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BUSINESS REVIEW



RESEARCH JOURNAL
of
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KARACHI - PAKISTAN



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BUSINESS REVIEW

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Karachi, Pakistan**

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Business Review is a biannual publication of the Institute of Business Administration, Karachi, Pakistan. It is a multidisciplinary journal covering a wide range of issues in the areas of business, social and management sciences, administration and governance, mathematics and computer studies, finance, economics, psychology, business ethics, logic, history of ideas, and philosophy of comparative religion.

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EDITORIAL PERSPECTIVE

Drucker discusses economic life in terms of values, integrity, character, knowledge, vision, responsibility, self-control, social integration, teamwork, community, competence, social responsibility, the quality of life, self-fulfillment, leadership, duty, purpose, dignity, meaning – but rarely money. He defends profit, but as if it were broccoli: a distasteful obligation of managers who would rather be reading Kierkegaard.

The World According to Drucker, Jack Beatty

There always comes a time in the life of a thinking man when he repents the thoughts he did not think, the emotions he did not feel and the decisions he did not make. In life, as in philosophy, ethics, morality, management, and evaluative judgments, everything depends upon taking a position. Likewise, at some point of its historical existence, each society is confronted with the decisive moment when a hard earned glory or a well deserved grief becomes the defining feature of its *raison d'être*. Strange are the ways of life and stranger still are the ways of man. Thoughtfully, we all look back but cannot re-live the past; in retrospect, we are all wiser.

Often we look deep and long into the future to realize that time is our scarcity. Yet, we all have time, enough to celebrate our achievements, and to feel sad or wax indignance over what we could have done but did not do. Yes, we all have time, enough to vie in good deeds and to compete on excellence. Even if we do not have time in abundance, we still can contemporize our vision of what ought to be. However brief, there is always enough time for our creative rage and iconoclastic frenzy.

The most challenging task a corporate manager faces today is the need to translate the spirit of his vision into the ground based realities of the corporate world. He will be tried and tested by his success or failure to incorporate his creative will and normative intentions into his world-view, to reflect the transcendental dimension of the dynamic principle of movement in the corporate culture.

We are familiar with those who have misgivings about the role of ethics in the elusive and hard to measure factor of corporate management. They do not share our hope that if we could only draw morality into the fold of corporate world-view, it will alter our relationship to our thought and action. Maybe it is our bias speaking, but since it is a matter of great pedagogical importance we need to think of the “Concerns of College Students Regarding Business Ethics” (Journal of Business Ethics, 3, 195-200, 1984, Beltramini, R. Peterson, R. and G. Kimetsky). Their concerns are subsumed primarily in their anguish over the loss of transcendence in their personal and professional lives.

It is in the nature of an educated man to live transcendently, while remaining fully conscious of the ground realities and the adversities of his circumstances. But, something must be radically wrong with our system of education, if the politics of our corporate experience tends to generate moral despair and sociocultural conflicts. In such a climate, economic order becomes highly vulnerable to the forces which systematically hide and insidiously exploit the vested interests. Corporate system becomes a captive of capitalist greed. Money and capital become intrinsic values and value derives its worth through its contribution to capital accumulation. The pedagogical issue our business schools have to face in such a situation is the question of freedom to accumulate capital and to make more and even more profit. Freedom, predicated upon truth, honesty, integrity, veracity and character become a secondary issue. To be true to our calling, we the teachers in the business schools must define the ways and the means to maximize corporate freedom and its manifestation as value, reflected in the creative actions and evaluative judgments.

With this thought in mind, the teaching and training exercise in our business schools must be more than a job procurement exercise; in all seriousness, its goal must be the ethical and moral transformation of our corporate system. If our business education does not extend into the corporate culture and if our business curriculum does not reach into the farthest corners of our corporate society, the teaching and the training exercise in our business schools will remain an exercise in futility. The residual effect of what we are doing in our business schools and with such an abandon says so much more than words are likely to say.

A business school must look not only outward but also within. It must provide not only the specialized and departmental training but, with equal passion, it must also offer meaningful moral and ethical perspectives and deliver enduring sociocultural experiences with humanistic component and liberal orientation. In this regard, IBA's offering of Philosophy, Logic and Ethics course, in conjunction with Ethics in Corporate Society, as mandatory and quintessential courses for the students of business education are intended to teach our students to strive not just to be the business managers but good business managers, competing not only on specialized knowledge but also the managers willing to be wise (*Sapere Aude*). Such courses are meant to respond to the long felt need for re-orientation of our pedagogical concern. More importantly, such courses acknowledge the fact that our corporate world-view is flawed in many ways and our business education need to draw into the fold of management not only personality ethics but also character ethics. Beside the formal training, our intent ought-to-be the liberal education of our student as a total individual, well-equipped with generalized knowledge and deep ethical and moral disposition. To achieve this goal, if it is worthy of our teaching and training exercise, we need to look beyond the fragmented specialization and the narrow confinements of our departmental training. We also need to remember that if our curiosities are keen and our pedagogical ethos is poignant enough, in management science and more so in liberal education and scholarship, the new approaches, new trends, and the yet undiscovered innovations will arise outside the given discipline itself. For insurance, if our research and teaching is pursued with a creative bias and interdisciplinary orientation, the new approaches to the study of corporate management will come out of ethics, psychology, sociology, philosophy and the fundamentals of liberal education. Paradoxically, and to our great astonishment, a great deal of such generalized knowledge and inter-disciplinary research, our corporate thinker does not consider very relevant to the teaching of (the art or) the science of management.

Nevertheless, the most current themes of the philosophy of liberal education have

always been a deep and abiding ontological concern with the normative side of the sociocultural phenomenon. The question of value has always been a dominant theme of the liberal education and its philosophical perspective on life. Liberal imagination, while relativizing the “world-concept,” sees the meaning of the world in relation to the experience of the worldliness of the world - thinking of “the world” as lived-world.

The thought here is that the world is a vacuous concept and as such it does not exist. Only the worlds exist; your’s and mine, ours and theirs, idealistic and materialistic, moral and ethical, the poor-man’s world, the world of a rich-man, the religious, economic, and the corporate worlds. Let us also understand that we do not live in different worlds; we, you and I, live in the same world differently. That is what makes the world a lived-world.

We, therefore, submit the following considerations which have a great deal of pertinence for our understanding of the corporate world-view. Assuming social responsibility for our corporate world means to construct and reconstruct the “given” world as-it-is into the world as-it-ought to be. Culturally such an ethical and moral concern has always been and shall always remain the abiding passion of man’s creative imagination. In its futuristic orientation the lure of the world-to-be has always been a dearly held inspiration of man. Philosophers and poets, creative writers, men of vision and imagination, moral thinkers and religious leaders, through the power of word and symbol have always created this world for everyone to see. This world, the world-to-be, has always been there and it is still waiting to be discovered. Only we will not have it!

Protagoras, the Greek philosopher, very wisely observed that “reality has many faces”. Indeed the perspectival variation of reality is a fact and it is equally true about the corporate reality. Since reality as such, corporate, social, economic, political, etc, is a dynamic process, continually changing and expanding, at any given point in time it is what it was not and it is not what it will be. Like time, it moves on from the past through the present into the future, carrying the burden of its imperfections and limitations, dialectically unfolding its inherent possibilities, forever and ever more changing our view of the world we know. Time is the transcendental dimension of reality and in that dimension lies the magic and the mystery of being and becoming. We cannot stop time, nor can we hasten it when all shall be one fold. It is nevertheless the invincible passion of man to dream his dreams; it is his destiny to become what he is capable of being; man has his being in the manner of becoming.

Life, as it is lived, grows out of such thoughts and imaginations. Life teaches us to have the will to think and the courage to imagine. “What would life be if we had no courage to attempt anything?” (Vincent Van Gogh). Action is an extension of thought and imagination. Where would action be if we could not dare to think or imagine anything? Human existence is almost a moral condition and man’s hyphenated being-in-the-world is a trial by existence. Only he exists who, according to the ancient refrain, dares to be wise.

Two perspectives have dominated man’s overview of the “world” – the world as it is, the “given” world, the world into which we have been thrown as our existential predicament. About this world, it is said that it is naïve to think that it can be otherwise, other than what it is. Such words of wisdom have always made the seekers of the world to-be angry and, in their creative rage they have always asked: why not?

The second perspective is rooted in man's creative will. It is based on man's vision of the world as it ought to be. The corporate manager, in a state of denial refuses to believe that the corporate reality, however, stubborn it may be, is amenable to ideal and ethical construction and reconstruction, moral interpretation and transcendental movement towards the yet-to-be. Let us, therefore, not be sad or discouraged, nor should we succumb to the call of acquiescence. Let us make this world better because in that creative engagement lies the glory of man's being-in-the-world. The reconstruction of the world is not such a difficult task after all. The real task, as Camus said, is the reconstruction of man. This is a theme we have been stressing in these pages at the risk of sounding egoistic and autobiographical.

Empedocles, another pre-Socratic philosopher and a contemporary of Protagoras, dared to look into the abyss far and beyond the time when time will exist no more. Empedocles had the dialectical sweep to emphasize that irrespective of what he thinks man will never be free from his creative burden of construction and deconstruction of the lived-reality. He shall never be free from the demand of "moral imperative to act in such a way that by his will, his action becomes a law universal." So understood, man is a "particular universal." According to Empedocles, man's being in the world and his experience of various perspectives of reality is marked by two contending and opposite forces e.g. good and evil, truth and falsehood, honesty and deceit, need and greed, profit and loss. These forces are at war with each other, trying to win over the heart and the mind of man. While, outside in the corporate world, market forces are engaged in the manipulation and exploitation of ethics and economics.

Will the time ever come, if it has not already passed by us, for the institutions of business education to "ignite moral awakening" by incorporating into the dynamics of its pedagogy the belief that corporate thinker needs to think such thoughts, at least, once in his lifetime. Will the corporate manager ever look deep into the heart of nothingness, to become free to liberate himself from all that does not glorify his humanity? Of course it will add the tragic sense of life to his world-view, but that is the price he has to pay to grow older and wiser. If he can look within, long enough to experience the joy of his being in the manner of becoming, it will awaken him to the level of reflexive consciousness. In search of his authentic self, if he can endure the fear and trembling, initiated by his existential awakening, the corporate man will forever be haunted by the feeling that "he is not who he is and he is who he is not", and that he is greater than he knows and not nearly as wonderful as he can be.

Such thoughts and emotions will impart much dignity and sobriety to the self-awareness of the corporate manager, adding a great deal of character to his self-image. It will radically change the way he exercises power and authority, for such an exercise is always a reflection of his character. Like a creative thinker, he will realize that status quo is antithetical to a dynamic, progressive and transcendental world view. Like a research scholar, he will not abandon himself to a fixed point of view and a world whose worldliness carries with it the stigma: thus it is and cannot be otherwise. Like a philosopher - a seeker of truth - the corporate thinker will, whole-heartedly, search for the truth everywhere or nowhere at all. He will not cherish a world that cannot be otherwise, and in search of the world as it ought to be, he will not condemn himself to the world with a *fait-accompli*.

Such an attitudinal change will make the corporate functionary outgrow his hubris to face the fatal flaws in his professional orientation. His generalized knowledge, liberal

outlook and ethico-moral bias will make him see more clearly and distinctly the anomalies inherent in the current business profession and a brutal disregard for value among business leaders. The remedy?

In his article, “The Profession of Business”, published in the first volume of Harvard Business Review, Lawrence Lowell, President of Harvard, stressed the following indicators of professionalism: (1) “A high degree of generalized knowledge” (2) “Orientation primarily to community interest rather than to individual self-interest” and (3) “A high degree of self-control of behavior through codes of ethics, internalized through conscious effort.” These are fabulous thoughts but a business professional needs to remember that thought is the property of him who can entertain it, just as value is the possession of him who has adequately drawn it into the intimately professional sphere of his behavior and that the real possession of a man is his character. That is what Rene Descartes, the father of modern philosophy, following in the footsteps of Imam Ghazali, meant when he uttered: *Cogito ergo Sum*, I think, therefore, I am. Thought is a personal possession of the thinker who, consciously and with full force of his being can say: these thoughts are mine, these values belong to me and my character is my own-ness. It is who I am.

It takes time, indeed as much time as it takes, to teach a young student that it is only when a concept, an idea, a thought or a value has lain in his consciousness for as long as it is necessary to grow on him, to become an extension of his being as an action, a deed and an attitude. But, if it remains detached from his existential orientation in his lived-world, it is not of much use to him and it makes no difference in his life. Not until it has sprung into a decision, a judgment, and a choice to become his choice, his decision and his judgment, can it be the source and the origin of truth, value, virtue, goodness and honesty. This is a thought a corporate thinker must love to think, even if it is only an ideological aspiration, rather than a social fact about the professional life of the corporate manager. We should keep reminding ourselves that, as educated men and women, not to choose is also a choice, not to decide is also a decision and our reluctance to take a position is also an attitude.

Moreover, our corporate executive should have no illusions about the inevitable. To be an effective manager, he needs to guard himself against the futility of wrong reasons, remembering that “all reasoning is thinking but all thinking is not reasoning.” He should always be fearful of the vengeance of truth. All judgments, decisions and evaluations, if they are not predicated on truth invite the wrath of the Law of Consequence. In the realm of ethics, there is no place for equivocation. Whoever trespasses the boundaries of the sacred domain of ethics condemns himself to the irrevocable outcome. The corporate manager should keep in mind the philosophical refrain of Protagoras about the multi-faced nature of reality. He also needs to know that some faces of reality are obnoxiously ugly. They do not beautify human mind, nor do they ennoble human soul. Among other venalities, the corporate executive must be dreadfully afraid of the seductive lure of greed, especially when it is veiled in the anonymity of character. Hidden beneath the persona, disguised as greed, such veiled reality loves to entice the lover’s fool into the snare of corruption. Treading on the path of management, if the corporate executive loses his bearings and if his thoughts are not focused on the integrity of action and the veracity of judgment, he can very easily enter into the twilight zone of bad faith. In life and in management, nothing is more perilous to live by than a distorted sense of reality. Such reality is antithetical to all that is rational, ethical and human. Delightfully, this venomous “reality” resents honesty, beauty and truth. Scornfully, it blemishes character. It has deep and insidious associations with the market

forces and human vulnerabilities. Out there in the corporate world, as in life, nothing corrupts more than the pathological collusion between the distorted realities of ethics and economics, need and greed, pride and shamelessness.

1. In fact, what gives the corporate world-view the distinctive features which make it both relevant and controversial are its manifest profit orientation and its ethically dubious character. The roots of the recurrent crisis into which corporate world has repeatedly fallen, lies in the mistaken and artificially created dichotomy between ethics and economics. The corporate world shall always tremble when ethics and economics will collide.
- 2- The grievous flaws that exist in the corporate system cannot be glossed over by saying that corruption, dishonesty, deceit and greed are not a monopoly of any particular system; they are inherent contradictions and fatal flaws in all systems of management, including the corporate system of management.
- 3- Of course not everyone is inclined to agree with such fallacious arguments and those who do not are saying that the anomalies in the corporate system are incongruous things and they should have no rightful place in the corporate world-view. However, to combat the view that ethics does not cohere with economics, the corporate thinker should not indulge in platitudinal wisdom. Rather, he must state his case analytically, and with the full force of ethical and moral persuasion. The corporate manager should convincingly establish that ethics and economics are not mutually exclusive components of corporate system, like the mutually exclusive categories of ethics – good and evil. He must have the moral conviction that the corporate world is not what it ought to be and if it ought to be what it is not then there must be in it a place for sadness and sorrow, silent groan and the tragic sense of life, ethics and morality, truth and justice, honesty and integrity, humanity and virtue, guilt and shame.
- 4- Therefore, no one should resist the need to reconstruct the corporate world-view based on the assumption that the two integral components of corporate system, ethics and economics, must be drawn into a dialectically creative and interactive relationship.


Of course, no can anyone deny that it is a tedious problem and it is due to its stubborn nature and our own recalcitrance that its resolution is not to be achieved easily and without a great deal of emotional distress and moral anguish. But the goal we are seeking, i.e. the nobility of professionalism, is no ordinary task or a mean achievement. The pursuit of such an ideal, not only sometimes but always, imposes upon the seeker an impossible task – the task to never to slow down and always to hold oneself to high ethical and moral standards.

Since the constitutive components of corporate system overlap, we cannot force them into isolated departments without doing violence to the unified and unifying structure of corporate reality. The thoughts we think about the corporate reality also overlap. Therefore, in thinking our thoughts about the corporate world, we should resist the temptation to force the corresponding structures of the reality of our thoughts into isolated compartments. Our failure to do so will simply be a reflection of our captive mind and a consequence of our one dimensional thinking. Departmentalization is the passion of specialists and specialization thrives on what Randall, in his *Folklore of Management*, calls the “fractionalization of

human knowledge.” But the gestaltan view of reality and the analytically integrated system of thinking aims to overcome the fractured and disjointed world-view. For the good of our students, we need to weigh the consequences of specialization and, more so, our disregard for generalized knowledge. A grave and agonizing consequence of our apathy in this regard is felt in the disappearance of transcendence from our corporate culture and world view. Due to the loss of such a hard to cultivate attitude and lacking also an appreciation for ethico-moral issues, the practitioner of corporate management has very carefully avoided the bolder and less profitable issues of the corporate affairs of human activity. He has failed to offer a creative and heuristic perspective to enlarge and deepen the culturally stifled corporate landscape by cultivating values, virtues, truth, honesty, dignity and everything that enriches human life. By default, the corporate executive faces the much delayed imperative to engage in the destruction of the unexamined belief structures of the corporate culture. To construct and reconstruct the ethos of the corporate world view and to cultivate value and beauty, truth and honesty, moral integrity and the transcendence, the corporate thinker, therefore, has to invent new analogies and metaphors, new symbols and new significations. Above all, he needs to think the thoughts he has avoided to think so far. He has to show moral courage to ask the questions he has not asked for fear of painful answers. The corporate thinker needs to develop a fresh narrative of integration of the realms of ethics and economics, fact and value, imagination and volition, action and decision into a synthesis, defining the domain of the corporate world-view.

However large a corporation may grow, it can still learn from the lessons extracted from the rise and fall of Roman Empire, the Glory that was Greece and the reason why ENRON came tumbling down. However distant in time and in place, we can still detach the corporate manager from his preoccupations to link him up with his predecessors, ethical and moral thinkers, exponents of liberal education, Follet’s humanistic management, Taylor and his “scientism,” sociologists and students of human nature, leaders of statecraft, men of vision and wisdom. It is a daunting task indeed. But it is only when the “moral and spiritual reawakening has been set off” that we will know, for the first time, to what extent our project is superfluous and whether any or many of our markings are irrelevant and off the mark. It is, of course, an arduous undertaking. But the corporate thinker needs to understand the tenuous relationship between morally sublime and economically prosperous. It is never too late to learn and it will do the corporate thinker good if he could learn to enjoy listening to the philosopher within to sharpen his moral vision. Let him learn to take delight in his reflective solitude to explore in depth various dimensions of his personality, to judge and to evaluate the moral fiber of his character. Our schools of business education, to achieve the desired goal of producing the well-rounded managers, must create an environment to promote the culture of reflexive consciousness. In today’s knowledge based economy, it is not just the form of higher education, but the generalized knowledge and liberal outlook, the character and nature of education which matters the most. Ethical and the economic spheres of corporate system overlap and, in the mysterious grey spaces, loss can be the loss of values and profit can be measured by the dignity and the grace of character.

In his article, *A New Code of Business Ethics*, published in *The New York Times Magazine* (April 8, 1962), Randall talks about the moral crisis that has put a question mark on the integrity of the corporate managers and has led us to wonder “whether by any chance the whole lot of us (the corporate managers) are dishonest”. Randall recounts various types of venalities and the moral crisis characterizing the corporate world, according to him, “highlights the challenge to our business leadership.” He believes that the “question of moral integrity and ethical heritage cannot be glossed over in the light of economic prosperity

and business flourish.” Randall makes no secret of his Kantianism in business ethics and our acceptance of it as a categorical imperative. It is “the acid test of our integrity.... Either we have a code of morals or we do not. We can and must set off a moral and spiritual reawakening but to do so we must not only have the moral courage to do the right but sufficient insight to know the right. Our minds must be clear, as well as our consciences.” 

Tufail A. Qureshi

ARTICLE

Soziale Marktwirtschaft - Key to Economic Success or *Contradictio In Adiecto*

Menno Aden
Essen/Ruhr, Germany

Point of Departure

No words can describe the state of destruction or rather annihilation of Germany as a consequence of allied bombing raids until the very last day of WWII. The present author was a boy of three years when the war ended and he clearly remembers the ruins of the city of Hamburg. The fortune his grandfather had earned and invested in USA was gone, as was the case of all other foreign holdings of German citizens. When your author left school (1962) non-communist West-Germany had been rebuilt by about 90%. West-Germany had become the biggest economy of the world after USA. Huge balance of payment surpluses had put us in the same position China is in today. 1990 communist German Democratic Republic (GDR) joined the Federal Republic (Wiedervereinigung/reunification). GDR was a completely run down territory. Twenty years later its infrastructure is one of the best in the world. Through all these 20 years the Federal Republic of Germany remained what it had been from the first to the present day: the major financial net-contributor to European Economic Community. Germany always paid more into the common pot than France, Italy and England together. Obviously there was and still is quite a difference in the economic development of Germany and other countries.

What is the reason? The answer mostly given is: German concept of Soziale Marktwirtschaft (social market economy, hereinafter SMW). A “system” would never explain everything. SMW therefore does not explain it all. But it is widely believed that SMW was the biggest single factor for the recovery of Germany after WW II and her performance ever since. It may be worthwhile to have a closer look at what SMW is about.

Scope of Economy

There are as many forms to live your life as there are men. The extreme on one side may be the nomad and on the other side the monk who is spending his life in a monastery following the unchangeable rules of St. Benedict (6th century). Equally, the scope of economic systems reaches from unregulated exchange of rude commodities to strictly regulated systems as we had them under soviet style communism. In the same way as law comes into being, so does economy, and vice versa. Theoretically, it may be possible to dream of an economic order outside of state and law. In practice this has never happened. So far as we know history, economy has always operated within a national and legal order, be this a state capitalism, as we find in old China or under Diokletian in ancient Rome, cooperative structures were found in medieval Europe or early capitalism in Northern Italy from the 13th century onwards. In the same way as nations began to exist and to build their legal order, they also organised their economy. There was no time in recorded history without economic policy (Wirtschaftspolitik). The idea that the state should not intervene at all in economy is as wrong as the opposite, namely, that the state should do it all without paying heed to the freedom of the market and its forces. Abstinence in economic policy is paramount to abstinence of politics at large. World wide consensus today is that the state must further the well being of the nation by overseeing, among other things, development

as well as the economy.

This poses the question as to what aims and objectives economy has and how to achieve these. The answer given in Germany is SMW. SMW is understood not only as an economic system but as a program or *leitbild* (model, concept) for the society as a whole, comprising all aspects of life including law and social questions in general, in which economy plays the role of supplying means for what the desired quality of life creates the demand.

Invention of SMW

***Laissez faire* v. State intervention**

A. Müller-Armack envisaged the idea of “Soziale Marktwirtschaft” under the impression of the hopeless state of Germany after WW II. There was no realistic chance that Germany would ever recover; and if there was one, this could not be hoped from market forces alone, without *laissez faire*. Nothing was, on the other hand, to be expected from Soviet style socialism. There was no question that a liberal market system had to be reinstalled after the devastation in Germany, a sense of economic freedom and entrepreneurship had to be rekindled.

After WWI there had been appalling examples of *Kriegsgewinnler* (profiteers from the war) becoming very rich, while the majority of the population was almost starving. This was not to be repeated. That part of Germany which was under the administration of the western powers (later West-Germany) had to integrate some 11 million Germans who had been thrown out of their homes in Silesia, Pommerania etc. The present author was 10 years old and remembers well: We West-Germans had little, but these people had nothing. Market economy can work only if seller has at least something to sell and the buyer has something to pay. But, given the existing situation this was found that economy should be deliberately guided as a social (in the meaning of caring and responsible) market economy. A label was found which would later be attached to the stunning economic success of Germany (*Wirtschaftswunder*). What exactly was meant by this, however, was by no means clear, not even to the author himself.

SMW as political label

The label SMW was from the outset of a highly political nature, being at the same time both unclear and inspiring. It was successfully used to win elections for the Christian Democratic Party (CDU) of Adenauer and later of Erhard. The word “sozial” (Engl/French: social), which was unknown to economists and politicians until about 1850, today has become one of the most frequently used and indeed misused words in the world. It has been said, that for its vagueness the word social has no meaning at all. Friedrich Hayek wrote back in 1957 that this adjective takes away the clear sense of everything to which it is attached. *Marktwirtschaft* (market economy; hereinafter: MW) which understands itself to be social, therefore seems to cease being MW. The term *soziale MW* has therefore been labelled as a *contradictio in adiecto*, a contradiction in itself, like cold fire. L. Erhardt, who is generally regarded as the father of SMW, called this a pleonasm, because MW already by itself is “social.”

Historic Background

It may be helpful to give a short overview on changing concepts of state interference with economy in order to show that SMW stands in a row of similar concepts. Greek and Roman writers left some books on agriculture, but nothing on the economic process as such. Economy just happened. We vaguely feel that up to the time of Diocletian (284 – 305) there was what could be called a “liberal” system with little direct interference of the state. For reasons not to be discussed here, things deteriorated thereafter. Costs of the military went up, the huge build up of the imperial bureaucracy added “unproductive” persons to the emperor’s payroll. Productivity both in agriculture and industry declined, inflation went up. The state gradually gained control over every level of the economic process. The liberal system transformed into what has been called, state capitalism or, depending on the point of view, state socialism.

In the European Middle Ages there was little theorizing about economics. Some type of mercantilism can be seen in Sicily, the first modern state (Jacob Burckhardt), under the German emperor Friedrich II (13th century). Exports were encouraged, imports discouraged. Economy was monopolized by the state. Commodities were sold at prices fixed by the state. Market forces, supply and demand, were not yet seen as decisive for price building. By and large this was the state of things during the following centuries. Economic thinking was influenced by upcoming ideas of political or philosophical liberalism. French economist Turgot 1759 coined the famous phrase: *laissez faire, laissez passer* (let them do, let it go), which became the motto against mercantilist control of the state. Economic liberalism followed. Theories began to define economy without reference to the state and devised theoretical models (Max Weber: *Idealtyp*) with no or little reference to the actual environment in which economy operates. Economic theories lost touch with the real world. The *soziale Frage* (social issue) came up. Progress in medicine and health care had reduced infant mortality and increased life expectancy. This led to a virtual explosion of populations in all advanced European countries as of 1800. Masses tried to enter the already crowded labour market. Pauperisation of the working class ensued. Karl Marx’ great work *Das Kapital* does really catch every reader with its heartbreaking examples of the working class in mid 19th century England as opposed to the life style of plant owners.

Apparently the lamentable situation of working classes could not be solved simply by *laissez faire*. Socialists called not only for state control of the economy but for the expropriation of capitalists. It may be noteworthy that it took only hundred years from the liberalism of Adam Smith (*Wealth of Nations* 1776) to the opposite side of communism (*Das Kapital* 1867; postum completed 1883). Since then attempts have been made under various names to blend economic liberalism with some sort of socialism. Bismarck’s invention of a social security system may be the most prominent example. Controversies between social democrats, radical socialists and communists dominated the political scene after WW I not only in Germany. England saw its first Labour Government, Italy went fascist and France almost succumbed to this ideology. Each of these had its own ideas on how the state should take control of economy to improve the condition of the working classes. The big depression of 1930 brought fascism to Germany. Without even knowing the name of Keynes, Hitler by building autobahns and cars (Volkswagen) put into practice what Keynes was about to publish some years later: causing the state to create demand for jobs by deficit spending. It seemed to work. But what followed was a state capitalism or, depending on the point of view, state socialism, in which the government became the major and by and by almost the sole player.

Three steps to SMW

Maslow's Hierarchy of Needs tells us that human needs develop from bottom to top, from basic needs to preserve our physical life, to social needs such as friendship, family, and further to sublime needs such as morality and search for philosophical truth. The same principle seems to apply to the aims and objectives of economic needs and development of human attitudes corresponding to the formation of attitudes and underlying economic motivations.

The first step on this hierarchical ladder of objectives of economy is obviously the supply of food and shelter. These needs are imperative and cannot be delayed. What is needed are instructions on how to grow certain crops, to raise cattle and how to build a house. This is exactly what has come down to us from the Roman writers. Theories on the economic process as such are of no avail at this stage. The same holds true for the mercantilism in the middle ages. It was not based on any economic concept or theory but simple and factual, albeit with some sophistication on the way.

The next step on the ladder comes with new socio-cultural developments and the advancements. The scope of economic activities became wider. Economy which for centuries had been dealing only with a handful of commodities became more complex. Scholars started to ask: where does the wealth come from (French physiocrats, A. Smith, v. Thünen) and, as of 1850 they developed theories about how wealth could be created by good planning and government involvement. Economy was somehow seen as a machine turning out wealth at will of its master, if he only had the right instructions manual. Since then economic theory basically was about writing such a manual. The culmination of this was Keynes. Based on the magic of creating and discreating money through central bank's new methods, invariably with the name of Keynes, are engaged to achieve this. Creating wealth by wealth creating is the word in today's ruling economic theories.

Now the Third and last step on the imagined ladder. Keynes did not have the magic pill. The creation of artificial money was as recent as the central banks which made their appearances by the end of the 19th century. Creating growth by artificially stimulating demand and thereby artificially stimulating supply can well lead to growth, which is as artificial. The financial crisis of 2008/9 has shown this. The vast majority of Nobel Prizes in Economy has been won by Americans. The ultimate worth of their accomplishments remains however doubtful. It is hard to believe in the rich-making magic of indebting yourself, e.g. to communist China!

Shortage of resources, spoilage of the environment, destruction of the social texture etc lead to again wider views. What is economy fundamentally, really about? Is there something beyond feeding and housing and enjoying luxury? Taking resources from somewhere to serve ever increasing needs and exotic wishes elsewhere – can this go on forever? Does it bring life, liberty and happiness? The pursuit of these, or in modern words, quality of life, is the objective of economy under the concept of soziale Marktwirtschaft. Two World Wars have brought the peoples of the world together. From the outbreak of WWI in 1914 we all share at least one historical date. Rich countries cannot turn away from the unfortunate and the wretched of the earth submerged in their calamities. Economy today, for good or bad, is World Economy. It is part of the concept of SMW. An economy which cannot properly feed and house its citizens is neither social nor anything else. A world in which the majority is not properly fed or housed is, to say the least, imperfect and

flawed. SMW wants to change this world by vision Adam Smith prescribed for his time: Enrich yourself and an invisible hand will give your neighbour his share.

Stabilitätsgesetz and the Magic Square

Parliament cannot decree price stability, growth etc. What, however, cannot be legislated is to make it mandatory for government and bureaucracy at all levels to have certain objectives constantly before them. German Law to promote stability and growth of the economy (*Stabilitätsgesetz*) of 8th June 1967 specifies as national objective economic equilibrium (Art. 109 para 2 GG, German Constitution). This law embodies the so called Magic Square of aims to be achieved in SMW(see below). The term magic implies that not all goals can be achieved simultaneously. The real message of this law is therefore the following: Price stability, growth etc are no absolute economic aims, but are only considered to be supportive of the ultimate objective of economy: Harmony without stagnation! This ultimate objective in fact coincides with the well understood national objective of any state. The four objectives of Magic Square are important in all countries, they are by no means special to Germany. But based on its history in the 20th century Germany feels that it has more than other countries experienced their impact not only on economy but on the whole society. These four objectives are the following:

Price stability

Twice in a generation Germany suffered the effects of inflation. After WW I the big inflation of 1923 wiped out all money holdings thus causing social havoc of unheard dimensions. After WW II again German money claims were devalued by 10 to Ever since Germans are particularly sensitive about tampering with the currency and inflating money.

High level of employment

Mass unemployment in the 1930's met with a German population already impoverished by inflation of 1923. Some 6 million unemployed have been the major argument for Hitler and his party in 1933. No wonder that Germany remains very sensitive about this issue of employment.

Balance of payment equilibrium

Export is the core and bone of German economy. It has, except for coal, which is losing importance, almost no natural resources, and must import (e.g. energy and raw material) in order to export refined machinery etc. When the Stability Law was passed, the Bretton Woods system of fixed exchange rates was still in force. Germany, more than other countries, was dependent on an equilibrium of im – and exports, as too high a surpluses would kindle inflation (imported inflation). Floating exchange rates have diminished this danger, but high surpluses can, irrespective of official position, be politically incorrect and may cause the frowning of mighty USA.

Adequate growth

Economic success is almost synonymous with economic growth. But it may be allowed to give a universal meaning to Gossen's law of diminishing marginal utility. The costs of whatever growth are increasing in disproportion to the incremental utility of such growth. Damages to environment and societies can already be seen and felt world wide.

On the other hand it is also true: Stillstand ist Rückschritt – standstill means going back! Stabilitätsgesetz is therefore not against growth, but advocates “adequate” growth in conformity with environmental and other issues. In this context the green mass movement must be mentioned, which has spread out to the world. Probably this also originated in Germany and goes back to romantic and environmental movements at the turn of the 19th to 20th century.

The term *sozial* in SMW

Meaning of Equality

If were to compare men with animals, the greatest differences between men disappear. There are none between e.g. a composer of sublime music like Mozart and a heinous criminal. Both, when compared even to an almost human orang-utan, are human beings and the orang-utan is not. On this basis the principle of equal right is very simple – all men are indeed equal, so why not should they not have equal rights! It is sometimes, that socialists when discussing “social” issues are stuck with this orang-utan- comparison.

But the law of jungle is not the yardstick we need to resort to; it is the environment in which human beings live, i.e human society is the context which defines human situation. And then it is quite evident that all people are not equal.

There is an undisputable difference not only between Mozart and the criminal, but also between a Nobel prize winner and dumb pub patron, between a bus driver and a doctor, a blind man and a man with sound eyes etc. Fundamental differences begin to show forth. If the coveted profession is the job of a conductor in an opera house, we would prefer Mozart (or his contemporary colleague) without even looking at his competitor, who is an amateur musician, even if he desperately needs a job and Mozart is rich enough to live an affluent life. If, however, the coveted commodity is a piece of bread we would probably not make a difference based on education but on who is more in need of food. Obviously there are innumerable criteria in favour of or against treating two or more person equally. Sozial/social in SMW therefore cannot mean equality in a formal, technical sense.

***Sozial* = Equal chances**

Objective differences : Laws and constitutions cannot make men equal. But they can try to level out inequalities by giving everybody an equal chance to live his life. After WW II chances for an average German for a good standard of living were not good. In comparison to the 11 million refugees from former East Germany, who had lost everything, the prospects of West Germans, however, were somewhat brighter. The German authorities could have left it that way. The war and its consequences could not be undone. Everybody has to live his destiny! If there is anything in the post-war Germany to be proud of, it is the way, how inequalities caused by the war were dealt with. Equal chances for those, who apparently had none, were created by taking from those who had some chances left. SMW in Germany started with a series of laws in which “sozial” was understood in a very typical sense: Not taking from rich and giving to the poor, but creating equal chances for everyone, The Lastenausgleichsgesetze (laws on the distribution of losses suffered from the war) basically took privileges from West Germans and gave them to the refugees, but in a quite sophisticated way. Example may be the Hypothekensicherungsgesetz of 2. 9. 1948 (Restatement of mortgages Act), which is an almost genial law. This (and ensuing laws) put a new type of first ranking mortgages on immovable property in favour of defined banks as mortgagees, who then lent or guaranteed loans to refugees – provided that these were not consumed but invested in capital goods, mainly construction of new

houses.

Subjective differences

The same understanding of sozial as Chancengleichheit (equal chances) occurs with individual, maybe inborn differences between men.

In the Mozart- amateur example, it is not the aim of SMW to confer the conductorship on the amateur. The public is not well served with a conductor who enjoys his salary but does not live up to his job. The law cannot make Mozart nor can it make him conductor, but it can try to give equal chances to everybody- to develop their individual potential. This is done through the German educational system, which is open to all and has been designed to level out social differences risen from rich/poor heritage. Germany is well known for its long standing educational system. Vocational education is compulsory; incentives are provided for continuous training and further studies etc. Universities provide to all with no or little costs. In the 1970's Fachhochschulen (Universities of Applied Sciences) have been established in dozens of cities. These are a type of tertiary education institution, sometimes specialized in certain typical areas (e.g. technology or business). Fachhochschulen were invented in Germany and later adopted by other countries. Fachhochschulen do not award doctoral degrees they are designed with a focus on teaching professional skills. The same concept is followed in other areas, e.g. medical care and other basic needs.

Freedom

Caring and *Bevormundung*

Sozial is often understood as caring for the poor and disabled. This sounds good policy. But it is not always as good as it sounds. Even more than equality it is a human right, to be and to remain free. This means that men should not be hindered by the state but rather encouraged to develop their own personality and potential and to live according to their own designs. Caring is often another word for Bevormundung (= selfimposed guardianship over lesser breeds, to cite R. Kipling). Slavery in USA in the early 1800 was less and less justified by economic reasons, but by the "poor negroes being unable to care for themselves". Latter day colonialism in India and Indonesia was justified by moral vocation of the British and Dutch to teach the coloured people "half – devil and half child" (as R. Kipling was wont to say).

This type of caring is a disincentive to find your own way, a denial of freedom in the first place. In an economic sense it is even counterproductive. Literally - it diminishes productivity.

***Subsidiarität* - subsidiarity**

It is an ontological fact that every holder of power or influence (state, authority, individual) wants to have more of this. If sozial is understood as preserving n equal chances to find his own way, sozial also implicates the meaning: protecting your individual potential and freedom against Bevormundung. One countermeasure against Bevormundung is the principle of Subsidiarität (subsidiarity). Although not expressly in the German constitution, Subsidiaritätsgrundsatz is an unwritten and in many cases also written principle of German law. Against the resistance of her partners Germany brought this principle into the European law (Art. 5 Contract on the EU). But there it is slumbering like Dornröschen of the Grimm brothers, a sleeping beauty to be raised to full life and love something, she

really deserves. The meaning of the unwieldy word Subsidiaritätsgrundsatz -principle of subsidiarity is twofold.

Within his sphere of competence a person/authority enjoys freedom and autonomy vis-a-vis its superiors.

The higher ranking person/ authority is (by law!) not permitted to interfere with the sphere of competence of the lower ranks, as long they stay within the limitations of their competence and the law

This Subsidiaritätsgrundsatz –principle of subsidiarity may be explained by a true anecdote. Present writer discussed with a French military officer how it had been possible, that so few German troops could so forcefully resist so many allied forces. The reason, I said, can be made clear by an imagined situation:

French/English/American captain to lieutenant, Hill Nr. 123 must be captured. You take 250 men, 300 machine guns in case some fail, 5 heavy, 2 light cannons. Here is the map: 120 men go up right, 100 go up left; 30 you post there. Beware of this, beware of that etc. Oui, oui mon capitain! German captain to lieutenant: Capture Hill Nr 123. When you have it or run into difficulties you report to me. Jawohl, Herr Hauptmann! The former French captain agreed, as do allied military writers. What is nowadays taught in Business schools as management by objectives is in fact a very old practice in the German/ Prussian army. Today it might go as one explanation for the success of German companies. Still, this principle of echeloned hierarchical Selbstverantwortung (personal responsibility for the outcome of one's actions) is not easily understood in other countries, let alone copied. Example: If the CEO of an American, English, French etc concern gives the order: No more Business Class flights - it is done, although the affected companies are legally independent. It is difficult for an American, English, French etc to understand, that this is not so in Germany. The German CEO could give an order, how to fly, but he would be very reluctant to do so. Do I know, he would ask himself, how the customers of my subsidiary in e.g. Thailand, Ruanda etc would look at this? Let the director of the local company decide and then justify the extra expense.

Socialists and their concept of sozial/ social

Meanings of social

The word social is derived from Latin socius = person having the same interest; partner, friend, comrade, assistant. For this common origin there seems to be no or little difference in the meaning of “social” in European languages. Basically there are three different meanings of this word in all languages:

Socialist

In economy the term sozial /social (Sozialismus/socialism) is understood as describing a system or activity which is fully or somehow under the control of the state and its bureaucracy. This usually goes with redistribution of commodities and resources by state interference and corresponding suppression of private enterprise and freedom. Depending on how much we cherish freedom we scale down “social” from beneficial to detrimental.

Quasi - Religious

Second meaning attached to this word is caring, having regard for others, being socially responsible. The combination of sozial and MW changes the meaning of MW itself as well as it changes the meaning of sozial. The primary objective of economy to earn my bread, is complemented by the responsibility for my fellow men. SMW is combining two apparently contradictory positions which in fact, complementary, namely profit seeking and giving assistance to the needy. St. Paul says in Ephesian 4, 28: Work with your hands, so that you may give to the poor.

Socio - Political

As a political term social describes aspects which arise when people live together in the same state, community, factory etc. In this sense sozial/social is neutral and would stand for “justice, equitable, equal treatment” etc. From this arise social services, which are not contrivances of leftists but useful things like garbage collection.

Mixture of meanings

Politicians and law makers usually don't pay much attention to semantic problems. Much of the confusion and even political bitterness which goes with the word family of “social” is a consequence of the different meanings, being mixed or even messed up. Leftists emphasize meaning a. when speaking with religious people, who understand meaning b, and politicians, thinking of meaning c, babelisation is the normal consequence, without people even noticing, that they don't understand each other. All use the same good word “social”, but mean different things.

Those who understand “social” as meaning a, which would be the majority, would fiercely proclaim, and they already do: Germany is not social any more! Pensions should be higher, the rich are not taxed as they should, bankers draw huge bonuses while the unemployed receive only a pittance etc. etc.


Politicians would always insist on Germany still cherishing the concept of SMW. But they have long lost the real meaning of sozial, as set out here. Whenever they dream up a new goody for the electorate (which in many cases is a “bady” for the so called rich) they are wont to spice their verbious pronouncements with the ornament of “sozial”, meaning thereby something along meaning b.

The present writer disagrees with both: Germany has become a welfare state. This may be good or (as he feels) bad. In any case sozial today this is not what sozial meant, when Germany rose from ashes. Far from this! Social goodies of all kinds, socialist ideas (e.g. Mitbestimmung – company codetermination etc) have brought today's Germany far off the right path. Germany does not any more follow the concept of SMW – as described here. At the latest when Germany reunited with former communist East Germany, the Federal Republic has embarked on the shiny fields of socialism. Many seem to like this. The present writer does not. He feels himself being in line with Ludwig Erhardt, who as early as 1974 already said, Germany is “socially overloaded”.

Conclusion

Soziale Marktwirtschaft (SMW) has been described as market economy with

state intervention to make more sozial. *Sozial* in that context was described as meaning equal chances for all. It has been shown that SMW has certain elements special to Germany in her post war situation, which however, if adapted, could also be used in other countries, e.g. Pakistan.

Author expresses concerns over Germany having left the authentic path of SMW for a soft socialism. This has the potential of becoming real socialism, which endangers economy and freedom. 

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The first management conference we know of was called in 1882 by the German post Office. The topic and only chief executive officers were invited- was how not be afraid of the telephone. Nobody showed up. The invitees were insulted. The idea that they should use telephones was unthinkable. The telephone was for underlings.

Peter F. Drucker, *Managing in the Next Society*

ARTICLE**Firm Growth And Industrial Clusters: Implications For Latecomer Developing Countries**

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Abstract

In developing countries, traditionally micro and small scale enterprises have remained present since ancient times. Certain regions excelled in production of specific items. The industrial clusters have grown in these regions spontaneously in response to the grown competition. The cluster formation process was informal as the governments in developing countries have not played an adequate role for cluster formation and enterprises' networking. Due to absence of government leading role in clusters development, the majority of the industrial clusters in developing countries have not been able to enter from the initiation stage to the quality improvement stage with a very few exceptions. The upgradation of such stagnant clusters in developing countries could be instrumental in reducing poverty through employment generation. This paper draws the attention of the government to focus its industrial strategies on formation of industrial cluster and support their transition from initiation to quality improvement stage by providing appropriate training programs.

Keywords: Clusters formation, Firm growth, Human capital, Industrial development, Training,

JEL Classification: O10, O14, L60

Introduction

It has been increasingly recognized by policy makers and researchers that industrial development is indispensable for poverty reduction and to attain sustainable economic growth (e.g., David and Otsuka, 1994; Hayami et. al., 1998; Otsuka, 2006; Sonobe and Otsuka, 2006). Particularly, in developing economies, one policy that has attracted the growing attention of governments, private voluntary organizations, the donor community and researchers is the development of micro-, small-, and medium-sized enterprises (MSMEs) because they hold the potential of generating massive employment opportunities, dampening forced out-migration from rural to urban areas and bridging the development gap between the well-endowed and the marginalized (Bromley, 1978; Boomgard et al. 1992; Mead, 1994; Mead and Liedholm, 1998).

In Pakistan, MSMEs (enterprises employing up to 99 persons) account for 90

percent of total private business enterprises.¹ It is estimated that the share of these enterprises in non-agriculture employment is about 80 percent, while their contribution to GDP is less than 10 percent (Mustafa and Khan, 2005). The low share in GDP is due to the dominant presence of MSEs (enterprises employing up to 10 persons), which account for more than 95 percent of the MSMEs in the country. In Pakistan, like many other developing countries, although the number of micro- and small-sized enterprises has continued to grow, they have generally failed to survive or grow into medium- and large-sized enterprises (Kemal, A.R., 1993; Bhutta, S.M., 2000).² This is worrisome if Pakistan has to successfully reduce poverty through employment generation and promote industrialization that would enable her to join the league of the newly industrialized economies in Asia such as South Korea, Taiwan, Singapore, and China. The question that lingers in the minds of both policy makers and researchers is how effectively MSEs can be triggered to grow and sustain their growth.

By using the data from various industries, several studies have attempted to analyze the potential of MSEs growth in Pakistan (e.g. Kemal, A.R.1993; Ali and Sipra, 1998; Roomi and Hussain, 1998; Majid, et. al., 2000; Bhutta, M.S., 2000; ADB, 2005). In this study, we offer an alternative explanation that what is important is not whether MSEs have the potential to grow but under what conditions they can grow large in size. We discuss the importance of industrial clusters in overcoming the growth constraints confronting MSEs. The concept of industrial cluster had started attracting attention of policy makers and researchers in the early 1960s. The developing countries were far behind in adopting cluster formation and networking strategies, accordingly the concepts of clusters development emerged even later in their strategies. For instance, in Pakistan, though historically industrial clusters such as Sialkot's sports, and surgical instruments clusters, Sargodha's electrical fittings cluster, Faisalabad's textile and cotton ginning, Gujrat's wooden furniture, and Kasur's leather tanning were well known; cluster formation and enterprises' networking became the part of the national policy for industrial development in early 2000s (Dasanayaka, 2009).

While industrial clusters inherently contribute to the development of industries by creating economies of agglomeration, most of the industrial clusters in developing countries (in South Asia and Sub-Saharan Africa) have performed poorly relative to what appears to be their growth potentials. In search of what are the decisive factors that affect the dynamic development of a cluster, further in this paper, we discuss how an industrial cluster develops from initiation to quantity expansion phase, and further to quality improvement phase; and what factors are important for the transition of cluster from quantity expansion phase to quality improvement phase? Specifically, we present some experiences from East Asia and other developing countries to illustrate the process of successful cluster-based industrial development, placing particular emphasis on the importance of innovations in the development of industrial clusters.

The rest of this paper is organized as follows. Section 2 reviews the theories of firm growth. Section 3 discusses why enterprises form clusters, why clusters are desirable, and how clusters facilitate enterprise growth. In Section 4, some experiences from East Asia and other developing countries are drawn to illustrate the process of successful industrial development, placing particular emphasis on the importance of innovations in the development of industrial clusters followed by conclusion and policy implications contained in Section 5.

Theories of firm growth

Theories of firm growth are still in their infancy. No concrete and robust theory

that fits various situations has been developed so far to explain the determinants of firm growth. Although, the determinants of firm growth still remain an enigma, researchers are still determined to unravel it. Efforts to develop an appropriate theory of firm growth began after the pioneering work of Robert Gibrat in the 1930s. In his work, Gibrat explored the impact of firm size on the expected growth of the firm. He found that there is no relationship between the size of the firm and the firm growth. Small and large firms have equal probabilities of attaining a particular growth rate within any given time period. The empirical regularity suggested by Gibrat that “the expected growth rate for a firm is independent of its size” later became well known Gibrat’s law (Eatwell, Milgate and Newman, 1987). This law served as a point of ignition for debates among economists interested in firm growth, both the believers and non believers of Gibrat’s law.

Lotti, Santarelli, and Vivarelli (1999) found mixed evidence for Gibrat’s law in some selected manufacturing industries in Italy. In the early years after start-up, the small firms grow at a higher rate as compared to the large firms. However, in the long run, both small and large firms exhibit more or less similar growth rates, suggesting convergence towards the pattern of growth predicted by Gibrat’s law. Hence Lotti, Santarelli, and Vivarelli (1999) argued that the validity of Gibrat’s law depends on the life cycle of the enterprises. Hall (1987) observed a similar pattern in US manufacturing industries.

On the other hand, McPherson (1996) contended that firm growth is inversely related to firm age and firm size in four Southern African countries out of five that he studied. That is smaller and younger firms grow more rapidly than older and larger firms. This finding represents evidence against Gibrat’s law. In the industries that exhibited an inverse relationship between growth and size, and growth and age, other factors also have a significant impact on firm growth. These factors include the level of human capital represented by the schooling of the firm’s manager, the firm’s location, the sector to which the firm belongs, and the even proprietor’s gender. Evans (1987) also found an inverse relationship between firm growth and firm size, and firm age. In contrast, Pagano and Schivardi (2000) demonstrated that the firm size is positively correlated with growth in terms of the value added per worker. It is therefore clear from various empirical studies that Gibrat’s law has often failed to explain firm growth.

Unlike the other studies that have been static, Jovanovic (1982) suggested a dynamic model of firm growth. The Jovanovic (1982) model of firm growth is based on the assumption that all firms produce homogenous products and face the same factor prices, and that there are two types of costs. The first is an immutable cost determined by the managerial ability of the firm’s proprietor. If the proprietor possesses a very low managerial ability, the firm tends to incur high cost. The second is the production costs affected by random factors. Normally, the firms are unable to predict the true size of these two costs in each period. However, the potential firms know the distribution of the true costs. The “learning” model of Jovanovic (1982) explains that during the process of learning in which a firm’s cumulative output increases over time, a firm continues to draw various costs and uses them to update the estimates of its true managerial ability. The firm then decides to stay in or exit the industry after having a comparison of its expected profits with the opportunity cost of the capital invested. If in a particular time period the updated estimates of one’s managerial ability indicate that the expected profits will be less than the return to capital from the best alternative, the firm will exit the industry being less efficient than those who stay in the industry. Similarly, if the true cost is low, it is likely that acquired updated information will be favorable, and the firm will survive and grow. Thus, the learning model of Jovanovic

(1982) suggests that the inefficient firms tend to decline or exit the industry while efficient firms survive and grow with time. This occurs due to the selection process in which one's estimated true managerial ability is based on past production experience. This is consistent with the neoclassical theory of the firm, which predicts that in a competitive market, the firm declines if the average cost exceeds the price and survives if the cost is lower than the price. The new firms that are attracted by the profit enter into the industry and the inefficient ones exit. In the long run, however, the industry reaches a stage where there are no more incentives for any firm to enter or exit the industry.

The Jovanovic model may be relevant to new industries that face large uncertainties in production and management. Many entrepreneurs with even low skills can easily initiate new enterprises since the technology used in the production tends to be simple to operate and the capital requirement is low. The growth of these enterprises, however, will depend on the management capability of their proprietors. If there are many proprietors who fail to recognize that their managerial capabilities are insufficient to manage the enterprises, we tend to observe that many small enterprises which enter the industry either leave or do not grow at all. In this way, Jovanovic's model may provide an insight into firm growth dynamics in the early stage of industrial development. A major drawback of Jovanovic's model is that it assumes that there is no technological change. In reality, through learning by doing and through innovation and imitation, the firm's manager and workers tend to absorb new technological information which shifts the firm's marginal and average cost curves downward over time.

Bahk and Gort (1993) take "learning by doing" as an accumulation of knowledge and skills without any additional cost to the firm being a by-product of the normal production process of goods and services. Irwin and Klenow (1994) found, in their study of semiconductor industries in the U.S. and Japan, that firms learn three times more from an additional unit of their own cumulative production than from an additional unit of another firm's cumulative production. Since over time a firm learns from its own production process as well as from other firms, the young firms may tend to grow faster than large firms as the former would be in a better position to devise an effective strategy for cost reduction and quality improvement.

Factors such as innovation and imitation cause a reduction in production costs. Various models have been constructed to explain innovation and learning by doing. For instance, Young (1993) argued that firms learn through innovation and in the early stage of industrial development, when the cost of innovation is small, innovation would be extremely profitable. Sonobe et al. (2003) argued that only few firms innovate from whom many other firms imitate and grow in size and expand their production. However, those firms that are run by incapable managers who fail to innovate or imitate will face difficulty in growing. For instance, cottage industries that did not participate in the innovation process in rural Indonesia continued to produce traditional hand-molded tiles and did not grow, while those that adopted innovations (metal casing and textile weaving industries) grew more rapidly and earned profit (Weijland, 1999). In addition to the manager's inborn capability, the educational level of the manager reinforces his ability to learn by doing and innovate, and hence serves as a driving force to the firm growth. Since the supply of capable and knowledgeable managers is limited in developing countries, a limited number of firms are expected to grow, while others are expected to stagnate or exit from the industry.

According to the latest Economic Census of Pakistan (2005), industry structure

of Pakistan is dominated by a large number of MSEs, while there are few medium-, and large-sized enterprise. This may be explained by the continuous influx of new enterprises that face low entry barriers. Since most of the new enterprises may have managers with low ability to innovate or imitate, or even to learn by doing, small firms tend to have low optimal size and many of them may either not grow, or exit when market competition strengthens. On other hand, new and small firms with capable managers will grow and become larger over time. If there is no major innovation, as in the dynamic model of Jovanovic (1982), the contribution of MSEs to growth in GDP may be mainly due to an overall increase in the labor and physical capital inputs associated with the entry of new firms. Indeed, consistent with the prediction of the Jovanovic model, there are few medium-sized enterprises in Pakistan since the majority of the MSEs do not grow (Kemal, A.R., 1993; Buttha, S.M. 2000). In rest of this article we explain how an industrial cluster facilitates firm's growth, and what factors are important to maintain the dynamism in the cluster for its long-term survival, sustainability, and growth.

Industrial clusters and firm growth

Definition of an industrial cluster

There is a variety of different concepts and definitions of industrial clusters in the literature having roots in business economics, innovation studies and development economics. For example, Porter (1990) defined a cluster as a geographic concentration of interconnected companies and institutions in a particular field. Rosenfeld (1995) defined a cluster as a loose, geographically bounded agglomeration of similar, related firms. Similarly, Swann and Prevezer (1996) defined an industrial cluster as a group of firms within one industry based in one geographic area. Schmitz and Nadvi (1999) defined a cluster as a sectoral and spatial concentration of firms. Brenner (2004) also defined a local industrial cluster as an industrial agglomeration that is caused by local self-augmenting processes. Piero (2004) defined an industrial cluster as a socioeconomic entity characterized by a social community of people and economic agents localized in close proximity in a specific geographic region. Sonobe and Otsuka (2006) defined an industrial cluster as a geographical concentration or localization of enterprises producing similar or closely related goods in a small area.

There are few points worth noting in the above definitions of an industrial cluster. First, is the importance of the spatial proximity and geographic scope of the cluster which greatly facilitates the flow of crucial business related information central to the capability to innovate. Second, a cluster is a dynamic phenomenon. It is not only the localized concentration of linked industries but the particular process that leads to the development of the interaction and functional relationships between firms. Last, social infrastructure such as trust and a shared vision is important.

Significance of industrial clusters

Industrial clusters, in the last two decades, have gained considerable attention from economists and researchers because of their contribution to employment generation, poverty alleviation and provision of a favorable environment for further industrial development by creating economies of agglomeration (e.g., Krugman, 1991; Nadvi and Schmitz, 1994; Hayami, 1998; Schmitz and Nadvi, 1999; Sonobe and Otsuka, 2006). Agglomeration economies, which lead to economies of scale at the level of an industry rather than at the level of an individual enterprise, induce enterprises to locate close to each other (Schmitz

and Nadvi, 1999; Henderson, Shalizi and Venables, 2001). According to Marshall (1920), the agglomeration economies arise from 1) knowledge and technology spillovers; 2) specialization and division of labor among enterprises; and 3) labor pooling.

Knowledge and technology spillovers refer to technological external economies that arise when new ideas on new products, inputs, production processes and marketing channels of innovative enterprises become available to other enterprises without any compensation. The knowledge and technology spillovers take place through sheer imitation of products and production processes, turnover of workers, spin-offs, and face to face interactions. According to Porter (1998), the diffusion of technological knowledge enhances enterprises' capacity for innovation and competitive pressure within each cluster increases enterprises' incentive to innovate. According to the endogenous growth models of Lucas (1988, 1993) and Romer (1986, 1989), knowledge spillover is critical for sustainable economic growth. The empirical literature has proven that knowledge spillovers tend to be localized (Jafe et al., 1993; Feldman, 1994). Thus, enterprises located in an industrial cluster take more benefit of knowledge spillovers than dispersed enterprises.

The second benefit of industrial clusters, identified by Marshall (1920), is the specialization and division of labor among enterprises. Suppliers of specialized inputs and services emerge in industrial clusters since the demand from a large number of co-located enterprises is large. The availability of such specialized inputs and services, in turn, enables new enterprises to enter the industry by specializing in a particular stage of production without much initial capital investment (Schmitz and Musyck, 1994; Humphrey and Schmitz, 1996; Schmitz and Nadvi, 1999). To put in a different way, industrial clusters permit new enterprises to take small and calculable risks to enter the industry or they enable small enterprises to overcome growth constraints and to develop in small "riskable steps" (Schmitz and Nadvi, 1999).

Most of the literature on economic geography (e.g., Krugman, 1991) often points out that specialization and division of labor among enterprises occurs because of low transportation costs owing to the geographical concentration of firms in a small area. However, Sonobe and Otsuka (2006) argue that low transaction costs among enterprises rather than transportation costs in industrial clusters enhance the development of the division of labor and facilitate the transactions of intermediate goods and services among enterprises. According to Sonobe and Otsuka (2006), in a cluster it will be immediately noticed if some firms attempt to overutilize asymmetric information, or pass substandard goods as premium grade, or create hold-ups in order to exploit market shortages. Behavior of this kind puts firms on a black list which deprives them from information and trading opportunities. Through this sanction mechanism, firms in an industrial cluster create a mutual understanding and trust that reduces malfeasance and facilitates trade. Sonobe and Otsuka (2006) particularly emphasize the importance of the division of labor between producers and traders. The scarcity of market information, which is one of the major bottlenecks on small firm growth, can be reduced in a cluster through traders. Clusters attract traders because they have a wider choice of producers and products to choose from. Furthermore, the cost of searching and negotiating between traders and producers tends to be low in clusters because of the concentration and competition of a large number of producers in a small area (e.g., Levy, 1991; Sonobe, Hu and Otsuka, 2002, 2004; Yamamura, Sonobe and Otsuka, 2003).

The third advantage of industrial clusters identified by Marshall (1920) in addition to knowledge spillovers and the specialization and division of labor among enterprises is

labor pooling. Labor pooling refers to the presence of a labor force with specific skills suitable for the particular industry in the cluster. Industrial clusters attract skilled workers and managers because the demand for skills specific to industry is large due to the co-location of a large number of enterprises. This means that new enterprises entering the cluster can easily employ skilled workers, as the transaction costs involved in the search for the desired quality of workers are low. New enterprises are also likely to enjoy relatively low wages as competition among skilled workers is likely to prevent a monopoly from arising and thus help to keep wages at low levels (Glaeser et al., 1992).

According to Sonobe and Otsuka (2006), information spillovers which are essentially imitations are closely related with the development of skilled labor markets. The latter enhances the former through spin-offs and labor turnover. Since imitation also takes place through transactions of intermediate inputs, information spillovers are also inseparably related with the specialization and division of labor.

Firms that are clustered may also become involved in joint actions, in which they may share machinery, agree to split an order, share the costs of marketing, lobby government, and participate in other collective activities. The benefits that are generated through these collective actions are referred to as “collective efficiencies” (Schmitz, 1995b; Nadvi, 1999a), which are defined as “the competitive advantages derived from the local economies and joint actions”.

Industrial clusters have played a crucial role in the economy of Japan during the high growth period from 1960 to 1973 (Mano and Otsuka, 2000). Other economies such as Taiwan (Amsden, 1977; Sonobe and Otsuka, 2006), China (Sonobe, Hu and Otsuka, 2002), India (Knorringa, 1999; Tewari, 1999; Chari, 2000), Brazil (Meyer-Stein, 1998; Schmitz, 1999b), and Mexico (Rabellotti, 1995, 1997, 1999) have also registered significant and rapid cluster-led economic growth. In Taiwan, small enterprises were induced to form clusters in suburban areas to capture the benefits of inter-firm transactions (Sonobe and Otsuka, 2006), while in the Philippines, low transaction costs arising from the benefits of agglomeration enabled subcontractors located in garment and metal craft clusters to earn relatively high incomes (Sonobe and Briones, 2001). In rural Indonesia, the development of social capital reduced transaction costs, which attracted traders to the clustered enterprises. Thus, the cottage industry in rural Indonesia owes its success to the importance of clustering at the early stages of development: accessibility to credit that was once a big problem for MSEs was eased due to the proliferation of formal and informal credit sources, innovations and imitation were common, and so was the sharing of orders and subcontracting, while the division of labor was also practiced by successful firms. This provided the clusters with stimuli to expand (Weijland, 1999).

Despite the benefits of industrial clusters, many industrial clusters in developing countries (in South Asia and Sub-Saharan Africa) have performed poorly relative to what appear to be their development potential (e.g., McCormic, 1999; Altemburg and Meyer-Stamer, 1999). This raises a question as to why some clusters have developed dynamically while many others stagnate. In search of what is important in the successful development of industrial clusters, in the following section, we draw some experience of successful cluster-based industrial development from East Asia and other developing countries.

Process of industrial development in clusters

There are empirical studies on East Asia which suggest a common pattern of industrial development in the region (e.g. Sonobe and Otsuka, 2006). This pattern may offer useful lessons for developing countries, in particular, for Pakistan on its path for sustainable industrial development. In what follows, we discuss the Sonobe-Otsuka (2006) model of industrial development to gain an understanding of the dynamic process of industrial development. Based on eight case studies on the garment, motorcycle, machine tools, and low-voltage electric appliances clusters in East Asia, the Sonobe and Otsuka (2006) identified at least three phases of industrial development namely: the initiation phase, quantity expansion phase, and quality improvement phase.

According to this model, once technology is simplified and standardized in the initiation phase, a massive entry to the industry takes place which increases the supply of products so rapidly that output prices decrease and input prices increase, thereby reducing the profitability in the quantity expansion phase. The declining profitability in turn triggers new competition centered on the improvement of the product quality, the establishment of brand names, and the development of new marketing channels in the quality improvement phase. Such innovations become possible because of the availability of diverse human resources such as skilled workers, engineers, merchants, and part suppliers. In what follows, this model describes the evolutionary process of the formation of industries from the initiation phase through to the quality improvement phase.

In this model, pioneers of new industries include those who have acquired foreign technology by working in foreign ventures, conducted reverse engineering of imported products, or copied technology already introduced elsewhere. If the products are technically easy to produce, the industrialization tends to be led by merchants, and if the products are technically difficult to produce, the development is often engineer-led. For example, in analyzing the development process of the garment industry in postwar Japan, Yamamura et al. (2003) indicate that local traders who possess the relevant marketing knowledge played a leading role in launching the new business of garment production in a small town. The initiation phase is characterized by a great deal of trial and error since there is limited availability of the required parts, material, and workers in the domestic market. The market for parts and components is not yet present and the quality of the final products is generally low, but owing to the low income level of the economy, there exists a demand for such low-quality but cheap substitutes for expensive imported products.

After the successful initiation of the cluster, a number of workers who have learnt the established production and marketing methods of the pioneer enterprises, spin-off and establish their own enterprises. They are the followers in the sense of Schumpeter (1912) and they produce the same or similar products using the same or similar parts and equipment. The cost of market transaction at this stage is low since both final products and parts are simple and similar. The division and specialization of labor develop between manufacturers and part-suppliers and between manufacturers and traders, with transaction usually undertaken through impersonal markets. New enterprises are located near each other and industrial clusters are ultimately formed. As Marshall (1920) noted, enterprises located in industrial clusters easily imitate new technology developed by other enterprises, purchase (or sell) parts and intermediate products from (or to) other enterprises, and hire workers with the required skills, because industrial clusters facilitate the acquisition of inputs, technology, and market information at relatively low transaction costs. The availability of intermediate

inputs at the market place and traders who handle the marketing of the simple and standard products massively attracts new entrants who produce the low quality standard goods. Sonobe and Otsuka (2006) refer to this phase as the quantity expansion phase because production expands with negligible productivity gains and quality improvement.

The quantity expansion phase is characterized by declining product prices and a rise in material prices as a result of the expansion of production due to the massive entry which outweighs product demand. The decrease in product price might discourage the innovative efforts of producers. Fortunately, innovation cost is also reduced as a variety of skilled human resources such as engineers, designers, experienced workers, merchants, and specific part suppliers gather in one place during the formation of the industrial cluster and provide opportunity for innovative producers to adopt innovations ranging from finding new sources of input to exploring new marketing channels. Producing high quality differentiated products requires the use of high quality materials and employing highly skilled workers. To appropriate the benefit of producing high quality products, producers need to use new marketing channels to reach final buyers in order to differentiate high quality products from imitated standardized products in the market. Such successful “multifaceted innovations” lead the cluster to enter the quality improvement phase⁴.

Examples of such multifaceted innovations can be found in the literature. For example, in the case of the low voltage electric appliances cluster in China, the major innovations involved the introduction of quality inspection and own branding (Sonobe et al., 2004). Enterprises in a footwear cluster in Ethiopia increased the direct procurement of materials and the direct sales of products as well as established brand names when they improved product quality (Sonobe et al., 2009). In Italy and Brazil, when the pressure of competition increased, shoe manufacturers turned to the long-term subcontracting system by finding competent part-suppliers (Rabellotti, 1995; Schmitz, 1999b). In contrast, when specific and complicated parts were required, enterprises increased the internal production of key parts to improve quality as in the case of surgical instrument manufacturers in Pakistan (Nadvi, 1999a).


A major characteristic of the quality improvement phase is that the productivity of the industry as a whole rises sharply partly because of the exit of inefficient enterprises and partly because the surviving enterprises improve products and production processes. Another characteristic is the reemergence of large enterprises that produce and sell high quality products with brand names through networks of their sales agencies and own retail outlets. Sonobe and Otsuka (2006) hypothesize that enterprise managers cannot innovate if high-quality human resources are lacking, because in absence of human capital resources the cost of innovation is too high. Thus, the industrial cluster enlarges opportunities to innovate, because it attracts a variety of human resources.

Sonobe and Otsuka (2006) also investigated the characteristics of the innovative entrepreneurs. In all of the eight clusters they studied, they found that generally highly educated entrepreneurs led the industries to the quality improvement phase by taking the initiatives in improving the product quality, production organization, and marketing channels. As a result, these entrepreneurs tend to have larger operation size and higher productivity. It is important to mention that in industrial clusters in other developing countries in Asia and Africa, there is a striking similarity in the important roles of the entrepreneur's general human capital (Sonobe et al., 2002, 2003, 2004, 2009; Yamamura et al., 2003, 2005; Akoten,

et al., 2006; Akoten and Otsuka, 2007; Nam et al., 2009, 2010). In addition to formal education, the entrepreneurs' skills and management abilities, which improved through learning by doing during the quantity expansion stage, facilitate the transition to the quality improvement stage. For instance, in the motorcycle clusters in Japan, the entrepreneurs' work experience found to be important for multifaceted innovations (Yamamura et al., 2005). In the printed circuit board clusters in China and in Taiwan, the entrepreneurs' knowledge from their work experience has continual positive effects on the choice of product lines, the product quality, and the growth of the enterprises (Sonobe et al., 2004, 2006). In the garment clusters in China and in Japan, the entrepreneurs' prior experience in marketing contributed to the improvement in the quality of products, the increase in the direct transaction with outside traders and the productivity of the enterprise (Sonobe et al., 2002; Yamamura et al., 2003). These findings suggest that the entrepreneurs' industry-specific and firm-specific human capital acquired by experience in marketing and management also enhances their ability to innovate and so the transition of cluster from quantity expansion to quality improvement phase.

Conclusion

Although effective policies to promote the development of micro-, small-, and medium-sized enterprises (MSMEs) have been seriously sought in many developing countries, economic theories that can guide such policy have been absent. The literature on industrial development suggests that the market works fairly well in industrial clusters because dishonest behaviors potentially arising from imperfect information are reduced to a significant extent by the informal contract enforcement mechanisms. Industrial clusters provide the synergy through which micro- and small-sized enterprises (MSEs), which provide ample employment opportunities for unskilled workers, may grow particularly in their early phases of development. This provides good reasons for the government to support the formation of industrial clusters. However, the governments in developing countries including Pakistan have played an inadequate role to promote industrial clusters and MSEs networking. The governments remained devoted in promoting large multinational or local enterprises due to which the prospective benefits of MSEs have remained unexplored. The governments can play a leading role by setting up model plants to train potential managers and workers, industrial zones to attract MSEs producing similar and related products, and marketplaces to facilitate transactions of parts, intermediate products, and final products among manufacturers and merchants.

To propel the further development of industrial clusters, the appropriate educational and training programs to support their transition from the quantity expansion phase to the quality improvement phase must be provided. Particularly, training programs that equip the entrepreneurs with new knowledge on management, such as quality control, labor management, production organization, and new knowledge on marketing, should be provided. Because the provision of such knowledge has spillover effects and is often undersupplied by the private sector, government agencies, international organizations, and NGOs should provide these training programs to the entrepreneurs. 

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Don’t ‘manage’ culture, celebrate it as source of different ideas.

Ashok Soota, *President of Wypro (1984-1999)*

ARTICLE**The Socio-demographic Progression Of The Pakistani Woman Manager
1988 To 2004
An Empirical Evidence From The Private Sector**

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Abstract

The purpose of this study was to help identify the types of women who had opted for managerial professions in the private sector, and to identify any trends in the social, economic, or educational backgrounds that might have had a bearing on the types of women likely to pursue a managerial career. Research for the survey included 152 organizations in the private sector that had employed graduates from business educational institutions. Out of these 87 organizations reported women at managerial levels. 207 managerial women answered the mail survey. The findings suggest that the profession still remains the domain of upper-middle-class women and not much has changed between 1988 and 2004. Women's chances of obtaining a senior managerial position increase if they have been educated at schools or institutions at which the medium of instruction was English. However, unlike their Western counterparts, Pakistani women managers do not pursue their careers at the cost of personal or family commitments.

Key words: Women, managers, Pakistan, socio-demographic profile**Introduction**

Pakistan's population is over 180 million, of which 48% is female. The country's gender development index (GDI) is 0.525. Of the 156 countries for which both the Human Development Index (HDI) and GDI were calculated, 151 show a better ratio than Pakistan. The country ranks 82nd of 93 countries in terms of its gender empowerment measure (GEM), which has a value of 0.377 (Human Development Report, 2005/2008). It is not surprising, given this context that in Pakistan, in the year 2003/04, the percentage of women in the occupational groups that included legislators, senior officials, and managers, accounted for 1.4% of the total occupational statistics (Labour Force Survey, 2004) as compared to the male statistics of 13.6%. This is approximately equal to 122,000 women of a total population of 160 million people in the same year. The Human Development report places this figure at 2%, the lowest in the world for those countries whose data in this occupational group was available (Human Development Report, 2008). Even though the absolute numbers of women getting higher education is increasing (bachelors degree and above level; Females:2.6%, Males:4.9%. Economic Survey Of Pakistan, 2004) these numbers are not translating into a larger workforce. An analysis of trends of government statistics (Labour Force Survey, 2004) demonstrates the fact that the percentage of women managers has not increased over the years, even though women are better placed comparatively, in the occupational group professionals and technicians. Sathar & Kazi (1988) conducted a study involving 70 professional, married women employed in the formal sector. The study explored education, age, ethnicity, marital status, domestic and support systems. It also indicated that

these women were from an upper socio-economic status. The objective of my study was to compile baseline data in 2004, which would eventually be used for longitudinal purposes and to simultaneously find empirical evidence to prove or disprove the stereotypes usually associated with women in managerial positions in the west. The objective was also to see if women managers in Pakistan faced the same personal challenges that women in the west usually did, specifically childcare responsibilities, which are a common constraint (Kan, 2007). To date no empirical research had been carried out on female managers employed in the corporate private sector of Pakistan. The research objective was also to identify the types of women who had opted for managerial professions in the private sector, and to see if any trends existed in their social, economic, or educational backgrounds that could have a bearing on the types of women likely to pursue a managerial career. A mail survey of 207 managerial women employed in 87 organizations, across Pakistan, in the private sector was undertaken. My study answered the question as to what type of woman was likely to reach a managerial position in the private sector in Pakistan.

Literature review

The anglo saxon woman manager

There is a plethora of research on women managers in the west. An in-depth review of Anglo-Saxon literature on managers revealed that profiles of male managers in the west had been developed for use in earlier studies identifying male talent. It had been important to explore the different categories previously used in male samples (Baehr & Williams 1968, Bull 1975, Bull 1976, Johnson & Dunette 1968, Mahoney, et al 1964, Nash 1965, Pinder & Pinto 1974, Super 1960) as well as female samples (Tangri 1972, Wolfsen 1976). However, not much work on exploration of profiles has been carried out in the last two decades, as previous studies had already exhaustively explored this area. The areas that have been studied in the west in depth to help identify profiles are as follows:

Demographic characteristics

Demographic characteristics have been used as variables in psychological research (Zedeck, et al 1984) and as outcomes, such as performance, satisfaction, turnover, selection, and leadership (Blau 1985, Parsons & Liden 1984, Steckler & Rosenthal 1985). These categories included demographic data such as age, marital status, education, family background, parental encouragement, employment history, self-image, and current designation. The level of education attained is a strong predictor of career achievement for both men and women (Walsh & Osipow 1983). In a study carried out by White et al (1997) successful women as a group had achieved a high level of education. Some research also connects this variable with a higher level of work commitment (Haller & Rosenmayr 1971). Age is positively correlated with job involvement (Hall & Mansfield 1975, Hall & Rabinowitz 1977). Research points towards the role of large cities in the establishment of self-identity as it presents “the challenge of complex and extensive stimuli” while small towns are “comfortable and less challenging” (Place 1979). The predominance of first-born is documented in research (White et al 1997, Rapoport & Rapoport 1971). First-born children generally receive more attention, are often pushed harder to achieve, and made responsible for their younger siblings early on in life (Mussen et al 1979). White, et al (1997) found that, in England, most professionally successful women identified one parent as being the more influential; most identified strongly with their fathers. High socioeconomic status is related to stronger career orientation and innovation (Burlin 1976). Therefore the following variables were explored; age, education, family background, parental encouragement, employment history, order of birth, city of birth, presence of role models and current designation.

Marital status and motherhood

Many studies have reported lower rates of marriage and parenthood among successful women managers (Bailyn 1990, Boardman, et al 1987, Carter & Glick 1970, Etzion 1987, Gilson & Kane 1987, Gomez 1985, Henning & Jardim 1977). Women who advance professionally as managers are less likely to be spouses or parents (Alban & Metcalfe 1987, Davidson & Copper 1983 and 1987, Ragins & Sunderstorm 1989, Rowney & Cahoon 1990, Tharenou & Conroy 1988). Family life can create more demands on women than men (Paisey and Paisy 1995). The presence of children creates conflicting goals between careers and motherhood, giving rise to guilt (Sederer and Seidenberg 1976), a negative impact on career progression (Levine 1977, Marshall & Jones 1990), decreased job satisfaction, greater intention to quit (Burke & McKeen 1993), greater perceived stress (Anderson & Leslie 1991, Barnett & Baruch 1985, Lundenberg, et al 1994, Tigey, Kiger, & Riley 1996). There are higher chances of women dropping out of the work force after having a child (Miree & Frieze 1999, Schnee & Reitman 1997). Alternatively, some women move from fulltime to part-time work (Felmlee 1984) but may leave their jobs if they have preschool children (Rosin & Korabik 1990). Parents trying to meet their career goals while supporting family commitments are prone to stress, which can ultimately affect their careers (Gutek, Stromberg, & Larwood 1988, Larwood & Gatticker 1987, Nieva & Gutek 1981, Olson, Frieze, & Detlefsen 1990, Rosin & Korbaik 1990, Roskies & Carrier 1994, Stohs 1992, Thompson & Blau 1993, Williams & Alliger 1994). As a result, some women choose not to have children or to delay parenthood (Kelly 1991, Olsen, et al 1990, Ruggiero & Weston 1988, Wilke 1981, Kan 2007). A study carried out in Germany, Israel, Japan, and the United States found that women “assigned lower importance to the centrality of work in their lives than men” (Harpaz & Fu 1997). Research has shown that this is because of women remain concerned about their participation in the family (Gati, et al 1995, Larson, et al 1994, Phillips & Imhoff 1997), thereby hinting their intention to drop out of the work force after the arrival of children. On the other hand, Beatty (1996), Cole (1988), and White, et al (1997) have supported the opposite theory. Therefore the following variables were explored; marital status, number of years married, presence of children, number of children, age categories of children.

Support systems, division of labour and socioeconomic status

Males tend to receive greater workplace support (Piltch, Walsh, Mangione, & Jennings 1994) or depend on their workplace for support to reduce stress (Geller & Hobfoll 1994, Pugliesi & Shook 1998) while women rely on support networks comprising family and friends (Piltch, et al 1994). Most women managers who have young children are likely to be prone to higher levels of stress (Sekaran 1985). Stress levels among women tend to manifest themselves in emotional outcomes such as anxiety and depression, rather than as physical responses noticed in men (Cleary 1987, Howard 1984, Jick & Mitz 1985). Dual-career couples with mutual spouse support are less prone to stress and able to attain higher job and marital satisfaction (Bedeian, et al 1986). Supportive spouses help reduce women's role conflict (Poloma 1972). Beatty (1996) confirms that women at senior management levels did not lose their husbands' as they moved up the career ladder. Family responsibilities including childcare, housework, and maintaining relationships with their husbands and in-laws is also an issue that women managers have to deal with (Cheng & Liao 1985). While housework is often taken care of by domestic help (Chen, et al 1985), women often feel guilty for not giving enough time to their children and find it difficult to persuade their husbands and in-laws to accept this changing of roles (Tang 1988). Adler (1993) conducted interviews with 30 women executives in Malaysia, Singapore, and Thailand, and found that senior women managers had live-in household help, extended families, and grown-up

children, while lower and middle managers “appreciate[d]” help provided by their employers, e.g., flexible times and company cars. In England, the partners of successful women managers do not help with childcare or household chores, leading most of these women to employ domestic help (White, et al 1997). There is also evidence that women and their partners are more likely to restructure their individual work and family commitments rather than exit the work force when facing conflict between their career and family demands (Karambayya & Reilly 1992). Therefore the following variables were explored; socio-economics status of parents and husbands (occupation and education), support of parents, husbands and in-laws, domestic help in child care and home care.

Working women in pakistan

According to Government of Pakistan statistics, women’s participation in the labour force is low: 15.9% (Labour Force Survey 2005, 6). Early studies have identified some of the reasons for the lack of participation. Khan (1989) states that the most common reasons for the reluctance to employ women include the following arguments: Society’s reluctance to accept the concept of women working; jobs in industry involve “heavy” work that women are assumed to be incapable of doing; since male unemployment rates are so high, women should not “take away” what jobs might be available; employing women is a “hassle” because they need to be “looked after”; women are assumed to be unable to take on irregular or shift-based work; employing women causes “social” problems and men are highly reluctant to being supervised by women at higher levels. According to Khan (1989), if women are employed they are assigned gender-specific roles and gender-specific jobs, most of which tend to be on the lowest rung of the employment ladder and usually require the least number of skills. Seldom in positions of authority--even when sufficiently qualified--women are usually paid less and employed on a temporary or piece-rate basis. Says Khan (1989): “The fact that women are kept in the least skilled positions has little to do with their lack of necessary skills, but is the result of a society that is, uniformly and unconditionally patriarchal.” Khan (1989) listed in terms of importance the most pressing problems that arose when hiring women workers were: their reluctance to work late hours, their demand for transportation, the high turnover among women workers who got married, the effect that personal or family problems had on women’s productivity and work, inability on the part of the management to communicate with women employees prone to over-emotional reactions when criticised. Khan (1989) predicted that more and more women would have to look for work and the lower class will look towards factories as male incomes (or single incomes) would no longer be sufficient for families to subsist on.

A study of factory workers (Akhtar 1988-90) found the following: Female workers were hired across industries because they performed better; they were either more or equally productive and efficient as male workers; they were docile, flexible, and willing to work at cheaper rates. These were important reasons for management preferring to employ women for certain jobs in factories. Nonetheless, 49% of the management stated that they followed an explicit policy of discrimination when hiring women workers: either women were simply not hired (38%) or their gender was used to negotiate lower wages. The problems that women faced included female-male disparity in terms of wages and promotions.

In 1961, women held only half the 1% of possible administrative jobs in Pakistan (Hafeez 1982). During that time, there were certain formal barriers to women seeking jobs in offices such as the Ministry of Foreign Affairs. These restraints were removed in the administrative reforms of 1972, and women now have the opportunity to compete for jobs in the Foreign Service and are encouraged to compete for senior posts in government ministries and district management. They are now found in greater numbers at diverse levels

of society, even serving as parliamentarians and air force pilots. Of the 65 women surveyed by Hafeez (1982), 43 provided data that was gathered by means of a detailed questionnaire, informal interviews, and the author's observations. The women interviewed represented a cross section of organizations, including government departments, universities, television and broadcasting corporations, advertising agencies, travel agencies, banks, newspaper agencies, and research organizations. The women selected from these organizations were employed as directors, planning officers, assistant commissioners, heads of academic departments, accountants, senior copy writers, sales managers, assistant directors, assistant chiefs, executive housekeepers at hotels, television programme and script officers, programme producers. The study's findings were as follows: Most of the women interviewed came from upper-middle class backgrounds, nearly 50% were married to professionals, most were university graduates, while a significant number had also undergone foreign training as well. A representative sample of women from all age groups appeared unintentionally. With the exception of Balochis and Pathans, all other ethnic groups were represented, of which Syeds—a group considered to have high religious standing—accounted for 48.8%. Most women had entered directly into senior administrative positions and experienced little occupational mobility: 46.5% had never changed jobs. Their income level was likely to vary. There was equal pay for equal positions, was little or no discrimination in these particular areas. Nearly half the women were married, the majority with three children. Most women had been able to accommodate the combined pressure of their job, marriage, and children. A fairly large percentage of women experienced an early interrupted career pattern. They acquired degrees, got married and had children before they took up a profession. An even larger percentage of women had experienced a late, interrupted career pattern, of which 27.2% had pursued a career soon after completing their education. They got married while working, underwent a gap during their childbearing phase, and then resumed their careers. Some of them had undergone higher and longer periods of foreign training. One possible reason could be that some women had delayed their achievement needs and avoided interference or interruption with the smooth development of their professions' formative years. Very few had followed uninterrupted career patterns. As mentioned earlier, they had acquired degrees after marriage and having had children before they started working. None of the women had acquired their degrees after marriage without first having had children. One plausible explanation lies in societal and cultural expectations, where marriage and motherhood are valued more than a woman's services in her career.

Sathar & Kazi (1988) conducted a study involving 70 professional, married women employed in the formal sector found them to be highly educated. Nearly 95% had at least a Bachelor's degree, were better paid (with a mean monthly income ranging from PRs 3,103 to PRs 6,142), had higher status jobs, and a better standard of living. Their husbands were also likely to be high-level professionals and their combined family income fell in the top bracket of PRs 7,000 or more per month. They had more consumer durables, lived in permanent dwellings with access to gas and water, owned cars, and had smaller households (with a mean of 4.8 persons). Most women had entered the labour market in pursuit of a career or for reasons of personal fulfilment. A large proportion of women (78%) had worked before marriage. This was considered

This was part of a larger study: the other two groups surveyed included lower-level professionals and women from poor households. an important spell, indicating their commitment to work and orientation towards a career. The mean age for starting work was 23 years. They had completed their education and continued to work with little or no interruption in the shape of marriage or motherhood (76%). Most felt that career breaks would adversely affect their upward mobility. Their study also found that women's ethnic background was also important: societal disapproval of working women was more marked

in the case of Sindhis, Balochis, and Pathans compared with Punjabis and Urdu-speaking households. Women's jobs did not interfere with their domestic responsibilities: only 21% carried out all household chores themselves. Childcare was generally supervised by a female relative, even in households that could afford domestic servants. Educated women from relatively well-off households were more likely to come from families that included other working women. A report on the status of women employment in public sector organizations (2003) states that out of the total number of employees in the federal government, 165802 were male and 9387 females, of which 1898 were in the officer category. In the northern areas secretariat there was only one female official. In the provincial government of Sind at the Secretariat, out of 603 officers, 18 were females. Most were doctors or teachers. The Sind Police had 11 Deputy Superintendents of Police mostly confined to women police stations. The Punjab Secretariat had 21 female officers and 792 male officers. In Baluchistan there were no officers. In NWFP, North West Frontier Region now called Khyber Pakhtoon Khwa, there were 4 females of grade 18-19. This was in spite of the government's attempt to reserve 5% quota for women. The power and status grades are 17-22. In the prestigious district management group there was no woman in grade 21-22 (38 men) and 39 women out of 706 officers in the grades 17-20. The report concludes (pg 131) "There is a virtual absence of women in posts that carry power, status and prestige and in those which are considered to be decision making posts".

Haeri (2002, p.32) claims that middle class professional Pakistani women attempt to create a niche in the public domain similar to the western professional women. "They pursue a wide range of careers that their families may or may not contest, contribute to the economic welfare of the family and exert power and influence in the family and society." However, she also states that the national identity adds conflict- between the cultural expectations and professional aspirations- and these women are caught in national, cultural and ethnic double binds.

North West Frontier Region is now called Khyber Pakhtoon Khwa

Method

Sample selection

The survey included over 152 organizations spread across three major cities in Pakistan, all of which were registered with the placement offices of two business schools in Lahore. The survey's initial objective was to establish whether or not these organization employed women at managerial levels. All 152 organizations were contacted via email, letters and telephone and were asked if they employed women at managerial levels. 87 responded in the affirmative. They also informed me about the numbers of women employed at managerial levels. Accordingly, questionnaire packages were sent to the respective heads of human resources, and circulated in self-addressed envelopes to all women working at managerial levels in their organization. Participants completed a set of questionnaires comprising four broad sections, of which the fourth, explored respondents' personal and demographic details and the roles played and attitudes held by key figures in their lives.

Questionnaire

The questions in section four of the survey form [See Appendix 1] were developed by the author keeping in mind the key issues arising from the literature review. The questionnaire was pre-tested. It was set in English, since it is the primary medium of instruction at Pakistani universities. Most participants had had more than 14 years of formal

education in English, and translation issues did not arise.

Results

Demographics of the respondents

Data from questionnaires of 207 managerial women was utilized. Nearly 86% of the respondents (N=176) had spent larger part of their formative years in metropolitan cities, such as Karachi and Lahore, while 11% (N=23) had spent their formative years in smaller cities, including Sialkot, Faisalabad, and Hyderabad [See Annexure 2, Table 1]. Most of the managerial women were employed in organizations in the city of Karachi. They mostly belonged to an Urdu speaking background and worked in a variety of organizations. Out of the 87 organizations only 15 were multinational organizations. However, they employed the bulk of the women (56%) while the rest were employed in private local, semi-government and not for profit organizations. [See Annexure 2, Table 2]. The women were employed at a number of managerial levels. In our sample, the questionnaire identified different levels of education, years of schooling and medium of instruction and age of respondents [See Annexure 2, Table 3]. The ages ranged from 21-25 years to 56-60 years. They included a number of respondents over 40. The women surveyed were highly educated (including doctorate degree holders) with most having studied at English medium schools. Most were the eldest and had a parent as a role model [See Annexure 2, Table 4].

Marital status, motherhood, division of labour and socio-economic status of the respondents

52.2% of the respondents were or had been married. [See Annexure 2, Table 5]. 66% married women managers had children who were mostly in the toddler or school going age. They mostly used parents/in laws and maids for childcare support. Parents and husbands were found to be more encouraging in their attitude towards a job than in laws. . [See Annexure 2, Table 6]. Both parents and husbands of these women were likely to be well educated [See Annexure 2, Table 7] with professional occupations [See Annexure 2, Table 8]. Of the sample, 48% of the respondents had a current monthly household income ranging between PRs70,000 and PRs200,000 (See Annexure 2, Table 9) as against (i) Pakistan's average monthly household income of PRs13,371 (Household Integrated Economic Survey for 2004/05) and (ii) that of AcNielsen's (2005) Socioeconomic Classification (Class A1's monthly household income is calculated to be PRs25,000)

Discussion

Different cities in Pakistan appear to draw women to professions specific to historical forces, trends. Hafeez, (1982) found the proportion of women in these professions to be much higher in Karachi than in any part of Pakistan. She argued that, unlike in other cities, "a woman in a big city like Karachi is less restricted in her physical movements. The women in medium sized cities of Pakistan are slow to emerge from seclusion." Therefore it was reasonable to find that 57% (N=117) of our respondents worked in Karachi and 32% (N=66) in Lahore. Most were residents of Karachi. This is not surprising either, since the city is Pakistan's commercial and financial centre with most multinational corporations (MNCs) headquartered there. As 56% of the women worked at MNC's, it is reasonable to conclude that there is a greater trend among multinationals to hire women in Pakistan similar to other parts of the western world (Adler, 1994). Since Karachi is dominated by the Urdu-speaking ethnic group, many respondents were found to belong to that group. Culturally speaking, Punjabis and Urdu-speaking ethnic groups are less conservative than others, consistent with our findings that 44% (N=88) of the respondents had an Urdu-speaking

background and 34% (N=69), a Punjabi background.

None of the respondents had less than a Bachelor's degree, while 84% had a Master's degree or higher. The age group of women under 30 achieved more Master's and/or professional degrees, with 94% having been educated at English-medium schools. This figure is significant. Pakistan's national language is Urdu, and its two official languages are Urdu and English. The educational system consists of two streams: (i) Urdu-medium (mostly government owned schools), where Urdu is taught as a first language and English taught from Grade VI onward, and (ii) English-medium (mostly privately owned schools), where English is taught from the start. Language planning by various governments have been inconsistent, experimenting with foreign languages such as Persian and Arabic. However, as part of its education reforms, the federal government has now declared that English be taught as a compulsory subject at all public and private schools. Nonetheless, the previous parallel school system has left its impact. According to Schiffman (2006): "English language, in Pakistan is an identity marker, a tool of vertical social mobility, and a means to access prestigious jobs in the country and abroad. Whether pleasant or horrid, it is a rampant reality. Quite a lot has been said about English in Pakistan and some genuine research has solidly established this actuality. Thus, if English is not taught as a compulsory subject from Grade I at all schools, it will create social class differences between English and Urdu medium education. In fact this phenomenon is already well spread and has shown its effects which, in addition to other problems, has resulted in social disharmony." Haeri (2002) also claims that middle class professional Pakistani women "speak English fluently-for most of them it is their first language- and are educated in prestigious English speaking colleges". p.32. In our study, very few of the women employed by the private sector came from Urdu-medium backgrounds. Cross tabulations [See Annexure 2, Table 10] revealed some interesting findings, one being that an Urdu-medium background might be a key reason for the lack of progression to senior positions even though these women were highly educated and had been with the organization for a number of years.

Statistics indicate a trend among women entering the managerial workforce as 50% of the sample surveyed included young women between the ages of 21 and 30. This implies that, in general, they would have started work immediately after completing a Master's degree. Of the sample's respondents aged 40 or above, 86% held positions in middle and top management. Of the total sample, 40% (N=50) were the eldest child in their family. Our findings are consistent with White, et al (1997). A cross tabulation of respondents' level of education and the presence or otherwise of role models [See Annexure 2, Table 10] confirms that women who had achieved a higher level of education had parents as their role models. Parents' attitudes towards their daughters was predominantly positive (Extremely encouraging= 71.6%). Parents' role for women managers in gender-atypical jobs was critical to educational achievement (Betz & Fitzgerald 1987, Lemkau 1979). Educational achievement, in turn, builds self-confidence (Rosenberg 1979) while further proving a significant predictor of self-confidence (Respondents perception of "I am a very successful manager" = 81%). Women in gender-atypical jobs tend to be more self-confident than other working women (Bachtold & Werner 1970, Bachtold & Werner 1972, Constantini & Craik 1972, Lemkau 1983), while other studies have found no difference in male and female managers' self-confidence (Aldermann 1987, Bachtold & Werner 1970, Bachtold & Werner 1972, Chusmir, Koberg, & Stecher 1992, Jagacinski 1987, Tharenou & Conroy 1988). My research sample shows managerial women as pre-dominantly self confident.

National statistics indicate a range of 97-99% of married women in the 40 and above age category. Shah's (1986) research also concludes that the Pakistani woman sees

her role primarily as that of a parent with girls in Pakistan conditioned to think of marriage as her only purpose in life. Her main asset is her reproductive ability. “....women are forced to remain tied to their fertility and their biological role.Although the picture is beginning to change now, this is happening far too slowly.” (Hussain, et al 1997). In my survey, the marital rate among these women was low. One of the reasons for this could be that they find it difficult to manage a family life and a career as executive managers. In developed countries, this category of women is 13 times as likely to be single, separated, divorced, or widowed (Parasuraman, et al 1993). In Pakistan, however, most women tend to remain married in keeping with the socialization of their conjugal role (Shah 1986). According to my survey, 35% of the married respondents aged 26-35 and 7% aged 36-45 did not have children. The number of children among those women who did, ranged from 1 to 5. It is interesting to compare the mean number of children born to respondents in the 21- to 30-year age group (mean=1) and to those aged 30 or above (mean=2) with the national statistics, in which the mean of the latter category ranges from 3 to 6.

In my study, women's primary sources of emotional support are parents, husbands, and in-laws who endorse their view of the kin role (Shah 1986). The attitude of women's husbands and in-laws has an important impact and was largely positive (Husband's attitude 'Extremely encouraging'=.54.7%; In-laws attitude 'Extremely encouraging'=37.5%) Like the global managerial women, the Pakistani counterpart relies on domestic help as part of her childcare (20.3%) and household support system (55.3%), reflecting the findings of Sathar & Kazi (1988). However a large number also use parents (18.4%) and in-laws (11.6%) as child care.

Most of the women in our survey belonged to a higher social class. Their husbands' occupation and level of education afforded status to married women, while fathers' occupation and level of education afforded status to unmarried women. Among respondents' fathers, 84.7% had at least a Bachelor's degree, 35% included professionals (accountants, doctors, engineers, lawyers, or architects) 20% owned small, medium, or large businesses, 12.2% were employed by the private sector, and 24% were in government service (either employed by government agencies or the armed forces). Among respondents' mothers, 60.5% had at least a Bachelor's degree, 75% were homemakers, 15% held fulltime jobs, and 10%, part-time jobs. Significantly, respondents under 30 had parents who were more highly educated than those of women over 40, and also had professional occupations. Of the respondents' husbands, 96% had at least a Bachelor's degree or higher, with occupations ranging from professionals (75.9%) to business owners and employees in the private or public sector. This is in keeping with Sathar & Kazi (1988).

Heidrick and Stuggles (1986), in a study conducted in the United States, found that the typical corporate officer was a 44-year-old white protestant woman, married, and childless. She would have had one or more mentors, was likely to have earned an advanced degree, and was greatly satisfied with her career progress and job. However, her professional achievements had come at a high personal cost: decisions on whether or not to marry and/or have children, successful marriage, effectiveness as a parent, and social/personal relationships.

According to my study, the profile of the average professional woman manager in 2004 was as follows: she was likely to live and work in a metropolitan city--probably Karachi--was the eldest child in an Urdu-speaking family, was employed by an MNC, highly educated, fluent in English, and roughly 30-35 years of age. There is a high probability that, if married, she had one or two school-going children. She was likely to belong to a high social class and her monthly household income was above PRs70,000. She depended primarily on domestic help to provide household and childcare. Her husband was a well

educated professional. Both her husband and in-laws were supportive of her role as a working woman, but the driving force behind her career seemed to come from her parents. Of the respondents, 50% identified one or other parent as a role model. Both parents were well educated and the father most likely to be a professional or government employee.

The socio-demographic profile of professional women has thus not changed drastically between 1988 and 2004. Nor does it seem that the Pakistani woman manager--unlike her western counterpart--pays a high price for her career costing terms of personal/family commitments. The Pakistani woman professional manager in the private sector seems to have the “best of both worlds” in socioeconomic and cultural environment that most people in the developing world would label difficult. As Haeri (2002) states, “Pakistani professional women have to reconcile their careers’ with their culture’s demand regarding their duties as wives and mothers”. p 407.


A question that this study raises is that does this imply that women from the lower-middle class will be unable to go as far as women from a higher socioeconomic income group? The key lies in “the fluent English-medium, highly educated” woman. If urban parents, especially fathers--as women’s main role models--ensure that their daughters attend English-medium schools, gain fluency in the language, and achieve professional managerial degrees, the chances of rising to a managerial-level position, no matter what their social background, increases. This is not a prediction dictated by social needs, but in fact by the laws of demand and supply. The global managerial job market requires that prospective managers have the right educational qualifications and the ability to communicate globally. At an international level, English happens to be the most widely used language in the workplace. The basic requirements for both men and women wishing to enter managerial levels in Pakistan are essentially the same. Logically, supply should be based on the requirements of demand. Given the global economic situation and rising inflationary pressures, Pakistani society is likely to be forced to accept more women in the workplace. However, the difference between working women in general and women in managerial positions--who have the chance of crossing middle-management boundaries in Pakistan’s private sector organizations--will be the deliberate choice of school-level education in English followed by higher education. Here, the onus is either on the government to provide English-medium education for all, creating a level playing field for all its citizens, or on parents to pay the price of an expensive education for their daughters at an English-medium school.

Limitations of the study and conclusions

The study’s primary limitation is that the sample used is too small. That said, the relatively small number of women managers in Pakistan allows our sample to be considered representative of the total population. Secondly, public sector organizations and those organizations where women could be owner/managers was excluded. The results of this study might give a skewed and unrealistic picture of Pakistani women in general. However, women in Pakistan find themselves at different levels of emancipation that vary with the nature of the communities in which they live and the level of urbanization or industrialization of these communities (Hafeez 1982). The profile of the average woman manager in the private sector might well differ from that of her counterpart in the public sector, from women working in offices, factories, or farms, and even from that of the average homemaker. This gives rise to the possibility of further research of managerial women in the public sector and longitudinal studies of women in both sectors.

This study should firstly lay to rest some of the stereotypes associated with Pakistani

women, one of them being that women in managerial positions necessarily quit their jobs after having had children. A significant number with young children continue to pursue their careers, whatever the myriad of underlying reasons, thereby proving empirically what they can do.

Secondly, as argued by Mirza (1997), the managerial profession appears to remain the domain of the “westernized upper-middle class woman” while the “average” office worker comes from the “lower-middle class.” Mirza (1997) predicts that the “rapid integration of lower-middle class women into the urban labour market is very likely to shake the existing gender order of society.” Keeping women out of the labour market has been a status symbol of the conservative section of Pakistani society, whose world is symbolised by the “segregation of the life worlds of men and women.” However, worsening economic conditions mean that these women are reorienting their educational priorities towards market-oriented education, which is thought to open doors to well-paying jobs. These include secretarial and technical office jobs (draftspersons, computer operators, and designers, etc.). This trend is reflected in the Labour Force Survey for 2003/4, which shows that the proportion of women in this occupational group is higher than that of men. 

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ANNEXURE 1
SECTION FOUR (OF QUESTIONNAIRE)

This section is about basic demographic data about you and your family.

In which of the following localities have you spent most of your development/ formative years? (Tick only one).

☐ Village☐ City (e.g.: Sialkot,
Faisalabad, Hyderabad, etc.)☐ Town (Rahim Yar
Khan, Nowshehra, etc.)☐ Metropolitan Areas
(i.e.: Karachi, Lahore)

What is the city in which you are currently working?

☐ Karachi☐ Islamabad☐ Lahore☐ Other.(Specify _____)

Which one of the following best describes your organization?

☐ Private Local☐ Semi Government
(such as PIA, WAPDA)☐ Private Multinational☐ Non-profit Organization
(NGO, CBO, etc.)

How many years of formal English language education have you received in schools/colleges? _____ (please give number of years)

What was the primary medium of instruction in your school? (Tick one)

☐ Urdu medium☐ English medium

Please indicate your highest educational attainment?

☐ Primary☐ Matric☐ Intermediate☐ Bachelors

- ☐ Masters
 ☐ Professional (MBBS, BSc Engg., CA, etc.)
- ☐ Doctorate

Please indicate your marital status?

- ☐ Single
 ☐ Divorced
- ☐ Married
 ☐ Separated
- ☐ Widowed

Please indicate the number of years that you have been married? _____
years

- ☐ Not applicable

Please indicate the number of children that you have? _____

- ☐ Not applicable

How many of your children fall in the following categories? Please specify the number in each category.

Infants/toddlers	
School going	
College going	
Working	

- ☐ Not applicable

Which, if any, of the following child care support system do you use? (Tick as many as apply)

- ☐ Maids/Servants
 ☐ Child Care Center
- ☐ Own Parents/Sisters
 ☐ Baby Sitters
- ☐ In-laws
 ☐ Husband
- ☐ Not applicable

Which, if any, of the household chores support system do you use? (Tick as many as apply)

- | | |
|--|----------------------------------|
| <input type="checkbox"/> Maids/Servants | <input type="checkbox"/> In-laws |
| <input type="checkbox"/> Own Parents/Sisters | <input type="checkbox"/> Husband |
| <input type="checkbox"/> Not applicable | |

Please specify the order of your birth?

First in a family of _____
Second in a family of _____
Third in a family of _____
Fourth in a family of _____
Fifth in a family of _____
Other (please specify) _____

Did you have a role model as a child or as a young person?

- | | |
|------------------------------|-----------------------------|
| <input type="checkbox"/> Yes | <input type="checkbox"/> No |
|------------------------------|-----------------------------|

If yes, please specify what was your relationship with the role model? (e.g., teacher, relative, grand mother, etc.) _____

Please indicate the highest educational attainment of your father.

- | | |
|---|---------------------------------------|
| <input type="checkbox"/> Illiterate | <input type="checkbox"/> Primary |
| <input type="checkbox"/> Matric | <input type="checkbox"/> Intermediate |
| <input type="checkbox"/> Bachelors | <input type="checkbox"/> Masters |
| <input type="checkbox"/> Professional(MBBS etc) | <input type="checkbox"/> Doctorate |

Please indicate the highest educational attainment of your mother.

- | | |
|--|---------------------------------------|
| <input type="checkbox"/> Illiterate | <input type="checkbox"/> Primary |
| <input type="checkbox"/> Matric | <input type="checkbox"/> Intermediate |
| <input type="checkbox"/> Bachelors | <input type="checkbox"/> Masters |
| <input type="checkbox"/> Professional (MBBS etc) | <input type="checkbox"/> Doctorate |

Please indicate your mother's predominant working status in one of the following categories.

- ☐ Housewife

 ☐ Full-time job
☐ Part-time job

Please indicate the highest educational attainment of your husband.

- ☐ Illiterate

 ☐ Primary
☐ Matric

 ☐ Intermediate
☐ Bachelors

 ☐ Masters
☐ Professional (MBBS,BSc
Engg., CA, etc.)

 ☐ Doctorate

What is/was your father's occupation? _____

What is your husband's occupation? _____

☐ Not applicable

Please indicate your husband's attitude towards your job (circle appropriate number below).

Extremely						Extremely
<u>Discouraging</u>						<u>Encouraging</u>
1	2	3	4	5	6	

☐ Not applicable

Please indicate your in-laws attitude towards your job (circle appropriate number below).

Extremely						Extremely
<u>Discouraging</u>						<u>Encouraging</u>
1	2	3	4	5	6	

☐ Not applicable

Please indicate your parents attitude towards your job (circle appropriate number below).

Extremely						Extremely
<u>Discouraging</u>						<u>Encouraging</u>

1 2 3 4 5 6

☐ Not applicable

In which of the following brackets does your current monthly household income fall?

- | | |
|---|---|
| <input type="checkbox"/> Rs 10,000 – 39,999 | <input type="checkbox"/> Rs 100,000 – 129,999 |
| <input type="checkbox"/> Rs 40,000 – 69,999 | <input type="checkbox"/> Rs 130,000 – 169,999 |
| <input type="checkbox"/> Rs 70,000 – 99,999 | <input type="checkbox"/> Rs 170,000 – 199,999 |
| <input type="checkbox"/> 200,000 or above | |

Please indicate your ethnic background?

- | | |
|---|-----------------------------------|
| <input type="checkbox"/> Urdu speaking | <input type="checkbox"/> Pashto |
| <input type="checkbox"/> Punjabi | <input type="checkbox"/> Baluchi |
| <input type="checkbox"/> Sindhi | <input type="checkbox"/> Kashmiri |
| <input type="checkbox"/> Other (please specify) _____ | |

Please indicate the age bracket in which you fall?

- | | |
|----------------------------------|----------------------------------|
| <input type="checkbox"/> 21 – 25 | <input type="checkbox"/> 41 – 45 |
| <input type="checkbox"/> 26 – 30 | <input type="checkbox"/> 46 – 50 |
| <input type="checkbox"/> 31 – 35 | <input type="checkbox"/> 51 – 55 |
| <input type="checkbox"/> 36 – 40 | <input type="checkbox"/> 56 – 60 |

ANNEXURE 2

Formative years, City of current work and
Ethnic background of the sample.

Spent formative years in following Localities	%
Village	1
Town	2
City	11.2
Metropolitan	85.9
Total	100
City of Current work	%
Karachi	57.3
Lahore	32
Islamabad	5.3
Hyderabad	2.9
Others	2.4
Total	100
Ethnic Background	%
Urdu Speaking	44.2
Punjabi	34.7
Others	21.1

Percentage of women working in a type of organization and managerial levels.

Type of Organization	%
Private local organization	24.4
Private multinational company (MNC)	56.1
Semi-government organization, e.g., Pakistan International Airlines (PIA), Water and Power Development Authority (WAPDA), etc.	16.1
Not-for-profit organization, e.g., non-government organization (NGO), community-based organization (CBO), etc.	3.4
Designation	%
Officer/management trainee	10.3
Assistant manager	32.4
Senior manager/manager/acting vice-president	42.2
Deputy general manager/vice-president /senior vice-president	10.8
General manager/executive vice-president/senior executive vice-president	4.4
Chief executive officer (CEO)	0.0

Levels of education, years of schooling medium of instruction and Age Characteristics of the sample

Level of Education	%
Bachelor's degree	16.5
Master's degree	55.8
Professional degree (e.g., medical, engineering, or accounting degrees)	27.7
Doctorate	0.5

Years of English Schooling	%
Less than 14 years	24.9
14 years	16.0
15 years	5.3
16 years	34.0
More than 16 years	19.8
Medium of Instruction	%
Urdu	12.1
English	87.9
Age Bracket	%
21-25 years	19.6
26-30 years	29.4
31-35 years	18.6
36-40 years	9.8
41-45 years	7.8
46-50 years	6.9
51-55 years	5.4
56-60 years	2.5

Cross tabulation of age and marital status

Ages	21-30	31-40	41-50	51-60
Married %	30	72	73	75
Single %	70	28	27	25

Order of Birth and Role model of the sample

Order of Birth	%
First	38.2
Second	22.9
Third	18.3
Fourth	11.5
Fifth	3.8
Other	5.3
Total	100.0
Role model as a child or as a young person.	%
Yes	47.4
No	52.6
Relationship with the role model.	%
Others	27.8
Father	23.3
Mother	20.0
Grand Father	6.7
Parents	6.7

Marital Status, Number of years married, number and category of children and child care support used.

Marital status	%
Single	47.8
Married/Widowed /Divorced /Separated	52.2

Number of years of marriage	%
Less than 5 years	18.3
5-10 years	12.9
11-20 years	12.9
More than 20 years	6.9
Not Married	49.0
Number of children	%
One	18
Two	17.4
Three	7.9
Four	.6
Five	.6
Categories	%
Infants/toddlers	26
School going	40
College going	19
Working	9

Child care support system used.	%
Maids/Servants	20.3
Own Parents/Sisters	18.4
In-laws	11.6
Child Care Center	1.0
Baby Sitters	1.4

Attitude of parents towards job

Parents attitude towards job	%
Extremely discouraging	.5
Strongly discouraging	.5
Slightly discouraging	2.5
Slightly encouraging	6.6
Strongly encouraging	18.3
Extremely encouraging	71.6
Husband's attitude towards job.	
Strongly discouraging	1.1
Slightly discouraging	5.3
Slightly encouraging	12.6
Strongly encouraging	26.3
Extremely encouraging	54.7
In-laws attitude towards job	%
Extremely discouraging	1.1
Strongly discouraging	2.3
Slightly discouraging	8.0
Slightly encouraging	23.9
Strongly encouraging	27.3
Extremely encouraging	37.5

Education of Father, Mother and Husband of the sample

Education of Father	%
Illiterate	0.5
Primary	2.9
Matric	5.9
Intermediate	6.4
Bachelors	30.4
Masters	22.5
Professional	27.9
Doctorate	3.4
Total	100
Education of Mother	%
Illiterate	3.4
Primary	7.3
Matric	17
Intermediate	12.1
Bachelors	37.4
Masters	15
Professional	6.3
Doctorate	1.5
Total	100
Education of Husband	%
Illiterate	1
Primary	1
Matric	1

Intermediate	1.9
Bachelors	24
Masters	34.6
Professional	36.5
Total	100

Occupation of Mother, Father and Husband

Occupation of Mother	%
House Wife	74.8
Full Time Job	14.6
Part Time Job	10.2
Total	100
Occupation of Father	%
Private Sector Employee	12.2
Professionals	35.1
Business Owner	20.7
Government Employee	24.5
Landlord	2.7
Academics	3.2
Skilled Labor	1.6
Total	100
Occupation of Husband	%
Private Sector Employee	11.3
Professionals	66.0
Business Owner	11.3
Government Employee	8.2
Landlord	1

Academics	1
Skilled Labor	1
Total	100

Current household monthly income

Current monthly household income.	%
Rs 10,000 – 39,999	25.2
Rs 40,000 – 69,999	17.6
Rs 70,000 – 99,999	15.7
Rs 100,000 – 129,999	12.4
Rs 130,000 – 169,999	7.6
Rs 170,000 – 199,999	4.8
200,000 or above	8.6

Cross Tabulations

Primary medium of instruction in terms of respondents' designations (%)					
Medium of Instruction	Officer / Management Trainee	Assistant Manager	Manager/ Senior Manager/ Acting Vice-President	Deputy General Manager/ Vice-President Senior Vice-President	General Manager/ Executive Vice-President/ Senior Executive Vice-President
Urdu	8.3	54.2	37.5	-	-
English	10.1	29.6	43.0	12.3	5.0

Women Managers level of education and presence of role models		
Education level	Women who had Parents as role models. %.	Women who had other relatives as role model. %
Bachelors	29	71
Masters	51	49
Professional	59	41

That there is the crux of the whole matter. Leadership - that intangible, hard-to-define something that sets some men apart, that blend of native talent and cultivated attributes, that radiant and inspiring gift that causes some men unerringly to choose the right and to give others faith that it is right-leadership, whether God-given or man-cultivated, holds the key to the future in business world.

Clarence B. Randall, *The Folklore of Management*

ARTICLE**An Information Technology (IT) Based Approach For Enhancing Prompt And Effective Post-disaster Reconstruction**

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Abstract

Information technology (IT) has become strongly established as a supporting tool for many professional tasks in recent years. One application of IT, namely the knowledge management system, has attracted significant attention requiring further exploration as it has the potential to enhance processes, based on the expertise of the decision-makers. A knowledge management system can undertake intelligent tasks in a specific domain that is normally performed by highly skilled people.

Typically, the success of such a system relies on the ability to represent the knowledge for a particular subject. Post-disaster reconstruction and rehabilitation is a complex issue with several dimensions. Government, nongovernmental and international organizations have their own stakes in disaster recovery programs, and links must be established among them, as well as with the community. Concerning the post-disaster reconstruction scenario, the most significant factor is the prompt decision making based on best possible information available. Effective post-disaster response is crucial and lies at the heart of disaster management agency in almost every cautious country around the globe.

This paper presents a theoretical framework leveraging on IT for developing a knowledge management approach for enhancing prompt and effective post-disaster reconstruction. The conceptual model consists of two main IT based components of knowledge management system, i.e., a knowledge-base and a decision support shell for making more informed decisions for effective and timely response in post-disaster reconstruction scenario. The system is expected to assist in improving reconstruction project processes, coordination and team building process because the most likely areas on which to focus to reduce unwise decision can be identified during the early stage of the post-disaster scenario. Tapping on the past experiences of post-disaster scenarios, the knowledge management system provides a wealth of pertinent and useful information for decision makers and eventually enhance collaborative venture.

Development is a dynamic process, and disasters are thopportunities to vitalize and/or revitalize this process, especially to generate local economies, and to upgrade livelihood and living condition. The success of the reconstruction phases i.e., rescue, relief and rehabilitation is mainly dependent on the availability of efficient project team and timely information for informed decision. By having the knowledge-base and a systematic way to make well-informed decisions, the efficiency of project team and

the likelihood of strong coordination and eventually project success should increase. The study would assist professionals from academia and industry involved in research and reconstruction projects. The system would be helpful for them to take proactive measures for reducing uninformed decisions related to team building and project coordination processes undertaken by disaster management agencies. Professionals need to work in close cooperation with each other to give rise to a better and more efficient system. Hence, the study is valuable for all the professionals involved with research and development.

Keywords: Knowledge-base, Management, Reconstruction, Decision Making, IT.

Introduction

Post-disaster reconstruction and rehabilitation is a complex issue with several dimensions. Many professionals in both fields tend to focus more on planning and immediate response and have only recently begun to consider the requirements and opportunities inherent in long-term mitigation and reconstruction (Vale and Campanella, 2005). The complex and multi-faceted processes of post-disaster recovery and reconstruction extend well beyond the immediate period of restoring basic services and life support infrastructure. While immediate restoration of services can be a matter of weeks, full recovery can stretch out 10-15 years (Pelling, 2003). Government, non-government, international organizations have their own stakes in disaster recovery programs, and links must be established among them, as well as with the community as shown in Figure 1 (Shaw et al., 2003). In other words, a post-disaster rehabilitation and recovery programs should be seen as the opportunities to work with communities and serve local needs. Relief and development often lead to burdens on the recipient government, and also often fail to serve the actual purpose and to reach the people in needs.

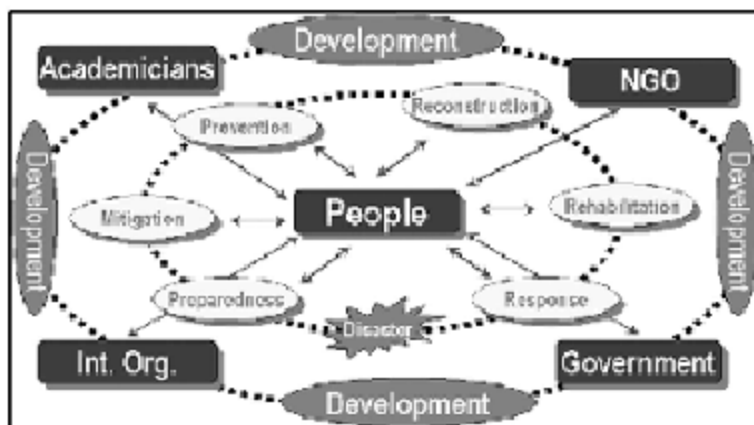


Figure 1 Disaster cycle, development process and stakeholder involvement
[Source: adapted from Shaw et al., 2003]

Environmental management professionals are now concentrating more on the sustainability of environmental quality and environmental improvement; emergency managers and planners are re-focusing their efforts more on the survivability of systems, organizations, and communities (Vale and Campanella, 2005). Sustainability and survivability are, in truth,

two aspects of the same concept, namely: how to encourage and achieve continual improvement in ecosystems, the built environment, and human society (Pellow and Brulle, 2005). Both environmental management and emergency management have much to contribute to, and to gain from, the planning and implementation of post-disaster reconstruction.

Development is a dynamic process, and disasters are the opportunities to vitalize and/or revitalize this process, especially to generate local economies, and to upgrade livelihood and living condition. Shaw and Sinha (2003) suggested the idealized level of involvement of different stakeholders after the disaster as shown in Figure 2. The standard time frame of rescue, relief and rehabilitation are defined as short term, long term and longer term respectively.

As shown Figure 3, rehabilitation process has three major stages i.e., Principles and Planning, Implementation and Ensuring Sustainability (Shaw and Sinha, 2003). Rehabilitation was not just a short term, gap filling exercise. There is a huge amount of information flows between professionals involved in the rehabilitation project (Arain, 2005). The process initiate by setting up the basic principles for planning the rehabilitation intervention. The process has to be participatory, with a gradual increase in the involvement of the community. Implementation stage of the post-disaster reconstruction project consisted of three steps i.e., need assessment, capacity building, and implementation. The effort initiated by the professionals involved in post-disaster reconstruction project needed to be sustainable long after the interventions were over. In effect, intervention should be designed to ensure that the community was able to take care of its development needs and was resilient against future disasters. For this, strengthening local institutions is necessary (Shaw and Sinha, 2003).

STAKEHOLDERS	INTERVENTION		
	RESCUE	RELIEF	RECOVER
GOVERNMENT	■	■	■
NON-GOVERNMENT	■	■	■
INTERNATIONAL ORGANIZATIONS	■	■	■
COMMUNITY	■	■	■

Figure 2 Idealized level of interventions of different stakeholders after disaster (Size of the box is proportional to the level of interventions) [Source: adapted from Shaw and Sinha, 2003]

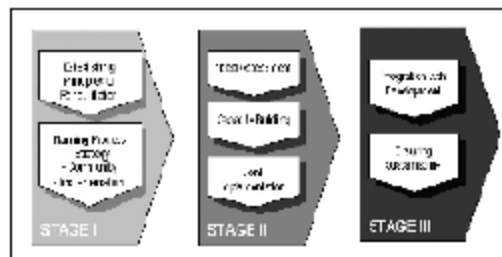


Figure 3 Different stages of recovery process in a post-disaster management scenario

[Source: adapted from Shaw and Sinha, 2003]

Increasing discussions and debates within disaster mitigation interest groups have raised questions regarding the practicality of adopting developmental approaches to disaster reconstruction (Ahmed, 2005). The chaos surrounding the disaster period following a disaster could easily lead to short-term and hasty decisions adversely affecting community's ability to achieve sustainable, long term reconstruction goals (Hidellage and Pullenayegem, 2008). To minimize occurring of these unwise decisions, it is important to plan proactively for post-disaster restoration in order to provide general guidance for decision-makers and a framework for the professionals involved in reconstruction process (Iglesias, 2007). For proactive plans and decisions, an integrated approach is required that may empower to implement the developed reconstruction strategy and monitor its results and progress.

Reconstruction usually requires building a large number of shelters within a shortest possible time using available limited resources (Ahmed, 2008). Practical action discerned early in the rebuilding phase that there was dire need to ensure construction quality, have competent construction tradesmen, minimize use of construction material and use construction technology that is readily replicable (Hidellage and Pullenayegem, 2008).

The recent sudden increase of natural disasters has taught many valuable lessons (Iglesias, 2007). Unfortunately, the need for preparedness is greater than ever before, given the increasing frequency and worsening intensity of weather-related storms and the escalation of technological threats. No geographical area is immune or protected from the threat of emergencies and disasters. The importance of proactive approach in responding to a disaster struck scenario in term of learning from past projects cannot be overstated. Pre-planning with local public safety and emergency response agencies can decrease confusion when a jobsite incident occurs (Ahmed, 2008). A quick response due to proper pre-planning and preparedness can expedite saving lives and rehabilitation process.

Numerous researches suggested that factors about IT considerations and communications continuity should be defined and stored because the link between a source and consequence is mainly determined by these factors (Shaw and Sinha, 2003; Arain, 2005; Arain and Low, 2006a; Ahmed, 2008). As the decisions need to be made in short time, the availability of prompt and useful information has the highest potential to affect future decisions (Arain and Low, 2006b). Lessons learnt with respect to those rather controllable factors may result in better management of emergency risks in the forthcoming projects. Further, it is clear that the major benefit of the approach is not the development of a fit-for-all emergency preparedness plan but rather capitalizing on past experience of similar projects and a customizable strengths and weaknesses based emergency preparedness plan which is dynamic in nature (Cameron et al., 2004; Arain and Low, 2006b).

Information is a pre-requisite in all research and development activities and can be regarded appropriately as the life-blood within which business interactions unfold (Low, 1993). Knowledge acquisition is the major bottleneck in the industry (Skibniewski, et al., 1997). In view of the transfer and acquisition of knowledge and experience, a DSS can help to conserve the knowledge and experience and make these more widely, easily and quickly available for assisting in the decision making process (Arain, 2007a). The decision aid can also facilitate the knowledge acquisition process once it has acquired the necessary knowledge and experience and transferred these into a usable form (Arain and Low, 2007a). The decision aid also enables the professionals to consider more factors that can affect project team formation during the decision making process, conduct more thorough decision processing, and influence their preferred information (Poe, et al., 1998).

Information technology (IT) has become strongly established as a supporting tool for many professional tasks in recent years. One application of IT, namely the knowledge-base system, has attracted significant attention requiring further exploration as it has the potential to establish the close coordination between construction processes, based on the expertise of the decision-makers (Low, 1996). A knowledge-base is a system that can undertake intelligent tasks in a specific domain that is normally performed by highly skilled people (Arain and Low, 2007b). Typically, the success of such a system relies on the ability to represent the knowledge for a particular subject. Concerning the post-disaster reconstruction scenario, the most significant factor is the prompt delivery of materials and pertinent team building based on best possible information available.

Management decides and implements the ways and means to effectively and efficiently utilize human and non human resources to reach predetermined objectives (Low et al., 2007). Project managers are expected to marshal resources to complete a fixed-life project on time, on budget, and within specifications. Project managers are the direct link to the customer and must manage the interface between customer expectations and what is feasible and reasonable (Arain, 2007b). They provide direction, coordination, and integration to the project team, which is often made up of part time participants loyal to their functional departments. Project managers must ensure that appropriate trade-offs are made between the time, cost and performance requirements of the project (Low, 1996). Unlike their counterparts, project managers generally possess only rudimentary technical knowledge to make such decisions. Instead, they must orchestrate the completion of the project by inducing the right people and resources, at the right time, to address the right issues and make the right decisions. Certainly, resource optimization for successful project management is a unique and challenging task (Arain, 2007b).

There are always more actions required and project proposals than there are available resources. The priority system needs to prioritize the scenarios that best contribute to the teams' objectives, within the constraints of the resources available (Arain, 2007a). If all emergency activities and their respective resources are computer scheduled, the feasibility and impact of adding a new project to those in process can be quickly assessed. With this information the project team will add a new project only if resources are available and formally committed to that specific project or through resource optimization skills and techniques.

As mentioned earlier, reconstruction projects are complex because they involve many resources and variables (Arain and Low, 2007b). They usually have range of short to long duration, various uncertainties, and complex relationships among the participants. The integration of resource allocation knowledge and experience at the early design phase provides the best opportunity to improve overall project performance (Arain and Low, 2006a). From the outset, project strategies and philosophies should take advantage of lessons learned from past similar projects.

Learning from the past projects is very important because the professionals could improve and apply their experience in the future (Turban, 1990; Arain, 2008). No projects can be executed without people. Not even the purest, technical project. And the more the world moves into the knowledge society, the more obvious it is that managing people in projects is equally important as managing the technical and financial side. But this soft people approach must not be so focused that one forgets that projects after all is to come up with hard technical and financial solutions to a problem (Parker, 1985).

Today, lessons learned are that we should not let the pendulum swing too much to any one side. If it swings, it must do so in harmony with which we happen to be in the lifetime of the project we are working on. In the first place, the development phase and the type and the size of the project should affect the pendulum's amplitude and direction. Next it is clearer now that this undulation of the pendulum is as much a responsibility of the project manager as it is a random phenomenon, desirable or undesirable. In the future, modern project management will probably have to incorporate this responsibility to ensure that the swings – or leadership – of the pendulum are both sensible and beneficial (Arain and Low, 2008).

It became vital, in consequence, to strengthen the relations between the people taking part in the project, to ensure that they understand and accept the goal, communicate sensibly with the project manager and view the system of the project to be an important support without being a straightjacket (Shaw and Sinha, 2003). There are other types of “tools” for this purpose, i.e., varied selection of reward and punishment systems. The project manager should be familiar with them too, and be able to apply them sensibly and creatively. Or to say it differently, it is just as important to spend efforts on the cultural aspect as it is to care for the systems side for better project resource allocation and optimization (Ahmed, 2005).

Considering significance of the team approach especially during post-disaster scenario, the project leader must be able to encourage the team to make a contribution, within reasonable limits, and understand how to improve relationships among them (Ashworth, 1999). The leader can use psychological and financial mechanisms here, and weigh up carefully what might be considered a good reward – or punishment – in each individual case. A reward need not to be understood in terms of wages alone, but as a sensible bonus system or the allocation of stimulating tasks with a view to practicing and developing the team's knowledge and skills. Punishments can mean taking people off tasks they are not performing technically satisfactorily, if they are making a nuisance of themselves, or in other ways causing problems (Dyche, 2000).

Post-disaster reconstruction and rehabilitation is a complex issue with several dimensions. Government, nongovernmental and international organizations have their own stakes in disaster recovery programs, and links must be established among them, as well as with the community. Concerning the post-disaster reconstruction scenario, the most significant factor is the prompt decision making based on best possible information available (Ahmed, 2005). Effective post-disaster response is crucial and lies at the heart of disaster management agency in almost every cautious country around the globe.

Development is a dynamic process, and disasters are the opportunities to vitalize and/or revitalize this process, especially to generate local economies, and to upgrade livelihood and living condition. The success of the reconstruction phases i.e., rescue, relief and rehabilitation is mainly dependent on the availability of efficient project team and timely information for informed decision (Arain and Low, 2008). It is suggested that a knowledge management system may assist in improving reconstruction project processes, coordination and team building process because the most likely areas on which to focus to reduce unwise decision can be identified during the early stage of the post-disaster scenario (Arain and Low, 2006a). Tapping on the past experiences of post-disaster scenarios, the knowledge management system provides a wealth of pertinent and useful information for decision makers and eventually enhance collaborative venture. By having the knowledge-base and a systematic way to make well-informed decisions, the efficiency of project team and the likelihood of strong coordination and eventually project success should increase (Arain, 2007).

Reason for poor value in post-disaster reconstruction in industry

Good quality information lies at the heart of the correct definition of any project, the awareness of which will usually fall within the responsibility of a client organization. The project awareness stage may lead to a development stage within the client organization, which is the key stage to implement VM (Kelly, et al., 2004).

Parker (1985) and Ashwoth (1999) identified the most significant causes of poor value in projects. These causes included lack of information, decisions based on wrong beliefs, habitual thinking, negative attitudes, reluctance to seek advice, shortage of time, changing technology, lack of a yardstick for measuring value, old specifications, and poor human relations. Furthermore, Arain et al. (2004) argued that the most important factor for achieving good value in projects was timely and useful information.

Although each construction project is unique based on its special conditions, professionals can still obtain certain useful information from past experience. Having timely and useful information, the professionals would be able to better ensure that their project goes smoothly without making gratuitous mistakes, and it should be helpful to improving the performance of the project (Arain and Low, 2006a).

Every construction project requires sufficient information regarding the predetermined project objectives (Iglesias, 2007). Computerized Decision Support System (DSS) can be used by project participants to help make more informed decisions regarding the management of detrimental changes in reconstruction projects by providing access to useful, organized and timely information (Arain and Low, 2006b).

IT based approach for enhancing prompt and effective post-disaster reconstruction

An important key to the success of IT is the ability to provide users with the right information at the right time (Turban and Meredith, 1994). The alternatives amongst which a decision must be made can range from a few to a few thousand. The decision maker needs to narrow the possibilities down to a reasonable number (Turban, 1990). Decision support, such as a selective information retrieval system can help with this task. Computers can evaluate alternatives, especially when the alternatives can be presented in numerical terms. Even when this is not the case, the computer can assist the decision maker in presenting the alternatives in a form that facilitates the decision (Arain and Low, 2006a).

Many management decisions need to be made within a time constraint especially in the post-disaster reconstruction case. The current technological progress does not allow the complete computerization of all the managerial functions or the creation of a tool capable of carrying out automatically all the required management decisions. To ensure the success of this important management function, human involvement in this process remains essential. Thus the DSS approach for this kind of application seems to be the most natural idea (Miresco and Pomerol, 1995). A knowledge-base is a system that can undertake intelligent tasks in a specific domain that is normally performed by highly skilled people (Miresco and Pomerol, 1995; Cameron, et al., 2004). Typically, the success of such a system relies on its ability to represent the knowledge for a particular subject.

Rapid access to remote information such as consulting experts or providing a group decision meeting is often necessary for making informed decisions (Dyche, 2000; Arain, 2007a). The sophisticated analyses that a knowledge-base can provide becomes an important

factor in making good and valuable decisions. If professionals have a knowledge-base established based on past similar projects, it would assist the professional team to plan effectively before starting a reconstruction project.

Basis for the development of the knowledge-base

The fundamental idea of any effective management system is to anticipate, recognize, evaluate, resolve, control, document, and learn from past projects in ways that support the overall viability of the project (Arain and Low, 2006b). The professionals can improve and apply their experience in future projects; hence learning from the past projects is imperative. This would help the professionals in taking proactive measures for reducing potential mistakes.

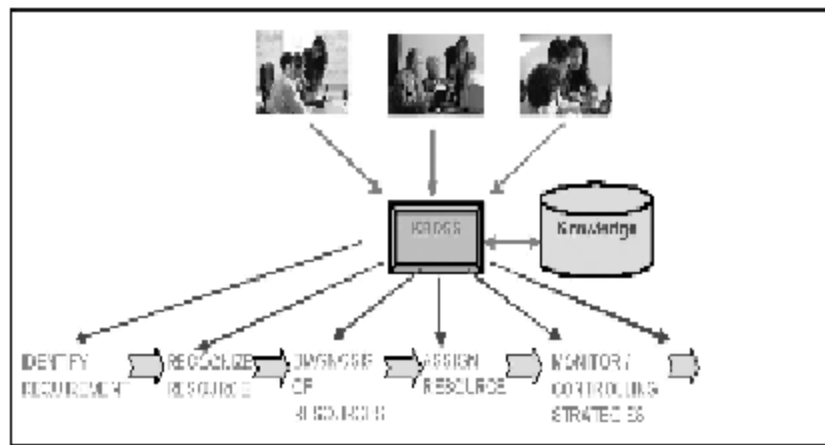


Figure 1 Basis for developing IT based system for enhancing management of reconstruction projects

As shown in Figure 1, the basis for developing a model for the knowledge-base for enhancing prompt response and coordination in post-disaster reconstruction projects was to utilize a knowledge-base platform for sharing knowledge for effective management (Arain and Low, 2006b). The project team would be able to carry out the structured process based on the six effective management principles. The most integral part of this model is the knowledge-base that assists in carrying out the process for management. Here it is therefore important to understand that the knowledge-base is not designed to make decisions for users, but rather it provides pertinent information in an efficient and easy-to-access format that allows users to make more informed decisions. Although this system does not try to take over the role of the human experts or force them to accept the output of the system, it provides more relevant evidence and facts to facilitate the human experts in making well-informed final decisions. In providing a systematic way to share knowledge and manage through the knowledge-base, the efficiency of project teams and the likelihood of project success would be enhanced (Turban and Aronson, 2000).

Like any building project, every reconstruction project involves a multi-player environment and represents a collaborative effort among specialists from various independent disciplines. The knowledge-base can assist managers in making strategic decisions by presenting useful information and interpretations for various alternatives. The knowledge-

base would be capable of providing interpretation of knowledge based on the rule-based reasoning (RBR) approach. The system can be used by project participants to help make more informed decisions regarding the management of project resources by providing access to pertinent and timely information. This would eventually assist professionals in improving chances of successful completion of projects because the potential lack of coordination issues can be identified at the early stage of team development when the impact of change is not severe.

During the project phases, in order to take remedial actions for any lack of coordination issues in the project, project managers often need timely information and analysis reports to assist in making more informed and precise decisions (Arain and Low, 2006a). It was found that in the course of most of the reporting and analysis activities, time was spent on collecting data from various systems before the analysis could be made. Project managers usually want and need more information for making decisions, but analysts can provide only minimal information at high costs within the desired time frame (Dyche, 2000). In order to provide information for predicting patterns and trends more convincingly and for analyzing and developing an effective project team more efficiently, a knowledge-base designed for this particular purpose was needed.

Considering the issues mentioned above, a knowledge-base is proposed for developing effective project teams and managing reconstruction projects in an efficient way. An important role of a knowledge-base is to provide useful information for users to analyze scenarios and to make informed decisions. The main components of the knowledge management system are shown in Figure 2. As presented in Figure 2, the data was collected from various sources i.e., organizations, project documents, site data, academia source documents and peers evaluation documents. This data was stored in a database. From the database, the data was sieved through an inference engine for developing the knowledge-base. Eventually, the knowledge-base provided decision support to the project teams for making more informed decisions for effective selection of project teams and successful management of reconstruction projects.

The knowledge-base would contain pertinent information for post-disaster reconstruction projects. The system would be able to present detail information about the resources utilized; management decisions made, changes made during project implementation and project teams worked on similar reconstruction projects in the past. Furthermore, the system would present the available pool of experts in the academia and industry. The filtered knowledge and analyses provided by the knowledge-base would assist in selecting appropriate expert teams, resources, approval processes, and prioritizing activities based on past experiences in similar projects. The knowledge-base would also be capable of storing the feed back on the ongoing projects and carry out analyses on the available information and present results for decision making process by the concerned professionals.

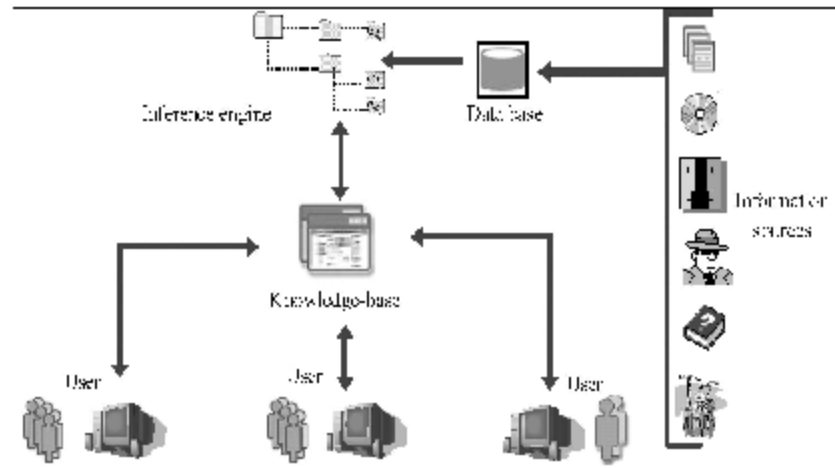


Figure 2 The main components of a knowledge management system

The knowledge-base can be developed in the MS Excel environment using numerous macros for developing the user-interface that carry out stipulated functions. These are incorporated within a controls selection shell. The graphical user interface (GUI) assists users in interacting with the system at every level of the knowledge management system. In addition, the GUI and inference engine will maintain the compatibility between layers and the decision shell. System access and updating rights will be maintained by the program administrator to maintain control of information flow in the system. The knowledge management system provides an extremely fast response to the queries based on rule-based reasoning (RBR). As mentioned earlier, the system would be capable of displaying information pertinent to resources, reconstruction strategies, designs, expertise available and their relevant in-depth details, a variety of filtered knowledge, and various analyses of the knowledge available. The knowledge-base is able to assist project managers by providing accurate and timely information for decision making, and a user-friendly system for analyzing the present pool of human resource or experts in a particular area and selecting the best possible team, resources, materials, and designs for carrying out post-disaster reconstruction projects.

Moreover, the system is also intelligently capable of organizing, computing, and updating valuable information in all the layers automatically with every new project added. The user-interface assists in updating the system with new information on every level of the knowledge-base. The information and various filters that can be applied to the knowledge-base developed may assist the professionals in learning from past projects for enhancing the chances of successful implementation of reconstruction projects.

Conclusions

Although every project has its own specific condition, professionals can still obtain certain useful information from past experience. This information will enable professionals to better ensure that their project goes smoothly without making unwarranted mistakes, and it should be helpful to improving the performance of the post-disaster reconstruction projects. A knowledge-base is a system that can undertake intelligent tasks in a specific domain that is normally performed by highly skilled people. Typically, the success of such a system

relies on the ability to represent the knowledge for a particular subject. Post-disaster reconstruction and rehabilitation is a complex issue with several dimensions. Government, nongovernmental and international organizations have their own stakes in disaster recovery programs, and links must be established among them, as well as with the community. Concerning the post-disaster reconstruction scenario, the most significant factor is the prompt and pertinent team building, resource allocation, materials selection, and shelter designs based on best possible information available. Useful and timely information lies at the heart of successful project management of any construction project. Effective post-disaster response is crucial and lies at the heart of disaster management agency in almost every cautious country around the globe.

Learning from the past projects is very important because the professionals could improve and apply their experience in the future. No projects can be executed without people. Not even the purest, technical construction project. And the more the world moves into the knowledge society, the more obvious it is that managing people in projects is equally important as managing the technical and financial side. But this soft people approach must not be so focused that one forgets that projects after all is to come up with hard technical and financial solutions to a problem. The success of the reconstruction phases i.e., rescue, relief and rehabilitation is mainly dependent on the availability of efficient project team and timely information for informed decision.

This paper presents a theoretical framework leveraging on IT for developing a knowledge-base for enhancing prompt and effective post-disaster reconstruction. The conceptual model consists of two main IT based components, i.e., a knowledge-base and a decision support shell for making more informed decisions for effective management of post-disaster reconstruction projects. The system is expected to assist in improving project coordination and team building process because the most likely areas on which to focus to reduce unwise decision can be identified during the early stage of the reconstruction project.

Tapping on the past experiences of post-disaster scenarios, the knowledge management system provides a wealth of pertinent and useful information for decision makers and eventually enhance collaborative venture. By having the knowledge-base and a systematic way to make well-informed decisions, the efficiency of project team and the likelihood of strong coordination and eventually project success should increase. The study would assist professionals from academia and industry involved in research and reconstruction projects. The system would be helpful for them to take proactive measures for reducing uninformed decisions related to team building and project coordination processes undertaken by disaster management agencies. Professionals need to work in close cooperation with each other to give rise to a better and more efficient system. Hence, the study is valuable for all the professionals involved with research and development.

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ARTICLE**Impact Of Exchange Rate Depreciation On Domestic Output In Pakistan**

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Abstract

There is disagreement on the desirability of devaluation in the LDCs. Since the de-linking from USA dollar in January 1982, the Pakistan rupee has been losing its value vis-à-vis US dollar and other important currencies. The purpose of the paper was to see the response of domestic output to fiscal and monetary policies besides exchange rate and terms-of-trade. These policies have stable and long-run relationship with the domestic output. However, the impact of money supply and exchange rate is more robust than the other variables. Easy monetary policy has a favourable impact on domestic output. Fiscal discipline is the need of the hour because persistent and large budget deficit breeds inflation.

JEL classification, F32 E0, E6

Keywords: Depreciation, output, Cointegration, Causality, Pakistan

Introduction

Domestic output responds to a number of factors. The importance and relevance of these factors may differ from country to country and may also change overtime. An important macroeconomic policy to reduce the trade deficit is said to be devaluation. Balance of payments (BoPs) deficit may be corrected by devaluation of the domestic currency that is a reduction in the value of the domestic currency in terms of foreign currency. The reluctance to use devaluation has remained a constant bone of contention in the negotiations between the governments of some developing countries and the International Monetary Fund (IMF). Some studies have reported that devaluation would improve trade balance in LDCs and is expansionary; other studies have concluded that devaluation is contractionary and will not improve trade balance of the countries (Afzal 2004).

The major objective of devaluation is to change relative prices in a way that promotes exports and discourage imports. According to the traditional theory devaluation stimulates the domestic production of exportable and import substitutes as devaluation alters the relative prices even if the domestic prices remain the same, though these prices in the devaluing country do not remain unchanged. The success of devaluation depends on the import and export demand elasticities. Marshal-Lerner condition states that the absolute sum of sum of these elasticities exceeds unity.

Upadhyaya and Upadhyay (1999) argue that devaluation increases the price of traded goods that feeds into the general price level. Higher prices then reduce the money supply and create excess money demand. To maintain their real money balances, firms and households cut back their spending. The result is excess supply of goods, larger net exports,

and therefore, improved current account. Moreover, a reduced level of expenditures depresses the price of non-traded goods that shifts production towards higher-valued tradable and demand towards less expensive non-tradables. Within a short to intermediate run, therefore, devaluation should have a favourable effect on the external sector of the economy.

However, the real world picture is not as glowing. Economists have paid serious attention to the possibility of contractionary effects of devaluation. It has been argued that devaluation may not be much beneficial because of very low imports and exports elasticities notably in the developing countries (Gylfason and Risager 1984, Edwards 1986).

Therefore, it is very important to know how elastic the demand and supply curves of the devaluing country are. If the devaluing country's demand for imports is inelastic, for example, because of preponderance of capital goods, intermediate goods, and essential consumer goods in a country's total imports, higher import prices will not reduce imports. If the volume of imports remain the same, their value in foreign currency will remain unchanged while in domestic currency will increase in proportion to the exchange rate change. Similarly if foreign demand is also inelastic for the devaluing country's exports, lower dollar prices resulting from currency devaluation will not lead to an increase in the physical volume of imports by the foreign countries. And consequently, fewer dollars will be supplied at the higher exchange rate and the foreign exchange supply curve will be backward sloping.

Exchange rate also plays an important role not only in the balance of payments but also in resource allocation. The maintenance of an unrealistic exchange rate discourages exports and encourages imports thus imported consumption, resulting in a regular trade deficit that has serious implications for both economic growth and export promotion.

Because of high inflation, Pakistan's exports have been losing competitiveness and devaluation became inevitable resulting in massive erosion in the purchasing power of Pakistani's rupee. Compared to 1982 when Pakistan switched to managed floating exchange rate, the value of Pakistani rupee has been depreciated by more than 372% between January 1982 and June 1999 and by 520.30% in 2001-02 (Afzal and Ali 2008). Studies differ in their results on exchange rate policy (Afzal 2004).

Pakistan has experienced different exchange rate systems since 1950. Pakistan's rupee was first devalued in June 1955 by 30% and again devalued in May 1972 by 56.8% in terms of foreign currency. There have been the two major devaluations in addition to other small devaluations. According to GOP (1999-2000) the unified floating exchange was instrumental in the sharp recovery of exports during 1999-2000. And so the importance of the exchange rate policy is quit obvious.

Fiscal, Monetary, and commercial policies have significant impact on the growth of domestic output in addition to exchange rate policy. Interest rate, exchange rate, price, financial markets stability and economic growth are the basic objectives of the monetary policy that can be achieved through the management of money supply. Because of the conflict among some of these goals it is less likely to achieve all these goals simultaneously. Government purchases and taxes have an impact on the aggregate demand for goods and services thus national income and economic growth. Government does a number of functions: (1) the allocation function (2) the distribution function; and (3) the stabilization function. For performing these functions, government uses fiscal policy. The stabilization function concerns the use of budgetary policy to achieve full-employment, price stability, an adequate rate of economic growth, and BoPs equilibrium. Study of macroeconomic variables in

isolation is difficult to give reliable results.

In LDCs, government plays a predominant role and thus can influence the performance of the economy. During the past decades fiscal deficit has emerged as Pakistan's key macroeconomic problem. The rising gap between revenue and expenditure has affected almost every facet of the economy. This state of affairs was instrumental in adopting a comprehensive program of macroeconomic adjustment towards the end of 1980s. During 1990s the fiscal deficit averaged 7% of the GDP. Sound Fiscal policy fosters macroeconomic stability, which in turn, is the corner stone of private sector development and economic growth (Government of Pakistan (GOP) 2002-03, 59).

Terms of trade also play an important role in the economic growth¹. A country is benefited by favourable terms of trade (TOT) as its exports fetch more goods in exchange and its capacity to import increases. Adverse TOT implies that the real opportunity cost of a unit of import rises when its export prices decline relative to its import prices. The adverse TOT drains out the resources because to maintain old level of imports more exports are needed and unfavourable TOT are an important factor in the balance of trade deficit.

One attempting to study the response of domestic output should consider the influence of these policies on domestic output. Therefore, the purpose of the paper is to know the response of domestic output to terms of trade, exchange rate, monetary and fiscal policies? Here the objective is not to examine the relative effectiveness of monetary and fiscal policies.

The rest of the paper is designed as follows. Section 2 contains model and data sources. Unit root tests, Johansen cointegration methodology and error correction model are briefly explained in Section 3. Section 4 carries empirical results and conclusions are given in the final section.

Model and data sources

Domestic output represented by the real GDP will respond to real effective exchange rate, monetary policy, fiscal policy and the terms of trade. Since we will use cointegration analysis, we use a reduced form model. Following Edwards (1986), the reduced form of the model is:

$$\ln y_t = 0 + 1 \ln m_t + 2 \ln g_t + 3 \ln reert + 4 \ln tot \quad (1)$$

Where

\ln = natural logarithm

t = time period

y_t = the real output (GDP)

$reert$ = real effective exchange rate

mt = real money supply ($m1$) deflated by domestic price level cpi

g_t = government expenditure as percentage of the GDP(y)

$tot = uvx/uvm$

uvx = unit value of exports

uvm = unit value of imports

cpi = domestic consumer price index (2000=100)

The expected sign of the coefficients is: 10, 20, and 3 0 and the sign of 4 is uncertain. It may be positive or negative. Decline in tot resulting from fall in export prices may be beneficial and adverse if the fall in tot is due to increase in import prices.

The monetary and fiscal policies are supposed to have expansionary effect on the

domestic output. The reer expresses the prices abroad relative to those at home. An increase in the reer or a real depreciation means that foreign prices of goods in rupees (Pakistan's currency) have increased relative to prices of domestically produced goods. This implies that foreign goods (imports) become more expensive compared to goods at home while the domestic goods become cheaper for the foreign countries. Therefore, correct and expected sign of the coefficient of reer is positive.

Data on GDP, consumer price index, money supply, government expenditure and unit value of exports and imports were collected from Government of Pakistan (GOP) Economic Survey (various issues). The data regarding reer were collected from International Financial Statistics (IFS) yearbooks. All the variables are in natural logarithm and are in constant 2000 = 100 prices. Using annual data the period of the study is 1973 -2005.

Unit root tests, johansen cointegration methodology and error correction model

Several tests of nonstationarity called unit root tests (DF, ADF, PP, and others) have been developed in the time series econometrics literature. If the nonstationarity hypothesis is rejected then the traditional econometrics methods can be used. Otherwise the theory of cointegration may provide useful information about the relationship between the variables. The general requirement for applying the co-integration technique is to have variables of the same order of integration at hand. A time series, which is stationary after being differenced once is said to be integrated of order 1 and is, denoted I (1). A series that is stationary without differencing is said to be I (0). A series which is I (1) is said to have a unit root and a series which is I (d) has d unit roots. It is an empirical fact that many important macroeconomic variables appear to be integrated of order 1. Therefore, any adequate analysis of macroeconomic variables should examine the order of integration.

To test the data series for unit roots, Augmented Dickey-Fuller (ADF) test developed by Dickey and Fuller (1979) and non-parametric tests of Phillips _Perron (1988) were used. ADF test is based on the following regressions:

$$\Delta Y_t = \alpha + \beta Y_{t-1} + \sum_{j=1}^p \beta_j \Delta Y_{t-j} + \epsilon_t \quad (2)$$

$$\Delta Y_t = \alpha + \beta Y_{t-1} + \epsilon_t + \sum_{j=1}^p \beta_j \Delta Y_{t-j} + \epsilon_t \quad (3)$$

Where ϵ_t is assumed to be Gaussian white noise, test statistics based on (2) and (3) are called $\hat{\alpha}$ and $\hat{\beta}$ respectively. Z^* statistics of the Phillips _Perron (1988) are considered to have more power in finite samples than $\hat{\alpha}$ statistics.

Toda and Philips (1993) have shown that ignoring cointegration when it exists, can lead to serious model misspecification. Two-step procedure of Engle and Granger (1987) is a simple and popularly used test of cointegration. However, this test is appropriate for bivariate models. We use the maximum likelihood procedure of Johansen (1991, 1995), because this is based on well-established likelihood ratio principal. The advantage of the Johansen's procedure is that several cointegration relationships can be estimated and it fully captures the underlying time series properties of the data. We apply this test in two stages. In the first stage, test is performed on the multivariate model to see the cointegration of the underlying variables. In the second stage, we use this test to examine whether the variables of interest are cointegrated in the bivariate setting.

Johansen's method uses two test statistics for the number of cointegrating vectors: the trace test and maximum eigenvalue (λ -max) test. λ -trace, tests H_0 that the number of distinct cointegrating vectors is less than or equal to r against a general alternative. The

second statistic tests H_0 that the number of cointegrating vectors is r against the alternative of $r + 1$ cointegrating vectors.

Error correction model

If variables are cointegrated then based on Granger representation theorem (Engle and Granger 1987:255), an error correction model (ECM) exists which combines the long-run relationship with the short-run dynamics of the model. An error correction model of the equation 1 is as follows:

$$\begin{aligned} ? \ln y t = ? i + ? Z_{i-1} + ? ? i ? \ln y_{i-1} + ? ? i ? \ln m t_{-i} + ? ? i \ln g y t_{i-1} \\ + ? ? ? \ln t o t t_{-i} + ? ? ? i ? \ln r e e r t_{-i} + t \end{aligned} \quad (4)$$

Where Δ is the first difference operator, Z_{t-1} is the error correction term and the parameter α is the error correction coefficient that measures the response of the regressand in each period to departures from equilibrium. Since all the variables in the above equations are stationary, OLS could be used for estimation and the standard t-ratios for testing the significance of each term. F- statistic is used to test the joint significance of the lagged independent variables and the t- statistic is used to estimate the significance of the error correction term. Lagged explanatory variables represent short- run impact and the long-run impact is given by the error correction term

EMPIRICAL RESULTS

We used ADF and PP tests to determine the nonstationary status of the variables involved. The lag length of was selected on the basis of AIC (Akaike Information Criteria) and SIC (Schwarz Information Criteria) to ensure that the residuals were white noise and the optimal lag length was 1. The tests results presented in Table 1 show that we get mixed results in level form. However, the hypothesis that the first difference of the variables is non-stationary is rejected by both the tests implying that all the variables are non-stationary.

Table 1: **Unit Root Tests: Level Form and First Difference**

	ADF Level		ADF First Difference		PP Level		PP First Difference	
	τ_2	τ_2	τ_2	τ_2	Z(tb1*)	Z(tb)	Z(tb1*)	Z(tb)
lny	-1.94	-3.11	-7.72	-8.45	-1.01	-2.63	-7.53	-8.12
lntot	-2.27	-1.70	-4.85	-5.20	-2.25	-1.71	-6.73	-7.03
lngy	-2.31	-2.22	-4.96	-4.95	-2.40	-2.43	-7.20	-7.18
lnm	-0.24	-1.79	-5.06	-5.02	+0.08	-2.004	-6.01	-5.92
lnreer	-1.05	-2.05	-5.42	-5.35	-1.05	-2.08	-8.61	-8.48
lnncpi	-0.64	-3.03	-3.10	-2.95	+0.05	-2.44	-2.78	-2.65

Note: MacKinnon (1991) critical values for rejection of hypothesis of a unit root for both ADF and PP for 1%, 5% and 10% respectively are, -3.61, -2.93 and -2.60 for random walk with drift [Z (tb1*)] and -4.20, -3.53 and -3.19 for drift and linear time trend [Z (tb)].

Since the units roots have been confirmed, now we proceed to examine the variables for cointegration (Table 2 and Table 3). Since the Johansen test is based on the estimation of dynamic vector autoregression (VAR), it is necessary that a decision is made about the

number of lags. Since we are using annual data we use lag one as many researchers do. The statistical package Eviews 6 derived the results. We gather from Table 2 that the null hypothesis of no-cointegration is strongly rejected at 5% level of significance by both the -max and -trace tests in the multivariate case indicating the long-run relationship of real exchange rate, terms of trade, fiscal and monetary policies with the domestic output. We also performed a bivariate Johansen cointegration test between domestic output; and real exchange rate, terms of trade, fiscal and monetary policies to see the long-run relationship of the fore-mentioned variables with the domestic output (Table 3). The results show that both tests support the strong stable relationship between domestic output and the other variables of interest as indicated by the rejection of the hypothesis of no-cointegration at 5% level. The error correction results are reported in Table 4 below. To select an appropriate lag length, we used both AIC and likelihood ratio (LR) test. The optimal lag length was 2.

Table 2: Johansen's Test Results

Hypothesis	?-max	95%CVH	Hypothesis	?-trace	95% CV
H0: $r = 0$ H1: $r = 1$	140.22*	33.46	H0: $r = 0$ H1: $r \geq 1$	83.11 *	68.52
H0: $r \leq 1$ H1: $r = 2$	24.49	27.07	H0: $r \leq 1$ H1: $r \geq 2$	42.90	47.21
H0: $r \leq 2$ H1: $r = 3$	13.80	20.97	H0: $r \leq 2$ H1: $r \geq 3$	18.41	29.68
H0: $r \leq 3$ H1: $r = 4$	4.56	14.07	H0: $r \leq 3$ H1: $r \geq 4$	4.61	15.41
H0: $r \leq 4$ H1: $r = 5$	0.045	3.76	H0: $r \leq 4$ H1: $r \geq 5$	0.045	3.76

Note: Critical values of Table 2 and Table 3 are from Osterwald – Lenum (1992)

Table 3: Bivariate Results of Johansen Method

Hypothesis ?-max 95%CV Hypothesis ?-trace 95%CV

A. lny lnreer

H0: $r = 0$ H1: $r = 1$	29.41*	15.67	H0: $r = 0$ H1: $r > 1$	30.98*	19.96
H0: $r = 1$ H1: $r = 2$	1.57	9.24	H0: $r = 1$ H1: $r \geq 2$	1.57	9.24

B. lny lngy

H0: $r = 0$ H1: $r = 1$	30.88*	15.67	H0: $r = 0$ H1: $r \geq 1$	36.66*	19.96
H0: $r \leq 1$ H1: $r = 2$	5.76	9.24	H0: $r \leq 1$ H1: $r \geq 2$	5.76	9.24

C. $\ln y \ln m$

$H_0: r = 0$ $H_1: r = 1$	24.55*	15.67	$H_0: r = 0$ $H_1: r \geq 1$	30.49*	19.96
$H_0: r = 1$ $H_1: r = 2$	6.94	9.24	$H_0: r = 1$ $H_1: r \geq 2$	6.94	9.24

D. $\ln y \ln tot$

$H_0: r = 0$ $H_1: r = 1$	27.46*	15.67	$H_0: r = 0$ $H_1: r \geq 1$	32.50*	19.96
$H_0: r \leq 1$ $H_1: r = 2$	5.03	9.24	$H_0: r = 1$ $H_1: r \geq 2$	5.03	9.24

Table 4: Error Correction Model results

Variable	t-statistic	F-statistic
Constant	0.07 (5.56)	-
?	-0.07 (-3.24)*	-
? $\ln y$ (-1))	-0.22 (-1.33)	-
? $\ln y$ (-2))	-0.19 (-1.18)	1.78 (0.18)
? $\ln gy$ (-1))	0.04 (0.90)	-
? $\ln gy$ (-2))	0.0001 (0.003)	1.70 (0.19)
? $\ln m$ (-1))	-0.04 (-0.83)	-
? $\ln m$ (-2))	0.11 (2.32)*	3.64 (0.03)*

?

? $\ln tot$ (-1))	0.01 (0.26)	-
? $\ln tot$ (-2))	0.01 (0.42)	2.12 (0.13)
? $\ln reer$ (-1))	0.06 (2.003)*	-
? $\ln reer$ (-2))	0.062 (2.09)*	2.83 (0.07)**
		F=2.01 (0.06)**a

Note: a = F-statistic for the joint significance of all variables except constant term and Z_{t-1} ; rest are the F statistics for the joint significance of the individual variables; * and ** show significance at 5% and 10% levels of significance.

$$R^2 = 0.40, DW = 1.96, se = 0.02, SC(1) = 0.52(0.48) \\ HS = 1.02(0.48); JB = 0.94(0.62), S = 0.15 \quad K = 2.22, \\ FF(1) = 1.88(0.18)$$

The error correction equation was subjected to diagnostic and specification tests. DW, se and F-value for testing the joint significance of all the variables except constant term and Z_{t-1} imply that the statistical fit of the model to the data is satisfactory. Breusch-Godfrey LM test for serial correlation (SC) is acceptable with a sample value of 0.52 and marginal significance limit (msl) = 48%. HS (White test) is the standard test for heteroscedasticity which is also acceptable in F-test version. The JB test for normality (Bera and Jarque statistic) is acceptable at 0.94 with msl = 0.62. Skewness (S) and kurtosis (K) are also reasonable. FF (1) which is Ramsey's RESET test for model specification is acceptable at 1.88 with msl = 18%. Therefore, diagnostic test statistics are satisfactory and thus support the statistical appropriateness of the ECM.

Error correction results show that the EC term Z_{t-1} has the correct negative sign and is significant. An estimate of -0.07 indicates that 7% of the preceding year disequilibrium is eliminated in the current year. The significant F-value for monetary policy and real exchange rate indicates that these have significant short-run impact on the domestic output. The significant Z_{t-1} suggests long-run relationship between domestic output and all the underlying variables. Therefore, domestic output has adequate response to monetary, and exchange rate policies. The joint significance of F-statistic at 10% indicates that the underlying variables do impact the domestic output. However, the impact of money supply and exchange rate is more robust than the other variables. Since the lagged terms for money supply and exchange rate are significant suggesting that there is causality from money supply and exchange rate to the domestic output.

Conclusions

There is disagreement on the desirability of devaluation in the LDCs. Since the delinking from USA dollar in January 1982, the Pakistan rupee has been losing its value vis-à-vis US dollar and other important currencies. Exchange rate policy is an important policy but it is not the only policy influencing the economic growth of Pakistan. Fiscal and Monetary policies are equally important, though the policies may differ in their relative importance. The purpose of this paper was to see the impact of all these policies. The paper has concluded that all these policies have their relative significance. All these policies have stable and long-run relationship with the domestic output. Using cointegration technique, it has been found that the real depreciation of Pakistan's rupee is expansionary. However, the impact of money supply and exchange rate is more robust than the other variables. Thus in analysing the behaviour and response of domestic output, the impact of monetary policy and exchange rate is given considerable attention. The analysis shows that easy monetary policy has a favourable impact on domestic output and supports the central bank report. Fiscal policy is also important and fiscal discipline is the need of the hour because persistent and large budget deficit breeds inflation. Afzal and Shah (2006) have concluded that keeping in view, low supply price elasticity, exchange rate changes are not the sufficient condition. In addition to exchange rate, other factors also matter. Maintenance of a reasonably realistic exchange rate is expected to help export promotion and will have healthy impact on income distribution and employment.

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Professionalism, this sociological analysis bring clearly, is possible for businessmen in only extremely small measure at the present time, not because of their mean-spiritedness but because of the structure of the social and cultural situation in which they have to act. Any further advance toward actual professionalism in business depends upon an alteration in that situation through an increase in the systematic and generalized knowledge available to the businessman through a specification of the ways in which he can achieve the community interest directly through the application of that knowledge. When more precise knowledge is available to him for carefully specified goals, the businessman will probably reconcile his self-interest and the community interest in a more professional way. In the meantime, professionalism remains more an ideological aspiration than a social fact.

Bernard Barber: *Sociological theory, values, and sociocultural change*

DISCUSSION

Type A-b Personality And Locus Of Control: A Combined Factor Determining Job Satisfaction

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Abstract

The present research was designed to explore the relationship of personality types; (a) Type A and B, and (b) locus of control affecting job satisfaction. A sample of 300 lecturers randomly selected from eight departments of Faculty of Arts and Social Sciences at Bahauddin Zakaryia University Multan, Pakistan, completed Anjum Khalique Type A Behavior Pattern Scale (Anjum & Khalique, 1991), Personal Efficacy Scale (Paulhus, 1983) and General Job Satisfaction Questionnaire (Hackman & Oldham, 1976). Results indicated that employees with a combination of personality traits of type B behavior pattern and internal locus of control report more satisfaction with their jobs than employees with type A behavior pattern and external locus of control.

Key words; Type A behavior pattern, Type B behavior pattern, locus of control, job satisfaction.

Introduction

A number of mental processes including needs, beliefs, and intentions are involved in determining a person's form of mental procedures. Mayer (2005) advocated that the way in which psychological functioning is personified in terms of one's observable societal conduct can be conveyed by personality.

Personality attribute in terms of Type A/B behavior pattern is defined as how people react when confront the stressful threats and challenges in daily life activities (Ivancevich & Matteson, 1984). People with Type A personality react to the situation in a very aggressive, achievement oriented, fast paced, assertive and impatient manner (Glazer & Beehr, 2002). While Type B personality responds in a way characterized as free-and-easy, occasional, and leisurely in doing their assigned tasks. Regarding the locus of control of Type As and Bs many researches prove that individuals with type A behavior pattern usually have external locus of control (Spector & O'Connell, 1994).

Social learning theory of personality put forth the idea of locus of control (Rotter, 1966). Locus of control is defined as degree to which a person believe that a performed task will give desired results. The belief of a person that one has a control over ones action leading to the outcome is termed as internal locus of control. Broadly speaking, individuals having internal locus of control have high level of self-trust, goal orientation, and make better use of chances to accomplish their tasks (Bush, 1988). On the other hand, if a person believe that the circumstances are not in favor of his activities for desired outcomes, then (s)he has external locus of control. People having external locus of control believe that their

work is not reinforced by any internal factor, rather reinforcement comes from the external environment over which they have no control. People with external locus of control consider their behavior as instrumental and their achievements or loss to a work are controlled by events out of their reach. On the other hand people with high internal locus of control will exhibit more confidence regarding the outcomes of their efforts (Rotter, 1990).

A link between locus of control and job satisfaction was addressed by Dailey (1980). He concluded that individuals having external locus of control were more dissatisfied, have low level of participation and motivation within work settings. Job satisfaction refers to the amount of subjective state of well being derived from the performance on a job. The way in which employees comprehend the work setting refers to their job satisfaction. Workers have high level of job satisfaction if they acknowledge their work as easy and are more excited to perform work related tasks (Sarata & Jeppersen, 1997).

It is explored in a research by Kasperson (1982), that internal locus of control is highly associated with job satisfaction. Broadly speaking, people who believe that the consequences of what they do is within their reach have high level of job satisfaction. A study conducted by Knoop (1981) revealed that worker's locus of control is associated with their job satisfaction. Workers who believe that their environment is in their control have better perception of their job. Peterson (1985) explored a positive correlation between external locus of control and organizational dissatisfaction. He further concluded that workers with external locus of control exclude themselves from organizational outcomes that would limit the chances of promotion and recognition in the organization.

Murdrack (1999) proposed that behavior pattern of employees is a determinant of their degree of work satisfaction. It is concluded that employees with type A behavior pattern desire to achieve complex goals, which are always out of their reach, so the result is their job dissatisfaction (Rayburn & Rayburn, 1996). Study conducted by Choo (1986) has similar findings which proposed that employees with type A behavior pattern have higher level organizational dissatisfaction as compared to Type B employees. In his research Alarcon, Eschleman, and Bowling (2009) supported these findings that as a result of diminished work satisfaction rate of turnover is high among Type As as compared to Type Bs.

To strengthen the empirical evidences presented in review literature, the present research focused on to investigate the personality traits and locus of control determining Job satisfaction among lecturers in Pakistan. It was hypothesized that Type A behavior pattern will be positively correlated with external locus of control, and Type B behavior pattern will be positively correlated with internal locus of control. It was further assumed that employees with Type B behavior pattern and having external locus of control will report more satisfaction than employees with Type A behavior pattern and having internal locus of control.

Method

Participants

Sample consisted of 300 lecturers (male = 186 & female = 114) from eight departments of Faculty of Arts and Social Sciences at Bahauddin Zakaryia University Multan, Pakistan. Their age range was 26 to 48 years. They were more or less similar with socio economic status and cultural background. All the participants were selected through simple random sampling.

Instruments

To achieve the objectives of the present study following instruments were after adapting according to cultural background of the participants.

General job satisfaction questionnaire

General Job Satisfaction Questionnaire originally developed by Hackman and Oldham (1976) is structured as 15 items with 5 point ratings wherein responses ranged from strongly agree to strongly disagree. Two items 12 & 15 are reversed scored. The maximum score is 75 and lowest is 15. The score above 39 indicates high job satisfaction and below indicates low job satisfaction. Overall internal reliability of adapted scale is 0.77.

Anjum khalique type a behavior pattern scale

Anjum Khalique Type A Behavior Pattern Scale developed by Anjum and Khalique (1991) consist of 12 items, and each item constitutes two statements one dealing with Type A behavior pattern whereas other with the type B behavior pattern. Statement for type A is given a score of 1 while the statement for type B is given a score of 0; hence the scores ranging from 0-12. Scores falling between 9-12 on this scale represent type A personality and scores falling between 0-4 indicates type B personality. Overall internal reliability of adapted scale is 0.62.

Personal efficacy scale

Personal Efficacy Scale (Paulhus, 1983) has 10 items being scored at 7-point Likert scale with responses ranging from disagree strongly to agree strongly. Scores ranged from 10 to 70 with five reversed scored items. Higher scores represents internal locus of control whereas lower scores represents external locus of control. Overall internal reliability of the adapted scale is .76.

Procedure

For the present study 300 lecturers were randomly selected from the list of regular lecturers of the eight departments of the faculty of Arts and Social Sciences. A booklet comprising the three scales i.e. General Job Satisfaction Questionnaire, Personal Efficacy Scale & Anjum Khalique Type A Behavior Pattern Scale along with information letter and consent form was given to participants. They were asked to fill out them with accuracy and were assured of the confidentiality of the information sought from them. Results were analyzed through SPSS (Statistical Package for Social Sciences).

Results

Mean, SD and independent sample t- test were computed in order to test the hypothesis in the present study.

Table 1

Correlation Matrix among Scales of Type A-B Behavior Pattern and Locus of Control (N=130,170)

	External Locus of Control	Internal Locus of Control
Type A Behavior Pattern	.62**	-.019
Type B Behavior Pattern	-.044	.749**

Table 1 show that Type A personality type is positively correlated with external locus of control while negatively correlated with internal locus of control. Whereas Type B personality type is positively correlated with internal locus of control and negatively correlated with external locus of control.

Table 2

Means, Standard Deviations and t-value for the Scores on Job Satisfaction Questionnaire (N=300)

Lecturers	N	M	SD	t	p
Type As having External Locus of Control	130	33.85	3.02	-24.55	.000***
Type Bs having Internal Locus of Control	170	45.32	4.63		

df, = 298, $p < 0.001$ ***

Results depicted in Table 2 show the significant difference in levels of job satisfaction of employees having different behavior patterns and locus of control. Findings suggest that lecturers with type B behavior pattern having internal locus of control are more satisfied as compared to lecturers having type A and external locus of control.

Discussion

This research investigated the combined effect of personality traits and locus of control on job satisfaction of lecturers in Pakistan. The data was analyzed on the basis of the assumption that there would be difference in level of job satisfaction of lecturers with different behavior pattern paired with locus of control. Firstly association of personality type and locus of control was answered out by computing correlation. Results (Table 1) indicated that type A behavior pattern is found to be combined with external locus of control, and type B is coupled with internal locus of control. It implies that employees who have been identified as type As also found to be externally oriented, and those who were with type Bs patterns have internal locus of control.

Different approaches to type A-B personality suggest that type As are competitive, achievement oriented, impatient and restless. They usually said to be confident apparently but are self doubting inside. On the other hand, Type Bs are less competitive, less hostile and more confident about outcomes of their work. Type As have external locus of control because they perceive that their life is controlled by the factors out of their control, while due to their perceived control Type Bs have internal locus of control. This perception of outcomes results into job satisfaction of internals having type B behavior pattern while job dissatisfaction of externals having type A behavior pattern.

The hypothesis of the study stated as the lecturers with Type B behavior pattern and having internal locus of control will report more satisfaction than lecturers with Type As, and having external locus of control has been supported in this study. The results show that employees with Type A behavior pattern and having external locus of control are dissatisfied with their jobs while employees with Type B behavior pattern and internal locus of control are more satisfied with their jobs.

These findings are consistent with the findings of Kirkcaldy, Shephard, and Furnham (2002) which concluded that type A personality and an external locus of control are associated with greater perceived levels of stress and lower job satisfaction than that of employees with a type B personality and an Internal locus of control. There is a strong evidence to support a significant effect of behavior pattern combined with locus of control on work satisfaction outcomes (job satisfaction). Those with an external locus showed significantly lower level of job satisfaction, especially when this characteristic was combined with a Type A personality. It appears that negative health consequences may outweigh the superficial attractiveness of the type A personality in an employment situation, particularly when this trait is coupled with a more external locus of control


Another study reported by Spector and O'Connell (1994) also provides the support for the present research findings. They assessed personality variables to make prediction about job pressures and job stretches. They found that combination of type A personality, external locus of control, and negative affectivity, negatively influences their job satisfaction among graduating college students when they joined organizations as employees. Code and Langan-Fox (2001) also added that personality traits in terms of Type A/B can best utilized to Predict occupational health, well-being, satisfaction and performance in any work setting of employees.

Conclusion

Based on our findings, we make the following suggestions for the organizations to take out more productivity from their employees. Employees' personalities are significant in this regard. Personality traits should be considered first forth particularly when employees are complaining about their working situations and job strategies. Since many studies have debated upon personality attributes such as Type A/B behavior patterns (Bennett, 1997) and locus of control (Bodey & Grace, 2007) to identify the factors contributing towards job satisfaction, it was not distinctly built idea that which combination of personality attributes would be helpful to understand the employees' satisfaction with their jobs. Present research is an addition towards the answer to this question for example, Type B and internally oriented employees seem to be involved in healthy activities at their work place which ultimately result in gratification and satisfaction and high productivity.

Limitations & suggestions

Although the present study utilized the randomly selected sample to collect data, sample size is not large enough to represent whole population of employees of other industries. Some uncontrolled and unstudied variables such as gender, age, and other personality characteristics might confound the findings of study. Therefore it is suggested that this study should be replicated with a larger sample in other organizations to confirm the findings are consistent. In addition, in this study only two personality attributes Type A/B personality and locus of control are explored in terms of job satisfaction, thus the future researches can be planned with more generalized personality attributes, such as self-esteem,

self-confidence, self-determination, self-asserting, emotional intelligence, and aggressiveness that could be considered more significant in understanding job satisfaction. 

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He had flown up very high to see, on strong wings, when he was young. And while he was up there he had looked on all the kingdoms, with the kind of eyes that can stare straight into the sun.

F. Scott Fitzgerald, *The Last Tycoon*

DISCUSSION**Financial Development And Firms' Growth In Textile Industry Of Pakistan: A Panel Data Analysis**

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Abstract

This discussion uses secondary data from “Balance Sheet Analysis (2000-2009) of Joint Stock Companies Listed on the Karachi Stock Exchange published by Statistics Department of State Bank Of Pakistan” and covers a panel of 75 textile firms of textile industry in Pakistan .

Findings of this study indicate that all explanatory variables included in our model have significant influence on firms' growth. Lagged profitability and efficiency and financial development have statistically significant and positive impact on firms' growth while financial leverage, size, risk, real cost of debt, energy crisis and abolishment of textile quota have negative impact. Acute energy crisis starting from 2007 has severely hit the growth of textile sector. Removal of textile quota from 2005 onwards has also negative impact on firms' growth.

The signs and impact of the last two explanatory variables help us in understanding why the investment and growth process stimulated though financial development and liberalization could not be sustained. Firms with squeezed operations on account of load shedding of electricity, load management of gas and reduced foreign demand on account of abolishment of textile quota and trapped in high levels of debt and associated fixed financial costs are now bearing the consequences of high gearing. Therefore, we suggest that long term interest bearing debt should be rescheduled and restructured to relieve the firms from the debt trap; energy crisis must be resolved on war footings and intensive efforts should be made to explore new foreign markets

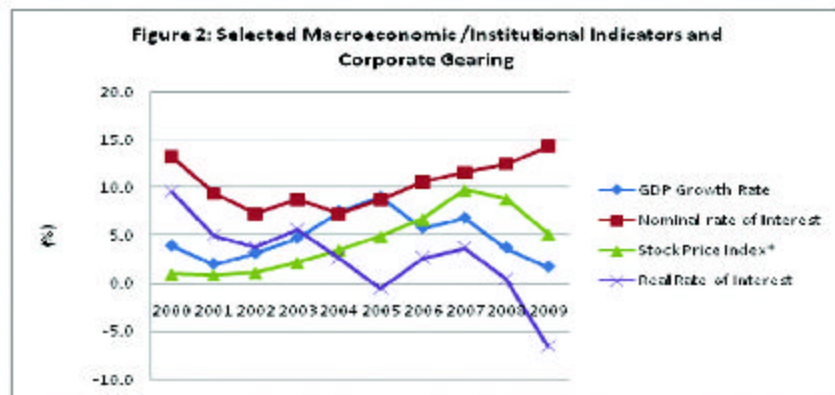
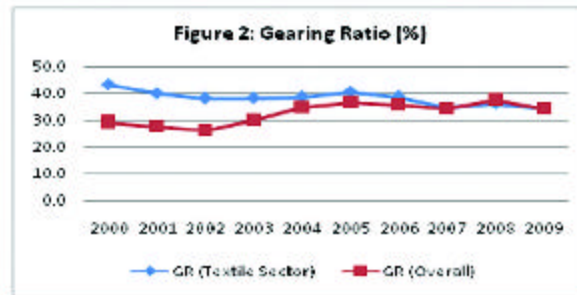
JEL Classification: M00, M20, O00

Key words: Firms' growth, financial development, financial liberalization, panel data analysis

Non-financial corporate sector (private and public enterprises) along with financial sector plays critical role in vibrant economic growth of a country because it produces goods and services for local as well as foreign markets, creates job opportunities, and contributes to government's tax revenue to finance its public expenditure on economic social infrastructure, sometimes contributes to foreign exchange reserves also, becomes a part of forward and backward linkages of the value chain.

Author is in particular thankful to Dr. Hafiz A Pasha, Dean, School of Social Sciences, Beaconhouse National University, Lahore, for his valuable guidance and advice.

There exists evidence of substantial expansion in the banking system, improvement in the equity market and financial liberalization during Musharraf era followed by high growth periods till 2007 (Figure 2). Real interest rate remained extremely low in particular in early part of last decade till they reached to negative level in 2005. Financial development and easy credit policies gave boost to the peak levels of gearing ratios for textile sector as well as overall industry (Figure 1). This provides an evidence of the impact of financial liberalization.



*Karachi General Index divided by 1000.

Source: Balance Sheet Analysis of Non-Financial Companies Listed in Karachi Stock exchange of Pakistan (Various issues), Hand Book on Statistics of Pakistan (2010), State Bank of Pakistan

These facts raise a few interesting and important questions in this regard: (i). What are key drivers for firms' growth for non-financial corporate sector? (ii). Can financial Development and liberalization stimulate *investment* and growth in non-financial corporate sector? (iii). Can such growth of firms be sustainable? (iv). The question of causality between growth of non-financial corporate and financial sector can also be explored. This paper examines the impact of financial development and liberalization for firms' growth among other growth drivers for a panel of 75 firms of textile industry in Pakistan and partially explores the question of growth sustainability.

This paper is structured as follows: Section I reviews literature. Section II identifies data sources, variables and research methodology. Section III focuses on findings and

Section IV concludes the paper and presents policy implications.

Literature review

Gibrat's (1931) law states growth is proportional to size of the firms. Findings in Hart and Prais (1956), Simon and Bonini, 1958), Hymer and Pashigan (1962) support this view. Mansfield (1962), Due Reitz (1975), Hall (1987), Mata (1994), negate Gibrat's law and note that growth and size of the firms are negatively correlated while Singh and Whittington (1975) find growth and size to be positively related. Evans (1987), Audretsch (1995), Dunne and Hughes (1994) and Liu et al. (1999) report negative relationships between the growth, age, and size. Almas Heshmati (2001) define growth rate in terms of the number of employees, sales and assets and show that the relationship between the growth, size and age of firms is very sensitive with respect to the method of estimation, functional form and definition of growth and size. Butters and Linter (1945) report that most the small firms face difficulties in raising finance from capital market and exclusively use retained earnings to finance their growth process. Brealey and Myers (2000) note that almost 90% of the total investment by nonfinancial US companies is financed through internally generated funds during 1990s. Robert E. Carpenter and Bruce C. Petersen (2002) test a panel of more than 1600 small firms and identify that growth of the firms is constrained by their internal finance. Leonardo Becchetti and Giovanni Trovato (2001) identify that small and medium sized firms' growth in Italy is significantly affected by size, age, export capacity and credit rationing.

Literature also documents some other determinants of firms' growth including research and development (Hall, 1987), ownership structure (Variyam and Krybill, 1992), financial leverage (Lang et al., 1996), human capital and exports (Liu et al., 1999).

Mohsin S. Khan and Carmen M. Reinhart (2002) present a growth model that separates the effects of public sector and private sector investment. This model is estimated for a cross-section sample of 24 developing countries, and the results show that private investment has a larger direct effect on growth than that of public investment. Jose De Gregorio and Pablo E. Guidotti (2000) examine the empirical relationship between long-run growth and proxy of ratio between bank credit to the private sector and GDP for financial development, and find that this proxy is positively correlated with growth in a large cross-country sample. This motivates us to include a proxy for financial development as one of the potential growth driver for firms in our model.

Data and research methodology

Sample set

This paper uses secondary data from "Balance Sheet Analysis (2000-2009) of Joint Stock Companies Listed on the Karachi Stock Exchange published by Statistics Department of State Bank Of Pakistan." The sample of this study covers all 75 firms of textile industry with complete and consistent 10 years data series. This paper excludes the firms with incomplete and inconsistent data series. The firms with negative equity are also excluded.

Summary of the statistics is presented in Annexure A-1. Correlation coefficients are presented in Annexure A-2 to rule out multi-co-linearity between the regressors. There is some evidence of multi-co-linearity between the dummy for removal of textile quota and financial development. Table 1 below presents the proxies for dependent and explanatory variables:

Table 1: List, Definitions and Symbols of Proxy Variables

Variable	Symbol and Definition
Dependent Variable:	
1. Growth	G=d(log(ta): First difference of logarithm of the book value of total assets
Explanatory Variables:	
	ROA: Return on Assets=Net Profit Margin x Asset Turn Over
2. Profitability and Efficiency	=Net profit after tax divided by net sales x Sales divided by Total Assets
3. Financial Leverage	DER: Debt-Equity Ratio: Book value of total liabilities divided by book value of total assets.
4. Size	GS: Gross Sales
5. Risk	EV=Earnings Volatility=Squared deviation of 10 years net profit margin from the mean
6. Real cost of Debt	R=Real rate of interest
7. Financial Development	FD: Sum of market capitalization and banking credit divided by GDP
8. Energy Crisis	DEC= Dummy Variable for energy crisis= 1 for the year with energy crisis and zero otherwise
9. Textile Quota	DQ=Dummy variable for abolishment of textile quota=1 for the years in absence of textile quota and zero otherwise

In view of on literature review in previous section and availability of data, general form of our firms' growth model is as follows:

Firms' Growth = F (Profitability and Efficiency, Financial Leverage, Size, Risk, Real Cost Of Debt, Financial Development, Energy Crisis, Textile Quota)

This study uses highly popular statistical model of panel data analysis that combines cross section and time series data and estimates pooled regression of a standard model in the following form:

$$G_{it} = \beta_0 + \beta_1 X_{it} + \beta_2 Z_t + \varepsilon_{it}$$

Where G denotes growth and subscript i specifies cross section dimension (firms) and t specifies time dimension of the data set. β_0 , β_1 and β_2 are unknown constants. X_{it}

represents the set of firm-specific explanatory variables for firms which vary across firms as well as over time. Z_t is the set of macroeconomic or institutional explanatory variables that vary over time only. ε_{it} is composite error term comprising of firm-specific component, time-specific component μ_{it} , and a component α_c varying over time and across firms w_{it} .

Depending on the structure of the error term and nature of its correlation with explanatory variables, there are several ways to estimate our growth model. Ordinary Least Squares is appropriate choice if no unobservable firm- and time-specific factors exist. But in fact, both firm- and time-specific unobservable effects may exist in practice. Choice of random effect model is appropriate when unobservable effects are included in error term and variance-covariance matrix of non-spherical errors is transformed to have consistent estimates of the standard errors. But random effect estimator becomes inconsistent when unobservable effects included in the error term are correlated with some or all regressors. Though relatively inefficient, an alternative choice is fixed effect model which provides consistent estimates regardless of the fore-mentioned correlation.

Findings

First we test the evidence of cross section and period effects and then we identify whether they are correlated with the regressors. Our tests show that there is strong evidence of period and cross section random and fixed effects. We use fixed effect specification which includes the variables that vary across firms and over time, cross section and period dummy variables. We test joint significance of the cross section and period dummy variables. Our results reveal that both cross-section and period fixed effects are significant at 1% level (Annexure 3-A). We also estimate random effect model and Hausman (1978) test rejects the exogeneity in the random effects model and the variance between the coefficients of random and fixed effect model is non-zero which restricts us to rely on fixed effect model. We present results of cross section fixed effects model below in Table 2.

Table 2: Regression Results

Dependent Variable: D(LOG(TA))
 Method: Panel EGLS (Cross-section weights)
 Sample (adjusted): 2001 2009
 Periods included: 9
 Cross-sections included: 75
 Total panel (balanced) observations: 675
 Linear estimation after one-step weighting matrix
 White diagonal standard errors & covariance (no d.f. correction)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.162436	0.017819	9.11580	.00000
ROA(-1): Lagged Profitability and Efficiency	0.001578	0.000565	2.79094	0.00540
DER: Financial Leverage	-0.000017	0.000005	-3.81688	0.00010
GS: Size	-0.000021	0.000006	-3.82958	0.00010
EV: Risk	-0.000001	0.000000	-4.77181	0.00000

R: Real Cost of Debt	-0.009977	0.003169	-3.14784	0.00170
FD: Financial Development	0.002523	0.000507	4.97584	0.00000
DEC: Dummy Variable for energy crisis	-0.119150	0.020372	-5.84865	0.00000
DQ: Dummy variable for abolishment of textile quota	-0.119724	0.031928	-3.74980	0.00020

Effects Specification

Cross-section fixed (dummy variables)

Weighted Statistics

R-squared	0.292129
Adjusted R-squared	0.194079
Durbin-Watson stat	2.393622

Unweighted Statistics

R-squared	0.175264
Durbin-Watson stat	2.393125

Positive sign with return on assets (profitability and efficiency) indicates that past higher profits and efficiency facilitate growth process by providing internal finance respectively. Debt accompanies periodic fixed interest payments which in turn reduce profitability of the firms thus limits internal sources of finance for growth. Therefore financial leverage has negative impact on growth. This also conforms to the view that most of firms are constrained by internal finance. Growth is negatively correlated with size. This finding contradicts the Gibrat's (1931) law which states that growth is proportional to the size of the firms regardless of the initial size.


Firms with relatively higher variability of profits and cash flows are deprived from internal finance as well as external finance because riskier firms will have unfavorable terms of credit, poor access to both credit market and equity market. This limits growth process of the firms. Higher cost of debt or external finance also hampers growth process though limiting external finance for firms; therefore, we find a negative sign with the real cost of debt.

Financial development is proxy for access to banks and equity market. Improvement in equity market exhibits relatively better macroeconomic environment and favorable expectations of investors and thus provides easy, cheaper and better opportunities to the firms for raising equity finance. Development of credit market relieves the firms from the constraint of external finance; therefore, financial development is positively related to growth. Statistically significant inverse relationship of real cost of debt and growth proves and highlights the fact that financial liberalization can motivate investment and firms' growth. Financial development is the second among the most significant explanatory variables with t-statistic 4.98 and p-value zero. Highly significant and positive sign with financial development provides us a strong evidence of the impact of financial development on firms' growth. As indicated by our results energy crisis is the most significant variable

with t-statistic of 5.85 and p-value of zero among explanatory variable for firms' growth. Acute energy crisis starting from 2007 has severely hit the growth of textile sector. Abolishment of textile quota from 2005 onwards has also negative impact on firms' growth.

Conclusion and policy implication

Findings of this study indicate that all explanatory variables included in our model influence firms' growth. Lagged profitability and efficiency and financial development have statistically significant and positive impact on firms' growth while financial leverage, size, risk, real cost of debt, energy crisis and abolishment of textile quota have negative impact. Acute energy crisis starting from 2007 has severely hit the growth of textile sector. Abolishment of textile quota from 2005 onwards has also negative impact on firms' growth.

The signs and impact of the last two explanatory variables help us in understanding why the investment and growth process stimulated through financial development and liberalization could not be sustained. Firms with squeezed operations on account of load shedding of electricity, load management of gas and reduced foreign demand and trapped in high levels of debt and associated fixed financial costs are now bearing the consequences of high gearing. Therefore, we suggest that long term interest bearing debt should be rescheduled and restructured to relieve the firms from the debt trap; energy crisis must be resolved on war footings and intensive efforts should be made to explore new foreign markets. 

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Anexure A**A-1: Summary Statistics**

	D(LOG(TA))	ROA(-1)	DER	GS	EV	R	FD	DEC	DQ
Mean	0.12	3.81	306.43	2328.39	740.03	1.91	46.99	0.22	0.56
Median	0.09	2.60	203.20	1284.50	5.90	2.70	49.90	0.00	1.00
Maximum	1.17	77.60	23245.70	23870.30	415586.50	5.70	87.04	1.00	1.00
Minimum	-1.35	-187.70	0.00	4.20	0.0	-6.50	10.81	0.00	0.00
Observations	675	675	675	675	675	675	675	675	675

A-2: Correlation Coefficients

	D(LOG(TA))	ROA(-1)	DER	GS	EV	R	FD	DEC	DQ
D(LOG(TA))	1	0.126	-0.094	0.066	-0.032	0.133	-0.042	-0.185	-0.079
ROA(-1)	0.126	1	-0.053	0.027	0.020	0.169	-0.192	-0.174	-0.186
DER	-0.094	-0.053	1	-0.040	-0.011	-0.047	0.061	0.016	0.075
GS	0.066	0.027	-0.040	1	-0.026	-0.157	0.175	0.178	0.167
EV	-0.032	0.020	-0.011	-0.026	1	0.020	-0.049	-0.019	-0.043
R	0.133	0.169	-0.047	-0.157	0.020	1	-0.353	-0.748	-0.609
FD	-0.042	-0.192	0.061	0.175	-0.049	-0.353	1	0.420	0.862
DEC	-0.185	-0.174	0.016	0.178	-0.019	-0.748	0.420	1	0.478
DQ	-0.079	-0.186	0.075	0.167	-0.043	-0.609	0.862	0.478	1

A-3: Redundant Fixed Effects Tests
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	1.327399	(99,788)	0.0235
Cross-section Chi-square	138.813135	99	0.0051
Period F	6.657029	(8,788)	0.0000
Period Chi-square	58.858375	8	0.0000
Cross-Section/Period F	1.762618	(107,788)	0.0000
Cross-Section/Period Chi-square	193.121273	107	0.0000

Hegel wrote that no one is a hero to his valet, not because he isn't a hero, but because the valet is a valet.

Conrad Black

CASE STUDY**Succession In Family Businesses: Kinship Culture And Islamic Law Of Inheritance**

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Keywords: Succession, Family Businesses, Kinship Culture, Islamic Inheritance Law.**Introduction**

Majority of research has been carried out on succession within family firms in the positivistic tradition of research and also has a very strong normative element to it. The successful research has been defined using researchers determined criterion such as firm performance, viability and harmony among the family members etc. This type of research obviously assumes an independent reality 'out there' ready to be collected by objective researcher. This positive stance has been apparent even in the case based research mostly conducted by practitioners. On the contrary, to carry out this research an interpretive approach was adopted. The aim of interpretive research is to understand the social actions of human agents on the basis of meanings these agents attached to actions. The meanings are subjective and have to be understood from the agent's perspective. In succession within family business, what are the 'ideals' of succession process in terms of when a child should be inducted into the business and when should he be given the ownership and full control (if it should be given at all) is a highly subjective issue. What is 'success' itself is a highly subjective issue. Is it profit, family harmony or something else? And then what is 'family harmony' again is a subjective matter and its definition will vary across people. Succession process within a family business will be influenced by family members' interpretive schemes including their conceptions of rules of "rights and wrongs". In order to understand and explain the succession process within a family firm, it is believed that it is very important to understand these interpretive schemes and rules. These interpretive schemes are influenced by culture of the place. Culture which appears and hits individuals like an objective reality itself emerges from subjective understanding objectified through human interaction. Objective of this research has predominantly been to describe the succession process from successors point of view e.g. (Longenecker and Schoen, 1978; Handler, 1994; Sharma, Chrisman & Chua, 2003).

Details of the problem

No prior literature is available on succession process within Pakistan. Pakistan, a country of 165 million people is the fifth largest country in the world. Located in South Asia, it has an area of roughly eight hundred thousand square kilometer. The objective of this research is to explore and explain family business succession process within Pakistani culture. Pakistani culture is a kinship culture which means a collective culture where there is a "preference for a tightly knit social network in which individuals can expect their relatives to look after them in exchange for unquestioning loyalty" (Hofstede, 1984). However, there is a lot more in Pakistani culture than what could be described by Hofstede, obviously

because of his methodological limitation. Using a case based approach, we intend to understand the values, beliefs, norms and mindsets of a particular business family and will then try and explain the succession process utilizing these understandings.

The knowledge and understanding generated in this research will provide insights into succession process within kinship culture based family businesses. Therefore, following objectives were set for this exploratory research. The first was to compare the succession dynamics of locally managed family businesses, grounded in the local cultural and religious environment, with the academic research conducted in other parts of the world. This was to validate the already developed empirical knowledge. The second objective was to investigate succession dynamics of the family businesses in Pakistan, since the majority of the family businesses are facing succession challenges from founder generation to second and third generation of successors

It is expected that this research would be useful to provide answers to several interesting questions. Following questions were posed to provide in-depth insights into the succession process within the Pakistani culture. What elements and norms of Pakistani culture influence succession during the succession process? And what are the mindsets, the values and norms perceptions and behaviors that are shaping and creating succession reality for successors and family members? How each successor perceives and desires successful succession of the business? Would it be unity of the business or the harmony among the family members or are both desirable? What they see as key factors for successful succession process and why have they had those perceptions? How would they go about deciding distribution of shares in the businesses among family members? How would be the interpersonal relations within the family and business before, during and after the succession? Are there any linkages between Islamic inheritance laws and the succession practices? How would family manage the post succession phase? Would it be separate ways for each family member, and potential for rivalry among family members? Would they be working as large business group etc? The findings would provide insights into the succession process within the kinship culture prevailing in Pakistani society.

Since, approximately 80% of employment within Pakistan is generated by family businesses; therefore, well-being and continued growth of these family businesses is important for a developing country like Pakistan. Hence, knowledge and understanding generated in this research will provide additional insights into successful succession and successor development. To achieve these objectives, a literature on succession within the family business was conducted. Literature on kinship culture, local Pakistani cultural norms and Islamic inheritance laws was researched to develop understanding with respect to succession within the family businesses. Successful succession was defined from literature research and compared with the empirical case study research.

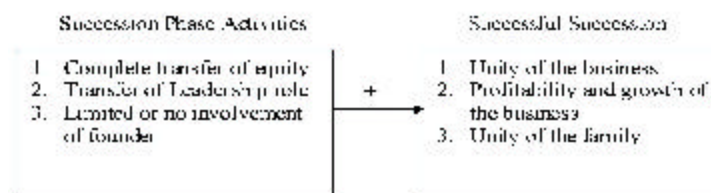
Succession within the family business: literature review

In reviewing the literature on family firms aim has been to identify succession practices that family firms adopt in their successful succession. Research on family firms in South East Asia and the Middle East is rare and our literature review primarily reveals Western theoretical frameworks. This paper constitutes the extent of applicability of the theoretical frameworks on the Pakistani socio-cultural and religious environment. Succession is viewed by many scholars as a long-term process involving multiple activities (Handler, 1994, 2004; Sharma, Chrisman & Chua, 2003). Longenecker and Schoen (1978), for instance,

have pointed out that a successor's training takes place throughout childhood, adolescence and adult years. Their basic proposition is as follows: 'Parent-child succession in the leadership of a family-controlled business involves a long-term diachronic process of socialization, that is, family successors are gradually prepared for leadership through a lifetime of learning experience' (Longenecker and Schoen, 1978, pg. 1). One critical activity that entails the succession process is the grooming of the future leader of the firm (Fiegener, Brown, Prince & File, 1996; Sharma, Chrisman & Chua, 2003) which ensures that the successor is skillful and experienced enough to take over the business. Foster (1995) cites developing leadership in the successor generation as crucial to the survival of family-owned and family-managed businesses. Ward (1987), in his study of 200 family businesses, found that successor development was one of the most important characteristics associated with businesses that were able to survive a generational transition (Lansberg & Astrachan, 1994). Stavrou's (1998) presented succession model of pre-entry, entry and succession phases. The pre-entry stage represents the time when the successor is not a full time working member of the firm but is involved through family discussions and part time employment. The entry stage represents the time period when the successor joins as a full time employee and is integrated into the firm. The succession stage occurs when the successor is ready to take over the business as the future leader and the founder-owner is nearing retirement or moves to an advisory position. For *this study* we would only be focusing on the succession phase activities and comparing those with the literature findings. Considering the significance attached to successful succession, it is important to establish what constitutes effective succession. Research by Churchill and Hatten (1987) measured effective succession by "incumbent's ability to increase revenues and profits in their organizations" (Goldberg, 1996). Apart from monetary measures, Friedman (1984, 1986) specifies the company's reputation, turnover and the succession process as being relevant (Goldberg, 1996). Maintaining business unity is another factor that measures successful succession since the continuity of the family business as a single entity is important for successful succession. Since it is assumed that an effective successor leads the family firm lucratively, successful succession is measured in terms of increase in profitability and growth and unity of the family business.

Figure 1

Succession Dynamics in Family Business



Literature survey also provides definitions of successful family business and succession:

1. The subsequent positive performance of the businesses and ultimate viability of the businesses. (Miller, 2004).
2. The satisfaction of the stakeholders with the succession process (Cabrea-Suarez et al., 2001; Dyer, 1986; Miller, et al., (2004); Handler, 1990; Morris et al., 1996; Sharma et al., 2001, 2004)

3. The company's reputation, turnover and the succession process as being relevant (Goldberg, 1996)
4. They experience profitable business as well as family harmony. In other words, they enjoy high cumulative stocks of both financial and emotional capital that may help sustain the family and business through turbulent economic and emotional times (Sharma, 2004)

Succession phase activities

During the succession phase, an important method of continuing the development of the successor is to transfer all the leadership responsibilities onto him that once belonged to his father. This is necessary for a smooth transition once the successor has been sufficiently prepared. Longenecker and Schoen (1978) suggest that it takes at least two years to 'master the complexities of the position and gain the control associated with the leadership role' (p.5). Along with the transfer of roles from successor to leader, decision making power, authority and equity are transferred simultaneously (Handler, 1994, pg. 151). It is also essential that once the successor has been effectively integrated into the family firm and becomes self-sufficient, it is necessary for the founder to lessen his involvement. Dyer (1986) believes that to allow successful succession to take place, the founder should gradually move away from active involvement in the firm's operations (Handler, 1994, pg. 149). According to Lansberg (1988) 'the boundaries around the founder's involvement to be drawn very clearly and for both the founder and the successor to monitor this aspect of the transition carefully' (pg. 136). The reason for this is that it is often hard for the founder to leave the family firm after having managed it for years, and as a result may 'infringe on the successor's territory and autonomy' (Lansberg, 1988, pg. 136). Another important step that aids successor development is the transfer of equity in the successor's name. Sharing the ownership of the firm encourages successor interest and commitment to the firm. Equity transfer normally takes place when the successor assumes the CEO position. According to Barach and Ganitsky (1995) 'a successful succession is most easily accomplished when the planned or actual disposition of stock parallels the transfer of power' (pg. 143) and as per Handler (1994), one sign of an effective succession is control of the stock by the next generation. Therefore for the succession phase we propose that transferal of leadership responsibilities, curbing the founder's involvement and full transferal of business equity are positively associated with the successful succession.

Understanding the local culture

A complete understanding of any subject entails examining the context within which it is embedded. Therefore, in order to gain a deeper understanding of successor development and succession within family firms of Pakistan, we must consider the socio-cultural and religious environment in which they operate. Howorth and Ali's (2001) examination of case studies in the furniture industry of Portugal looks at family business succession from a cultural perspective, and proves useful for our research since it indicates that 'culture and ethnicity are fundamental to a family firm's operations and motivations' (pg. 231) and specific aspects of culture are expected to effect each strand of the framework (pg. 241).

According to Ward (2000) 'national culture is a distinguishing influence on the family that shapes a business family's ownership and leadership vision' (pg. 272). Similarly,

Hofstede (1984) states that people build organizations according to their values and societies are composed of institutions and organizations that reflect the dominant values within their culture (1984). It is useful to understand the definition of 'culture' before reviewing the case of the Pakistani family firm environment. Hoecklin (1996) defines culture as a collective phenomenon that is about shared values and meanings. According to Hofstede (1984) 'culture consists of the patterns of thinking that parents transfer to their children, teachers to their students, friends to their friends, leaders to their followers, and followers to their leaders'. Pakistani culture can be described as collectivist, highly power distant and masculine. A collectivist culture is one where there is a 'preference for a tightly knit social framework in which individuals can expect their relatives, clan, or other in-groups to look after them in exchange for unquestioning loyalty' (Hofstede, 1984). Collectivism applies in Pakistan because the primary social organization in the country is a web of kinship networks or biradari (kinship) as it is called in Urdu, the national language of Pakistan. The concept of biradari (kinship) extends beyond the immediate family of an individual to include one's own cousins and those of the parents as well. According to Stanley Kochanek, 'the individual in Pakistan is tightly knit into a well-structured kinship network which determines his status, mobility, and success' (1983). Cross-cousin marriages within the biradari (kinship) not only strengthen family ties but also reinforce the financial foundations 'by retaining land and property within the family' (Kochanek, 1983). Another important factor that strengthens and unifies the biradari (kinship) is a sense of loyalty and respect for the norms of that group. 'One such norm is the need for providing for the economic wellbeing of members of the biradari (kinship). In practice, therefore, many of those hired are members of a family' (Ansari and Bell, 1991). Members of the biradari (kinship) are mutually obligated to support each other in feuds and conflicts regardless of the justice of the issues involved, and those in position of authority are expected to favor those who are not (Kochanek, 1983). Due to the adherence of these norms, a high level of trust or *bharosa* (trust) exists between the biradari (kinship) members, which create further solidarity. Power distance refers to the 'extent to which inequality (hierarchy) is seen as an irreducible fact of life' (Hoecklin, 1996). Whether a culture is low power distant or high power distant depends on the level of inequality and empowerment that exists in relationships. Pakistani culture is characterized by high power distance because the structure of organizations is hierarchical and power is typically centralized. Families, too, support a structure of hierarchy with the father being the head of the family and the eldest son having more say in decision making than the younger ones. Children are expected to respect and obey their parents and refrain from questioning their authority. The elders of the families, or *buzurg* (elderly), such as paternal or maternal grandparents or great grandparents are also considered wise and experienced and are to be treated with respect and reverence. Sibling rivalry is discouraged and siblings are instructed to respect each other from an early age. The elder brother is referred to as *bhai* (brother) in Urdu which literally means brother. This 'is not a symbol of equality but a mark of respect for family hierarchy' (Ansari and Bell, 1991). Masculinity 'stands for a preference in society for achievement, heroism, assertiveness, and material success' (Hofstede, 1984). A masculine society can be described as one in which there is maximum difference between the social roles of the sexes. 'The norm is then that men are given the more outgoing, assertive roles and women the caring, nurturing roles' (Hofstede, 1984). The polarity of roles assigned to or expected of the majority of men and women in Pakistan indicates that the indigenous culture is essentially masculine. The sons of the family are expected to act responsibly and to assume leadership when the time arrives, and the daughters are expected to be married off and honorably start a new life in a new home. Men are regarded as the bread- winners of the family and women are expected to nurture the home and the children. The kinship and hierarchical nature of the society inculcates status-consciousness in the

minds of the people. Status is closely tied to the concept of izzat (honor) which can be translated as honor, prestige and privilege (Kochanek, 1983). The maintenance of a family or biradari's izzat (kinship's honor) is considered extremely important. It takes precedence over all other matters and cannot be compromised.

Islamic inheritance law

Pakistan was created on the notion of a separate Muslim state where the citizens would be able to freely profess and practice their religion. Since the majority of the population of the country is Sunni Muslim, there is a great degree of overlap between the Pakistani culture and the Islamic religion. The traditions of submission to authority, familial piety and bipolar social roles which have been previously explained through a cultural viewpoint are also recurrent themes in Islamic literature. Islam is not only meant as a religion but also as a way of life, which is why it provides injunctions and commands pertaining to all aspects of life to guide human beings in the right direction. One of the fields in which detailed legal guidance has been provided is that of inheritance. According to Athar Husain, member of the Board of Research of the Indian Institute of Islamic Studies, 'the rules regulating inheritance are based on the principle that the deceased's property should devolve on those who by reason of consanguinity or affinity have the strongest claim to be benefited by it and in proportion to the strength of such claim' (Husain, 2006, pg. 1). It is also in line with the principle of wealth distribution in Islam, which discourages the concentration of wealth within a single family or person or group of people. Although the law of inheritance is interpreted in different ways by *the* Sunnis and Shias, the rights of inheritance of the children stand. The male (son) gets twice the share of the female (daughter). It is important to note that the inheritance law is enforceable only upon the death of a person, and no law exists that overlooks the division of wealth before his demise. Father/owner of business can transfer wealth or equity to successors during his lifetime as a gift or hiba (gift) without any religious implications. An Islamic scholar Sheikh Kamaluddin Ahmad said that division of wealth is to take place within the lifetime of the father then it should be done according to the spirit of Islamic law; this basically means that the division of personal wealth ought not to deviate too greatly from that which has been prescribed by the law of inheritance so that the rights of the heirs, whoever they may be, are not violated. Moreover, no discrimination ought to take place on the basis of gender. If a daughter is working in the family business then she too is entitled to a share of the business equity if it is being transferred into the children's name. If the daughter is not involved in the day-to-day operations of the businesses she will have no claims on her father's business assets. However, she would have a claim if her father died without dividing the business assets or if the father had a business share which was owned and managed by him alone.

Research approach

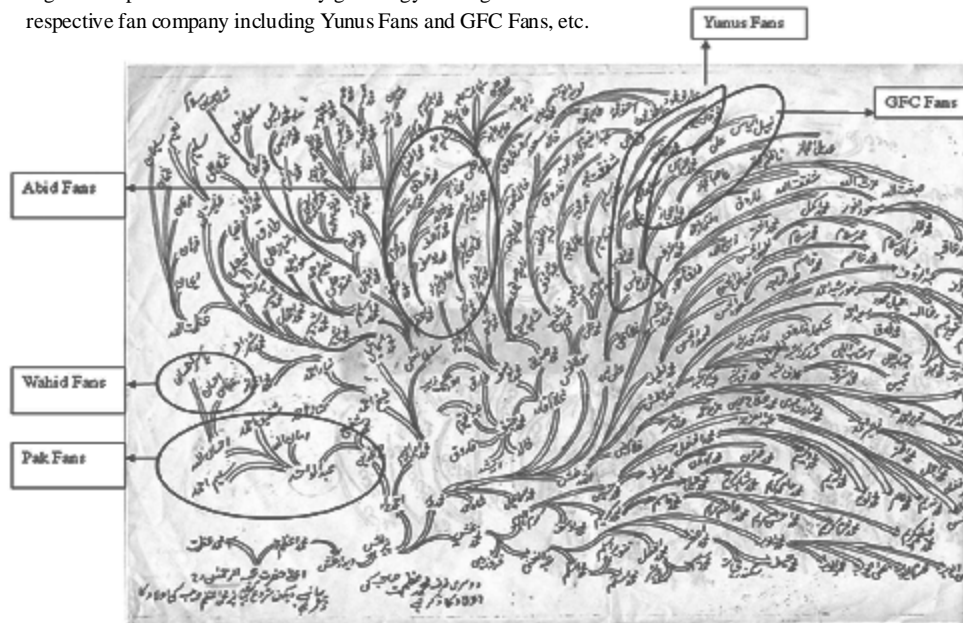
Research projects that involve studying of mindsets, beliefs and values of people and how this perceptual grasp of people affects the day to day actions inevitably require a closer engagement with the field. The focus of this research is discourse of succession process therefore the grounded theory approach suited the most. In grounded approach, theories are drawn from the field data and are likely to offer insight, enhance understanding, and provide a meaningful guide to action (Glaser & Strauss, 1967). According to Isabelle (1990) grounded approach requires that data and theory be constantly compared and contrasted through the data collection and analysis phase. Emerging theory directs attention towards the previously established important dimensions. Hence, the interplay between data

and theory provides an interesting insights and possibility of reconceptualization of the old theory and new understanding.

According to Chua (1986) “[In interpretive research] "thick" case studies conducted in the life-world of actors are preferred to distant large-scale sampling or mathematical modeling of human intention”. Since the research project involves study of mindsets, beliefs and values of people therefore Eisenhardt (1989) case study approach was used for the purpose because it fits in with the research objective.

The selected business case which is a fan manufacturing firm has a long history in manufacturing and craftsmanship. The business founders were brass pots craftsman and in 1965 they set up small factory to manufacture fans. In 2006, one of the selected firm was the second largest fan manufacturing company in Pakistan, with total production around 900,000 fans per year (see figure 2.0 for family tree). Moreover, the selected firm is the part of kinship (Mughal Biradari) or extended family system. This particular kinship or extended family owns almost 90 % of the fan manufacturing in Pakistan. The selected firm has seen one succession since 1965. Initially, the business had three founders and after the death of the one of the key founder Muhammad Yunus in 1980 the other two founders and two sons of the late founder decided to split the businesses. Interviews were conducted with all three family members and their views on succession phase activities and perception about succession processes are recorded. Interviews are also conducted to have their point of view on culture values, norms, and inheritance practices.

Figure 2.0: provide a classic family genealogy of Mughal Biradari and respective fan company including Yunus Fans and GFC Fans, etc.



The literature survey provided an understanding of succession in family businesses in general. Since the empirical research on family businesses in general and succession in particular in this part of the world has never been done, the in-depth case study approach was deemed most suitable for this study. The generalization from this research is mainly

'analytical generalization' (Yin, 1994). According to Yin (1994) 'a case study is an empirical inquiry that investigates a contemporary phenomenon within its real life context, especially when the phenomenon under study is not readily distinguishable'. Since the study of kinship culture and Islamic law is a part of this study, it created a technical challenge due, first, to the complexity of the local culture and second, to a lack of a clear boundary between religious and cultural practice. No proposition regarding influence of cultural and Islamic inheritance laws and successful succession activities were developed, it was decided let the research process provide elements of culture and successful succession from the family member's point of view.

Another challenge was collecting information from multiple sources therefore we conducted detailed semi structured interviews with the father/owner and the successor in all three branches of the family businesses. Apart from the interviews, reports and records of organizational history related to succession of published companies were also collected and used during the case writing process. After the research a case study report was generated and was shared with the respondents to get their approval on the observations and findings. Validity was achieved through interviews with multiple sources (father, son or other successors in the family business) for the same set of variables. The initial case study findings were also shared with the key respondents for data validity and reliability. In the following section case studies provide insights into the dynamics of successor development and succession in the local organizational and cultural setting.

Case study - General Fan Company (GFC)

Pre succession phase

General Fan Company was established in 1954 as a private limited company by a group of twelve partners to manufacture and supply fans to the local market. In the late 1970s, however, differences among the partners started to arise with some of them entering into direct competition with GFC by starting their own separate manufacturing lines. By 1978 the differences among the partners had become so vast that production in the factory was stopped. Finally the partners decided to sell the factory; which was then acquired by Yunus Industry in 1978.

Yunus Industry was established in 1963 by Muhammad Yunus with his brother Mohammed Ayub and brother in law Mirza Anayat Ullah. They started manufacturing fans under the brand name Yunus Fans. The share distribution was 50% with Muhammad Yunus and 25% each for Muhammad Ayub for Mirza Anayat Ullah (brother in law).

Muhammad Yunus established three businesses in his lifetime: Yunus Industry, GFC and Metro Fan Industry. Upon acquiring the factory in 1978, Muhammad Yunus decided to keep the brand name because GFC Fans had been able to develop some brand equity in the markets of Multan and Faisalabad. He gave his son Muhammad Ilyas the responsibility of running GFC as CEO. In 1980 Muhammad Yunus died and the Yunus group started to work together but the differences started to emerge in mid 1980s among partners. According to Muhammad Ilyas "I wanted to buy some new machinery as my production was growing but other partners did not allow me. It was difficult for me to stay within the same group".

During succession phase

In 1998 M. Ilyas (son of Mr M Yunus) and Mohammed Ayub and Mr Mirza Anayat Ullah started thinking of having separate businesses for each family. Since M Ilyas was managing GFC, all decided that he should take GFC. M Ilyas's brother, M Ijaz also joined him as his partner. In 1999, Yunus Fans and Metro Fans split up again and Muhammad Ayub paid Rs. 50 Million to Mirza Anayat Ullah for the brand equity of the Yunus Fans. These split ups were cordial and were 'necessitated' in order to avoid the consequences of internal conflicts that were faced by other companies. According to one family member "We all knew the shares of each family and we also knew the areas of specialization within the business of each family. Like for example Muhammad Ilyas and his brother families were in the GFC therefore GFC should go to them. We started listing all the material, receivables, inventories at their values (in Rs). Each family picked up the factory they were working and every single item was on the board. After splitting the businesses, we decided to look at the cash in bank and banks ODs we divided among families". Since, businesses were established on the basis of partnerships and percentage shares, therefore legally it was possible to give each branch of the family its shares or the portion of the businesses during the division. GFC was jointly owned by Muhammad Yunus two sons and they owned 50% each.

Post succession

Mirza Anayat Ullah's sons in Metro Fan started manufacturing Metro motorcycles in early 2000. Metro fan industry is successful in moving business into new industries and takes advantages of the engineering background and the knowledge. Muhammad Ayub family in Yunus Fan also decided to export fans to the Middle East. All three companies are enjoying growth in the businesses after the secession.

The annual sale of the GFC, now a group was is Rs. 398,580,555 in the year 2005-06 and employs 600-700 (due to the seasonality factor). GFC group has its production facility and headquarter located in Gujarat, Pakistan's 6th largest business hub. They have started GFC washing machine and other GFC products. They also started exporting GFC fans to more than 12 countries in the world.

All three business families still live in the same compound called Yunus Abad developed by M. Yunus in 1970s. The three families enjoy joint family dinners and intermarriages are common. Mr Ilyas takes daily morning walks with the heads of these business families and discusses his strategies for new opportunities in the export business.

Succession not only helped each business to grow and develop a new strategy and move into new areas but also improve the harmony among family members. According to M Ilyas (CEO of GFC) "The main thing is that we should be able to manage our business as we want our own strategy and our own implementation plan. If there are many partners, every partner would like to manage it according to his thinking. Secondly during the succession one should not worry about Rs.2 or 3 millions, it is possible that some family member will have more than his share, since we are one biradari and family, it is okay. We must keep good relations with all family members". All the three families have excellent relations with each other. They still practice inter marriages and are part of each other's social life. The families even help each other in business and the sharing of knowledge. Succession within the kinship provided not only growth in the business but also harmony

among the families and partners.

In 2005 Mohammad Nabeel Ilyas, son of Mohammad Ilyas, joined GFC as the entrusted successor of the company (See Exhibit 1). Nabeel currently overlooks and is involved in all operations of every department of the company. His father has not transferred any equity to his name and has not delegated the overall leadership to him as yet.

Discussions

The businesses in case studies did well in the financial performance indicator and business was growing more than 10% in revenue and more than 7% in profitability since the last succession. At GFC Muhammad Ilyas CEO has 50 % (equity) ownership of the business with the remaining 50% owned by his brother. Muhammad Ilyas wants to divide the business between his brother and his own two sons, but the successor (CEO son) refused to accept the division of the business. The successor (Muhammad Nabeel) wants to keep the business united and wanted to distribute the shares in the business to the next generation of successors. Muhammad Ilyas, from his own experience, wanted to set up different businesses for his two sons and for his brother family (and his sons), as his father (Muhammad Yunus) had done during his life. Muhammad Ilyas said “Because during the first succession Yunus group was divided among partners, therefore, during the second succession it is expected that GFC group will be divided among partners”. However, there was no equity transferred to daughters and daughters were not expected to work in the family business. During the course of our research on family businesses, we observed that during the succession phase (transfer of management and control from one generation to the next) most of the family businesses were divided among family members and after each succession they were much smaller businesses in size and scope. Following section provides analysis of the influence of Islamic Inheritance law during the succession phase.

Islamic inheritance law

In Pakistan, Muslim family laws are applied for inheritance, and the division of wealth and property. If any family member within the business desires to go separate ways these rules are applied and therefore the division of the businesses. To determine the application of the Islamic inheritance law in family business succession, we asked the respondents during the case research if they had used Islamic law during the succession or transfer of equity or ownership to the next generation of successor. Study showed that none of the family had any women in the business operations, and there was no share in the business for their daughters. Daughters were married within the family to cousins and were given furniture, jewelry or cash (dowry) at the time of the wedding. The business assets were divided among sons on an equal basis by the father/owner in his own life. In the case study, the father's sudden death prevented the division of the assets of the business amongst the successors. Therefore, the sons and brothers of Mohammad Yunus divided the business units among themselves, with the help of buzurg (elderly) of the biradari (kinship). This division of business consequently included the division of business equity, fixed assets, employees, cash, products and even the furniture. Therefore, the study observed that family businesses adhere to Islamic inheritance laws during the succession phase and in the division of business assets among the successors. Consequently Islamic inheritance laws and the practice, both influence the division of the businesses during the succession phase.

Kinship culture

To determine the practice of kinship culture and its influence on business succession we asked the family heads and other members regarding their biradari (kinship) system, norms and values, and whether the family had any preference towards having a central figure or practice of family council/board or rational and a systematic process of decision making. The respondents were strongly in favor of respecting and following biradari (kinship) values and norms. This was supported from the history of the organization. As it has already been mentioned, in a biradari (kinship) system one of the norms is trust between members of the biradari (kinship). Therefore, major investments and new startups are taken up jointly by biradari (kinship) members, and financial positions within the business would also go to them. Muhammad Yunus started his first fan factory with the financial and human support from his brothers. This means that when it comes to providing jobs in the business, the biradari (kinship) members will be the first choice for recruitment, because of trust and loyalty, regardless of merit and competence.

It was observed in the case study that business founders turned to brothers and family members to help them in times of setting up the new business or business expansion. Regardless of their experience and educational background and business inclinations, family members were included in the business. Another concept that has been previously explained is the concept of bhai (brother) or buzurg (elderly) (elder brother or father figure respectively). Bhai in the biradari (kinship) system has authority and decision making powers and everyone in the family accepts his decisions unquestioningly since it is assumed that his decisions will respect the interests of the members. The family businesses depended very much on single family member for all operational and people related decisions. Founder rarely transfer any decision making powers to professional staff. Such a scenario is similar to other Islamic countries; for example in the family companies of the Gulf Region, the elder brother or father figure has overwhelming authority and "regardless of talent, the eldest male is generally given the business leadership role, even if another family member might be better suited for the job" (Davis et. al, 2000, pg. 231). Case Study showed strong respect towards the Muhammad Yunus as key figure in all business and personal decisions. Muhammad Yunus was the person deciding all the future investment in the businesses, and perhaps he was the most entrepreneurial among all. In the case of GFC, Muhammad Ilyas was playing the leadership role.

Moreover, according to one of the interviewee, Muhammad Yunus showed respect for family unity and harmony and for him conflicts between siblings and cousins was seen as a sign of losing izzat (honor) (losing face) which is considered the ultimate disgrace and therefore should be avoided. To further enhance family bonding, the practice of inter-family marriages was encouraged. Hence, the biradari (kinship) system played a major role by providing trustworthy support and investment in the formation of business in its early phases and in centralized decision making by the family head. Muhammad Yunus purchased a big land in 1972 and build three houses, one house for each partner's family. All three families still live in the same big compound even after the division of the businesses.

It was surprising to observe that despite the strong kinship bounding among family members at every succession phase, businesses were divided among successors, partners and brothers, sons etc. During the second round of interviews it was observed that within the Kinship culture (biradari) one of the most common social norm is Shareeqah (rivalry among cousins). It is perceived fear that the other brother or cousin will perform better and

get ahead in the business. This rivalry is not only for financial resources, material wealth but also for status and position in the society and linkages with civil and political elite. In case of first succession Muhammad Ilyas said “Because of Shareeqah (rivalry among cousins) I decided to separate from the Yunus group”. The similar arguments were presented by other family members during the interviews. Normally Shareeqah (rivalry among cousins) begins when there is unfair distribution of land, other property and wealth among brothers (father's land and wealth etc) and this competition can continue for generations. The Shareeqah (rivalry among cousins) does create an environment of mistrust and fear among family members. Junior and less competent or less educated member fear that more senior or competent family member is taking over businesses and other key resources of the business. Hence, some family member view that it is better if there is a current division of the business. In the case of GFC present CEO was planning to separate his part of the businesses from his brother's family due to future possibility of Shareeqah (rivalry among cousins) between his children and his brother's children.

Moreover, family elders do consider the division option and build different factories and businesses as independent operating units and on right time, each family (sons, siblings and partners etc) could take over one independent business. Also founders provide a chance to each son and his family to develop skills and knowledge within one type of the businesses. Thus they encourage specialization of each family (son) and therefore natural basis for future division within the business.

Hence, the objective of family harmony and intermarriages is achieved over unity of the business. It was also observed the successful succession meant fair and just division of business and family harmony. The inheritance laws regarding division of wealth and land and property were strongly followed since it provides family members chance to have their own business regardless of its size and scope.

The concept of complete ownership without interference and claim from other family member was perhaps the most desirable objective of the succession process. Moreover, due to internal competitiveness and Shareeqah (rivalry among cousins) (each owner of the business, son or brother) businesses continue to innovate and diversify into new businesses. The success of this new enterprise would depend on his competencies as a business person, his hard work, luck and his abilities to turn small business into big success and establish new businesses.

It is interesting to note that even when there is tough competition among family members on financial, businesses and other resources they continue to enjoy intermarriages within the same families. There would be tension between the family members during the negotiations and division of the business phase but once it is over and settled, they pick the family relations and family ties where they had left. It is also because of intermarriages and influence of women in keeping the family relationships.

Also once the business divisions have been implemented family members and brothers do provide financial and other resources to other family member for establishing new businesses. Provided they have confidence over his success. Therefore, it can be safely concluded that if the family has strong preference towards kinship culture and there is Shareeqah (rivalry among cousins), it will positively influence the division of the family business assets and consequently division of the business.

Conclusion

During the succession phase activities transferring equity and leadership roles were considered less important and were delayed until the final succession or until the division of the business. Moreover, role adjustments of successor and father during the succession phase were considered less important and the father's presence was considered a blessing. The influence of kinship cultural norms such as Shareeqah (rivalry among cousins) was influencing as intervening variable within family businesses succession and eventually causing the division of the business during the succession phase. A successful succession within the family business is to have the family harmony and distribution of rightful share to other family members rather than keeping the business united.

Kinship culture based family businesses continue (ultimate viability of the businesses) to exist as businesses after the succession from one generation to the next generation but rather small and divided. Kinship based businesses provide excellent opportunity for grooming and developing future business leaders. Young successors get good exposure to different role models in the family. They also get early experience of managing the business, have social capital, and develop business acumen which would be useful in future. Kinship based family businesses have access to financial and business capital, which essentially help in cyclic business performance.

Limitations and future research


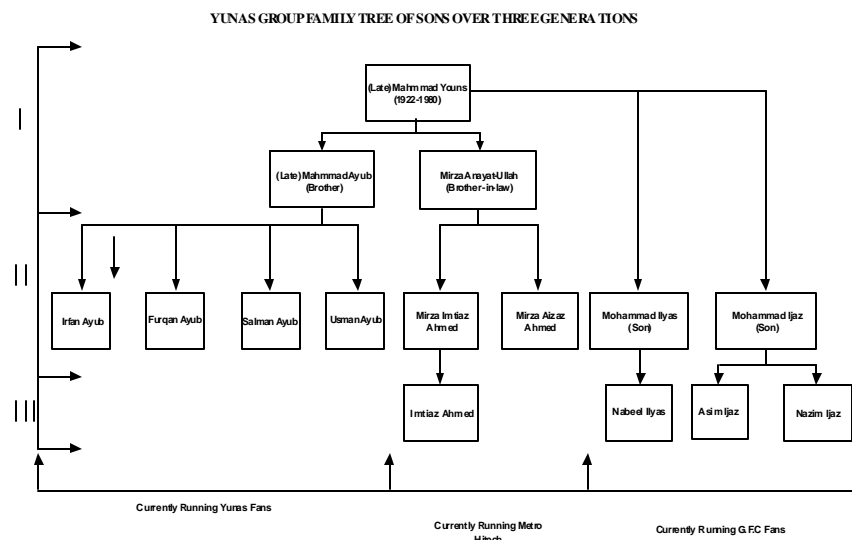
One case study has perhaps its clear limitations; due to limited resources available for this research we could not cover more cases. It would be desirable in the future to investigate family business succession and transformation from the insights provided in the present research. 

Exhibit: 1.0

FAMILY TREE FOR YUNUS GROUP



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CASE STUDY**Factors Influencing Malaysian Muslims To Patronage Halal Restaurants – Ambience As A Mediator**

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Abstract

The importance of Halal Restaurants is a serious concern for all Muslims. For the Malaysian, where majority of the population are Muslims, restaurants providing halal food is important as the religion requires that Islamic principals and beliefs be upheld in all transactions. For that reason, this study tries to investigate the factors influencing Malaysian Muslims to patronage restaurants that are guided by sharia'a. This study has examined the effect of attitude, subjective norm and perceived behavior control towards the intention to patronage restaurants. Ambience was used as a mediator. A total of 250 questionnaires were distributed among customers of Halal Restaurants in Penang. Based on 184 questionnaires collected the results show that there is a relationship between attitude, Subjective Norm and Perceived Behavior Control toward the intention to patronage Halal Restaurants. It was found that Attitude, Subjective Norm and Perceived Behavior Control have a significant and positive relationship with behavioral intention to patronage halal restaurants. Ambience was found to have mediating effect on the relationship between attitude, subjective norm and perceived behavioral control; and the customers' intention to patronage halal restaurants in Penang, Malaysia.

Keyword: Halal Food, Restaurants, Ambience, Intention to Patronage

Introduction

The services sector is a key contributor to the GDP growth. This sector expanded at a faster pace of 9.6 percent during the first quarter of 2007. The wholesale and retail trade sub-sector, which constitutes the largest component in this sector, together with the accommodation and restaurant sub-sector rose from 8.1 to 9.1 percent in the first quarter of 2007. This was due to the 'Visit Malaysia Year 2007' campaign and the festive seasons in the first quarter. (Department of Statistics, Malaysia, 2007)

The impact of the Islamisation process has been increasing since 1970s; hence it has brought about a new phenomenon among Malaysian Muslims towards religion in general and the concept of halal, which is much debated, in particular. This is further accelerated by the speed of globalization, the advance revolution in science and technology, and the continuous change in product design, and the manufacturing processes. It is important for marketers and producers of consumer goods and services to understand the halal concept.

Besides, Malaysian consumers have become more religious or halal-food- concerned in terms of their consumption habits. In Malaysia, 60 percent of the population are Muslims. Their expenditure for halal products is more than RM 5 billion a year (Norzalila, 2004). The market for halal food products has been seen as a universally accepted products not targeted towards Muslim consumers. The food choice and consumption is strongly linked to religion, which has acted as a strong motive. As mentioned by Osman and Shahidan (2002), one of the ten megatrends Naisbitt has identified is religious reactivation of this millennium. Religious structure and rituals are important influencers for the guidance of the consumer behavior intention to purchase the food products. Osman and Shahidan (2002) state that the Malaysian government is concerned in the restoration of religious principles and values. As a result, the Malaysian Muslim population exhibits a high trend of preference of purchase halal products. The Malaysian government also supports the marketers and the producers to increase the export of livestock products particularly the meat.

The majority of Muslims in Malaysia consider the concept of halal as an ultimate factor to consumption. Due to the impact of globalization, many sorts of products brands and services either domestically or globally are now flooding the market. Many of the domestic brands are promoting themselves as “Islamic” brands via their Islamic packages and labels. This is also declared to their primary Muslim consumers by the halal standing of their products. On the service side, similar efforts are being done in the banking sector and in the insurance. Definitely, also in halal food sector (Osman and Shahidan , 2004). Besides the products and the brands available in the retail stores, the Malaysian consumers have also proposed a variety of direct selling brand choices like those in the personal care and cosmetic categories. Among the direct selling companies proposing such products are Amway, Avon, Cosway, and Nutrimetics; Osman and Shahidan (2004). The primary objective of the production process is to deliver, elevate and satisfy basic human needs; hence societal and welfare approach should be pursued instead of profit maximization” (Alburaey, 2004). The purpose of this research is to study Muslim consumer intention to patronage halal restaurants. The attitude, subjective norm and perceived behavioral control of Muslim consumer toward intention to patronage halal restaurants was studied in a sample of consumers.

Literature review

According to The Malaysian Institute of Economic Research (2004), Malaysia has been receiving huge number of tourists and businessmen from all over the world, from 1999 and 2003, tourists from Muslim Middle East countries to Malaysia rose from about 20,000 to more than 800,000. This number is increasing. That big number of visitors opens a big and high competing market to provide different meals for different customers which are served by different rules Islamic and non Islamic. However, in Islamic countries such as Malaysia, which consists of three different races, the majority of people are Muslims. Therefore, the restaurants provide its customers with goods and services, which are compatible with shria’a. This means that Malaysia serves only halal food and halal beverages for customers irrespective of Muslim and non-Muslim customers. Many studies have been done for halal food. In 2004, the TPB model was used to explore the intention to purchase halal food. However, not many studies have been done before by using TPB model to measure the intention toward patronizing halal restaurants in Malaysia.

Halal food

“Akta Perihal Dagangan Halal”, 1975, defined Halal as "an Arabic word meaning lawful or permitted". Halal is a universal term that applies to all facets, meat products,

makeup, personal care products, food ingredients, and food contact material. In the Holy Qur'an, Allah commands Muslims and all of man kind to eat of halal things. The following four verses are among the many verses of the Qur'an that convey this message:

- (a) Mankind Eat of which is lawful and wholesome in the earth, and follow not footsteps of the devil. Lo! He is an open enemy for (2:168)
- (b) Ye who believe! Eat of the good things wherewith we have provided you, and render hanks to Allah if it is (indeed) He whom ye worship (2:172)

The Holy Quran, Commentary and Translated by Abdalh Yusuf Ali.

Halal food products

From Islamic point of view, the concept of product has to be viewed in a comprehensive manner. It is of utmost importance to marketers that the product and the production process itself are halal. Any 'product' which is haram has no use at all from an Islamic perspective. To manage product decision, it is necessary for managers to understand the manifestation of product. Product must have been processed in a manner that is permissible and the product should be such that it is totally free from harmful consequences (AL-Buraey, 2003). In addition, Muslims are supposed to follow many of dietary instructions to advance their bodies. The halal dietary laws show which kinds of foods are "lawful" or permitted. These laws can be found in the Holy Quran and in the Sunna of Prophet Muhammad practices. Halal Food should fulfill the following requirements. It must be clear from any material considered to be permitted according to sharia'a. In addition, it must be prepared, processed, transported or stored by using any tool or utility that was fulfilling sharia'a.

Criteria of the halal food

General Guidelines for Criteria of the Halal was issued by the Secretariat of the World Health Organization (WHO) Food Standard Programme (2001). Food must fulfill these requirements to be halal and be able to be consumed and marketed for Muslims.

Lawful Food

The term halal may be used for foods which are considered lawful. Under the Islamic Law, all sources of food are lawful except the following sources, including their products and derivatives which are considered unlawful:

Food of Animal Origin

Boars and bacon, Monkeys, dogs and snake; wild animals which kill and hunt other animals for food with fangs and claws such as lions, tigers and other similar animals; birds of prey with claws such as eagles and other similar birds; pests such as rats, centipedes, scorpions and other similar animals; animals prohibited to be killed in Islam i.e., ants and bees; animals which are considered repulsive generally like lice, mosquitoes and other similar animals; animals that live both on land and in water such as frogs, crocodiles and other similar animals; mules and domestic donkeys; all poisonous and hazardous aquatic animals; any other animals not slaughtered according to Islamic Law; and blood.

Food of Plant Source

Stimulating and harmful plants are haram except where the Stimulator or harm can be eliminated during processing.

Beverages

Intoxicating drinks, and all forms of stimulating and harmful drinks.

Additional Labeling Requirements

When food is promoted as halal, the word halal or any terms to show that food is halal should appear on the label of the product.

Theory of planned behavior

Theory of Planned Behavior (TPB) is concerned with studying and predicting whether a person intends to do something. Therefore, we need to know the following points:

- i) whether the person is in favor of doing it ('attitude');
- ii) how much the person feels social pressure to do it ('subjective norm');
- iii) whether the person feels in control of the action in question ('perceived behavioral

Control'). By changing these three independent variables, we can increase the possibility that the person will intend to perform a specific action and thus increases the chance of the person actually doing it. The Theory of Planned Behavior (TPB; Ajzen, 1991) introduces a model about how human action is guided. It predicts the incidence of a specific behavior provided that the behavior is intentional. The model is depicted in Figure 1 and shows the three variables which the theory consist of and will predict the intention to perform a behavior. (Ajzen, 1991)

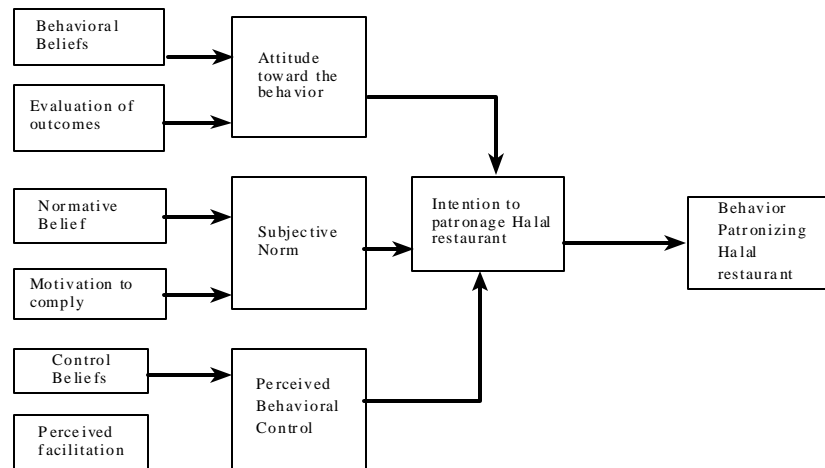


Figure 1: The Theory of Planned Behavior (Ajzen, 1991)

Attitude

Attitude is first component studied to interpret human behavior. It is the person's favor or disfavor toward an action. Attitude is defined as psychological tendency that is expressed by evaluating a particular entity with some degree of favor or disfavor (Ajzen & Fishbein, 1980). Previous studies founded that there is a strong and steady relationship between attitude and repurchase intention. (Cronin and Taylor, 1992). Expected circumstance influencer that goes off to change the purchase intention. (Kotler & Keller, 2006). Customers have the intention to compare the perceived service with the expected service. If customers felt that service under expectation, they would be dissatisfied. However, if customers feelings were equal to or exceeds their own expectations, they will be satisfied. Accordingly, they intended to use the provider again (Kotler & Keller, 2006).

Subjective norm

Subjective norm is the second component of Theory of Planned Behavior. It results from how the person perceives the pressure put on him to perform or not to perform the behavior. Ajzen & Fishbein (1980) mentioned that subjective norm is a function of normative beliefs. Attitude of others influences the purchase intention and purchase decision. Attitude of others means to which limit the attitude of others affect the customer's purchase decision and choosing particular product among different products. The first component of the theory is the strength of others' negative attitude toward customer's different choice. The second part; however, is the customer's motivation to comply with others' attitude. When others are close to customer and have high negativism toward the product, customers will be more likely to adjust his purchase intention. And customer's purchase intention will increase if others' have others' preference to the same product (Kotler & Keller, 2006).

Perceived behavioral control

Perceived behavior control is the third component in theory of planned behavior. Perceived behavior control is defined as the extent to which the person has control over internal and external factors that facilitate or constrain the behavior performance. It consist of two components control beliefs and self- efficacy. Control beliefs are person beliefs toward factors available which facilitate or prevent performing a behavior (Ajzen, 2001). Perceived facilitation, however, is about the condition where a person perceives himself able to perform the behavior (Ajzen, 1991). Customer's buying decisions are motivated by personal features. These features include the age level, the job and economic conditions (control beliefs); personality and self-concept (self-efficacy); and life style and values. Many of these features have a very direct effect on consumer to perform the behavior (Kotler & Keller, 2006).

Intention

Intention is an indication of a person's willingness to perform the behavior, and it is immediate antecedent of behavior. Intention is the dependent variable which predicted by independent variable namely attitude, Subjective Norm and Perceived Behavioral Control. Intention varies from time to time and the time interval increases, the lower is the correlation between intention and action (Ajzen & Fishbein, 1980). Davis et al (1989) and Taylor & Todd (1995) they found in their studies that intention is strong predictor of behavior.

Ambiance

Ambiance is an external moderator in TPB model to patronage halal restaurants. Ambiance as a moderator has not been examined before, but many studies found that external ambiance has an impact on attitude towards patronage. Retail patronage is strongly affected by store image (Erdem et al., 1999; Samli, 1998). Pettijohn, and Luke (1997) found, in fast food restaurants, that ambiance was unimportant. But, quality, cleanliness, and value were found to be the three most important influencers. The retail store atmosphere has also been shown to have a positive influence on consumers' patronage intentions (Van Kehove & Music has been shown to affect consumers' responses to retail environments, typically in a positive manner (e.g., Baker, Grewal, & Levy, 1992). Hui et al. (1997) note that "playing music in the (service) environment is like adding a favorable feature to a product, and the outcome is a more positive evaluation of the environment." In the Islamic manner, the environment must be guided by sharia'a "showing various parts of women in an alluring manner, forbidden practices such as witching and jugglery; private parts of human body; or dissolute images are all unacceptable in Islam" (AL-Buraey, 2004).

Prior studies on halal products

Many studies have been done to investigate customers' intention toward Islamic products like halal food and Islamic banks products. These two examples were mentioned to validate using of TPB in this research to investigate the intention of customers' toward patronizing halal restaurants by using TPB. Bonne, Vermeir, Bergeaud-Blackler & Verbeke (2007), studied on the determinants of Halal Meat Consumption in France. In this study, the model consists of TPB, habit was additional independent variable and two moderators: self identify (Muslim) and dietary acculturation examined the relationship if attitude, subjective norm and perceived behavioral control are good explainers or influencer to consume halal meat among Muslims in France. Consumers, who consider themselves less as being a Muslim, believe that their consumption decision is a matter of personal conviction. Research published in 2007. Norzalila (2004), in her study used Theory of Planned Behavior to test the relationship between attitude, subjective norm and perceived behavioral control toward intention to purchase halal food. The research conducted in Penang 2004. In this research, the results showed there is a positive relationship between attitude, subjective norm and perceived behavior control toward intention to purchase halal food among Malaysian in Penang, subjective norm is greater influencer than attitude to intention to purchase halal among Malaysian in Penang. Jahya, (2004), researched on the Relationship between attitude, subjective norm toward intention to patronage Islamic bank products and facilities is examined by using Theory of Planned Behavior among people in Penang. The researcher found that attitude and subjective norm are good predictors of the intention to patronage Islamic bank products and facilities among Malaysian in Penang.

Theoretical framework and research methodology

Based on the literature review above the theoretical framework was constructed for this study which is depicted in figure 2.

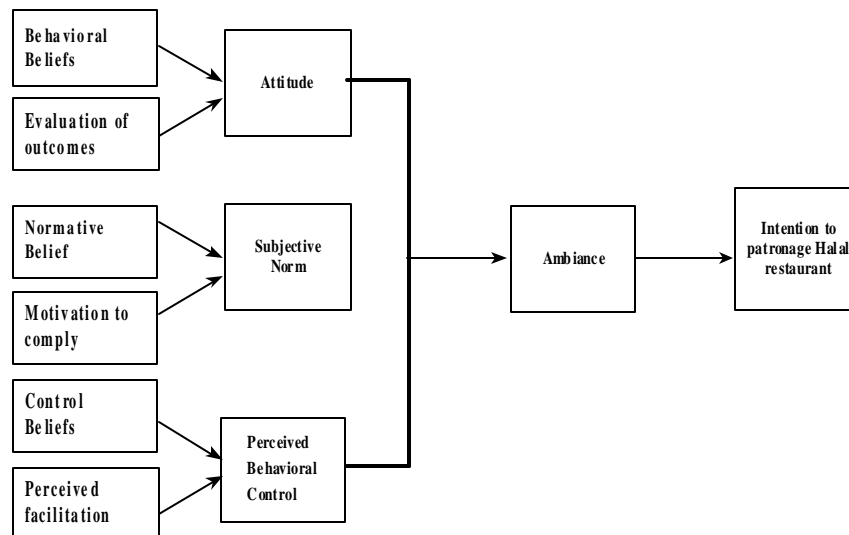


Figure2: Schematic diagram of the theoretical Framework

Intention to patronage halal restaurants is the dependent variable and independent variables are: attitude, subjective norm and perceived behavioral control. Ambiance is the mediating variable.

Research hypotheses

The study intended to see the relationship between attitude, subjective norm and perceived behavioral control. In addition to that the mediating effect on the relationship between attitude, subjective norm and perceived behavioral control; and intention to patronage halal restaurant is also analysed.

From the above theoretical framework, the following hypotheses were derived:

- H1: The more positive is attitude the greater is the consumer behavior intention to patronage halal restaurants.
- H2: The more positive is subjective norm the greater is the consumer behavior intention to patronage halal restaurants.
- H3: The more positive is perceived behavioral control the greater is the consumer behavior intention to patronage halal restaurants.
- H4: Ambiance mediates the effect of independent variables (attitude, subjective norm, and perceived behavioral control) towards intention to patronage Halal Restaurants.

Research approach

This study is correlation in nature as it emphasizes on relationships between the attitude, subjective norms and behavioral control; and customers intention to patronage

halal restaurants in Malaysia. Its objective is to examine the relative importance of the independent variable as factors that influence the consumer intention to patronage halal restaurants. An attempt is made whether to study the impact of attitude, subjective norm and perceived behavior control have in over the entire model including ambiance as a mediator for the relation between independent and dependent variable. The selected site for this study is Penang Island in Malaysia. The reason for choosing this site is due to the relevance of its population to this study. Data was collected through a structured questionnaire, one for each consumer. This method of distribution had also been conducted in Cook et al. (2002), Norzalila (2004) and Jahya (2004). The population of this study consists of all adults from the age of 18 and above, who are consumers, irrespective of whether they have concern or not about the intention to patronizing halal restaurant. Each individual was asked to complete a self-administered questionnaire survey. The questionnaire is constructed and modified based on sample questionnaires developed by Ajzen and Fishbein's (1980), cook et al. (2000), Norzalila (2004) and Jahya (2004). Questionnaires were sent to 250 respondents as it was expected to receive a response rate of 25% as has been proven in previous studies. To determine the sample size, the researcher used a general rule, which is a minimum number of respondents should be at least five times as many variables to be analyzed, and the more acceptable size would have a ten-to-one ratio (Hair, Anderson, Tatham, and Black, 1998). The technique of sampling used in this study was non probability convenience sampling method because it was viable alternative and due to the constraint of time, speed, cost and convenience in order to obtain enough respondents.

Survey results

Profile of respondents

The profile of respondent shows that majority of the respondents is aged between 26 to 33 years old, which represents around 39.7 percent. 60.3 percent of respondent are males, around 55.4 percent of the respondents are single, majority are Post graduate which represent 37.5 percent. Malays are major respondents with 131 respondent which represents 71.2 percent. Students are 85 of the respondents with 46.2 percent. There are 53 respondents with income more than 5001 and this represent 28.8 percent of the respondents.

Factor analysis

This examination for independent variables revealed a combined total variance explained of 61%. The KMO measures of sampling adequacy stand at 0.755. Summarized factor loadings and cross factor loadings for independent variables that were extracted from the rotated component matrix. Here we have attitude which consist of behavior beliefs and evaluation of outcomes. Subjective norms which consists of normative beliefs and motivation to comply. Perceived behavior control which consists of control beliefs and perceived facilitations. Eleven questions were introduced to measure the mediating variable. Then five questions were eliminated due to loading. This examination revealed a combined total variance explained of 64.34%. The KMO measures of sampling adequacy stand at .865.

Reliability analysis

Reliability Analysis was conducted to ensure the consistency or stability of the items (Sekeran, 2003). The Cronbachs alpha test was used to analyze the reliability of the instrument. According to Nunnally and Bernstein (1994), the reliability acceptance level

0.70. In this section main independent variables attitude, subjective norms and perceived behavior controls were included in reliability analysis. The Cronbach's alpha value for Behavioral Beliefs = .6818, Evaluation of Outcomes = .7758, Normative Belief = .7179, Motivation to Comply = .7717, Control Beliefs = .7122, Perceived facilitation = .7635, Behavioral intention = .8084, Ambiance = .8862.

Hypotheses testing

Multiple Regression was conducted to test the direct relationship between independent variable (Attitude, subjective norms and perceived behavior controls) and dependent variable intention to patronage Halal Restaurants and variations explained by these independent variables towards the intention to patronage halal restaurant in Penang.

H1: the more positive is attitude towards behavior, the greater is the consumer behavior intention to patronage halal restaurants.

Table 4.1 shows the results between attitude and intention to patronage Halal Restaurants. Based on the results, attitude was significant $p < .05$ with Standardized Coefficients Beta = .117 and have positive effect on Halal Restaurants. Thus, H1 is accepted.

H2: the more positive is subjective norm towards behavior, the greater is the consumer behavior intention to patronage halal restaurants

Table 4.1 shows the results of the degree of the effect of subjective norm toward intention to patronage Halal Restaurants. Based on the results, subjective norm was significant $p < .05$ with Standardized Coefficients Beta = .212 and have positive effect on intention to patronage Halal Restaurants. Thus, H2 is accepted.

Variable	Standardized Coefficients Beta
Attitude	0.163*
Subjective norm	0.168*
Perceived behavioral control	0.471***
F	39.065
Significance	0.000
R Square	0.398
Durbin-Watson Test	1.680

* $p < .05$, and ** $p < .01$

Table 4.1: Results of Regression Analysis.

H3: the more positive is attitude towards behavior, the greater is the consumer behavior intention to patronage halal restaurants

Table 4.1 shows the results between perceived behavioral control and intention to patronage Halal Restaurants. Based on the results, perceived behavioral control was significant $p < .00$ with Standardized Coefficients Beta = .473 and have positive effect on Halal Restaurants. Thus, H3 is accepted.

Table 4.2 presents the results of hierarchical regression on the mediating effect of ambiance on the relationship between attitude, subjective norm and perceived behavioral

control; and customers intention to patronage halal restaurants.

Selected variables	Model 1 (beta)	Model 2 (beta)
Attitude	.163*	.076
Subjective norm	.168*	.090
Perceived behavioral contro	1.471*	*.357**
Ambiance	-	.365**
R Square	.398	.488
Adjusted R Square	.388	.476
Sig. F	.000	.000
DurbinWatson index	1.680	1.680

*p<.05, and **p<.01

Table 4.1: Results of Hierarchical Regression Analysis.

Based on the hierarchical regression results, when ambiance was included as a mediating variable with the original model, there is a significant change in R square value (R square change = .089). This indicates that there is a mediating effect of ambiance on the relationship between attitude, subjective norms and perceived behavioral control; and the customers' intention to patronage halal restaurants in Penang. Ambiance becomes the most significance factor in determining the customers' intention to patronage halal restaurants.

Theoretical implications

Theory of Planned Behavior could facilitate in predicting the intention to patronage Halal Restaurants. In this study, it was shown that the TBP model could explain 40.8% percent of the variance in the intention to patronage Halal Restaurants. Statistically the model was significant and the result indicated that the model is useful in predicting intention to patronage Halal Restaurants. This is consistent with other studies using the TPB model (Bredahl et al. 2000; Norzalila, 2004).

A critical finding of this study is that beta weight of perceived behavioral control is larger than the beta weight of attitude component and subjective norm. This illustrate that the perceived behavioral control component is a better predictor of intention to patronage Halal Restaurants. In the analysis of the perceived behavioral control, it was determined that control beliefs and perceived facilitation were dominant references. This result supported by Bredahl (1999) in the study of intention to purchase genetically modified foods.


The hierarchical regression was used to test the affect of the mediating variable on the relationship between the independents toward dependent variables. Based on the results obtained showed that ambiance positively influences customer towards intention to patronage Halal Restaurants. So customers with high income are going to be more selective between restaurants.

Managerial implications

The TPB model has played important role in explaining consumer intention to patronage Halal Restaurants and it has gone deeply to explain the underling beliefs that enhance the intention. The beta value of every independent variable had also helped us to specify the more predictor variable. About which more effective variable, we identify the variable which is more effective, in order to make Halal Restaurant owners marketers know

this information and be able to build and develop more effective and efficient strategy. As discussed earlier, it was found that Perceived behavioral control has more influence than attitude and subjective norm intention to patronage Halal Restaurants. This result supported by Bredahl (1999) in the study of intention to purchase genetically modified foods. Therefore, the owners and marketers of Halal Restaurants must focus on and emphasize that the relevant perceived behavioral control influences are in favor of the intention to patronage Halal Restaurants. For that, more advertising and promoting restaurants to explain for customers that Halal Restaurants are following sharia'a principals. Service organizations in Malaysia are growing gradually, and due to globalization and tourism, therefore, in order to be competitive in very competitive market, these patronage Halal Restaurants should focus on perceived behavioral control. Then, it will be a source of competitive advantage for Halal Restaurants.

Conclusion

The study has explained the ability of the TPB in explaining the intention to patronage Halal Restaurants and whether religiosity and ambiance moderate the intention to patronage Halal Restaurants. It was shown that the intention to patronage Halal Restaurants was influenced by attitude, subjective norm, and perceived behavioral control components with the perceived behavioral control component being more influential. Ambiance mediates the relationship between independents and dependent variables selected for this study. In conclusion, it is assumed that the outcomes of this study have contributed some valuable information for researchers, customers, marketers and Halal Restaurants owners. It is expected that the result of the survey will provide information on the intention to patronage Halal Restaurants and which variables affecting customers' intention. Therefore findings of this study will serve future reference on the study of Halal Restaurants. 

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To go from good to great requires transcending the curse of competence. It requires the discipline to say, “Just because we are good at it - just because we’re making and generating growth-doesn’t necessarily mean we can become the best at it.” The good -to-great companies understood that doing what you are good at will only make you good, focusing solely on what you can potentially do better than any other organization is the only path to greatness.

Jim Collins, *Good To Great*

BOOK REVIEW

Development Policy *Sans* the Politics of Development: A Review of S.N.H Naqvi: *The Evolution of Development Policy*

Karachi Oxford University Press, 2010

An extended review of this book is justified because Prof. Syed Nawab Haider Naqvi is a pioneer development economist in Pakistan. He began his career more than fifty years ago at the newly established Pakistan Institute of Development Economics (PIDE), which under the guidance of Emile Despres, Gustav Papanek and several others Harvard group academics was soon to become Pakistan's leading economic think tank. After graduating from Yale and Princeton Prof. Naqvi served as Director of PIDE from 1979 to 1995. Prof Naqvi has been a leading contributor to development policy debates in Pakistan since the early 1960s and the blurb of this book tells us that he has written "about 100 articles and 48 books and monographs on diverse aspects of development policy".

Development policy emerged in the wake of the Second World War. It has evolved from Anglo American and French colonial policy. A central weakness of this book is that it ignores this fact and therefore misunderstands development policy's telos which is the perpetuation of post colonial order. Development policy is constructed on three foundations — development economics, the sociology of development and modernist political science. These interpolated teleologies explain how and by what means can the dominance of post colonial order be sustained. Naqvi does not seem to be aware of the sole industrial justificatory premisis on the basis of which development policy and its evolution can be assessed.

Since the telos of development policy is the sustenance of post colonial order the efficacy of its evolutionary trajectory can coherently be assessed on this basis alone. The narrator must seek to answer the question: has development policy evolved in a manner which increases its contribution to the sustenance of post colonial global hegemony? Assessing the efficacy of development policy on any other basis necessarily needs justification.

One may argue of course that Naqvi is a post colonial apologist. He accepts as his own the meta-rational presumptions that underlie the development theory discourses that he narrates. But arguing from a particular meta rational perspective — arguing on the basis of the view that post colonial global order ought to be sustained — requires the narrator to show the purpose that acceptance of these beliefs entails is effectively served by particularly policy initiatives. Since Naqvi believes that accelerated growth, sustained structural transformation¹, reduced income distributional disparities and reduction in absolute poverty are achieved by a specified set of policies², he ought to show that the achievement of these intermediate / instrumental targets leads to the realization of the purpose (telos) of development policy — i.e. the consolidation and sustenance of post colonial global order.

He does not attempt to do this. Nor does he attempt to demonstrate either (a) that development policy has some other over arching purpose or that (b) accelerating growth sustaining structural transformation, human development etc are not intermediate targets at all, they are ends in themselves.

If (b) is the case — and I suspect that Naqvi believes that this is implicit in his argument — he ought to show that the capitalist life-world³ was transcended at the end of the Second World War as the Ancient Regime was transcended by Christianity in the early centuries of the Christen era. Capital accumulation, as an end in itself, political order premised on the sovereignty of the citizen, rationality conceived of as the consistent pursuit of self interest and colonialism were all discarded and a new moral order was instituted based on a totally different telos. If this was not the case⁴ and capitalist values continue to remain hegemonic in the post second world war era, accelerated growth, structural transformation, poverty alleviation etc cannot be regarded as ends in themselves. They are necessarily instrumentalities for sustaining global capitalist order.

Or are they? Is it not possible to transcend colonialism without transcending capitalist order itself? Naqvi cannot address this question for he excludes from his analysis the vast literature within the political modernization tradition which focuses on the vexed question of the relationship between capitalism and nationalism. A non national capitalist state has been usually regarded as something of an oxymoron (Gellner 1997) and global capitalist order has since the Treaty of Westphalia been structured internationally — not super nationally⁵. And these international structures usually articulate the political preferences of the hegemon nation within the system.⁶ (Anderson 2007).

Moreover, the distribution of power within nationalist global order has always been asymmetric and increasingly unequal — hence global capitalist order has never transcended the colonial / post colonial project of subjecting all states to the sovereign will of a national hegemon representing capital in general.

Both Rawls and Habermas have grappled with the problem of the universalization of capitalist order which is necessary for the transcendence of colonialism within capitalist order.⁷ Naqvi is not aware of Habermas, work⁸ and he ignores Rawls' post 1993 writings entirely. Moreover, it is curious that although Naqvi's own moralist leanings seem to be revisionist Rawlsian⁹, he does not justify the development paradigm he regards as most successful — i.e. the Traditional Development Paradigm — on Rawlsian grounds, i.e. as a means for the operationalization of Rawls' two Principles of Justice (maximization of freedom and prioritization of the least advantaged in distribution).

Naqvi's "New Development Paradigm"¹⁰ is "post Rawlsian" only in the trivial sense that he asserts (but does not prove) that it is possible to add on the objective of accelerated growth to the Rawlsian principles of maximizing liberty and distributional preferential treatment of the least advantaged. His definition of "the just", "the good", "the well ordered society" "the rational" are completely identical with those of Rawls and do not represent a theoretical advance. He ignores the entire corpus of literature following Hugh Scanlon's *The Limits of Liberalism* (1977) seminal intervention which shows the cultural specificity of Rawls' conception of the 'well ordered society'. This well ordered society is necessarily liberal as are the 'decent states' which Rawls accepts as legitimate members of the global community of states governed by his Principles of Justice, Rawls explicitly rules out from the membership of this state community a state which legislates on the basis of the *Shareah* (Rawls 2003). An Islamic state is therefore necessarily an 'outlaw' state in the Rawlsian perspective and civil war to overthrow such a state is legitimate.

If Naqvi accepts Rawls' conception of justice as he manifestly does he must necessarily regard Islamic states ruled by *Shariah* law, such as Iran, to be unjust *pariah* and outlaw states.

The extensive critique of Rawls' claims about the a-metaphysical character of his

political theory by authors such as Hubermas (1987, 1996, 2003) Larmore (1996) and Lafont (2003) forced Rawls to retreat from his universalist claims. Constitutional democracy requires both a specific form of a comprehensive doctrine, such as that of Kant and Mill and a particular conception of the self to sustain it¹¹. Non Kantian comprehensive doctrines (e.g. Islam) and non Rawlsian selves have to be “reconfigured”¹² to fit into the overlapping consensus of comprehensive doctrines that underlie “Justice as fairness.” Rawlsian theory can therefore be interpreted as legitimating the universal dominance of the capitalist way of life — its norms, institutions regulatory structures and transaction forms. Rawls is at one with Locke and Mill in seeing capitalist epistemologies as uniquely rational. As Rawls — admits that.

“(T)he principles of justice as fairness require a constitutional democratic regime and reasonable pluralism (which) is the long term outcome of society’s culture. In well ordered societies of justice as fairness citizens hold the same comprehensive doctrine (which) includes aspects of Kant’s comprehensive liberalism. But given the fact of reasonable pluralism this comprehensive view is not held by citizens generally” (Rawls 2001).

However, despite holding on to different comprehensive doctrine all citizens are endowed with capitalist rationality. It is this rationality which provides a basis for developing the ‘overlapping consensus’ which transfigures non liberal comprehensive doctrines (e.g. Islam) and subsumes them within liberal / capitalist political order (‘Justice as fairness’).

Rawls is a capitalist apologist in the tradition of Locke and Mill. He claims that he has no particular conception of the good yet he defines ‘primary goods’ as income, and wealth and power and authority — all manifestations of capital which alone has intrinsic worth in capitalist society. Value in capitalist society is ascribed through money and capital markets to practices on the basis of their contribution to capital accumulation alone. Capitalist apologists cannot replace utility in their objective function for capital is the concrete form of freedom — it is nothing else. Capitalist societies are free societies in the specific sense that they are organized to maximize freedom and freedom’s concrete social manifestation is capital. Rawls recognizes this when he prioritizes liberty and accepts distributional constraints on liberty maximization only for its own sake — i.e. distributional concerns can inhabit capital accumulation only if this is done to maximize capital / freedom maximization ‘over the long run’. The disadvantaged must be given preferential treatment so that they recognize their self interest in sustaining capitalist order and do not revolt against it.

Several authors such as Hare (1973) Harsanyi (1977) and Daniels (1973) deny that Rawls principles are irreconcilable with utilitarian maxim. Hare shows that persons in the Rawlsian Original Position could (capitalistically) rationally choose the total utility maximization principle. Similarly to describe Sen as a “non utilization consequentialist” — as Naqvi does repeatedly in his book (p365, 379, 383, 393) needs justification.

Naqvi is an advocate of what he describes as the ‘traditional development paradigm’. This paradigm can be seen as an outgrowth of orthodox Keynesianism. It proposed a Keynesian policy agenda both for neo colonial states and for the hegemon and its satellite international institutions. It’s key weakness — as Kalecki pointed out half a century ago — was its inability to develop a fully articulated theory of the state. The traditional development economists never raised the question: can intermediate regimes / ‘development states’ (such as those led by Nkrumah, Soekarno, Nasser, Nehru and Peron) institutionalize the Keynesian practices and policies that were designed for a quite different political-social configuration and can the hegemon (America) allow them to do so.¹³

Naqvi does not have a theory of the state — he entirely ignores the development sociology and the political modernization literature that is concerned with this issue. He also closes his eyes to the most cogent critique of the ‘traditional development paradigm’ (more properly called structuralism) that has appeared in the works of the Latin American dependence scholars on the one hand and of the Marxists on the other. ‘Dependencia’ and ‘Marxism’ are not included in Naqvi’s ‘development paradigms’. Naqvi does not assess the work of any dependencia or Marxist scholar — neither Frank nor Sunkel nor Sweezy nor Barrington Moore nor Wallerstein nor Bagchi.

Another extremely eloquent silence is his total neglect of the experience of states such as Iran, Cuba, Venezuela, the erstwhile Soviet Union and Maoist China which have articulated a development paradigm of their own, constructed a non Rawlsian state form and resisted subordination to imperialist order for several decades. Is there nothing of value in these experiences? Why should we continue to pretend that they do not exist and that global capitalist hegemony is inevitable and eternal.

Naqvi ascribes “altercations on key development issues to economists’ paradigmatic affiliations’ (back flap blurb). The economists whose work he has surveyed share capitalism’s core values and accept as both reasonable and desirable¹⁴ capitalism’s global systemic dominance. The disputes Naqvi reviews are on how to strengthen capitalism’s global hegemony — not about how to transcend it.

In Naqvi’s view the best way to consolidate capitalist order globally and nationally is by returning to the policies advocated by the ‘Traditional development paradigm’ and practiced according to him during 1950-1980. According to him “the Traditional Development Paradigm” is the repository of most of the right ideas about the mechanics of growth and development . . . It offered a broad based development agenda that focused on societal transformation and the creation of the growth oriented institutions as the fastest road to modernity. It emphasized the quintessentially egalitarian nature of economic growth. It advocated the view that economic development contributed to human freedom and that economic development could best be achieved within the framework of the political freedom that democratic societies routinely provide” (p42-43).

These are very wide ranging claims. Naqvi is claiming that policies advocated by the Traditional Development Paradigm — the promotion of capitalist agriculture, import substitution industrialization, public investment expansion, specially in the capital goods branches — lead to “societal transformation, the emergence of “modern institutions” and the promotion of “political freedoms and democratic societies.” Such claims have not been systematically substantiated in Naqvi’s subsequent analysis — for it is entirely econometric and completely ignores the sociology of development and political modernization literature which addresses such issues.¹⁵

Some empirical evidence has been presented to support the claim that the adoption of the Traditional paradigm advocated policies (the development of capitalist agriculture, import substituting industrialization, deficit financed high levels of public investment etc) led to higher GDP growth rates, higher saving and investment rates , greater structural transformation,¹⁶ lower inflation, improved pattern of income distribution and reduced poverty levels (Table 2.1) for a group of South Asian, East Asian, Latin American and African countries during 1960-2000.

A major problem with this evidence is that the 24 countries for which aggregate averages have been presented in Table 2.1¹⁷ have not been categorized as those pursuing

and those not pursuing Traditional paradigm advocated policies. Yet Naqvi claims “(s)ome tentative observations can legitimately be made about the reasonableness of the many hypothesis that the rival paradigms have made” (2010 p48). Naqvi writes that ‘none of the developing countries experienced development failure¹⁸ with the exception of post shock Africa (during the 1960s, 1970, 1980s and 1990s) (2010 p51). The only way to ascribe this lack of ‘development failure’ to the Traditional paradigm is to assume that all developing countries were pursuing Traditional paradigm advocated development policies throughout 1950-1980. Naqvi presents no evidence and no arguments to show that this was the case. He does not provide any explanation for the much higher growth rates of East Asia as compared to Latin America during the 1960s when external shocks were absent and when Latin American economies were pursuing Traditional Paradigm policies much more enthusiastically and consistently than Hong Kong, Malaysia, Indonesia, Singapore and Thailand¹⁹.

Naqvi provides no evidence for the view that high saving rates in East Asia and Latin America can be assigned to their adoption of Traditional paradigm advocated policies. India and Pakistan (including Bangladesh during the 1960s) also adopted similar policies. Why were South Asia saving and investment rates about a third of those of East Asia? Nor is any explanation — barring a few rhetorical speculative sentences — provided for the differential in the export growth and GDP growth rates between East Asia on the one hand and Africa and Latin America on the other.

Naqvi recognizes that no evidence is presented in Table 2.1 to justify the claim that adoption of Traditional paradigm policies leads to the type of growth which reduces poverty. He notes that South Asia’s GDP growth rates have been higher than that of Latin America but poverty levels remained much higher in South Asia than in Latin America.²⁰ Why was this the case when, as Naqvi presumes, both were pursuing Traditional paradigm advocated policies. Nor is there any evidence presented in Table 2.1 to establish the relationship between the adoption of Traditional paradigm advocated policies and improvements in the pattern of income distribution.

Similarly, there is nothing in Table 2.1 to substitute the claim that “structural transformation’ was a consequence of the adoption of Traditional paradigm advocated policies, nor can the low level of inflation in South East Asia be ascribed to the adoption of Traditional paradigm advocated policies — for Latin American economies which pursued such policies much more assiduously had far higher levels of inflation throughout the period.

That it is incorrect to assume that all countries in Naqvi’s sample adopted Traditional paradigm sanctioned policies is illustrated by the fact that the public investment to GDP remained low and stagnant in Latin America, South Asia and East Asia through out this period. As Naqvi himself acknowledges “(n)othing definite can be said by looking at these figures (in Table 2.1) about the causative factors” (2010 p48) of performance variations. Moreover, Naqvi does not for apply standard tests for significance of difference between means for identifying differences in performance outcomes.

Table 19.1 (p330) attempts to test the Traditional paradigm expectation that the GDP per capita growth and the investment to GDP ratio are determined by the share of manufacturing (MVA) in GDP. These results are not robust because:

- The time period over which the data has been pooled has not been specified. The sources say that some of it has been taken from Penn World Tables — Version 6.1 (2002). Does this mean that the time series end in 2001? Why?²¹ And when does


the time series begin?

- Unit root tests have not been reported (one suspects they have not been performed) for variables in the model to determine order of integration.
- Therefore, it is not clear whether co-integration tests needed to be performed for this data.
- Granger causality tests have not been performed to test direction of causation between dependent and independent variables.
- Standard techniques (such as AIC-Akaike's Information Criteria) have not been employed to determine optimum lag length.
- Adjusted R^2 and DW statistics have not been reported. So, goodness of fit cannot be ascertained.

These weaknesses also apply to Table 19.2 (p330) and Table 20.1 (p341) which seek to identify determinants of poverty. Table 20.2 omits the 'structural transformation' variable and cannot be said to test the Traditional paradigm hypothesis at all²². This table is particularly suspect for the dependent variable is not defined at all — it is called "poverty and economic growth" and there is no indication how this composite variables is measured. In any case none of the elasticity estimates of the independent variables reported in this table are statistically significant. Hence nothing what so ever can be claimed on the basis of these findings. In Table 19.1 the elasticity estimate of the structural transformation variable is not found to be statistically significant in the equation with growth per capita income as the dependent variable. Hence Naqvi provides no evidence for validating the central doctrine of the Traditional paradigm²³.

It is nothing short of amazing that as experienced an econometrician as Naqvi²⁴ can, on the basis of such spurious inconclusive and weak results, claim that "(these) results should settle the division of opinion on the growth, inequality, poverty relationship" (p341). Such exaggerated — indeed false — claims detract from the value of the book.

The book lacks in analytical rigour and is written in an impassioned rhetorical polemical style. It adds almost nothing to Naqvi's earlier shorter treatise (1993) and in neither the 1993 nor the 2010 texts does Naqvi make a theoretical contribution. His effort can best be described as a concatenation of four conventional development economics paradigms.²⁵ I emphasis this is a concatenation not a synthesis, hence the volume cannot be used as a text book.

The principle silence in Naqvi's analysis is ethical. Political Development policy is essentially a political project concerned principally to perpetuate the dominance of global capitalist order. The sociological and political science literature which focuses on development policy recognizes and justifies and / or critiques development discourses on this basis. By omitting all references to this rich body of knowledge Naqvi has taken assumed the value neutrality of the various development theories that he has analyzed. This is fundamentally misleading Development discourse is not what Naqvi has taken it to be. 

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Notes

1. Defined as an increase in the share of manufacturing in national net output (p134)
2. Mainly those advocated by what he describes as the “Traditional Development Paradigm” (chp 3-6)
3. In the Habermasian sense
4. And I am not aware of any author of any school of thought who argues that capitalism was transcended systematically in 1945.
5. Super national capitalist utopias have been conceived by several influential authors. Such as Nazick (1974) and Hardt and Negri (2000).
6. When they fail to do so they stagnate and stultify as was the case of the United Nations during the Cold War era. Since 1991 the United Nations has become increasingly subservient to US influence (Anderson 2007 p29-30).
7. Hebermas’ discourse on this issue is more profound and nuanced than that of Rawls.
8. There is no reference to Habermas in the text or the bibliography of Naqvi’s book.
9. Naqvi writes “(t)he New Development Paradigm (i.e. his own) supplement(s) some aspects of the Non Utilization consequentialist philosophy — i.e. the Rawlsian conception of a well ordered society and Sen’s principle ‘consequent evaluation’ (2010 p365).
10. There is in my view very little “new” in this “paradigm” — it is essentially a concatenation of different elements of a small number of “old” paradigms.
11. The Rawlsian self is antecedently individuated in the sense that it is not constituted by its ends (For elaboration see Sandel (p977) Ansari (2003).
12. Rawls’ term.
13. A major exception was Gunnar Myrdal who did raise this question in his Asian Drama (Harmondsworth 1969) from a broadly Keynesian perspective but gave very ambiguous answers.
14. Reason as Hume maintained is after all only the slave of the passions and specially so in capitalist epistemology.
15. Naqvi tries to substantiate such claims by giving appropriate quotes from “Traditional Developmentalists”. But this is neither here nor there, for other quotes with alternative interpretations can also be given and many critics have done so (see for example the classic argument of Lal 1969).
16. Defined as an increase in manufacturing value added (MVA) share of GDP.
17. Five each from South Asia and Africa and seven each from East Asia and Latin

America.

18. Naqvi does not 'define development failure' in the text.
19. The only other countries in Naqvi's East Asian sample are China (which under Mao cannot be seen as an adherent of the Traditional paradigm) and South Korea.
20. Table 2.1 does not give a precise definition of how poverty is measured by Naqvi.
21. Later data on variables included in this table is readily available in several easily accessible sources such as World Bank (2010).
22. This is unavoidable for in my opinion the traditional development economists did not concern themselves with issues of poverty at all.
23. The results reported in Table 15.1 (p277) and Table 15.2 (p230) which seek to identify determinants of 'human development (represented solely by the literacy rate) are equally weak.
24. Dr. Naqvi served as director of Pakistan's premier economics research institute PIDE for 18 years (1975-1995) and co-authored several major econometric studies (e.g. Kamal and Naqvi 1991, and Kamal and Naqvi 1999).
25. Which he calls (a) Traditional (b) Liberalist (c) Anti Liberals and (d) Human Development.

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