCUSSION

Psychological biases are considered as causing irregularities in the investor's decisions. Researchers in behavioral finance have provided evidences that psychological biases are affecting the investment decisions. Certain studies exist that favor the positive role of several psychological biases. This paper is also an attempt to find out if there are any positive impacts of behavioral biases such as overconfidence, optimism bias on investment decision.

In this paper a model is developed of investor susceptible to overconfidence, optimism on investment decisions. The results from analysis as discussed in the data analysis section leads to accepting the hypothesis 1: that overconfidence bias has positive impact on investment decision, as Seo and Barrett, (2007) also states that overconfidence have positive impact on investment decisions. The reasons behind

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these results are that investors to overconfidence biases devote most of their time and money in collecting a wide range of information. The investors are overconfident due to information and experience. Also such investors are found to be more active as compared to others.

This study concludes that optimism bias is positively associated with investment decisions and accepting hypothesis 2. In optimism investors ignores risk, as capital asset pricing model states that the higher the risk the higher will be the return. The optimistic investors predict about future on the basis of their experience instead of past performance of stock, as according to (Klein & Larsen, 2010), to invest on the basis of past performance of stock the results may vary as in light of expectations and on the other hand the experience may results in positive outcome like these results.

LIMITATIONS

This study may suffer from a limitation that the sample size it considered is small and also this were conducted in Islamabad Stock Exchange where which may affect the reliability of its results, in other market it may have different results. For future researchers it is suggested to use a large sample size in order to get generalization for the results.

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AN ANALYTICAL STUDY OF INDIAN AUTOMOBILE INDUSTRY: OCCUPATIONAL STRESS AND LEADERSHIP STYLES

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Abstract

Current study aims to identify the factors which cause occupational stress among blue collar employees of the Indian automobile industry. Stress has become a part of our fast running life. Stress not only affects the mental health but has also become a reason for many critical diseases like, cancer, obesity, heart attack etc. Stress is caused from both personal and professional environment. People spends more than 1/3rd of their time at their work places, therefore occupational stress is getting attention to be studied by the researchers. The stress among blue collar employees can directly affect the production capacity of the company which can lead to declining trend of revenues to the company. Thus keeping in view the importance of studying occupational stress this study has been done. The current study has highlighted the factors which need to be improved for minimizing the occupational stress among blue collar employees. An attempt has been made through current study to determine the relationship between occupational stress and leadership styles. The best leadership style has been identified during the study that can lead to decrease in the occupational stress among blue collar employees.

Keywords: Occupational Stress, Indian Automobile industries, Leadership, Demographic Variables, Job Authority, Growth and career prospects, Blue Collar Employees, Working Environment.

1. Introduction

The term "stress", was first given by Hans Selye in 1936, who defined it as "the non-specific response of the body to any demand for change". Stress is mainly related to the response of our body to any kind of demand. It can be caused by both good and bad experiences. In a medical or biological context stress is a physical, mental, or emotional factor that causes bodily or mental tension (Palmer, et al., 2003). Stress can be caused due to the external environment like family environment, work environment, social environment or internal issues like illness, or from a medical process. Occupational stress can be defined as the adverse psychological and physical reactions that occur in an individual as a result of their being unable to cope with the demands being made on them, (Omolara, 2008). Stress that happens due to a

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person's employment is termed occupational stress. The job stress or occupational stress is used interchangeably (Dollard, 2003). Keeping in view all the above definitions, for the purpose of this study, occupational stress is defined as the harmful emotional (that is anxiety and depression), physical (that is insomnia, headaches, and infections), and behavioral responses (that is job dissatisfaction, low commitment and poor work performance) that occurs when work necessities do not match the capabilities, possessions and needs of the worker (Zahir, 2009).

Occupational stress prevails almost in every sector of the economy, whether it is service sector, agriculture sector or industrial sector. In industrial sector, it is becoming a highly noticeable issue now days. In automobile industries, blue collar employees are that part of human resource of a company which is considered the most valuable assets of any company as it is the man (human resource) who gives movement to other three M's of the company which are; material, machine and money. Blue collar employees are directly related to the production process. Blue-collar employees are the bases of each and every manufacturing organization across the world. If treated well, blue-collar employees can prove to be a competitive advantage for a firm as the productivity of the workforce determines the success of an organization. This group is more prone to stress as they are less educated, work in strenuous conditions and belongs to lower income group. Thus it becomes more important for the organization to give more attention in dealing any work related stress of blue collar employees. Occupational stress may be caused due to many reasons. Some of the causes of occupational stress among blue collar employees can be; poor working conditions, work overload, poor leadership, poor interpersonal relationships, role ambiguity, lack of career growth and development opportunities and many more (Zahir, 2009, Cooper et al., 2001). Occupational stress can directly affect the performance of the employees, which leads to decrease in the overall production level of the organization. Less production will lead to fewer profits to the company and can even create a negative image of the company in the market. Thus ultimately it's the organization that will bear the consequences of increased level of stress among its employees in the form of high labour turnover, low group-morale, output and poor labour-relations (Ivancevich & Matteson, 1980). Not only, to the organization, but occupational stress also harmful for the health of the employees Kyriacou (1989). Northwestern National Life (1991) found that 25% of employees report that their job is the number one stressor in their lives. Work stress is linked to health issues more strongly than any other life stressor, including family issues and financial problems (The St. Paul Fire and Marine Insurance Company, 1992). Living with this stress will take a toll on the employee which in turn will take a toll on the organization through increased burnout, decreased engagement, decreased productivity, decreased retention and decreased participation (Bryner, 2006; Weaver, 2003). Thus, it is the most important thing for any organization to identify the causes of occupational stress among its employees and to minimize the level of occupational stress. Minimizing occupational stress could be a productive endeavour for organizations. In addition, by identifying some of the factors of occupational stress such as conflict, ambiguity and overload can help the organizations' to better identify when stress is present. Reducing these stress levels through increased engagement will increase productivity and retention of key personnel through the reduction of occupational stress (Caponetti, 2012).

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Though there are many reasons for increased level of occupational stress among blue collar employees, as they are more prone to stress because of their socio-economic background & the workplace environment; but the most important reason which is highlighted by many researchers is a leadership style prevailing in the organizations. (Kurt Lewin, 1939) Leadership style can be broadly divide into three categories such as; authoritarian style (in which leader makes decision without consulting with its team members), participative style (leaders keeps the final decision making authority with them, but they include team members in the decision-making) and delegative style (this style of leadership do not form any control mechanism on his/her group members). Researchers have found positive and significant relationship between leadership styles and level of occupational stress among blue collar employees. Workers operating under supervisor having autocratic approach experience high level of job stress than workers working under a democratic leadership style (Omolara, 2008). Thus identifying the factors in an organization which may lead to occupational stress among blue collar employees is important for both the organization (in terms of production level) and employees (physical and mental health).

2. Review Literature

Amir, Shani and Abraham, Pizam (2009) and Costa et al. (2009) have concluded in their study that work characteristics have a great influence over the occupational stress among hotel employees. Viljoen, J.P., and Rothmann, S. (2009), have found in their study that work overload, control, job aspects, work-life balance and pay are the main factor which causes occupational stress. The study also confirmed the negative effect of occupational stress over physical and psychological health. J.E. Agolla (2009) has also found that job related factors and occupational stress are positively related to each other among police officers. Connolly et al. (2009) have also found that occupational stress affects the mental well-being of a person negatively and also affects the job satisfaction. The researcher also found that working conditions cause occupational stress among employees. Chen et al. (2009) have also found that organizational structure have a direct effect over the occupational stress. Jackson and Rothmann (2006) also concluded in their study that occupational stress causes ill health. Organizational commitment has a direct influence over the occupational stress. Researchers have also found that leadership styles are also responsible for the occupational stress among employees. Todd A. Ryska (2002) has conducted a study to examine the relation between leadership styles and occupational stress among college athletic directors. The study has concluded that leadership styles have an effect over the emotional exhaustion which leads to job stress and thus also effects the goal accomplishment. Rivera et al. (2014) have analyzed the relationship between leadership styles of the supervisors and burnout in the subordinates. It has been found from the study that leadership has a significant positive relationship with personal achievement and is negatively related with emotional exhaustion and thus lead to burnout. The study also found that there is a positive relationship between passive style of leadership and emotional exhaustion. Hand, Lynette (2010), have done a study to find out the relation between leadership styles and the stress in the Catholic education system. The study concluded that leadership styles positively related to the capacity to

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cop up from stress and study also found that the gender differences doesn't affect the stress level of an individual. De Nobile & McCormick (2007), also favored the statement that there is an association between stress and leadership styles. Grimm (2008) and Hui & Cheng (2006) have found that the leadership styles define the stress level of the workers in an organization.

Keeping in view the harmful effects of increased level of occupational stress and importance of identifying the factors which lead to occupational stress, an attempt has been made through current study to measure the level of occupational stress and factors responsible for the occupational stress among blue collar employees, particularly in Indian automobile industries. The study also aims to examine the relationship between three leadership styles and occupational stress.

3. Objectives

The main objectives of the study are as follows:

1. To identify the factors that causes occupational stress among blue collar employees in Indian automobile industries.
2. To measure the relationship between occupational stress and leadership styles.
3. To measure the difference in the level of occupational stress due to different demographic variables of the employees.

4. Research Methodology

The current study has been conducted for the blue collar employees working in the Automobile companies of Haryana, Punjab, Rajasthan, Uttar Pradesh and Uttarakhand. The study uses both the secondary and primary data. Secondary data has been used to make a list of automobile companies working in Haryana, Punjab, Rajasthan, Uttar Pradesh and Uttarakhand . Total number of automobile manufacturer in the selected area was 25 out of those we have selected 10 companies randomly. The list of selected companies for the study has been given in appendix 1 in detail. From each company 75 blue collar employees has been taken for the survey, thus forming a sample size of 750 blue collar employees from 10 automobile companies. The employees have been directly contacted in face to face for the purpose of collection of primary data. For the purpose of the checking the reliability of the responses given by the employees, the actual working place of the workers has been visited for collecting more information about their working conditions, environment, the problems faced by the employees during their work. The data has been collected during a period of eight months from November 2014 to June 2015. For the purpose of collecting the data for primary study, two research instruments were needed, one for collecting the information about the occupational stress and second research instruments for collecting the data about the leadership styles prevailing in the company. First research instruments to collect the measure the level of occupational stress among blue collar employees working in the automobile companies, has been developed using 17 statements, on the basis of review of literature. The instrument has been first tested by doing pilot study, the value of Cronbach alpha came 0.982 during pilot study thus the same questionnaire was used for the final study keeping in view the high score of reliability and

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validity of the instrument. All the statements were based on Likert's five point scale from strongly agree to strongly disagree. The mean value of all the 17 statements used in the questionnaire has been taken as the value of occupational stress for the purpose of analysing the data further. Total five categories of the occupational stress has been made such as, very low, low, average, high and very high level of occupational stress. Chi square test has been done using these five categories of occupational stress. In order to identify the leadership styles prevailing in the companies, the research instrument developed by Clark Don in 1998 for measuring the leadership styles has been used, which consists 30 statements. The responses of the respondents were recorded using five point scale given by Likert, from strongly agree to strongly disagree. The demographic data of the employees has also been collected through primary survey such as, age, gender, dependent members in family, annual salary, family type, marital status and education. The questionnaire has been coded in Hindi and English language both, keeping in view the level of education of the employees. Data has been analysed using SPSS 20.0.

4. Data Analysis and Interpretations

The first objective of the study is to identify the factors which cause occupational stress among blue collar employees in Indian Automobile industries. Factor analysis using Principal Component Analysis has been used in the study. The results of the factor analysis in detail are as follows:

Table1: Results of Cronbach Alpha and KMO Test

Reliability Statistics		
Cronbach's Alpha		No. of Items
0.8967		17
KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.795
Bartlett's Test of Sphericity	Approx. Chi-Square	117.640*

*1 per cent significance level.

Interpretation: From the table 1, it can be in seen that the value of Cronbach alpha is 0.8967, which is acceptable value as it is above 0.7 and thus the questionnaire is reliable and valid. The value of KMO is also above 0.7, which is acceptable value (Kaiser, 1960) and the value of Bartlett is also significant at 1 per cent level of significance. Thus the questionnaire is further used for the factor analysis. Total five factors has been extracted using factor analysis. All the five factors and their factor loadings with statements have been shown in the table 2 in detail.

Table 2: Factor Derived Using Varimax Rotation (PCA) Method with Factor Loadings

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Factor 1 (Cronbach Alpha=0.834)	Factor 2 (Cronbach Alpha=0.901)	Factor 3 (Cronbach Alpha=0.868)	Factor 4 (Cronbach Alpha=0.849)	Factor 5 (Cronbach Alpha=0.923)
Poor working conditions (0.830)	Job overload (0.792)	Conflict with supervisor (0.742)	Lack of Training (0. 715)	Lack of Participation in decision making (0.735)
Lack of Equipment/Tools needed (0.739)	Job Ambiguity (0.711)	Lack of support from supervisor (0.623)	Lack of growth & advancement opportunities (0.543)	Lack of control over the pace of work (0.693)
Excessive workload (0.702)	Mismatch between job requirements and employees' skills and education (0.637)	Poor peer relations (0.567)	Lack of career development opportunities (0.498)	Pint-sized authority or Powerlessness (0.652)
Poorly Shift system (0.689)	Mismatch between job demand & pressure and employees' knowledge & abilities (0.538)			

Interpretation: The factors have been extracted using Varimax rotation method (PCA). The five factors whose eigenvalues was greater than 1 have been retained as per the Kaiser criterion (Kaiser, 1960). The above five factors accounts total 89 per cent of variability in the original variable. The Cronbach alpha for each factor has also been calculated and found to be above 0.7 for each of the five factors. The 17 statements used in the questionnaire have been shown under the five factors along with their factor loadings given in the brackets. The statements whose factors loadings were found above 0.40 have been taken only. First factor i.e. Working Environment consists four statements all are related to the working conditions of the employees. The second factor i.e. Job Aspects consists four statements all are related to the job features, job requirements, and education skill training of the employees. Third factor i.e. Interpersonal Relations consists three statements related to the relation of an employee with his supervisor, co-workers and peer relations. Fourth factor i.e. Career and Growth Prospects consist three statements related to the training opportunities, career development, and growth & advancements opportunities. Fifth factor i.e. Job Authority consists statements related to the authority for doing job, participation in decision making and lack of control over the work.

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Multiple regression analysis has been conducted to measure the contribution of each of the above five factors in the occupational stress. The results have been shown in table 3 in detail.

Table 3: Determinants of occupational stress among blue collar employees

Independent Variables	Dependent Variable: Occupational Stress		
	Beta	t-value	Sig
Work Environment (Factor 1)	0.723	41.919	.001*
Job Aspects (Factor 2)	0.658	39.440	.002*
Interpersonal Relations (Factor 3)	0.532	39.412	.001*
Career and Growth Prospects (Factor 4)	0.466	26.359	.002*
Job Authority (Factor 5)	0.459	25.607	.000*
Multiple R = 0.863, R Square = 0.795			
ANOVA RESULTS: (F-Test = 113.635, significant level is 1 per cent)			

*1 per cent significance level.

Interpretation: It can be interpreted from the table 3 that Work environment is the most important factor, followed by Job aspects factor which affects the level of occupational stress among blue collar employees who are working in automobile industries in India. It can also be seen from the multiple regression analysis that job authority is the least affecting factor to occupational stress. All the five factors have been positively and significantly related with the occupational stress. Value of r square is found to be 0.795 which shows that these five factors causes variation in the occupational stress around 79 per cent while the rest of 21 per cent of variation in the occupational stress can be assigned to other factors. The model which was developed on the basis of the findings of the factor analysis and multiple regression analysis is given below.

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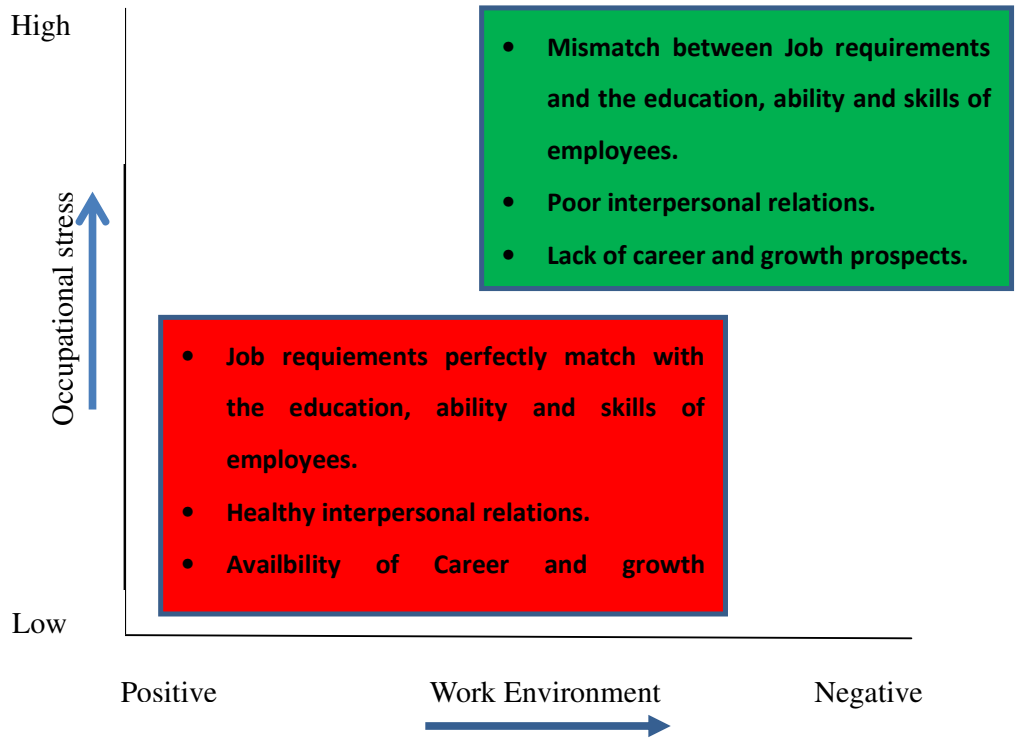
Figure 1: Model for occupational stress developed on the basis of analysis



Interpretation: It can be interpreted from the above model of occu that occupational stress will be low when work environment will be positive and vice versa. When work environment will be positive, Job requirements perfectly match with the education, ability and skills of employees, Healthy interpersonal relations, Career & growth prospects are available, and employees have Job related authority then level of occupational stress among employees will be low. However; negative work environment, Mismatch between Job requirements and the education, ability and skills of employees, Poor interpersonal relations, Lack of career and growth prospects, Lack of Job related authority; all leads to the high level of occupational stress among blue collar employees.

Second objective of the study is to measure the relationship between occupational stress and leadership styles.

Null Hypothesis 1 (H_{01}): There is no relationship between Occupational stress and Leadership styles.

Chi square test has been used to measure the relationship between occupational stress and leadership styles. Table 4 and 5 shows the cross tabulation of occupational stress and the leadership styles along with the chi square value.

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Table 4: Cross tabulation of Occupational stress and leadership styles

Leadership Styles ↓	Occupational Stress →	Very Low	Low	Average	High	Very High	Total
Authoritarian	Count	11	30	39	138	127	345
	% within Leadership Styles	3.2	8.7	11.3	40.0	36.8	100.0
Participative	Count	34	47	45	56	34	216
	% within Leadership Styles	15.7	21.8	20.8	25.9	15.7	100.0
Delegative	Count	51	66	18	28	26	189
	% within Leadership Styles	27.0	34.9	9.5	14.8	13.8	100.0
Total	Count	96	143	102	222	187	750
	% within Leadership Styles	12.8	19.1	13.6	29.6	24.9	100.0

Table 5: Results of the Chi-square test

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	35.689	8	0.002
Likelihood Ratio	31.724	8	0.001

Interpretation: It can be interpreted from the table 4 that highest number of respondents with very and high level of occupational stress has been those whose leader follows the authoritarian styles of leadership. The respondents for whom lowest level of occupational stress has been measured whose leader follows the delegative style of leadership. However, the moderate level of stress has been recorded for the employees who are under participative style of leadership. Table 5 indicates that there is a significant difference between occupational stress among employees and the leadership styles prevailing in the company. The value of chi square is found to be significant at 1 per cent level of significance thus leads to the rejection of the null hypothesis which states that there is no relationship between occupational stress and leadership styles. Thus overall it can be interpret from the analysis that different types of leadership styles affects the level of occupational stress among the blue collar employees of the Indian automobile industry. Below graph 1 shows the level of occupational stress on the basis of three different types of leadership styles.

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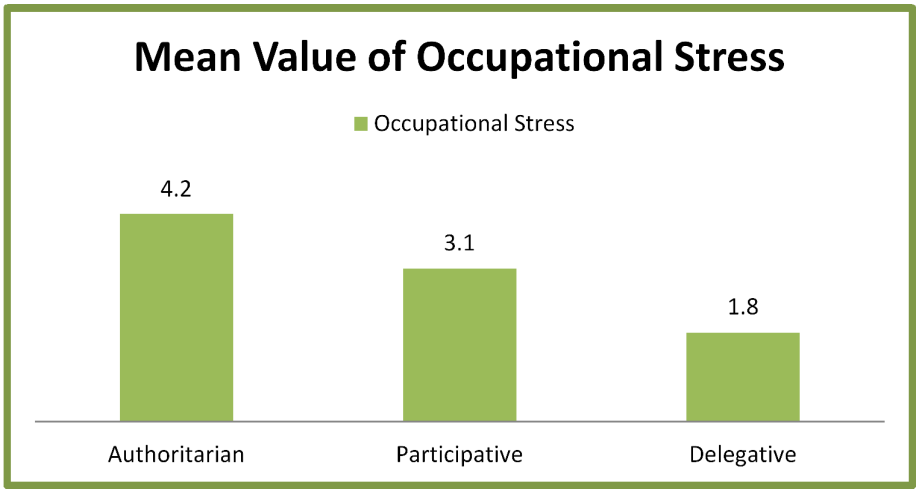

Graph 1

Interpretation: Graph 1 show that the mean value of occupational stress is high among blue collar employees under authoritarian styles of leadership, while the mean value is lowest in the employees who are under delegative style of leadership. The employees under participative leadership style have moderate level of occupational stress.

Third objective of the study is to determine the relationship between occupational stress and demographic variables of the employees. The study aims to examine whether there is a significant difference in the level of occupational stress of employees due to different demographic profile or not.

Following hypothesis has been formulated and tested using chi square test.

Null Hypothesis 2 (H_{02}): There is no relationship between age and occupational stress.

Null Hypothesis 3 (H_{03}): There is no relationship between gender and occupational stress.

Null Hypothesis 4 (H_{04}): There is no relationship between marital status and occupational stress.

Null Hypothesis 5 (H_{05}): There is no relationship between family type and occupational stress.

Null Hypothesis 6 (H_{06}): There is no relationship between number of dependents and occupational stress.

Null Hypothesis 7 (H_{07}): There is no relationship between education and occupational stress.

Null Hypothesis 8 (H_{8}): There is no relationship between earnings and occupational stress.

Table 6: Results of Chi square Test

Demographic Variables	Chi-Square Value	Df	p-value	Acceptance/Rejection of Null Hypothesis
Age*Occupational Stress	42.682	16	0.000*	$H_{(02)}$ - Rejected
Gender*Occupational Stress	5.369	4	1.105 (NS)	$H_{(03)}$ - Accepted
Marital Status*Occupational Stress	35.246	8	0.003*	$H_{(04)}$ - Rejected
Family Type*Occupational Stress	18.943	4	0.001*	$H_{(05)}$ - Rejected
Number of dependents* Occupational	39.589	12	0.003*	$H_{(06)}$ - Rejected

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Stress				
Education* Occupational Stress	58.573	20	0.000*	$H_{(07)}$ - Rejected
Earnings*Occupational Stress	52.182	16	0.002*	$H_{(08)}$ - Rejected

* 1 per cent level of significance.

NS = Not Significant.

Interpretation: The Chi square value of Age and occupational stress has found to be significant at 1 per cent of significance, leads to the rejection of the null hypothesis which states that there is no relationship between age and the occupational stress. There is a significant difference in the level of occupational stress of blue collar employees who belongs to different age group. Emotional maturity of the different age people increases with the age, thus the ability to handle the work stress also different among employees of different age group. This can be the main reason for difference in the occupational stress of different age group of employees.

The chi square value of gender and occupation stress is found to be insignificant. Thus the null hypothesis has been accepted hence there is no difference in the occupational stress due to difference in their gender. Both male and female workers face same type of work environment, leadership styles, follows the same rules and policies of the company thus the occupational stress will also be same for both the male and female workers in the company.

Occupational stress among blue collar employees differs due to different marital status of employees, the family type they belongs and the number of dependents in the families of the employees. The chi square value has been found significant for these three demographic variables and thus the null hypothesis got rejected which states that there is no relationship between marital status, family type and number of dependents and the occupational stress. The marital status affects the stress level of an employee, because married employees have more responsibilities than unmarried employees. Similarly as the number of dependents in the family increases the responsibilities of the employee also gets increased. This all leads to more stress from external sources other than their occupation. The stressful personal life situation decreases the capacity of the employee to bear more stress from their occupation and thus affects the level of occupational stress. Different family type such as, nuclear or joint family also affects the occupational stress of the employees. The persons who belongs to joint family have their family members to take of their children while they are at work, even the emotional and financial support is also higher in case of joint family. Thus the family type also affects the stress managing ability of the employees at work.

Education level of employees and the earnings of an employee affect the occupational stress. Significant relationship has been found between education, earnings and occupational stress. Education makes a person more aware about the surroundings, more expectations from the organisation, and when a person not get the job profile that actually meets his expectations, skills, education level, stress level increases. An educated knows his worth very well. While an uneducated and less educated person will do ready to

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do any work for the sake of getting money whether that job profile suits his skills or not. Similarly the earnings of the employees affect the occupational stress, if a person in underpaid or not paid according to his job than the stress may get increases.

Conclusion:

It can be concluded that in Indian automobile industries there are mainly five factors (working environment, job aspects, interpersonal relations, growth & development prospects and job authority) that causes occupational stress among blue collar employees. The level of occupational stress is high where the leaders follow authoritarian style of leadership while the level of occupational stress if found very less where leaders follow the delegative style of leadership. Overall occupational stress has found to be very high among the blue collar employees in automobile companies. This study is relevant for the middle level managers and lower level managers, who make the strategies, rule and regulations for the blue collar employees in the company. The study highlights the factors which are highly responsible for causing occupational stress among the employees. By improving these factors or making some strong strategies for these factors, the level of occupational stress can be minimized. The managers should try to improve the working environment of the company as it is found as highest contributing factor in occupational stress among blue collar employees. The study also highlights the fact that leaders should follow participative or delegative style of leadership to reduce the level of occupational stress among blue collar employees. Therefore productivity of the employees can be increased which will improve the performance of the company. The study has some limitation as well. The study is limited only to automobile companies; companies from other industrial sector can also be included to have more in depth study of this area.

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APPENDIX 1

S.N	State	Region	Company	Type of Vehicle
1	Haryana	Dharuhera	Hero Honda	Two wheelers
2	Haryana	Gurgaon	Harley-Davidson India	Two wheelers
3	Haryana	Gurgaon	Hero Honda	Two wheelers
4	Haryana	Faridabad	India Yamaha Motor Private Limited	Two wheelers
5	Haryana	Manesar	Honda	Two wheelers
6	Haryana	Gurgaon	Suzuki	Two wheelers
7	Haryana	Gurgaon	Maruti Suzuki	Passenger vehicles
8	Haryana	Manesar	Maruti Suzuki	Passenger vehicles
9	Punjab	Nawanshahar	SML Isuzu Limited	Commercial vehicles
10	Punjab	Hoshiarpur	International Tractors Limited (Sonalika Group)	Farm Tractors & Agri Equipments
11	Rajasthan	Tapukara	Honda Cars India	Passenger vehicles
12	Rajasthan	Alwar	Ashok Leyland Limited	Commercial

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				vehicles
13	Rajasthan	Alwar	TAFE Tractors	Commercial vehicles
14	Rajasthan	Neemrana	Hero MotoCorp	Two wheelers
15	Rajasthan	Tapukara	Honda	Two wheelers
16	Rajasthan	Jaipur	Mahindra & Mahindra	Farm Tractors
17	Uttar Pradesh	Surajpur	India Yamaha Motor Private Limited	Two wheelers
18	Uttar Pradesh	Greater Noida	Honda Siel Cars India	Passenger vehicles
19	Uttar Pradesh	Greater Noida	New Holland Agriculture / CHN	TACTORS
20	Uttar Pradesh	Lucknow	Tata Motors	Commercial vehicles
21	Uttarakhand	Haridwar	Hero Honda	Two wheelers
22	Uttarakhand	Pantnagar	Bajaj Auto	Two wheelers
23	Uttarakhand	Pantnagar	Ashok Leyland	Commercial vehicles
24	Uttarakhand	Pantnagar	Tata Motors	Commercial vehicles
25	Uttarakhand	Haridwar	Mahindra & Mahindra	Commercial vehicles

Detailed list of manufacturing companies of automotive vehicles in Haryana, Punjab, Rajasthan, Uttar Pradesh and Uttarakhand, the companies highlighted have been taken for the purpose of the current study.

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STRATEGIES ANALISYS IN AW RESTO : EVIDANCE FROM JAKARTA

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ABSTRACT

This research was conducted to see how the influence of non-financial variables against the financial performance on Resto AW in Jakarta. Some information on howcustomer satisfaction, internal business processes, external business processes, learning and growth of the Organization could be one title that affect financial indicators in assessing the performance of a company and organization in Indonesia in particular. As for the purpose of this research is to create a model of analysis that can assess the performance of a company or an organization in several dimensionsand measures by using the analytical framework of the performance of the IFE and EFE Matrix combined into Model SPACE matrix.

As for the methods used in this study is to examine how the analysis of at IFE and EFE matrix in combination into the Matrix SPACE Model can be used to assess the performance of the Resto AW Jakarta, using some of the dimensions and measures toprovide additional information to all stakeholders - internal and external. The results of this research can be concluded that model analysis of IFE and EFE Matrix combined into Model SPACE Matrix can provide additional information with respect to performance analysis on a few Resto AW in Jakarta Indonesia.

Keywords:
IFE Matrix, EFE Matrix, Matrix SPACE, performance analysis, Resto AW.

I INTRODUCTION

In the last few decades many studies concerning the things about strategy, whichcommits an argument and statements which will bring us and directs us more specificresearch into a new and new things. One goal of the research is that, where later thehoped this research can provide something relevant literature is primarily related tothe field of management of the company, or a more specific measurement of

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thecompany's performance management strategy and its application as a model of strategic measurement and of course performance. The first thing that we need toreview from a theory according to which the author is a theory which is used or to be used can explain how organizations can use the theory of theory in the management of the company such as balanced scorecard, ife and efe matrix, matrix space as well as the way or method of measurement of the performance of other companies.However, in this study the author will use models of ife and efe matrix strategy, whichwas later combined into the matrix space model as strategic as well as performancemeasurement tool and about pertaining to the existence of the relationship of the various uses of the concept of the company's performance in an organization.

If we see some definition of performance measurement tools the company used one of the performance measurement tools that are widely used is well known and the balanced scorecard. And when we do a search on Google sites for example, then we will get some of the ietm or sentence which gives a definition of balanced scorecard: "the Balanced scorecard is a strategic management tool in a double performance-based measurement systems, where the balance of these scorecards can link us laterwhere strategic goals to be accomplished to a comprehensive range of the mainperformance indicators of the Organization in order to provide a balanced view for the Organization as a whole."

Some other definitions cited by the author explains that "the Balanced scorecardstrategic management system is based on the measurement of the main performance indicators in regard to all aspects and areas of the company, where such aspects asfinance, customers, internal processes, learning and growth for the company". "Aperformance evaluation of the business model to balance the size of the financial performance, internal operations, innovation and learning, and customer satisfaction."In a study conducted on this, the third definition be adopted because carrying out theuse of IFE and EFE Matrix combined later into the Matrix SPACE model as a framework for performance evaluation of the business model, which assesses performance inseveral dimensions and the size of a company.

In some form and manner of performance assessment, models of IFE and EFE Matrix and Matrix SPACE and also the Balance Scorecard can be said as a tool and indicatorin the cockpit of the train or plane. As a navigation tool and to fly the plane, the pilotand the engineer requires detailed information about various aspects of travel andaviation. The pilot and the engineer may require information on how fuel is required,the speed of trains and planes in the air, altitude, bearing, goals and other indicatorsthat could make the current environment as well as a prediction of the future. The existence of something form the dependence on an instrument could also later be fatal for the company for example. Another case with the issue of the complexity in the Organization's current management also requires a Manager in assessing and seethe performance of an organization. " That purpose is stated in terms that are created and modified by Kaplan

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and Norton, (1992, p71-72).

By viewing and guided to the usefulness of the model analysis of the performance ofthe IFE and EFE Matrix and Matrix SPACE, and balanced scorecard in assessing the performance of a company or organization, it can lead us to the ideas of the mainperformance indicators both financial and non-financial (KPI) that exist in the model, the IFE and EFE Matrix SPACE. Indeed if we look them up to be something very important for the health of the Organization, so that it can give stakeholders the company about all the necessary information to help them in order to keep the focus on the achievement of the objectives of the organization. In order to view andmonitor the performance and results of the corporate strategy through the selection of metrics/measurement could form the structure of the Organization and can take into account internal and external factors that are considered important. In the event that informs a decision of the company or organization so they can choose a method of performance measurement balanced scorecard, such as IFE Matrix, EFE Matrix SPACE between Matirks or some other strategic control and performance measurement systems as a tool to be used for this research.

Performance analysis such as BSC, IFE Matrix, EFE Matrix SPACE Matrix and begins as aperformance measurement system, call it Kaplan and Norton and other Boston Consulting Group Team, which was the architect of the BCG Model. Some of theperformance measurement control system performance evolve into strategic management in order to assistan organization in implementing the strategy they willuse. Indeed among several performance measurement methods and techniques,much worn and used by the management company or organization which holds that performance measurement tools that will help management, especially its top management to effectively communicate the vision and strategy of each member organization through a common metric that is very easily understood and applied byevery individual in the organization. In Deborah Nightingale, (2005, p4) theperformance of the tools mentioned above is considered as one of the tools of effective strategic information in performance measurement performance measurement tool, where it can be defined as the process of measuring the efficiency of an organization, organizational effectiveness and performance capabilities of the Organization, from an action /process/system to run in accordance with the established norms and targeted.

Research conducted by Roberts & Adams (1993) and (Sveiby et al., 1989), proposed that the use of performance measurement systems and strategies in a companyshould not only facilitate the implementation of the corporate strategy, but also to beable to promote a culture of constant change. Although the use of methods as well ashow the company's performance measurement as above seems to be the most widely used concept. In others it arises out of an idea to measure and visualize somethinginvisible strategies in terms of non-financial as a model strategy initiated by Kaplan and Norton or Consultan Boston Consulting Group model ". In "the balance sheetlooks" some group from the country of Sweden has managed, at least in regard to

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theattention the debate strategy in your organization, Sweden, which argued for the measurement of non-financial, capital market structure and very necessary in develop.The specifics are usually a company or organizational purpose is to meet the basic needs of individuals and companies to make the list of generally applicable for usewhen comparing a or some company.

In some models the measurement of performance and other strategies, such as thosecited in Sveiby (1997, 1997b) and Cates (1997), as the model has been further developed for the measurement of intangibles model called the Intangible Assets Monitor. This model has been applied to some companies Sweden. While Cates (1997) suggests there are four criteria performed by a Manager in conducting a test of functionality and cost-efficiency of any proposed performance measurement system. Include methods of measurement criteria are (a) diagnosis in the way for the creation of value, (b) a projection of the seoarng scenario is a senior manager and in case he wants to explore a segment of the stock valuation (c) and (d) application fordesignation purposes, compensation policy, mergers acquisitions & price, line managers must be able to communicate well, especially regarding things both ways between analysts and investors.

Meanwhile, in a study conducted by Smith (1998) concluded that the formulation ofstrategic objectives and monitoring their achievement is a complex exercise for any organization. Smith said that in theory, the process of integration of quantitative and qualitative basis can give an indication of the competitiveness that made thechallenge for Management Accountants. Although the application of the method ofmeasurement of the performance of a company is a possible way to overcome theterminim approach in terms of costs for example. In some respects still does not givea clear indication of the weighting system that will allow four perspectives such as the balanced scorecard for combined to produce a satisfactory ' organization ' effectiveness. The author also asserts that the comparative questions also still unclear because different market situations, product strategy and the competitiveenvironment will require strategies and performance of different models. Booth (1998) defined on such matters as a a real difficulty, which is not so much the classification, so that the identification and measurement of intangibles can be executed and laterfound the relationship between intangible and financial performance.

II REVIEW LITERATURE

Internal-External (IE) Matrix

Internal-External performance model (IE) matrix is a strategic management tool, which can be used to analyze the condition of the performance and position of the State as well as strategic business performance indirectly. Internal External performance model Matrix or commonly abbreviated with matrix IE, modeling work based on analysis of internal and external factors, which are combined into one model is suggestive. In the modeling Matrix IE, is a continuation of the EFE matrix and matrix models of IFE is already known.

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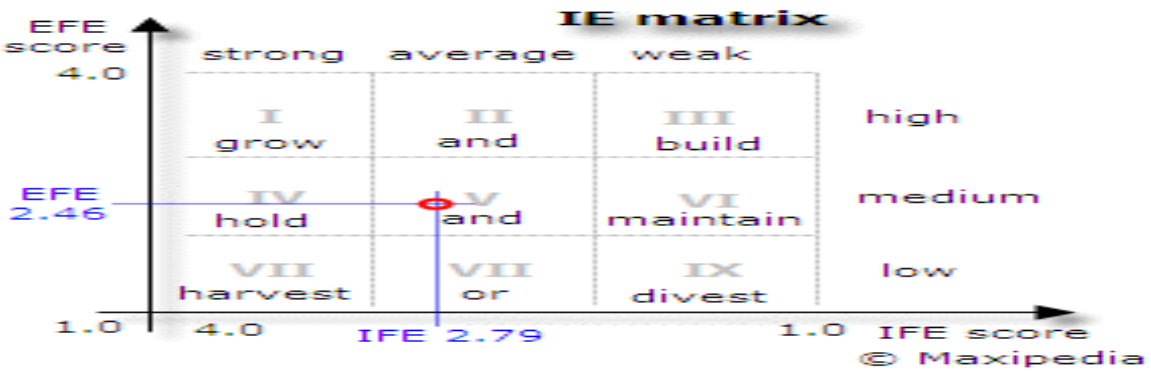
Later we will be able to see how the Internal-External factors from IE matrix work?. Generally the magnitude of matrix contains the IE group management tools strategic portfolio company performance. If we look at the matrix IE has a way of working that is almost equal to the workings of the BCG matrix. In the matrix, there is as much organizational position IE, grouped into nine matrix shaped cells. As with the concept of the BCG matrix, IE based on two criteria: score from matrix EFE – that is plotted on the y axis and the Score of the matrix IFE – that is plotted on the x axis the axis. second works by combining plots of the total weighted score of EFE matrix on the y axis and draw a horizontal line , and then by taking the value of count in IFE matrix, plot on the x-axis, and then draw a vertical line on the diagram. The meeting point where the horizontal and vertical lines that are is the determination of the strategy will be carried out of the company. With those results show the strategy that a company can get examined strategies to be taken as well as the strategies that have to be done later.

If we see in the picture below there is the x axis of the Matrix, IE have the score when we total range to be between 1.0-1.99, is intended to represent the position of theinternal matrix of the weak. There is another one that has a score of 2.0-2.99, which is considered average score. The next has a score of 3.0-4.0, indicating the strong. For the next one we looked at the direction of the y axis, it is almost the same as the x axis, a total weighted score value ranging from EFE 1.0-1.99 are considered low. Whilethat has a score of between 2.0-2.99 is considered as a medium. Subsequent to that has a score of 3.0-4.0 are considered high. This is one form of a simple example of an existing matrix model IE. Next in the chart we will try to calculate matrix IFE for ananonymous company in IFE Matrix page. Weighted total score calculated on this pagea 2.79 points to a company with a strength of internal above average. By calculating the matrix EFE for the same company on the page of the matrix of EFE. The totalweighted score is calculated for the matrix EFE 2.46 indicating slightly less thanaverage ability to respond to external factors. And now we will get a plot of the valueson the axis in the matrix of IE as follows.



In the composition of the above chart telling you that IE a company matrix must hold and maintain its

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position at the place in had in may based on the analysis above, IE. Suppose that there are companies that should pursue the strategy, with a focus on increasing market penetration and product development who owned more. In the matrix, IE be made a function of the horizontal lines and vertical lines where the scene of meetings or meet in one of nine mutually intersecting axes in matrix cells IE. We should follow a strategy depends on as well as where the axis line of cells that intersect each other. In the image above IE matrix can be divided into three main areas, that will have implications of different strategies. Where in the picture there is a cell I, II, and III, who suggested the growth rate and how to build a strategy. If we make a simple conclusion this means the existence of a strategy of intensive tactical and aggressive. The strategy certainly has to do with a focus on market penetration, market development, and product development. If we look at in terms of operations, integration, integration into the back to the front, and the horizontal integration then we should also consider such things as well as other things. On chart IE matrix contained cells IV, V, and VI suggests to survive and maintain a strategy. In this regard, the strategy that needs to be done is a strategy tactical, where such a strategy requires us to have to focus on product development and market penetration. As for the chart image cells VII, VIII, IX and marked by harvest or an exit strategy, a form of rejuvenation strategy business, in other words we should be trying to do a business revitalization. In other words, actions that we can take that is conducting an aggressive cost management strategy.

If we examine and note, IE in the matrix and matrix BCG there is definitely something different?. The difference is we can see from the way the measurement values of the matrix on the matrix of IE and BCG, which is located on the axis of measurement calculations. If the axis on matrix BCG matrix used to measure market growth and market share, while the axis of the matrix, IE used to measure values are calculated based on the results of the analysis of a group of external and internal factors. Thus, we can explain it if IE matrix will give you maximum results, if we get any better against the object of the organization that we are thorough, as well as further information about the business of using the BCG matrix at. If we look at the longer axis of the matrix BCG is a single factor, the values for each axis in the matrix of IE is a multi-factor. More IE matrix gives an overview a wider definition and strategy development. But the similarities of both this matrix is the same same assess the condition of a company and formulating corporate strategies. But surely will arise the questions for the future, about where the matrix between the two is better used, is it IE or BCG matrix. If the author of the tapsirkan in General, BCG matrix and matrix IE same same is built using the factors associated with the condition is taking place. Two sets of Matrix-Matrix and Matrix BCG IE used for current conditions and a set to reflect the expectations of the future. Matrix IFE (Internal Factor Evaluation) matrix of EFE and Factorr External Evaluation.

Evaluation in the matrix IFE provides some elements which could be used to identifyand evaluate the relationships between one component with the other components.The internal Factor Evaluation matrix or short IFE matrix is used in the formulation ofthe strategy. IFE Matrix together with the matrix of EFE matrix formulation of the strategies and tools that can be utilized to evaluate how a company's performance in terms of internal as well as external force to be identified, either company's weaknesses as well as the advantages of a company. IFE matrix concept is almost the same with the Balanced

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Scorecard method when we wear. To create a matrix IFE IFEand use some of the following steps: one of a company's success lies in its keyinternal factors. The internal audit process is done and identify strengths andweaknesses in all areas of the business. To achieve this, we recommend that a company doing the identification of more or less 10 to 20 internal factors. If thatnumber is more and more identification, then the better the IFE matrix. The first stepto do is to log all the strengths and weaknesses that exist within the company, it would surely be implemented judiciously, and seobyektif may be specific as possible,so that later will be a percentage, ratio, and the comparative figures for anassessment.

To assess the success of a company by conducting assessment, and application-basedindustry to the weighting scale rating. E.g. set 1 to X rating for each factor. Scalerating a company can adjust based on your preferences. Reviewers usually use a scale from 1 to 5 and so on. The figure shows the ratings and at the same time remaining,are the advantages or weaknesses that take precedence. Like for example (rating = 1), excess (rating = 2), the advantages of moderate (rating = 3), or excess medium (rating= 4). Sufficient and (rating 5). The proposed scale of likely results rating can be 4 or 3rating and even 5 or 1. Need to be italicised, the weight rating above is determined by the policies of the industrial base. About company valuation, the value of base isweighted for each factor used in constructing a matrix IFE and EFE. So it will be in the get weighted total score for business.

If we use such a performance analysis model of weighting and ranking, is considered afactor in the advantages and disadvantages of an individual or company, can bring a bit of nature into the empirical model of performance analysis. Maybe this is what causes the measurement performance analysis model of IFE and EFE matrix be different with the model performance analysis SWOT ?. Performance analysis in a nutshell more IFE and EFE matrix is better and more advantages compared to a SWOT analysis. For the problem of the difference between the two models of this performance analysis leads to each other. When we do the ranking with moresubjektifitas and set a realistic rating for several factors, the author considers it nottoo very important. We need to know that a thorough understanding about theindividual factors included in the matrix, IFE and EFE is still more important than the actual numbers. IFE and EFE matrix is a good tool to visualize and prioritizeopportunities and threats any activity of the business is facing.

SPACE Matrix Method Of Strategic Management

Management strategies with model SPACE matrix is a management tool that is very widely used to analyze the performance of a company. This analysis tool is widely used to determine the kind of corporate strategy should be done. Where using this matrix SPACE model we will be able to determine the Strategic positioning of the evaluation matrix Action & or in other words, the matrix model of short SPACE defined as strategic management analysis tool for an organization whose primary focus is to determine the formulation of strategies, especially those related to theproblem to analyze an organization's competitive position. Model analysis of SPACEof this matrix can

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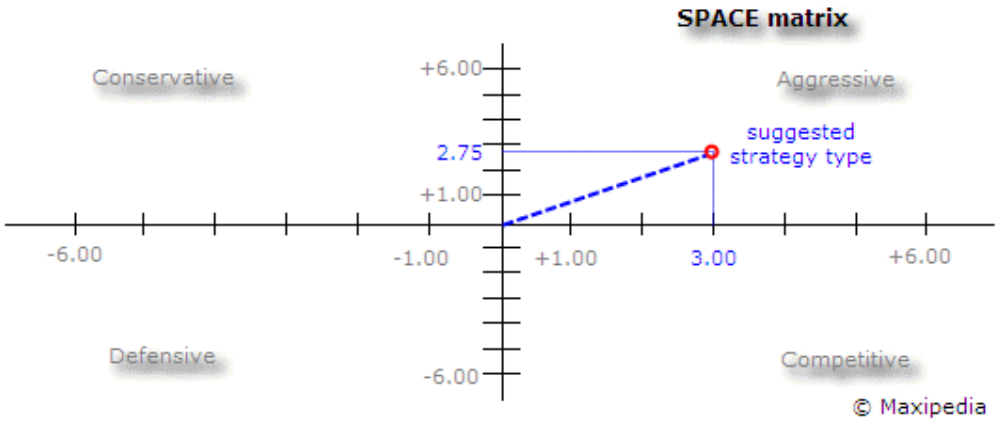
be used as a basis for the analysis of almost the same performanceas performance analysis, such as the example of SWOT analysis, BCG matrix Models, analysis of industry, or assess alternative strategies IE matrix.

If we look carefully how the matrix SPACE work, it will arise a sentence that says that, it is best to reverse-engineer it. Before we see what the results of the analysis of the matrix SPACE within a company. If we see a picture of a SPACE matrix, as shown below:

Figures1 : Model SPACE matrik



Source., H. Rowe, R. Mason, and K. Dickel, *Strategic Management and Business Policy: A Methodological Approach* (Reading, Massachusetts: Addison-Wesley Publishing Co. Inc., © 1982): 155. Reprinted with permission of the publisher.

In the model matrix of SPACE in the image above the graph looks like vertical and horizontal split into four quadrants, where each quadrant shows the type or nature ofa strategy that will be produced and used later : conservative, aggressive, defensive, competitive. Performance analysis model of SPACE matrix specifically tells us that the company would pursue a strategy of various models. When a company has a pretty good competitive position, this marked the onset of a growth rate which is said quickly. But we need to use an internal strengths in the development and market penetration strategy market development for example. It can only make a coverage of a product development or service, which in turn can create integration with other companies, can do the process of acquisition of competitors, and so on. 4 quadrant it can only make a very meaningful input for the company, which was later a company can assess and determine the position of the perusahaani they are now.

For it so that we get to the results of a model performance analysis that may be shown in the matrix SPACE?, then we must carefully look at the analysis function Matrix SPACE on two strategic external and internal dimensions as well as the form of the Organization's strategic position in the industry. Performance analysis model of SPACE matrix is pictured in the image above, is based on four areas of performance analysis in General. Almost the same as the model IE matrix analysis in the model SPACE matrix we also get to know

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the internal strategic dimensions: such as financial strength (FS) and competitive advantage (CA). Then we will see also external strategic dimensions: namely environmental Stability (ES) and the power industry (IS). Very much all the things that can define the factored matrix SPACE under internal and external strategic dimensions. These factors are analyzed the strategic position of internal business. The financial strength of the factors often come from accounting firms such as internal resources are inadequate and others. And if we look again to the FS matrix Factor SPACE can include for example, return on investment, turnover, leverage, liquidity, working capital, cash flow, and others. As for the factors of competitive advantage include the speed of innovation is a product or service of a company, a niche market position, customer loyalty, product quality, market share, product life cycle, and others. Every business is also influenced by the environment in which it operates. In other words, matrix SPACE associated with the strategic dimension of external business indirectly that can create economic conditions the company be good or less good as a whole, GDP growth, inflation, price elasticity, technology, barrier to entry, competitive pressures, the potential growth of the industry, and others.

Research Hypothesis

As for the research conducted by this author is trying to answer the hypotheses made by the author as follows:

H1: framework of IFE and EFE Matrix SPACE Matrix Combination allows used-internal and external-to assess the company's performance on a Resto AW Jakarta very effectively and efficiently?

H2: the use of IFE and EFE matrix combination Matrix SPACE gives additional information about the company's performance on a Resto AW in Jakarta?

III RESEARCH METHODOLOGY

Views of its analysis, the research approach used is descriptive quantitative research.

Type a descriptive quantitative research approach

Research with quantitative descriptive approach emphasizing its analysis on numericaldata (numbers) are treated with the method of analysis of the numbers, then thenumber spelled out numbers into the form of a description of the analysis. The authors further emphasize the numeric processing that not processed withstatistics tools, but rather with a combination of predetermined assessment figures. Descriptive quantitative approach is basically done on the type of research inferensial research results and conclusion resting on an error probability of rejection of nullhypotheses. With descriptive quantitative methods will likely be obtained differencegroup or the significance of the relationship between the variables examined. When simplified research based

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on a quantitative approach to in-depth research analysis used was an quantitative in to descriptive.

A descriptive approach

As explained by the author of the above descriptive research analysis research only tothe extent the description, by doing the analyzing and presenting the data systematically, but here in descriptive data that has been analyzed in combination with the company's management analysis tools in measuring performance, will be in acan that is easier to be understood and concluded in a study conducted at the moment. Greater descriptive research aims to further describe systematically and accurately about the fact and characteristics about a particular field. The usual analysisis often used in descriptive research: analysis of the percentage and trend analysis.Data analysis is only looking for a measure of centrality and dispersion data accompanied by various forms of grafif. But because in this study combines the IFE and EFE Matrix into Matrix SPACE, then needed a formula to calculate the metric.

The Technique Of Calculating The Metric Formula

There is a formula to calculate the metric in the Internal Factors and external factors are almost the same as the measurement is done in a financial perspective on the Balanced Scorecard, but is a bit different because there's a model combining the measurements above, customer satisfaction Index (CSI) and others are calculated from a sample provided to the customer by giving a value that corresponds to the approximate estimates based on observations and analysis of the author.

Methods and Materials Research

In this study also uses the model performance analysis on IFI and EFE metric, in viewof the limitations and disadvantages analysis of performance management systems inorganizations that will be examined. With a population of approximately as much as 15. This research also implemented several stages in reaching a maximum results in a combination of several models of strategy analysis is done. In this reserach author makes several stages in the analysis that is used:

I) author of bypassing the design model and the factors both external and internalmatrix.

II) Then the author a bit of doing SWOT matrix analysis techniques on the results ofthe design model that has been created.

III) result of the second analysis model of the above, the authors continue by combining into model SPACE matrix.

IV) author does Last strategy priority in the identification of performance strategies.

IV RESULTS AND DISCUSSION

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When the Resto do External Factor AW Evaluation Matrix to evaluate the opportunities and threats that affect AW Resto from other fast food industry. Using the analysis of the economic, social, cultural, demographic, environment, politics, Government, law, technology, and competitive information to develop the key internal and external factors of the company. These factors include some external opportunities and key internal & few external threats, all key internal & assigned in the rating in order to develop a weighted value to determine the position of the external accumulation AW Resto in the food and beverage industry fast.

Suppose A is given to show the relative importance of each factor to being successful in the food processing industry. Then A rate assigned to each factor to indicate how effectively the strategy at the moment. Level evaluated on a scale of 1 to 5, where 5 shows their response is superior, 4 States their response is very good, 3 shows the response they are above average, 2 means their average response, 1 shows their low response. This rate is based by the company while the weighting is based on the industry scala according to the author's analysis.

Table 1 : Internal key factor matrixs

Key Internal Factors AW Resto	Ratings
Strengths (SP)	
The company's growth rate above the expected (Growth potential)	-4
Consumers easily find the location or place of Resto AW, so to the entrance to market the product AW Resto made easy.	-4
AW Resto produce excellent profit from on industry. (Profit potent ial)	-3
Financial circumstances and financial position AW Resto, stability is quite good.	-4
Resources a have by AW Resto in obtaining human resources and raw materials is quite good and easy.	-4
Weaknesses (CP)	-19
In the face of competition effort AW Resto could adjust and able to face the competition tight enough in the food and beverage industry in Jakarta	-3
The product AW Resto more specific compared with	-3

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other Restaurants in Jakarta	
Labor used by AW Resto already have experience and are skilled in their field, especially relating to food and beverage industry in Jakarta.	-3
With the exchange of technology and the introduction of new technologies in thefood and beverage industry Resto AW adjust it with the progress there.	-5
The prices of products offered by AW Resto is pretty competitive with the competitor other at Jakarta.	-3
TOTAL	**-17**

Sources : Proceed by author

By conducting internal Factors Evaluation Matrix to evaluate the strengths and weaknesses in the field of functional and using our intuitive assessment to determinethe factors and assign each with weight and estimated value. Researchers categorizing Key Internal Factors with Strong (SP) and Weakness (CP). The obtained total points for both the internal matrix components (IFE Matrix)-19-17

Then calculate the weighted score for each factor and concluded them together todetermine the position of the internal AW Resto had. Each factor under the powergain rank 3, 4 or 5, becoming a minor power and 3 5 became major powers. AW Restohas shown positive sales growth and has been operating effectively in all fiveoperating segments, we regard it as a major power companies, so as to value obtain 5. This would be expected of any large company in the food industry to havea priority and high food safety standards, so this factor determined Resto AW became a small force whose average is important for the success of the company in this industry.

Table 2 : Exsternal key factor matrixs

Key External Factors AW Resto	**Ratings**
OPPORTUNITIES (IP)	
Resto AW Jakarta has a high loyalty costumer.	-4
Resto AW Jakarta completes on schedule has a very good product.	-5

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The nation's market Resto AW Jakarta was very nice. (Market Share)	-4
Level of knowledge of the technology that is owned by Jakarta high AW resto(Teknological Knowledge).	-3
To compete Resto AW Jakarta (Competition) Threats (FP)	-3
Threats (FP)	-19
The existence of a sales increase annually by 10% up to 15% on AW Resto Jakarta	-4
The resulting net profit suffered a kenaiakn every year by 5% from the previous year'sprofit.	-2
Gross profit advantage over to AW Resto Jakarta compared to similar indsutri 2:1.	-3
The use of the technology used by AW Resto Jakarta very advanced. Compared to the similar competitor, Pizza	-3
Hut or missal Don Burger Resto AW Jakartahas a different menu.	-3
TOTAL	**-16**

Sources : proceed by author

Major Weakness (rating =1)
Minor Weakness (rating =2)
Minor Strength (rating =3)
Major Strength (rating =4)

By creating the SWOT matrix we see through EFE to re-examine what external factorsand internal key to AW Resto. By using some of the strategies that owned that originated the input stage. There are three weaknesses-opportunities strategies, twostrategy weakness-threat, three strategies of strength-opportunities, and the three strategies-strength threat. We see the value point to an external matrix (EFE Matrix) scored a total of 19-and-16. So when we combine all the numbers and the EFE Matrix IFE analysis referred to, and we combine into the Matrix SPACE frame mode, then we will get the results for analysis Matrix AW Resto Jakarta as follows.

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SP Average: -19/5= -3.8 IP Average: -19/5= -3.8
CP Average: -17/5= -3.4 FP Average: -16/5= -3.2
Dengan Vector Coordinates:
X-axis: (-3.4) + (-3.8) = -7.2 Y-axis: (-3.8) + (-3.2) = -7.0

Strategic position and action Evaluation Matrix, also known as Matrix SPACE is an important matching phase is used to match different variables along two axes. With the two axes intersect at the Center then create four quadrants of the matrix are labeled will be top right to the bottom right of the aggressive, conservative, defensive and competitive.

Y axis in the figure includes two dimensions, one can position internal finance (FP) and one external, which is a position of stability (SP) we call the IFE matrix. X axis includes the two other dimensions of competitive position (CP) which is internal and industryposition (IP) that our external named EFE matrix. These factors may be the most important determinant of the strategic position of the organization. We get coordinates for X and Y axis at-4.5 and-7, if we see are on the Defensive, indicating areas that AW Resto should do the strategies persist and concentrate against the already done during this time, in addition to conducting marketing activities and innovation always over food products beverages & owned.
Recomendation above for AW Resto in Jakarta, which pursue integration and more intensive strategy even though we believe that intensive strategy is indispensable inbusiness activities such as fast-food business. The strategy seems to make most sense is the product development because of the added value that will create the most economical, and can build a motto about healthy menu corresponding to the rate.

V CONCLUSION

Due to the financial conditions were good enough on Resto AW, all internal and external problems can be resolved, so that conditions and circumstances AW Resto is now very good, while market conditions are also quite good, then AW Resto is expected to develop tastes and preferences for menus served on AW Resto is anadded value, as well as always keeping the existing one, of this research it can be concluded that AW Resto in position over all survive the concentration alreadyobtained menu, sticking with the company and conditions that are already good, butAW Resto should do a new strategy, especially in the development of the market anda little marketing products.

From this research it can be concluded there is some profit to be gained in the development strategy of the Resto AW recently, with the use of model performance analysis SPACE combined into the matrix SPACE matrix as follows:
• Focus on existing products if allowed to continue to do product development and enhance a

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little R & D by working with the product development of existing companies in foreign countries to attract more consumers or buyers.

• Focus to build the spirit of the work of employees by giving them training to acquire new skills and quality.

• Provide a great work environment with encourages employees to develop learning and provide skills in leadership, management, and communication.

• Eliminate cannabalizing similar product category if it exists.

• Plan for the system supplies an effective and reliable.

• Expand market development to areas that have not been reachable for example to the city that does not yet exist, for example the field and create a partnership if need be.

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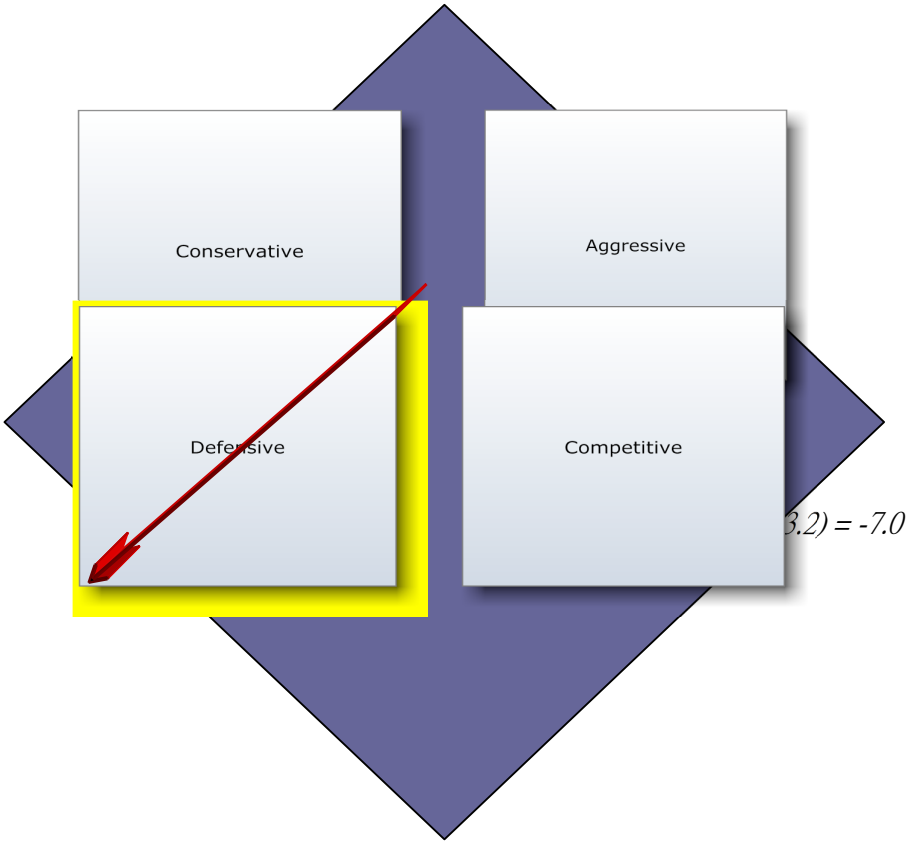
Figures 2 : IFE and EFE Matrixs Combination SPACE Matrixs



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RISKS AFFECTING THE CONSTRUCTION PROJECTS: A CASE OF PAKISTAN CONSTRUCTION INDUSTRY

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Abstract

The aim of this article is not only to enlist the risks associated with the construction projects of Pakistan, but also to identify the key risks with their likely impact and magnitude on project objectives in terms of time, cost, quality, safety and environmental sustainability. These risks were examined from the perspective of project stakeholders i.e. contractor, clients, designers, government agencies and project life cycle. Furthermore, the potential risks affect the procedure of project management, risks generation and identification, and accordingly their current management strategies used by the practitioners of project management in Pakistan.

Keywords: *Risk management; construction projects; stakeholders; Pakistan.*

1. Introduction

Risk is associated with each and every project. Risk cannot be ignored but it can be managed, shared, transferred, minimized or accepted. As the construction industry plays a very important role in the development of an economy so it needs serious attention especially in a developing country like Pakistan. Risks are prioritized according to their importance and influence on a project and its objectives. Risks can detract the project work breakdown structure (W.B.S), phases and project objectives i.e. project time, safety, quality, cost and environmental sustainability.

In recent times, multiple mega construction projects in Pakistan were initiated such as the metro bus service in Lahore and Islamabad, and Centaurs shopping mall in Islamabad and various other projects such as the construction of new dams, roads, housing societies, water supply and mega buildings, etc. In such scenario, we need serious attention to properly identify and manage all contending risks. Every construction project is different from others by its unique features like complicated procedures, organizational structure, financial fluency, project specific goals and objectives, and location of the

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project. After the catastrophic earthquake of 2005, a lot of attention has been given to the risk management in construction projects (Saleem and Abdain, 2013).

With the passage of time, the economy of Pakistan is growing. In the presence of energy crisis and security threats, we need serious efforts to improve both the quantity and quality of work. We are shifting into new world where massive infrastructure, new dams and roads are required. However, a majority of the projects are facing problems. These problems comprise time delays, costing problems and poor management of stakeholders. In order to cope with these problems, a series of steps towards proper risk management are needed. Other problems about risk are the lack of risk identification, lack of risk prediction and forecasting, lack of risk analyzing, lack of risk assessment, and lack of risk avoidance strategies. The current paper tries to find out the risks associated with the construction projects specifically in the context of construction industry of Pakistan. Further, the paper will also try to identify the suitable strategies in order to deal with the contending problems associated with the construction projects.

2. Literature Review

Extant research shows that the risk has two perspectives like a double edged sword. It has negative and positive impact as well like "challenge and threat". The probability of happening something that will have an impact on our project objectives is equally likely to be positive or negative (Standard AS/NZS, 2004). In this paper we are observing the negative impacts and influence of risk on projects for occurrence and consequences. Risk management is a systematic method by which we identify, assess, and observe; projects are exposed to risk so with this procedure we make our conscious decisions accordingly (PMI, 2004). In some recent researches, project risk is also defined as a process, structure and the culture moving towards realization of potential benefits and opportunities, where their adverse effect is to be managed accordingly (Standard AS/NZS, 2004). From the previous researches the proper definition of the risk management in the context of project management is a systematic procedure of identifying, analyzing and dealing with risk observed in an existing project is the ultimate way to gain project specific objectives. Considering its importance, risk management is recognized as a requirement in the construction industry and different kinds of setup, strategies and theories have been developed to overcome the influence of the potential risks standing. In the research different authors suggested different classifying risks; (Perry JH, 1985) gave a number of factors from different sources which were in terms of retainable risks by clients, contractors and consultants. If we combine this with the theory of work breakdown structure by (Flanagan R, 1993), they suggested three ways for classifying the risk i.e. identification of the resulting impact of risk where (Chapman, 2001) suggested risks into four kinds i.e. industry, client, environment and project. Another researcher (Shen L Y, 2001) further divided these risks into six groups i.e. Financial, Management, Policy, Political, Technical, Legal and Market. There are many ways to classify or categorize the risks associated with the construction of projects and its management. In this research the methodology used is adopted from (Perry, 1985) in order to understand risk from the stakeholder perspective.

2.1 Risks and project Phases

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The construction project consists of different phases; feasibility, design, execution, operation, and finalization are normally the stages followed in different projects as documented by (Uher T.E, 1999). Different structural and cultural factors can affect the risk management in the feasibility phase. And most of the practitioners know about the risk management about their work and project. In the initial phase, which is known as conceptual phase, their application is mostly low, quantitative analysis methods used instead of qualitative method. Mostly risk management was impeded by a low knowledge and skill base, and lack professional training in risk management. A book by the computer and telecommunications agency titled: "management of project risk" is translated by (Chapman, 2001). He also noted that designers can provide knowledge about risk which can greatly influence the identification of the existing risks as early as from the design phase of a project. Another theory by (Hamid. & Everett., 2000) have mentioned risks in three groups; construction time, design, and finance. These risks mostly effect and influence on a running construction project.

Review of above discussed literature provides us with the knowledge that risks influence the projects, and practitioners make efforts to manage these risks. But still we need to know about the different risks at different levels and different project phases. We need systematic tools to deal accordingly (Chapman, 2001). It is understood that risks can never be eliminated but can be transferred, reduced, or accepted. In the construction industry there are always some risks standing in the way of project phases and its objectives accordingly. So risk and project objectives always stay in a singular line. Hence we need to manage the risks accordingly (Baloi D, 2003).

3. Research methodology

In this paper we are focusing to understand the risks associated with the construction projects of Pakistan. Questionnaire was developed in the light of previous researchers. The designed questionnaires were distributed among the employees working in construction industry of Pakistan.

In the previous researches, given model has been used in different countries and identified the different existing risks with construction projects at the different phases of a project. Fish bond model diagram was the basis of previous research. The previous research models are based on (Zou, 2007) and (Zou P, Zhang, & Wang, 2006). They used the same diagram for the illustration of the construction risk management (See Figure 1). Risk identification and illustrating the key risks associated with the construction industry of China and Australia respectively. Our model is based on these two researches where key risks will be identified on the model after assessing all mentioned projects which will represents the key risks in construction industry of Pakistan.

Figure 1: Conceptual Framework

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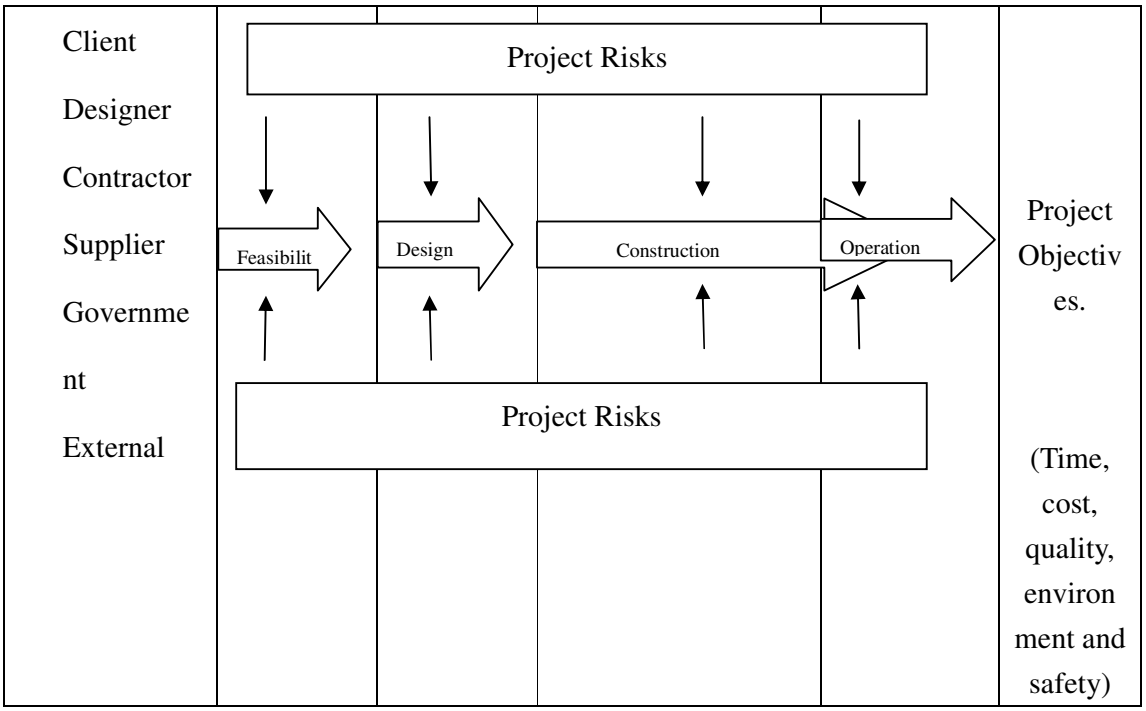

Fish bond Diagram based on source: - (Zou, 2007)

All risks which were observed in the questionnaire can happen to any construction project. In order to influence the delivery of construction projects, we have done this investigation not only to generate a list of risks but also to identify the key risks to the construction projects of Pakistan. As the risks explored in the survey included a large number of factors, choosing the top ten out of 92 risk factors are assumed as an appropriate way to represent the key risks which is also in line with other similar research. The result of the rankings is presented in table.

3.2 Data collection

For the purpose of this research the statistical data were obtained from the construction industry of Pakistan. The convenient sampling technique is employed for the collection of data. Five completed construction projects were selected. These projects were Bahria Town, Safari phase I, II, III, Centaurs Mall and F-10 Residential Estate. And data were collected from the construction industry employees including top management i.e. (Managing Directors and Senior Associates), Project Managers, Project Engineers, Middle level management, Supervisors, Main Contractors and Consultants etc.

The data were collected from two perspectives i.e. likelihood of the occurrence of each and every risk and the magnitude of the consequence on the project objectives. Three point scale of likelihood α (highly likely, likely and less likely) and magnitude of each risk β (high magnitude, medium magnitude and less magnitude) respectively. The required data were collected and converted into the numerical form.

Table 1: Matrix for the calculation of the risk significance score

	β →

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α ↓	High magnitude Of consequence (1.0)	Medium magnitude Of consequence (0.5)	Low magnitude of consequence (0.1)
Highly Likely (1.0)	1.00	0.50	0.10
Likely (0.5)	0.50	0.25	0.05
Less Likely (0.1)	0.10	0.05	0.01

After collection of data the following test statistics are used to quantify our risks to prepare their rank order index. And manage them accordingly.

$$R^{k}_{i} = \frac{\sum_{j=1}^{n} \cdot r_{ij}^{k}}{n} = \frac{1}{n} \sum_{j=1}^{n} \cdot \alpha_{ij} \beta^{k}_{ij} \quad (1)$$

This is known as risk significance score index and can also be used to rank all the risks on particular objectives of the project. R^{k}_{i} = significance index score for risk *i* on project objective *k*. It calculates all risk associated with each project objective cost, time, safety, environmental sustainability, time and quality (Zou, 2007). One thing should be noted that we are measuring the risks associated to the project objectives other natural disasters like tsunami and earthquake are not included in it because that's not the focus of this research (Zou P, Zhang, & Wang, 2006) (Zou, 2007).

On risk I on project objective k.: I = Ordinal Numbers of risks associated to the project objectives. I € (1, M); m = Total Numbers of Risks associated to the projects. K= ordinal numbers of the project objective where k € (1, 5); j= ordinal number of valid feedback to risk I, j € (1, n); n= total number of valid feedbacks to risk I; aij = likelihood occurrence of risk I, assessed by the responded j; bkij = level of consequences of risks Ion project objective k, assessed by responded j.

4. Data Analyses

The questionnaire developed for the purpose of this research contains almost every possible risk that can occur in a construction project. From the survey we will be able to generate a list of total risks that actually happen to a construction projects in Pakistan. It is obvious that we will be able to select the key risks that mostly occur in construction projects as well. Total of 92 risk factors were included in the questionnaire that can happen to a construction project. Top 10 will be considered the key risks in the construction projects as practiced before in the literature. The results of the survey are shown in Table 2 given below with rank order index.

Table 2: Key risks by their significance score on individual project objective.

S. No.	Key Risks	Significance index score

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(1). Time related risks		
1.1	Project funding problems	0.76
1.2	Variations by the clients	0.76
1.3	Inadequate program scheduling	0.87
1.4	Contractor's difficulty in reimbursement	0.73
1.5	Design variation	0.81
1.6	Tight project schedule	0.79
1.7	Contractors poor management ability	0.81
1.8	Excessive procedure to government approvals	0.71
1.9	Price inflation of construction materials	0.81
1.10	Supply incompetency to delivery materials on time	0.76
1.11	Local community pose objection	0.79
1.12	Political support or the objection in project changing	0.71
(2). Safety related risks		
2.1	Employees did not buy safety insurance	0.81
2.2	Tight project schedule	0.79
2.3	Project funding problems	0.76
2.4	Inadequate safety measures or unsafe operations	0.79
2.5	Contractors poor management ability	0.81
2.6	Do not buy insurance for major equipment's	0.81
2.7	Unavailability of sufficient professionals and managers	0.81
2.8	Contractor difficulty in reimbursement	0.73
2.9	Lack of readily available utilities on site	0.79
2.10	Poor competency of labor	0.73
2.11	Local community pose objection	0.79
2.12	Political support or the objection in project changing	0.71
(3). Cost related risks		
3.1	Variation by the client	0.76
3.2	Price inflation of the construction material	0.81
3.3	Design variation	0.81
3.4	Tight project schedule	0.79
3.5	Project funding problems	0.76
3.6	Contractors difficulty in reimbursement	0.73
3.7	In complete or in accurate cost estimate	0.66
3.8	Contractor poor management ability	0.81
3.9	In adequate site information soil test and survey report	0.72
3.10	In adequate program scheduling	0.87
3.11	Bureaucracy of government	0.71

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3.12	Excessive procedures of government approvals	0.71
3.13	Local community pose objection	0.79
3.14	Political support or the objection in project changing	0.71
(4). Environment rated risks		
4.1	Serious noise pollution caused by the construction	0.71
4.3	Water pollution caused by the construction	0.79
4.4	Tight project schedule	0.79
4.5	Project funding problems	0.76
4.6	Variation the client	0.76
4.7	Serious air pollution due to the construction activities	0.73
4.9	Contractors poor management ability	0.81
4.10	Prosecution due to the unlawful disposal of construction waste	0.79
4.11	Bureaucracy of the government	0.71
4.12	Local community pose objection	0.79
4.13	Political support or the objection in project changing	0.71
(5). Quality related risks		
5.1	Tight project schedule	0.79
5.2	Contractor poor management ability	0.81
5.3	Unavailability of sufficient amount of skilled labor	0.73
5.4	Unavailability of sufficient professionals and managers	0.81
5.5	Poor competency of labor	0.73
5.6	Contractors difficulty in reimbursement	0.73
5.7	Variation the client	0.76
5.8	Project funding problems	0.76
5.9	Low management competency of subcontractors	0.71
5.10	Design variation	0.81
5.11	Inadequate site information (soil test and survey report)	0.72
5.12	Local community pose objection	0.79
5.13	Political support or the objection in project changing	0.71

Total of 120 questionnaires were distributed among the project management practitioners, and 78 were received back. Four questionnaires were incomplete and total number of 74 respondents answered all the answers. The calculated response rate was 66.67 percent which is acceptable according to the Zou et al. (2007). All the gathered data were organized and risks were calculated by the given methodology and came up with each risk assessed by the respondent.

Discussion

In Table 2, all the affecting risks are included. Even though some risks are repeated many times like project tight schedule that can influence more than one project objective and contractors difficulty in

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reimbursement. This was the case of all five projects. By filtering all the given risks we came up with a list of top 25 risks associated to the project objectives.

Majority of the risks out of 25 given are related to the contractors compared to the other factors like designers' clients and to the government bodies and much less to the subcontractors or suppliers external issues. A large proportion of the risks investigated in the questionnaire were related to the contractors. This is because contractors indulge into the project at a very early stage.
It was observed during the study that large portion of the contractors were traced back to be the labor contractors, so the issue was lack of knowledge in managerial skills as well as ethnological. Another fact came out during the study was that the relationship between the categorized risks and their impacts on project objective were the same.

Results further show that there are two facts with relationship between the category of key risks and the project objectives. Firstly, the majority of the risks are related to the contractors as compared to the other factors like client's designers, government agencies, subcontractors, and external issues. This is because a large proportion of risks investigated in the questionnaire were originated from the contractors. Given that updated projects, procurement methodology encourages contractor's early involvement in the pre tendering stage in addition to their traditional tasks. A more persuasive argument to account for this fact is that contractor play important role in the project development. A large proportion of contractors in Pakistani industry are traced back to labor contractors and hence generally lack advanced managerial and technical skills in the perspective of environmental protection. Therefore risks related to contractors were recognized extensively in this survey.
The second fact presents an evident relationship between the risks and their impact on project. To uncover the important role of project stakeholders on the successful delivery of project, an in-depth elaboration of such relation is presented as follows

1. Three risk factors related to clients were identified with their relevant influence on all the project objectives except the variations by the clients was not recognized to have significant impact on project safety. This shows that clients can influence project objectives optimally.

2. Further four risk factors relevant to the designers were ascertained with significant influence on the traditional project objective in terms of cost, time and quality: hence designers can play important role in the management of project other objectives.

3. Clients contractor were acknowledged to have extensive influence on all project objectives. However the uneven data indicated that the contractor's major influence is on project objectives quality, safety, and environmental suitability.

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4. Subcontractors/ Suppliers represent two risks; the suppliers incompetency to deliver material on time and low management competency which may affect the project process and wrench on the project quality accordingly.

5. Furthers the complex procedure like the bureaucracy approval requirements in Pakistan government agencies are recognized. The results show that government's major influences are concerned with project objectives i.e. cost, time and environmental sustainability.

6. Rising inflation is causing an increase in the prices of construction material. It is a global risk which is uncontrollable and directly related to the project stakeholders. However mostly project teams including clients, designers, contractors and suppliers should all contribute in its management.

Managing the Key Risks

In this survey analysis of key risks the role of each given risk is analyzed from the project stakeholders and their role in management. These risks occur in different stages of project life cycle and few of them occur in more than one phase as well.

To fully understand the management of these risks, different strategies were observed from the project stakeholders and in project life cycle. These recommendations are based on the research findings and personnel interviews performed in the field. These risks are registered and their strategies are adapted so as to manage in a better and effective way. While keeping the perspective of project key stakeholders and project life cycle as well.

All the risks included in the questionnaire ultimately impact the project stakeholders. Every risk is important in specific area in Pakistan. Keeping in view that in mind accordingly every risk contains its own strategy to cope with specific and special risks at a certain time. To answer this question that how to cope with what strategy it is generally observed and seen in the field during the survey.

In Pakistan team development is a big hurdle in the way of success of a project. It is very hard to find the professionals for the team and if you do so it is very hard to keep them working under one roof. So a team manager is required, who can keep the motivated and satisfied to make them work under one roof for the success of the project and to completely achieve project objectives and goals accordingly. Other strategies observed are discussed below.

Risks related to the contractors

Contractor plays a key role in construction industry of Pakistan. Most of the projects get delayed only due to the in-efficiency of the contractors. So for the success of the projects, contractor should be selected having competent value and ability to work based on the past experience. Most of the contractors have

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background from being the labors in past.

Contractors face difficulty in reimbursement and it's the major obstacle in the efficiency Pakistani construction industry. To avoid such problems contractor should show properly followed schedule of project phases, and payment as well. If they find any problem in the design or difficulty in construction, they should take their client onboard to solve the issue accordingly. If after all, client still brings hurdles in the way of their work, contractor should take legal action to vindicate their rights.

Labors have always been the big issue for contractors, as the proper labor required is not available on time. That causes major delays in the project goals, objective and schedule as well. It is observed during the survey that contractors often win the project and forward it to the subcontractors. Where it may reduce the over heads, contractors loses the control over the competency of labor work just for the sack of job they join it temporarily basis without having any knowledge of the specific work. To avoid this problem labor should be given a short base training course before the commencement of the original work.

Another problem is finding the sufficient professionals and senior management for the project management. Without having sufficient professionals for running the project is a disastrous situation for the work. In a developing country like Pakistan mostly educated and skilled professional prefer to work abroad. So it a big hurdle to find them for a specific job and those available don't meet actual requirement more often than not. These are the key people to utilize the readily key resources on site. So keeping that in mind contractors need to develop a robust staff and utilities. Where they should map all the construction process to keep them secure enough professionals i.e. sufficient managers and skilled labor ready to work and utilities ready to use. Another point of contractor's risks is safety measures inadequately or unsafely during the operation. Contractors should acknowledge the good safety measures before the implementation of the project operation in the light of safety precautions should be measured with in good time span.

Risks related to the clients

During the survey another critical issue related to construction is waste pollution. Precautions need to be taken in unlawful disposal of construction waste. Pollution should be considered specially air and noise pollution caused due to the construction procedure and should be prevented to minimize the unlawful activities. In this case local government bodies and environmentalists can create problems in the running of project. Monitoring and evaluation of each project activity refers to the client of the project. Clients play a dominant role during the project operating procedures. The very first thing about the client is tight project schedule. Basically clients prepare the schedule of the project. It should be considered while developing a project schedule that all the activities in the schedule are equal to the actual situation available on site. Tight schedule can lead to the disaster where contractor and other stakeholder just try to

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make it right while ignoring its consequences later or its impact on other project activities. “Time is money” is a very famous proverb. But if clients only take this objective to quickly complete the project without indulging the nature and constructing activities, it may lead to a disaster. Clients should prepare the schedule with in the given scenario. It should not be so late neither too early.

Project funding problem is another problem for the project imposed by the clients. It is very common among the clients that they do not have sufficient financial resources to complete the projects on their own. For this purpose, to fulfill their financial needs especially in residential estates and commercial projects they start reselling to meet the needs of the project financial resources. The risks here involve if the required rate of demand and supply doesn’t meet at the both ends. For this purpose clients should have a reselling game plan designed and forecasted to fulfill the needs.

Another risk is that of variations requested by the clients. This can happen from very early stage up to the end of project. So before starting this clients should consider all the availability.

To avoid these problems, client needs to prepare a very open and friendly schedule and should be presented in a very open way in a friendly environment. As described earlier many times that every stakeholder is important during developing a project. Every single member has their own unique importance. In the case of designer it has its own importance in some cases like design variations. Design variation can occur in any stage of the project. And it is very often that changes are made at every single stage of project phase. To avoid this problem designer should present their whole project design before starting a project and all the relevant problems should be discussed before starting the project. If a meeting is to be held before starting the project designer should present their design in front of client and contractor. So that it could be understood that what clients actually wants and how contractor will make it to happen.

Another point is soil test and survey report this point is hidden but has a very important impact on project. It means that what you want to happen that actually can build in here or not. Your given land can survive that or not is a big question. So, all the soil test and survey should be conducted before starting any project.

Cost estimation is another major hurdle again. Cost should be estimated in both ways; front and reveres as well. So that during the project if cost fluctuate that should be in your knowledge that what can happen and how you will overcome the problems to fulfill the needs of financial resources and how cost can be reduced to meet both ends.

Risks related to the sub-contractors

Sub-contractors are those people who gather by their self into a combined group to get the work from

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contractors and complete the project on the behalf of contractors. They are not educated or skilled people neither managed by a manager. They just bypass the mediator to get the maximum output from the income. In this survey only one risk came up from subcontractor point of view; that is low management competency of subcontractor. Keeping in view the above statement it is very clear that in order to make maximum profits, they work so closely to complete the projects without considering the after impacts on whole project. In order to get maximum work they hire more than one project or site simultaneously and engage in all of them at a time. Due to low management skills, subcontractor cannot effectively manage all the given resources which directly lead to the time delays on specific site of the project. In the same manner, delays can influence the whole project adversely. To avoid these problems, subcontractors need to have a proper manager to fulfill the above mentioned gap.

Risks related to the suppliers

Supplier's incompetency is to deliver all the required material on time to a site. Where this totally depends upon the project team as well as to the stakeholders to select the competent supplier, who has actually done that kind of work before without showing any kind of incompetency. Site location and market location should also be considered where actually a project exists and how much time it can take. Ignoring the location of site can greatly affect the project performance.

Risks related to the external business

External business environment refers to the price of construction material and equipment required for the project. In this category, general inflation, price fluctuations, demand and supply fluctuations are included. To tackle this situation, standard methods should be used of quotation methodology. Cost estimation should be made in an effective way and contingency plan should be developed.

Risks related to the political factors

Political factors have an important role in a project success especially in developing countries like Pakistan. Political instability brings too many risks for the projects. Riots, strikes, closing of markets, road blocks and many other factors come in this category. That can lead to time delays, quality compromise and in turn they affect other project objectives.

Risks related to the Government agencies

While speaking about the government agencies two things come to mind i.e. corruption and excessive procedure of getting approval from the government. It is observed during the survey that in Pakistan some government officers refer to it as a personnel privilege. In case of rejecting any offer that creates problems for the project. To avoid this issue, project team needs some government senior officers to be involved in their project. If they do so, problems can be reduced to a multiple extent.

One thing should be kept in mind that natural disaster or any other kind of hazards cannot be considered

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as risk. The key point is before managing the risks we should know that what are the risks and what are the key risks which we can face during work. Concrete information is required to make our decisions. That was the main objective of this research specially and specifically to highlight key risks in construction industry of Pakistan.

Risks related to the project life cycle

Project risk management could work more efficiently if risks are managed from the perspective of project life cycle. Different risks occur in different project phases and some of them surface in all the phases. Those risks to be considered are mainly like project funding problems which occur all over the project life. These risks should be evaluated with the passage of time as with the development of these risks also increase.

Different risks occur at different stages of project life cycle but the majority of the risks occur in the pre-operation stages. With only few risks pertaining in the operation stage it shows a great deal of ambiguity and complexity popularly exists when the project is in construction process. As right after the structure is being built most of the ambiguity and uncertainty changes to reality. At this stage possible risks may only come from funding problems to the project operations, and problems from the government agencies for the regulation in form of facility management and environment sustainability.

6. Conclusion and recommendations

The main purpose behind this study was to indentify the key risks associated with the construction projects of Pakistan. Total number of 120 questionnaires distributed among the project management practitioners, and 78 were received in usable form.

After the analysis, 25 risks were selected using the defined methodology of risk assessment procedure thorough questionnaires with likelihood and magnitude of each risk on project objective. Some unique risks are project tight schedule, project funding problems, political intervention and local community. With respect to stakeholders, mostly risks are related to contractors. Mostly risks occur in the construction phase followed by feasibility, design and to operate accordingly.

To minimize these risks, different strategies came up from the project stakeholders. The following points are suggested to the policy makers of the construction projects.

- Government agencies, clients and designers relationship, and cooperation from feasibility phase to operation phase are required.
- Team management and inter department communication should be ensured.
- Training workshop shall be conducted before starting the projects at different level which will provide valuable information to each individual within in the project team.

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RISK LEVEL OF VIET NAM HARDWARE INDUSTRY UNDER FINANCIAL LEVERAGE DURING AND AFTER THE GLOBAL CRISIS 2007-2009

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ABSTRACT

After the financial crisis 2007-2009, this paper evaluates the impacts of external financing on market risk for the listed firms in the Viet nam hardware industry.

First, by using quantitative and analytical methods to estimate asset and equity beta of total 22 listed companies in Viet Nam hardware industry with a proper traditional model, we found out that the beta values, in general, for many institutions are acceptable.

Second, under 3 different scenarios of changing leverage (in 2011 financial reports, 30% up and 20% down), we recognized that the risk level, measured by equity and asset beta mean, decreases (0,240) when leverage increases to 30% and it increases (0,400) if leverage decreases down to 20%.

Third, by changing leverage in 3 scenarios, we recognized the dispersion of risk level, measured by equity and asset beta var, increases if the leverage increases to 30%. But the asset beta var value is quite small, showing leverage efficiency.

Finally, this paper provides some outcomes that could provide companies and government more evidence in establishing their policies in governance.

KEYWORDS : equity beta, financial structure, financial crisis, risk, external financing, hardware industry

JEL CLASSIFICATION : *G010, G100, G390*

1. Introduction

Financial system development has positive effect for the economic growth, throughout many recent years, and Viet Nam hardware industry is considered as one of active economic sectors in local financial markets, which has some positive effects for the economy.

This paper is organized as follow. The research issues and literature review will be covered in next sessions 2 and 3, for a short summary. Then, methodology and conceptual theories are introduced in

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session 4 and 5. Session 6 describes the data in empirical analysis. Session 7 presents empirical results and findings. Next, session 8 covers the analytical results. Then, session 9 presents analysis of risk. Lastly, session 10 and 11 will present discussion and conclude with some policy suggestions. This paper also supports readers with references, exhibits and relevant web sources.

2. Research Issues

We mention some issues on the estimating of impacts of external financing on beta for listed hardware industry companies in Viet Nam stock exchange as following:

Issue 1: Whether the risk level of hardware industry firms under the different changing scenarios of leverage increase or decrease so much.

Issue 2: Whether the disperse distribution of beta values become large in the different changing scenarios of leverage estimated in the hardware industry.

Beside, we also propose some hypotheses for the above issues:

Hypothesis 1: because using leverage may strongly affect business returns, changing leverage scenarios could strongly affect firm risk.

Hypothesis 2: as external financing is vital for the business development, there will be large disperse in beta or risk values estimated.

3. Literature review

Goldsmith (1969), Mc Kinnon (1973) and Shaw (1973) pointed a large and active theoretical and empirical literature has related dfinancial development to the economic growth process.

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, Brennan et all (1984) pointed that a firm's capital structure is dynamic. Aghion et all (1999) stated debt instruments can reduce the amount of free cash available to firms and thus managerial slack.

Peter and Liuren (2007) mentions equity volatility increases proportionally with the level of financial

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leverage, the variation of which is dictated by managerial decisions on a company's capital structure based on economic conditions. And for a company with a fixed amount of debt, its financial leverage increases when the market price of its stock declines. Then, Penman et all (2007) documented a negative association between leverage and future returns, after controlling for conventional risk proxies.

Reinhart and Rogoff (2009) pointed the history of finance is full of boom-and-bust cycles, bank failures, and systemic bank and currency crises. Adrian and Shin (2010) stated a company can also proactively vary its financial leverage based on variations on market conditions. Marco (2012) found out in Euro region, asset risk, measured as the annualized volatility of the market enterprise value, is the best predictor of observed leverage ratios. Thomas and Fredrik (2012) pointed asset specificity has a negative impact on leverage, but a positive impact on debt maturity.

Then, Ana and John (2013) Binomial Leverage – Volatility theorem provides a precise link between leverage and volatility. Chen et all (2013) supports 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.

Finally, financial leverage can be considered as one among many factors that affect business risk of consumer good firms.

4. Conceptual theories

The impact of financial leverage on the economy

Financial development and economic growth are positively interrelated. The interaction between these two (2) fields can be considered as a circle, in which good financial development causes economic growth and vice versa. A sound and effective financial system has positive effect on the development and growth of the economy. Financial institutions and markets can enable corporations to solve liquidity needs and enhance long-term investments. This system include many channels for a firm who wants to use financial leverage or FL, which refers to debt or to the borrowing of funds to finance a company's assets.

In a specific industry such as hardware industry, on the one hand, using leverage with a decrease or increase in certain periods could affect tax obligations, revenues, profit after tax and technology

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innovation and compensation and jobs of the industry. Financing decisions relate to the growth of investments, which create tax effects for companies.

During and after financial crises such as the 2007-2009 crisis, there raises concerns about the role of financial leverage of many countries, in both developed and developing markets. FL On thehas been criticized as one factor contributing to financial crises. On the one hand, lending programs and packages might support the business sectors. On the other hand, it might create more risks for the business and economy.

5. Methodology

For calculating systemic risk results and leverage impacts, in this study, we use the live data during the crisis period 2007-2011 from the stock exchange market in Viet Nam (HOSE and HNX and UPCOM).

In this research, analytical research method is used, philosophical method is used and specially, leverage scenario analysis method is used. Analytical data is from the situation of listed hardware industry firms in VN stock exchange and curent tax rate is 25%.

Finally, we use the results to suggest policy for both these enterprises, relevant organizations and government.

6. General Data Analysis

The research sample has total 22 listed firms in the hardware industry market with the live data from the stock exchange.

Firstly, we estimate equity beta values of these firms and use financial leverage to estimate asset beta values of them. Secondly, we change the leverage from what reported in F.S 2011 to increasing 30% and reducing 20% to see the sensitivity of beta values. We found out that in 3 cases, asset beta mean values are estimated at 0,441, 0,337 and 0,520 which are negatively correlated with the leverage. Also in 3 scenarios, we find out equity beta mean values (0,327, 0,240 and 0,400) are also negatively correlated with the leverage. Leverage degree changes definitely has certain effects on asset and equity beta values.

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7. Empirical Research Findings and Discussion

In the below section, data used are from total 22 listed hardware 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). Then, two (2) FL scenarios are changed up to 30% and down to 20%, compared to the current FL degree.

Market risk (beta) under the impact of tax rate, includes: 1) equity beta; and 2) asset beta.

7.1 Scenario 1: current financial leverage (FL) as in financial reports 2011

In this case, all beta values of 22 listed firms on VN hardware industry market as following:

Table 1 – Market risk of listed companies on VN hardware industry market

Order No.	Company stock code	Equity beta	Asset beta (assume debt beta = 0)	Note	Financial leverage
1	CMT	0,442	0,216	LTC as comparable	40,86%
2	SVT	0,740	0,560	TLC as comparable	19,39%
3	VIE	0,241	0,046	UNI as comparable	64,78%
4	HPT	0,098	0,026	TST as comparable	58,96%
5	NIS	0,289	0,137	VTC as comparable	42,03%
6	TST	0,303	0,097	LTC as comparable	54,45%
7	ST8	0,875	0,670		18,78%
8	TAG	0,561	0,365	LTC as comparable	28,00%
9	POT	0,927	0,472		39,23%
10	CKV	0,105	0,038	VIE as comparable	50,76%
11	ONE	0,629	0,248	UNI as comparable	48,47%
12	PMT	0,256	0,219	NIS as comparable	11,56%
13	SMT	0,194	0,136	PMT as comparable	23,98%
14	UNI	1,011	0,624		30,61%
15	TLC	0,917	0,662		22,24%
16	KST	0,584	0,332	TLC as comparable	34,52%
17	VAT	0,139	0,066	PMT as comparable	42,23%
18	VTC	0,528	0,358		25,76%
19	ELC	1,011	0,505	ITD as comparable	39,99%

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20	SAM	1,138	1,022		8,15%
21	LTC	0,788	0,235		56,14%
22	ITD	0,412	0,155	POT as comparable	49,98%
				Average	36,86%

7.2. Scenario 2: financial leverage increases up to 30%

If leverage increases up to 30%, all beta values of total 22 listed firms on VN hardware industry market as below:

Table 2 – Market risks of listed hardware industry firms (case 2)

Order No.	Company stock code	Equity beta	Asset beta (assume debt beta = 0)	Note	Financial leverage (30% up)
1	CMT	0,318	0,107		66,4%
2	SVT	0,682	0,467	TLC as comparable	31,5%
3	VIE	-0,072	0,004	UNI as comparable	105,3%
4	HPT	0,006	0,000	TST as comparable	95,8%
5	NIS	0,202	0,064	VTC as comparable	68,3%
6	TST	0,117	0,013		88,5%
7	ST8	0,875	0,608		30,5%
8	TAG	0,485	0,264		45,5%
9	POT	0,927	0,336		63,7%
10	CKV	-0,016	-0,003		82,5%
11	ONE	0,629	0,134	UNI as comparable	78,8%
12	PMT	0,172	0,140		18,8%
13	SMT	0,116	0,071	PMT as comparable	39,0%
14	UNI	1,011	0,508		49,7%
15	TLC	0,917	0,586		36,1%
16	KST	0,468	0,206	TLC as comparable	56,1%
17	VAT	0,065	0,020		68,6%
18	VTC	0,528	0,307		41,9%
19	ELC	1,011	0,354	ITD as comparable	65,0%
20	SAM	1,138	0,987		13,2%
21	LTC	0,788	0,069		91,2%
22	ITD	0,218	0,041		81,2%
				Average	59,9%

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7.3. Scenario 3: leverage decreases down to 20%

If leverage decreases down to 20%, all beta values of total 22 listed firms on the hardware industry market in VN as following:

Table 3 – Market risk of listed hardware industry firms (case 3)

Order No.	Company stock code	Equity beta	Asset beta (assume debt beta = 0)	Note	Financial leverage (20% down)
1	CMT	0,519	0,307		40,9%
2	SVT	0,777	0,626	TLC as comparable	19,4%
3	VIE	0,425	0,150	UNI as comparable	64,8%
4	HPT	0,200	0,082	TST as comparable	59,0%
5	NIS	0,342	0,198	VTC as comparable	42,0%
6	TST	0,416	0,189		54,5%
7	ST8	0,875	0,711		18,8%
8	TAG	0,610	0,439		28,0%
9	POT	0,927	0,563		39,2%
10	CKV	0,239	0,118		50,8%
11	ONE	0,629	0,324	UNI as comparable	48,5%
12	PMT	0,312	0,276		11,6%
13	SMT	0,252	0,192	PMT as comparable	24,0%
14	UNI	1,011	0,701		30,6%
15	TLC	0,917	0,713		22,2%
16	KST	0,657	0,430	TLC as comparable	34,5%
17	VAT	0,201	0,116		42,2%
18	VTC	0,528	0,392		25,8%
19	ELC	1,011	0,606	ITD as comparable	40,0%
20	SAM	1,138	1,045		8,2%
21	LTC	0,788	0,346		56,1%
22	ITD	0,530	0,265		50,0%
				Average	36,9%

All three above tables and data show that values of equity and asset beta in the case of increasing leverage up to 30% or decreasing leverage degree down to 20% have certain fluctuation.

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8. **Comparing statistical results in 3 scenarios of changing leverage:**

Table 4 - Statistical results (FL in case 1)

Statistic results	Equity beta	Asset beta (assume debt beta = 0)	Difference
MAX	1,138	1,022	0,116
MIN	0,098	0,026	0,072
MEAN	0,554	0,327	0,227
VAR	0,1092	0,0679	0,041
Note: Sample size : 22			

Table 5 – Statistical results (FL in case 2)

Statistic results	Equity beta	Asset beta (assume debt beta = 0)	Difference
MAX	1,138	0,987	-0,151
MIN	-0,072	-0,003	0,069
MEAN	0,481	0,240	-0,241
VAR	0,1515	0,0669	-0,085
Note: Sample size : 22			

Table 6- Statistical results (FL in case 3)

Statistic results	Equity beta	Asset beta (assume debt beta = 0)	Difference
MAX	1,138	1,045	-0,093
MIN	0,200	0,082	-0,118
MEAN	0,605	0,400	-0,205
VAR	0,0848	0,0633	-0,022
Note: Sample size : 22			

Based on the above results, we find out:

Equity beta mean values in all 3 scenarios are low (< 0,7) and asset beta mean values are also small (< 0,5) and max equity beta values in just a few cases are higher than (>) 1. In the case of reported

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leverage in 2011, equity beta value fluctuates in an acceptable range from 0,098 (min) up to 1,138 (max) and asset beta fluctuates from 0,026 (min) up to 1,022 (max). If leverage increases to 30%, equity beta moves in a range from -0,072 to 1,138 (max unchanged) and asset beta moves from 0,002 (min) up to 1,033 (max). Hence, we note that there is a decrease in asset beta min value if leverage increases. When leverage decreases down to 20%, equity beta value moves in a range from 0,200 to 1,138 (max unchanged) and asset beta changes from 0,082 (min) up to 1,045 (max). So, there is a small increase in equity beta min value when leverage decreases in scenario 3.

Beside, Exhibit 5 informs us that in the case 30% leverage up, average equity beta value of 22 listed firms decreases down to -0,073 while average asset beta value of these 22 firms decreases little more to -0,087. Then, when leverage reduces to 20%, average equity beta value of 22 listed firms goes up to 0,051 and average asset beta value of 22 firms up to 0,073.

The below chart 1 shows us : when leverage degree decreases down to 20%, average equity and asset beta values increase slightly (0,605 and 0,400) compared to those at the initial reported leverage (0,554 and 0,327). Then, when leverage degree increases up to 30%, average equity beta decreases little more and average asset beta value also decreases more (0,481 and 0,240). However, the fluctuation of equity and asset beta value (0,152 and 0,067) in the case of 30% leverage up is higher than (>) the results in the 20% down leverage case.

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Chart 1 – Comparing statistical results of three (3) scenarios of changing FL (2007-2009)

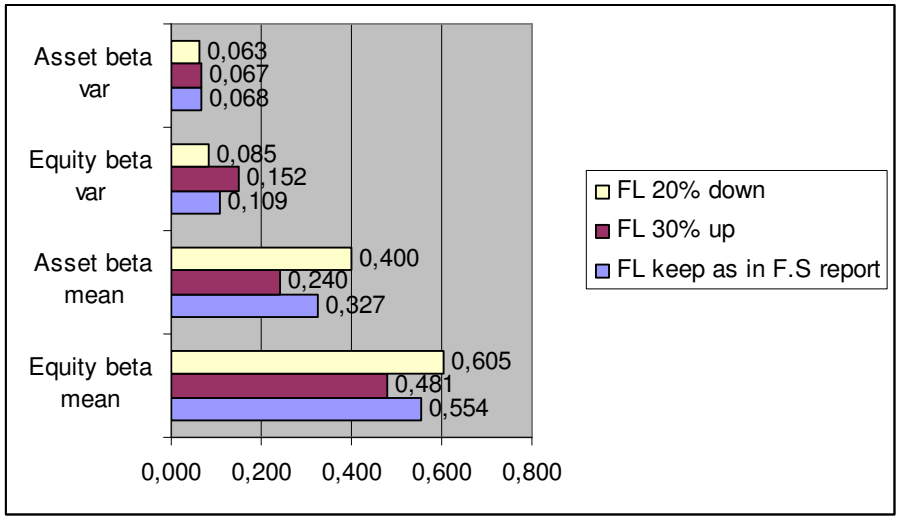
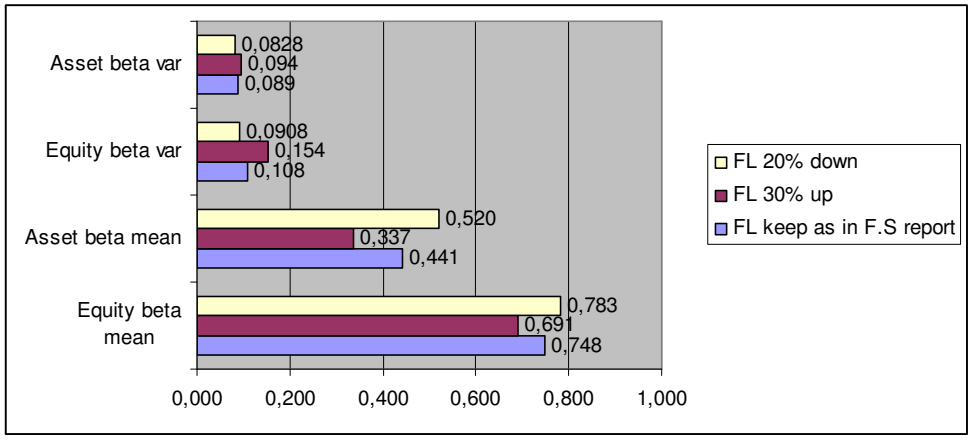


Chart 2 – Comparing statistical results of three (3) scenarios of changing FL (2007-2011)



9. Risk analysis

In short, the using of financial leverage could have both negatively or positively impacts on the financial results or return on equity of a company. The more debt the firm uses, the more risk it takes. Beside, the increasing interest on loans might drive the earning per share (EPS) lower. And FL becomes a source of risk that need to be managed by finance managers.

On the other hand, in the case of increasing leverage, the company will expect to get more returns. The financial leverage becomes worthwhile if the cost of additional financial leverage is lower than the additional earnings before taxes and interests (EBIT). Considering risk vs. return, FL becomes a decisional variable for managers. And the maximum risk that a firm accepts will ask for the maximum

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financial leverage. Last but not least, FL becomes a vital factor in determining firms' capital structure.

10. Discussion

Looking at chart 2, it is noted that in case leverage up 30%, during 2007-2009 period, asset and equity beta mean (0,240 and 0,481) of hardware industry are lower than those in the period 2007-2011 (0,337 and 0,691). Looking at exhibit 7, we can see asset beta mean is higher but equity beta mean is lower than those of consumer good industry (0,222 and 0,630). This relatively shows us that financial leverage does affect asset beta values.

11. Conclusion and Policy suggestion

In general, the government has to consider the impacts on the mobility of capital in the markets when it changes the macro policies. Beside, it continues to increase the effectiveness of building the legal system and regulation supporting the plan of developing hardware 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 hardware industry as we could note that in this study when leverage is going to increase up to 30%, the risk level decreases much despite of the little high asset beta var, compared to the case it is going to decrease down to 20%.

Furthermore, the entire efforts among many different government bodies need to be coordinated.

Finally, 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.

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Exhibit

Exhibit 1 – Interest rates in banking industry during crisis

(source: Viet Nam commercial banks)

Year	Borrowing Interest rates	Deposit Rates	Note
2011	18%-22%	13%-14%	
2010	19%-20%	13%-14%	Approximately
2009	9%-12%	9%-10%	(2007: required reserves ratio at SBV is changed from 5% to 10%)
2008	19%-21%	15%-16,5%	
2007	12%-15%	9%-11%	(2009: special supporting interest rate is 4%)

Exhibit 2 – Basic interest rate changes in Viet Nam

(source: State Bank of Viet Nam and Viet Nam economy)

Year	Basic rate	Note
2011	9%	
2010	8%	
2009	7%	
2008	8,75%-14%	Approximately, fluctuated
2007	8,25%	
2006	8,25%	
2005	7,8%	
2004	7,5%	
2003	7,5%	
2002	7,44%	
2001	7,2%-8,7%	Approximately, fluctuated
2000	9%	

Exhibit 3 – Inflation, GDP growth and macroeconomics factors

(source: Viet Nam commercial banks and economic statistical bureau)

Year	Inflation	GDP	USD/VND rate

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2011	18%	5,89%	20.670
2010	11,75% (Estimated at Dec 2010)	6,5% (expected)	19.495
2009	6,88%	5,2%	17.000
2008	22%	6,23%	17.700
2007	12,63%	8,44%	16.132
2006	6,6%	8,17%	
2005	8,4%		
Note		approximately	

Exhibit 4: GDP growth Việt Nam 2006-2010 (*source: Bureau Statistic*)

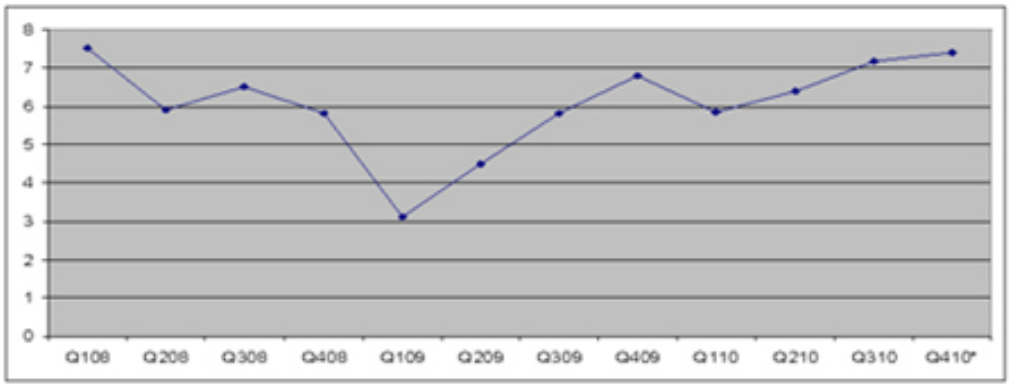

Exhibit 5 – Increase/decrease risk level of listed hardware industry firms under changing scenarios of leverage : in 2011 F.S reports, 30% up, 20% down in the period 2007 - 2009

Order No.	Company stock code	FL keep as in F.S report		FL 30% up		FL 20% down	
		Equity beta	Asset beta	Increase /Decrease (equity beta)	Increase /Decrease (asset beta)	Increase /Decrease (equity beta)	Increase /Decrease (asset beta)
1	CMT	0,442	0,216	-0,125	-0,110	0,077	0,091
2	SVT	0,740	0,560	-0,058	-0,093	0,037	0,066
3	VIE	0,241	0,046	-0,313	-0,042	0,184	0,104
4	HPT	0,098	0,026	-0,091	-0,025	0,102	0,056
5	NIS	0,289	0,137	-0,087	-0,073	0,054	0,061
6	TST	0,303	0,097	-0,187	-0,083	0,112	0,092
7	ST8	0,875	0,670	0,000	-0,062	0,000	0,041

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8	TAG	0,561	0,365	-0,077	-0,101	0,049	0,074
9	POT	0,927	0,472	0,000	-0,136	0,000	0,091
10	CKV	0,105	0,038	-0,121	-0,041	0,135	0,080
11	ONE	0,629	0,248	0,000	-0,114	0,000	0,076
12	PMT	0,256	0,219	-0,084	-0,079	0,055	0,056
13	SMT	0,194	0,136	-0,078	-0,065	0,058	0,056
14	UNI	1,011	0,624	0,000	-0,116	0,000	0,077
15	TLC	0,917	0,662	0,000	-0,076	0,000	0,051
16	KST	0,584	0,332	-0,116	-0,127	0,073	0,098
17	VAT	0,139	0,066	-0,074	-0,045	0,062	0,050
18	VTC	0,528	0,358	0,000	-0,051	0,000	0,034
19	ELC	1,011	0,505	0,000	-0,152	0,000	0,101
20	SAM	1,138	1,022	0,000	-0,035	0,000	0,023
21	LTC	0,788	0,235	0,000	-0,166	0,000	0,111
22	ITD	0,412	0,155	-0,194	-0,114	0,118	0,110
			Average	-0,073	-0,087	0,051	0,073

Exhibit 6- VNI Index and other stock market index during crisis 2006-2010

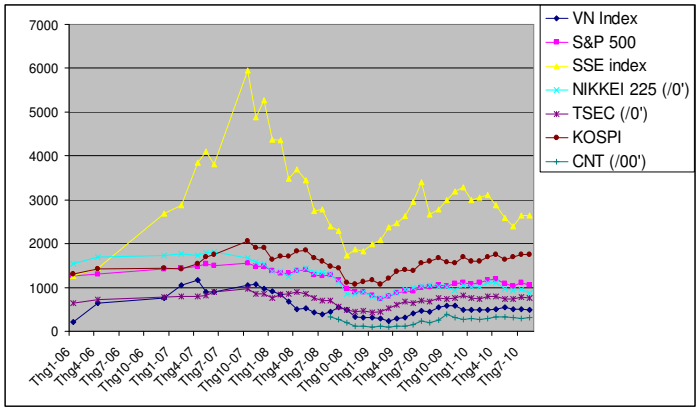

Exhibit 7 – Comparing statistical results of three (3) scenarios of changing FL of 121 listed firms in the consumer good industry

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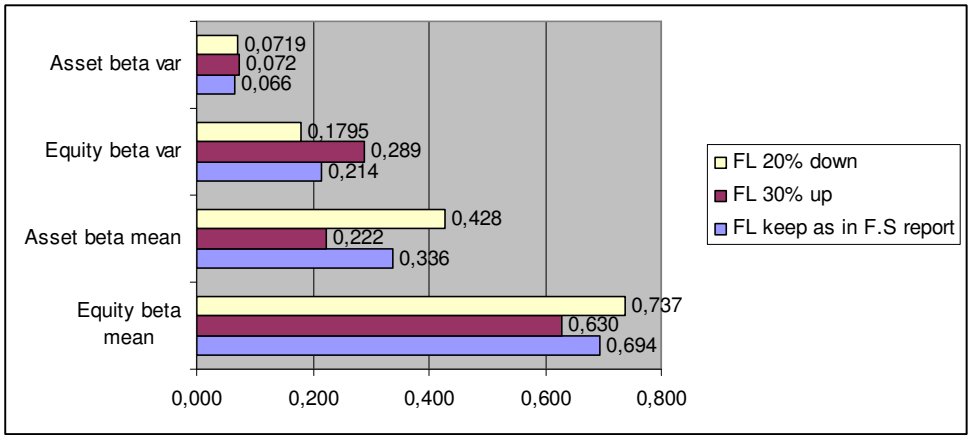

Author note: My sincere thanks are for the editorial office and Lecturers/Doctors at Banking University and International University of Japan. Through the qualitative analysis, please kindly email me if any error found.

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CROSS-CULTURAL MANAGEMENT AND ITS GLOBAL COMPETITIVENESS AMONG INDIAN HEALTHCARE PROFESSIONALS

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Abstract

In the advent of globalization, the healthcare industry has prompted interactions to expand its network across cultures in order to keep up being culturally aware and more importantly, for better understandings and relationships to increase global awareness. Under these dynamics network environments, whether Indian healthcare professionals must be aware of cross-cultural management in global scenario. The review on cross-cultural management is based on two-fold; one is to assess the level of awareness on cross-cultural management and the other is to find out the opinion of Indian healthcare professionals about cross-cultural management in global scenario for being globally competitive. In this research the qualitative data addresses issues of cross-cultural management, seeking and maintaining global competitiveness of the Indian healthcare professionals while at the same time instilling confidence and trust through awareness on cross-cultural management globally. Finally, in the context of cross-cultural management, we developed a model for this study.

Keywords: Global competition, cross-cultural management, awareness, healthcare

1. Introduction

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Cross-cultural management is developed to serve as a guide for healthcare organizations involving customers of diverse cultural traits and values. Cross-cultural management came into being with the introduction of globalization in the corporate world. It simply means the ability of healthcare professionals to deal with or handle cultural diversities in the workplace which greatly affect the ideas, values, and behaviors of customers with a goal of creating a harmonious and productive work environment. Therefore, the awareness of cross-cultural management pave the way to managing intercultural and cross-cultural conflict, adaptability to new situations, and intercultural and cross-cultural adjustment and other abilities include managing change, managing uncertainty, dealing with paradox, being inquisitive, working in corporate teams, and language skills. Healthcare organisations and professionals must be needed of cross-cultural competencies to conduct business transactions and withstand relationships in the global market (Slimbach 2005). One of the key competency is global awareness. It is only apt to have basic understanding of international business conditions, ideologies, institutions, and systems. To become globally aware, one must be conscious about the things that are happening around the world especially in the aspect of retaining customers and business. It imparts learning on cross-cultural social relations at work, and provides an evaluation of existing and emerging frameworks for understanding differences and similarities and the ways they affect workplace activities, attitudes and behaviours. In today's world, we all are living in a global village. In order to keep pace with inter-cultural interactions, peace, prosperity, and harmony at workplace. The main focus of cross-cultural management is on the management of workforce diversity and how this diversity could be used as a means of obtaining a competitive edge. With a view to assess global awareness on cross- cultural management in healthcare organisations, the important research questions raised are, 1) Whether Indian healthcare professionals are aware on cross-cultural management? 2) Whether the Indian healthcare professionals are considered the cross-cultural management in global competitive environment? 3) What do the healthcare professionals perceive the cross-cultural management in global scenario?

2. Cross-Cultural Management

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The march of globalisation has turned conventional management on its head, making the management task a more difficult, challenging and complex one. Moreover, as many business decisions have become globalised, healthcare administrators' roles have become intertwined with issues of cultural adaptation and conflicts in communication, exacerbated by cultural diversity (Xie et al, 2008). Thus, a knowledge and understanding of how to manage crossculturally is of vital importance, to ensure that the management task is a more informed and effective one. Two key aspects of this are cross-cultural communication and cross-cultural awareness. Cross-cultural management has been defined by Adler (1991: 10-11) as the study of "people in organisations around the world… it trains people to work in organisations with employee and client populations. It describes organisational behaviour across countries and cultures. And importantly, it seeks to understand and improve the interaction of co-workers, clients and partners from different countries and cultures. It expands domestic management to encompass international and multicultural spheres." As Soderberg and Holden (2002) point out, cross-cultural management is often referred to as the tactic for dealing with cultural differences which have, in the past, become synonymous with friction, conflict and miscommunication. Experience is no defense either. Firms who operate internationally, and managers who are experienced or maybe even qualified in international business, are by no means immune from the scourge of misperception, misjudgement and mistakes in managing the intricacies of cultural relationships with stakeholders, customers and suppliers. If healthcare administrators, professionals and their firms do not effectively promote organisation-wide empathy with, and sensitivity to, cross-cultural issues, it may potentially have a catastrophically-negative effect on people's ability to communicate with each other and, ultimately, the firm's reputation and success, both at home and internationally (Harris and Moran, 1979).

2.1. Cross-Cultural Concept

The concept of cross-culture is very broad in scope, however, understanding cross-culture can be made easy since it already exists as a result of the interaction of different cultures. An important aspect that need to remember is that even if it is contact with people of other cultures, it does not just focus on the differences. Cross-culture is also about learning the similarities and what is commonly shared between and among

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cultures. In the broadest sense, the similarities and differences of the other culture of the people who come in contact with, whether it is within the cultural group or from another ethnicity.

In a cross-cultural interaction, usually it tend to look for similarities or common denominators with others more than the differences. It is because when people interact on a common ground, it is easier to get along with each other. When differences appear to be all there is, this is when cross-cultural issues and conflicts arise and when you perceive these differences to be barriers or hindrances instead of taking it as a challenge to even strengthen the bond between your cultural orientation and that of the others.

2.2. Addressing Cross-Cultural Conflicts and Issues

A better way to respond towards cross-cultural conflicts is to understand oneself and one's culture. The healthcare practioners need to examine their own cultural values, prejudices, and biases. Being more aware and more educated with their own culture opens their doors to empirical and different ideas. Healthcare professionals will feel less threatened facing an issue with another individual of different culture. Another tip is to modify oneself towards other people's cultural orientation. Learning to accept the fact that they live in a culturally diverse world makes it easy for us to interact with people across cultures by adjusting to their behavioral and cultural patterns. Setting aside the individualistic and collectivist approaches, it is a lot more helpful to just bring issues to the table and discuss them as if everyone gets affected if it is not resolved sooner. However, to be open to various interpretations especially when dealing with patients of different ethnicity. Setting proper expectations as to each other's cultural values and behaviors will make conflict resolution become more effective.

When management and the organization incorporate empirical ideas and approaches brought about by diversity in the culture of healthcare practioners, it is highly possible that cross-cultural conflicts and issues will arise. One of these workplace issues is alienation of healthcare practioners that can lead to misunderstanding of clients' cultural etiquettes, values, and behaviors. Another problem is filing of costly cases of discrimination caused by poor communication and client alienation. Unnecessary termination of

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employees can also become a problem. This issue results from communication breakdown and false assumptions of healthcare practioners' behavioral patterns and work attitude.

In some culturally diverse organizations where cross-cultural issues are not properly addressed, management becomes reluctant or hesitant to employ and work with culturally diverse employees. Analyzing the situation, it is obviously unjust on the part of the working individuals since management sees and views the situation collectively. As a result, there is a need of developing cultural awareness and enhancing cultural competencies globally among healthcare professionals is indispensable.

2.3. Developing Cultural Awareness

Developing cultural awareness is the initial stage of becoming culturally competent. It basically acknowledges the fact that cultures are diverse and dynamic. It also involves the ability to conduct a cultural self-assessment where individual cultural beliefs, values, and perceptions are evaluated. Employees can reflect on their own cultural traits and ask themself self-reflection questions. They might want to reflect on how they see the world, why and how they react to something, and how different their thoughts and actions are from others. Cultural awareness becomes essential during interaction and socializing with people across cultures. All individuals interpret and perceive things differently. First is to admit or acknowledge personal prejudices, biases, and stereotypes. Next is to become aware of the cultural standards, beliefs, and attitudes. Third is to learn how to value cultural diversity. The fourth step is to willingly reach out to the community or the society. And lastly, one must learn how to recognize comfort level in varied situations.

2.4. Benefits of Cross-Cultural Management

The challenge of healthcare professionals and its administrators is to handle and deal with organizational conflicts efficiently. With the competent leadership skills of management, responding to these issues will result to advantageous outcomes for the personnel and the company as a whole. Cross-cultural management gives the personnel an opportunity to make a productive and harmonious

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workplace. It keeps and retains skilled personnel of diverse cultural background and ethnicity. Moreover, it establishes better communication despite existing language barriers. When healthcare professionals and its administrators appropriately understand the cultural behaviors of personnel across cultures, the individuals are more likely to become even more motivated to work. Apart from that, culturally diverse personnel are aptly assessed without the misconceptions of their attitudes, behaviors, and perceptions. And of course, cross-cultural management creates a harmonious and comfortable work environment when everyone understands each other in terms of motivations and perspectives. For example, some medical experts or healthcare practitioners tend to stereotype, make false assumptions, or do not deal well with patients or people who have different cultural background and experiences.

People who are in the healthcare industry must learn how to be sensitive in their dealings with individuals across cultures. They need to adjust and adapt to patients who come from different countries of origin or ethnical background. When this is achieved, a person specializing in the healthcare aspect can be considered a culturally effective health care individual.

3. Methodology

There were random mix of about 700 Indian healthcare professionals include administrators, surgeons, physicians and high level back-office staff from marketing department and human resource department who have had international assignments for less than one year to above four years in the countries like US, Europe, Australia, China, Korea, Japan, Dubai, Singapore and Malaysia were surveyed. All the professionals were born in India and for the purposes of learning, training, education, employment and medical tourism they have been to foreign countries. Convenient samples, picked from the Multispecialty hospitals of Chennai and Coimbatore were administered for the study. Age of the participants ranged from 28 to 60 years (M= 53.07 and SD=1.82). Both female (35.9%) and male (64.1%) were considered for the study. All the respondents native place is the State Tamil Nadu and some of the respondents were Hindus (62%), Christians (25%) and Muslims (13%) were administered for the study.

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4 Research Tool and Measurements

Semi-Structured questionnaire is the tool for the study. Both the open-ended and closed questions were conveyed to the respondents through questionnaire, e-mails and telephones. The respondents were from both currently working and returned from the foreign countries those who have had international assignments were surveyed. Initially, the questions were asked to get the background information like education, experience, nativity etc. The important questions raised for the purpose of the study were on level of awareness on cross- cultural management, consideration of cross-cultural management in global competitive environment, outlook of cross-cultural management contributing to being globally competitive and cross-cultural management its effect on strategy, operations, organisation and global competitiveness. The questionnaire also consists of many numbers of criterions which are perceived as suitable for this cross-cultural study. Five points-scale (EA-Extremely Aware; MA- Moderately Aware; SA-Somewhat Aware; SLA- Slightly Aware; NA- Not at all Aware) (TLE- To a large extent; TME-To a moderate extent; TSE-To some extent; TSME- To a small extent; NTA- Not at all) (SA=Strongly Agree; A=Agree; NO=No opinion; DA=Disagree; SDA=Strongly Disagree) was used to measure the level of awareness on cross-cultural management, consideration of cross-cultural management in global scenario and opinion about the cross-cultural management in global competitiveness of the Indian healthcare professionals.

5. Analysis and Interpretation

The questionnaire were circulated to 783 healthcare professionals and 741 were responded. Out of 741 responses, 700 responses were considered for the study based on the quality of responses. The whole study gave valid information regarding cross-cultural management. As it is opinion survey of healthcare professionals, almost all the respondents were actively engaged in the process. The investigation is made from several points of judgements. The Gender profile of the respondents is as follow;

5.1.1 Gender and Awareness of Cross-Cultural Management

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TABLE-5.1.1 Gender of the respondents

S.No.	Gender	Freq	Percent
1	Male	449	64.1
2	Female	251	35.9
	Total	**700**	**100.0**

Source: Primary Data

It is perceived from the table that Out of 700 respondents, 64.1 percent were male respondents and 35.9 percent were female respondents.

5.1.2 Gender and Awareness of Cross-Cultural Management (Two Way Table)

With the view to find out the degree of relationship between Gender and awareness of Cross- Cultural Management, two way table is prepared and the same is illustrated below:

TABLE 5.1.2 Gender and Awareness of Cross-Cultural Management (Two Way Table)

S.No.	GENDER	Freq	AWARENESS OF CROSS-CULTURAL MANAGEMENT					Total
			Not at all aware	Slightly aware	Somewhat aware	Moderately aware	Extremely aware	
1	**Male**	Freq	0	10	102	180	157	449
		%	0%	1.4%	14.6%	25.7%	22.4%	64.1%
2	**Female**	Freq	0	7	39	114	91	251
		%	0%	1%	5.6%	16.3%	13%	35.9%
Total		Freq	0	17	141	294	248	700
		%	0%	2.4%	20.1%	42%	35.5%	100.0%

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Source: Primary Data

It is observed from the above table that the highest (25.7 percent) male respondents concluded that they were Moderately Aware and the lowest (0 percent) male respondents concluded that they were Not at all aware. The highest (16.3 percent) female respondents concluded that they were Moderately aware and the lowest (0 percent) female respondents concluded that they were Not at all aware. Hence, the male respondents and the female respondents concluded that they were Moderately aware of CCM.

5.1.3 Association between Gender and Awareness of Cross-Cultural Management (Chi Square Test)

In order to find the relationship between Gender of the respondents and awareness of Cross-Cultural management, chi square test is applied and the result of the test is shown below:

TABLE 5.1.3 Association between Gender and Awareness of Cross-Cultural Management (Chi Square Test)

	Calculated Value	Df	P-Value	S/NS	Remarks
Pearson Chi-Square	8.313[a]	4	**.000***	**S**	**Rejected**

* P<0.01 S-Significant NS-Not Significant

Source: Primary Data

It is identified from the table that the p-value is less than 0.01 (p<0.01) and the results are significant. Hence, the null hypothesis of "There is no significant relationship between the gender of the respondents and awareness of CCM" is rejected and the alternative hypothesis of "There is a significant relationship between the gender of the respondents and awareness of CCM" is accepted.

5.2. Gender of The Respondents and Consideration of Cross-cultural management When Choosing the Healthcare Industry

5.2.1. Gender of the Respondents and Consideration of Cross-cultural management When Choosing the Healthcare Industry

TABLE-5.2.1. Gender and Consideration of Cross-cultural management When Choosing the

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Healthcare Industry

S.No	Gender	Freq	Consideration of CCM when choosing the Healthcare Industry					Total
			Not at all	To a small extent	To some extent	To a moderate extent	To a large extent	
1	**Male**	Freq	28	36	94	130	161	449
		%	4.0%	5.1%	13.4%	18.6%	23.0%	64.1%
2	**Female**	Freq	12	9	64	75	91	251
		%	1.7%	1.3%	9.1%	10.7%	13.0%	35.9%
Total		Freq	40	45	158	205	252	700
		%	5.7%	6.4%	22.6%	29.3%	36.0%	100.0%

It is observed from the above table that the highest (23 percent) male respondents concluded that they had considered to a large extent and the lowest (4 percent) male respondents concluded that they were not at all considered. The highest (13 percent) female respondents concluded that they had considered to a large extent and the lowest (1.3 percent) female respondents concluded that they had considered to a small extent. Hence, the highest (23 percent) male respondents and the highest (13 percent) female respondents concluded that they had considered to a large extent concluded.

TABLE-5.2.2. Gender and Consideration of Cross-cultural management when choosing the Healthcare Industry (Chi Square Test)

	Value	Df	P- Value	S/NS	Remarks
Pearson Chi-Square	7.056[a]	4	**.000***	**S**	**Rejected**

* P<0.01 S-Significant NS-Not Significant **Source: Primary Data**

It is identified from the table that the p-value is less than 0.01 (p<0.01) and the results are significant. Hence, the null hypothesis of "There is no significant relationship between the gender of the respondents

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and consideration of cross-cultural management when choosing the healthcare industry" is rejected and the alternative hypothesis of "There is a significant relationship between the gender of the respondents and consideration of cross-cultural management when choosing the healthcare industry" is accepted.

5.3. Cross Tabulation

Cross tabulation is used to summarize the relationship between two categorical variables. A cross-tabulation (or *crosstab* for short) is a table that depicts the number of times each of the possible category combinations occurred in the sample data.

5.3.1 Gender and Work experience of the Respondents and Opinion about Cross-Cultural Management In Global Scenario (Cross Tabulation)

Table 5.3.1. Gender of the Respondents and Opinion About Cross-Cultural Management in Global Scenario

S.No.	Gender	Freq	Opinion about Cross-Cultural Management in Global Scenario					Total
			Strongly Disagree	Disagree	No Opinion	Agree	Strongly Agree	
1	Male	Freq	0	0	60	151	238	449
		%	0%	0%	8.6%	21.5%	34.0%	64.1%
2	Female	Freq	0	5	79	97	70	251
		%	0%	.7%	11.3%	13.9%	10%	35.9%
Total		Freq	0	5	139	248	308	700
		%	0%	.7%	19.9%	35.4%	44%	100.0%

Source: Primary Data

It is observed from the above table that the highest (34 percent) male respondents concluded that they were strongly agree and the lowest (0 percent) male respondents concluded that they were strongly disagree. The highest (13.9 percent) female respondents concluded that they were Agree and the lowest (0

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percent) female respondents concluded that they were Strongly disagree. Hence, the highest (34 percent) male respondents concluded that they were Strongly Agree the Opinion about Cross-Cultural Management in Global Scenario and the highest (13.9percent) female respondents concluded that they were Agree the Opinion about Cross-Cultural Management in Global Scenario..

Table 5.3.2. Work experience of the respondents and opinion about cross-cultural management in global scenario

S.No.	Work Experience	Freq	Opinion about Cross-Cultural Management in Global Scenario					Total
			Strongly Disagree	Disagree	No Opinion	Agree	Strongly Agree	
1	Less than one year	Freq	10	19	12	45	28	114
		%	1.4%	2.7%	1.7%	6.4%	4.0%	16.3%
2	1-2 years	Freq	8	10	14	35	30	97
		%	1.2%	1.4%	2%	5.0%	4.3%	13.9%
3	2-3 years	Freq	5	5	24	50	44	128
		%	.7%	.7%	3.4%	7.1%	6.3%	18.3%
4	3-4 years	Freq	0	14	77	46	37	174
		%	0%	2.0%	11.0%	6.6%	5.3%	24.9%
5	4 years & Above	Freq	0	20	16	85	66	187
		%	0%	2.9%	2.3%	12.1%	9.4%	26.7%
Total		Freq	23	68	143	261	205	700
		%	3.3%	9.7%	20.4%	37.3%	29.3%	100.0%

It is observed from the above table that the highest (6.4 percent) of the respondents who were having

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experience of Less than one year concluded that they were Agree and the lowest (1.4 percent) of the respondents who were having experience of Less than one year concluded that they were Strongly disagree. The highest (5 percent) of the respondents who were having experience of 1-2 years concluded that they were Agree and the lowest (1.2 percent) of the respondents who were having experience of 1-2 years concluded that they had no opinion. The highest (7.1 percent) of the respondents who were having experience of 2-3 years concluded that they were Agree and the lowest (0.7 percent) of the respondents who were having experience of 2-3 years concluded that they had No Opinion. The highest (11 percent) of the respondents who were having experience of 3-4 years concluded that they had no opinion and the lowest (0 percent) of the respondents who were having experience of 3-4 years concluded that they were Strongly disagree. The highest (12.1 percent) of the respondents who were having experience of 4 years and above concluded that they were Agree and the lowest (0 percent) of the respondents who were having experience of 4 years and above concluded that they were Strongly disagree. Hence, the highest of (26.7 percent) of the respondents who were having experience of 4 years and above concluded that they Agree the opinion about CCM in global scenario.

5.4. One-way ANOVA (Parametric Test)

It tests the Null Hypothesis that the means of several independent populations are equal. Here the dependent variable is "opinion about cross- cultural management in global scenario" and the independent variables are Gender, Age, Occupational status and Work experience. To use ANOVA, certain conditions have been met. The samples are randomly selected from normal populations and the populations had equal variances. In Addition, the distance from one value to its group mean to be independent of the distances of other mean (independence of error). Each group has its own mean and values that deviate from that mean. Similarly all the data points from all groups produce an overall grand mean. The total deviation is the sum of the squared differences between each data point and the overall grand mean. The test for ANOVA is the F-ratio. It compares the variance from last two sources.

$$F = (\text{Between- groups Variance}) \div (\text{Within- group variance}) =$$

$$(\text{Mean Square})_{\text{between}} \div (\text{Mean Square})_{\text{within}}$$

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Where, Mean Square $_{between}$ = (Sum of Squares) $_{between}$ ÷ (Degrees of freedom) $_{between}$

Mean Square $_{within}$ = (Sum of Squares) $_{within}$ ÷ (Degrees of freedom) $_{within}$

S.No.	Variables		Sum of Squares	df	Mean Square	F-Value	P-Value	S/NS	Remarks
1	**Gender**	Between Groups	45.442	4	11.360	68.326	**.000***	**S**	**Rejected**
		Within Groups	115.557	695	.166				
		Total	160.999	699					
2	**Age**	Between Groups	104.086	4	26.021	25.891	**.000***	**S**	**Rejected**
		Within Groups	698.502	695	1.005				
		Total	802.587	699					
		Within Groups	535.724	695	.771				
		Total	584.949	699					
3	**Occupational status**	Between Groups	123.380	4	30.845	23.458	**.000***	**S**	**Rejected**
		Within Groups	913.870	695	1.315				
		Total	1037.250	699					
		Within Groups	641.913	695	.924				
		Total	725.444	699					
4	**Work Experience**	Between Groups	147.332	4	36.833	20.371	**.000***	**S**	**Rejected**
		Within Groups	1256.627	695	1.808				
		Total	1403.959	699					
		Within Groups	1008.675	695	1.451				
		Total	1073.844	699					

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* P<0.01 S-Significant NS-Not Significant

Source: Primary Data

i. From the above table, it is clear that the p-value (.000) has been less than 0.01 (p<0.01) and the result has significance at 1 per cent level. Hence, the null hypothesis (H_0) has been rejected and the alterative hypothesis (H_1) has been accepted. From the analysis it has been concluded that there is a difference between gender of the respondents and opinion about cross- cultural management in global scenario.

ii. From the above table, it is clear that the p-value (.000) has been less than 0.01 (p<0.01) and the result has significance at 1 per cent level. Hence, the null hypothesis (H_0) has been rejected and the alterative hypothesis (H_1) has been accepted. From the analysis it has been concluded that there is a difference between age of the respondents and opinion about cross- cultural management in global scenario.

iii. From the above table, it is clear that the p-value (.000) has been less than 0.01 (p<0.01) and the result has significance at 1 per cent level. Hence, the null hypothesis (H_0) has been rejected and the alterative hypothesis (H_1) has been accepted. From the analysis it has been concluded that there is a difference between the occupational status of the respondents and opinion about cross-cultural management in global scenario.

iv. From the above table, it is clear that the p-value (.000) has been less than 0.01 (p<0.01) and the result has significance at 1 per cent level. Hence, the null hypothesis (H_0) has been rejected and the alterative hypothesis (H_1) has been accepted. From the analysis it has been concluded that there is a difference between the work experience of the respondents and opinion about cross-cultural management in global scenario.

6. Limitations

Semi-structured interview schedule is most suitable for this kind of socio-psychological research. Due to time and resource constraints, questionnaire is used in the survey. As it is also mailed survey and

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some of the healthcare professionals are still being in the foreign countries, personal observation and face-to-face interview was not possible.

7. Findings

As stated previously, 700 Indian healthcare professionals who were a random mix of Multispecialty healthcare organization in Chennai and Coimbatore were given a questionnaire with eleven questions related to cross-cultural management relative to the healthcare organizations in this study. From the eleven questions, data was consolidated and set into five categories:

- *Level of Awareness on Cross-Cultural Management*
- *Consideration of Cross-Cultural Management*
- *Opinion about Cross-Cultural Management in Global Scenario –*

  Under these category, the questions were divided into three sub categories and the date has been analysed.

  - *Cross-Cultural Management and Its Effect on Strategy, Operations, and Organization*
  - *Cross-Cultural Management and Its Effect on Global Competitiveness*
  - *Cross-Cultural Management Contributing to Being Globally Competitive*

  Using these categories, data from the questionnaire responses was then preliminarily sorted and coded by word or phrase frequency. In summary,

Level of Awareness on Cross-Cultural Management. The data coded for this category revealed that 64.1 percent of male respondents and 35.9 female respondents concluded that they were moderately aware of CCM. Hence the results are significant and the null hypothesis of "There is no significant relationship between the gender of the respondents and awareness of CCM" is rejected and the alternative hypothesis of "There is a significant relationship between the gender of the respondents and awareness of CCM" is accepted.

Consideration of Cross-Cultural Management. The vast majority of subjects acknowledged that, when choosing a healthcare facility, cross-cultural management was a consideration. With regard to this category, the coding process also revealed that the highest (23 percent) male respondents and the highest

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(13 percent) female respondents concluded that they had considered to a large extent concluded. Hence the results are significant and the null hypothesis of "There is no significant relationship between the gender of the respondents and consideration of cross-cultural management when choosing the healthcare industry" is rejected and the alternative hypothesis of "There is a significant relationship between the gender of the respondents and consideration of cross-cultural management when choosing the healthcare industry" is accepted.

Opinion about Cross-Cultural Management in Global Scenario. In this category, the coding showed unanimously that subjects felt cross-cultural management does have an effect on a healthcare organization. The coding revealed the highest (34 percent) male respondents concluded that they were Strongly Agree the Opinion about Cross-Cultural Management in Global Scenario and the highest (13.9percent) female respondents concluded that they were Agree the Opinion about Cross-Cultural Management in Global Scenario. And also, the highest (6.4 percent) of the respondents who were having experience of Less than one year concluded that they were Agree and the highest (5 percent) of the respondents who were having experience of 1-2 years concluded that they were Agree and the highest (7.1 percent) of the respondents who were having experience of 2-3 years concluded that they were Agree and the highest (11 percent) of the respondents who were having experience of 3-4 years concluded that they had no opinion and the highest (12.1 percent) of the respondents who were having experience of 4 years and above concluded that they were agree the opinion about CCM in global scenario. The One-way analysis also revealed that there is a difference between the demographic variables like gender, age, occupational status, work experience of the respondents and the opinion about cross- cultural management in global scenario.

8. Conclusion

Based on the above discussion the following model could be concluded for this study.

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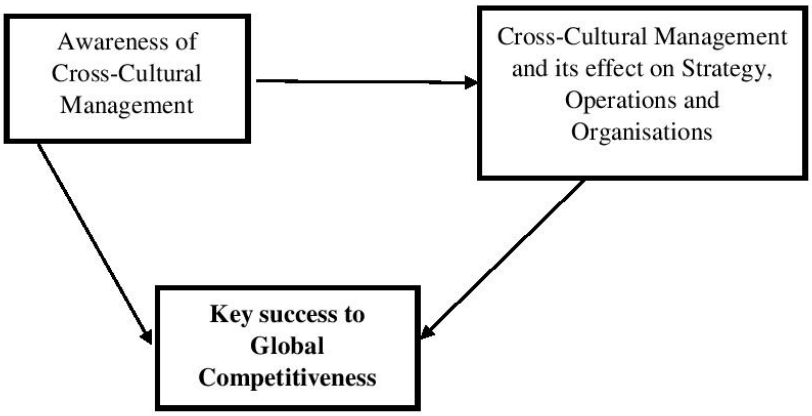

Source: Authors Compilation (Developed for the study)

In conclusion, in today's global environment, if a healthcare organization desires expansion on an international scale or hopes to compete globally, it needs to hold the human element as a primary consideration in that success. The study presented here reports that grounded model has been used effectively to investigate issues relating to the development of effective cross- cultural management to enhance global competitiveness. The model put forth, therefore, is that effective cross-cultural management in such areas as providing cross-cultural awareness and its strategy, operations, organisations globally in these healthcare organization can enhance the global competitiveness of that business.

To conclude, healthcare professionals operating cross-culturally and researchers engaged in cross-cultural research need to develop an increasing awareness on cross-cultural training and development of healthcare workforces. Further studies could also be directed to ascertain specifically the cultural awareness, knowledge and communication both nationally and internationally with the patients of these healthcare organisations that are most beneficial to enhancing global competitiveness in healthcare industry's businesses.

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