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Editorial Perspective

The critics of corporate culture have given acute explications of the subtle flaws and limitations inherent in the corporate world-view. Their criticism derives its force from the two invariant qualities or the basic set of predicates – *power* and *authority* stipulated to define the corporate culture. Also, they have argued that our corporate functionaries are not necessarily veterans who have grown older and wiser in their professional fields of executive and managerial occupations. Their argument is based on the criteria that the level of intellectual development of a business executive becomes manifest in and through his human resource management and the way he conducts himself in his inter-personal relationships. The distinction that the critic is concerned with is of a general relevance in relation to the corporate culture and it is only one of the defining characteristics that can be correctly attributed to the functionaries of the corporate organizations. Some of his reasoning is spurious and not all of his thinking is reasoning. The distinction can be taken up and disposed of briefly as an example vitiated at best by the politics of corporate experience. For instance, given our situation and circumstances, it will be unrealistic to raise the expectations regarding the intellectual level of our corporate and political functionary to the height of Euripides who claimed to have found authority and “power in the mysteries of thought”

What is puzzling and peculiar about this argument is that it derives its force and takes its literal meaning from ethical and moral considerations, rather than the manifestations of intellect in the human context.

Surely, it is not true, the critics insist, that our corporate functionaries are an embodiment of moral and ethical virtues, but it ought to be. His argument also suggests that the life of a moral person is a witness to his struggle against inauthenticity; it is a testimony to his glorious victory over the painful anguish of self-defeat. It is a life free from blemish and debauchery, something that can hardly be said of our political leaders and corporate functionaries. Their's is not a morality touched by religion; it is pragmatism deepened by pure and pristine expediency. The line is drawn quite firmly and the sweep does not create any dilemmas for the corporate functionary. Blatant deviations and insidious sophistries are inflicted upon our intelligence in total abandon. Since we do not know on what ethical and moral grounds he will defend his position, he feels secure in the knowledge that we do not know how to counter his defense. The critic makes no secret of his reservations about the moral stature of our political and corporate functionaries. They are not under compulsion to incorporate into their lives intrinsic and cardinal virtues to merit the distinction of socio-cultural elitism. They are not an embodiment of Socratic refrain and *virtue* is not the other side of their *knowledge*. It is a dreary truth that we have come to accept. To some of us it will sound a harsh judgement. But, however biased and erroneous it may sound, it is a sad reality and it is always true, when it is not false. Perhaps so, but the critics have also inquired into the source of this benign

confidence. They have traced it to the relationship between the corporate system and the corporate functionary.

What lends such inexorable meaning and significance to this gloomy phenomenon is the assumption that it is not by virtue of their ethical and moral grounding or the force of their character that our corporate executive permeate our business community and run our corporate system. Our corporate executive and business managers derive their sense of *power* and *authority*, both in the literal and metaphorical sense, from their willing subservience to the *status quo* and the uncritical acceptance of the “given” and the taken for granted sacrosanct assumptions of the corporate system. By training, they are programmed into a mind set which is conducive to the unreflective attitude because it takes away the anxiety suffered by an inquiring mind pursuing a vision driven evaluative and normative model of corporate organization and business management. By creating a carefully contrived alternate reality, the corporate system replaces the functionary’s ideology with the official corporate ideology. It gives our corporate executives the luxury to relish certainty and confidence enjoyed by the one dimensional man. Such a captive mind, culturally domesticated to the ideology of the corporate system and by virtue of his willing subservience to it, enjoys the power to neutralize or rationalize cognitive dissonance, inward dissent and moral anxiety. Also, by means of such mechanisms, corporate system focuses on outward behaviour and discourages inward look. It emphasizes behavioural disposition which forbids reflexive consciousness. However, reflexive awareness and inward disposition are the fundamental ethical and psychological requirements for a healthy socio-cultural development. In a corporate paradigm, possibilities of such inclinations and the development of subjectively nurtured dispositions are considered dangerous prospects. That is because, with the provision of social and cultural contact, they tend to undermine the *power* and *authority* enjoyed by the functionary of a corporate organization by virtue of his subservience to the *status quo*. Placed in the domain of governance and decision making, such tendencies and inclinations land the serious business of management grater depth and relevance. Ironically, they become more and more deeply rooted in the corporate reality out of which they emerge and simultaneously and progressively tend to become a comment and critical evaluation of that “given” reality. Paradoxically, by its curious mechanisms, the corporate system generates its own inherent contradictions, conflicts and tensions which can lead to the total collapse of its paradigm. It is a vicious circle and the situation is not too different with the non-corporate organizations.

A corporate system, like any other system, is designed to manage human affairs. It is subject to its own inner laws which determine the formal structures of the ways and the means of conducting these affairs. Within the fabric of the corporate system, its evaluative judgements and decision making lie the workings of *power* and *authority*. These hard qualities, woven into the texture of the corporate culture, determine the nature of the relationship of the corporate functionary to the corporate ideology. The managerial and executive responsibilities of the corporate

functionaries constitute a cobweb of relations, defining the nature of the evaluative judgements regarding their relationship to the so called “objective facts” about the corporate reality. Here the teleological consideration is based not so much upon *what* the relationship is but *how* the existing relationship is experienced. Reality, notwithstanding corporate reality, is always given in and through experience because through what else could it be given? Since all experience is interpreted experience, it is by nature the experience *of* something *as* it is experienced by the experiencing subject. Such a phenomenological understanding of the corporate reality lends meaning and significance to the organization in which our corporate functionaries exercise their vested *power* and *authority*, as the defining metaphors of corporate culture, having an all pervasive influence and affecting practically everything in the domain of corporate organization. Moreover, as we look deeper into the genesis of power and authority, we come to realize that the workings of *power* and *authority* are not confined to the administrative and managerial aspects of the corporate reality; there is also a socio-cultural side to these defining concepts which becomes manifest as they are mediated in and through the personality structure of the functionaries of the corporate society. *Power* and *authority*, as extensions of thought and action define the formal structures of the corporate reality as it is intended and constituted by the corporate functionaries with reference to the ideology of the corporate system. Such an ideology can be a sublime vision of the world to be, but it can also be a symptom of a distorted and twisted world-view.

It shows that the complex workings of a corporate system are deeply entwined with the psychological and ethical dimensions of the personality and character of the functionary of the corporate system. In a humanistic world-view, characterized by a dynamic and transcending vision, this relationship is premised upon the requirement of how to use our ethical and moral edge to our advantage in the management of corporate affairs. The thought here is that a normative approach and a transcending vision will play an empowering creative role in the construction and reconstruction of the corporate world *as it is* into a world *as it ought to be*. As we engage in the management of our corporate affairs, we realize that the matters pertaining to the corporate world belong to the most stubborn structure of human condition. By their inherent dialectic, these matters endure all attempts at falsification and denial. Examined against the paradigm of the *lived-world*, corporate reality, as *lived-reality*, by its inherent logic, is self-evident and *apodictic*. It also shows that the domain of *lived-reality* is the sphere where only he who knows the truth can tell a lie. For all intent and purposes, for all practical and pragmatic reasons, we are compelled to call the world, as John Keats did, the “vale of soul-making”. It will be quite appropriate then to call the *will* and the *power* as metaphors of divine lure, prompting us to make and remake the world, or, in a much more analytic way, the essential components of a world-view representing the fusion of *the world as it is* and *the world as it ought to be*.

Thus in the same vein of thought, the *world* that really deserve that name is the *lived-world*. “The world” is a vacuous concept and the world *per se* does not

exist. Only the worlds exist – your's and mine, our's and their's, idealistic and materialistic, secular and sacred, just and unjust, rational and absurd. Moreover, at any given stage of its development, the world does not exist in its finished form; it is a constantly changing world, always incomplete always to be continuously made and remade. In such a world, nothing is permanent and everything is subject to the law of becoming. Again, at any given stage of its development, the 'given' world represents the drama of unfolding horizon and perspective, always moving towards the world to be. We may even venture to suggest that the world is a place where creative will as moral power is to be tested to the limit of our transcending vision. To be more specific, by moral power we mean "the power of life and a character, the power of good and great purposes, the power which comes at length to reside in a man distinguished in some course of estimable or great conduct. No other power of man compares with this, and there is no individual who may not be measurably invested with it." (Horace Bushnell)

So, in short, *moral power* issues from the *will to power* which is the *will to truth* and the will to truth is the *will to transcend*. It is the invincible power indistinguishable from man's character. The admonition Plutarch uttered long time ago is a refrain full of wisdom even in its present tense meaning. "It is an observation", he is known to have said, "no less just than common, that there is no stronger test of a man's real character than *power* and *authority*, exciting as they do every passion, and discovering every latent vice."

Several centuries ago, Socrates who could see the advent of nihilism looming large over the horizon of his age, identified knowledge with virtue. It is so remarkable that what he held to be true of his situation should be true and perhaps more so of our age which has witnessed a systematic denial and destruction of normative values. Seven hundred years ago, Roger Bacon, like us, lamented the neglect of moral philosophy by the scholars of his age. And again, it is so remarkable that what Hazrat Ali said about his time should be such a powerful indictment of our age. In his words, "we are passing through times when majority of worldly people think that hypocrisy means wisdom and they lead the uneducated masses to believe dissimulation is the best form of sagacity."

No one can deny the importance of specialization and departmental training in the modern system of education. However, denouncing the extent to which specialized vocational training has displaced humanistic studies in our educational institutions, particularly in the institutions of business education, William H. Whyte, Jr., in *The Organization Man*, wrote:

"It is not entirely facetious to suggest that the only way any reform could be effected would be through a subversive movement by the humanist. In what would be poetic justice to the vocationalists, humanist in disguise would appropriate their terminology and smuggle education into the curriculum by pretending to specialize it further. Who would dare cavil at the humanities were they presented as "Mercantile Influence in the Renaissance", "Market Patterns in Pre-Industrial England", "Communication Techniques in Elizabethan Drama"?"

However, just to sprinkle, here and there, corporate thinking with ethical and moral anxieties, poetic metaphors, religious yearnings, cultural aspirations and psychological insights will not do. More, much more, needs to be done to help incorporate these strands into a self sustaining dynamic corporate world-view. It calls for a wide spectrum of collaborative research, creative vitality and vision oriented pedagogical bias.

Dispensation of poetic justice envisioned by William H. Whyte, Jr. sounds a very desirable pedagogical strategy. Nevertheless, it is a task which can only be accomplished through concerted inter-disciplinary research. But, if we feel secure and satisfied in the awareness of what we know, unwilling and reluctant to understand what we do not know, we will have then defeated the teleological purpose of education. Sadly, ours is a society characterized by the loss of transcending vision. We are encumbered by petrifying desire, ruthless ambition, lust for power and authority, cognitive dissonance and lack of creative discontent. And yet, our's is not a lost case to deserve the self inflicted pity and contempt. So long as the high hope lingers on and our eyes with far away look stray to the distant horizons, so long as our creative will is not weary and we have the will and the power to shatter the "given" world, including the corporate "world", into pieces to make it many times over into a world of our unfulfilled desire, we can still hope to become what we are capable of becoming.

The truth lies out there but the real foe resides within. It is the danger posed by retrogressive ideology fettered to the past, lying in wait to contemporize once again what "used to be".

Here is a real scenario of eternal recurrence of the nemesis and the predicament inherent in human condition.

"The morning freshness of the *world-to-be* intoxicated us. We were wrought up with ideas inexpressible and vaporous but to be fought for. We lived many lives in those whirling campaigns, never sparing ourselves: yet when we achieved and the new world dawned, the old men came out again and took our victory to remake in the likeness of the former world they knew".

T.E. Lawrence: *Seven Pillars of Wisdom*.

ARTICLE

Post - Globalization Power Sector Management in India

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INTRODUCTION

Power is a key infrastructure, which is the backbone and prime mover of the economic development of any country because power is required for all the sectors of economy which include agriculture, industries, service, information and technology, transport and others. The term energy has been employed to designate not only chemical energy, but also kinetic energy, mechanical energy, electrical energy, radiant energy and thermal energy. These six energy sources play a vital role in the economic development of a nation, because energy facilitate to grow food; keep people alive; transport people and goods; fuel economic development and sustain the economic system.

Economic growth too is driven by energy in the form of finite resources such as coal, oil and gas or in renewable forms such as hydroelectric, wind, solar and biomass, or its converted form, electricity. Modern economists believe that an index of energy could be used as an index of capital because in “economic parlance, energy caters both to the direct consumption and the production of goods: as consumer goods, their consumption tends to vary with changes in income and consumer preferences; as an input in production, their availability and increasing quantity are a sin-qua-non of rising national income.” (Ramaswamy and Chelvam – 1997)ⁱ

POWER AND ECONOMIC DEVELOPMENT

Energy is considered to be the prime mover of economic development and growth. A comprehensive energy regression analysis will indicate a positive relationship between aggregate economic performance and total commercial energy consumption. According to Anil Kadodkar (2004)ⁱⁱ “Energy is the engine for the growth. It multiplies human labour and increased productivity in agriculture, industry as well as services. Easy access to modern energy services holds the key to

development.” Therefore, the availability of quality power in the required quantity is one of the most important determinants in the success of the country’s development. In addition providing adequate and affordable electric power is essential for economic development, human welfare and higher standard of living. India being a developing country with increasing population makes power the critical infrastructure for India.

The draft of Fifth Five-Year Plan of Government of India (1974-79)ⁱⁱⁱ thus stated “Electricity is the most versatile form of energy and provides an infrastructure for economic development. It is a vital input for industry and agriculture, and is of particular importance to a developing rural sector, which needs more power for its agricultural operations, for its small scale and agro industries. All sectors of the economy need electricity for their common needs of water supply, transport, communication and domestic lighting. Given the large scale dependence on lift irrigation for food production, food processing and preservation industries, the increase in the power-intensive industries such as aluminum, fertilizer, petrochemicals, etc., and the increasing dependence on electric traction for transport, there is hardly any community or sector which is not affected by a power shortage today. The future development of the country, therefore, will depend upon the rate of growth of power generation capacity.”

The draft of Ninth Five-Year Plan of Government of India (1997-2002)^{iv} once again reinstating the need for power for the future development and growth of the country said, “Electricity is the most versatile form of energy and provides an infrastructure for economic development. It is a vital input for industry and agriculture, and is of particular importance to a developing rural sector. The future development of the country, therefore, will depend upon the rate of growth of power generation capacity.” As a result, India has taken rapid strides since independence in the power sector both in terms of enhancing power generation and in making available power to widely distributed geographical boundaries. The total installed electricity generation capacity has increased from a mere 1363 MW in 1947 to about 136970 MW in 2002-03. The average growth rate over the entire period has been 8.6 percent per year (Table 2). The power transmission and distribution network has also grown substantially. However after six decades of independence a large percentage of the population in India, yet have no access to electricity and a number of villages are still out of reach of electrical power. About 70 per cent of the rural households are yet to get electric connections and power based economic activities.^v Even per capita availability of energy is very low and India is still not in a position to overcome the power crisis. Power cuts and load shedding has become the order of the day in a number of States.

Restructuring, privatization, liberalization and globalization being the worldwide phenomenon in the power sector, the energy sector in India has witnessed rapid shift

in financial and political ideologies. That is why even in India many began to comment that power sector reforms were an absolute necessity because “the nation should not be left behind while the rest of the world is galloping full steam ahead towards prosperity” (Phadke and Rajan -2004).^{vi} Speaking on the same level a few years back when Jack Walch first came to India he said, “Infrastructure is the biggest bottleneck here... India does not have the infrastructure. The power requirement of the digital world will blow your mind...You have sent so many people back who came to set up power plants. You just do not have a chance if you do not wake up” (Trivedi - 2004).^{vii}

The general driver for this transfer has been stated as ‘efficiency’ in resource mobilization and enhancement of supply (Venkatapathay and Priyadarshini - 2001)^{viii}. The logic for this argument is that private sector involvement and competition would lead to better resource allocation and eventually improve services for end-users of electricity services. In developing countries, according to ‘Washington consensus’ only privatization would raise capital for power sector investments, reduce political interference, address the problems concerning non-performing public investments and public sector corruption, establish more efficient pricing and reap efficiency gains to enhance economic development.

At present in developing countries, reform efforts are focused on privatization of the publicly owned sector and establishment of an independent regulator. They also envisage market competition in the sector in the longer run. Here privatization efforts are partly justified on the basis of future potential gains from competition. India too has been influenced by the worldwide changes that are taking place in the power sector. Dr. Monmohan Singh the then Finance Minister presiding over the function at the Rajiv Gandhi Center for Contemporary Studies organized in Delhi justifying power sector reforms undertaken by the government said, “Experts found that power sector needed structural reforms, equipment change, mindset change, efficiency, cost reduction, competitiveness and quality to serve the economy needs.” In response to this the reforms were conducted in technical and financial performance and capital availability. That is why the Electricity Act 2003 has been passed in the parliament. In spite of reforms in the power sector, from the year 1991 onwards many states have persistent power shortages. In most of the states power shortages, both in terms of peak capacity as well as electrical energy, have been common. The energy and peaking shortage at the end of the Ninth Plan are 7.5 per cent and 12.6 per cent respectively. At the end of Tenth Plan the energy and peaking shortages are 11.6 per cent and 9.5 per cent respectively (Government of India – 2002-07).^{ix} As a result in many states scheduled power cuts, unscheduled outages and fluctuating voltages are common. As a result of which every consumer is forced to purchase voltage stabilizers, inverters, small diesel generator sets and burnt-out motors. Consequently all these impose large economic costs. To understand why this has been the case, it is necessary to critically examine the power sector in India.

Till 1991 the power sector was mainly in the public sector. With a few exceptions, electricity distribution and supply, was the prerogative of state electricity boards (SEBs) of respective governments. SEBs also set up and operated generating plants. There were also central government agencies that set up and operated large generating plants that served more than one state. The Ministry of Power is responsible for making policy and planning in India's power sector. The Central Electricity Authority and the new Central Electricity Regulatory Commission share regulatory responsibilities. Eleven state electricity regulatory commissions have been established and two are already fully operational. Two state-owned corporations play key roles in India's power sector: National Thermal Power Corporation, India's largest generator, and Power grid, which operate the national transmission system. State-level generation, transmission, and distribution is largely in the hands of state electricity boards, most of which are in poor physical and financial health. The power sector depends heavily on Coal India, Ltd., Indian Railways, and the Gas Authority of India, Ltd. for fuel supply.

ELECTRICITY REQUIREMENT AND AVAILABILITY

India's installed capacity for power generation has tripled over the years and now exceeds 101000 MW. However, "the total demand is expected to increase by another 3.5 times in the next two decades, even under a best-case scenario that envisions intensified efforts to modernize power plants, improve transmission and distribution efficiency and adopt more efficient generation technologies." (Gupta – 2004)^x The soaring demand for power will necessitate a tripling of the installed generation capacity from 101000 to 292000 MW over the next two decades. **Table 1** shows how the sizable shortages of both capacity and energy have persisted from the years 1981-82 to 2000-01 even after economic liberalization. From table it is clear that in the year 2000-01 the total percentage of power shortage was only 7.2 per cent. Over the eighth five years plan the shortage of power percentage is increased to 7.8 per cent. In the year 2000-01 total power requirement was 496266 million units but the total availability of power was 457557 million units and the total shortage was 38709 million units. The power shortages reflect inadequate investment in building generating capacity and transmission network. With regard to the change in the availability of electricity in 2000-01, it was just 3.9 per cent which is much lower in comparison to the change in the availability of electricity in the year 1981-82. In the year 1981-82 the total change in the availability of power is 9.8 per cent.

From the year 1981-82 to 1990-91 the total change in the availability of electricity is 90.3 per cent, but from 1992-93 to 2000-01 the total change in the availability of electricity is just 66.8 per cent. This is much lower than what was achieved before the liberalization process. However, total energy deficit during post-liberalization period was -73.7 percent where as during pre-liberalization period energy deficit was

-82.7 percent. This means that during post-liberalization period government has succeeded in reducing power deficit by 9 percent. After considering various reforms implemented, considered and discussed in the power sector during reforms period reduction of just 9 per cent deficit can not be considered as a considerable achievement during post-liberalization period.

Table 1**Electricity Requirement and Availability**

Year	Requirement (million KWh)	Availability (million KWh)	% Change in requirements	% Change in availability	Energy Deficit
1981-82	120118	113928	7.6	9.8	-11.9
1982-83	136849	121311	5.9	6.5	-11.4
1983-84	145284	130122	6.2	7.3	-10.4
1984-85	155432	145393	7.0	11.7	-6.5
1985-86	170746	157301	9.9	8.2	-7.9
1986-87	192356	173803	12.7	10.5	-9.6
1987-88	210993	187873	9.7	8.1	-11.0
1988-89	223194	206326	5.8	9.8	-7.6
1989-90	247762	228784	11.0	10.9	-7.7
1990-91	267632	246941	8.0	7.9	-7.7
Total			83.8	90.3	-82.7
1991-92	288071	260136	8.0	9.0	-6.9
1992-93	305266	282384	5.6	4.9	-7.5
1993-94	323252	303681	5.9	7.5	-6.1
1994-95	352260	329255	9.0	8.4	-6.5
1995-96	389721	356441	10.6	8.3	-8.5
1996-97	413490	371395	6.1	4.2	-10.2
1997-98	436258	394989	5.5	6.4	-9.5
1998-99	446584	421488	2.4	6.7	-5.6
1999-00	480430	453205	7.6	7.5	-5.7
2000-01	507216	470777	5.6	3.9	-7.2
Total			66.3	66.8	-73.7

Source: Energy, Centre for Monitoring Indian Economy, Mumbai, May 2003, p. 128

GROWTH OF INSTALLED CAPACITY

The total installed capacity grew at an average annual compound growth rate of 6.65 per cent during the last four decades. It has grown from approx. 1300 MW in 1947 to 93253 MW by the end of March 1999. Despite the significant progress in capacity addition, the demand for electricity continues to outstrip the supply with the result that energy and peak shortages continue to plague the economy. The best performance was witnessed during the Seventh Plan Period (1985-90) when 21051 MW were added as against the target of 22245 MW. However, the capacity addition during Eighth Plan was only 16423 MW against the target of 30538 MW. The share of hydel capacity in the total installed capacity is only 24 percent as compared to 46 percent at the end of 3rd Plan and that of thermal capacity went up to 76.4 per cent from 62.3 per cent. Out of the total installed plant capacity in 1997-98, 63.3 per cent was owned by the States, 30.7 percent by the Centre, and 6 per cent was in the private sector.

Table 2

Growth of Installed Generation Capacity

Year	Hydro	Thermal	Utilities Nuclear	Total	(Thousand MW)		
					Non-Utilities	Geothermal/Solar Wind/Biomass	
1980-81	11.8	17.6	0.9	30.3	3.1	33.4	
1981-82	12.2	19.3	0.9	32.4	3.4	35.8	
1982-83	13.1	21.4	0.9	35.4	3.9	39.3	
1983-84	13.9	24.4	1.1	39.4	4.4	43.8	
1984-85	14.5	27.0	1.1	42.6	5.1	47.7	
1985-86	15.5	30.0	1.3	46.8	5.5	52.3	
1986-87	16.2	31.8	1.3	49.3	5.7	55.0	
1987-88	17.3	35.6	1.3	54.2	6.3	60.5	
1988-89	17.8	39.7	1.5	59.0	7.5	65.5	
1989-90	18.3	43.8	1.5	63.6	8.2	71.8	
1990-91	18.8	45.8	1.5	66.1	8.6	74.7	0.02

Percentage of change as on 1990-91 over 1980-81 in total installed generation capacity is 118.15 per cent

1991-92	19.2	48.1	1.8	69.1	9.3	78.4	0.03
1992-93	19.6	50.7	2.0	72.3	10.1	82.4	0.03
1993-94	20.4	54.4	2.0	76.8	10.7	87.5	0.04
1994-95	20.8	58.1	2.2	81.1	11.2	92.3	0.05
1995-96	21.0	60.1	2.2	83.3	11.8	95.1	0.12

1996-97	21.7	61.9	2.2	85.8	12.1	97.9	0.55
1997-98	21.9	65.0	2.2	89.1	13.2	102.3	0.82
1998-99	22.4	68.7	2.2	93.3	14.1	107.4	0.93
1999-00	23.9	71.3	2.7	97.9	14.7	112.6	1.02
2000-01	25.1	73.6	2.9	101.6	15.4	117.0	1.08

Percentage of change as on 2000-01 over 1990-91 in total installed generation capacity is 52.95 per cent

2001-02	26.3	75.9	2.7	104.9	16.1	121.0	1.27
2002-03	26.8	78.4	2.7	107.9			1.51

Source: Buddhadeb Ghosh & Prabir De, India Infrastructure Database 2005, Vol. II, Bookwell New Delhi, p.1098.

The capacity addition for power generation during the Eighth Five-Year Plan period was 16742 MW, which was approximately 54.8 per cent of the planned capacity addition for the period. Of the total capacity addition, the share of hydel energy was 14.5 per cent (2428 MW) and that of thermal and nuclear energy was 85.5 per cent (14314 MW) (Banerjee).^{xi} An aggregate capacity addition of 3239 MW was targeted for commissioning during the year 1997-98 against which the actual achievement was 3283 MW. Of this hydel energy accounted for 233 MW and thermal and nuclear energy 3050 MW.

The Ninth Plan programme envisaged a capacity addition of 40245 MW during the period 1997-2002, out of which 11909 MW will be in the central sector, 10784 MW in the State Sector and 17588 MW from Private Sector. As against this the actual energy generation has been 515.3 Billion Units. This is a compound annual growth rate of about 5.5 per cent during the Ninth Plan period. The capacity addition proposed in the Private Sector, if materializes fully, would be quite significant in the 9th plan compared to earlier plans. As against the average capacity addition programme of around 8000 MW per year, the capacity addition during the first two years of Ninth Plan was only 7528.3 MW. The Ninth Plan envisaged a capacity addition of 40245 MW. But the actual capacity addition was 19015 MW.

Table 2 illustrates total installed plant capacity in the form of hydro, thermal, wind and nuclear over the years. In 1980-81 total installed plant capacity in the power sector was 30.3 thousand MW and it further increased to 66.1 thousand MW in 1990-91. Percentage of change as on 1990-91 over 1980-81 was 118.15 percent. Total installed capacity further increased to 101.6 thousand MW in 2000-01 and percentage of change as on 2000-01 was 52.95 percent. It means there has been shortfall in total installed plant capacity in comparison to pre-reforms period.

Shortfall in new generation capacity addition during the Ninth Five-Year Plan is seen mostly in the private sector, because “Proposals for setting up joint-venture mega projects with American, Chinese, and Austrian power generation companies have either been taken up or are being considered. Also, there are eight fast track projects with independent producers under Government of India guarantees, already approved, although only a minor fraction of them have been taken up for actual implementation” (Banerjee 2005).^{xii} The main reasons for the shortfall in capacity addition according to the Tenth Plan are: “inability to get private sector projects off the ground in the absence of adequate arrangements for ensuring payment security, delay in land acquisition and environmental clearances, unresolved issues relating to fuel linkages, contractual problems, resettlement and rehabilitation problems and law and order problems”(10th Planning Commission – 2002-07).^{xiii}

GROWTH OF GROSS ENERGY GENERATION

In the early 1990s, India embarked on full-scale introduction of economic reforms thus creating way for economic growth. The GDP growth, around 4 percent in the first half of the 1990s and consecutive years the GDP stayed between 5 to 8 per cent. As a result India’s primary energy consumption too expanded considerably. “BP Statistics report that India’s primary energy consumption grew by 4.7 per cent year on an average from 183 MTOE in 1990, reaching 276 MTOE in 1999” (Koyama-2000).^{xiv} It is right therefore to examine the growth of energy generation in India.

HYDRO POWER PLANTS

Hydroelectric power plant utilizes the potential energy of water stored in a dam built across the river. The potential energy of water is used to run water turbine to which the electric generate is coupled. The mechanical energy available at the turbine is converted into electrical energy by means of the generator. The share of hydel capacity in the total generating capacity has declined from 34 per cent at the end of the Sixth Plan to 25 per cent at the end of the Ninth Plan. The share continued to decline even during post-reforms period. Table 3 illustrates the growth of gross energy generation during pre-reforms period and post-reforms period in the energy sector. In 1980-81 the gross energy generated by hydro plants was about 56.5 billion KWH and in 1990-91 the gross energy generated by hydro plants increased to 71.7 billion KWH. Gross energy generated by hydro plants as on 1990-91 over 1980-81 was 26.90 per cent. Where as in 2000-01 the gross energy generated by hydro plants was about 74.5 billion KWH and its percentage of change as on 2000-01 over 1990-91 was 2.34 per cent. It is 24.56 per cent less than the percentage of change in terms of gross energy generated by hydro pants during 1980-81 to 1990-91.

It means that neither the public sector nor the private sector invested in hydro means of production of energy during post-reforms period. The significantly decreasing role

of hydroelectric energy may be noted during post-reforms period. Though the raw material cost of hydroelectricity is insignificant and further is not subject to inflationary pressure, yet significant attention is not given to hydroelectric energy because too much dependence would subject energy supply to fluctuations in rainfall and vagaries of nature. It is stated that Geological uncertainty, contract management, resettlement and rehabilitation, delay in land acquisition and infrastructure development have been stated as the main reasons by the Tenth Five Year Plan for time and cost overruns in hydro projects. In order to avoid delays in project implementation and to accelerate the pace of hydro developmental projects the Tenth Five Year Plans suggests the following:

- “Bankable detailed project report based on a detailed survey should be prepared to avoid geological uncertainty.
- Contract monitoring, as distinct from project monitoring, should be emphasized.
- Land acquisition and infrastructure development should be settled and completed before the start of the project.
- Detailed ranking study and preparation of detailed feasibility report based on economic viability needs to be done.
- Adopt a national rehabilitation policy and implement the policy uniformly.
- Streamline clearances for pursuing priority projects.
- Simplify approval procedures.
- Facilitate the early financial closure of projects through a concerted approach towards multilateral agencies and other international funding sources” (Planning Commission -2002-07).^{xv}

THERMAL POWER PLANTS

Thermal power generated by coal and oil has been the major source of electric power in India. Mostly thermal power is derived from coal and only a small fraction comes from oil. The performance of the thermal power plants registered an overall improvement during the Ninth Five Year Plan. The all India average Plant Load Factor (PLF) of the thermal power plants was 64.4 per cent at the beginning of the Ninth Plan and had increased to 69.9 per cent by the end of the Plan period. However the comparative analysis of post-reforms and pre-reforms period reveals a different picture all together.

Table 3**Growth of Gross Energy Generation**

Year	Hydro	Utilities Thermal@	Nuclear	Total	Billion KWH	
					Non Utilities	Total
1980-81	56.5	61.3	3.0	120.8	8.4	129.2
1981-82	49.6	69.5	3.0	122.1	9.0	131.1
1982-83	48.4	79.9	2.0	130.3	10.0	140.3
1983-84	50.0	86.7	3.5	140.2	10.8	151.0
1984-85	53.9	98.8	4.1	156.8	12.3	169.1
1985-86	51.0	114.4	5.0	170.4	13.0	183.4
1986-87	53.8	128.9	5.0	187.7	13.6	201.3
1987-88	47.5	149.6	5.0	202.1	16.9	219.0
1988-89	57.9	157.7	5.8	221.4	19.9	241.3
1989-90	62.1	178.7	4.6	245.4	23.0	268.4
1990-91	71.7	186.5	6.1	264.3	25.1	289.4
% of Change Over						
1980-81	26.90	204.24	103.33	103.15		
1991-92	72.8	208.7	5.5	287.0	28.6	315.6
1992-93	69.9	224.8	6.7	301.4	31.3	332.7
1993-94	70.4	248.2	5.4	324.0	32.3	356.3
1994-95	82.7	262.1	5.6	350.4	35.1	385.5
1995-96	72.6	299.3	8.0	379.9	38.2	418.1
1996-97	68.9	317.9	9.1	395.9	40.8	436.7
1997-98	74.6	337.0	10.1	421.7	44.1	465.8
1998-99	82.9	353.7	11.9	448.5	48.4	496.9
1999-00	80.6	386.8	13.3	480.7	51.5	532.2
2000-01	74.5	408.1	16.9	499.5	55.0	554.5
% of Change Over						
1991-92	2.34	95.54	152.23	88.99		
2001-02*	73.9	422.0	19.3	515.2	58.0	573.2
2002-03	64.0	449.3	19.4	532.7		

* Provisional

@ Includes Wind

Note: Figures may not add up to the total owing to rounding off.

Source: Buddhadeb Ghosh & Prabir De, India Infrastructure Database 2005, Vol. II, Bookwell New Delhi, p.1099.

The energy generated through thermal plants in 1980-81 was about 61.3 billion KWH and in 1990-91 gross energy generated through thermal plants increased to 186.5 billion KWH. Gross energy generated through thermal plants as on 1990-91 over 1980-81 was 204.24 per cent. Whereas in 2000-01 the gross energy generated by thermal plants was about 408.1 billion KWH and its percentage of change as on 2000-01 over 1990-91 was 95.54 per cent. It is 108.7 per cent less than the percentage of change in terms of gross energy produced by thermal plants during 1980-81 to 1990-91. It means that neither the public sector nor the private sector invested much in thermal means of energy production during post-reforms period. However a thermal power station is liable to cause environmental pollution and air pollution. The major areas of concern are surface and groundwater pollution, noise pollution, change of land-use pattern, impact on green cover and on flora and fauna etc.

NUCLEAR POWER PLANTS

Nuclear energy is considered to an important source of electric power. It is considered that it has environmental advantages and is also likely to be economical in the longer run. As a result comparative study between post-reforms and pre-reforms period on nuclear method of energy generation shows quite different picture all together in comparison to thermal and hydro method of power generation. Nuclear plants were preferred over other means of energy production during post-reforms period because an expanded programme of energy generation through nuclear method would make it possible to reduce the costs of construction and power generation. Tenth Five Year Plan therefore states that “aggressive nuclear power development is essential in the context of energy security, environmental advantages and changing perceptions about nuclear power in developed countries...Improvements in nuclear technology are likely to make nuclear power more economical and total life cycle costs more competitive in comparison to other fuels.”(Planning Commission 2002-07)^{xvi}

Energy generated through nuclear plants in 1980-81 was about 3 billion KWH and in 1990-91 it increased to 6.1 billion KWH. Gross energy generated through nuclear plants as on 1990-91 over 1980-81 was 103.33 per cent. In 2000-01 gross energy generated by nuclear plants was about 16.9 billion KWH and its percentage of change as on 2000-01 over 1990-91 was 152.23 per cent. It is 48.9 per cent higher than the percentage of change in terms of gross energy produced by nuclear plants during 1980-81 to 1990-91.

GROSS POWER GENERATION BY ALL PLANTS

In 1980-81 the gross energy generated was about 120.8 billion KWH and in 1990-91 the gross energy generated increased to 264.3 billion KWH. The growth of gross energy generated as on 1990-91 over 1980-81 was 103.15 per cent. Where as in 2000-01 the gross energy generated was about 499.5 billion KWH and its percentage of change as on 2000-01 over 1990-91 was 88.99 per cent. It is just 14.16 per cent less than the percentage of change in terms of gross energy generated during 1980-81 to 1990-91. It means that the open invitation rendered to private sector participation in the energy sector did not lead to increase in gross energy generated in the country. The policy of inducting private investment into the power sector was expected to result in the addition of 17588 MW of power capacity during the Ninth Plan. But the actual addition was 5061 MW, which is a mere 29 per cent of the target. The main impediments in private sector investment in power sector according to the Tenth Five Year Plan have been:

- “The chronic financial weakness of SEBs.
- Unviable tariffs to IPPs, due to factors such as high cost of liquid fuels, risk factors and slow growth in demand ...
- The absence of an enabling regulatory, legislative and market environment.
- The slow pace of reform in the power sector and related sectors such as coal, transport.
- The inability to deliver bankable contractual frameworks.
- The lack of recognition of the fact that the distribution segment would need to be made efficient and bankable before private investment and competition emerges in generation” (Planning Commission – 2002-07).^{xvii}

According to energylineindia.com the country's total generation capacity stood at 124172 MW as on March 17, 2006. Of this, the thermal and hydro segments accounted for 82369 MW and 32335 MW capacities respectively. The renewable energy source-based generation capacity was pegged at 6,158 MW while the rest was nuclear generation capacity. In the thermal segment, coal-fired capacity was put at 68433 MW.^{xviii} Gas-based capacity accounted for 12,734 MW while the rest was based on costly liquid fuels.

RURAL ELECTRIFICATION

Rural electrification is an important component in rural development, because the availability of power in rural areas will lead to economic development. As a result Indian Government has been making plans and allocating finance for village electrification since beginning of the planning process. Around 86 per cent of the villages have been electrified up to the year 2005. However **table 4** below reveals that there has been a deceleration in the rural electrification programme during the Eighth Five Year Plan and the Ninth Five Year Plan compared to the Sixth Five Year Plan

and Seventh Five Year Plans. As a result about 70 per cent of the rural households are yet to get electric connections.

Table: 4

Progress in Rural Electrification

Year	Villages Electrified in 2000s	Villages Electrified as % of total villages	Pump sets energized 2000s
1980-81	272.4	47.3	4330.5
1985-86	390.3	67.7	6152.0
1990-91	481.1	83.1	8909.1
1991-92	487.2	84.1	9391.1
1992-93	490.8	84.8	9851.2
1993-94	494.2	85.3	10276.6
1994-95	497.7	86.3	10619.5
1995-96	501.8	86.7	11104.1
1996-97	498.8	84.9	11565.3
1997-98	502.0		11849.4
1998-99	504.7		12215.1
1999-00	506.9		12514.2*
2000-01	508.1		
2001-02	512.2@		
2002-03	492.3@		
1-1-2005	497.1	84.7	14290.6

Note:* Also comprises the latest data as per the Tenth Plan Document

@ Also comprises the data given in India Infrastructure Database 2005, Vol. II, p.1069.

Source: Bani P. Banerjee, Handbook of Energy and the Environment in India, Oxford University Press, 2005, p.181.

About 80000 villages remain to be electrified, of these, 18000 villages are in remote and difficult areas where grid supply may not be feasible. Non-conventional energy sources have to play a critical role in electrifying these villages and meeting their energy needs. The Tenth Five Year Plan therefore rightly holds that “the actual benefits of the investments made in the rural electrification programme can only be realized if the people are in a position to use electricity for their day-to-day activities as well as for industrial and commercial activity. Therefore ... rural electrification programme ... must also ensure more widespread use of electricity by the rural

people in a time-bound manner” (Planning Commission – 2002-07).^{xix} For this involvement of the community NGOs and Panchayati Raj Institutions has been envisaged and Rajiv Gandhi Grameen Vidyutikaran Yojna (RGGVY) programme has been incited to achieve this objective. At present, only 44 per cent of the rural households have access to electricity. The services of Central Public Sector Undertakings (CPSUs) have been offered to the States for assisting them in the execution of rural electrification projects as per their willingness and requirement.

PROGRESS OF IMPLEMENTATION OF RGGVY

As per Economic Survey 2005-2006 the following programmes have been undertaken and implemented under Rajiv Gandhi Grameen Vidyutikaran Yojna:

- “So far 187 projects for 191 districts have been sanctioned covering 22 States at the cost of Rs.6,241.86 crore covering 51,284 un-electrified villages and 69.29 lakh rural households, of which 45.15 lakh are BPL households.
- Notice Inviting Tenders (NITs) have been issued for projects covering 163 districts.
- Contracts have been placed for projects covering 95 districts covering 41,461 un-electrified villages and 9,379 electrified villages.
- CPSUs are working in 131 districts.
- 1,941 villages have been electrified till December, 2005”^{xx}

Since around 18000 villages are located in remote and difficult areas the Tenth Plan has proposed to electrify 5000 villages through decentralized energy sources (Planning Commission).^{xxi}

CONCLUSION

In India we are at the crossroad of development of the power sector. Since independence tremendous strides have been made in this sector. Despite this much more remains to be done. Power has been one of the main drivers of the growth of our economy. It is essential to ensure that lack of power does not become a drag on the accelerated growth which we are aiming at. The estimated capacity addition of 1 lac MW during the 10th and 11th plan will need periodic review so that it is in line with the projected GDP growth rate at 9 percent per annum during the 10th Plan and explosion of growth in the IT sector. Supply and demand gap is likely to widen, unless capacity addition is more than doubled in each of the next two Five Year Plan periods compared to the 8th and 9th Plans.

The power sector in India therefore needs the concept of an integrated energy strategy. It means a system and process of coordinated decision-making and actions that bring various energy activities and decisions into a common framework. The institutional structure that allows integration of energy decision-making would rest

on a system of integrated analysis, monitoring and coordinated decision-making that becomes a regular part of policy formulation and implementation.

For example T & D losses comprise both the technical and commercial losses. T & D losses appear significantly in Low-Tension system and High-Tension sectors. Prayas, an NGO, brought this in its study by stating that “the starting point in the battle against excessive T and D losses should be to institute an effective energy audit at the HT level. Such an approach is desirable for many reasons, which include relatively small requirements of investment and managerial efforts, high cost-benefit ratio, higher tariff and small number of consumers” (Godbole – 2002).^{xxii}

The second-generation reforms should focus on open access to transmission and distribution system. CERC has already notified grid code for the control and dispatch of power from one system to other system and asked suggestions from those involved in the sector. Open access to the transmission and distribution facilities by various utilities will enable wheeling of power from one region to other region at the lowest cost to the consumers and would further encourage investments in transmission network and generating capacities. This will introduce competition not only among various generating companies but also at the distribution level and will enable improvements in revenue collection and in which the voltage and frequency will be maintained at nominal levels. Only then India will be able to reap the fullest benefits of Power Pooling.

Reforms should aim at allowing freedom to the consumers to get power from any distributor/generating company of his choice and also introduction of differential pricing of power according to the time of the day giving incentives to users to shift their demand to the off peak period. There should be a mandatory provision to encourage use of solar energy for heating, say water heating, in certain categories of buildings.

The power sector today is in need of a holistic approach to reap the potential benefit which various reforms could render. Thus there is a “need for a coordinated movement across all sectors linked to the provision of energy services” (TERI – 2002).^{xxiii} The success of reforms in India “will depend upon the existence of some sort of restraining or disciplining mechanism in the sector. In the absence of which, efforts made will likely result in a transition from inefficient public ownership to profit-gouging monopolies or oligarchies” (Phadke and Rajan - 2003).^{xxiv} Thus to enable competition, acceleration of economic growth and to raise the comfort level of the common man, the major challenge of the power sector is to continue with the reforms, improve the financial health of the utilities, so that power could be made available at quality and affordable price.

FOOT NOTES

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A teleological explanation is thus one which explains parts in terms of the whole, details in terms of the structure to which they belong, structure in terms of its organizing principle, and process in terms of the pattern which it brings into being. In such process the determining factor – the teleological principle – is the implicit (or immanent) influence of the organizing principle in every phase. So it is the architect's blueprint that determines the process of building the house, the general's plan that determines the course of the battle.

**Errol E. Harris, *Mechanism and Teleology in Contemporary Thought*
Philosophy in Context, Vol.2, 1973, p. 51**

ARTICLE

Capitalist Subjectivity, Capitalist Governance and the ‘Anti-Globalisation’ Movement

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ABSTRACT

This paper discusses the question - can the anti-globalization / anti-capitalist movement transcend global capitalist order? First section outlines the essential features of capitalist subjectivity, regulation and transaction. The second section assesses the impact of globalization on capitalist subjectification and governance processes. The third section argues that anti-capitalist movement cannot transcend global capitalist order for it does not reject capitalist subjectification and its necessary prioritization of freedom.

Capitalism can be viewed as a historical (Marx 1982) or a rational (Hayek 1988) order. Neo-classical economics presumes capitalism's rationality and naturalness. It recognizes no 'outside of' or 'alternative to' capitalist order and cannot therefore conceive of any systemic transcendence. We do not share this view. Outlining briefly the norms, regulatory processes and transaction forms specific to capitalist order (in the first section) we hope to raise (in the final section) the question that does 'anti-globalization'/'anti-capitalist' movement seek transcendence from capitalism?

Keywords: Capitalism, Globalization, Subjectivity, Regimes

CAPITALIST NORMS, REGULATORY REGIMES AND TRANSACTION FORMS

Capitalism's historical evolution has taken several forms. As Gray argues (1999 Chapter 1) there exist several different capitalist systems. But capitalism is 'a relentless totalizer' (Mészáros 1995 p 77) - it is a system and not merely a Habermasian life-world. Capitalism subsumes the social order from which it emerges and creates its own social order. There is a distinct capitalist individuality, social

formation and state organization which permeates all capitalisms (be they Anglo-American, Japanese or Islamic²).

Defining these common features requires a working definition of capitalism. Above all capitalist order is founded on the general acceptance of a world view with the following characteristics.

- Individuals act rationally when they seek to achieve ends that they freely set themselves.
- Each individual has an equal right to autonomously determine his own ends - his conception of the goods.
- The purpose of social organization is to ensure
 - That individuals become capable of un-coercively determining their own conception of the good.
 - That society organizes human relationships in a manner, which enables all individuals to acquire a continuously increasing flow of resources for fulfilling these autonomously, conceived life plans.

Capitalist individuality, society and state are practical manifestations of this world view. Capitalism is a system in the specific sense that its three sub-systems; individuality, society and state - are interconnected and interdependent. Each sub system requires the continuous reproduction of the other sub-systems for its own reproduction. Capitalist individuality, society and state express a set of generic norms which distinguish capitalism from other systems.

Norms and values of capitalism distinguish it generically from other systems. The essential capitalist value is freedom - that is why capitalism is often described as a 'free society'. The individual in capitalist society is committed to freedom. Freedom is self determination - the right to do what one pleases, as long as this does not interfere with the right of all other members of society to do as they please. Capitalism recognizes no criteria for evaluating the worth of personal choices - he who chooses to run a madrassah is entitled to the same concern and respect as he who chooses to manage a bar. The only unworthy act is to restrict the freedom of the individual to do as he pleases.

Capitalism recognizes the shortage of material resources as the most important constraint on freedom. Society must be organized to maximize the potential for producing and consuming goods and services (for an increase in goods and services is a pre-requisite for increasing freedom). Ones ability to do as one pleases, in capitalist society, is ultimately limited by the size of ones income and wealth.

Therefore two very important values promoted by capitalism are *acquisitiveness* and *competition*. One must continuously be induced to desire more and more resources

for oneself. Moreover since everyone in capitalist society possesses this insatiable desire for more resources they must compete against each other and derive pleasure from competition. Acquisitiveness and competition are thus necessary means for a continuous increase in resources. This continuous increase in resources available for production and consumption becomes an end in itself in capitalist society. A capitalist society is one which accumulates for the sake of accumulation and evaluates all activities in terms of their contribution to accumulation.

Capitalist social organization seeks the universalization of these norms through the expansion of the market. Capitalist markets and capitalist property forms are historical constructions in the specific sense that laws and practices are required for their emergence and their sustenance. Historically constructed markets cannot be viewed as natural outcomes of myriad unrelated events or attributed to the natural evolution of technology. This illustrates the fact that capitalism requires regulation. The politically legitimated source of this regulation has traditionally been the liberal and/or nationalist state and its agencies; but regulation is also undertaken by firms, labor unions and multilateral agencies such as the IMF and the WTO. Regulatory systems have their origin in national and local histories and the form and intensity of regulation continue to change over time.

Thus regulation in all capitalist countries must involve the legitimating of capitalist property, the vestment of control of this property in the hands of a technically skilled managerial elite (who are not the formal owners of the assets they manage); the enforcement of capitalist contracts premised upon the formal equality and the factual inequality of contracts, etc. Although it is the duty of every capitalist state (be it American, Pakistani, Saudi Arabian etc.) to preserve these essential elements of the capitalist system, yet each state has to define the scope of capitalist property, the balance of powers between capitalist owners and managers, the legal form of capitalist contracts etc. on the basis of its own history and traditions.

It is thus useful to speak of a 'mode of regulation' (which is a set of mediations in a capitalist civil society and state) undertaken to ensure that social distortions created by a specific ordering of capitalist transactions do not destroy the overall (political, social, economic) coherence of that civil society and state (Aglietta 2000).

Specifically these mediations must ensure:

- a) systemic dominance of the desire to accumulate through the promotion of the values of acquisitiveness and competitions.
- b) continued expectation of increased access to resources for accumulation.
- c) ensuring of compatibility between claims and obligations for continuing accumulation.

Firms and banks play an important part in the regulatory process. They persuade one to participate as an efficient contributor to accumulation. They structure rules of payment, flows of goods, financial relationships and a hierarchy relating stake holders with claims on and obligations to the collectively produced added values. These structures (laws, rules, ordering of rights and duties in enterprises and in markets) require political legitimating; something the state alone can provide on the basis of a socially dominant ideology (liberalism and/or nationalism and/or social democracy). The political nature of this mediation process is a reflection of the underlying tension between capitalism's need to accumulate and its need to legitimate regulation.

We will now outline the major features of the capitalist transaction form. Capital may be defined as 'ever expanding exchange value in the form of pure quantity' (Meszaros 1995 p 115). This expansion takes place in markets where self-interested individuals pursuing freedom contract with each other for an exchange of formally equivalent values. These exchanges normally take place in markets which require, that the social legitimacy of capitalist property be recognized. In mature capitalist social formations non-capitalist property is totally subordinated to capitalist property.

The continued dominance of the capitalist property form requires that legitimate power be transferred to those who can best organize production and exchange for accelerated accumulation directly (i.e. in the circuit of capital) or indirectly (in the super-structure). This implies a universalization of the wage form - for it is the wage form which structurally relates rewards to efforts.

Capitalist property is no longer 'private' as it is dedicated to accumulation. Control of this property is effectively vested in individuals who possess the skills and knowledge to accelerate efficient accumulation. They 'manage' capitalist property on behalf of its formal owners. The rewards to both owners and managers correspond to success achieved in the use of resources to accelerate efficient accumulation. The wage form is universalized in two ways (a) accelerated efficient accumulation implies increased centralization and concentration of capitals and hence a reduction in the section of the population which is not dependent on waged or salaried labour, as a main source of its income and (b) property 'owning' individuals become crucially dependent on the skills of the dominant salaried 'managers' to accumulate efficiently. As Meszaros writes '[t]he capital system is [the] first one in history which constitutes itself as an unexceptional and irresistible totalizer. This characteristic makes the system more dynamic than all the earlier modes of social control. But the price that must be paid for this incommensurable totalizing dynamism is the loss of control over the decision making process. This applies even to the richest capitalists for no matter how many controlling shares they own their power of control within the framework of the capitalist system is quite

negligible. They must obey the objective imperatives of the system just like every one else or suffer the consequence and go out of business' (1995 p 41 – 42).

In this sense there is striking similarity between capitalist and socialist property. Since both are dedicated to accumulation (freedom) both require the separation of ownership from control, the universalization of the wage form and the social dominance of a technocratic managerial elite - which possesses accumulation know how and know why.

The separation of ownership from management in capitalism is partly a separation of savers from investors. Accumulation requires the conversion of idle money into interest bearing deposits and credit. Accumulation for its own sake requires and is crucially dependent on the social dominance of capitalist money and capitalist financial markets. Money is central to capitalism - not marginal as it is in pre and post capitalist societies (Itoh and Lapavistas 1999). Capitalist money is an independent form of exchange value. It's creation and expansion does not depend upon an increase in the production of any other commodity e.g. gold, silver, nickel or paper. It can be created at will by deposit taking institutions seeking profit maximization and the central bank is forced to accommodate these decisions by the creation or destruction of high powered money. Money has been described on the *nexus rerum* of capitalist society (Itoh and Lapavistas 1999 p 55). It is the supreme encapsulation of capitalist society's social relations which revolve around and are determined by (at least in the last instance) an unchanging commitment to the continuous expansion of exchange value. Capital cannot continuously reproduce its web of social relations without the continued social dominance of capitalist money.

A capitalist financial system is dedicated to the conversion of money into capitalist money. This conversion requires the existence of financial markets - the money market and the capital market. These markets mobilize money which has been withdrawn from the circuit of capital (Keynes termed this 'hoarding'). This money is re-injected in the system in the form of bank deposits and equity investments. Accumulation in mature capitalist systems mainly takes place in financial markets for it is these markets which permit limitless accumulation. Accumulation of physical goods (e.g. oranges) and services (e.g. haircuts) have obvious physical limits but the system of numbers is infinite. Accumulation in the form of financial assets can in principle be limitless accumulation - though in practice this is never the case (as the inevitable mismatch between financial claims and obligations lead to market 'retreats' and 'corrections'). These retreats and corrections reflect the dependence of financial markets on the production and trade of physical goods and services. This dependence can never be entirely eliminated for in an ultimate sense finance requires the production and trade of real goods and services and the financial sector can never be fully autonomous of the real economy.

But this dependence of finance on production is like the dependence of the Master on his Slave. It is the Master who decides what the Slave will do and importantly what the worth of the Slave's activity is, relative to the worth of the activity of other Slaves. In capitalist society relative values of economic activity are normally established in financial markets. Financial markets value all activities in terms of the relative contribution they make to capital accumulations. The continuous trading of financial claims graphically proclaims the sovereignty of capital and finance as the medium through which this sovereignty is articulated. In capitalist society, we all have the supreme duty to serve capital and financial market transactions; also continuously assign value to activities in terms of their affectivity in the performance of this supreme duty. Financial transactions are thus the prime *modus vivendi* for the continuous accumulation of capital.

THE IMPACT OF GLOBALISATION ON CAPITALIST ORDER

We will now proceed to outline the impact of globalisation on capitalist norms, regulatory processes and transaction forms.

Globalisation may be seen as a process of market colonization (Walzer 1984) of society. The market represents a transformation of individuality in that individuals within it discard their social embeddedness and articulate an autonomy dedicated to utility/profit maximization. Values of market traded commodities are determined without reference to non-capitalist (extra market) valuation determinants. It is this social disembeddedness of the globalized market and of the individuality which flourishes within it that grounds its claim for self-regulation. State or social interference in the determination of market outcomes are seen as irrational for the market necessarily, rationally, automatically produces the best harmonization of autonomous competing interests. Whenever the 'efficiency' argument is made for the liberalization of national commodity or finance markets it is premised on this presupposition. All globalizing states must be market friendly in the specific sense that they protect the capitalist individual's right to participate in capital accumulation through the possession of capitalist property. State power in global order is thus legitimated on the grounds that it protects capitalist property and its associated human rights.

The globalizing consumer is increasingly rational. Not only is he a compulsive utility maximiser - he knows that preferring 'preference' itself to all specific preferences is necessary for the maximization of utility/profit. This 'pure' preference can only be represented by capital which entitles one to fulfill any and every specific preference. The globalisation of financial valuation is an increasingly legitimated means for articulating the capitalist individual's commitment to pure preference. The capitalist individual expects the globalizing process to stimulate market competition so that markets function to universalize capitalist right and capitalist justice. The globalizing

capitalist individual is an advocate of the commoditization of all transactions. This is because capitalist individuality articulates a specific conception of the good - it is not a refusal to define the good as the neo-classical economists pretend. The good (actually the hyper-good in MacIntyre's words) is freedom - i.e. pure preference. The consumer's preference for capital (i.e. for pure preference) is an expression of the citizens right to unlimited freedom, i.e. the right to define the good as unlimited never ending choice between infinite specific preferences valued only in terms of their contribution towards enhancing the capitalist individual's freedom.

If capitalist order is to be universalized the market must subordinate all other 'spheres of justice' and modified forms of market valuation (e.g. social cost benefit analysis) must subordinate all other valuations; this is necessary for the universalization of freedom. All decisions must be subjected to and justified by the preference for preference itself. Consumer preferences must determine all decisions (not just decisions of the market) for well-being is measured in terms of consumption (in utils) and raising levels of consumption is necessary for raising profitability. A non-utilitarian calculus for measuring welfare and profit cannot be operationized in capitalist society.

The fact that globalisation processes facilitate monopolization of market structure should not obscure the equally important fact that globalisation stimulates competition and stimulates oligopolistic markets to mimic perfect markets in balancing the search for abnormal profits and the quest for enhanced efficiency. The sovereignty of the consumer, like the sovereignty of the citizen (of which it is an aspect) is a manipulated but not a fictitious, sovereignty. In principle the consumer like the citizen can choose anything but the market and the republic ensure that his choices are not incompatible with the choice of 'choice' itself. The market values consumer choices in terms of their relative contribution to accumulation as an 'end in itself'. This requires both a maximization of profit (through the exploitation of economies of scale made possible by earning abnormal profits) and a reduction of costs (through mimicking perfect markets).

Globalisation has led to an increased legitimization of human rights ideology with its necessary negative impact on the legitimacy of collective identities. Capitalist individuality proclaims the universality of capitalist rights/human rights for it sees capitalism to be a natural not a historical order.

The capitalist conception of property (corporate property), life (the body as property) and conscience (triviality of personal preferences as determinants of social value) provide touchstones for evaluating the moral decisions and practices of all governments and all societies (Donnelly 1999). In this perspective 'disagreement in ethics signal(s) nothing more than that some people are less (E)nlightened than are others' (Rachel 1986 p 32). Capitalist moralists argue that the Enlightenment

movement of the eighteenth century has provided the universal value references of utilitarianism, rights theory and neo-Aristotelianism for evaluating the policies of all governments and societies. These theories stake a claim to rationality and a-historicity; a claim rejected by Islam and Christianity and some Post modernist philosophers - which underpins capitalism's claim to legitimate universal dominance and hegemony.

Americanization of national corporate laws, regulation procedures, norms and standards - in relation to tax treatment, relationship between regulatory agencies and corporations, relations between employees and employers, financial disclosures, consumer rights, safety and health protection requirements - is a defining characteristic of globalized capitalist order. Globalization is an American project in that American dominance and hegemony - and American dominance and hegemony alone - is necessary for its sustenance. Globalization must therefore involve a universalization of American culture - Hegel foresaw this when he predicted 'the end of history' at the beginning of the nineteenth century and today Fukuyama and Rorty are repeating his arguments (see specially Rorty 1998).

As Hegel (1974) foresaw Enlightenment values have flourished most successfully in America, where due to the mass slaughter of fifteen million Red Indians, all pre Enlightenment traditions were ruthlessly put to the sword. The mainstream Christian tradition collapsed because of its connivance in this project of mass slaughter and plunder and the Christianity which took root was Enlightened Christianity - a Christianity which endorsed the Enlightenment values of freedom, equality and progress. These values and the rationality required for their realization are asserted to be universal i.e. the claim is that it is irrational and unnatural to reject freedom, equality and progress as universal values or to pursue them through an organization of individual and social life in a manner not endorsed by Enlightenment rationality. Enlightened values and Enlightened rationality therefore provided the appropriate criteria for evaluation of all cultural practices. Such an approach according to its advocates is not ethnocentric for Enlightenment values should be presumed to be universal.

Cultural differences can be tolerated if they are based on differences in beliefs not on differences in value. A government can discourage multinational investment on the grounds that profit-maximizing behavior on the basis of worldwide sourcing by the multinational will not lead to profit maximization within its national frontiers, but if a government rejects, profit maximization / capital accumulation as an end in itself (a value) it can be regarded as an outlaw, a rogue state and can legitimately be attacked by America. This is merely another version of Richard Brandt's argument (justifying nudity in the tropics but rejecting it in the tundras) that people with similar values can be allowed to behave differently in different circumstances (1959 p 271). Lower

standards of health and safety regulation and lower wages than those in America can thus be justified on the basis of the circumstances prevailing in third world countries.

Cultural differences in strategies for realization of consensual objectives i.e. profit and welfare maximization, for example different tax treatment of multinational earnings in different countries, discriminatory hiring practices (such as requiring a minimum level of education even for unskilled labor) etc may be justified on similar grounds so long as they do not violate human rights. Differences in relative weight assigned to *leisure* and *work* (as for example in France and Japan) may also be tolerated so long as they do not represent a threat to the central Enlightenment values of freedom and progress.

Cultural imperialism is the insistence that freedom, equality and progress are universal values despite America's manifest inability to demonstrate that this is so and its concomitant necessity to use force to sustain the global dominance of capitalist order and American hegemony within this order. Cultural differences, like difference in personal lifestyles can be tolerated in capitalist (i.e. civil) societies only as long as they are trivial - they do not negate the actualization of the core capitalist, values of profit and welfare maximization.

All capitalist states legally endorse practices which facilitate profit and welfare maximization. They all outlaw bribery, slavery and nepotism. They all endorse human rights (Bowie 1993 p 794 – 799). Donaldson's list of 'minimal international consensual rights', widely accepted as guidelines by many major multinationals, succinctly reflects this commitment to core global capitalist values by international business. Donaldson stresses that the bases of this list is provided by the UN Declaration of Human Rights and refers to Rawls' "Difference Principle" for its justification (1993 p 820). Donaldson argues that multinational management should put itself in Rawls' 'original position' when deciding about whether or not it is ethical to avail of relatively relaxed labor and environmental standards in host countries. The multinational manager is rationalizing his policy on the bases of the presumption that profit/welfare maximization is a universalisable objective. It is presumed that all moral agents would accept profit/welfare maximization as a policy justifying objective.

Globalized capitalism may be seen as an overdeveloped order where political organization remains nationally legitimated while markets are globalized and are at least in part legitimated by international agencies, norms, procedures and standards. This quasi-authoritative global regulatory regime which is ultimately dependent on the coercive power of the American state is oriented towards an enhancement of the self regulation of market participants. The emphasis placed by the anti-globalization movement on the responsabilisation of the multinational corporation reflects its acceptance of the ideology of globalization. In this order legitimate authority is

gradually transferred from states to non-governmental agencies, particularly multinational corporations and NGOs. This de-centering of authority and multiplication of its nodes is an aspect of 'Post modernist' culture which characterizes mature globalized capitalist societies. Post modernist culture leads to a de-centering of individual and collective identities and to a de-centering of objectivity itself. Baudrillard saw post-modernity as '*consumer capitalism*' where the agents consume not products but signs; the products consumed have value as signs. Signs float free from the products and domination is achieved not through the product but through the sign. Identities - individual and collective - are constructed through the exchange of 'sign value' (1981, 131 ff). Domination is achieved through discourse. Domination involves the fusion of life and reality into 'the hyper-reality of the spectacle' (1981 p 74). Domination is achieved through a communication network which 'has no end purpose in meaning' (1981 p 80). This dominance of meaninglessness is illustrated for example by changes in the context of advertisements, a hundred years ago they emphasized utility today they emphasize styles and emotional states (Lees 1983 p 17). Domination is achieved by the 'devaluation of meaning'. Identity, especially collective identity, loses coherence and meaningfulness. Collective identities are necessarily constructed on the bases of shared ultimate meanings. Post-modernist culture, as represented for example in pop music -promotes the disintegration of collective identities. This disintegration is fostered by

- Consumption of images, especially of products for their image value.
- The devaluation of meaning, the promotion of the spectacular.
- The blurring and continuous transgression of the boundaries between every day life and culture.

In an important sense the multinational is - and is expected to be - a promoter of the consumption of images, of the spectacle and of the penetration of everyday life by Post-modernist culture especially in the third world where a large and growing segment of multinational investment is focused on communication, advertising, public relations and the entertainment industries. The multinational must participate in the creation and sustenance of a de-centered identity which values image consumption the spectacular and the living of every day life in tune with Post modernist culture. If globalization is to thrive the multinational - among other agents - must struggle to create and sustain appropriate dispositions of the body - tastes and distastes embedding the most vital interests of the subject. This de-centered individuality must be enabled to struggle to impose taxonomies most favorable to its own characteristics on the whole of society. The multinational and the NGO must seek to sustain groupings which can mobilize social and economic capital for the domination of society by values espoused by de-centered individuality. The new groupings are more fluid, de-structured and de-centered than traditional social groupings. Multinationals NGOs and donor agencies must contribute to the production of cultural capital - specially through education, social service and

entertainment. This is necessary for the development of the social hegemony of Post-modern culture and of capitalist order today.

A 'local elite' of Americanized Pakistanis must be made socially dominant to legitimize global cultural and political hegemony. The life style and preferences of this elite must dominate Pakistani society. Needs must be produced on a mass level to make the life style of the Americanized elite an inspirational ideal for society. The creation and sustenance of the 'new needs' requires the restructuring of the economy - the creation of some new spheres of production and distribution and the phasing out of some old ones and the reinterpretation of national history and culture on the basis of an ideology which legitimates the consumption of signs, the devaluation of meaning through the promotion of spectacle and the impregnation of every day life with post modern culture. The de-centered identity created by these means is untrammelled by collective meanings or historical traditions and exhibits a refusal to be pinned to a particular site in a particular social space. The typical decentered individual is at home in the market and in the crowd enjoying a spectacle but he is an outsider to his family and his inherited traditions. The de-centered individual experiences a vicarious universalism of communicative rationality as conceived by Habermas - the television and the internet are the chief instruments forging the consciousness of this universalisation. Decentering thus involves both

- Marginalization from local communities and traditions.
- Espousal of a new universalism grounded in the communicative rationality legitimating the consumption of signs and spectacles and devaluing meaning.

Both these moves promote the universal dominance of human rights ideology which is global capitalism's principle moral discourse. As Lyotard stresses the social dominance of human rights discourse is necessary for the dissolution of meta-narratives (e.g. Islam) and the de-historicizing of culture (1984 p 371) and of meaning itself (Jameson 1997 p 74). Time is 'fragmented into a series of perpetual presents' (Jameson 1997 p 75). Narration is displaced by spectacle and consciousness is suppressed largely through its flattening into a schizophrenic, psychedelic reality. Its own history becomes incoherent to a Post-modern globalizing people. Fascination with immediate gratification in a society consuming signs and spectacles means that narratives such as seeking God's favor, nation building and marriage loose meaning and relevance. Life becomes a sequence of disjointed experiences and events.

Globalization requires social dominance of de-centered individualists. The multinational and the NGO are primary sites for de-centering and de-collectivizing individuals who nevertheless need to associate with each other for the achieving of their individual purposes through accessing common resources (capital). The multinational and the NGO cannot be neutral bystanders in the 'clash of civilizations'. They can thrive only in the era of globalizing capitalism and we have

argued in this section that globalization is as much a cultural as it is a politico-economic phenomenon.

Globalization is an American project in two specific senses.

- It represents a universalization of state society relationships and of identity consciousness that developed in America in the early twentieth century. Globalization requires a de-centering of identities; a dissolution of collectivities and collective rights; a vestment of meaning in activities related to capital accumulation and to it alone and a denial of the possibility (Foucault) and or the need (Rorty) to ascribe meaning to the capital accumulation process as a whole and to the social order which sustains it.
- This inability to legitimate global capitalist order makes global capitalism ultimately dependent on American global coercion. It is American coercive force alone which sanctions and sustains global capitalist order. A collapse of American systemic hegemony will necessarily lead to a collapse of global capitalist order.

America's systemic dominance depends upon the de-centering of identities, the de-legitimation of collective rights, the legitimization of capital accumulation as an end in itself (the acceptance of meaning in 'meaninglessness') and the subordination of national laws and procedures to the international standardization of American practices in accountancy, finance, quality control, labor market regulation, intellectual property right appropriation etc. Which if any of these features of postmodern globalizing capitalism does the 'anti capitalist' movement challenge?

ARE 'ANTI-CAPITALIST' MOVEMENTS ANTI-CAPITALIST?

In brief our answer to this question is "None - for the anti-globalisation movement endorses the capitalist values of freedom and progress".

In this section we try to understand postmodern activism in the context of a systematic theoretical framework. We begin our analysis by situating postmodern movements in the framework of a Foucauldian theorization of struggles. Concentrating on the notion of subjectivity and subjectivisation, we try to make clear a specific danger manifested by these movements in their present constellation.

FOUCAULT'S THEORIZATION OF STRUGGLES

Foucault categorizes struggles, in general, into three types:

- Struggles against domination
- Struggles against exploitation
- Struggles against subjection

Roughly speaking struggles against domination are struggles against the domination of one group over another. Struggles against exploitation are struggles against ‘the separate(ion) (of) individuals from what they produce’ (SP: 212). And finally struggles against subjection are struggles against “that which ties the individual to himself and submits him to others in this (i.e. a particular) way (struggles against subjection, against forms of subjectivity and submission)” [ibid]. The defining element of subjection is self-subjection. No subjection exists without the possibility of self-subjection. This is the reason why freedom is so important for the functioning of any subjectivisation regime. It is the element of self-subjection that differentiates subjection from other forms of domination.

We shall elaborate the above point a little more by contrasting subjection with different forms of dominations mentioned by Foucault. The struggle against subjection is different from a struggle against slavery because it is not (primarily) a struggle against the “appropriation of bodies” (DP: 137). Similarly, the struggle against subjection is not a struggle against servitude. Servitude is a “constant, total, massive, non analytical, unlimited relationship of domination established in the form of the individual will of the master, his ‘caprice.’” (DP: 137). Thus, the struggle against subjection is not a struggle against the individual master or class of masters since the struggle against subjection is against the effects of anonymous power (SP: 211 and 213).

Furthermore struggles against subjection are not struggles against vassalage. Foucault defines the relationship of “vassalage” as “a lightly coded, but distant relation of submission, which (bears) less on the operation of the body than on the products of labour and marks of allegiance” (DP: 137). Finally, struggles against subjection are to be differentiated from the subjections of the monastic type. The purpose of the monastic type of subjection “was to obtain renunciation rather than increase utility.” (DP: 137 cf. HS final chapter). The purpose of capitalist subjection on the other hand is precisely to increase utility.

Although, the above examples are not exhaustive in any sense they are sufficient to clarify what Foucault might mean when he differentiates between domination and subjection.

Similarly, we can see from these examples that subjection is a kind of domination. Subjection is by definition domination but not all types of domination are necessarily subjection. Foucault differentiates between domination and subjection to *specify* and emphasize the particular kind of domination that has been the hallmark of capitalism and to highlight its *uniqueness* among various historically existing forms of domination.

According to Foucault although all three types of struggles can be found coexisting in a society in a given era, normally one kind of struggle tends to dominate a

particular society. Thus, for example, though in feudal societies struggles against exploitation may be found they are not the characteristic struggles of the feudal era. Foucault concludes that the struggles characteristic of the feudal era were struggles against domination. Struggles against exploitation were characteristic struggles of the nineteenth century. “And now-a-days”, says Foucault, “struggle against the forms of subjection - against the submission of subjectivity - is becoming more and more important” (SP: 213). According to Foucault the characteristic struggles of late/advanced capitalism are struggles against subjection. However, Foucault adds, this is not the first time in Western history that struggles around subjectivity have become prominent, and the examples Foucault gives leave one wondering whether these kinds of struggles are tied to extraordinary times in the life of Western ‘civilization’ (SP: 213).

THE CAPITALIST SUBJECTIVIZATION REGIME

‘Subjectivity’ is defined by Foucault as a form of “organization of self consciousness” (PPC: 253) implying that there may be forms of organization of self-consciousness other than subjectivity. We define manageable subjectivity as a subjectivity, which has two characteristics; first, it has some degree of freedom/diversity and second this diversity is amenable to organization under a singularity. We cannot talk of a manageable subjectivity without the presence of these two elements. Management techniques are not operationalisable upon individuals who are not allowed freedom. One cannot talk of managing slaves in this sense.

In this context Foucault asserts that “power (read management!) is exercised over free subjects, and *only insofar as they are free*” (SP: 221, emphasis provided). Furthermore, this freedom/diversity should be such that it can be traced back to a singularity. Diversity that cannot be traced back to singularity leads to dangerous subjectivity - a subjectivity that is not manageable (PPC: 125-151).

Thus, for the production and reproduction of manageable subjectivity, one requires diversity but the limit of this diversity would be the ultimate ability to retract this diversity and lock it into a singularity. If diversity exceeds this limit, the subjectivity no longer remains manageable. It enters the threshold of a dangerous subjectivity. The apparent paradox of capitalism is that in order to increase utility and the productive capacity of individuals and populations it needs to expand the ambit of freedom and diversity but in order to make individuals and populations governable and manageable, it needs to constrain this diversity by setting limits so that subjectivity remains manageable. It is on the maintenance of this delicate balance between diversity and singularity that the sustenance and continuity of the whole capitalist system depends.

Capitalism resolves the dilemma through realizing the double role freedom can play. Freedom is central for the functioning of a capitalist system not only as the precondition for enhancing utility and diversity, but for its double role as the precondition of enhancing diversity and imposing singularity on multiplicity (SP: 221). Historically, ‘freedom’ has played this role of imposing singularity over multiplicity through the process of subjectivisation i.e. through the creation of a subjectivity/subject. The genius of capitalism and liberalism was to realize that freedom was not only the principle of anarchy it can also be a fundamentally important tool of management (see Rose, 1993, Rizvi, 2006).

Foucault’s claim is that in capitalism the governance of diversity is maintained through freedom itself and not (primarily) through repression. Capitalism’s interests are not fulfilled by curbing and limitations *per se*. Capitalism has evolved a system of government whose condition of operationalisation is freedom and immanence. Foucault defines “government’ as the structure[ing] of the possible field of action of others” (PPC: 221). Capitalist logic is based on a realization that freedom is the essential element of ‘government’ (management) in the sense that capitalism recognizes the ‘double’ character of freedom. To desire freedom is not only to expand the arena of choice (diversity) but it is also to make oneself governable (manageable). Hence the impossibility of governing/managing those who reject freedom (PPC: 221-222).

ARE “ANTI CAPITALIST” MOVEMENTS STRUGGLING AGAINST CAPITALIST SUBJECTIVITY

Foucault sees postmodern struggles as struggles against what he calls ‘government of individualisation’, against a certain sort of subjectivisation, namely the way individuals are made subjects in modern capitalist societies (SP: 212). They are struggles against a certain self-identification, against the notion of identity. Since the notion of identity is one of the tools used to impose singularity on diversity in the capitalist system, these are struggles that “assert the right to be different and they underlie everything which makes individuals truly individual” (SP: 211).

These are struggles which demand the legitimacy of and assert the right of, polymorphous experiences - infinite and numerous ways of being individual. To obstruct this is to obstruct the freedom and the right to be different. Essentially they are struggles against the notion that there is a true self and that we ought to conform to that true self. All these struggles revolve around the question: Who are we? They are a refusal of these abstractions, of economic and ideological state violence which ignores who we are individually, and also a refusal of a scientific or administrative inquisition which determines who one is” (SP : 212).

Foucault had hopes of post-modern social movements (PPC and PK) but there was disappointment related to these movements that haunted him in the later phase of his

life. He saw the great danger facing these movements in their turning into what he pejoratively termed 'liberation movements' (see Kritzman: 1988: p 14). Liberation movements, according to Foucault, are movements that do not recognize the double character of freedom and the double role that freedom plays in sustaining capitalist subjectivity. These movements consider freedom simply as a 'way out', as an 'exit', without realizing the formidable management potential of freedom. Consequently they end up being incorporated into an existing subjectivisation regime without realizing their potential as movements aimed at producing a new subjectivity that can transcend the double bind of freedom (Badiou, 2001:106).

To think of power as purely a limit set on freedom leads to the notion that freedom consists in merely lifting this prohibition: a 'way out'. But these notions are dangerous in the context of the workings of capitalist power, which does not work by 'starving' desire but thrives on creating, inducing and multiplying desire. "This type of discourse", according to Foucault, is a dangerous and "a formidable tool of control and power. As always, it uses what people say, feel and hope for. It exploits their temptation to believe that to be happy, it is enough to cross the threshold of discourse and remove a few prohibitions. But in fact it ends up dispersing movements of revolt and liberation" (PPC, 114 cf. HS, 3-35).

The danger of these movements consists in the fact that they are movements of freedom and liberation. This is dangerous precisely because these movements seem to be working with the false premise that capitalism essentially consists in the repression of freedom or as more perceptive of these would claim, it does not produce 'real' freedoms. However both assumptions are wrong because:

a) It is not true that capitalism is essentially based on curtailment and repression. To think that capitalism is merely a negativity is to miss its innovative character and hence to underestimate its power over individuals and society. Foucault's rejection of the so called repressive hypothesis is in part derived from these considerations (HS: 3-37). Foucault posits capitalism as a positive force (PPC: 262-263). The movements that do not realize this end up either being easily incorporated into the capitalist game or they become irrelevant, feeding on empty rhetoric, which does not harm capitalism. They are easily incorporated because capitalism is able to lift most of the repressions and prohibitions that these movements decry in the long run (PPC: 113-114).

b) The second strategy is more dangerous than the first because it combines the shortcomings of the first with its own. The claim that capitalism does not grant real freedoms is factually wrong because capitalist freedoms are real freedoms (even if they are structured within the space of subjection to capital). To think otherwise would be to think of capitalism as a negativity and hence would be to underestimate/misunderstand it.

Second, to think that capitalism does not grant real freedoms is to commit oneself to the struggle for freedom, i.e. to the struggle for 'real' freedom, for more and more freedom. However this strategy plays capitalism's own game and is doomed to failure as it would either end up being incorporated into the game or would be rendered irrelevant and harmless.

This is so because capitalism rules through freedom, it rules through granting rights and freedoms and fulfilling people's desires. It rules in the name of freedom, in the name of the enhancement and preservation of life. In sum it rules in the name of promoting well being. It kills in the name of freedom (Iraq, Afghanistan) in the sense that in order to justify mass murders and wars it has to convince its subject that these are necessary to preserve life and freedom in the long run. The struggles waged in the name of freedom and life, are already playing on the turf of capitalism and are doomed to failure (HS: 137-138).

One of the main ingredients of the capitalist strategy of governing positively through enhancement and not through repression is the production of discourse about the truth of the individual, society and state. Capitalist strategy of governance consists in producing, reproducing and multiplying discourses and not curtailing and inhibiting or repressing discourses (see Rizvi, 2006). There are various functions of this constant multiplication of truth:

a) One of the main functions of capitalist governance is to normalize ideas i.e. to neutralize them, take the sting out of them etc. through placing them within its discourse and then constantly multiplying the discourse rather than repressing it. Repression is not a chosen strategy because it is not effective in the long run for capitalism.

b) In order to be normalized through discourse it is important that one speaks, expresses and produces a discourse. Capitalism cannot manage some one who refuses to speak, refuses to produce a discourse and refuses to 'come out.' Silence is what terrorizes capitalism and not discourse. The horror that haunts capitalism is the horror of the unknown, that which cannot be situated in and explained within its discourse. Capitalism is the only 'civilization' we know of that is compelled to produce and reproduce and multiply discourses about its real and imaginary enemies. It is important in order to normalize, 'explain away' and trivialize that the 'other' is brought in to discourse.

Thus, in a capitalist system one is instigated to speak. Foucault talks about the obligation to speak in this context. Foucault also emphasizes the importance of silence and speaks of the need to develop the culture and ethos of silence: "Silence...a specific form of experiencing relationships with others...I'm in favor of developing silence as a cultural ethos." (PPC: 4).

Foucault also speaks of “lightning-flashes” that “open a void, a moment of silence, a question without an answer, provoke a breach without reconciliation where the world is forced to question itself.” (MC: 287). It is interesting to note that Habermas on the contrary characterizes silence as a sign of fascism (see Milchman, 1994). In this context it is also worth remembering Heidegger’s silence and how it, to this day, scandalizes the bearers of Modern discourse (see Lang, 1996).

Foucault’s attitude towards the gay movement and it’s calls for his ‘coming out’ and confession and his ambivalent attitude towards gay discourse is based on the reasons we have been discussing here (Kritzman, 1988).

c) Multiplication of discourse is also a technique to trivialize issues. Things are talked about and discourse is produced about issues in such abundance and from so many angles and with such constant repetition that it in the end loses any gravity. Abu Ghraib is a good recent example of this. The multiple discourses that were produced in the aftermath of the event in the media, at the end, switched the focus from the issue and discourse becomes an endless exercise having very little connection with the reality of the event which fades away and is absorbed in the complexity of the discourses (Zizek 2004).

The “anti capitalist” movements, which consider capitalism as negativity, do not comprehend this game and end up being swallowed within the whirl of capitalist discourse.

Capitalism thrives on creating desires and multiplying them. Without the constant production and multiplication of new desires the capitalist system would dry up. It is important for the continuous production and reproduction of the system that each and every element of the system must keep ‘desiring’ more and more. The “anti capitalist” movements that turn into movements of safeguarding people’s (human) rights and base their struggles on the charters of demands really enhance the functioning of the capitalist system This is because they work on the false premises that capitalism suppresses desires. Foucault’s turn, in his later work, to the aesthetics of existence that would be based on voluntary asceticism and disciplining desires, was in part a response to this realization (Foucault, 1988a).

*There are grounds for mobilizing the excluded and the disempowered (the *mustadafeen*) in movements of resistance but such movements – unlike “anti capitalist” movements – will have to reject not just capitalism but all struggles for freedom. They will have to de-legitimize freedom as the organizing principle of human life at the levels of individuality, society and state. They will articulate a new legitimating principle but what that principle would be is another story.*

NOTES

1. The classical political economists were not blind to the possibility of systemic transcendence. That is why Locke laid such emphasis on the illegality of what he called 'civil war' against representative government (Locke 1963 p 74 – 80). Echoes of this apprehension reverberate throughout (Rawls 1971).
2. He differentiates between 'Anglo American', 'Germany' and 'Japanese' variants. Henry and Wilson (2002) recognize an 'Islamic capitalism' (p 4 – 6) and the maverick Trotskyists (followers of Tony Cliff) have long spoken of 'Soviet capitalism'.
3. There is of course nothing natural about accepting acquisitiveness or competition (for self or society) as norms, capitalist social theory however regards the acceptance of these norms as 'rational' (Callinicos 1999 Chapter 7).
4. Currently the WTO is seeking to construct global technology markets by universalizing the US patent system.
5. That is a maximization of his discounted consumption over his life time for as Little (1960) and several other welfare theorists have shown consumption expenditure is the only available practical estimator of utility.
6. As long as fulfillment of that preference takes the (ultimate) form of consumption
7. Posner (1979) and the Chicago economists have shown that markets can be efficient even if there are only three firms within them.

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SPHERES OF CORPORATE POWER

Corporate power is defined as the ability of a manager, company, or industry to change the business environment. Such power is exercised in all societies and across historical eras. There are six spheres of corporate power.

- Economic power is the ability of the holder to influence events, activities, and people by virtue of control over resources, particularly property. It is an ability to influence or determine price, quality, production, and distribution of goods, services, and resources.
- Social and cultural power is the ability to influence social activities, institutions such as the family, cultural values, customs, lifestyles, and habits.
- Power over the individual is directly exercised over employees, stockholders, consumers, and community members. In addition, business values affect the concept of individualism in society.
- Technological power is the ability to influence the direction, rate, characteristics, and consequences of technology as it develops.
- Environmental power is the impact of a company's actions on the biosphere, as in pollution, resource use, and physical community development.
- Political power is the ability to influence elections, public policies, and laws.

These areas of power obviously are related. For instance, use of political power can increase a corporation's economic power. Technological developments in corporations may influence social and cultural values. An example is James Duke's use of the Bonsack machine to swell cigarette output, which prompted development of mass advertising to sell cigarettes. A coherent view of corporate power must encompass all six areas.

George A. Steiner and John F. Steiner
Business, Government, and Society, p. 48

ARTICLE

Leveraging on Knowledge Management Approach for Effective Risk Management in Building Projects

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ABSTRACT

This paper aims to introduce a new approach utilizing knowledge management to simplify the process of risk management, so as to enhance the knowledge sharing and promote its application in the construction industry. Decision making is a significant characteristic that occur in each phase of a project. Often, these decisions will, or can affect the other tasks that will take place. To achieve an effective decision making process, project managers and the other personnel of one project need to have a general understanding of other related or similar past projects. Risk management is important to support decision making at the early stage in a project. The technique of knowledge management is particularly useful for project risk management, as the process involved in risk management largely depend upon previous experience. It is useful to be able to accumulate previous knowledge and share this with other project participants. However, because of the complexity of construction project, knowledge acquisition, sharing and transfer are difficult. A case-based reasoning intelligent system that simulates the process of human reasoning is presented as an appropriate solution to managing knowledge in relation to project risks. This would provide the professionals with requisite knowledge to make more informed decisions and to take proactive measures for reducing potential risks and variations in ongoing and future projects.

Keyword: Management, Knowledge-base, Buildings, Projects, Risks.

INTRODUCTION

Construction projects have a poor reputation for achieving time and cost goals. Risk management is important as it provides a chance for project participants to review the whole project by communicating through a common language, to understand better and access the potential problem and then allocate it through a reasonable manner. It can enhance the communication among project participants and improve the relationship. However, despite some of successful established theories, risk management is still not able to satisfy practice. Previous risk analysis researches focused on quantification stage. However, some of the qualitative processes are more important, such as risk identification. Successful qualitative analysis usually depends

on human experts, their knowledge and their creativity. Therefore, to improve risk management must improve knowledge sharing.

This paper introduces a more qualitative risk management approach through managing knowledge in relation to project risks. It illustrates the relationship between current qualitative methods and knowledge sharing and transfer, and compares the similarity of human problem solving procedure and case-based reasoning (CBR). The purpose is to simplify risk management process, provide reliable evidence to support decision making and finally lead to a broader application of project risk management.

RISK MANAGEMENT IN CONTEMPORARY PRACTICE

Despite some successful achievements, there are still barriers exist in current risk management methods that impede its application in real practice. To overcome these limitations, it is much useful to manage risks from understanding the knowledge in relations to project risks.

LIMITATION OF CONTEMPORARY METHODS

Construction projects are complex because they involve many human and non-human factors and variables. They usually have long duration, various uncertainties, and complex relationships among the participants. To identify and analyze potential risks that could happen in a project as early as possible can enhance the assessment of project. After a survey regarding general contractors and project management of the construction industry's risk analysis and management techniques, Akintoye and Macleod (1997) presented that risk management is essential to construction activities in minimizing losses and enhancing profitability. According to ICE and FIB (1998), the benefits gained from project risk management are: an increased understanding of the project and the risks in a project and their possible impact, an independent view of the project risks which can help to justify decisions and enable more efficient and effective management of the risks and an understanding of how risks in project can lead to the use of a more suitable type of contract.

The main problem of current risk management research is the difficulty in promoting research achievements into real application efficiently. According to World Bank 1990's annual review, 63% out of 1778 projects between 1974 and 1998 had experienced significant cost overrun. A study of more than 8,000 projects in 1994 conducted by Standish Group found that only 16% were able to satisfy (Hartman, 1997). In 1998, a survey carried out by Leunga et al. (1998) shows risk management approaches are not widely accepted in Hong Kong projects. The major limitations identified in applying risk management come from three angles:

TIME AND COST

According to Raftery (1994), many professionals who have accumulated some experience of carrying out risk analysis on projects find that the identification stage is the most time consuming. In addition, the time involved in using risk management approaches, training the relevant staff, learning and choosing available risk management methods, obtaining input estimates and assessment of their probabilities, understanding and interpreting outcomes of risk management process all need time. Apparently, to carry out risk analysis usually need more advance technique and/or more labor involvement, which may need additional investment.

COMPLEXITY

Because of the complexity of risk, risk management is more sufficient when combine several methods together. The technique involved in these methods includes mathematics, statistics and operation research, which may be difficult for all project participants to understand. It is even difficult to use it correctly. Moreover, different method suits to different purpose and project futures, not every one think it is necessary to learn all of these.

ACCURACY

Identifying and quantifying risk is about trying to forecast the unknown (Carter, et al., 1996; Arain, 2005a). Risk identification is the fundamental stage for risk management. It is usually based on some assumptions. As a result, the elements used to carry out quantitative analysis may inaccurate or insufficient and uncertainty will be all along with the analysis process, till the end of the project. This will dramatically influence the accuracy of the risk analysis results.

RISK MANAGEMENT IN RELATION TO KNOWLEDGE

Having identified the limitations of the current methods, it is a matter to seek another solution and evaluate the feasibility. Qualitative approach based on knowledge seems much better. However, the influence of human behavior raises another issue.

THE IMPORTANCE OF QUALITATIVE ANALYSIS

Traditionally, risk management is carried out by the identification of potential risk sources, the evaluation of probability and possible loss, and the allocation amongst the project participants. According to a study taken by the Confederation of British Industry (CBI) in 1994, only about one-quarter used quantitative methods to assess project risk, with the majority relying on subjective judgment (ICE and FIB, 1998). An important part of risk management activity lies in harnessing the experience and

knowledge of the entire management population in a project to anticipate and overcome risks, rather than mathematical and complex statistical simulations (Carter, et al., 1996). Smith (1999) points that one of the main obstacles when introducing risk management to an organization is the lack of openness and communication within the organization. When carrying out communication, textual information as the basic everyday language is easier for the project participants to understand and spread. Therefore, qualitative analysis will be much easier for human participants to accept instead of to understand various complicated risk quantification methods.

THE INFLUENCE OF HUMAN BEHAVIOR

Qualitative risk analysis is largely based on experts' experience. Identifying risks internally or externally to the project requires that the analyst be systematic, experienced and creative and the identification of risks is about making the best use of the information and experience available at the time of making the decision (Raftery, 1994). Risk perception is generally influenced by people's belief, attitudes, judgment and feelings (Akintoye and Macleod, 1997). However, people's assumptions and perceptions may be inaccurate and inconsistent (Raftery, 1994). Ritchie and Marshall (1993) have identified factors influencing the formation of risk perception including educational background, practical experience, an individual's cognitive characteristics, the availability of information, and peer group influence. Schettler et al. (2001) presented the people problems of construction risk management are currently being subjected to a substantial research effort directed mainly at the establishment of subjective probabilities, the exploration of heuristics and biases, and the nature and extent of risk management practices in the construction industry.

Humans have limitations in coping with complex information. Pender (2001) asserts that about nine decision attributes is all that a person can effectively encompass at one time and they made the decision averagely based on the most three similar decisions they made. As a result, to manage the knowledge in relation to projects risks, more importantly, would find a knowledge management scheme which suits to its characteristics.

KNOWLEDGE MANAGEMENT

Recently, knowledge management attracts significant attention in the field of project management, especially in the view of organization strategy and human resources. What is knowledge and knowledge management? Whether it is useful for project risk management? And how it can be used to manage project risks?

KNOWLEDGE AND KNOWLEDGE MANAGEMENT

DEFINITION

Davenport and Prusak (1998) defined knowledge as a “fluid mix of framed experience, values, contextual information, and expert insight that provides a framework for evaluating and incorporating new experiences and information”. Knowledge is the whole body of cognitions and skills which individuals use to solve problems (Probst, et al., 1999). It is a complex concept which consists of information and skills acquired through experience; truth and belief, perspective and judgments, expectations and methodologies (Egbu, et al., 2003). Comparing with project risk data and information, the knowledge relates to project risks is a deeper understanding and integration concept as shown in Figure 1.

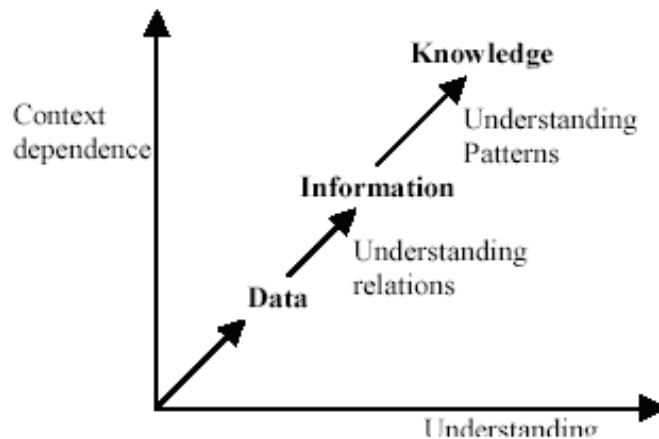


Figure 1 The relationship of context to understanding (Egbu, et al., 2003).

Knowledge management involves the acquisition, storage, retrieval, application, generation, and review of the knowledge assets of an organization in a controlled way (Watson, 2003; Arain, 2005a). Knowledge management enables the creation, communication, and application of knowledge of all kinds to achieve business goals (Tiwana, 2000; Arain and Low, 2006a). Managing knowledge relevant to project risks will help capture, accumulate, access, exchange and implement this knowledge to cope with risks in new projects.

KNOWLEDGE SHARING AND TRANSFERRING

A successful knowledge management initiative will install a learning and knowledge sharing culture and environment, provide vision and effective leadership to overcome learning barriers (Maqsood, et al., 2003; Arain, 2005b). Sharing knowledge in project risk management can reduce time and effort, speed up decision-making process, provide an effective way of inducting new staff, encourage the use of knowledge and promote collaboration, capture knowledge for organization use and encourage the transfer of best practice (Kermally, 2002).

Knowledge can be classified as tacit knowledge and explicit knowledge. Tacit knowledge is personnel knowledge and in practice it is difficult to communicate fully to others, it has a technical as well as cognitive dimension; while, explicit knowledge is the knowledge that has been articulated, coded and recorded (Kermally, 2002; Arain and Low, 2006a).

Nonaka and Takeuchi (1995) presented the four modes of knowledge conversion:

- Socialization: acquiring knowledge from design engineer, site manager, etc;
- Externalization: converting tacit knowledge into explicit knowledge;
- Combination: transforming explicit knowledge into future explicit knowledge by integrating different bodies of explicit knowledge;
- Internalization: transferring explicit knowledge into tacit knowledge.

The methods used in different knowledge converting modes can be used formally or informally in the project risk management as shown in Table 1:

Socialization	Externalization	Combination	Internalization
Brainstorming, informal meeting, discussions, dialogues, observation, training.	Meeting, workshops, building hypotheses, models.	Virtual library, reports, publications, conferences.	Facilitation skills, Knowledge zone, client/contractor feedback review, development counseling.

Table 1 Methods to carry out the knowledge converting modes

Most of these methods rely upon non-numerical information. Therefore, qualitative methods are more suitable in coping with knowledge in relation to project risks.

KNOWLEDGE SHARING AND TRANSFERRING IN PROJECT RISK MANAGEMENT

Qualitative methods usually analysis risks by delivering a great deal of relevant knowledge. Various such methods have already been introduced to the construction project, such as examining historical documents, brainstorming and Delphi, which compared with three methods that project participants acquire and share knowledge:

READING AND WRITING-THROUGH PAPER WORK

Examining historical documents is the most essential and basic approach to acquire knowledge relates to project risks, as shown in Figure 2. The knowledge transfer is along with the transfer of project documents and it is shared when other project participants read it. Historical data is valuable for getting a conception about risks in previous projects (Artto, 1997; Arain and Low, 2006a). The previous project data, records, common and failure, plus the project managers' knowledge, experience and judgment can provide suitable suggestion when carry out risk identification. Therefore, it is necessary to learn from the experience, both success and failure. Furthermore, historical data provides an initial list of possible risks for brainstorming discussion.

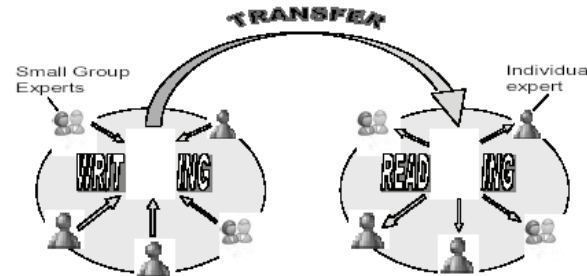


Figure 2 Transferring and sharing knowledge by reading and writing

TALKING-THROUGH FACE TO FACE COMMUNICATION

Brainstorming is a typical method of people sharing and transferring knowledge through face to face communication. Figure 3 illustrates the format of this type of method.



Figure 3 Sharing and transferring knowledge by talking

A formal brainstorming is sometimes used in this context. Outlandish suggestions are encouraged (Raftery, 1994). Brainstorming involves the collective generation of ideas by a group comprising key project personnel and others in an environment free of criticism (Merna and Njiru, 2002; Arain and Low, 2006b).

The underlying principles are that: group thinking is more productive than individual thinking. Brainstorming encourages wide ideas and avoidance of criticism ‘silly’ ideas till the end. The most promising ideas generated are then selected, built on and combined, developed and verified.

INTEGRATED COMMUNICATION

Delphi is a well-known method of using group judgments in project risk forecasting. It provides a communication process allowing a group of individuals as a whole to deal with complex problems.

Basically experts answer questionnaire individually for each round; the feedback will be received from the coordinator to guide the next round decision making. Smith (1999) addressed the procedure: “it starts with the formation of a team of experts that represent all aspects of the project; the experts meet and formulate an exact definition of the risk that being considered. They then discuss the risk, paying particular attention to its causes and the interdependencies it has within the project. Subsequently, they give their opinions as to the probability of occurrence of the risk and the impact of the risk on the project, should it occur. The experts can also give a cost assessment of the risk based on the probability of occurrence and possible impact”.

LIMITATIONS OF EXPERT KNOWLEDGE

Kermally (2002) stated that without effective communication, tacit knowledge remains tacit and organizations lose out. Three knowledge sharing and transferring methods discussed above have various limitations:

- Project documents may not well record, so it might not be able to provide as much as possible information that project participants expected. For instance, only 438 of 2791 World Bank projects in transportation, energy and mining and public sector development have risk assessment in its project appraisal document.
- The knowledge relates to project risks is difficult to acquire, because construction project is long duration, the number of projects that an expert involve in is limited. Moreover, the transferring of the experts' knowledge is another issue. Because different experts have different background and experience, humans are influenced by psychological factors and environment they involved. It is difficult to transfer knowledge from one to another exactly the same. The key limitation of brainstorming is peer pressure.
- Delphi somehow overcomes the peer pressure, but the involvement of experts can not guarantee and it is time consuming.

A method is useful if only the user can accept it. To promote the application of risk management in construction projects, we need an easy understandable, easy accessible, easy to communicate, common acceptable and reliable approach. Risk management in fact is a process of managing knowledge. But knowledge is generated within one project and then buried in unread reports and arcane filing system, or lost because of people move on (Carrillo and Anumba, 2002; Arain and Low, 2006c). Furthermore, the knowledge holding by human experts is always influenced by subjective judgment and intuition. Leunga et al. (1998) introduced a rule-based system to identify project risks, however the rule based system are too restrictive to handle tacit knowledge (Watson, 2003). In addition, these rules may not be fully understood or accepted by the other project participants. The knowledge management activities is identified as generate, propagate, locate, capture, access, maintain and use of knowledge. CBR can well fit these stages.

CASE-BASED REASONING APPROACH

This section explains how CBR satisfied the requirements of a knowledge management system, and in what way it suppose to work in managing project risks.

WHY CBR?

To manage knowledge from human experts, it is necessary to understand the way that human reasoning and make decision. In order to comprehend the human problem solving process, Holyoak (1987) distinguished two different types of operations that are applied during a thinking process: the human capability reasoning as making conclusion by interpreting the knowledge stored in our brain; and then guiding the reasoning process so that only the relevant conclusions are inferred. Figuring out the common features of human solving problems and sharing and transferring knowledge process, processing the raw information, picking up useful patterns, remembering previous similar situation, comparing related features, making decision rely upon the similarity, these perfectly match the reasoning process of CBR. As a result, CBR is identified as an appropriate approach to fit the demand of project risk knowledge management.

CBR systems, decision support system and contextual information retrieval systems, which provide the needed historical base from past experience that help make decisions rapidly and accurately (Tiwana, 2001). Comparing with other Artificial Intelligent (AI) systems, CBR has the advantage of coping with textual information, reasoning through uncompleted knowledge, tolerance for complexity, and low expert dependence. Moreover, the process of CBR is more similar with the way that human experts reasoning and making decisions.

CBR CYCLE FOR PROJECT RISK MANAGEMENT

The process of how CBR system works in project risk management is shown in Figure 4. The information of previous projects is processed to knowledge storing in a knowledge base. When new project comes, it is first translated to the similar project description form as the cases storing in the knowledge base. It then retrieves the knowledge base to find similar previous projects, reuses the risks identified and the management method, and revises these solutions to come up with suggested risks and respond strategy. This preliminary suggestion is reviewed by human experts, and then a new final report of identified risk for this project and relevant respond strategy is provided. This solution accompanies with the new project description then is retained to the knowledge base as a piece of new knowledge for the future use. The refine is more about the maintenance of knowledge base, to update the information, such as when the project have finished, to re-evaluate the identified risks and respond strategy and then revise the knowledge base.

In CBR system, project is described by attributes. The result of retrieving process relies on past cases with attributes that match the current case. The matching scheme depends on varying degree of importance as indicated attributes by different matching weights. A search engine then searches through all the cases in the case

base and retrieves those that match closely. As new cases are added, the CBR becomes increasingly powerful and accurate.

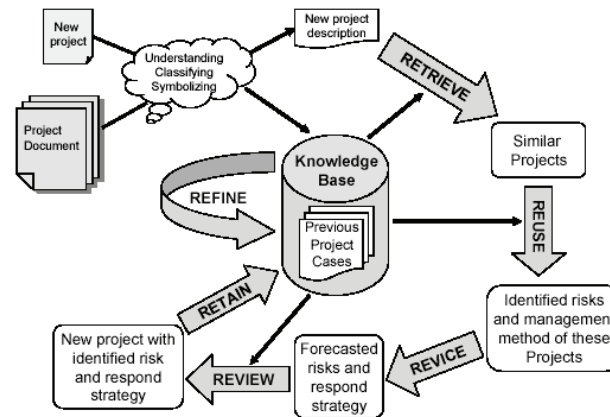


Figure 4 Project risk management CBR procedure

FINDINGS

The issue of current risk management is the inadequate application. Good risk management depends on sufficient previous experience. However, the knowledge held by individual or small group of experts sometimes is inadequate to support making sufficient risk forecasting and risk respond decision. In addition, humans have limited capability to cope with complex information. CBR as a paradigm to simulate the process of human solving problems, is particular useful for managing risks in relation to project risks. It reasoning by remembering previous risks and allocation strategy in similar projects and then generates a potential solution for the new project.

The undertaken research currently carried out by the author has put it into evaluation by using project data from institutional building projects in Singapore. It is important to understand that this system for the management of risks and variations 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. Furthermore, this system does not try to take over the role of human experts or force them to accept the output of the system; instead, it aims to provide more relevant evidence to facilitate human experts making final decisions.

CONCLUDING REMARKS

Decision making is a significant characteristic that occur in each phase of a project (Arain and Assaf, 2003; Arain, 2005a). In almost every stage, decision making is necessary. Often, these decisions will, or can affect the other tasks that will take place. To achieve an effective decision making process, project managers and the other personnel of one project need to have a general understanding of other related or similar past projects (Arain, 2005b; Arain and Low, 2006a). This underscores the importance of having a good communication and documentation system for better and prompt decision making during various project phases. Eventually, the main focus of future work could be the development and validating of a knowledge-based decision support system for effective management that would enable the professionals to be aware of factors which initiate risks and variations, their frequent effects and effective controls (Arain and Low, 2006b). This would provide the professionals with requisite knowledge to make more informed decisions and to take proactive measures for reducing potential risks and variations in ongoing and future projects.

This paper has presented research into the development of an approach for a knowledge-base decision support system for management. This study is part of a larger research study that is being carried out in Singapore for developing a knowledge-based system for effective management of variations in institutional buildings (Arain and Low, 2006c). The knowledge-base system will be developed through collecting data from source documents of the institutional projects completed, questionnaire surveys of the developers, consultants and contractors and in-depth interview sessions with the professionals who were involved in these institutional projects. The system is being developed, for a governmental organization (developers) that is responsible for developing institutional building projects in Singapore, for effective management of possible variations and risks in the projects.

BENEFICIAL OUTCOME

The study presented in-depth research into development of a knowledge-based management system for effective management of risks in projects. This may assist professionals in analyzing risks and variations, and selecting the appropriate controls for minimizing their adverse impacts. Hence, the study is valuable for all the professionals involved with developing the building projects. The litmus test for successful management should not be whether the project was free of risks and variations, but rather, if risks and variations were considered and resolved in a timely manner to the benefit of all the parties and the project (Arain, et al., 2004). Furthermore, by having a systematic way to manage risks and variations, the efficiency of project work and the likelihood of project success should increase. The

system emphasized on sharing the lessons learned from existing projects with project teams of future projects. The lessons learned should be identified throughout the project life cycle and communicated to current and future project participants (Arain, et al., 2004). The study would assist building professionals in establishing an effective management system. The system would be helpful for them to take proactive measures for reducing risks and variations in projects. Hence, the study is valuable for all the professionals involved with building projects. Furthermore, this study also contributed to knowledge as the in-depth research into development of the system, can be used by future researchers to carry out studies on the development of similar management systems for other aspects of management in any specific type of projects.

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Once a philosopher recognizes that his theoretical objectives coincide with the practical objectives of an entire class; once he realizes that the inhuman conditions he is investigating have already been denounced countless times by this same class – could he ever be content with a few insubstantial ideas, and nothing more?

It is time that we cease defining life in the manner of a Bergson. It is time that we stop living like zombies. From now on, it shall be impossible for any man to make effusive grandiloquent pronouncements to the effect that he loves men, that he has devoted his life to mankind – if, at the same time, he is willing to tolerate their humiliation and suppression. From now on, no man shall have the right to lay before the public plans for the ultimate realization of Man's potential. A person either wants to help men realize their potential here and now, or he does not. To make his choice is a far more radical action than the most devastating philosophical critique. If a thinker refuses to apply his intellect to this struggle for a world where all men will be free to develop all their powers to the fullest, then his loud protestations of friendship for Humanity are meaningless.

But if a thinker is willing to join men in this struggle, he will not have to solve any impossible philosophical conundrums, for men are asking nothing more than the chance to become whole human beings.

Paul Nizan
The Watchdogs, p. 132

ARTICLE

The Implementation of Trademark Law in Small and Medium Size Enterprises (Sme) Business Activities in Indonesia

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In the aftermath of SME and the bigger enterprises in Indonesia, there emerges a suspicion that due to the lack of financial and technical capacity in competing with the bigger enterprises, SME conducts various violation of trademark law. Now, the essence of trademark protection is at stake, along with the struggle for SME's life. The challenge for the future will be ensuring greater harmonization of the protection for SME and at the same time, also for trademark. This paper examines the prominent roles of trademark law in dealing business and its implementation by SME.

Keywords: small medium sized enterprise, trademark law, business activities

INTRODUCTION

Fair competition is an unavoidable requirement for global trade, within which not only inventions will be encouraged and protected but also the values of mark of goods or services will be more appreciated with certain price. Trademark, which marks the product to distinguish it from other product, gives benefit to the holder to make sure that the market will be able to recognize the product they have been produced with certain qualities without having to be troubled in distinguishing it and being falsified with other, especially similar, product.

Mark (further: trademark) according to Indonesian Trademark Law can be described as a sign in the form of a picture, name, word, letters, figure, composition of colours, or a combination of said elements, having distinguishing features and used in the activities of trade in goods or services.

Tracing back to the history, trademark in traditional trade is the main means used by merchants to penetrate the chain of grocer and retail trade. This will be further used to set up a direct line to their retail consumers. The use of trademark has been nowadays developed in such way, that it has the function also to determine the value of their products. It is not only goods or the services themselves having value, but trademark has been recognized as reflecting the value and at the same time

establishing the value of a good or service. Trademark has its own value, which is sometimes higher than the product being presented; so that, for example, even with the same quality and style of jeans, consumers would not regard other jeans with the same value with Levi's. On the other hand, in many cases in Indonesia consumers buy a jeans not because of the quality and style (the intrinsic value), but more because the jeans is Levi's.

Trademark is an exclusive right granted by State to the owner of the mark registered on the Trademark Public Registration for certain period of time to be used or to be licensed to be used by other parties. The law products: trademark, has been constructed to provide legal protection not only for the manufacturers but also for the market, since they have the right to get original products, without being prejudiced with false products even at lower price, and these have been put into common agreement between countries. Those agreements show the same perspective in seeing unfair competition as common problem to deal with. The Paris Convention for the Protection of Industrial Property and The General Agreement on Tariffs and Trade in Annex C on Trade Related Aspects to the Intellectual Property Rights, also the Trademark Law Treaty of 1994 has put this matter in the regulation.

In trade liberalization era, the obedience to these agreements is critically important, since it establishes safety for business players, makes them sure that everything they pay are things as they see when they agree to close the dealings. In short, in the era of global and free trade and in conformity with international conventions having been ratified by the Government of the Republic of Indonesia, the role of trademark becomes significantly important in protecting industrial rights in intellectual works, maintaining fair competition, and encouraging fair and free trade. Indonesia has reflected part of its compliance to the international regulations in regulating trademarks in The Law Number 15 of 2001 of Trademarks.

Law was constructed to be implemented; this is what law enforcement about. But, in fact, there is a kind of missing link to connect the law with its implementation. The problems might be tracked down to the alienation of the law from the society. Small and medium sized enterprises (SME) have revealed sustainability in entrepreneurship when the economic of the country collapses. Unfortunately, they are also becoming marginalized in ways that they enjoy least benefit of economic development, apart from their role in sustaining it. For small and medium size enterprises, thus, the problems are not that simple as the upper middle size has, since law takes price they cannot afford or that is too much to afford and also takes the product into higher price that will cost in losing certain number of potential market. Violating other's trademark (particularly well-known trademark), then, has been seen as a way of cutting short the problems and it seems understandable, though not acceptable.

Small capital is one of indication in identifying an SME. In Indonesia, this small and medium capital scale of enterprises also brings impact to certain defects needed to

win the competition with bigger capital enterprise. The shortcomings are, *i.a.* the lack of capacity to make invention, the limited capacity in production and marketing the products, the inability to fulfil standard of packaging and, suspected also, of product quality (e.g. hygienist ingredients, dyestuff, and expiration date on food products).

With regard to trademark law, SME will be analysed in three points, *first*, the small number of SME who register their trademark and therefore more numbers gain no protection from the law. *Second*, there emerges suspicion that in certain kind of products, the certain numbers of SME tend to violate well known trademark, e.g. in foods and drinks, clothing, shoes, and bag products. *Third*, there is also possibility for SME trademark to be violated by bigger enterprises. The three problems will be described below to find out the background and the needs to restore the law enforcement and at the same time put careful consideration on typical characteristic of SME, bearing in mind that nothing in the RI Trademark Law puts distinction between trademark law for SME and for non SME.

THE LANDSCAPE INDONESIAN TRADEMARK LAW

DEFINITION AND SCOPE OF TRADE MARK

Trademark has been widely recognized as part of the intellectual property rights (IPR), a system conceding appreciation and protection to inventor, designer, author or writer, and any other creator or owner of intellectual property. IPR includes not only the private or moral rights but also the economic rights. The system of IPR can be categorized into two major fields as followed:

1. Industrial property, which includes patent, trademark, industrial design, integrated circuit, trade secret and plant variety protection (PVT)
2. Copyright which includes copyright and related rights.

Why shall we protect IPR? Among others, the reasons are: *first*, based on the Human Rights Declaration, every human being has the right to protection (morally and materially) of their scientific invention, literature or arts as author; *second*, to protect reputation; *third*, to encourage and appreciate every innovation and creation; *fourth*, to prevent the act of reinventing the wheel, and to support research and development.

In Indonesia IPR is protected under several regulations. Such regulations are part of main regulation on competition, which can be divided into three following kind majors: *first*, unfair business or trade also refers to as act against the law (Civil Law Codification Art. 1365); *second*, IPR infringement (all IPR regulation); and *three*, monopoly practices and unfair business competition (Law Number 5 of 1999).

Trademark has been regulated in The Law of the Republic of Indonesia Number 15 of 2001 regarding Trademark (referred herewith as RI Trademark Law). One

particular importance considered in the Law is that in the era of global trade and in line with the international conventions that have been ratified by Indonesia, the role of mark become more important, particularly in safeguarding a fair business competition.

The responsibility to assure the enforcement of trademark protection in Indonesia is on behalf Directorate General of Intellectual Property Rights (DGIPR- referred as Directorate General). The institution is under Department presided by the Ministry of Justice and Human Rights of the Republic of Indonesia.

With regard to international conventions concerning Intellectual Property Rights (IPR) and in particular, concerning Trademark, Indonesian government has ratified conventions below:

1. Agreement Establishing the World Trade Organization, Annex 1C Trade-Related Aspects of Intellectual Property Rights (TRIPs) by the Law of the Republic of Indonesia Number 7 of 1994 concerning Ratification of Agreement Establishing the World Trade Organization
2. Paris Convention for the Protection of Industrial Property and Convention Establishing the World Intellectual property Rights Organization (WIPO) by Presidential Decree Number 15 of 1997 concerning the Amendment of Presidential Decree Number 24 of 1979
3. Trademark Law Treaty by Presidential Decree Number 17 of 1997

From the above definition of trademark, several basic elements of trademarks can be concluded as follow: 1) mark is a sign, 2) it has distinction power, and 3) used in trade of goods and/or services. Infringement of trademark usually lessens or even deprives the distinction power of the mark infringed, so that the mark loses its function. The sign itself can be in the form of either: 1) picture, 2) name, 3) word, 4) letters, 5) figures, 6) composition of colours, or 7) combination thereof.

The acknowledgment by State on a mark possessed by a person or a legal entity is granted in the form of an exclusive right to himself use the mark or to grant permission to another party to use it. RI Trademark Law Art. 3 rules:

“The right to a mark is the exclusive right granted by the State to the owner of a mark which is registered in the General Register of marks for a certain period of time, to himself use said mark or to grant permission to another party to use it.”

Concerning “permission” RI Trademark Law Rt. 1 par. 13 rules:

“License shall mean a permission granted by the owner of a registered mark to another party by means of an agreement based on the grant of right (not the transfer of right), to use the relevant mark, either for all or some of the

kinds of goods and/or services that are registered for a certain of period of time and certain requirements.”

The exclusive right granted by the act of registration. The right is not obtained at the time the said mark is invented or used, but the time when it is registered. This system of registration is acknowledged as constitutive system, in which registration become absolute mandatory to obtain the exclusive right – which means also legal protection.

Such system can be compared with the other system recognized by jurists in IPR registration system; that is declarative system. In this system, registration plays function only as evidence that the registrant is the first user of the said mark. This kind of registration does not raise a right; it provides only legal assumption (*rechtsvermoeden*) or *presumption iuris* that the party whose mark is registered is the most entitled to and as the first user of the said mark.

In contradiction to the former Law, the latest RI Trademark Law applies the constitutive system instead of the declarative. The aim is to ensure legal assurance for the mark owner.

There are negative qualifications which enable the mark not to be registered. The qualifications are ruled in Art. 4 and 5 of the RI Trademark Law as such:

concerning the applicant (Art. 4): a mark shall not be registered on the basis of an application by an applicant having *bad faith*.

concerning the mark itself (Art. 5): a mark shall not be registered if it contains one of the following elements: a) contradicting with the prevailing rules and regulation, morality of religion, or public order; b) having no distinguishing features; c) having become public property; or d) constituting information or related to the goods or services for which registration is requested.

RI Trademark Law also puts another negative qualification that shall result in refuse on the part of the Directorate General, according to Art 6 par. (1) of the RI Trademark Law, when the mark in question:

- a. has a similarity in its essential part or in its entirety with a mark owned by another party which has previously been registered for the same kind of goods and/or services;
- b. has a similarity in its essential part or in its entirety with a well-known mark owned by another party for the same kind of goods and/or services;
- c. has a similarity in its essential part or in its entirety with a known geographical indication.

Further in Art. 6 par. (3) an application for registration of a mark shall also be refused by the Directorate General if:

- a. it constitutes or resembles with the name of a famous person, photograph, or the name of a legal entity belonging to another party, except with a written consent of the entitled party;
- b. it constitutes an imitation or resembles with a name or abbreviation of a name, flag or coat of arms or a symbol, or an emblem of a state, or of a national or international institution, except with a written consent of the competent authority;
- c. it constitutes an imitation or resembles with an official sign or seal or stamp used by a state or a government institution, except with a written consent of the competent authority.

In conclusion, to acquire legal protection under RI Trademark Law by means of registration, a mark shall meet the following requirements: 1) the said mark is a sign having distinction power of goods or services; 2) being used in trade; and 3) not fulfil either of Art. 4, 5 and 6 of the Trademark Law.

PROCEDURE OF REGISTRATION

Prior to registration, the applicant shall file an application in writing in the Indonesian language at the Directorate General. The application shall be signed by the applicant or his proxy. An application that is filed by an applicant who resides or permanently domiciles outside the territory of the Republic of Indonesia must be filed through a proxy in Indonesia and shall state and choose the address of his proxy as his legal address in Indonesia.

RI Trademark Law also recognizes priority right, which according to Art. 1 par. 14 is defined as right of an applicant to file an application originating from a member country of the Paris Convention for the Protection of Industrial Property or the Agreement Establishing the World Trade Organization (WTO) in order to get recognition that the filing date of the country of origin be the priority date in the country of designation that is also a member country of the two agreements, provided that the filing date of the application is made during the period prescribed in the Paris Convention for the Protection of Industrial Property. Furthermore, Art. 11 rules that an application with a priority right shall be filed within a period of 6 months at the latest, commencing from the first filing date of the application in another country, which is a member of the Paris Convention for the Protection of Industrial Property or a member of the WTO.

Art. 7-12 of RI Trademark Law provides all administrative requirements to file an application. Where all administrative requirements have been fulfilled, the applicant shall be given a filing date which shall be recorded by the Directorate General. The application can be amended, nevertheless such amendment shall only be allowed for the change of name and/or address of the applicant or his proxy. It also can be

withdrawn by the applicant or his proxy, under circumstances that such application has not been decided by the Directorate General.

The procedure of registration is as followed:

Examination: the Directorate General shall conduct a substantive examination of an application with due regard to the provision of Art. 4-6 of RI Trademark Law within the period of 30 days at the latest from the filing date. The substantive examination shall be conducted by the examiner at the Directorate General. (Art. 18, 19)

ANNOUNCEMENT OF THE RESULT OF EXAMINATION

- a. **In case of approval:** where the examiner concludes the result of the substantive examination that an applicant can be approved for registration, the Directorate General with the approval of the Director General shall announce the application in the Official Gazette of Marks within 10 days and the announcement shall last for 3 months. (Art. 20 par. [1], Art. 21, and 22)
- b. **In case of refusal:** here the Examiner concludes the result of the substantive examination that an application cannot be registered or shall be refused, the Directorate General with the approval of the Director General shall notify in writing the applicant or his proxy stating the reasons therefore. (Art. 20 par. [2]) Within 30 days at the latest from the date of receipt of the notification, the applicant or his proxy may submit an objection or a comment, stating the reasons therefore. (Art. 20 par. [3]) Unless the Directorate General shall decide on the refusal of the application. (Art. 20 par. [4]) Where the applicant or his proxy submits the above objection (Art. 20 par. [3]) and the Examiner concludes that such objection or comment can be accepted, the Directorate General with the approval of the Director General shall announce the relevant application in the Official Gazette of Marks. (Art. 20 par. [5]) Where the Examiner concludes that such objection or comment cannot be accepted, the Directorate General with the approval of the Director General shall decide on the refusal of the application. (Art. 20 par. [6])

OBJECTION, REBUTTAL, AND RE-EXAMINATION

- a. **Objection:** during the period of the above announcement (**point 2.a.**), any person or legal entity may file an objection to an application, in writing to the Directorate General, where there is sufficient reason accompanied by evidence that the mark for which registration is requested is a mark, which under RI Trademark Law shall not be registered or shall be refused. In such case, the Directorate General shall within 14 days at the latest from the date

- of receipt of the objection send a copy of the letter containing said objections to the applicant or his proxy. (Art. 24 par. [1]-[3])
- b. **Rebuttal:** the applicant or his proxy shall be entitled to file a rebuttal to such objection at the Directorate General in writing within 2 months at the latest from the date of receipt of the copy of the objection sent by the Directorate General. (Art. 25 par. [1] and [2])
- c. **Re-examination:** in the case of objection and/or comment, the Directorate General shall use that objection and rebuttal as material to be considered in the re-examination of the application that has been announced (**point 2.a.**), which shall be completed within 2 months from the date of expiry of the announcement and the Directorate General shall notify the result in writing to the party having filed the objection. Where the examiner concludes that the objection can be accepted, the Directorate General shall notify the applicant on writing that the application cannot be registered or is refused; and in such case, the applicant or his proxy may file a request for an appeal petition. Where the objection cannot be accepted, with the approval of the Director General, the application shall be registered in the General Register of Marks. (Art. 26 par. [1]-[5])

CERTIFICATE OF MARK

- a. **In case there is no objection:** where there are no objections as referred to in **point 3.a.**, the Directorate General shall issue and grant a Mark Certificate to the applicant or his proxy within 30 days at the latest from the date of expiry of the announcement period. (Art. 27 par. [1])
- b. **In case an objection cannot be accepted:** in the case that an objection cannot be accepted as referred to in **point 3.c.**, the Directorate General shall issue and grant a Mark Certificate to the applicant or his proxy within 30 days at the latest commencing from the date the relevant application was approved for registration in the General Register of Marks. (Art. 27 par. [2])
- c. **Content of Mark Certificate:** the Mark Certificate shall contain: 1) the full name and address of the owner of registered mark; 2) the full name and address of the proxy, where the application is filed based in Art. 10; 3) the date of application and date of filing; 4) the name of country of and the first filing date, where the application is filed with the priority rights; 5) the specimen of registered mark, including the illustration of the colours of the mark uses colour elements, and if the mark uses a foreign language and/or letters other than Latin and/or figures that are not commonly used in the Indonesian language, it shall be furnished with the translation in the Indonesian language, Latin letters and figures that are commonly used in the Indonesian language, and the spelling in Latin; 6) number and date of registration; 7) class and type of goods and/or services of the registered mark; and 8) period of validity of the mark registration. (Art. 27 par. [3])

APPEAL PETITIONS

- a. **Filing an appeal petition:** a petition for appeal may be filed against the refusal of an application on the grounds of substantive matters as referred to in Art. 4-6 within 3 months from the date of notification of refusal of the application. The petition shall be filed by the applicant or his proxy to the Trademark Appeal Commission in writing and a copy thereof shall be sent to the Directorate General, with a payment fee. Such appeal petition shall describe in detail the objection to the refusal of the applicant as the result of the substantive examination and the ground must not constitute corrections or completions of the refused application. (Art. 29 par. [1]-[4] and Art. 30 [1])
- b. **The decision of the Trademark Appeal Commission:** such decision shall be made within 3 months at the latest commencing from the date of receipt of the appeal petition. In the event the Trademark Appeal Commission approves the appeal petition, the Directorate General shall conduct the announcement as referred to in **point 2.a.** except for application that have already been announced in the General Register of Marks as referred to in point 3.c. (Art. 32 par. [2])
- c. **The Commercial Court:** in the event the Trademark Appeal Commission refuses the appeal petition, the applicant or his proxy may bring an action to the Commercial Court within 3 months at the latest from the date of receipt of the refusal. (Art. 32 par. [3])
- d. **Cassation:** upon the decision of the Commercial Court, may only b filed a cassation. (Art. 32 par. [4])

PERIOD OF PROTECTION OF REGISTERED MARK AND THE EXTENSION

- a. **Period of protection and the extension:** a registered mark shall have legal protection for 10 years from the filing date and the protection period can be extended under request of the owner of the registered mark for the same duration. (Art. 28 and 35 par. [1])
- b. **Requirement of extension:** a request for the extension shall be approved if:
1) the relevant mark is still used on the goods or services as stated in the Mark Certificate, and 2) the goods or services as referred to in point 1) are still produced and traded. (Art. 36)

CHANGE OF NAME AND/OR ADDRESS OF A REGISTERED MARK OWNER

a request for the change of name and/or address of a registered mark owner to be recorded in the General Register of Marks shall be filed at the Directorate General, with a payment of fee and accompanied by a valid copy of the evidence of said change and upon registered in the General Register of Marks shall be announced in the Official Gazette of Marks. (Art. 39 par. [1]-[2])

DELETION AND CANCELLATION OF REGISTRATION OF A MARK

- a. **Deletion of a mark:** the deletion of a mark registration may be made by the Directorate General either at its own or at request of the owner of the mark concerned. The deletion of a mark registration on the initiative of the Directorate General may be made if: 1) the mark has not been used for 3 consecutive years in trade of goods and/or services from the date of registration or of the last use, except there is an excuse which is acceptable to the Directorate General; or 2) the mark is used for the kind of goods and/or services which is not in pursuant to the kind of goods and/or service for the mark application for registration was filed, including the use of mark which is not in accordance with the registered mark. (Art. 61 par. [1]-[2]) Any third party shall also be able to file a request for the deletion of the registration of a mark on the grounds a referred in 2) in the form of a claim filed at the Commercial Court. Upon the decision of the Commercial Court can only be filed a cassation. (Art. 63 and 64 par. [1])
- b. **Cancellation:** a lawsuit for the cancellation of a registered mark may be filed by any interested party based on the grounds as referred to in Art. 4-6. An owner of unregistered mark may file such lawsuit after filing an application at the Directorate General. The lawsuit for cancellation shall be filed at the Commercial Court within 5 years after the date of mark registration. Upon the decision of the Commercial Court may only be filed a cassation.
- Fees:** a fee, the amount of which shall be regulated by Government Regulation, shall be paid upon the filing of an application or a request for the renewal of a mark, a request for excerpt of the General Register of Marks, a request for the recording of the transfer of right, a request for recording the changes of name and/or address of owner of a registered mark, a request for the recording of a licensing agreement, a request for the objection on an application, a request for an appeal petition, and other matters regulated in the RI Trademark Law. (Art. 75 par. [1]) In general, the following table shows the fee of registration procedure.

Table 1: Fees of Trademark

No.	State Revenue Excluding Tax	Remark	Fee
1.	Fee of Trademark registration application and request for extension period of trademark registered protection :		
a.	Application for registration of Trademark and Service Mark	Per application	Rp 450.000,00
b.	Application for registration of Geographical Indication	Per application	Rp 250.000,00
c.	Application for registration of Collective Mark	Per application	Rp 600.000,00
d.	Application for extension period of Trademark protection	Per application	Rp 600.000,00
e.	Application for extension period of Collective Mark protection	Per application	Rp 750.000,00
2.	Fee for recordation in the General Ristraton List of Trademark :		
a.	Recordation of changing name and or address of the trademark owner	Per application	Rp 150.000,00
b.	Recordation of transferring Rights on registered trademark	Per application	Rp 375.000,00
c.	Recordation of License Agreement	Per application	Rp 375.000,00
d.	Recordation of removing of trademark registration	Per application	Rp 150.000,00
e.	Recordation of changing regulation of Collective Mark usage.	Per application	Rp 225.000,00
f.	Recordation of transferring Rights on registered collective mark	Per application	Rp 450.000,00
g.	Recordation of removing the registered collective mark	Per application	Rp 225.000,00
3.	Fee for request of official copy and written notification concerning Trademark :		
a.	Request for official copy of trademark registration	Per application	Rp 75.000,00

	b.	Request for written notification concerning General List of trademark	Per application	Rp	125.000,00
	c.	Request for written notification concerning the declaration between the trademark which has similarity in its essential part to another trademark which has been registered	Per application	Rp	125.000,00
4.		Fee for Trademark Appeal request	Per application	Rp	1.000.000,00
5.		Fee for Geographical Indication Appeal request	Per application	Rp	1.000.000,00
6.		Fee for opposition on Trademark registration application	Per application	Rp	100.000,00
7.		Fee for request of official copy of Geographical Indication registration	Per application	Rp	50.000,00
8.		Fee for copy of priority proven on trademark application	Per application	Rp	50.000,00

TRADEMARK VIOLATION

RI Trademark Law does not explicitly rule the definition and forms of trademark violation. Nevertheless, the concepts are implied in Art. 76 par. (1) of RI Trademark Law concerning settlement of disputes as followed:

“The owner of a registered mark may file a lawsuit against any other party that unlawfully uses his mark for goods and/or services which has similarity in its essential part or its entirety with his mark, in the term of:

- a. claim for compensation, and/or
- b. the termination of all acts that are related with the use of the relevant mark.”

Accordingly, we can arrive to a logical conclusion that trademark violation is an unlawful use of mark which has similarity in its essential part or its entirety with other party's mark.

We can also take conclusion from the criminal provision in Chapter XIV, that trademark violation includes: 1) deliberate and unlawful use of a mark which has similarity in its entirety to a registered mark of another party for the same kind of goods and/or services produced and/or traded (art. 90); 2) deliberate and unlawful use of a mark which has similarity in its essential part a registered mark of another party for the same kind of goods and/or services produced and/or traded (Art. 91); and 3) trade of goods and/or services that are known or shall be known that the goods and/or services resulted from the infringement (Art. 94).

SME DEVELOPMENT IN INDONESIA

DEFINITION OF SME

There have been several attempts to formulate an accurate definition of SME. SME in Indonesia has been regulated in the Law of the Republic of Indonesia Number 9 of 1995 Concerning Small Enterprises (referred as SME Law). Small enterprise in Art. 1 par. 1 is defined as people economic activity having small scale and shall meet the criteria of capital or annual sales and ownership as regulated in the Law. Art. 1 par. 2 defines medium and big enterprise as economic activity having bigger net capital criteria or annual selling profit in comparison with small enterprises.

The criteria for small enterprise according to Art. 5 par. (1) are:

- a. has net capital no more than Rp 200.000.000, including land and building for the business, or
- b. has annual selling profit no more than Rp 1.000.000.000
- c. belongs to Indonesian citizens
- d. independent, not as subsidiary or branch of a company owned, controlled by, or affiliated directly or indirectly with medium or big enterprise;
- e. owned by one person, business enterprise having “non legal” or “legal” entity including cooperative.

Table 2 below shows the number of non-legal entities according to the business sector and number of workers.

Table 2. The Number of Non-Legal Entities according to the Business Sector and Number of Workers

Business sector/ Lapangan usaha	Number of workers/Jumlah pekerja						Total/Jumlah
	1	2-4	5-9	10-14	15-19	20+	
Small-scaled mining and quarrying, non-PLN electricity and construction/ Pertambangan rakyat dan penggalan listrik non PLN dan konstruksi	123,103	133,311	23,342	7,084	690	127	287657
Small and home industries/Industri kecil dan kerajinan rumah tangga	902,919	1,404,643	184,614	29,813	15,115	1,179	2,538,283
Wholesale, retail, restaurants and accomodation/ Perdagangan besar, eceran, dan rumah makan serta jasa akomodasi	3,961,547	4,251,814	201,494	24,540	3,375	7,441	8,450,211

Transport and communications/Angkutan dan komunikasi	1,472,570	281,301	9,528	1,340	213	98	1,765,050
Finance institutions, real estate, rental and service business/Lembaga keuangan, real estate, usaha persewaan, dan jasa-jasa	984,271	579,600	46,344	5,784	1,564	1,881	1,619,444
Total	7,444,410	6,650,669	465,322	1,564	20,957	10,726	14,660,645

Statistics Indonesia provides a definition based upon the number of workers in order to determine the size of business, particularly in the manufacturing sector, i.e.: a handicraft home industry employs 1-4 workers, and a small industry employs 5-19 workers, including the owner.

The same definition is also used by the Ministry of Industry and Trade in differentiating between business, i.e.: micro-trading business (1-4 workers), small trading business (5-19 workers), medium-sized trading business (20-99 workers), and big trading business (more than 100 workers). Another criterion is that the annual turnover of less than Rp 1 billion (also used by the Ministry of Industry and Trade).

SME DEVELOPMENT

From the point of view of developing countries, the value of SME can be analysed in both static and dynamic terms. In static terms, the value of SME is assessed according to its productivity and employment-generating. Taking into account total factors of productivity including capital, SME attains better productivity than micro-enterprise, and in terms of employment it creates better employment than large enterprise.¹ The SME contribution in providing employment has become a particular feature of developing countries, which on one side indicating the working market, that more people are empowered and encouraged to take part to make best use of possible economic factors for the community. On the other side it shows economic failure to provide people with productive jobs and forced people to pursue their part in economics with less possibility to survive.

According to its dynamic terms, SME is analyzed according to its potential of growth. In most cases, SME tends to grow notably, but this growth will not result in exiting the category of SME. This can explain how the size of SME is getting bigger over time, though the growth within the category is very dynamic.

Statistic Indonesia 1998 shows the percentages of SME in Indonesia. Among 39.8 million enterprises in Indonesia, 99.8% are small enterprises and the rest 0.2 are medium and big enterprises. According to business volume, 99.85% enterprise have business volume of under 1 billion (absorbing 88.66% of labour), 0.14% occupy 1-50 billion (absorbing 10.78% of labour), and 0.01% owe 50 billion (absorbing 0.56% of labour).

Statistics released by Ministry of Cooperative and Small-Medium Enterprise illustrate that in 2000-2003 SME sets 99.9% (equal to 38,723,987) of the total business unit of 38,725,960. This number of SME in the same years takes in 99.46% (equal to 70,407,439) labour of the total of 70,789,877. SME contributed 54.51% to the total PDB in 2000 and increased up to 56.73% in 2003. SME also took 14.87% part of the total export in 2002 and increased up to 15.43% in 2003. Other significant contributions of SME are providing 57% supply of goods and service and 2-4% share to national development.

It is pointed out, that though the growth of SME continues steadily; their productivity has to be analyzed separately. Investment and change in technological terms are both at the end the key of the increasing productivity. The problem is, that it is not the case for SME to increase productivity needed through foreign direct investment, technology licensing, joint ventures, access to engineering and other improvements, which are for large enterprise in developing countries not problematic.

Other aspect of the dynamics of SME, which does not take place in bigger enterprises, is their high rate of entry and exit due their fewer requirements of formalities. At the same time this has nevertheless mounted issues on efficiency.

Flexibility is the next point to be apprehended concerning the analyses of SME in compare with bigger enterprises. The argument has been put forward, that this point is considered as an advantage for swiftly changing market of industries and economies. This is the case as well for the sharp downturn of macroeconomics which caused collapses in some East Asian countries during the past few years, e.g the economic crisis in Indonesia during 1997 which brought impact to, among others, GDP growth, import and industrialization policy and open economy strategy, employment and labour productivity.

Concerning manufacturing in the 1990s up until the crisis, SME has paid the cost for the growth of bigger enterprises in some industries, like in bamboo weaving and palm sugar processing. It is not the case in other industries.

Concerning labour productivity is assessed in firm and industry or manufacturing level. At firm level, labour productivity increases due to the augment of capital per

worker and change in technology. At industry or manufacturing level, reallocation of resources is considered as other factor contributing in boost of labour productivity. In the case of sources of technological capability of exporting SME in rattan furniture, Jepara wood furniture, and garments (three important export industries in which SME play significant roles), Berry and Levyⁱⁱ drawn attention to several points:

1. “Private channels have been the dominant mechanism for acquiring such capability in all three sectors;
2. subcontracting is pervasive in all three industries and has been crucial to harnessing traditional skills for export production, especially in Jepara;
3. employment of expatriates is an especially powerful mechanism for acquiring technological capability in the rattan and garment sectors, but this practice is concentrated disproportionately among non-pribumi entrepreneurs who have the advantage of being embedded in an extended (ethnic) community that transcends national boundaries;
4. collective support mechanism (public sector and private association) have played only a limited role overall; they have been more important to the smaller pribumi firms but their overall value has been limited by pervasive institutional weakness.”

Indonesia’s small industry has contributed in the boom of manufactured export boom of recent years as pointed by Hal Hill, that the absolute level of direct exports rose from US\$ 137 million in 1983 to 2.1 billion in 1992 and as Kian Wie Thee wrote before, its share of such exports increased from 10 to 13.2 %, after reaching 17.3% in 1987. The main items for bigger industry are garments, textiles, and footwear, which altogether amount to 60%, due to the finding slot markets and the adapting costs and quality to market demand. Subcontracting agreements have been used to export fast increasing share of SME outputs.

SME flexibility and related capacity to, for instance, weather storms, shift from product to product, expand and contract easily have become important points to answer question on how SME responded to economic crisis, which enable them to do relatively better under volatile macro conditions than big firms producing more standardized products, where reorganization of the assembly line take time. Lower sunk costs and less frequent labour capital struggles are other sources of flexibility. Nevertheless, the issue being put forward that the first victim of macro economic crises, is worth to be considered due to several reasons. Albert Berry, Edgard Rodriguez, and Henry Sandee explain as followed:

“First, a flexible SME sector, able to adjust smoothly to severe shocks, is clearly a major plus as a country tries to mitigate the effects of those shocks and to avoid large increases on poverty. Also, even if many SME show impressive agility in general, certain types of shocks might destroy firms with good loner run potential, raising the question of what policy

instruments might help to avoid that outcome. Finally, is to be expected that any given macroeconomic crisis will be affect in different ways, and that appropriate policies to support SME will vary widely according to how those firms are placed in the economy.”

In such case as Jepara furniture, the underlined problem is the weakening of local demand. It is best positioned, that industries shall export a lot or competes with imports, but at the same time are not dependent mainly on domestic demand and not competing with imports, and gaining strongly from imports of material or capital goods.

Ministry of Industry is thus the main agent for SME promotion. Up to early 1994 most programs were formulated, monitored, and executed by the Directorate General of Small Industries. The directories in Jakarta handle policy formation, administration, and training of the provincial and regency offices of the ministry. These offices, attached to all Kabupaten (regencies) in the country, are responsible for the executing and monitoring of the programs. Many extension workers are experts in the field of small business development and are well aware of the specific constraints and prospects for local small enterprise, through frequently without the resources to deliver assistance in accord with their ideas. The combination of its being free to the client and the enormous size of the nationwide target group means that this technical (non financial) assistance must be provided at relatively low average cost. Some extension workers have also played successful intermediate role in linking small firms to larger business or the banking sector.

PROSPECT FOR THE IMPLEMENTATION OF TRADEMARK LAW IN SME BUSINESS ACTIVITY IN INDONESIA

If trademark protection is deemed important and if SME contributes valuable role in Indonesian economic, then why the two of them are quite difficult to come together? When we deal with this issue, focuses will be put on three problems: *first*, the number of SME registering their trademark. *Second*, there is suspicion that a certain number of SME tend to violate trademark law. *Third*, there is possible SME trademark violation by bigger enterprise. The three problems will be analyzed below.

REGISTRATION OF TRADEMARK BY SME

From the total business unit of 38,725,960 in 2003, only 46.947 filed application of trademark registration, 35.353 of them were registered, 3,527 were refused, and 83 were withdrawn. In general, therefore, only 0.12% of the total business unit submit their application for trademark registration and only 0.09% of the total business unit have their trademark actually registered.

The small percentage of trademark registration might be traced back in the procedure of registration. As briefly above described, trademark registration cost not only sum of money but also length of period that can be considered as obstacle in gaining cheap, practical, and easy registration.

For instance, based on assumption that the process of registration runs well, then the applicant will need to pay the application for registration of trademark + request for written notification concerning General List of trademark = Rp 450.000,00 + Rp 125.000,00 = Rp 575.000,00. This amount has not included fee for the proxy, whose service will be needed for those having no experience concerning trademark registration. DGIPR provides “IPR clinic” for SME. The main role of the “IPR clinic” is to serve consultancy for the applicant of trademark registration. The fee for IPR clinic for SME is Rp 600.000,00. Thus, the total amount for trademark registration will be no less than Rp 1.175.000,00. This number cannot be considered as cheap for SME, in particular when trademark registration has not been considered as necessary or important. The amount will increase due to the Government plan to issue Regulation on IPR Consultant, whose fee is at least five times more expensive than the fee for “IPR clinic”.

The problem will be twice folded due to the new Government Regulation No. 2 of 2005 regarding IPR registration, which will be applied in the near future. The new regulation rules that the application of IPR (including trademark) shall be requested directly by the owner or IPR consultant. One of the requirements of IPR consultant is that he or she is not civil servant. This requirement will bring change in way that up to today, IPR clinic of the DG-IPR provides assistance for the registration. The 90% members of IPR clinic are civil servants. After the implementation of the new regulation, such assistance will be provided by private consultant, who usually charge more expensive fee for such service. For instance, IPR clinic only charge a fee of Rp 600,000,00, but private IPR consultant might charge various amount of fee, usually not less than Rp 3,000,000,00 (that is five times more expensive) for each application.

Regarding the length of period of registration, in case the registration is without refusal and objection, the procedure from the filing date to the announcement of the application in the Official Gazette of Marks will take 310 days (or more than 10 months) at the latest, that is 30 days at the latest from the filing date for the examination up to 270 days (or 9 months) and 10 days at the latest for the announcement. The duration is considered as too long for the procedure, bearing in mind that in some cases there might emerge refusal and objection, which will take longer period.

The combination of high cost and long duration of process results in complicated procedure, so that it is reasonable that it cost hesitation for SME.ⁱⁱⁱ The hesitation to

register trademark has hampered the development of the business as witnessed in SME development in West Java. This is the case of Majalaya textile, Majalengka soy sauce, and Cibaduyut shoes. This case illustrates another function of trademark; that is to reflect the commitment to deal in particular business sector in a long term. The lack of awareness on the selling value of a trademark has not only slow down the business, but even resulted in the loss of image when it has to compete with stronger trademark registered. Majalaya textile has started the business far before a well known trademark of traditional product: “Jamu Nyonya Meneer” in 1928 but also never registers the mark. The business has sunk, instead of the stronger image build by Nyonya Meneer from the mark it has registered. 310 Majalengka SME producing soy sauce have claimed their products as number 1 product, but never registered the marks. The business opportunity was taken thereafter by bigger enterprises. There is no trademark violation, but the well known image in the past was taken over by more firm and strong image registered. Nowadays, soy sauce Majalengka only wins the market of traditional meatloaf in Indramayu, Cirebon, and Majalengka region. Cibaduyut as small industry centre for shoes sector has began the business since 1956 and up to 1975, it won the image of quality. Most of the marks of the SME within Cibaduyut center are never registered and after 1975 it began to focus on meeting market demand and neglecting the quality. Up to 1900 only 11 trademarks were registered.

Another case is the registration of trademarks belongs to traditional SME by foreigners. This is the case of Toraja coffee originated from Toraja, South Sulawesi. The trademark was registered lately by Key Coffee from Japan. The case results in the obligation for Indonesian to export Toraja coffee to Japan through Key Coffee.

The main problems for SME to register their trademark are the combination of two or more elements as followed: *first*, the less awareness of the importance of trademark protection or the assumption that trademark protection is irrelevant or even puts barrier in dealing business. Business dealing requires short, cheap, and practical administrative procedures. In case where the procedure becomes high cost, then the benefit will be reduced. This is not interested in particular for those who are not supported with strong capital to bear the cost. It is not too surprising therefore to reach conclusion that trademark is considered as equal to high cost and complicated.

Second, there is only limited access to get proper information concerning trademark law. This problem arises due to the lack of understanding on the real problem, instead of giving information, which having been known by the target group. Such dissemination of information does not touch the essential function of giving information; that is bringing awareness on the part of SME. Accordingly, a proper research to understand what is needed to be understood by SME with regard to the importance of trademark protection will be deemed necessary.

Third, the more general yet worse problem is the distrust to national legal system in general and in particular to IPR legal system, that legal protection is equal to big money and big enterprise. There is no guarantee that after fulfilling all the requirements for legal protection, they will be actually protected. The issue of unfair court seems to bring impact the wider scope of law enforcement.

Fourth, in certain level, the behaviour pattern of business actor who less respect invention or the right of inventor of a mark affects the way of thinking on whether such protection is necessary. The problem dealing with here has more closed connection with culture. To acquire proper solution on this matter, it requires careful study on business culture in Indonesia.

TRADEMARK VIOLATION BY SME

Certain possibility of the trademark violation and thus, bring injury to the original holder can be described as follows: *first*, the loss or less distinction ability of the mark, which means that the mark becomes losing its function.

Second, there appears confusion for the consumers to identify the products using original mark and those using the counterfeit mark (though in some cases, the counterfeiting products are sold in much lower price than those of the original with lower quality, that enable the consumers to distinguish it easily with the originals.) Such confusion for various reasons will tend to end up in the consumers failure to relate the products to the owner of the mark. This case falls under the act of misleading or deceiving the consumers.

Third, trademark has selling price and the price is unfairly taken by other parties who at the same time also take over the market of the original marks. In this situation, careful examination has to be taken to conclude whether or not there occurs a different market of the two products, the originals and the counterfeits, due to the different price and purchase power of the consumers. Nevertheless, in spite of the possibility of such assumption, taking benefit of others advantage by illegally overriding the image is regarded as unfair act and violates the exclusive right of trademark holder to use its mark and the image attached to it.

Fourth, in certain cases, it is possible that illegal use of others trademark will cause the failure for the consumers to associate the quality of counterfeiting products with the originals. The implication of such failure is the damage or the declining of the original mark image. In this point, mark violation, again, brings about injury on behalf the original mark holder.

Despite all the destructive effect of mark violation, it is a cheap shortcut to get market. For those having not enough capital to carry out product research and

invention to discover innovation, overriding attributed in a well known will be a way in reducing of expenditure that might be vital to survive the existence of the business.

Well known trademarks usually become the main target to be violated and it is very easy to find the false products in the market in much lower price than the original. Such violation ranges from international well known trademark such as Luis Vuiton, Yves Saint Laurent, Gucci or Armani, to local trademark, such as Dagadu.

One interesting factor is the fact that consumers are willing to buy such products, though they know that the products are not the original. The reason is that certain consumers wish to use well known brand product, because the brand will affect the social status of them. Again, the problem we are dealing with here is culture. Further, then the legal question will be: is that considered as trademark violation, since it does lose the distinguishing power? The quick answer is affirmative based on several considerations: *first*, such act is considered as deliberate and unlawful use of other trademark as referred to in RI Trademark Law (Art. 76 par. 1, 90, 91, and 94).

Second, such use is based on motive to take benefit from the value attached to the original trademark. The benefit in general can be in form of taking the market of the original and therefore get the benefit from the same price as the original (in this case, loss or less distinction ability of the mark, which means that the mark becomes losing its function or consumer confusion becomes essential), or get benefit from its own market as a result from providing the value of the original trademark on false but much cheaper product (in this case, such confusion of the consumers does not exist, but the consumers take the product to get the image of the original trademark). The case with regard to certain number of violation committed by SME as described above grounds on the last motive.

The next question then, how to eliminate such violation, when the consumers are still there, queuing in the market to get the false products? Hence, trademark law enforcement will also involve a proper treatment to the consumers.

VIOLATION AGAINST SME TRADEMARK

In certain cases, though perhaps it is quite rare nowadays, there is possible violation against SME trademark. In Indonesia this issue has been not popular yet, in comparison with the two previous issues. Nevertheless, it is necessary to put further consideration on the potential problems that might emerge with regard to SME trademark protection. As Thomas A. Timberg put:

“The hypothetical case can be illustrated here: a group of SME serves local market and later on a big company also plan to serve the market. The big company use a trademark that is identical with a trademark belongs to the

SME. This company pretend as such that the SME business has been transferred to the company; therefore, there will be no question or doubt regarding the identical trademark of them.”

The other case emerges when a registered trademark of an SME is violated by another SME, such as violation against Dagadu – trademark of T-shirt from Yogyakarta. Instead of objection of the trademark holder, the violation keeps going.

This case will be important to be considered, to attain understanding in the future on the need of SME not only to understand the importance of trademark protection and not to violate other trademarks, but also to be protected with regard to its trademark instead.

CONCLUDING REMARKS

We have already referred to in the above explanation on the relative merits with regard to trademark law implementation by SME. We have also put emphasize on the significant role of SME in Indonesian economic. Indeed, constant and reliable effort to attain understanding on the characteristics and the needs of SME will be most of all important before taking further step to enforce trademark law. Such effort will involve thorough and conscientious study on economic, social, and legal aspects of SME business.

One considerable factor resulting in the decreasing number of SME registering their trademark is the more high cost procedure. Certain numbers of SME violates trademark law based on particular motive and therefore has particular modus of operandi. And finally it is necessary to be taken into account SME-trademark violation conducted by bigger enterprise; this seems to be out of concern, but cannot be neglected in the effort to build trust on the equal legal protection for all.

The message is hence clear; the need for the general public to respect the essential function of trademark as part of the endeavour to develop SME is not avoidable. Fairly large in amount of SME contribution in Indonesian economic will be best supported with fair business dealing concerning trademark use and thus, the call for the government role to develop more reasonable effort to improve SME in such respect is deemed necessary.

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The same problem emerges in case of registration and licensing of SME. Only 20% SME registered and having formal license as reported by Frida Rustiani, “Perizinan Usaha Kecil di Indonesia (Licensing in the Decentralizing Era)”, *Policy Paper*, Partnership for Economic Growth, the Republic of Indonesia Ministry of Industry and Trade, August 20, 2001.

Thomas A. Timberg brings analysis on this matter in “Merek Dagang dan Usaha Kecil di Negara-negara Industri – Bagaimana Usaha Kecil Menggunakannya”, *loc.cit.*

Both the Character Ethic and the Personality Ethic are examples of social paradigms. The word *paradigm* comes from the Greek. It was originally a scientific term, and is more commonly used today to mean a model, theory, perception, assumption, or frame of reference. In the more general sense, it’s the way we “see” the world-not in terms of our visual sense of sight, but in terms of perceiving, understanding, interpreting.

Stephen R. Covey
The 7 Habits of Highly Effective People, p. 23

It is futile to argue, as Milton Friedman, the American economist and Nobel Laureate does that a business has only one responsibility: economic performance. Economic performance is the *first* responsibility of a business. Indeed, a business that does not show a profit at least equal to its cost of capital is irresponsible; it wastes society's resources. Economic performance is the base without which a business cannot discharge any other responsibilities, cannot be a good employee, a good citizen, a good neighbour. But economic performance is not the *only* responsibility of a business any more than educational performance is the only responsibility of a school or health care the only responsibility of a hospital.

Unless power is balanced by responsibility, it becomes tyranny. Furthermore, without responsibility, power always degenerates into non-performance, and organizations must perform. So the demand for socially responsible organizations will not go away; rather, it will widen.

Peter F. Drucker
Managing in a Time of Great Change,p.75

ARTICLE

Brand Loyalty, Store Loyalty and Demographic Variables: A Relational Study

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ABSTRACT

The purpose of the study is to see the relationship of brand loyalty and store loyalty with respect to demographic variables of education and socioeconomic status. After reviewing the literature it was hypothesized that (1) Consumers with lower education would be more loyal to stores than consumers with moderate and higher education. (2) Consumers with higher education would be more loyal to brands than consumers with lower and moderate education. (3) Consumers having lower socioeconomic status would be more store loyal than consumers of higher and middle socioeconomic class. (4) Consumers having higher socioeconomic status would be more brand loyal than consumers of lower and middle socioeconomic status. The participants included 96 married couples with age ranging between 25-50 years, having completed at least matriculation and belonging to lower, middle & higher income classes. Questionnaires of Brand loyalty (Elena Delgado-Ballester, 2000) and Store loyalty (Pearson, 1996; Schijns and Schroder, 1996; Seines, 1993; and Sirohi et al, 1998) were selected. The participants were asked to respond while considering only those brands and stores which they mostly select for their apparel shopping. After applying ANOVA and t-test, the results were consistent regarding education levels & socioeconomic status with respect to brand loyalty and store loyalty. The findings also indicate specific trends related to brand and store loyalty, which were discussed and elaborated by descriptive statistics.

Keywords: Brand Loyalty, Store Loyalty and Demographic Variables.

INTRODUCTION

During the last few years, there has been an increased interest in loyalty. In addition to several papers, special issues of major journals such as International Journal of Research in Marketing (1997) and Journal of the Academy of Marketing Science (2000) have been devoted to the issue of loyalty. Loyalty is a multi-faceted concept. It is "spoken about as a behavioral measure and as an attitude". Loyalty is "something which consumers and customers exhibit towards brands, products, services, stores and activities" (Uncles & Laurent, 1997, p399). Dick and Basu (1994, p99) define loyalty as "the strength of the relationship between an individual's relative attitude and repeat patronage." Besides repeat purchases that cause an

increase in the number of products or services bought, loyalty is also related to an enhanced resistance to competitive messages, lower selling costs, a decrease in price sensitivity, and an increase in favorable word-of-mouth (Dick & Basu, 1994; Zeithaml, 2000). Loyalty helps guarantee the future earnings of an organization (Sharp & Sharp, 1997). For example, every £1 that British Airways invested in customer retention resulted in a return of £2 (Weiser, 1995). Indeed, research has shown that retaining customers is a more profitable strategy than increasing market share or decreasing costs (Zeithaml, 2000). Overall, loyalty depends on meeting the needs of the customer better than the competitors (Oliver, 1999; Reynolds & Beatty, 1999). The level of loyalty that can be achieved is dependent, among other things, on the characteristics of target consumers (Sharp & Sharp, 1997). Store loyalty, for example, is related to the degree to which self-image and store-image coincide (Sirgy & Samli, 1985). Despite the dual nature of loyalty as both behavioral and attitudinal, loyalty is commonly assessed by behavioral measures such as repeat patronage, rather than attitudinal measures or a combination of both (Olsen, 2002).

Customer loyalty is of great value to an organization because loyal customers are much cheaper to serve and their support easier to maintain (Seybold, 2001). As mentioned by Park and Kim, Rosenberg and Czepiel "reported that it costs six times more to attract a new consumer than to retain an existing consumer" (Park & Kim, 2000).

The majority of the early studies of consumer loyalty looked only at the behavioral dimension, "loyalty to a product or service was simply viewed as the consistent purchase of one brand over time" (Backman & Crompton, 1991). According to Pritchard et al. (1992), Jacoby and Chestnut investigated these behavioral approaches and divided them into the following four groups purchasing sequence of a particular brand such as George N. Brown (Prichard, Howard, & Havitz, 1992). The second group defined loyalty on the basis of "the proportion of purchase devoted to a given brand." For example, Cunningham (1961) used the proportion of purchase to index consumers' loyalty. The third group applied probability models to analyze purchasing behavior of consumers. Ronald E. Frank (1962) used "a simple chance model" to investigate repeat purchase probabilities. The fourth group defined loyalty by integrating several behavioral variables (Prichard, Howard, & Havitz, 1992). Burford, Enis and Paul (1971) put forward an index that combined three measures of behavioral loyalty: "percent of budget, allocated to the store or brand, amount to switching, and number of alternatives."

Day (1969) and Jacoby (1971) first proposed that the concept of loyalty should include both behavioral and attitudinal facets. They developed a consensus that loyalty is a "two dimensional construct...to measure loyalty necessitates assessing both affective attachments to an activity as well as measuring behavioral use of the activity" (Backman, 1991, p. 335).

Previous research has generally revealed weak associations between store loyalty and demographic measures. In the United States, Farley (1968), who used the same data as Cunningham (1961), found no associations, but low income appeared as a correlate in studies by Carman (1970) and Enis and Paul (1970) and (in Britain) by Dunn and Wrigley (1984). However, a recent study by McGoldrick and Andre (1997) found that loyal shoppers tended to have larger incomes. School-age children in the household were positively associated with store loyalty in Carman's study, and Mason (1991) found that household size and number of children were also positively associated. Loyalty was higher when the housewife worked in the studies by Mason (1991) and East, Harris, Willson and Hammond (1995) but not according to Dunn and Wrigley (1984). Mason (1991) and East et al (1995) also found that under-45 year old shoppers were more loyal. The 65+ age group was the least loyal according to Mason (1996). These findings have elements that could be consistent with all three theories of loyalty and further research is required to help find any explanation. For example, evidence that store loyalty is associated with high income and the use of a car would support the discretionary view of store loyalty and would conflict with the idea that store loyalty is based on lack of resources. Further, Carman's negative lifestyle view of loyalty would not be supported by evidence that those who enjoy shopping are as store loyal as those who do not. Evidence that those with larger households and full-time jobs are more loyal would support the idea that store loyalty is more common among those with greater obligations. Cunningham (1961) found that store loyalty was weakly associated with brand loyalty and other studies have supported this, for example Carman (1970); Rao (1969); East, Harris, Willson and Lomax (1997); and East, Harris, Willson and Hammond (1995). Carman (1970) suggested that the relationship between brand and store loyalty arose from an aversion to exploratory shopping, whether store or brand. Moreover, a restricted store patronage reduced the number of brands available to the shopper who cannot, therefore, diversify brand purchase so much. Another explanation for the association is that it results from a preference among some customers for retailer brands, which attract such customers to both store and brand. However, Rao (1969) found a correlation between store and brand loyalty after removing the effect of retailer brands. Uncles and Ellis (1989) and East, Harris, Willson and Hammond (1995) also found that little association could be attributed to retailer brand loyalty.

The work of Lowenstein (1997) further defined the concept of commitment into the relational paradigm, through the identification of what he termed 'commitment-based' companies. These are firms that adopt a proactive approach to creating customer value and managing loyalty through specific identification of strategies to build commitment through constantly anticipating and responding to latent customer needs. This is consistent with Aaker's (1991) seminal work on branding, which asserts that customers who exhibit the highest level of commitment to the brand will also demonstrate high levels of loyalty.

Central to the success of relationship marketing, is trust of the buyer in the supplier (Mohr & Nevin, 1990). Trust can be defined as "the belief that a party's word or promise is reliable and that a party will fulfill his/her obligation in an exchange relationship" (Schurr & Ozanne, 1985). However, surprisingly, "although marketing researchers have discussed the importance of trust in exchange relationships, few have included trust in empirical efforts" (Simpson & Mayo, 1997). Empirical evidence, which does exist, suggests trust to be a key mediating variable in the success of relationship marketing (Morgan & Hunt, 1994). These authors argue that trust is enhanced by shared values between buyers and suppliers, communication between the two parties, and a lack of opportunistic behavior, which form the basis of relationship marketing. Put more simply, trust is "a fundamental outcome of business-to-consumer relationship marketing" (Gruen, 1995). However, relationship marketing implementation in itself is unlikely to be successful if customers are not aware of it. In other words, it is likely that as customers *perceive* the stores to be more *active* in implementing relationship marketing, they will develop trust in the store. Considering that customer perceptions of stores' relationship marketing efforts are a better measure of the success of those efforts than whether implementation of relationship marketing has actually occurred or not (see earlier discussion), one would expect those customer perceptions to be related to customer trust in the store.

Within the classic relationship marketing theory advanced by Morgan and Hunt (1994), a second key mediating variable warrants examination, namely the commitment that a buyer feels towards the relationship s/he has with the seller. Commitment is the extent to which a partner is willing to maintain a valued relationship (Moorman et al., 1992) and similarly, trust is "critical to the study and management of relationship marketing" (Morgan & Hunt, 1991). Trust is seen as a key determinant to relationship commitment (e.g., Morgan & Hunt, 1994; Gruen, 1995; Geyskens et al., 1996). Morgan and Hunt (1994) state that "trust is so important to relational exchange because relationships characterized by trust are so highly valued that parties will desire to commit themselves to such relationships".

Store loyalty has most commonly been measured using either the proportion of purchase or purchase intention (Macintosh & Lockshin, 1997). However, loyalty measures are not universal. On the contrary, they tend to be market and situation-specific. In general, behavioural measures are most appropriate for products or services with stable markets, whereas attitudinal measures are more appropriate in unstable markets.

According to Charlton (1973), store loyalty is essentially negative and is the outcome of limited resources. Those who lack money, time and transport, or whose environment lacks choice (Tate, 1961) are forced to use one store most of the time and are therefore, obliged to be loyal. A second approach (Carman, 1970) is also negative but emphasizes a lifestyle with commitments outside the home including

work, little home entertaining and a lack of interest in deals, advertising and shopping. Such people are averse to shopping and do not experiment. Carman (1970) described them as 'non-shoppers' and argued that they were loyal by default to both brands and stores.

In Britain, one-person households, retired persons, those aged 65+, and the least well-off have lower store loyalty. In the United States the same tendencies occur but the distributions do not reach significance. There is a tendency for loyalty to be higher when the store is more quickly accessed. Lack of resources was associated with high loyalty. Supporting this, we observe that store loyalty is higher among those with school-age children and those in the 25-44 age-group. Such people can use their resources to simplify shopping but those with small incomes can less easily afford to do this and may need to use more stores to get value-for-money. Consistent with this, store loyalty is lower in the lowest income group and among the retired. Mason () segments shoppers, and those in the largest group - price shoppers - have low loyalty and select stores on price. This suggests that the search for low price widens the store range and thus reduces first-store loyalty. Corresponding with this, East, Harris, Willson and Hammond (1995) have shown evidence that deal-proneness tends to reduce brand loyalty. Both store and brand loyalty may be seen as adaptations to available resources and cost pressures. Survey conducted by polling company concluded that those under more pressure are likely to reduce both store and brand loyalty. Over eight-in-ten (82%) frequently consider the price of a product before making a purchase. Groups *most likely* to purchase store brands are those that *disagree* that store brands are of lower quality (24%), those who are willing to *go without* their favorite brand if it was not available (23 %), frequently store brand purchasers (21 %), and those that are willing to make an extra trip for a store brand (21 %). In the final selection, and in a separate question, over half (55%) say that a "product sale or coupon" is the most important factor in making a purchase at a supermarket. An additional 32% say "the regular cost of the product" is most important and those in higher income, rural residents (82%), and workaholics (81%) are more *likely than most to buy national brands*. However, annual family income alone is not sufficient to explain convenience orientation. The clothes shopping orientation of the elderly differs from that of younger consumers (Lumpkin & Greenberg, 1982). Income has been shown to be a significant variable in shopping orientation. For example, the level of discretionary income influenced whether the consumer was more likely to be an economizing shopper. Income was also found to be a significant influence on the types of store patronized and method of payment chosen (Darden & Howell, 1987).

In order to answer why to choose apparel is that in apparel stores, it is common practice to receive, for example, personal service, extra attention, and customized advice. This is in contrast to the more anonymous, standard self-service that is provided in a typical supermarket. As a result, we can safely assume that the level of

social exchange is higher in apparel stores than in supermarkets.

In accordance with the previous research reviews it is hypothesized that:

H 1: Consumers with lower education would be more loyal to stores.

H 2: Consumers with higher education would be more loyal to brands.

H 3: Consumers belonging to lower socioeconomic status would be store loyal.

H 4: Consumers belonging to higher socioeconomic status would be more brand loyal.

METHODOLOGY

Sample

The sample for the present study comprised of 96 couples (48 males and 48 females) with age ranging from 25-50 years. They were further categorized on the basis of education level (i.e., lower education level=matric; moderate education level=intermediate; higher education level=graduation and above) and monthly income (i.e., lower=10,000 and below; middle= 11,000-30,000; higher = 31,000 and above). For further description see tables in Appendix.

Measurement

In order to assess brand loyalty and store loyalty, sample was required to rate the statements on a 5-point rating scale. Two scales were used: Brand Trust Scale-BTS by Elena Delgado-Ballester (2000) and Store Loyalty Scale-BLS (Pearson, 1996; Schijns & Schroder, 1996; SeInes, 1993; Sirohi et al., 1998). BTS measures two dimensions of brand trust i.e., viability and intentionality. BLS measures two dimensions of store loyalty i.e., consumer loyalty attitude and consumer loyalty behavior.

Procedure

The sample was collected from those couples that fulfilled the criteria of education and age. First demographic form was filled from both husband and wife. Later, they were asked about the brands and stores they select for their apparel shopping. They were then asked to rate the statements while considering those brands and stores. They were requested to read the instructions carefully before rating the statements. They were not allowed to discuss with each other so that true responses could be recorded.

Result Analysis

Respondent's rating to the particular statements of brand and store loyalty was taken as scores. ANOVA was applied to see the relationships between brand/store loyalty

with his/her education levels and income classes. In addition, t-test was applied to see the effect of gender on brand loyalty and store loyalty.

Operational Definitions

Loyalty is defined as "a deeply held commitment to re-buy or re-patronize a preferred product service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior" (Oliver, 1999). Consumers move through different phases of loyalty: cognitive, affective, connative (i.e., behavioral intent), and action (repeat purchase behavior). Despite the dual nature of loyalty as both *behavioral and attitudinal*, loyalty is commonly assessed by behavioral measures such as repeat patronage, rather than attitudinal measures or a combination of both (Olsen, 2002).

Brand Loyalty is defined as the degree to which a customer holds a positive attitude towards a brand, has a commitment to it, and intends to continue purchasing it in future.

Store Loyalty is a customer's predominant patronage of a particular store, based on a favorable attitude. It is related to the degree to which self-image and store-image coincide (Sirgy & Samli, 1985). Store loyalty is most commonly measured using either the proportion of purchase or purchase intention (Macintosh & Lockshin, 1997).

Brand Trust is defined as "feeling of security held by the consumer in his/her interaction with the brand, that it is based on the perceptions that the brand is reliable and responsible for the interests and welfare of the consumer" (Elena Delgado-Ballester, 2000). Brand trust also incorporates all-important facets of trust that researchers include in their operationalization, such as beliefs *about viability* and *intentionality* (Elena Delgado-Ballester, 2000).

Viability dimension of brand trust has a technical nature because it concerns the perception that the brand can fulfill or satisfy consumer's needs.

Intentionality describes the aspect of a belief that the brand will be responsible and caring and is not going to take advantage of the consumer's vulnerability.

TABLE 1**Descriptives (Education)**

		N	Mean	Std. Deviation	Std. Error
STORE LOYALTY	1.00	19	45.3158	7.5207	1.7254
	2.00	21	33.1905	8.1032	1.7683
	3.00	56	34.3750	10.0010	1.3364
	Total	96	36.2813	10.1501	1.0359
BRAND LOYALTY	1.00	19	24.7368	8.8684	2.0346
	2.00	21	29.3810	8.8288	1.9266
	3.00	56	33.1786	8.0681	1.0781
	Total	96	30.6771	8.9507	.9135

1= lower(matric) 2= moderate education(inter)

3= higher (graduation)

TABLE 2**ANOVA (Education)**

		Sum of Squares	df	Mean Square	F	Sig.
STORE LOYALTY	Between Groups	1954.938	2	977.469	11.606	.000
	Within Groups	7832.468	93	84.220		
	Total	9787.406	95			
BRAND LOYALTY	Between Groups	1056.139	2	528.069	7.492	.001
	Within Groups	6554.851	93	70.482		
	Total	7610.990	95			

TABLE 3**Post Hoc Tests *Multiple Comparisons* LSD (Education)**

Dependent Variable	(I) EDUCATION	(J) EDUCATION	Mean Difference (IJ)	Std. Error	Sig.
STORE LOYALTY	1.00	2.00	12.1253	2.9057	.000*
		3.00	10.9408	2.4365	.000*
	2.00	3.00	-1.1845	2.3483	.615
BRAND LOYALTY	1.00	2.00	-4.6441	2.6582	.084
		3.00	-8.4417	2.2289	.000*
	2.00	3.00	-3.7976	2.1482	.080

* The mean difference is significant at the .05 level.

SL= 1 & 2 r P<.05, 1&3 P<.05 BL=1&3 r P<.05

TABLE 4**Descriptives (Income Classes)**

		N	Mean	Std. Deviation	Std. Error
STORE LOYALTY	1.00	24	39.7917	9.9781	2.0368
	2.00	40	36.1000	9.6391	1.5241
	3.00	32	33.8750	10.4596	1.8490
	Total	96	36.2813	10.1501	1.0359
BRAND LOYALTY	1.00	24	26.1667	8.2075	1.6753
	2.00	40	31.1500	8.5020	1.3443
	3.00	32	33.4688	8.9730	1.5862
	Total	96	30.6771	8.9507	.9135

1 = lower (10,000 & below) 2 = middle (11,000-30,000)

3 = higher (31,000 & above)

TABLE 5**ANOVA (Income Class)**

		Sum of Squares	df	Mean Square	F	Sig.
STORE LOYALTY	Between Groups	482.348	2	241.174	2.410	.095
	Within Groups	9305.058	93	100.054		
	Total	9787.406	95			
BRAND LOYALTY	Between Groups	746.587	2	373.294	5.057	.008
	Within Groups	6864.402	93	73.811		
	Total	7610.990	95			

TABLE 6**Post Hoc Tests Multiple Comparisons LSD (Income Class)**

Dependent Variable	(I) INCOME	(J) INCOME	Mean Difference (I-J)	Std. Error	Sig.
STORE LOYALTY	1.00	2.00	3.6917	2.5827	.156
		3.00	5.9167	2.7010	.031*
	2.00	3.00	2.2250	2.3724	.351
BRAND LOYALTY	1.00	2.00	-4.9833	2.2183	.027*
		3.00	-7.3021	2.3199	.002*
	2.00	3.00	-2.3188	2.0376	.258
	3.00	1.00	7.3021	2.3199	.002*
		2.00	2.3188	2.0376	.258

* The mean difference is significant at the .05 level.

SL= 1&3 r P<.05 BL= 1& 3 r P <.05

TABLE 7**Group Statistics (gender)**

	SEX	N	Mean	Std. Deviation	Std. Error Mean
STORE LOYALTY	1.00	48	34.7500	10.6841	1.5421
	2.00	48	37.8125	9.4501	1.3640
BRAND LOYALTY	1.00	48	30.5000	8.5228	1.2302
	2.00	48	30.8542	9.4464	1.3635

TABLE 8**Independent Samples Test (gender)**

	t-test for Equality Of Means				
	T	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference
STORE LOYALTY	-1.488	94	.140	-3.0625	2.0588
BRAND LOYALTY	-.193	94	.847	-.3542	1.8364

Both r insignificant

P> .05 (t= 1.488, df=94, sig.= .140)

TABLE 9**Correlations**

Correlations

		STORE LOYALTY	BRAND LOYALTY	EDUCATI ON LEVEL	INCOME CLASSES	SEX	OCCUPATION
STORE LOYALTY	Pearson Correlation		.152	<u>-.361 **</u>	<u>-.219*</u>	<u>.152</u>	<u>-.037</u>
	Sig. (2-tailed)		.139	.000	.032	.140	.724
	N		96	96	96	96	96
BRAND LOYALTY	Pearson Correlation			<u>.372**</u>	<u>.304**</u>	<u>.020</u>	<u>.093</u>
	Sig. (2-tailed)			.000	.003	.847	.369
	N			96	96	96	96
EDUCATI ON LEVEL	Pearson Correlation				<u>.464**</u>	<u>-.118</u>	<u>.205*</u>
	Sig. (2-tailed)				.000	.253	.045
	N						
INCOME CLASSES	Pearson Correlation					96	96
	Sig. (2-tailed)					.000	.061
	N					96	96
SEX	Pearson Correlation						<u>-.809*</u>
	Sig. (2-tailed)						.000
	N						96
OCCUPAT	Pearson						96

ION	Correlation						
	Sig.						
	(2-tailed)						
	N						

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

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

DISCUSSION

As reflected from Tables 1, 2 and 3, it appears that lower education has strong relationship with store loyalty ($F=11.06$, $df=2$, $p<.000$ at .05 level of significance) as compared to moderate and higher education. There is also a significant relationship between lower-to-higher and lower-to-moderate education ($p<.000$). This confirms our first hypothesis. The table also shows that there is a strong relationship of education with brand loyalty ($F=7.402$, $df=2$, $p<.001$). Similarly, on brand loyalty relationship of higher education is significant ($p<.000$). This again confirms our second hypothesis. Yet store loyalty has weak relationship with higher education ($p>.05$). Furthermore, lower education is insignificantly related to brand loyalty ($p>.05$).

When studying brand loyalty and the three income classes, Tables 4, 5, 6 show relatively high mean for lower income on store loyalty, yet the difference is not very large. Hence the hypothesis that income classes have strong relationship for store loyalty is partially significant ($F= 2.410$, $df=2$, $p<0.1$). Post hoc test explains that lower and middle income groups have no significant difference, whereas there is somewhat significant difference between lower and higher income groups. Similarly, there is no difference between middle and higher classes on store loyalty ($p=.351$). On the other hand, the difference among the income class (see Table 5) is very significant ($F= 5.057$, $df= 2$, $p<.05$). Similarly, the relationship is quite significant between lower and higher income classes on brand loyalty. So the assumption that higher income level will be more brands loyal has been proved. The results are somewhat similar to a study conducted by Farley (1968) on brand loyalty in the United States, who used the same data as Cunningham (1961), who found no associations, but low income appeared as a correlate in studies by Carman, Enis and Paul (1970), and (in Britain) by Dunn and Wrigley (1984). McGoldrick and Andre (1997) found that loyal shoppers tended to have larger incomes. The reason might be lack of information and awareness about the brands and stores. Few of the people belonging to the upper class were dress conscious. And these were those individuals who are young and either working in reputed organizations or having their own businesses. This facilitates them to identify themselves with those who are very successful in their respective fields. Yet the is trend that people are more price conscious and there are few who are ready to pay high price though they can afford

to do so. Instead, they change their brand or store. Same is the pattern in consumers of lower income group, for whom pricing plays a vital role for the selection of any product. Lack of resources was associated with high loyalty (East, Harris, Lomax & Willson, 1997). Supporting this, we observe that store loyalty is higher among those with school-age children and those in the 25-44 age-group. Such people can use their resources to simplify shopping but those with small incomes can less easily afford to do this and may need to use more stores to get value-for-money. Consistent with this, store loyalty is lower in the lowest income group and among the retired (East, Harris, Lomax & Willson, 1997). The quest for a "good price" was undertaken by all, regardless of socioeconomic status (Women Trend for Grocery Manufacturers of America National Survey on branding).

According to Women trend for grocery Manufacturers of America National Survey on branding, seven-in-ten (70%) frequent store brand purchasers also consider the brand before making a purchase. Those who think that national brands taste better are much more likely to consider the maker than those who think store brands taste better (82% as compared to 51 %). This gives us the reason that people are not solely store/brand purchasers rather there are *other* factors like utility, availability, accessibility of the intended need which also determine brand /store product selection.

Some additional findings were also taken into account. One was to study the differences of gender with respect to brand and store loyalty. Table 7 shows some difference by means (male=34.75 and female=37.81) on the store loyalty, yet t-test shows very slight difference ($t=1.488$, $df=94$, $sig = .140$). However, on brand loyalty this difference vanishes ($t=.193$, $df= 94$, $sig=.847$). This result is contradictory with respect to previous researches that say that females are more store loyal and male are more brand loyal. Overall, men were equally as likely as women to be sensitive to the brand and adhere to quality (women trend for grocery Manufacturers of America National Survey on branding)

Cunningham (1961) found that store loyalty was weakly associated with brand loyalty and this has been found in other studies, for example Carman (1970); Rao (1969); East, Harris, Willson and Lomax (1995); and East, Harris, Willson and Hammond (1995).

Limitations

Although the study focuses on the characteristics of the consumers in their choice of the product, yet there is a lot more that needs to be addressed in studies related to consumer loyalty.

First, sample size must be larger and should include adolescent to adult population and especially considering our country, the age range should be up to 60 years.

Second, the scale used for this study only addresses one aspect of brand loyalty i.e., brand trust. Future studies must include other dimensions of loyalty, such as attitudinal and behavioral.

Third, other issues that are equally important along with brand loyalty, like brand equity, must also be taken into account.

Fourth, due to certain limitations, another very important factor of Consumer Relationship Marketing is not taken into account. This also greatly affects our loyalty with a particular store or brand.

Fifth, this study only included apparels in its scope. It should also include high and low involvement products and then judge the differences of different brands.

Sixth, personal characteristics of the consumers (psychological aspects) must also be studied to discriminate whether loyalty is due to certain personality traits or efforts of the marketers or retailers. Being a family-oriented society, the familial trends toward loyalty should also be studied.

Managerial Implications

In order to create loyalty among costumers and to retain it, quality does in fact drive purchases. Firstly, in order to forge that connection between quality and product, advertising must convey a strong message that speaks to the overall value, including quality, performance, and price of a product. Quality products need quality advertising, which does not always mean mainstream advertising. The effectiveness of in-store displays, samples, trials should not be overlooked (women trend for grocery Manufacturers of America National Survey on branding).

Word-of-mouth, to create an image of loyalty and forging peer recommendation, relies upon the creation of a group of satisfied customers who are so satisfied that they feel compelled to tell others. The peer angle also has implications for advertising efforts, when choosing an image that will be best received by the target audience (women trend for grocery Manufacturers of America National Survey on branding).

Secondly, often, it is the cost that leads the consumer to engage in a store/brand purchase. In order to overcome this phenomenon, or prevent an erosion of brand loyalty caused by extended use of store brands, national brands must focus on illustrating the value behind the price tag. Quality is *one thing* that would overcome cost. Therefore, national brands must use that as the ticket to explain the value of the name-brand product, presenting their product as superior, worth the money, and unsurpassed in quality (women trend for grocery Manufacturers of America National

Survey on branding).

Lastly, new products by old brands is a phenomenon that is attractive to shoppers. Shoppers are receptive to purchasing new products that are manufactured by brands familiar to them, which indicates that a brand's expansion can be successful if it makes use of the quality indicator: the brand name (women trend for grocery Manufacturers of America National Survey on branding).

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SOURCES OF THE BUSINESS ETHOS

Every manager is influenced by five repositories of ethical values: genetic inheritance, religion, philosophy, cultural experience, and law. These systems exert varying degrees of control over individuals and over the same individual over time. A common theme, the idea of *reciprocity*, or mutual help, is found in all these value systems. The function of this idea, which is to bind the vast majority of individuals in society into a cooperative whole, is the central purpose of all ethics. Ethics is a mechanism that controls behavior in business and in other areas of life. Ethical restraint is more efficient with society's resources than are cruder controls such as police, lawsuits, or economic incentives. Ethical values channel individual energy into pursuits that are benign to others and beneficial for society.

George A. Steiner and John F. Steiner
Business, Government and Society, p. 186

DISCUSSION

Consolidation in Indian Banking Industry- Need of the Hour

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ABSTRACT

This study is aimed at trying to unravel the fast and metamorphic changes been brought about within the Indian banking industry. With the government in India clearly specifying that it will liberalize the entry of foreign banks in India by 2009 alarm bells have started ringing for underperforming banks who largely nurtured under government protection and lack of competition. It is now a fight for survival. Consolidation seems to be the only viable solution for most of these beleaguered banks.

Key words: consolidation, Mergers, Non-performing assets, Capital adequacy Ratio

INTRODUCTION

“The world goes up and the world goes down. And the sunshine follows the rain; And yesterday’s sneer and yesterday’s frown can never come over again. All things must change to something new, to something strange.” Since India treaded on the path of liberalization, globalization and privatization, it ushered in a new phenomenon in the Indian Corporate World too – Corporate Restructuring. The last decade brought about ‘*sea of a change*’ in the corporate approach of how to do business. There was an awakening, from the common people to government, to top economic guru, towards the revamping of the entire spectrum of India’s economic scenario. In fact last decade witnessed the greatest rush of merger and acquisition activity in the history of India’s corporate sector post reform period. It is race for survival once again proving the Darwin’s theory of – ‘*Survival of the fittest*’.

The Indian Banking industry, one of the pillars of economic growth of the country also saw hectic activities to consolidate and restructure given the winds of changes every where. This paper is an attempt to showcase the imminent changes that are bound to bring metamorphic and far reaching changes in the Indian banking milieu.

INDIAN BANKING INDUSTRY

Sound and effective banking system is the foundation for healthy economy. The most striking characteristic of Indian banking system is its extensive reach. It is no longer confined to only metropolitans or cosmopolitans in India. In fact it has reached even to the remotest corners of the country. They are one of the main pillars of Indian economy's growth process. The first bank in India was established in 1786. From 1786 till date, the journey of Indian banking system can be segregated in to three distinct phases.

PHASE –I

From 1786 – 1969

The general bank of India was set up in the year 1786. Next came, the bank Hindustan and Bengal bank. The EIC established Bank of Bengal (1809), Bank of Bombay (1840) and Bank of Madras (1843) as independent unit and called it presidency banks, which were later amalgamated in 1920 to form one bank.-Imperial bank of India. A numbers of other banks viz Allahabad bank, Punjab National Bank, Bank of India, Bank of Baroda; Canara Bank etc were also set up between 1865 and 1913.

During the first phase the growth was very slow and there were approximately 1100 banks, mostly small bank with limited reach. To streamline the functioning and activities of commercial banks, the government came up with the banking Regulation Act 1949 soon after independence.

PHASE II

Govt. took the major steps in banking sector reforms in 1955, it nationalized Imperial banks and formed State bank of India (SBI). Seven banks which were subsidiary of SBI were also nationalized in 1959-60 and in 1969, 14 major commercial banks in the country was also nationalized.

The following are the steps taken by the govt. to regulate banking institutions in the country.

1949	:	Enactment of Banks Regulation Act
1955	:	Nationalization of SBI
1959	:	Nationalization of SBI subsidiaries
1961	:	Insurance cover extend to deposits
1969	:	Nationalization of 14 commercial banks
1971	:	Creation of credit guarantee corporation
1975	:	Creation of Regional Rural banks (RRB)
1980	:	Nationalization of seven banks with deposits over 200 cores.

PHASE III

As the winds of liberalization started, in 1992 banking industry was also liberalized with the removal of entry barrier in Indian banking industry, which saw the emergence of private sector banks who gave a new glamorous look to the banking industry. The technological savvy, customer oriented services, innovative products have become the order of the day.

CURRENT SCENARIO

Today, the Indian banking industry is in transition phase. Public Sector banks which currently account for more than 78% of total assets are saddled with Non – performing Assets (NPAs), falling revenues from traditional sources, lack of modern technology and a massive work force, while the new private sector banks are forging ahead and rewriting the traditional banking business model by way of their sheer innovation and service.

Foreign banks and the new private sector banks on an average are far more efficient than Public Sector banks. The average Return on assets (ROA) for 2005-06 was 1.52 and 0.97 for foreign and new private sector banks reported as against 0.86 for the SBI group and 0.81 for nationalized banks.

The private players however can not match the Public Sector banks great reach, great size and access to low cost deposits. Therefore one of the means for them to combat the PSBs has been through the merger and consolidation route.

The Indian banking industry comprises of many banks of various size, strengths and reach. As on March 05, there are around 100 scheduled commercial banks, four non-scheduled commercial banks and 196 Regional Rural banks. The SBI and its seven associate have around 14,000 branches, the 19 nationalized banks have 34,000 branches, the Regional Rural banks have around 14,700 branches and foreign banks around 225 branches.

If we include the branch network of old and new private banks, there are about 68,000 branches across the country and on an average one bank branch cater to 15,000 people only. Thus we can say that India is not only under banked but under serviced also. A country of 1.1 bn people has only 250 million account holders and that too having majority in metropolitan and urban cities.

On the global front, the banker's list of the top 1000 banks of the world (July 04) featured just 20 Indian banks only. In fact in the top 500 only six Indian banks featured and in the top 100 only one bank figured at the 82nd position –State Bank of India. The combined assets of the five largest Indian banks – State Bank Of India

(SBI), Industrial Credit and investment Corporation of India (ICICI), Punjab National Bank (PNB), Canara bank and Bank of India as in 2003, were less than the assets of largest Chinese bank, China Construction Bank, which is roughly 7.4 times the size of the SBI, which means that its ability to do business whether domestically or globally is significantly more than any one of our Indian banks.

SBI the biggest Indian bank having 100 million customers is very small in comparison to Citi bank, which has market capitalization of \$25 billion as against the SBI market capitalization of \$7.5 billion. Citi bank has a capital of \$67 billion and we have 10% of that only. Thus, it clearly shows that Indian banks lack global scale. The existence of too many banks results in the paradox of low profitability per customer for banks and higher pricing for customer.

Thus in the present scenario consolidation of banks is imperative & it is expected that, “consolidation in the banking space is likely to gather momentum in the coming year.”

CONSOLIDATION

The meaning of the word consolidation is to strength, unite or combine. However the word is viewed differently by opposing parties. For one, it is a sense of becoming stronger and bigger with more power and for other a threat. The time has come to leave this aside and seek the true meaning of consolidation where the sum of whole is greater than the sum of parts.

“Consolidation” is the crying need of the Indian banking industry” According to SBI chairman Mr. A.K. Purwar speaking at the annual FICCI banking conference in Mumbai. He said, “Four to five large players must emerge like SBI and ICICI. We need to be able to export our banking services to the outside world.”

MOTIVE BEHIND CONSOLIDATION

1. **Growth:** One of fundamental motives behind the merger is impulsive growth; organizations that intend to expand need to choose between organic growth and acquisitive driven growth. Since the former is very slow, steady and relatively consumes more time than the latter is preferred by firms which are dynamic and ready to capitalize on opportunity.
2. **Synergy:** synergy is the phenomenon where $2 + 2 = 5$. i.e. the business combination is more profitable than the sum of the profits of the individual firms that were combined. It may be revenue enhancement or cost reduction.

3. **Strategic**—the strategic reason could differ from case to case basis. For e.g.—if the two firms having complimentary business interest merges, this may result in consolidating their position in the market.
4. **Market entry**—it is a good way of entering in new markets.
5. **Tax shields**—the accumulated loss of the merged firm reduces the taxable profits of the acquirer.

THE ASIAN EXPERIENCE OF CONSOLIDATION

Banking consolidation came to the fore after the 1977 economic meltdown. Japan, which had seen a virtual collapse of its system, made consolidation its forte. The crises exposed the vulnerability of a weak-banking system to economic shocks. This resulted in the emergence of three banks – Mitsubishi UFJ, Mizuho and Sumitomo Mitsui. Today non-performing asset (NPA) level has come down to 2% from a peak of 8.4% in 2002. Hong-Kong too allowed complete FDI in banking and this facilitated the takeover of several banks by Singaporean and Taiwanese banks. In Indonesia, banks had capital adequacy ratio (CAR) below 25.7 were marked for immediate closure. Consolidation among banks was therefore resorted to, resulting in the number of the banks in Indonesia, which were 239 in 1996, to come down to 138 by 2003.

In Malaysia, the regulator bank Negara has created ten anchor banks through the consolidation of 22 banks and 39 finance companies. Consolidation has resulted in the strengthening of the banking systems of these countries culminating into excellent customer serviceability and satisfaction. The overall benefit, more customers were attracted to the banking system.

CONSOLIDATION IN INDIAN BANKING INDUSTRY

M & A is not new in the Indian banking industry. Years ago Imperial bank was formed by the amalgamation of the three presidency banks.

Historically barring a few instances, all M&As in India have been part of crises management. They are forced by the regulator, the central Bank of India called Reserve Bank Of India (RBI) to protect depositor's money. To keep the public sector banking industry solvent, the RBI forced the merger of weak banks.

Few mergers among this category were taken place in Public Sector Banks in late 1960 and onwards to protect the interest of depositors of weak private banks like (Bank of Bihar with State Bank of India, 1969), Belgium Bank with Union Bank –1976.

In late 1990s, the merger of private bank have been for diverse reason like building up financial strength, capturing larger portion of the growing retail business and securing better regional presence.

The first initiative was taken in November 1999, when HDFC & Times bank shook hands. It is the first mergers in the history of Indian banking, signaling that Indian banking sector have also joined the M&A bandwagon.

A few years later in 2002 successful merger of ICICI bank with bank of Madurai and Centurion bank with bank of Punjab (2005) created the new era in this subject matter. These mergers were market driven and not entirely for the reasons of the banking stability. It is expected that in the near future we will see the merger between even stronger Indian banks which is a clear deviation from the past where only weak banks were thrust upon the strong banks in the name of consolidation.

NEED FOR CONSOLIDATION

The Indian banks have less than three year to consolidate thus despite the stiff resistance consolidation holds the key to future growth due to the following:

1. Due to diversified operations and varying credit profiles of banks, mergers and consolidation would serve as a risk mitigation or risk sharing exercise as well as growth engine.
2. Only greater scale and size consolidation could only help save cost and improve operational efficiency as could be seen in Fig 1 for public sector banks, Fig 2 for private sector banks and Fig 3 for Foreign sector banks

Fig.1-PUBLIC SECTOR BANKS

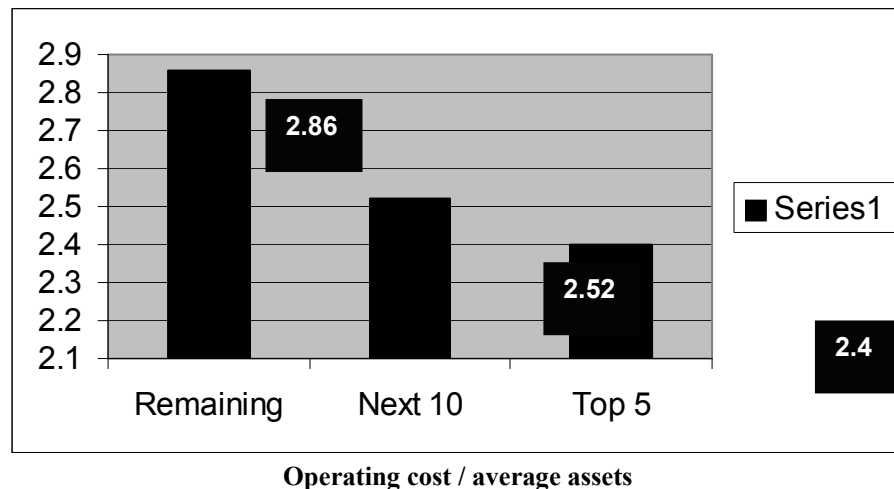


Fig. 2-PRIVATE SECTOR BANK

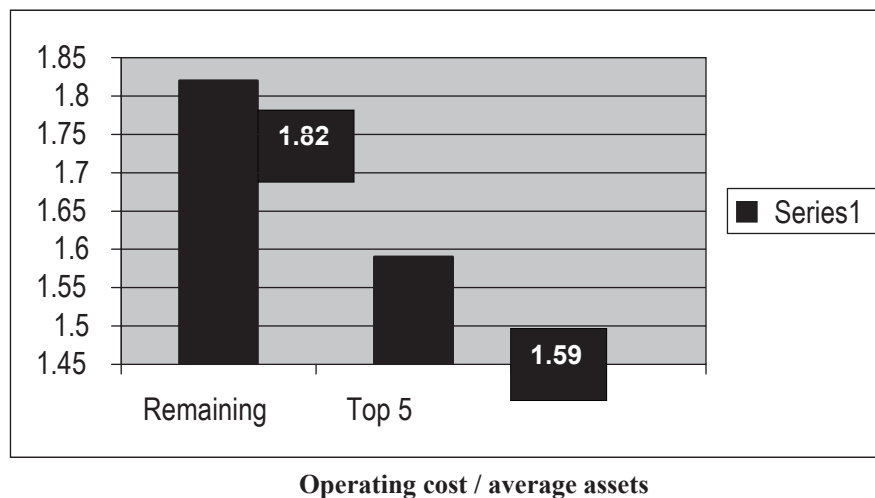
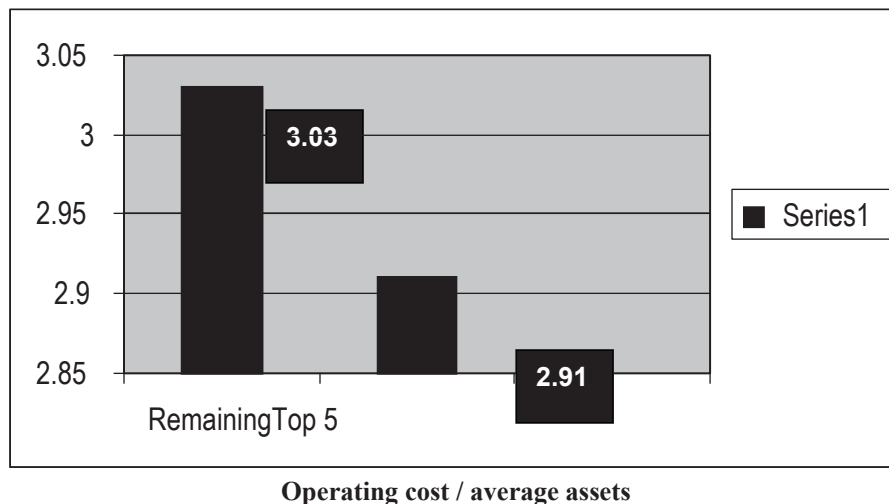


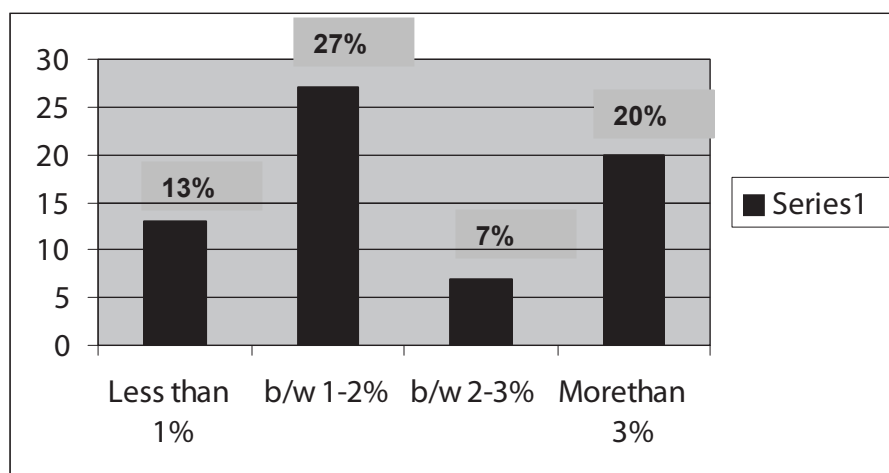
Fig. 3 -FOREIGN BANK



3. Banks will also have to explore different avenues for raising capital to meet norms under Basel II. According to Federation of Indian Chambers of commerce and industry (FICCI) of India survey, a majority of banks face an incremental capital requirement of 1-2% or more (**exhibit II**). It is estimated that the banking system will need an added capital infusion of

around USD 9 million by March 2010. Consolidation is likely to be a best alternative to shore up their capital base.

CAPITAL INCREMENT FOR BASAL II IMPLEMENTATION



Source FICCI survey on preparedness of Indian banks for basal II

EXHIBIT II

4. To compete internationally, Indian banks have to achieve better net NPA ratios, better asset quality, returns on assets and better size. So consolidation is necessary.

PROBLEMS INHERENT WITH CONSOLIDATION

If the merger and acquisition are not backed with proper due diligence exercises keeping in mind the interest of the employees and the investor it success will always be questionable or in doubts. A proper well planned strategy could only ensure its success in the long run.

PROBLEMS

1. Merger deal turn out to be a poor deal due to unrealistic synergies or too high price paid for the deal (DBS-POS banks deal in 2000)
2. Sometimes banks are not able to manage post merger issues such as customer losses (bank one lost 2 Lac customer account while integrating first Chicago in 2000), poor management communication, handing of increased size.
3. Integration might get very difficult due to cultural issues.

For example: Bank merger of DBS and Deo Hing, Citi bank and Travelers Groups etc have not really created shareholder value, mainly due to cultural issues.

In India the major merger that took place in the past were to rehabilitate the weak bank and for preserving banking stability. Forced M & A as a total for rescuing ailing banks besides protecting public and depositor confidence was the strategy followed by Indian banking industry. Some prominent merger among this category are merger of Banaras State Bank with Bank of Baroda (2002), Nedungadi Bank with Punjab National Bank (2003), Global Trust Bank with Oriental Bank of Commerce, united western bank with Industrial Development Bank India etc. most of these merger are not market driven but are the result of desperate situations faced by the central bank for reassuring the Indian investors.

In the recent times, private banks have seen voluntary M & A activity, which is purely market driven. The merger of Times bank with Housing Development Finance Corporation (HDFC) was the first in that category. Later on the merger of the bank of Madurai with ICICI bank, reverse merger of ICICI with ICICI bank along with merger of centurion bank with bank of Punjab followed the same strategy.

Given below are some of the case studies of Mergers & Acquisition in India

Merger of IDBI with United Western Bank

Pre merger scenario	Post merger scenario		Significance
	Benefits of merger	Key challenges	
1. Before merger United Western Bank with poor asset quality and deteriorating financial position was having a gloomy picture of its future. 2. The IDBI with the B/S size of Rs. 81700 cores had a network of 181 branches	(i) Merger gave IDBI immediate access to the 230 branch network of United Western Bank, thereby widening its deposit franchise. The merger gave the IDBI access to a ready physical infrastructure, enabling it to mobilize low cost funds in that time where RBI	1. A purchase consideration was just 150 cores but there is hidden cost of around Rs. 100 cores in the form of bad loans. 2. NPA of IDBI increases to 1.4% from 1% before merger. 3. UWB had an employee base of over 3200, which is 70% of IDBI. Total strength.	Despite the various key challenges, the down ward risk associated with the merger appears minimum making IDBI stock attractive as a long-term proposition.

and was lacking size as compare to large banks.	<p>strict licensing norms restrain opening new branches.</p> <p>(ii) The merger is likely to help IDBI diversify its credit profile. Dominate in industrial financing IDBI get exposure to agriculture credit through Western Union Bank.</p> <p>(iii) The IDBI is expected to get benefit of improved deposit mix. Before merger. IDBI's low cost deposits were about 9% of the total. And this was the reason behind IDBI low net interest margin and high cost of fund. The access to UWB low cost deposit base is expected to prove advantage for IDBI in long run.</p>		
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Merger of HDFC bank and Time bank

Pre merger scenario	Post merger scenario		Significance
	Benefits of merger	Key challenges	
HDFC bank started in 1994	1. Post merger HDFC bank	1. To integrate the retail side of two	The merger add a significant

has grown its small asset base of Rs. 9 bn (1995-96), to over Rs. 116 bn as on march 2000 with a compounded annual growth rate of 90% and total of 115 braches in India of which were rural branches.	<p>emerged as the largest private sector bank in India.</p> <p>2. The new entity has customer base of 6, 50,000 to serve. With average HDFC bank's total deposit touched Rs. 6900 cores and the size of balance sheet crossed massive 9,000 core market.</p> <p>3. Bank not only gained from the existing infrastructure but also from the employee work culture.</p> <p>4. Merger also brought product harmonization as HDFC had the visa network and Times bank had master card network.</p> <p>5. Another advantage is the expansion of branch network as well as geographical coverage as HDFC has 65% branches in metros while Times bank has only 43% urban branches and rest is rural areas.</p>	<p>banks was difficult as both the banks had independent proprietary system for retail banking.</p> <p>2. Since all the 650 employees from Times bank had been absorbed thus the rationalization of culture as early as possible was the challenge before the management.</p>	<p>value to the bank in terms of increase branch network, expanded geographic reach, enhanced customer base skilled manpower, the opportunity to cross sell and leverage alternative delivery channels.</p>
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ICICI bank with Bank of Madurai

Pre merger scenario	Post merger scenario		Significance
	Benefits of merger	Key challenges	

<p>As on march 31, 2000, ICICI bank one of the largest financial institution had a network of 81 branches, 16 extension counters and 175 ATMs. The CAR was at 19.64% of risk-weighted asset, a significant excess of 9% over RBI's benchmark and had an assets base of Rs. 582 bn.</p> <p>2. Pre merge BOM had an attractive business /employee figure of Rs. 202 lac, a better technological edge and had a vast base in southern India having 263 branches with 82 of them in rural areas.</p>	<p>1. The amalgamation enable then to have a stronger financial and operational structure, which is suppose to be capable of greater resource /deposits mobilization.</p> <p>2. The ICICI branch network not only increased by 264 but also increases geographical coverage as well as convenience to its customers.</p> <p>3. The merger enables ICICI to provide ATMs, Phone and the Internet banking and financial services and products to a large customer base, with expected saving in cost and operating expenses.</p> <p>4. The ICICI bank is now enable to focus on micro-finance activities through self-help group in its priority sector initiatives through its acquired 87 rural and 88 semi rural branches.</p>	<p>1. Discomfort and anxiety among employees of ICICI bank due to generation gap as ICICI a fast growing technology savvy new generation bank and Bank of Madurai a south based old generation bank.</p> <p>2. Cultural integration of the employee of both the banks.</p> <p>3. No doubt the geographical coverage of ICICI bank has increased but managing diversified locations and level of competition became a challenge to ICICI.</p> <p>4. There is increase in client base of ICICI bank as big as 2.7 million from its past of 0.5 million and the nature and quality of clients was not uniformed. Thus challenge face by ICICI to read define its</p>	<p>1. The merger has given ICICI bank a hold on south Indian market which has high rate of economic development.</p>
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		strategies, which is suited to new as well as old clientele.	
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Centurion bank and Bank of Punjab

Pre merger scenario	Post merger scenario		Significance
	Benefits of merger	Key challenges	
1. Bank of Punjab was in need of efficient management as there was rapid rise in proportion of Bad Loan as well as growth rate had also not been attractive. In February 2004-05 BOP's advance growth was modest at about 15% where much of the private sector banks reported growth in advances in excess of 25%. The less than impressive growth in advance was not able to offset the decline in income from investment portfolio leading to sharp fall in operating profit while Centurion bank showing rapid growth in advances from 1500 cores to 2500 cores in just	1. New entity became named as Centurion bank of Punjab. 2. At become one of the top ten private sector banks in the country. 3. Centurion bank was strong in South India, Maharashtra and Goa, whereas bank of Punjab was strong in Punjab, Haryana and Delhi. Post merger they have now nation wide network. 4. Book value of bank gone up around Rs. 300 cores. This higher book value will be helpful to mobilize the fund at lower rate for combined entity. 5. 82% of the businessman of Centurion bank comes for retail while bank of Punjab is strong in the small and medium enterprises segment and	There has been no cash transaction in the course of merger. It had settled through the swap ratio of share 4:9. Thus merger share must be acceptable to share holders of both the banks.	The merger was to provide succour to the Beleaguered bank, the poor growth of POB. The Centurion bank having sufficient capital base able to arrest the decline in spread and improve business growth of BOP, post merger. The merger being same value to Centurion bank share holder as BOP boasts of one of the lowest cost of deposits in banking industry as about 4.24% but alternatively the merger is win-win for the share holder, customer and staff of the two banks. The reason for the merger is fantastic fit in forms of achieving scale

15 months since end of the march 2004. 2. Centurion bank has a strong presence in the west and the south, the BOP has a strong presence in the north.	agricultural sector. Merger profit diversity in operational activity and combined bank is full service commercial bank with strong presence in the retail, SME and agricultural segment.		and geographical presence.
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FUTURE MERGER POSSIBILITIES

Indian banking industry is likely seen many more merger in the coming future.

The government has been mulling with the idea of merger of two PSB –Union Bank of India and Bank of Baroda. The new entity – Union Bank of India and Bank of Baroda will have an assets base on over Rs. 1,43,175 or and will become second largest commercial bank, overtaking ICICI (Rs. 125229 or), the largest being the State Bank of India (Rs. 4,07, 815 or).

Ideally State Bank of India should merge its seven associate banks with itself. If there is merger of three big Indian banks – Punjab National Bank, Canara Bank and Bank of Baroda, the combine entity will be having as asset base of Rs. 6,51,588 or and branch network of over 17000. With this asset, it will emerge as formidable force in Asia out side Japan.

If there could be a merger of Punjab National Bank and Bank of Baroda; the merged entity would be catapulted in to big league with Rs. 1, 87,437 cores asset base and 7,714 strong branch networks.

Other mergers that could lie on the horizon may be of relatively smaller banks like Vijay Bank and Allahabad bank, Punjab and Sindh bank, Dena Bank and United bank of India or Karur Vysya, City Union and Federal Bank etc.

CONCLUSION

Presently Indian banking industry is growing by 15-17% annually as compare to 1-2% growth rate of European bank. So enormous opportunities exist and industry needs to serve million of people who are out of the banking network.

In the year 2009, the government of India will lift severe restriction on the entry of foreign bank thus giving them all freedom to open branches acquire competitors and plan for the growth that till now are only enjoyed by their domestic counter parts. Therefore it is an open secret that Indian domestic banks whether public or private have time till 2009 to set their house in order or face tough competition from these big and fiercely competitive foreign banks. It seems that the only solution that lies with most of the Indian banks in order to save them from these predators is to tread the path of consolidation and synergies with respect to their reach, innovative products and excellent customer facilities.

Thus post April 2009, the banking scenario is expected to change dramatically and bank consolidation assumes significance from the point of view of making Indian banking system stronger and sound with rapid growth leading to sustainable development of the Indian Economy.

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ADAPTIVE VS. UNADAPTIVE CORPORATE CULTURES

	<i>Adaptive Corporate Cultures</i>	<i>Unadaptive Corporate Cultures</i>
<i>Core Values</i>	Most managers care deeply about customers, stockholders, and employees. They also strongly value people and processes that can create useful change (e.g., leadership up and down the management hierarchy)	Most managers care mainly about themselves, their immediate work group, or some product (or technology) associated with that work group. They value the orderly and risk reducing management process much more highly than leadership initiatives
<i>Common Behavior</i>	Managers pay close attention to all their constituencies, especially customers, and initiate change when needed to serve their legitimate interests, even if that entails taking some risks	Managers tend to behave somewhat insularly, politically, and bureaucratically. As a result, they do not change their strategies quickly to adjust to or take advantage of changes in their business environments

Corporate Culture and Performance: John P. Kotter and James L. Heskett, p. 51

DISCUSSION

Converged Service of Data, Video and Voice –Readiness of Pakistani Market

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ABSTRACT

This paper reports selective results of the study to explore the acceptability and readiness of consumers to switch from existing separate data, voice and video services to a single converged service over a fixed line. Providing a converged service requires effort in three areas i.e. convergence supporting technology, converged (unified) service offering and development of access devices. This study is only about a converged service offering.

Market for Cable TV service in Pakistan is more established and mature as compared to that of Internet. Research question of this study was that ‘broadband alone may not be able to create a viable market for itself therefore will a converged offering of broadband and high quality cable TV be more acceptable to consumers?’. The answer is in affirmative. According to the results the acceptability of converged service in Pakistan is going to be based primarily on pricing but there may be some other needs that have to be looked into. This survey based research was conducted in March – April 2007. The survey instrument used had 26 questions. A sample of about 300 respondents was used as a stratified sample of the urban population of Karachi. Primarily the questionnaires were distributed personally by the research team and filled on the spot. Therefore the response rate was very high. A total of 257 valid responses were received. Karachi was selected because it has representation of people from all parts of the country and has a high population density with most of the people having access to data, voice and video services and can be considered as potential consumers of converged service.

Pakistan is an upcoming economy with a very high growth rate in IT sector. Thus providing a converged service of data, voice and video on a single fixed line has great potential. Results of this research can provide valuable information about consumers’ preference to companies for making better-informed decisions on strategic planning and investing in converged services. It also provides a direction for further research.

Keywords: convergence, broadband, cable TV, fixed line, Pakistan

1. INTRODUCTION

The term *convergence* literally means coming together at the same point. Technically, with reference to information technology, it is commonly used for the “synergistic combination of voice (and telephony features), data (and productivity applications) and video onto a single network” (Asian Development Bank – Technical Assistance Report 2006). Although the concept of convergence is not new but until recently the three services were considered practically disparate from each other. They used dissimilar medium of communication, different end-user equipment and were regulated by separate regulators for each type of service. (Gillis and Oyedemi 2004). According to Gillis and Oyedemi (2004) “Convergence is the combination of all these different media into one operating platform. It is the merger of telecom, data processing and imaging technologies”.

Convergence is defined in many ways i.e. technological, economic, geographical, political, and functional convergence (Fowler 2000). Similarly according to Robert E. Babe (1996) the Organization for Economic Co-operation and Development (OECD) has given three dimension of convergence technical, functional, and corporate. Functional convergence deals with the products and services and not the technology used to provide them (Babe, 1996, 283-84). This paper discusses the functional convergence only which is about a single provider supplying the three services to the consumer using single medium.

The paper discusses the reasons that are creating demand for convergence by elaborating upon factors affecting the Internet growth and the cable TV market. The results of the research are discussed along with the factors that are providing growing trend towards convergence for each type of service i.e. Internet for data, TV for video and telephony for voice. Further, consumer views and preferences are analyzed in context of the drivers or impediments of convergence, its growth, and penetration for Pakistan’s urban consumers derived from the research conducted by Fowler in 2005. Conclusion and recommendations for further research are given at the end.

2. RESEARCH METHODOLOGY

This is a survey based research. The survey was conducted in March – April 2007. The survey instrument used for the research was based on the literature review and went through numerous revisions to ensure validity and reliability. A sample of about 300 respondents was used as a stratified sample of the urban population of Karachi. Primarily the questionnaires were distributed personally by the research team and filled on the spot. Therefore the response rate was very high. Some were sent out as well. A total of 257 valid responses were received. Karachi was selected

because it has representation of people from all parts of the country and has a high population density with most of the people having access to data, voice and video services and can be considered as potential consumers of converged service. Another important aspect of selecting Karachi was that it has a converged service provider as well. The survey involved filling up a questionnaire consisting of 26 questions. The results were tabulated in Microsoft Excel and analyzed using SPSS. Selected results are reported through this paper. The graphs show the response of all the respondents including those that did not answer a specific question. But the percentages quoted are calculated on the basis of the respondents that answered the specific question ignoring those that did not answer the specific question that was being analyzed.

3. THE GROWING TREND OF CONVERGENCE

In telecommunications Convergence is the phenomenon of combination of data, voice and video services. In today's digital world all these three types of services once digitized becomes digital data and in their most basic form consists of binary digits. The transmission of any of the above three type of services can be simply referred to as 'data transmission' and theoretically can be handled by any data transmission service provider. Since there are different requirements of data integrity, availability and transmission delay practically all the three have to be treated differently. Traditionally these three services are provided by three different types of service providers and three different types of end-user equipment are needed to use the services. The end-user equipment for data is computers, for voice it is telephone sets and for video it is TV sets. Further, the data services are provided through the Internet by Internet Service Providers (ISPs), voice services through telephony by telecom operators and video through terrestrial and satellite wireless broadcasts and cable network by TV broadcasters. There are various factors affecting convergence. To get a holistic view of the factors affecting the convergence, factors affecting each of the three services are discussed separately. The factors that affect the demand, usage and growth of Internet, Cable TV and telephony are looked at first and subsequently the drivers that are specific for convergence are analyzed in the next section.

3.1. INTERNET

Internet is considered a driver for growth and competitive edge for nations (Lee & Chan-Olmsted 2003). However, its effective deployment and usage depends on many factors. These are demographics, infrastructure and demand. Demographic factors include a country's literacy rate, media consumption habits, years of education, the demand for information and the need to be online. The infrastructure factors are bandwidth, price and the quality of service. The most important is demand of Internet. There are some important factors of demand and growth of Internet. Five of these are discussed below in light of consumer preferences.

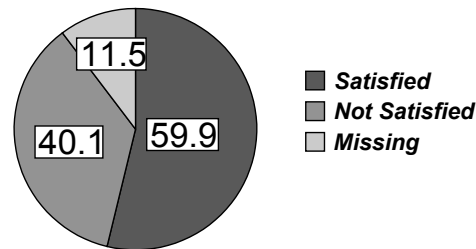
3.1.1. THE GROWING DEPENDENCE ON ONLINE DATA & TRANSACTION

Globally the availability and the need of data have increased tremendously. As people from geographically disperse land use ‘information superhighway’ to move to global village in the digital space, data becomes the prime resource. Traditional information devices like TV and radio were a source of information as well as entertainment. Still they are to some extent but now Internet has overtaken them and has become the prime source for information and to some extent of entertainment as well. The Internet has shown tremendous growth with more than quarter of a billion users added by the developing world (World Bank 2007). There has been only 5% growth of TV sets in South Asia as compared to a 14% growth rate of Internet (World Bank 2007). The e-business, which saw a decline at the turn of the century, is once again booming. Online advertising, e-purchasing and e-banking are now common. E-governance, telemedicine and e-learning all have gained momentum.

Although there has been increase in economic activity due to Internet in the World and in Asia but Pakistan is lagging behind. The Economist Intelligence Unit (EIU) 2007 e-readiness value for North America was 8.58 as compared to 6.10 for Asia-Pacific which is not bad. Pakistan on the other hand was at 3.79 and ranked 63 amongst 69 countries surveyed by EIU. So there is a lot to catch-up with. The encouraging fact is that during 2006-2007 Asia-Pacific showed an increase of 5.79 % (up 0.33 points from 5.77 in 2006) Pakistan increased by 75% (up 0.76 points from 3.03 in 2006) showing a very promising increase compared to Asia-Pacific region (Economist Intelligence Unit 2007). The Internet population in Pakistan is very low at 1.7 per 100 inhabitants (Business Monitor International 2006). Although there are 10.5 million Internet users and the adult literacy rate is 58% (CIA 2006), yet, not only the growth of Internet in Pakistan has been slow but majority of the Internet users do not use Internet daily. With the Internet access available as a value added service over the mobile cellular network it is hoped that the frequency of Internet usage might also increase if bigger screen/keyboard, better speed, lower cost and more ease of use were available (Nabi *et al.* 2007).

More than 95% of Pakistani Internet users either use Cable Net or Dialup Internet access (PTA 2006). The speed provided by a Dialup or a Cable Net connection is slow for efficient use of the Internet for high-end applications. Applications like video conferencing and file sharing that are part of distance learning and e-transactions are cumbersome to use with cable net or dialup connections. Similarly multiplayer gaming over the Internet requiring high bandwidth is also not possible. The latest development in high-end applications means that there would be a need for an even larger bandwidth Internet service in future. However, as shown in

Figure -1 more than 50% of the Internet users that responded to the question were satisfied with the current level of Internet service.



Response to the question: Are you satisfied with your Internet service at home?

Figure 1: Satisfaction with current Internet service at home

This could be one of the reasons why broadband Internet has not clicked in Pakistan at the first instance i.e. the users are satisfied with whatever bandwidth they are getting and perhaps most of them do not need higher bandwidth since they are not utilizing the Internet fully.

3.1.2. SOCIAL PERSPECTIVE

Internet is one way of socializing with others. Youth, who command the greatest share of the online users, when surveyed about “what they do online”, more than 50% replied in favor of online chat (‘China Internet Survey Report’ 2005). Thus, it is a great means of developing the global village. It is economical and unhindered by geographic, racial or ethnic barriers. According to the survey results chatting is one of the major uses of Internet in Pakistan as well.

3.1.3. DEMAND FOR IMPROVED QUALITY OF SERVICE (QoS)

One attribute of the QoS of Internet connection that appeals most to the consumers is Speed. Although the Internet consumers in Pakistan may not be using applications that require high bandwidth but most consumers strongly believe that data transfer speed is the most important factor for any Internet service. As shown by the results of this survey. Consumers were asked to rank the most important attribute of Internet service among price, speed, connectivity, or others. Almost 91% responded that speed is the most important aspect of an Internet service. In **Figure -2** the ranking of speed on a scale of 1-4 is shown. It can be seen that for more than 90% of the respondents speed is the most important characteristic of an Internet connection.

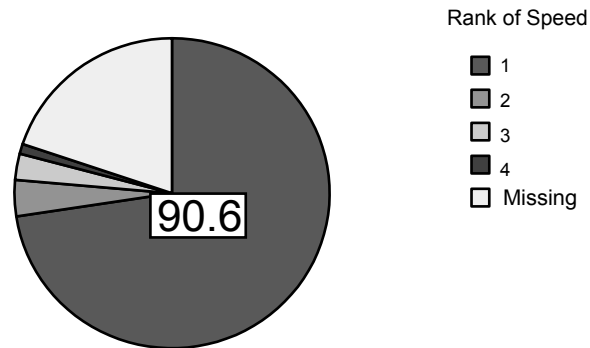


Figure 2: Rank of Speed as the most important factor of Internet connection

3.1.4. LITERACY RATE & EDUCATION LEVEL

Internet and its services can be better utilized when the users are literate. “You would not expect a country like Nepal or Pakistan to reach the kind of Internet penetration rate enjoyed by Singapore or Japan, when the majority of their adult population is illiterate.” (Xiaoming and Kay 2004). But it is not only literacy. Vehovar *et al* (1999) are of the opinion that one of the important factors of Internet usage is language. Since most of the content for computers as well as Internet is in English, so understanding of English language becomes a critical factor for better utilization of Internet. Therefore the countries that have English as their primary language have better utilized the Internet. It was almost a decade ago when Vehovar *et al* emphasized the importance of English to gain advantage of Internet since English was the language of Internet. The situation has improved since then. There has been localizations and other languages are more and more being used in computers in non-English speaking countries. Low literacy rate in Pakistan with a very small percentage among them that know English accompanied by the fact that Urdu content on Internet is not much and only few websites are in Urdu or other Pakistani regional languages is a problem in better utilization of Internet. Devraj (2000) agrees with Vehovar *et al*. (1999) and adds that in his opinion “even literate South Asians cannot benefit from the IT revolution without a working knowledge of the English language because of poor “localization” — a highly technical process by which computer programs are translated into another language”. Therefore, it may be

said that the growth of Internet and information society in Pakistan is inhibited by the low literacy rate. This may be improved if localization of computers and Internet is done accompanied by educational institutions adopting Internet at a faster rate especially at the primary school level.

The survey results show that the years of education have a positive effect on Internet consumption. People with more years of education use Internet more often than those with fewer years of education. Considering only the respondents with more than 14 years of education (157 respondents) more than 82% of them use Internet at least once a week.

Internet, Cable TV and Telephone are not only sources of communication and entertainment but are also important sources of information and learning. Although the results show that the number of years of education has a positive impact on the preference for converged service, yet, there are other factors affecting the preference for a converged service. **Figure-3** shows some interesting results. Education has some affect on the preference for a converged service. There were 67% people with 14 years or more of education among those that showed preference for converged service while 53% of the people that did not prefer a converged service also had 14years or more of education. So the education may have some affect but not much on a preference or not for a converged service.

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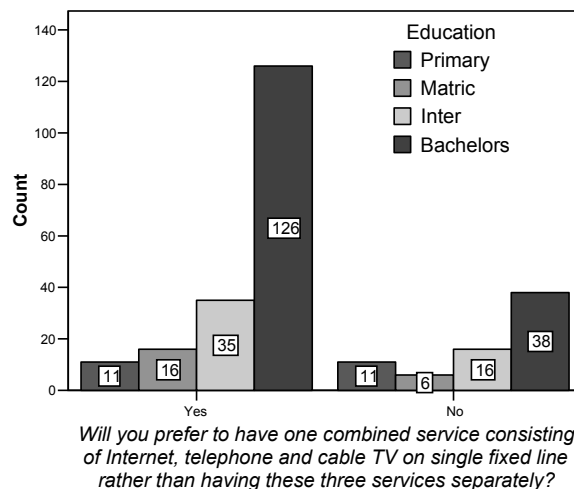


Figure 3: Education versus preference for or against a converged service

3.1.5. THE INTERNET ADDICTION

It is generally noted that the time spent on Internet increases as the number of years since first use or introduction to Internet grow and so does the dependence and the need to be online. People might initially start using Internet for a particular purpose generally to extract information or to communicate and later on expand their usage and the purpose of being on-line to various other activities. Although Pakistan lags behind in terms of education, the trend that education and Internet consumption have positive relation also hold true for Pakistan.

3.2. TELEVISION

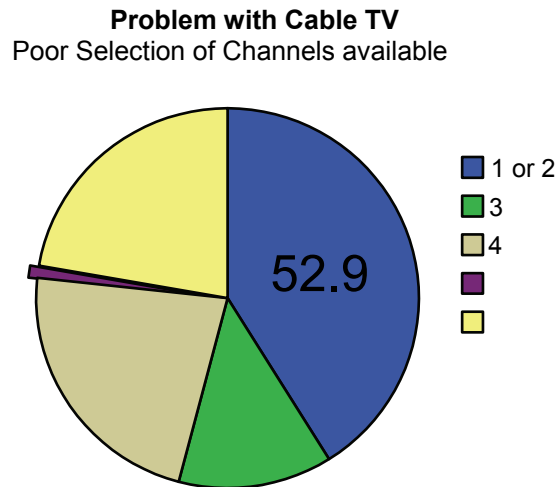
TV is the most consumed media service at present in most countries around the world. The same holds true for Pakistan (BOI 2007).

3.2.1. CABLE TV MARKET IN PAKISTAN

There are more than 10 million TV homes in the country and approximately 40 million TV viewers. Cable and Satellite TV have a 42% penetration rate among urban consumers and 16 % for rural consumers (Riaz, A. 2004). Therefore, the provision of Cable TV service can be a strong feature for convergence.

3.2.2. POOR PERFORMANCE OF CABLE TV SERVICE

Cable TV service is available in many parts of Pakistan. Even in some remote areas it is available. It is an entertainment service that is available quite cheaply. The good thing about it is that it is economical with low initial cost and very low recurring cost. With one TV set many members of a family can enjoy at one time unlike some other forms of entertainment. According to the results of this research most consumers are not satisfied with the quality of service they are receiving from their Cable TV providers. The choice of channels and programs is not up to their satisfaction. As shown in **Figure- 4** more than 50% of the respondents were not satisfied with the current selection of channels available on Cable TV service. They may be bearing with it since it is cheap and there are not many cheap entertainment alternates to Cable TV service.



Response to the question: What is the biggest problem with your current cable TV service? Rank 1 as poorest and 4 as least poor Price, Picture, Quality, Channels available

Figure 4: Rank by respondents of 'Channels available' as the biggest problem

Therefore for converged service providers to be successful they have to offer better customized choice of channels. However, being a price conscious society the respondents rejected the idea that consumers might be willing to pay extra for a better Cable TV services. Since Cable TV is seen as a low cost entertainment affordable even for lower middle and lower classes of the society perhaps it is not desirable by them to pay more just for the quality of service. For those who are willing to pay more there are other options like using satellite TV directly via a dish antenna.

3.2.3. CONTRASTS BETWEEN TV & INTERNET

As clear from the statistics cited earlier the TV market is much bigger than the nascent Internet market. The research results show that the average number of Internet users in a home for the sample is 2.93 as compared to 4.75 Cable TV viewers per home. This shows that there are more Cable TV users than Internet users. It may be taken as the existence of a much bigger Cable TV market as compared to that of the Internet. Another important aspect to remember is that a computer is needed by each person that wants to use the Internet while more than one

person can easily watch Cable TV on a single television set. Therefore the cost of a computer and the need for as many computers as the number of simultaneous users in a family is a constraint in the growth of Internet service market as compared to the growth of Cable TV service.

3.3. TELEPHONY (VOICE)

Two important trends for voice services are 1) that traditional telephony technologies are utilized to make voice calls and 2) that revenues generated from voice alone are now saturating (PTA 2006). The saturation point is evident in most developed economies and similar trend is likely to be observed in the developing countries as well. While the voice traffic is growing at a steady pace the data traffic growth has been much greater. (Cullen 2000). The prices of voice service are decreasing considerably. With new companies entering the market there is a pressure to reduce prices further. This has led to the transformation of business of telecom companies. They are looking for new streams of revenue by provisioning of Value Added Services to sustain growth and profitability (Cullen 2000). Although mobile companies in the world are now offering various Value Added Services (VAS) yet, the consumers see very little value in the new VAS offered by both cellular operators and fixed line operators (Berg et al. 2003). Therefore it is not easy to get premiums on VAS services.

According to this research voice services have remained stable as most people use traditional phone services to make their voice calls and telephone remains the most frequently used of the three (telephone, Internet, & video) services. It seems that in order to entice people to a converged service the Converged Service Provider may have to market voice as a free service or as an added feature within the package offered for the converged services.

4. DRIVERS OF CONVERGENCE

Fowler (2005) discussed certain common drivers and impediments to the introduction of converged service as mentioned in the **Figure-5**.

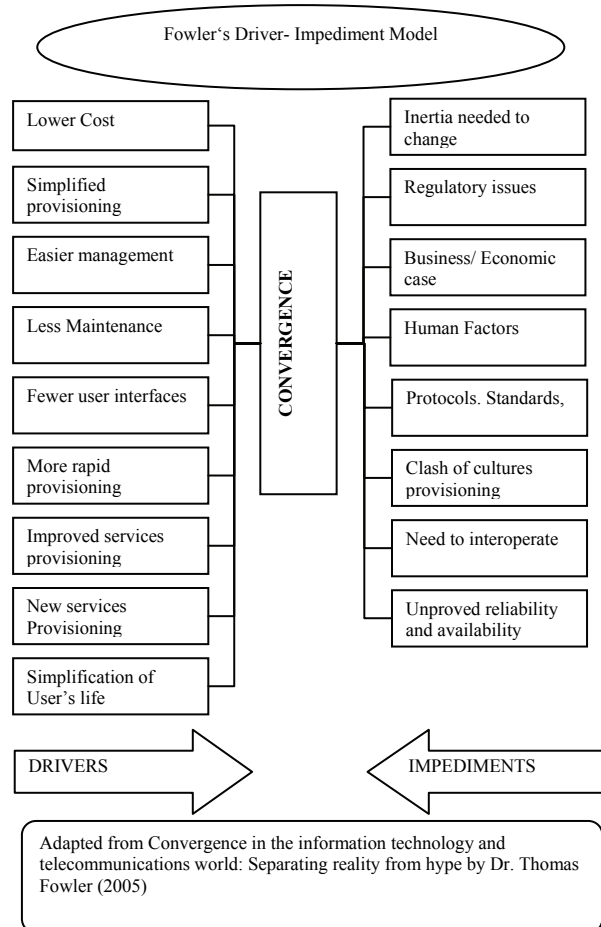


Figure 5: Fowler's Driver- Impediment Model

Some of the more pertaining ones are discussed below in reference to Pakistan and the survey conducted.

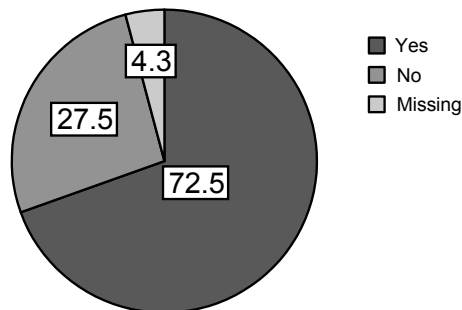
4.1. SIMPLIFIED PROVISIONING AND EASIER MANAGEMENT

Convergence can be accomplished with a minimum need for separate equipment. A single reception device can serve the purpose of both providing Internet service and Cable TV. The recently launched Internet Protocol Television or IPTV is a new method of delivering and viewing television programs using an IP network and high-

speed broadband access technology. It provides three services (Cable TV, Internet and Telephone) on a single medium i.e. on existing telecommunication infrastructure. It is different from the Internet TV which is telecast through website and accessible anywhere in the world through Internet (PEMRA 2006).

A converged service can be deployed readily using the existing cable TV infrastructure. They provide a built up mesh network already deployed with wires spread across homes. This will allow the new services to be engineered and deployed without the need to add either cable or switching equipment, or modify such equipment (Minhas 2006).

The ease of selection of a converged service by consumers may also be enhanced by introducing different packages based on Internet speeds and the number of channels. As shown in **Figure – 6** results of the survey indicate that nearly 73% people prefer a combined of service of cable TV, Internet and telephone instead of three separate services



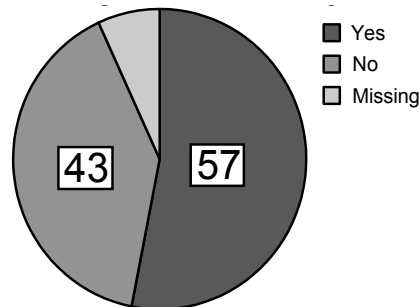
Response to the question: Will you prefer to have one combined service consisting of Internet, telephone and cable TV on a single fixed line rather than having three services separately?

Figure 6: Willingness to use a converged service

4.2. LOWER COST

Pakistani market is a price conscious market. A low price converged service is more likely to be adopted by Pakistanis than a high priced one even if it is of higher quality. Converged service providers have to find ways to reduce their cost. Also, the government has to fulfill its resolve to encourage the spreading of an affordable “always on” Internet service by encouraging new service providers to enter the field (PTA 2004). Reduced tax rates and subsidized International bandwidth for businesses providing converged services might encourage the existing businesses to enter into this area.

The survey conducted indicates that although 73 % people preferred a converged service as shown in **Figure 6**, yet, only 57% were willing to pay an extra price for the converged services as shown in **Figure 7**. This indicates the price sensitivity of the market.



Response to the question: Will you prefer to pay extra for the converged service?

Figure 7: Convergence as a premium service

It is interesting to note that not all the 57% people who were willing to pay extra for a converged service preferred to use a converged service. Only 40% of the respondents preferred a converged service and were willing to pay extra for it. It means that price is not the only deciding factor and there are some other factors as well. Further research is need to find out more about this intrinsic need that may satisfy the consumers that are willing to pay for a converged service but do not prefer it over the existing individual services.

4.3. FEWER USER INTERFACES AND IMPROVED SERVICES

The converged service will require fewer separate user interfaces. A single type of plug in the wall is available which supplies raw bandwidth on demand while computers and telephones can share the same jack (Fowler 2005). Given the urban house construction boom in Pakistan, the single wire can be spread through out the house during construction. In addition, it will introduce a single billing mode thus less hassle in bill payment.

Service quality will improve when fewer components are involved in its provisioning and maintenance (Fowler 2005). Broadband connection needed for converged service means high content data interchange is possible. It will also reduce the problems related to speed that people consider as the most important problem with an Internet connection. The survey indicated that 60% of the people perceive speed as the biggest problem with their Internet connection.

4.4. UNIFIED REGULATIONS

The foremost impediment in providing a converged service could be the regulation. As the converged service would bring Cable TV, Internet/data transfer, and voice over one platform new policies would be required by the regulators to allow companies to offer such service. As defined in the beginning a converged service is the combination of distinct services that are regulated by distinct regulators. With the combination (convergence) of services some of the countries have seen the merger of regulating bodies as well so that new and unified regulations be developed and employed without creating confusions or conflicting regulations. Countries like Pakistan where two different regulatory bodies exist, Pakistan Electronic Media Regulatory Authority (PEMRA) for regulating TV and Pakistan Telecommunication Authority (PTA) for telecom, a converged service offering would arise licensing and policy issues. In UK 'Ofcom' (Office of Communications) was created in 2002 to combine and streamline the regulatory functions of 5 different regulators. Similarly in 2005 in Australia the telecom and broadcast regulating bodies were merged to form Australian Communications and Media Authority (ACMA). There are number of other countries that have merged their regulators to form one organization to regulate all the issues concerning communications. We may have to follow the same example and merge PTA and PEMRA into a one independent authority. A recent example of the issues with more than one regulator regulating the same business came to light when a new mobile company launched its mobile TV service. Licensed by PTA, Pakistan's telecommunication regulatory body, the mobile company introduced the new service which was challenged by PEMRA, the regulator for broadcast & telecast media. PEMRA viewed this as telecasting and requested PTA to stop the mobile company's TV service (Dawn 2007). There was much controversy and the solution to it is to merge the two regulatory authorities.

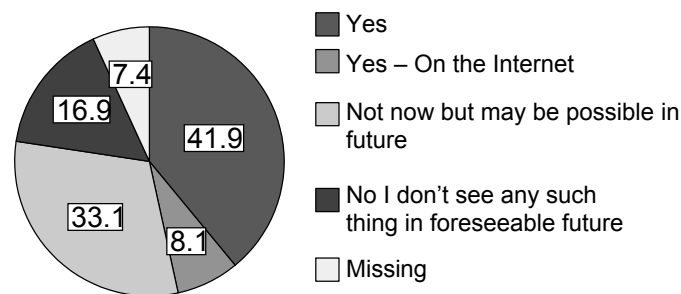
Another problem could be the resistance to change the infrastructure. In most middle and upper middle-income areas of Karachi, cable TV service providers are providing Internet services through 'CableNet'. It is not the same as Cable Internet where both the Cable TV and Internet signals are provided on the single co-axial cable. Instead they are running separate Ethernet cables for Internet in parallel to co-axial cables for TV signals. These providers might resist introduction of new converged service as this would result in a dual attack on their revenues (PTA 2005). It would be very important for companies introducing the converged service to price it competitively and provide better quality and high bandwidth to induce adoption.

4.5. CONVERGENCE & VALUE ADDED SERVICES (VAS)

A connotation of convergence means that many services are combined. However convergence imply more than that. The technologies that support converged services also support other VAS like video on demand, more choice of channels, options for

different speeds for Internet and variety of billing options etc. However, further research is needed to check awareness regarding these unusual/new services. Consumers can better appreciate new services if they know what these services are.

There is a difference between telecast and ‘video-on-demand’. **Figure 8** show the results of the awareness of one of the VAS ‘video-on-demand’ that might be available on a converged network.



Response to the question: Can you watch the programs of your choice when you want to? Like watching 8 o'clock drama at 9:30 when you have time.

Figure: 8 Awareness of VAS

A little less than half of the respondents (42%) seem to be unaware of the concept. They were asked if they could watch the program of their choice when they want to and 42% answered **yes**. It is not the right response since video-on-demand is not yet available for TV viewers in Pakistan. This may be because ‘video-on-demand’ service is not widely available and a new concept for them. Only WorldCall is offering downloadable video that is a step in this direction. The implication of it is that consumers/viewers need to be educated about the VAS

5. CURRENT SITUATION IN PAKISTAN

WorldCall Multimedia Limited, a renowned Pakistani company was the first converged service provider introducing its service in 2000. It has been successfully operating since then. WorldCall Multimedia Limited uses Hybrid Fiber Co-axial

(HFC) network. WorldCall believes that based on the forecast that the Internet market in the country will grow, their first step is to get into the house of the consumers and revenues will follow.

The HFC network is capable of delivering interactive broadband multimedia services, including telecast video, Internet video-on-demand, pay-per-view, security services, distance learning, digital audio, telephony, video conferencing, virtual private networks, and electronic games. As copper telephone wires have limited information transmission capability, therefore to transmit large amount of information over wires, such as video signals, coaxial cables, amongst others are used. In HFC network fiber cable is used at the backend with co-axial cable at the user-end. Clifton and Defense areas of Karachi have HFC systems (Minhas 2006).

6. CONCLUSION

This research was conducted to explore whether the market in Pakistan is mature enough for the introduction of converged service, what are the needs of the Pakistani market and whether the required infrastructure exists for its introduction. The three services (data, voice and video) are very competitively available across the country as separate services. With mobile phone usage on the rise in Pakistan the telecom companies are frequently offering newer tariff packages to compete with each other. They are also offering VAS but emphasis is still on cutting costs. The results as discussed above indicate that although there is no real existing market for converged service but an overwhelming majority of consumers are interested in such a service with more than half of the consumers willing to pay extra for a converged service. With meticulous, targeted and aggressive marketing a real demand for converged service can be created. To enhance their revenue Cable TV providers, ISPs and telecom operators might need to collaborate with each other to exploit the social habits of majority of urban population of watching an hour or two of TV and using Internet service regularly by providing converged service over a single fixed line.

Since Pakistan is a price sensitive market therefore high quality at a high price may not entice many consumers to switch to a converged service. Rather the businesses have to provide an acceptable quality of service at a relatively low price similar to what consumers are paying for the three separate services. As discussed earlier there are some consumers interested in a converged service for reasons other than lower price alone. Their intrinsic needs have to be found and addressed in order to persuade them to switch over to a converged service.

Infrastructure is not the problem. The existing infrastructure of Cable TV may be used to provide converged service. New entrants might want to look in to deploying their own network at the same time a partnership or collaboration with existing owners of Cable TV networks might provide a more economical route into this business. As a result of this research a high level conceptual business model is being developed for better revenue generation.

With only one converged service provider operating in Pakistan the market presents a worthwhile opportunity for other players to join in.

This was an exploratory research. Further research is needed regarding the regulatory framework for converged services in Pakistan, role of various players in promotion of converged service and the risk associated with venturing into this area.

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In His Harvard Business Review essay Alan Kantrow writes: “Drucker’s real contribution to managerial understanding lies not so much in the utility of his ideas as in the rigorous activity of mind by which they are formulated.” Drawing from history, philosophy, moral psychology, sociology, politics, science, literature and, yes, medicine – Drucker’s pattern-seeking thinking models how to “identify the constellations of significance in the otherwise chaotic flow of information.” His books “enact an unfolding drama of perspective.” The drama stems from the openness, the unfoldingness, of his thinking-in-writing. He claims to have “never learned anything from a book” – the Jane Austen “never of conversation.” He has to write (or teach) to discover what thinks. Consequently, his books capture the spontaneity of performances.

Jack Beatty
The World According to Drucker, p. 30

DISCUSSION

The Influence of Culture on Advertising Effectiveness in Pakistan and Australia: A Cross-Cultural Study

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ABSTRACT

Presents findings from an empirical study, which investigates the effects of different advertising appeals used across cultures. Cultural differences along the individualism collectivism dimension are hypothesized to affect people's reactions to certain advertising appeals. Results indicate that appeals, which emphasize individualistic benefits, are more effective in the Australia than in Pakistan. When appeals emphasizing collectivistic benefits are employed, they are generally more effective in Pakistan. However, such effects can be moderated by product characteristics. Different product types may serve to influence the effectiveness of culturally congruent advertising appeals. Discusses the implications of the findings, that cultural differences play a significance role in advertising. This paper proposes that ads, which activate identification with one's gender group, will have a more favorable impact on future brand and ad judgments than ads that do not activate this identity. The foundation for this proposed influence is based on social identity theory, ad processing, and gender research.

Keywords: Advertising, Australia, National Culture, Pakistan.

INTRODUCTION

Advertising is typically thought of as one of many external influences on, culture, family, reference groups, and social and situational influences. This research focuses on the how crosses cultural segments play a role for perceiving different ads of Pakistani customers compare to Australia. Additionally, as consumers become bombarded with more and more advertisements, many claim that ads have little or no influence on their judgments or actions (Bearden, Netemeyer and Teel 1989). In spite of these criticisms, advertising is considered an efficient way of reaching many consumers. Therefore, marketers continue to seek ways to increase the influence of advertising on their audience. For instance, an ad could be linked to another source of external influence such as one's culture (Sirgy 1982). While most external influences have been well studied, the potentially powerful influence of gender group identity has received little attention. The question becomes how can the activation of a gender group identity result in favorable ad and brand judgments?

This paper provides a theoretical foundation and conceptual model explaining how ads may influence attitudes and purchase intentions by activating an identity with one's gender group (Turner et al. 1994, p. 458).

The model in Figure 1 depicts the process by which ads may activate a gender group identity and thereby influence ad and brand judgments. The discussion of the first box in the model addresses the question: Can an ad activate a gender group identity? A gender group identity is an example of a social identity in which one sees oneself as a member of the gender group. It is possible that such an identity could be activated through exposure to ads that pair a brand with members of one's gender group (Kolbe and Langefeld 1991). The activation of a gender group identity is thought to result in that identity gaining salience over other existing identities. Given that individuals hold many social identities simultaneously, it is necessary that the context (ads) bring the desired social identity to the forefront. In other words, the ads must make a gender identity salient in order to have the desired effect. The second box focuses on the issue of salience and the internal consequences of a salient gender group identity. The third box indicates that salience may be influenced by how strongly one identifies with one's gender group. Finally, the discussion of the fourth box addresses the question of whether or not the internal consequences of a salient gender identity can influence ad and brand judgments. This paper proposes that ads, which activate identification with one's gender group, will have a more favorable impact on future brand and ad judgments than ads that do not activate this identity. The foundation for this proposed influence is based on social identity theory, ad processing, and gender research.

GENDER GROUP IDENTITY ACTIVATING ADS

We begin our discussion of the dynamics involved in using gender group identity to influence ad and brand judgments by providing a theoretical underpinning for the notion that ads can prime identification with a gender group and cause that identity to become salient.

This requires an understanding of the concept of gender identity from a social identity perspective. A social identity approach to understanding gender influence on advertising results is also consistent with marketing literature on ad processing. Marketing literature identifies categorization, elaboration, and congruency as three important concepts in ad processing. Categorization theory holds that individuals automatically attempt to match new stimuli with an evoked category description. If a gender group identity is activated by an ad, then the product depicted in the ad may become linked to the gender category thereby triggering the use of category attributes in evaluating the product. Elaboration is thought to facilitate the categorization of stimuli. Gender group activating ads would require an advanced type of elaboration known as semantic analysis. A semantic analysis requires the

spreading of an activated concept to other related concepts held in memory. It is anticipated that the expectancies generated by the gender group depicted in the ad would be used to create expectancies about the products depicted in the ad. A key factor in this process, however, is congruency. Congruency refers to the match between the stimulus and the category prototype or exemplar. The closer the fit between the gender depicted in the ad and the prototype a person holds of his/her gender, the more likely that the appropriate gender schema will be activated and the more likely it is that those schema evaluations will be used to evaluate the targeted product.

GENDER GROUP IDENTITY SALIENCE AND STRENGTH

We propose in this paper that ads which contain depictions of the gender group will prime gender salience. In social identity theory, salience is the psychological significance of the social category. In other words, it refers to the identity that is functioning psychologically to increase the influence of group membership on behavior. Salience is believed to be the result of accessibility and fit. Accessibility is the readiness of an individual to use a particular self-category, and fit is the degree to which the stimuli in the given context actually match the criteria which define the category. Gender is believed to rate high on both accessibility and fit. A strong identification with one's gender group may further enhance the accessibility of a gender group identity.

AD AND BRAND JUDGMENTS

Social identity provides a fresh approach to understanding the influence of gender identity on ad processing. Identifying with a social group such as one's gender group has been shown to create an in-group bias favoring the norms and prototypes of the group, leading to attitudinal and behavior conformity. This paper proposes that these favorable outcomes may be carried over to associated ad and brand judgments. Employing the use of social identity activation in ads may increase the value of advertising dollars.

SOCIAL IDENTIFICATION AND CULTURE

Consumer behavior studies have a strong history of looking at individual characteristics and their influence on behavior. For example, in Australia, self-concept has been conceptualized as a personal identity (Sirgy 1982), reference group influence measured as susceptibility to interpersonal influence (Bearden, Netemeyer and Teel 1989), and identification with a group produces behavior that is representative of the norms of that group. Behavior then, is influenced not only by how you see yourself as an individual, but also by seeing yourself gendered situations and cognitive images to opt for gendered strategies.

The cultural rules and cognitive images that give shape and substance to our daily lives are profoundly attached to our biological sex and may be inescapable.

Social identity theory incorporates many of the aspects of the integrated tradition supported by Risman. Gender is one example of a social category (or group). Social identity theory recognizes that our concepts of social categories such as gender are developed in a social context that influences the values and meanings associated with that membership group. Members of that social group internalize these values and meanings. The members identify with the gender group, see themselves as representative of that group and model their behavior accordingly. This paper proposes that a gender identity can be activated by an advertisement. Since identification is believed to influence attitudes and behavior, it is proposed that ads that activate identification with one's gender group will result in a more favorable impact on future brand and ad judgments than ads that do not activate this identity. In congruence with Risman's interactional tradition described above, social identity theorists view self-concept as an expression of a dynamic process of social judgment rather than a relatively fixed mental structure as would be depicted by the individualistic tradition. Self-concept is seen as a "flexible, constructive process of judgment and meaningful inference in which varying self-categories are created to fit the perceiver's relationship to social reality. The emerging and varying self-concepts represent the individual in terms of his or her changing social contextual properties" (Turner et al. 1994, p. 458). Membership in large-scale social categories are that the individuals concerned define themselves and are defined by others as members of a group. The groups do not depend on size, the frequency of inter-member interaction, physical contact, systems of role relationships, or interdependent goals. Apparently, what matters is how people perceive and define themselves and not how they feel about others or how others feel about them. Social or group categorization not only locates a person's identity within a categorical hierarchy, it also brings with it a sense of what it means to belong to that social grouping. For example, the "female" category brings with it issues of gender, or what it means to be female in a particular culture. According to Deaux (1992), social identity without the meanings that individuals use to fill these categories remains an empty container. Bem's Gender Schema Theory offers us some insights into these meanings in a gender category. This theory deals with sex typing, which is the process by which a society metamorphoses male and female into masculine and feminine (Bem 1981). A gender schema is a cognitive structure of what it means to be male and female. According to Bem's Gender Schema Theory, from early in life, individuals categorize people, objects, and behaviors as masculine or feminine, and usually have pre-set notions as to what is appropriate for each gender (Kolbe and Langefeld 1991). The sex-role stereotypes become internalized to varying degrees among individuals in a society and new or incoming information is processed in relation to the existing schemas. Appropriate gender stereotypes are learned from a variety of sources, including

advertising. However, some researchers note that much of advertising contains idealized images and can create unattainable or aspirational perceptions of gender expectations that can have a negative impact on self image (Martin and Gentry 1997; Martin, Gentry and Hill 1999; Richins 1991). This appears to be especially detrimental for pre-adolescent and adolescent females. Individuals concerned about sex typing regulate their behavior so that it conforms to the culture's definitions of gender appropriateness (Schmitt, Leclerc and Dubé-Rioux 1988). West and Zimmerman (1987) point out that we expect and want to know the sex category of those around us and we presume that others are displaying it for us, in as decisive a fashion as they can so that we can act accordingly. In their words, gender is something "we do" in order to make life more manageable. Although Schmitt, Leclerc, and Dubé-Rioux did not find the support they expected for gender schema theory, as we will see later in this paper, the salience of one's gender (a situational characteristic) may have a stronger influence on behavior than whether or not one is a sex-typed individual (a personality characteristic).

AD CONTENT

Ads designed according to the first box of the model in Figure 1 must convey or bring to mind membership in one's gender group and this sort of ad is accepted in Australian Culture but Pakistani culture they won't accepted this sort of ad.. This is accomplished through context, contrast of social groups, and identification.

PAKISTANI AD

In above ads they are acceptable in the Australian culture but in our culture these ads are not acceptable because we have different culture and environment. Context-One's self-concept consists of numerous concurrent social group or category identities. Across time and different situations, different identities come to the forefront. Social identity, then, is situational or contextually based. "Different situations tend to 'switch on' different conceptions of self so that social stimuli are construed and social behavior controlled in the appropriately adaptive manner" (Turner 1982, p. 20). Turner (1994) further argued that self-categorizing is inherently variable, fluid, and context dependent, inasmuch as self-categories are socially comparative and are always relative to a frame of reference. Similarly, shifts in social identification are totally dependent on context, a result of the particular distribution of people and attributes in the environment (Deaux 1996). It follows then, that group memberships have a variable impact on our working self-concept, and whether we categorize ourselves (and others) as group members, and which groups we categorize ourselves (and other people) into and the resulting behavior depends to a large extent on the social context (Simon, Hastedt and Aufderheide 1997). The ads in the first box of the model provide this context by depicting targeted brands and members of the gender group.

Contrast- One critical aspect of the context is the relevant “other.” Social identities or self-categorizations are established in contrast to some other class of stimuli. Thus, the identification process involves not only recognition of one’s membership in a group, but a contrast of the individual’s own group with another group (Deaux 1992; Turner 1987). The comparison group is not just any out-group, but one that differs on dimensions.

Clear physical differences between groups help maintain the separateness and clarity of the categorizations, but only if the differences are relevant, relational attributes that have evaluative significance (Tajfel and Turner 1986; Turner 1987). Gender is a viable social group for the proposed study as for the most part it contains two distinct groups that are easily recognized and compared.

Identification- Identification with a **social category** is another important factor in social group influence on behavior. There is a difference between personal and social or shared identity. Personal identity refers to self-categories that define a person as a unique individual in terms of his or her individual differences from other in-group persons. Social identity refers to self-categories that define the individual in terms of his or her shared similarities with members of certain social categories in contrast to the differences of other social categories (Deaux 1996; Turner et al. 1994). In other words, a personal identity refers to how people view themselves as individuals whereas social identity refers to how they view the social groups to which they belong (Luhtanen and Crocker 1992) and their membership in that group. Social identity, then, embraces a shift towards the perception of oneself as an interchangeable exemplar of a social category and away from the perception of self as a unique person (Brewer 1991; Turner 1987). Identification begins with the application of a label to oneself (Deaux 1996). It is not enough that other people place a person in a particular group. The individual must accept and acknowledge the categorization (Brewer 1991). It is particularly important to note that some social identities are based upon categories with distinguishing physical features such as age, race, and gender, making it tempting for the researcher to impose categorization. Despite agreement by researchers that the category is appropriate, the person may not choose to endorse that identification for the self (Deaux 1996). There may also be instances where one person may be simultaneous members of more than one demographic group such as a person of mixed ethnic heritage, or the rare instance where an individual may be of mixed sex (for a discussion of five possible sexes, see Fausto-Sterling 2002). To accommodate this need for self-identification, subjects in studies dealing with gender group identity, for example, should be asked to identify the gender group with which they mostly closely identify, the gender group associated with males or the gender group associated with females. While there may be a rare case where an individual finds a need for more than the two gender categories, as Fausto-Sterling points out, in today’s society, most hermaphrodites and

pseudohermaphrodites are surgically treated at birth to align with one or the other sex, and the child raised as either a male or a female. Regardless of the social label selected, the critical point is that the subject must accept and acknowledge the categorization and apply the label to him self or herself.

AD PROCESSING

Marketing literature identifies categorization, elaboration, and congruency as three important concepts in ad processing. Categorization theory holds that people naturally divide their world into categories that enable them to efficiently understand and process information in the environment (Sujan 1985). When a new stimulus is encountered, the perceiver automatically attempts to match it with an evoked category description. The evoked category attributes, links and exemplars are then used to aid in the evaluation of the new stimulus (Goodstein 1993). A gender group identity can be an example of such a category. It may be that if a gender identity (a social category) is activated, then the product depicted in the ad may become linked to the category, thereby triggering the use of category attributes, etc. in the evaluation of the product. In this case, the perceiver would be responding to the category level rather than on the basis of the individual attributes of the product (see Sujan 1985). According to Putrevu's review of ad processing differences between men and women, females may be especially adept at processing ads that appeal to a category level rather than individual product attributes (Putrevu 2001).

Previous studies suggest that people can employ two types of elaboration (see Meyers-Levy 1991). The first and most basic is item-specific or feature analysis (Meyers-Levy and Malaviya 1999). Greenwald and Leavitt (1984) refer to this type of analysis in the pre attention stage of their four-level model of involvement. In this stage, they describe the pre attentive analysis as involving a sensory perusal of visual or auditory inputs. According to Shapiro (1999, p. 16), "a feature analysis implies that the memory trace produced at exposure only contains information regarding the perceptual features of the ad content (e.g., contours, brightness, contrasts) and not its meaning." MacInnis and Jaworski (1989) proposed that a feature analysis is only the first of six levels of mental processing. The remaining five levels of mental processing (basic categorization, meaning analysis, information integration, role-taking and constructive processes) relate more to the second level of elaboration, which is a relational or semantic analysis.

This more advanced type of elaboration cultivates the processing of information associated with the categories to which an object might belong (Malaviya, Kisielius and Sternthal 1996). A semantic analysis requires the spreading of an activated concept to other related concepts such as when a stimulus sparks the activation of a particular node (or schema) which automatically leads to the activation of another, somehow, related node. It is like following the connections on a spider web. The

memory trace then includes the activation of related schemas and the associated meanings (Shapiro 1999).

Placing the target product within a related contextual scene encourages relational or semantic analysis (Malaviya, Kisieliuss and Sternthal 1996). Context, in this instance, concerns the visual material surrounding the product within the confines of an ad (as opposed to visual material surrounding the ad itself such as other ads or articles). It appears that the contextual scene information activates a schema for the theme or gist of an ad prior to product identification. The activated schema in turn creates expectancies about the items depicted in the ad (Shapiro 1999). For example, the scene might spark an assessment of different categories of people who might use the product, objects related to its use, or occasions when it might be used (Malaviya, Kisieliuss and Sternthal 1996).

Prior studies indicate that women may be more apt to engage in elaboration than men. Apparently, men and women differ in their use of message cues and judgments (Meyers- One of the key factors in elaboration and categorization is congruency. In categorization theory, congruency refers to the match between the stimulus and the category prototype or exemplar. The closer the fit, the more likely that the schema will be activated and the more likely it is that schema evaluations will be used to evaluate the targeted product rather than product attributes (Goodstein 1993; Meyers-Levy and Tybout 1989; Sujan 1985). Shapiro's study (1999) indicates that a match between the product and the ad context facilitates semantic analysis. Loken and Ward (1990) cite studies which indicate that a strong match between the product and the category enhances free recall and increases the speed and accuracy of classification.

In social identity theory, context, contrast, and identity strength are all tied together in salience. Salience is the activation of a relevant self category. It is the psychological significance of the social category rather than its perceptual prominence. "By a salient group membership we refer to one which is functioning psychologically to increase the influence of one's membership in that group on perception and behavior...The term salience is not being used to refer to some 'attention-grabbing' property of a stimulus" (Turner 1987, p. 118). Salience is believed to be the result of accessibility and fit. Accessibility is the readiness of a perceiver to use a particular self-category, and fit is the degree to which the stimuli in the given context actually match the criteria which define the category (Turner 1987; Turner et al. 1994).

Again, gender should provide a strong study environment, as there would tend to be strong similarities within a gender group and sharp contrasts between gender groups.

Normative fit refers to how well the content of the stimuli group matches the categorical content. In other words, a group must not only differ from the out-group, it must differ in the expected ways. The similarities within the group and the

differences between the groups must be consistent with one's normative beliefs and theories about the substantive social meaning of the social category (Turner et al. 1994). The activation of a gender identity in an ad would require a normative fit between the pictures of the gender group and brands that are expected to be used by members of that group. Overall, salience (or self-categorizing) always reflects an interaction both between comparative and normative fit and between fit and accessibility (Turner et al. 1994).

Since individuals hold many social identities simultaneously, it is necessary that the context (ads) bring the desired social identity (in this case gender) to the forefront. Social identity theory posits that even though we all hold multiple identities, the situational context can induce one of the identities to take temporary precedence over the other identities, and thereby have a stronger influence on behavior in that situation. In this situation, the ads must make a gender identity salient in order to have the desired effect. Previous work has shown that advertisements can make a social identity such as gender salient. Grier and Deshpandé (2001), for example, found that their ad primed a gender identity. Activation would be accomplished by pairing pictures of members of the gender group with brands whose use is consistent with the group's norms. Identifying appropriate brands would be accomplished by researching databases such as Simmon's Study of Media and Market, which identify brand usage by demographic groups. Subjects in the experimental group would view ads that paired brands with members of the matching gender group (gender identity activating ads). While it should be acknowledged that a number of execution cues such as models, music, shapes, and even color, might elicit a gender identity, it is likely that a group spokesperson/model is apt to be the most powerful element and most likely to generate an immediate identity activation. Since we all hold multiple identities simultaneously, it is important that the ads be pretested to ensure that the ads activate and make salient a gender identity. Subjects in the control group would see ads that only showed the brands. These ads would also have to be pretested to make sure that the brand only ads did not make the gender identity salient.

STRENGTH OF GENDER IDENTITY

Although self-identifying and defining oneself in terms of a group are thought to be indicative of high levels of group identification (Terry and Hogg 1996), several measures have been developed to gauge an individual's strength of identification with a group (e.g., Biernat, Green and Vescio 1996; Ethier and Deaux 1994; Terry and Hogg 1996). The lower box in the model depicted in Figure 1 is the strength of the social identity. How strongly one identifies with one's gender group is expected to impact salience. As stated in the following proposition, a strong identification with one's gender group should increase the likelihood of gender salience:

A gender identity should be highly salient in women. As discussed earlier, social identity salience is believed to be the result of accessibility and fit. Gender rates high on both accounts. A gender identity is thought to be highly accessible (Deaux 1992) because it is a central part of one's self-definition. It is an identity with which the individual has a great deal of past experience, it has a high emotional and value significance and, along with age and race, it represents a higher hierarchical level. Gender also rates high on contextual fit. One of the key elements of contextual fit is comparative aspects between groups (Turner 1987). The greater the distinctions are between groups, the more likely one is to identify with one's social group rather than the out-group. The differences between men and women in our society are taught to us from birth. According to Risman (1998), gender structure can be conceived as both cultural rules and cognitive images, as tacit knowledge or expectations attached to a sex category. Such images are experienced as social facts whether or not the actors deviate from them, as they exist autonomously of their internalization as personality. Thus, gender is conceived as an emergent feature of social situations rather than the property of individuals, both as an outcome of and a rationale for various social arrangements.

ADVERTISING AND BRAND JUDGMENTS

The effects of a salient social identity can be seen in conformity to group norms, and an in-group bias. Social identity theory depicts a fairly direct relationship between self-categorization as a group member and normative in-group attitudes and behavior based upon the social group's prototype and norms (Abrams 1994; Biernat, Green and Vescio 1996). A group's prototype describes and prescribes beliefs, attitudes, feelings, and behaviors that optimally minimize in-group differences and maximize inter-group differences (Terry and Hogg 1996). Social identity proposes that group members are evaluated positively to the extent that they are perceived as prototypical of the self-category to which they are compared (Deaux 1996). Similarly, a person who identifies with a group will be more attracted to members who typify group attributes.

In other words, consumers who identify with a particular social group would tend to think, feel, and behave in terms of the group norms. This may have an influence on how they evaluate products and brands as well as on what they buy, and how they use what they purchase. Just as groups are closely tied to social categories, norms are closely tied to the prototype.

The prototype includes a representation of accepted norms of a social category or group. Norms are the accepted or implied rules that specify how group members should behave (Terry and Hogg 1996). They are an emergent property of group formation (Turner 1987) and represent the group's socially desirable and expected attitudes and behaviors that group members will strive to enact (Turner 1982).

Norms are said to “prescribe the context-specific attitudes and behaviors appropriate for group members” (Terry and Hogg 1996, p. 780). Norms are seen as part of the social identity process leading from categorical inclusion to expected behavior. According to Turner (1982), individuals first define themselves as members of a distinct social category. They then form or learn the stereotypical norms of that category. They discern that certain ways of behaving are correlated attributes of category membership and that certain appropriate, expected, or desirable behaviors are used to define the category as different from other categories. They then assign these norms to themselves along with other stereotypical attributes of the category, making their behavior become more normative as their category membership becomes salient. It is assumed that people define themselves in terms of their social group memberships and they enact roles as part of their acceptance of the normative expectations of in-group members. The norms become privately accepted and are both privately and publicly enacted, resulting in conformity (Abrams 1994; Turner et al. 1994).

In-group bias is represented by a favorable evaluation and attitude toward in-group members. Studies have shown that the mere perception of belonging to a group is sufficient to trigger inter-group discrimination favoring the in-group (Tajfel and Turner 1986). The resulting intra-group cohesion may be evidenced by more positive attitudes towards and more reported liking of in-group than out-group members, ethnocentric biases in perception, evaluation and memory and an altruistic orientation towards in-group members (Turner 1988).

CONCLUSION

This research abased on the ads and their impact on different cultures the case of cross-cultural influences of Australia and Pakistan. The social identification tends to lead to the perceived similarity of members, mutual attraction between members or social cohesion, mutual esteem, emotional empathy, altruism and cooperation, and attitudinal and behavioral uniformity. Therefore, according to social identity theory, a salient social identity should result in outcomes consistent with and favorable toward the activated social identity. Therefore, it is proposed model, the outcome is favorable ad and brand judgments, and is represented in the last box in the model. Favorable ad and brand judgments could include such outcomes as brand inclusion in a consideration set, likelihood of purchase, attitude toward the ad and attitude toward the brand. The activation of a gender identity includes the identification of the prototype. This prototype would include both the members of the social category and group norms. The group norms would dictate that using the depicted brand was a normal or expected part of group members’ behavior. One’s gender identity is believed to be a very central (well learned and rehearsed) part of one’s self-schema.

Identities such as gender, for example, are thought to be very accessible, salient in more situations, and therefore more likely to influence behavior. This should facilitate the schema activations inherent in semantic elaboration and therefore increase the likelihood that the brand would be included in a consideration set. .

It is possible that identification with one's gender group could result in a less than favorable judgment or negative impact. For example, a negative portrayal of femininity could activate a gender group identity but result in a negative brand judgment. However, advertisers are likely to prevent this by pre testing ads for a favorable response before placing the ad. Some might also argue that, for example, a woman might not view the gender identity manipulation positively, perhaps viewing the presentation as too traditional for a feminist. In this case, a female gender identity may not be activated, but **Rather, a subset of that gender identification.**

CONTRIBUTIONS AND DIRECTIONS FOR FURTHER RESEARCH

This conceptual paper has provided an alternative view of influence of cultural norms values of advertising in cross cultural context, that is based upon defining oneself as a how perception regarding ads. Identifying with such a group has been shown to create an in-group bias favoring the norms and prototypes of the group, leading to attitudinal and behavioral conformity. This paper proposes that these favorable outcomes may be carried over to associated ad and brand judgments in Australian culture and Pakistani culture.

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Unless it is obvious that the individual concerned is peculiarly unable to grasp his own needs, and it is imagined that the community is better able to make his judgments for him than he is for himself, legislation of this kind would seem to be actually immoral. For to remove from the individual the right and the power to make his own choices, is to remove him from the class of moral agents and to treat him as a kind of mechanical device.

Leslie Armour, "The Concept of Crime"
Philosophy in Context, Vol. 2, 1973, p. 39

The knowledge society will face two serious problems, one economic, one social.

The society in which knowledge workers dominate is in danger of a new “class conflict” between the large minority of knowledge workers and the majority of people who will make their living through traditional ways, either by manual work..... or by service work. The productivity of knowledge work – still abysmally low – will predictably become the *economic* challenge of the knowledge society.....The productivity of the non-knowledge service worker will increasingly become the social challenge of the knowledge society. On it will depend the ability of the knowledge society to give decent incomes, and with them dignity and status, to nonknowledge people.

That is the peril of the knowledge society; its promise is that it will be the “first society in which ordinary common people – and that means most people – do not earn their daily bread by the sweat of their brow. It is the first society in which ‘honest work’ does not mean a callused hand.” This is far more than a social change. “It is a change in the *human condition*.”

Jack Beatty

The World According to Drucker, p. 177-178

CASE STUDIES

Pilot Study of 8 SMEs in Pakistan

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ABSTRACT

These cases study small firms (with 1-50 employees) in Pakistan to determine marketing factors that lead to success. Information is gathered through in-depth interviews with owner-managers on their premises. Convenience sampling is used within the city of Karachi. Firms included relate to production, and services (including retail). It was found that most of the firms are not marketing oriented and they do not understand marketing. Thus they will benefit from some kind of marketing training conducted by the government or through their own resources.

Keywords: Small Firms; Marketing Philosophy; Strategic Aspects; Entrepreneurial Marketing.

CASE NO. 3

FASHION VIBES

(Small enterprise with 20 employees)

HISTORY

Fashion Vibes (FV) started ten years ago by Faisal Mian an entrepreneur with corporate background. Faisal has rich experience of working as marketing manager with the MNC Berger Paints and later with Lasani Wood, a synthetic wood making company. He has an MBA degree and a B.Com to his credit. Due to the entrepreneurial instinct in him he later moved to his own business. He wanted to be the master of his own fate and make more money using the creative freak in his psyche. In this he was ably helped by his medical doctor wife who gave up the lucrative medical profession to take care of the couple's three sons and to help him in his business.

FV started as a bridal wear house catering to the requirements of the up market in Karachi for bridal wear needs. Though Faisal did not have any background in such fashion clothing he quickly acquired it by his keen observation and with help of his wife. His designs were original and expensive. Soon it was realized that he could not sustain himself on the bridal wear as there was not sufficient volume in this product. So he moved on to a niche market of night wear.

It was realized that there existed an unrecognized need for night wear in Karachi in upper and upper middle class consumers. This need was more pronounced at the time of weddings when the couples needed to make a fashion statement to each other. There was a need for locally made night wear of international quality available at prices below that of the imported ones. And there was also the possibility in the local designs to involve the customer by including her/his imagination in the design of the garment. Designer wear is a need long felt in Pakistan in a segment of the population who have money and want to stand out from the rest. In Pakistan there is little opportunity for expression of self especially for women. Clothing thus plays its part in self expression and women use their creativity to make a statement about them and to stand out from the crowd. Thus the market for designer wear. It is also a part of the culture that middle and upper class and sometimes even lower class women would rather be found dead than wear a dress twice to the same gathering. This would be considered extreme humiliation for them. This means each new occasion must have a new dress.

When market of night wear moved toward saturation FV thought of new ideas as to how to sustain themselves. Kurti was then the product to think of. The word 'kurti' has been coined by Faisal as a shorter version of kurta which men wear as an upper part of a traditional Pakistani (and Indian) dress worn predominantly by the Muslims of the subcontinent. Kurti is the modern female version of the same. It is 'short, sweet and to the point.' Kurti immediately struck chord with the young and upcoming fashion conscious westernized females. Various designs were made and further additions were possible and suggested by the clients. Prices were high but still affordable for those who sought to wear this kind of apparel to stand out. Various fabrics and designs including handiwork and embroidery were created.

Now after passage of almost ten years in the business Faisal is thinking what to do next. The business seems stable but not growing much and to survive he needs ideas for new saleable products. So what is the market doing? This question can only be answered by market research. There is no formal market research done. Though FV has a fair idea of what the market wants all this is based on feeling and judgment. And the communication flow is one way i.e. from the seller to the prospect.

MACROENVIRONMENT

CULTURAL

Pakistan remains a moderate Islamic state where most of the population, i.e. 97 % are Muslims. East and west can be seen side by side everywhere. According to Christina Lamb in her book 'Waiting for Allah' nothing has been settled in the country. All basic issues are still open to debate. Should the country be secular or ideological state? Should women be equal to men? Is religion a private or a public

issue? What does religion say on various matters? These and such other issues are still being discussed and there is no agreement. One of the prime issues that challenge the fancy of the Mullah is the attire of women. What should women wear? And how modest should women's dress be?

In midst of such highly charged debates thrives the real culture of Pakistan. It is the net result of the 5000 years of the Indus Valley Civilization later subject to the Hindu and then to the Muslim religions and traditions. Historically Muslims had been the dominant culture ever since the invasion of India by Muhammad Bin Qasim from Arabia who brought Islam into India some 1200 years ago. Later the Mughals came and conquered India and established the great Mughal empire which lasted 300 years. This era gave to India its rich cultural heritage with a dominant Persian flavor. The Mughals were Persian speaking immigrants from Central Asia. Since the fall of the Mughal Empire and the advent of the rule of the East India Company, British culture became the dominant culture and brought with itself the English language, dress, food and style. This then became the style of the elite of the subcontinent. Even after departure of the British in 1947 and partition of the sub-continent into India and Pakistan, the culture left behind by the British continues to be the dominant culture in Pakistan. The more westernized one is the more highly he is looked upon in society. As a matter of fact being westernized is a sign of progress and success. It is in this context that the culture of Pakistani women and their dress has to be understood. There is no 'Pakistani dress' per se. It has never been defined. Just like there is nothing strictly defined as Pakistani food. It is really a mix and a hodge podge of the various influences of history, conflicts, climate and affluence.

Thus the Pakistani woman can be led to dress in any way as long as it does not cross the basic value guidelines. Thus there is a great scope of leadership in Pakistani women's fashion including the newly emerging executive attire. This includes clothing for the Pakistani woman who appears on the media, works as banker, journalist, doctor, professor, teacher, nurse, secretary and much more.

ECONOMIC

The fashion market is for the urban middle and upper class women. Only they can afford the luxury of playing to their whims. It is they who have the disposable income available from their husbands or their combined salaries to spend in such joyful spending. There is a substantial clientele available to the fashion industry to cater to. Many women have such purchasing power as to buy one or more dresses and shoes weekly. And this affords them a hobby and a pastime.

COMPETITIVE

The fashion market has a lot of competition. It is a big industry now. New boutiques are opening weekly and many also go out of business or change their product line. Women's fashion apparel is catered to through various sources. The upper most is the foreign outlets located in Europe and Dubai where women go for shopping. This is for the very top class. Most others cannot afford this. It needs resources to travel abroad and to go for shopping trips in this way. Yet this is one option for many in the top class. Some others buy foreign manufactured clothing and fabrics within the country from some formal and informal sources of import and thus are able to satisfy their desire for the 'imported' merchandise.

For the one who cannot or will not go for the foreign made stuff there are the local fashion houses which fill the gap. These are in shape of boutiques selling ready made to tailor made garments made according to the choice of the buyer. And in the latter the buyer sometimes becomes part of the creative process. This is a source of great satisfaction for the buyer as she feels she has created the design herself and is sure no one else has it. It is here the set ups like Fashion Vibes find a place for themselves to fill a gap. Many of the upper middle class women end up themselves doing the same business from their basements. Sometimes importing ready made products and selling it through networks of friends and friends' friends. They may gradually grow up into full fledged 'fashion designers' or carry on just like that or even fade away when the excitement or the energies start dwindling or when the going gets tough.

But the serious types of fashion houses continue and constantly change their offers to cater to the rather fickle type of customer. To survive they have to have an in-market outlet. Location is crucial. As we say in marketing, in retail business there are three things which are very important: location, location and location. Prime location for the upper market in Karachi is the Zamzama area in the Defense Society commercial zone. This is in the center of Defense and Clifton the two most posh areas of Karachi. It is here that most of the women's' fashion wear outlets are. And it is here that FV is located. Their stitching unit is located at a distance of about 8 km toward the main airport road which is the main artery for Karachi. It is housed in the third floor of the family house of Mian family in PECH Society.

There has been a mushroom growth of new set ups in garments mostly comprising of those who are copy cats. They see a certain product moving in the market and decide to enter, and play on prices. Expiry rate of such ventures too is quite high as is typical of all small business.

MICROENVIRONMENT

Faisal has a work force of about 15 to 20 employees at any one time including top of the line tailors from the industry. Most of his work is now moving towards tailor made dresses of all types. There are two experts of embroidery work who stitch high class embroidered dresses for weddings and other fancy occasions. Distance of the stitching unit from the sales outlet is a small hindrance but not a big one. The sales outlet is managed and run by a competent lady who has worked with the company now for almost 8 years. And she has proven to be a trust worthy worker for Faisal. It enables him to concentrate on his stitching unit and supervise the workers who tend to waste time if he is not around. Even incentive based payment system has not been successful in making them self starters. When incentive is offered their emphasis shifts from quality to quantity. Faisal has to an extent standardized the production requirements of each worker as to what he is expected to produce in a day.

Financing has been a limiting factor. Faisal has been thinking for a long time to diversify into some fruitful ventures but for this to happen substantial capital is required and it is not easily available. In the present business the technology that is required is quite basic and FV already have that. FV organization is quite informal and there is no formal accounting or book keeping. Even inventory control is elementary.

MARKETING

FV do not have a mission or a vision as such. They survive day to day. They do not have company objectives laid out before them to achieve in short or long term. They are more occupied with day to day affairs. When probed deeply Faisal revealed that if they take all overheads into account they may not be breaking even if his salary is included in overheads. Then why should he be doing what he is doing. He thinks it is the satisfaction of having his own business. And he enjoys the independence. He is not answerable to anyone and can do things his way at his own pace and how and when he likes.

To the question as to what is their business FV do not have a clear answer. They succumb to the often used product categories approach in defining their business rather than need based. If they would define their business in terms of needs categories they satisfy, they would have much more flexibility in providing solutions for their customers. It would suggest new ideas for product development, market development and even diversification to satisfy customers. In discussion with Faisal it came out that expansion can be done either with product development in related categories or in market development for the same product. And as it is a lifestyle

product there may be extensions into other related life style products, e.g., supplementary use products like hand bags, shoes, etc. or even in cosmetics and artificial jewellery. For this FV has to understand its customers and know as to what additional items they buy to satisfy their lifestyle related needs.

So far typical consumer has been the youngish female from 25 to 40 years of age living in Defense, Clifton, or PECHS area with an income of Rs. 100,000 per month or above. Most of them have been to English medium schools and are rather westernized and watch local and foreign TV channels and read local fashion magazines.

THE 4 PS PRODUCT

FV do have a rather vague idea of their product but the same is not defined in terms of the customer. They are not clear as to the need category they cater to. And whether there can be alternative means to satisfy this category of needs. Their product keeps changing with time in terms of style, fabric and occasion but it remains within the broader confines of women's apparel. Do they make conscious innovations? I think to an extent yes they do. But there is a lot of scope to think out of the box. To think of new ways to satisfy women's need of expression. There could all types of ideas from being a middle man for foreign manufacturers to being a middle man for local exporters abroad. And he can think in terms of other products. To think in terms of new locations, new geographical areas, men's market, children's market, and so on. Also there are possibilities in terms of increased usage of the same product to introducing more styles and designs of the same product. Also one can think in terms of market development towards women's executive wear.

Recently FV has acquired an order from Air Blue to stitch uniforms for air hostesses. This is a local airline flying local routes in Pakistan. With this order Fv has moved into organizational market. This will help create economy of scale, add to its image as a serious contender in the local market and help in its diversification strategy. This may be an exciting turn of events for FV. This may generate a new market helping it to sustain itself and retain the employees it has even in bad times. However this is not the usual business. A uniform is the exact anti thesis of a fashion garment. It is a type of mass production product. If the business can be expanded to other airlines it may be a viable alternative to or addition to the fashion products which are by nature fickle and ever changing. But this offers great opportunity for them to enjoy economy of scale and thus have a more free hand in the kind of business they enjoy doing. This new reference needs to be exploited fully in terms of promotion and made a stepping stone into other such business.

PRICING

Pricing is done rather smartly by FV. They do not sell on prices. This is in spite of the fact that even the most moneyed women always haggle for the discount. FV has distanced themselves from the run-of-the mill tailoring outfit which caters to the middle class at less than half the price. They have happily been able to distinguish themselves from such outlets. This indicates they must be offering something extra in order for them to continue getting customers for tailoring. In fact now custom-made merchandise sells more than the ready made designs FV offer off the shelf. When asked which pricing methods are used to price their products FV said they mostly used cost plus pricing.

PROMOTION

FV has done better than most small firms seem to do in Pakistan in terms of promotion. They seem to understand how to stretch their budget to their advantage. This is accomplished through various low cost promotional techniques. They have an effective give-away scheme including small items which keep their name in front of customers. They also use hoardings effectively. Their presence on media in terms of interview of Faisal is also a great help. They have used exhibitions also with limited success. One of the tools still not used is the direct mail. For this they need an effective data bank of customers and prospects which they agreed to organize. Air Blue uniform stitching business is a feather in their cap and can be a good reference if used intelligently. This can give them an edge and entry into more organizational business.

PLACEMENT

FV being a small company and a retail business has fixed their primary trading area as Defense, Clifton and PECHS areas. These are the topmost residential areas in Karachi. But secondary trading area for FV is other areas of Karachi including Gulshane Iqbal, Nazimabad and other middle class areas. Their tertiary trading area is the whole of Pakistan. For now FV are concentrating mostly on the primary trading area. Their distribution is limited to the posh areas of Karachi the center of which for this business is the Zamzama shopping center. For organizational customers location is not a factor. They can reach wherever they have to in order to get their type of product. FV do get some business from other cities and the product is delivered through the mail. This is a good strategy. There are some clients even in as far as Dubai.

MARKETING ORIENTATION

FV is marketing oriented to only an extent. This means they do consider the market in introduction and sustenance of products. But they are not doing formal market research. Most of the knowledge of market is based on interaction with customers. This is a limiting factor as the untapped customers out there cannot be approached. There is also no built in system to gauge customer satisfaction. As we know 90 % of unsatisfied customers never come back to report. They need to be sought out. And this requires making it easy for them to give their feedback. This can be done through a short Performa to be filled out by customers after purchase or it can be done in other ways. A small gift can be presented for this courtesy.

MARKETING PLANNING

In FV there is no marketing planning. All planning is in the head of the owner. When planning is not done many things are hidden and weaknesses may not be known. Planning, its implementation, and monitoring, forces managers to think, and these open many avenues for improvement. In crisis, planning may be especially useful. Sometime FV have orders to meet for which they may need extra manpower which they may hire from outside on a part time basis, or bring in ex employees. This is example of a mini crisis which may be overcome through crisis planning. Also there are occasions for opportunistic planning. This may be the case when there is opportunity to gain market share if product can be made available on a short notice. In any case a small business has to be adept at the art of planning for the sake of its own success. The plan also clarifies the purpose of business, the target customer, benefits of product, positioning, marketing strategy and tactics, and marketing budgets.

BRANDING

In the area of branding FV has had some success. They have actively made efforts to create their brand, build its image and try to capture share of mind with the target market. FV has however not connected the brand with the product. The product is produced under 'Mian's Fashions'. Thus there are two entities to deal with. Fashion Vibes and Mian's Fashions. Under Mian's Fashions they have Mian's Nightwear and Mian's Kurtis, etc. This is good marketing. The name Mian is connected with the name of Mian the owner and designer. This is the tradition in the world of fashions globally and in Pakistan. There are many examples locally including Nadia Mistry and Nabila where fashion related products are being marketed under the name of the designer/owner. We see the same trend abroad, e.g. Estee Lauder, Versace and so on. FV has promoted the brand with a consistent branding policy. This includes promotion of the brand through hoardings, ads in magazines, fashion shows; give aways, point of sale advertising, TV interviews, and TV slides in local film channels

which show Indian movies. Thus it may be said brand 'Mian's Fashions' has fairly wide recognition among target market. But FV has not done a survey to measure brand recognition. This is one thing that may help them. And it should include questions regarding the perception of the brand and its image. Much more needs to be done to flood the market with the brand name. But then there should be capacity within FV to meet increased demand thus created.

NETWORKING

FV has a fairly broad networking. This is accomplished by Faisal through club memberships, including activity in the Rotary Club; vast personal friendship network, based on Faisal's own and his wife's friends. They are quite particular to use any and all opportunities to meet people and to be on the good side of significant people who can help in business and personal life. Still the networking can be more organized. And it needs to be systematized. They need a data base of all the clients and need to send letters to them off and on regarding new arrivals, new fashion trends, and any other important developments or news. In this business networking also needs to be done with suppliers, tailors, fashion designers, fashion scene abroad, exhibitions and events, advertising agencies, TV channels, media, graphic designers, exporters, and agents abroad. Fashion schools in Pakistan need to be targeted to attract talent and students to undertake new projects and create new designs. Also to be targeted include prospective organizational buyers, airlines, hotels, elite clubs, and other opinion leaders.

IS FV SUCCESSFUL

How are we to judge success of small business? Literature suggests success is not one-dimensional. It is measured by financial, marketing and owner's success criteria. Financially, FV is marginally successful. If the overheads do not cover the owner's salary, we have to also take into account the other factors that determine financial success. This includes property appreciation. Property in Pakistan is the best investment. It has yielded unprecedented returns. Thus the property used for the outlet has in all probability given more than the rate on any other investment. And this cannot be taken out of the calculations. Similarly there is sufficient brand equity now in the MF name to have a goodwill value with its many clients.

Owner's satisfaction is the foremost criterion especially in a lifestyle business like this one. The quality of life afforded to the owner and family in having the peace of mind, independence, proximity of home to the work premises and the joy of creation and contributing to the fashion scene all need to be assigned high value. Thus FV is a successful enterprise. And above all it is indeed making a very useful contribution to the economy by providing employment to 20 persons and thus a source of livelihood

to about 100 or more persons including the dependents of workers. Value of such small industrial units cannot be undermined.

ANALYSIS AND RESULT

FV is doing marketing in an entrepreneurial style. It is based on owner's judgment, his risk taking instinct and his innovation. First generation entrepreneurs typically follow this style. There is no formal marketing. Using what he learned in the MBA program Faisal tried to do marketing as he saw fit. This included in the beginning some ads in the local fashion magazines. Then later on he went for hoardings. Small gift items were introduced and a calendar with FV logo and a nice depiction of its activities on the back was given away by boys hired to do so to cars on the main highway. Later this changed to a small and golden colored telephone directory with magnetic shutting mechanism.

We see that being educated in business did make a difference in this case as the owner immediately moved to some kind of promotion and invested in it. Comparing this with Essa where the owner is a medical doctor we see that Essa knew they wanted to do something yet they did not hit the nail on the head. Thus we can conclude that education of the owner manager in the field of business can be one important element towards some kind of marketing activity though it may not be systematic or scientifically designed as in case of big companies. In FV case we see some minimum elements of various efforts in bits and pieces and attempts at marketing with moderate success. Thus there are two things: education of the owner and then business education of the owner which seem to make a difference.

Thus far we see that formal marketing planning is not there in any case studied. Marketing orientation is also not there. It gets introduced to an extent as the business starts to grow and as competitive pressure is felt. This is indicated by owner's outward interest as to what is happening in the market and in which direction it is moving. No one so far seems to have any idea of a vision or mission or of long term objectives. They seem to be occupied with the day to day survival in the beginning which takes the toll on their energies. And thinking of marketing only comes later when they have some peace of mind and look outwards to see what more can be done. Thus we see in the introductory phase when marketing is needed most it is not coming. It may start to appear like in case of Ping when the company looks for growth and has passed its initial phase of start up. We see in FV that the entrepreneur has shown innovation in introduction of night wear at a time when no one else was doing it in the country. Thus innovation is very important in the lifestyle business. This aspect of entrepreneurship is especially applicable to products where the buying motive is to be different from others and not to satisfy a practical need e.g. buying a computer software or hardware.

CONCLUSION

SMEs studied so far are not doing marketing planning. They are marketing oriented to only an extent. They resort to marketing orientation when they are past the pressures of start up phase. Marketing orientation is not formalized. There is no formal marketing research. Branding is known and initiated by some depending on the type of business. However networking is the mainstay of most of the SMEs. They do have extensive recourse to family and friends for getting orders. Networking among competitors is also a remarkable fact of SMEs. The extent of networking and cooperation among competitors is impressive. There is evidence of comradeship and support for each other. Educated owner/managers act in different ways than uneducated one. They understand the importance of marketing even if they don't practice it. And they think that they will use marketing at some future date if not now. They also see the value of investment in marketing.

Among tools used in marketing in Pakistan, direct mail appears to be useful. This can be a reality in face of appearance of email lists in the market which are very cost effective. A list of 100,000 names with a price of Rs. 5,000 is extremely cheap compared to the price of a similar list being at least 50 times higher in Canada which the writer has experience of using.

Internet has not been used much by SMEs yet. It is a great opportunity for some types of business dealing with products that are targeting educated people who have access to computers. I think this is a vast, yet untapped resource.

CASE NO. 4: MPL (Mehdi Pak Ltd.) (Small enterprise)

HISTORY

MPL is a sole proprietorship owned by Mr. Baqar Mehdi. Baqar is a Master's degree holder from Karachi University. He has never worked for anyone and is proud to have been an entrepreneur from the first day. The set up was established with the support of his family all of whom later migrated to USA leaving him behind. He is not in favor of living abroad as he is quite happy in Pakistan.

MPL was established in 1985 in the same office in the most centrally located Metropole Hotel in Karachi, one of the oldest buildings which now houses mostly offices in addition to an old and dilapidated hotel. MPL has three divisions: Aviation Consultancy (includes all travel related business), Training Division (for training personnel in aviation and ticketing), Cotton Division (an online cotton exchange house). It is an interesting set up contrived by Baqar. This shows a creative use of manpower and resources to do more than one task thereby creating economy of

scale. Except cotton, the other two businesses are related and provide support to each other. This synergy helps profitability and growth and also keeps the name of the enterprise in minds of prospects.

WHAT MPL DO?

Main activities of the travel business of MPL are air ticketing, tour operation, umra and hajj arrangements. The travel business is nicely tied in with the training business. Modus operandi of MPL is simple. They train young people in ticketing and aviation through two courses, one a three year diploma and the other a short certificate course of three months. These graduates usually are able to place themselves in the aviation industry rather easily. They are hired by airlines and travel agencies. In this they are helped by Baqar. Baqar later maintains a constant liaison with these graduates. He keeps them as 'part time consultants' with the possibility of earning money by referral of clients to him. Thus he is able to keep a constant flowing stream of travel related customers flowing into the agency office. He charges a reasonable fee of Rs. 40,000 for a three year diploma which is awarded by IATA and Rs. 6,000 for certificate course. He started the training program as he likes this activity and he likes to give something back to the country. There are about 100 students enrolled. Each has three classes daily.

Baqar established another interesting business on the side i.e. Cotton exchange. He realized about fifteen years ago that various small cotton traders wanting to trade their own cotton found it very hard to reach prospective buyers profitably. He thought why not create an online business to bring the buyers and sellers to their mutual advantage. Thus he created an E-COTTON EXCHANGE with the website www.e-cottonexchange.com. This is a platform for exchange of cotton worldwide joining in with other cotton exchange websites. Before this he was already a member of the cotton exchange in Karachi.

MACROENVIRONMENT

COMPETITIVE

Airline and travel industry in Pakistan is fairly well established. There are 120 IATA certified and 300 non IATA agencies in Pakistan. There is a lot of competition in the industry. Some do resort to price cutting but the IATA agencies usually do not. Competition is usually in terms of networking, extra services, and speed and reliability of operations. It needs substantial investment to have IATA certification. And this certification can also be sold to other parties. Non IATA agencies buy tickets from IATA agencies. Usually a commission of about 8 to 9 % is charged on a foreign ticket and 5 % on local ones. Almost 50 new agencies arrive each year among whom at least 5 % fail according to Baqar. Most small agencies have

financial problems as they have to carry inventory of tickets which is very costly. IATA license is now sold in the market for 4 million rupees.

Five big agencies generate 50 % of total revenue in the airline business. These include: American Express, Gerry's Travels, Princely Travels, Polani, and Bukhari. The rest of the business is shared among the rest of the hundreds of agencies.

SOCIAL AND CULTURAL

Air travel is now very common in Pakistan. Many of those who used to travel very little or travel by rail have now moved to air travel. There are 5 airlines in Pakistan all competing with each other mostly on price. Travel agency business is more than just air booking. Most people who travel by air usually go through travel agency. It is a symbol of prestige in Pakistan to travel by air and now even the middle class all travel by air. Railway travel is not pleasant as the railway service is not good.

ECONOMIC

With increase in purchasing power of the common man in general, there is lot of demand for air travel for local and foreign destinations. Thus was seen the emergence of private airlines in addition to the national carrier PIA. With growth of air travel there is also increased demand for travel agencies.

MICROENVIRONMENT

MPL has 20 full time employees. They are assisted by what they call part time consultants who are graduates of the company and are out in the field and are constantly referring clients to them. MPL has a well established facility in their office with class rooms with all gadgets and seating arrangements to accommodate students enrolled in their various courses. They have hired senior manpower including retired personnel from PIA and travel agencies to offer class room instruction. They have enough personal computers for teaching purpose and for air travel business.

MARKETING

4PS PRODUCT

When asked what was the main product of MPL I was told it is the travel and travel related services which a traveler may need. Enlisting the same Baqar told me it could include the following:

- Reliable seat reservation
- Connections and stop overs
- Cheapest flight search with appropriate timings
- Meals
- Special seat reservation including bulk head, etc
- Special meal requirements including Muslim meal
- Hotel bookings
- Travel insurance
- Tour arrangements within and outside cities
- Rail bookings
- Car bookings
- Airport escort service
- Foreign exchange arrangements
- Wheel chair and special handling
- Infant cots
- And many others

Thus the concept of product in this case for MPL is the complete one window operation for all your needs. This is usually better than what airlines are directly able to supply to their customers. So what is the concept of product to the customer? It is the easy and quick reliable availability of all of these benefits for a good price. From consumer behavior point of view it is the ease and peace of mind that you are in good hands. And it is the reliable and enjoyable travel which is hassle free. For business and pleasure travel there is significant difference in the perception of the travel service. And their needs are different too. MPL has to understand and cater to both these markets. The break up of the two segments is individual 60 %, organizational 40 %.

PRICE

In this business price is more or less fixed and to give discount is against IATA regulations. Thus there is no price competition among the reputable agencies. But the non IATA agencies do involve in discounts and make that as an attraction for their customers. This is a poor strategy. Discounts lead to more discounts till all are losers. This is also an acceptance of the fact that price should not be the selling factor for such a business. MPL does not compete on price but some non IATA agencies do

and this is a known fact. But this trend makes competition unhealthy. It is the endeavor of the established quality agencies to shift the trend away from the price while the smaller non IATA agencies usually work in the opposite direction.

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PROMOTION

MPL does the following:

Newspaper ads in Holiday Travel Magazines

Personal selling through part time consultants who are ex students of the MPL (generating 20 % of total business)

Networking among the business circle (10 to 15 %)

Website (5%)

E-marketing (5%)

Other non IATA agencies

Word of mouth

Special hajj and umra programs promotions

Various special offers to companies and their personnel

Financial deals to companies and individuals for 45 days credit

DISTRIBUTION

MPL tries to increase its distribution through its network of part time consultants and through e-marketing. Also being an accredited agency its distribution is as wide as that of the agencies dealing with it. Nevertheless being a single outlet agency it has limits to its presence and cannot do business in the whole of Pakistan. Its primary trading area remains the posh areas of Karachi for individual customers. And for the organizational customers its primary trading area remains the whole of Karachi and companies which are doing their purchases in Karachi. Like in all retail business, location remains critical. Though location of MPL is Metropole Hotel which is right in the midst of Karachi and in the thick of all routes that link to the most important areas of Karachi, the exact location of it is on the second floor which is not visible from the main road. This means that they cannot get the traffic walking off the main road. Also those that are indifferent to any agency will for convenience walk into the one that comes easy. Thus MPL has this disadvantage. Only people who are actively looking for it are likely to climb two floors to reach it.

MARKETING ORIENTATION

To a great extent MPL is marketing oriented. It constantly adjusts its offer in line with its customers' choice. In this kind of business it is easier to do. But there is no formal marketing research to find out what the prospective customer may want. This means playing by feel. Thus their intelligence is limited to the customers with whom they have interaction and not with those they do not see.

MARKETING PLANNING

They do have written marketing plan which could not be seen. It outlines their objectives for the next year. And it gives the profit projections for all types of customers. The plan is loosely implemented.

BRANDING

MPL is careful about its brand name which it projects actively in the market. It wants to be perceived as a company of repute giving reliable service to its clients and having a substantial client base. They are projecting this brand through use of various tools outlined above. And these are pushed through their literature.

NETWORKING

As observed with all the SMEs in Pakistan networking is the core marketing activity. It is the case here too. Baqar is very good and effective net worker. He has networked himself with all stakeholders not only in the aviation industry but also in the cotton exchange industry. He works hard many times till late in the night. He is a good example of an intelligent and knowledgeable entrepreneur who knows his business and also serves as role model for others.

PERSONAL SELLING

This is the promotion activity which is most often utilized in MPL. They make it a point to present themselves to their clients in several ways. They have a good sales approach in terms of understanding customers' psychology. Baqar thinks knowing customers' psychology is important and he adjusts his sales presentation to suit the prospect. He says it is important to know what the state of mind of the prospect is and emphasize that to him. For example if he is price conscious then it is important to stress lower prices, and if he is interested in being pampered during his travels the same be made available to him. In spite of this he thinks there should be no lies spoken to the prospect, and no misinterpretations made. Some clients are sensitive and need respect more than others. The seller should give him respect. He even goes to the extent of emphasizing the importance of a good hand shake and he says sale starts right from the time of the first hand shake.

FACTORS FOR SUCCESS AS ENUNCIATED BY BAQAR

According to Baqar the most important factor for success for entrepreneur is devotion to what he does. He must have an objective in mind. Regarding marketing success he said one must have marketing ability. He also thinks environment plays

an important role in it. There must be demand for the product you enter in. And there should be supportive rules, regulations and government policy. Then he also suggested role of honesty of thought. That is one must be honest in ones thinking and be genuine business man out to serve the community. He thinks one must be result oriented.

ANALYSIS AND LEARNING

In this case we learnt that marketing success depends on networking and making a sort of web in the market like Baqar did through his network of consultants. He also made full utilization of his capacities by adding the business of training to his travel business. And in this he was guided by his natural aptitudes. Thus we find another new variable in this situation that one is likely to succeed more in the type of activity which one likes to do. Baqar liked to teach and he liked the feeling of giving back to the community from which he was earning his livelihood. Thus he was a supporter of corporate social responsibility and community involvement. He went to the extent of getting his institute recognized by IATA as an institute authorized to give diploma on behalf of IATA. Thus he did many things thorough this single activity. He not only created an edge in his business for himself (which is again a new variable worth exploring) but also created new advocates in the market for him who not only did business on his behalf but also through their good work created an image for MPL. And name of MPL became known for authority on the business of aviation. Thus he was able to compete to an extent with the giants of the industry who were financially much stronger by creating this competitive edge. He also diversified his business and created the e cotton exchange. Thus the same office premises internet facilities and computers which would lie idle at night were used in this new business. This gave him a much greater utilization of his resources. Thus we see here creativity is another factor that goes to the credit of Baqar and thus to MPL. This also needs a study. Small businesses which use creativity are able to succeed much more in competitive markets and are also likely to survive in adverse circumstances by having something to fall back upon when things are not going well in their main business.

NEW VARIABLES FOUND

Marketing ability
Community involvement
Creativity
Marketing synergies
Product development
Diversification

(To Be Continued)

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What is the difference between a tough ethical decision and a defining moment? An ethical decision typically involves choosing between two options: one we know to be right and another we know to be wrong. A defining moment, however, challenges us in a deeper way by asking us to choose between two or more ideals in which we deeply believe. Such challenges rarely have a “correct” response. Rather, they are situations created by circumstance that ask us to step forward and, in the word of the American philosopher John Dewey, “form, reveal, and test” ourselves. We form our character in defining moments because we commit to irreversible courses of action that shape our personal and professional identities. We reveal something new about us to ourselves and others because defining moments uncover something that had been hidden or crystallize something that had been only partially known. And we test ourselves because we discover whether we will live up to our personal ideals or only pay them lip service.

Joseph L. Badaracco, Jr
The Discipline of Building Character, p. 116
Harvard Business Review, March-April 1998

NEWS and VIEWS**5th EUROPEAN SYMPOSIUM ON
GENDER AND ICT 2009
BREMEN, GERMANY**

Call for Contributions

5th European Symposium on Gender & ICT

"Digital Cultures: Participation – Empowerment – Diversity"

University of Bremen, Germany, March 5 – 7, 2009

Information Society with its variety of new information and communication media offers many new options to participate in today's social, cultural, political and economic activities. However, chances are still distributed unequally, e.g. by class, ethnicity, age – and by gender. Access to and the ability to use information and communication technology (ICT) are necessary prerequisites for participation. On top of this, involvement in ICT design is a highly prestigious activity. On the 5th European Gender and ICT Symposium we will take a closer look at the complex interdependence between gender and ICT. We will explore ways to increase appreciation of diversity in design and use and to strengthen empowerment and participation by means of ICT. This Conference, the fifth in a row of symposia held in Europe since 2003, traditionally provides a meeting point for researchers from various disciplines and research schools dealing with gender and ICT. We invite you to share your experiences, in particular regarding the following topics:

*** Gendering in Design**

What values are present in society and inscribed in technology and how can they be deconstructed? With what kinds of assumptions and values about technologies, users and society do designers work? Whose values and experiences are represented and what dichotomies and stereotypes are repeated in technologies and technological cultures?

*** Computing Science - a Gendered Discipline?**

Where do we find women in ICT? What barriers do they encounter? In what way are their lives being supported (or not) by technology? How is gender inscribed in the concepts and culture of the discipline of computing? What structures further such inscriptions? What is needed for 'un-doing gender' in computing science?

*** Gender & Technology Curricula**

What should students learn about ‘gender and technology’? In what way is it possible to integrate such contents into curricula of technical disciplines?

* Competences in Technology/Digital Media and Social Participation

How does school education integrate Digital Media? What does media competence mean? Where and how does gendering happen in girls’ and boys’ education? What best practices can guide the way towards an education that offers equal opportunities for social participation?

* Digital Cultures, Identity and Subject Construction

What gender expectations are suggested? What hidden norms and values are inscribed in computer games and other software? How is identity constructed online? What possibilities do online communities offer for the construction of the self?

* Gender, Work and ICT

In what economic branches do we find so-called ‘female work’? What kind of computer support can be found in these areas? How does software design affect work processes and how does it reflect job images? What measures are taken and what are the results?

* Design for Gender & Diversity

How can gender be used as an eye-opener for diversity in design? What other groups’ requirements are poorly represented in today’s technology?

* Globalisation and Local Action

What effects does the development of new ICTs have - on the global and on the local level? How do global changes affect the local and vice versa? How does ICT influence gender relations in developing countries?

Please submit extended abstracts of about 3 pages (max. 10.000 characters) describing projects and research results via the conference homepage <http://www.gict2009.de>. Every submission will be blind reviewed by three members of the program committee. Accepted abstracts will be published on the conference-

website. Work in progress and late breaking results can be presented by means of posters. These have to be described on two pages (max. 6.000 characters).

Submission of abstracts September 1, 2008.

Notification of acceptance October 1, 2008

Submission of posters January 15, 2009

Notification of acceptance February 1, 2009

Program chairs

Prof. Dr. Susanne Maass

Prof. Dr. Heidi Schelhowe

Conference organisation

Maike Heckt

Anja Kümmel

Carola Shirmer

Susanne Maass

Heidi Schelhowe

If you have got any questions concerning the symposium, please contact us at gict@informatik.uni-bremen.de

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After the failure of his quixotic hopes for *Concept of the Corporation*, Drucker, as noted, expects less from big business and big labor; his explicit vision narrows. But implicitly, and connected to no vulnerable programmatic like the self-governing plant community, Drucker's social idealism never leaves him. His criticism of market capitalism and its theoretical rationale remains fundamental. "Capitalism," he writes at the end of *The Practice of Management*, "is being attacked not because it is inefficient or misgoverned but because it is cynical. And indeed a society based on the assertion that private vices become public benefits cannot endure, no matter how impeccable its logic, no matter how great its benefits.

First and last, Peter Drucker is a moralist of our business civilization. And just as we don't read George Orwell for his answers to the social and political problems he explores but for his moral clarity and depth, so we don't come to Drucker looking for three-point plans to fix creation. He offers suggestions, he affirms the values at stake, some times he points in the right direction; but he offers few solutions and those he does offer he intends as no more than notes toward a solution. Montaigne offered no solutions, either. It is enough for the moralist to mark the distance between what is and what could be.

Jack Beatty
The World According to Drucker, p. 108

A WORD ABOUT THE IBA



Our logo reflects “our resolve to meet the future challenges with *integrated and multi - disciplinary knowledge and its creative application in a changing global environment.*”

INTRODUCTION

The IBA is the oldest business school outside North America. It was established in 1955 as a USAID financed project. Initially, the Wharton School of Finance, University of Pennsylvania, provided the technical support; later the University of Southern California got the contract to set up various facilities at the institute and several prominent American professors were assigned to IBA. A large number of Pakistani faculty members received advanced degrees from Wharton and University of California. In 1994, the Sindh Assembly elevated the Institute’s status to that of a degree awarding institution.

Despite of a rapid increase in the number of business schools, the IBA has maintained its position as the premiere institution of higher learning in the field of management and business administration. The IBA sets the standards of educational and professional excellence. It seeks to advance and encourage new ideas and promote enduring values to guide the practice of management. Over the years, the IBA has built a reputation for producing graduates of unmatched professionalism and sound ethical and moral values. The IBA has an academic environment in which talented and outstanding young men and women are inspired to reach out to the farthest limits of their vision and capacities.

The IBA is proud of its 7,500+ accomplished alumni who are engaged in highly specialized and professional undertaking all over the world. Many of them hold demanding positions of administrative responsibilities in various fields of governance in Pakistan and abroad. We proudly celebrate their association with the IBA.

CORE VALUES

We uphold:

- Merit
- Creativity
- Humility
- Truth
- Discipline
- Integrity
- Tolerance

as the creative dimensions of the “highest good” – *summum bonum* – of an ethically motivated academic life based on moral foundations.

MISSION

After completing its 50 glorious years of excellence, the IBA is geared up to achieve more milestones in the field of education, hence providing its commitment to continuous improvement.

At the IBA, our mission is to provide education and training for management leadership in business and public sector in Pakistan. We aspire to be the best business school in Asia and amongst the best in the world.

It is our cherished mission to establish links with renowned business schools in the world and with business and public sector organizations in Pakistan in order to introduce the current and contemporary business education, culture and work ethics for making Pakistan amongst the most competitive countries in the world.

PHILOSOPHY

The recurrent theme of the 53 years of IBA’s existence is that business education should be relevant and looking to the future.

Our philosophy is rooted in the creative urge to strive continuously to improve upon all components of our system; culture, people and infrastructure; and to turn bright students with leadership potential into outstanding human beings and business professionals and leaders for tomorrow.

MEETING THE CHALLENGES

The IBA provides an enabling environment, conducive to scholarship and research. The faculty, staff, students and members of the industry work together to achieve learning goals. Students acquire knowledge and skills through constructive and distinctive processes that encourage them to develop understanding of business concepts and issues, think independently and to make rational choices. They are encouraged to take responsibility for their own learning, to become active participants and leaders and to apply their knowledge in real-world context.

A fine blend of our academic environment, research culture and the highly qualified and devoted faculty at the IBA, moulds bright and intelligent students with leadership potential into high performing entrepreneurs and professional managers.

THE GOALS AHEAD

The IBA is set on a path of constant improvement, introducing changes in all critical fields of its undertaking. Its partnership with MICROSOFT has given a new dimension to the Center for Computer Studies, enabling students and faculty to remain abreast with the most advance technologies in software as well as hardware. It has entered into agreements with CBR to impart not only the quality education to its probationers but also to its senior members in the field of management in order to realize the government's policy to change the culture and the managerial practices of this sensitive department and to bring them to the accomplished level of modern-day needs and expectations.

PROGRAMS OF STUDY AT THE IBA

The IBA programs are designed to provide world-class professional training to managers and entrepreneurs for the business and industry in Pakistan. Students take part in a broad variety of activities ranging from volunteering for charity work and participating in athletic events to organizing conferences on a variety of business issues. A spirit of involvement is important because teamwork, leadership and being a responsible citizen are the foundations of the IBA experience.

Our programs have been growing steadily in keeping with the needs of the society and the competence of the Institute of Business Administration.

We offer courses in the fields of:

- Doctor of Philosophy – Ph.D. (MIS/ Information & Communication Technologies (ICT)/ Computer Science & Engineering (CSE))
- Master of Business Administration – MBA (Morning Program)
- Master of Business Administration – Management Information System MBA- MIS (Morning Program)
- MS (Economics)
- MS (Finance)
- Master of Business Administration – MBA (Evening Program)
- Master of Business Administration – Management Information Systems MBA- MIS (Evening Program)
- Postgraduate Diploma in Business Administration – PGD (Evening Program)
- Certificate Courses (Evening Program)

- Visiting Students Program (Evening Program)
- Master of Business Administration – Tax Management (Morning Program)
- Bachelor of Business Administration – BBA (Morning Program)
- Bachelor of Business Administration – Management Information Systems BBA- MIS (Morning Program)
- Bachelor of Computer Studies – BCS (Morning Program)
- Preparatory Program for Rural Students (Talent Hunt)
- Business English Program

CAREER OPPORTUNITIES

In view of the increasing professionalism in management and growing competition in Pakistan, job opportunities for qualified and trained business administration graduate will continue to grow. Multinational firms and professionally managed Pakistani companies hire IBA graduates with confidence because of the high level of professionalism instilled in them during their course of study.

The Institute offers a flexible curriculum, a highly motivated student body and committed faculty that are willing to embrace and encourage new ideas and thought patterns. This provides the students with tools, values and confidence to be leaders in the corporate world of today and tomorrow.

The interaction of researchers, business and industry is necessary for new ideas to develop and be implemented. The Research Wing undertakes projects and assignments specific to a particular industry or an organization. A broad classification of these research projects pertains to areas related to Strategy, Growth, Economics, Organizational /HR Development, Marketing and Production Management.

CENTER FOR EXECUTIVE EDUCATION

The Center for Executive Education is a state-of-the-art learning and training resource center. It focuses on developing managers and providing opportunities for refining the skills needed to succeed in today's business environment.

The Center aims at helping organizations gain competitive advantage by developing their most important resource - their people. It is a nucleus for activities designed to enhance organizational effectiveness through training and developing working professionals in various disciplines and equipping them with the tools and knowledge to improve their managerial skills. The programs offered are designed to strengthen the participants' leadership skills with a focus on personal development, productivity improvement and strategic thinking. The Center specializes in executive education and

management development activities through “open-enrolment courses, client-specific programs, consultancy and applied research.

FEDERAL BOARD OF REVENUE (FBR) – CAPACITY BUILDING PROGRAM

The IBA is providing training to the Tax and Customs officers of FBR in Karachi, Lahore and Islamabad. Up till now, 325 officers of grade 17 – 21 have been trained at the Center for Executive Education, Institute of Business Administration, Karachi. While under the FBR Capacity Building Program (Lahore) 2007, conducted at the Directorate of Training (Income Tax), Lahore from July 02-December 08, 2007, nearly 275 officers were trained

All the courses are designed by the faculty at IBA in consultation with FBR, which include Computer Skills, Communication and Presentation Skills, Management Skills, Leadership and Teambuilding Skills.

MBA TAX MANAGEMENT PROGRAM FOR FBR

This program is started in January 2005 at the Institute of Business Administration. Currently fourth batch of 35 students is enrolled under this program.

Around 149 FBR students have been trained under the said program up till now.

The MBA Tax Management Courses include Business & Banking Laws, Financial Accounting, Human Resource Management, International Trade, Public Economics, Statistics & Math for Business, Analysis of Financial Statements, Auditing, Business Policy, Change Management & Business Process Reengineering, Financial Management, International Accounting Standard Financial Reporting in Pakistan, Management Accounting & Control System

CENTER FOR ENTREPRENEURIAL EXCELLENCE IN PAKISTAN

United States of America has chosen the IBA for establishing a Center for Entrepreneurial Excellence in Pakistan under its broader Middle East and North African initiative. There will be a distinguished advisory panel titled as ‘Blue Ribbon Panel’, consisting of the Directors of Entrepreneurship Institutes at MIT, Babson, Harvard and Stanford. This panel will not only advise but also assist and support the new Pakistani Center. Dr. Peter Bearse, who is an international consulting economist and an expert in developing entrepreneurial center, is supervising the project. This Centre is important for boosting economic activity, employment and trade within the country and across the international markets. The centre will conduct research to identify training needs, to document how entrepreneurship is developed and run in the country, what are the opportunities and obstacles, rules and regulations for business and give proposal for policy and procedural improvements.

RESEARCH CENTER

The IBA has established a Research Center at the City Campus. The purpose of the initiative is to play a key role in the development of industrial and financial sectors of Pakistan by providing useful research and evaluation guidance. The activities of the IBA's Research Center consist of both core and collaborative research to provide help to the federal and provincial governments, non-governmental organizations and the private sector.

The Center is a repository of the core research done by the IBA faculty, scholars and students. The research papers written are documented, archived and made available to other researchers and industry. The IBA faculty and students can access these research papers via the IBA internet.

HIGH PROFILE FACULTY

The IBA faculty comprises of teachers with high academic achievements as well as successful, practical business management experience. Most have advanced degrees in their field of specialization from foreign institutes of repute. The faculty members are well regarded for their insight and command over current issues facing business and industry. The faculty ensures that the system of education at the IBA is a unique blend of the best in classroom instruction, case studies, role-playing, business games, research and practical training in business organizations.

HIGH ACHIEVING STUDENTS

Our students win distinctions and praises from foreign and local dignitaries for their confident, reasoned discourse, organized team work and knowledge. The IBA student groups arrange dozens of seminars and conferences every year. As individual contestants our students have been successful in national and international competitions. Two of our students; Muniva Mahmood and Asim Ali Raza were chosen to go to Geneva in an international seminar. They joined 30 other business students from around the world. The IBA was the only school in the world which had the distinction of having two students accepted for the seminar. Last year Asnia Asim topped contestants from 109 countries to win the World Bank Essay Contest. The IBA team won Pakistan round of Microsoft India's Imagine Cup 2006.

The IBA students are continuously giving evidence of being world class. During the past years, four students of IBA participated in the "Battle of Minds" organized by Pakistan Tobacco Company (PTC) wherein highly talented students of top Pakistani Universities competed against one another. The IBA students obtained the second

position for presenting a live research project in the Grand Slam. They were awarded trophies along with a cheque of Rs 200,000/-. In another competition namely “Novartis Biocamp”, a team of two IBA students, competing with those of leading institutions of Pakistan, was sent to Tokyo, Japan in October.

PASSION FOR EXCELLENCE

The passion for excellence defines the creative and dynamic orientation of the IBA research culture and its belief in the principle of growth and development. They who live in knowledge societies, for them the most critical idea is their belief in the creative principle of movement towards a higher and still higher stage of development inherent in their culture. They believe that they can disentangle themselves from the petrifying weight of necessity becoming or wanting to become larger than who they are. We are not what we could have become; we are the possibility of what we are capable of becoming. By living the kind of life we decide to live, we assume a fate, a destiny and a character. They who live with that knowledge are, according to the Quran, “without excuses”.

**Quoted from BUSINESS REVIEW
The Research Journal of IBA**

The nineteenth-century German philosopher Friedrich Nietzsche once wrote, “I believe it is precisely through the presence of opposites and the feelings they occasion that the great man – the bow with great tension – develops.” Defining moments bring those “opposites” and “feelings” together into vivid focus. They force us to find a balance between our hearts in all their idealism and our jobs in all their messy reality. Defining moments then are not merely intellectual exercises; they are opportunities for inspired action and personal growth.

Joseph L. Badaracco, Jr
The Discipline of Building Character, p. 124
Harvard Business Review, March-April 1998



BUSINESS REVIEW

Research Journal

of

The Institute of Business Administration
Karachi, Pakistan

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Dr. Arain enjoys a good research track record and have numerous papers published or accepted for publication in both international refereed journals as well as conferences. Based on his achievements in the field of research and academia, Dr. Arain is listed in *Who's Who in Science and Engineering* (9th Edition), *Who's Who in Asia*, *Who's Who in the World* (25th Anniversary Edition) and *Outstanding Scientists of the 21st Century*. Dr. Arain is currently working as Chair, Construction Project Management with Southern Alberta Institute of Technology (SAIT), Calgary, Canada.

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Ali Muhammad Rizvi has a Ph.D in Philosophy from La Trobe University, Australia and an M.A in Continental Philosophy from the University of Warwick, England. He has taught Philosophy and the related subjects at the University of Karachi, La Trobe University and the Institute of Business Management Karachi. He is presently a lecturer in critical and creative thinking at the University of Brunei Darussalam, Brunei. His current research is focused on contemporary European Philosophy and Social theory, Moral and Political Philosophy, Modern Capitalism and Contemporary Social Movements.



BUSINESS REVIEW

Research Journal

of

The Institute of Business Administration
Karachi, Pakistan

Note for Contributors

This Journal is biannual publication of the Institute of Business Administration, Karachi, Pakistan. It is a multidisciplinary Journal covering wide range of issues in the area 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.

GUIDELINES FOR AUTHORS

1. Manuscript should be submitted to the Editor, Business Review, Institute of Business Administration, University Road, Karachi, Pakistan.
2. Three copies of the manuscript should be submitted.
3. The text should be double spaced, on one side of the quarto paper allowing wide margins for referee's comments.
4. All illustrations, tables, etc., should be placed on separate sheets, included with each copy. Their placement should be indicated in the text.
5. Footnotes should be numbered consecutively throughout the text.
6. The first page of the manuscript should contain the following information: (i) title of the paper; (ii) the name(s) and institutional affiliation(s) of the

authors(s); (iii) a footnote should give the name, postal address, telephone and fax number, and an email address of the authors.

7. The second page must contain the title, an abstract not exceeding 300 words, a maximum of 5 key words or phrases and the appropriate JEL codes to be used for indexing purposes. The text will start on page number 3.
8. Acknowledgements of all sorts should be included on the first page.
9. All mathematical derivations should be presented on a separate sheet (note to be published) to help the referees.
10. Manuscript should include only those references that are cited in the text. Authors are advised to follow American Psychological Association (APA) style of referencing.
11. All literary material, including books, journals and manuscript for review should be submitted in triplicate to the Editor, Business Review, Institute of Business Administration, University Road, Karachi, Pakistan.
12. It is assumed that the paper submitted is an original unpublished work and it has not already been published or submitted for publication elsewhere.
13. The opinion, ideas and evaluations expressed in the articles printed in the *Business Review* do not necessarily represent the views or policies of The Institute of Business Administration or the Editorial Board. They should be considered as representative examples of opinions and analysis now current in the academic field on various subjects of intellectual, educational and cultural interest.
14. After internal evaluation, the Editor will send the selected articles to the external referees or the consulting foreign editors for their evaluation. Selection of the referees will be the discretion of the Editor.

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All enquiries should be addressed to the Editor, Business Review, Research Journal of The Institute of Business Administration, Karachi, Pakistan.

Business Review



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