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From Editor Desk

I am delighted to present this issue of 'Global Journal of Contemporary Management'(GJCM) to our learned subscribers, management professionals and researchers. The endeavour has been to publish up-to-date, high-quality and original research papers alongside relevant and insightful reviews. As such, the journal aspires to be vibrant, engaging and accessible, and at the same time integrative and challenging.

The current issue covers a panorama of topics relating to HR, Finance, Marketing, International Business, Corporate Social Responsibility, Banking and Investments. The mix of topics on many innovative themes like 'Impact of emotional intelligence on performance', 'Financialization of Commodities-An innovative Strategy for Hedging Risk', 'Neuro Marketing', 'Banking Services', 'A legal Analysis of Present Trade System' etc, makes this issue inspiring and intellectually stimulating.

With increasing competition from Global players, the Indian Banking Sector, with never before so, growth opportunities, unleashed through economic liberalization and globalization of business, is struggling hard to find association between service quality and customer satisfaction, between service quality and customer loyalty and the mediation effect of customer satisfaction, between these two variables. Mr. Girish V. timely attempt to tackle the related questions through his research paper is commendable.

Kudos to all researchers and contributors to make this issue if the GJCM, current time relevant, as well as futuristic, innovative and enlightening. Efforts of the Editorial Board have been commendable in scanning through, identifying and in bringing out the best for the readers.

Valuable suggestions from the enlightened readers will provide much needed impetus to the Editorial board.

Dr. G.N. Pandey
Editor-in-Chief

From Director Desk

Global Journal of Contemporary Management (GJCM) maintains that effective management practice requires a more effective synthesis of practical management techniques and theoretical research in management. It therefore aims to provide a forum for analysis of the same management research for sharing innovative management ideas, and for the dissemination of practical case study experiences.

G.J.C.M exchanges contributors to bring their skills in theoretical and applied research to bear in current / emerging management issues, and particularly values fresh perspectives and contributors to greater efficiency and social and environmental responsibility.

With Best Wishes & Regards,

Dr. Ashok Kumar Dubey
Director
Doon Business School, Dehradun

IMPACT OF EMOTIONAL INTELLIGENCE ON PERFORMANCE

Prof. BHAWNA CHAHAR*

Abstract

Emotional Intelligence is the ability to perceive, control, and evaluate emotions. Some researchers suggest that emotional intelligence can be learned and strengthened, while other claim it is an inborn characteristic. The objective of present study is to through light on emotional intelligence and its impact on the performance of employees and to know how to become an EI organization. Through this study, it is found that emotional intelligence has impact on performance of employees and an emotionally intelligent organization is based on an organizational strategy to improve business performance.

INTRODUCTION

In order to develop and compete in 21st Century, organizations have to embark on future oriented human resources strategies. It could be argued that the individual competencies of the workforce in any organisation would determine its overall success. Therefore the concept of Emotional Intelligence (EI) is playing a vital role in every organization which describes the ability, capacity, skill to identify, assess, and manage the emotions of one's self, of others, and of groups.

Thorndike (1930) describes the concept of “*social intelligence*” as the ability to get along with other people. Wechsler (1940) suggests that affective components of intelligence may be essential to success in life. Gardner (1975) publishes *The Shattered Mind*, which introduces the concept of multiple intelligences. Wayne Payne (1985) introduces the term emotional intelligence in his doctoral dissertation entitled “A study of emotion: developing emotional intelligence; self-integration; relating to fear, pain and desire (theory, structure of reality, problem-solving, contraction/expansion, and tuning in/coming out/letting go).” Salovey and Mayer (1990) coined the term “emotional intelligence” and included Gardner's Intrapersonal and interpersonal components in the construct. Goleman (1998) popularized emotional intelligence in the business realm by describing its importance as an ingredient for successful business careers and as a crucial component for effective group performance. Emotional intelligence is the *ability to recognize and respond to the emotions and feelings of others, as well as the skill to help others manage their emotions*” (Schmidt, 1997). A positive relationship

has been found in researches on emotional intelligence and job performance. Emotional intelligence play a vital role improving business performance and grabbing constant attention of the corporate world.

Objective

- To study the impact of emotional intelligence on performance of employees.
- To analyze that how to become an EI organization.

Scope of Study

Every study along with its certain objectives also has scope for future. And this scope in future gives to new researches a new need to research a new project with a new scope. Scope of the study could give the projected scenario for a new successful strategy with a proper implementation plan. Whatever scope we observed in this study will be helpful to know the relation between the emotional intelligence and performance

The scope for the organization whose employees, if they are lacking in their performance due to low level of emotional intelligence, they can help them to increase their emotional intelligence. Scope of study is helpful to know in future that why some employees are outstanding performers while others are not. On the basis of these results an organization can choose a strategy and actions to improve the performance of their employees.

It can give a new dimension in the future to conduct such research on the employees of other sector also. The study of data is purely based on secondary data. To get proper understanding about this concept.

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Need of The Study

We live in a world where competition is always present and confrontations and battles at a business level are all around us. Therefore management theories and models are developed with the argument that a company can achieve competitive advantages through creation and protection that increases distinctive value. It includes the abilities to accurately perceive emotions, to access and generate emotions so as to assist thought, to understand emotions, to reflectively regulate emotions and emotional knowledge so as to promote emotional and intellectual growth means understanding yourself, your goals, intentions, responses, behaviour and all and understanding others, and their feelings is important.

Emotional Intelligence helps the employees to increase their emotional self-awareness, emotional expression, creativity, increase tolerance, increase trust and integrity, improve relations within and across the organization and thereby increase the performance of each employee and the organization as a whole. At a microcosmic level, EI will produce an employee who will know his capability, his job, has an outlook in the future, and is confident of a well-thought action. This will be more valuable than the action of an employee with high IQ and good knowledge, but low EI. This is where; emotional intelligence plays a significant role in the organization and becomes an important criterion of evaluation for judgment of an 'effective' employee. Emotional intelligence increases productivity and trust within and across the organization.

Emotional Intelligence and Performance

Emotional intelligence is an intelligence having to do with discerning and understanding emotional information. Emotional information is all around us. Emotions communicate basic feeling states from one individual to another -- they signal urgent messages such as "let's get together" or "I am hurting" or "I'm going to hurt you." What ability tests of emotional intelligence tell us is that only some people can pick up and understand and appreciate the more subtle versions of those messages. That is, only the high EI individual understands the full richness and complexities of these communications.

Emotional information is crucial. It is one of

the primary forms of information that human beings process. That doesn't mean that everybody has to process it well. But it does mean that it is circulating around us, and certain people who can pick up on it can perform certain tasks very well that others cannot perform.

Everyone needs emotional intelligence to help us through our emotionally demanding days. Even if we are not emotionally intelligent, we may rely on those higher in emotional intelligence to guide us. The key to this lies in what those high in emotional intelligence are particularly good at doing themselves. They're particularly good at establishing positive social relationships with others, and avoiding conflicts, fights, and other social altercations. They're particularly good at understanding psychologically healthy living and avoiding such problems as drugs and drug abuse. It seems likely that such individuals, by providing coaching advice to others, and by directly involving themselves in certain situations, assist other individuals and groups of people to live together with greater harmony and satisfaction.

Emotionally Intelligent Organisation Having High Performers

The Emotionally Intelligent Organisation i.e. an organisation with a high number of emotionally intelligent leaders, managers and critical professionals stands to be at the forefront of organizational practice and performance, and is more likely to be an employer of choice. Research also supports the view that competence in Emotional Intelligence accounts for over 90% of the difference between ineffective performers and effective performance. Effective performers improve business performance and provide organizations with a competitive advantage.

The decision to become an emotionally intelligent organisation needs to be based on an organizational strategy to improve business performance. To implement this strategy you first need to define what the core capabilities your business requires to achieve its vision, values and business strategies which include Emotional Intelligence clusters and competencies. You will also need to identify the more specific competency profiles for positions within the organisation. This capability framework and competency profiles, and then forms the basis for your performance

management system in conjunction with your Key Performance Indicators. The performance management system then becomes a mechanism for driving and achieving changes in the workplace.

The framework can also be used to support recruitment and selection and other cultural development strategies, thus ensuring a more appropriate match of people and organization goals. Some organizations also have an EI Capability Assessment tool that identifies individual training needs as well as providing a picture of the organizations capability. The next stage is to grow the emotional intelligence competencies through specific development programs reflecting the organization's capability framework.

The Emotional Intelligence Development Programs provided by organization provide a structured pathway to improve the individual's self-awareness, their self-management and the way they interact with people and develop relationships. In other words it will grow their Emotional Intelligence. If you do not have a “core” capability framework for your staff, there are still benefits in introducing Emotional Intelligence development programs. These are seen primarily through improved leadership and interpersonal relationships and as a result improved business performance.

Review of literature

Chaturvedi V., (2010) “Emotional Intelligence at the Workplace-A Key for Effective Management” identified EI as a key for effective management at workplace. A leader has to be emotionally intelligent but the real success lies in the three most important 'S' factors – remembering self esteem, boosting self confidence and making employees feel satisfied. These three 'S' if implemented in true sense will create a win-win situation for all.

Mishra P. S. et al., (2010) “Relevance of Emotional Intelligence for Job Performance: An Empirical Study” found statistically significant positive correlations between scores on the emotional intelligence scale and scores on the performance scales. These results provide evidence and support the notion that EI is associated with more or less workplace performance.

Rahim, Hussain, Saddam (2010) has

investigated the effect of demographic factors on the level of Emotional Intelligence which leads to organizational performance among male and female employees. Research has shown that the female segment is more emotionally intelligent than their male employees in bank sector and there is inverse relationship between the age of the male and female employees and EI. With increase in education level, EI has also improvement in its level.

Jain N., (2009) “An Empirical Study of Emotional Intelligence at Work” examined emotional intelligence in the workplace. Through comparative analysis of three groups of professionals (Doctors, Engineers and Teachers) they revealed that there is marginal difference in emotional intelligence of the three groups and their emotional intelligence is not affected by profession.

Deepa, R. (2009) consolidates the research activities on EI in four areas namely Conceptualization, measurement, Impact, and development, and concludes with directions for future research for adapting this concept to Indian Context.

Peter Taylor (2009) has provided tips and techniques for applying emotional intelligence to various scenarios. All of these techniques have application in negotiations and supplier development. They are also essential in leadership and coaching. People respond much better to those who treat them with honesty, respect and civility.

Karen Albertsen, et.al(2009) examined the psychosocial work environment predicted symptoms of cognitive stress in knowledge workers and whether performance-based self-esteem had a main effect, over and above the work environmental factors. Performance-based self-esteem was prospectively associated with cognitive stress symptoms and had an independent effect above the psychosocial work environment factors on the level of and changes in cognitive stress symptoms.

Krishnaveni, R., & Deepa, R. (2008) explained how Emotional Intelligence (EI) can be used as a soft tool, to enhance the competencies of individuals and teams in Indian organizations and help them to gain competitive advantage.

Lorenzo, Fariselli, et.al (2008) elaborated on

the first finding to identify the differences of effect in seniority (for the most senior employees the effects are strongest) to which specific emotional intelligence competencies are most significant in this context.

Dong, Qingwen (2007):- revealed that self-esteem does not have significant impact on college students' interpersonal communication satisfaction. This finding raises possibilities for further investigation in the area. Limitations and suggestions for future studies are provided **Rajendran, Diana** et.al (2007) revealed that EI tests need to undergo cross-cultural examination to assess their validity and cultural relevance. Researchers using Indian workplace samples are needed to evaluate the predictive validity of tests of EI in the Indian context.

Singh, Kavita (2007) suggested that emotional intelligence is significantly related with the personal competencies of employees and the variables of personal competency namely, people success, system success and self success have a predictive relationship with emotional intelligence. **William L Weis, David W Arnesen** (2007) reviewed the current state of EQ training and offers an outline for changing EQ attributes based on a course developed for graduate business students at Seattle University.

Wakeman, Chris (2006) revealed that motivation helps the individuals to define new and improved methods of completing a certain task or performing a job and creates loyalty among the individuals. It is also found that social skills allow the individuals to come close to their peers and subordinates and understand their emotional needs.

Timothy Tumer (2006) examined the relationships among employees' emotional intelligence, their manager's emotional intelligence, employees' job satisfaction, and performance for restaurant franchise. They predicted and found that employees' emotional intelligence was positively associated with job satisfaction and performance.

Brown, F. William et.al (2006) reviewed the components of emotional intelligence. To conclude the review, the role of the emotional intelligence in mental health is discussed and avenues for further investigation are suggested.

Kevin McGuiness, Bauld, Stephen (2006)

identified some of the critical elements of an Emotional Intelligence (EI) training program, explain their importance, and discuss their relationship to other training efforts. The paper found that the trainer should explain how the program information will relate to overall organizational strategy, and how participants will achieve at a high potential, and demonstrate drive, commitment and initiative in the performance of their day-to-day responsibilities.

Joni Rose (2006) Employers no longer just look for a set of industry related skills. They look for leadership potential and that includes a high level of emotional intelligence (EI). Being aware of your emotional triggers and why they trigger you is key to practicing emotional intelligence principles. Emotional triggers are events or personality types that cause an intense emotional response. It is crucial to your professional development that you deal with these triggers head-on. They can cause major career derailment, severe stress and emotional burn out if not taken seriously.

Joshua Freedman,et.al (2005) revealed that emotional intelligence (as measured by the SEI) is an essential element for professional and personal success. Navigate Emotions: learn from and transform feelings Increase Optimism: identify multiple options for changing the future Engage Intrinsic Motivation: build internal energy and drive:-Increase Empathy: respond appropriately to others' feelings, Pursue Noble Goals: align daily choices with principles and purpose.

James Thomas Kunnanatt (2004) revealed Multinational corporations and the world's giant industrial groups are realizing that emotions play an equally important role as intelligence in enhancing employee performance. Management practitioners all over the world, however, are only beginning to understand what EI is, how EI develops in a person, and what tools, techniques, and methods are available to develop emotional intelligence.

Lennart Sjöberg Elisabeth Engel berg (2004) found that EI measures - both self-report and performance - inter correlated as expected, and that EI was strongly related as expected to criteria. People high in EI reported less loneliness, less Internet addiction and better work/studies - leisure/family balance.

Douglas, Caesar et.al (2004) investigated

whether the relationship between conscientiousness and performance is stronger for individuals who are high on emotional intelligence. The results of hierarchical moderated regression analyses supported the hypothesis by demonstrating that the relationship between conscientiousness and work performance is positive for individuals high (versus low) in emotional intelligence.

Research Methodology

This research is based on secondary data. Articles from various sites, books, journals are analyzed from existing reports and working paper series.

Findings of study

The review of literature shows that there is a positive relation between the EI and performance of employees. Emotionally intelligent organization can be made through organizational strategies, self awareness and self management tools, through leadership skills, development programmes. Age has an impact on EI, because most of the employee's falls in the age group of 20 -30, were having high scores of emotional intelligence. Individuals who are having high EI have the following characteristics: Understand diverse worldviews and are sensitive to group differences, Are attentive to emotional cues and listen well, Detect crucial social networks, Deal with difficult issues straightforwardly, Listen well, seek mutual understanding, and welcome sharing of information fully, Foster open communication and stay receptive to bad news as well as good.

Hence we can say that emotionally intelligent employees have an impact on their performance and perform well in organizations. These people are more emotionally stable and able to express their emotions, motivated, empathize with other and have good social skills. To perform well all the responsibilities in the workplace social and emotional skills are important, only then one can perform well and can take work out of the others.

Recommendations

As now-a-days, an individual is exposed to many cultures and influenced by many things. Organizations earlier used to give tangible benefits to the internal / external customers, these days customers are looking for fulfillment of their emotional needs. Organizations in a long run to

maintain customer loyalty, need to take care of employees emotional needs and behave empathetically. Therefore organization should pay attention towards emotional needs of employees.

Organizations should choose those employees who are having a high level of emotional intelligence. Because these people are more emotionally balanced and have better understanding of every situation and can perform well in situations of stress, happiness, anger, love etc.

Employers should check periodically the level of EI to provide them feedback and get better performance out of them. Because when there is a effective communication between the two sides better will be the results for both the parties hence increased productivity and performance.

Organizations should give training to employees to improve their EI, because EI can be learned at any age and at any time in life, it is not an inborn characteristic.

EI techniques should be used to enhance the reasoning of employees.

Those companies who will be using EI, they'll remain successful in the future, because the workforce will be emotionally more stable and can handle under every situation.

Individuals who are having lower level of EI they should work to improve this and it can result in understanding better your emotions and managing them and it will be helpful in workplace and as a result the performance of an individual will be increased.

Conclusion

The present study has produced some important results that have implications for both research and practice. The study found that emotional intelligence has an impact on the performance of employees and it can be developed for achieving higher employee productivity and to enhance the image of the organization. This has implications for management, suggesting that organizations could be profitable by identifying the level of emotional intelligence of employees and apply interventions that are focused on the developing emotional intelligence among the employees. EI is associated with better performance in the following areas: *Participative*

Management, Pulling people at Ease, Balance between personal life and work, Straight Forwardness & Composure, Decisiveness, Doing whatever it takes, Adaptability, Confronting Problem Employees.

Most of the organizations are nowadays taking those employees who are emotionally intelligent, so that they can face the workplace problems easily and they can become more productive for the organization. Emotionally intelligent organization can be made through organizational strategies, self awareness and self management tools, through leadership skills, development programmes. So it has been concluded that emotional intelligence is linked at every point of workplace performance and it is of utmost importance nowadays.

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LABOUR WORKING CONDITIONS IN SUGAR INDUSTRY WITH SPECIAL REFERENCE TO UTTAR PRADESH

Mr. AJIT DHAR DUBEY*

Abstract

Working conditions of the business unit generally contributes significantly in enhancing the productivity of the labour and it also helps in reducing the labour turnover. Experiences suggest that the business units having healthy working conditions are always more sustainable than that of units lacking healthy working condition. It is against this backdrop, an attempt has been made in this paper to discuss the labour working conditions of sugar industry in India in general and Uttar Pradesh in particular and which vary from being satisfactory to highly unsatisfactory. The more recent installations have no doubt paid considerable attention in relation to matters concerning layout, light, ventilation, heat, conservation, cleanliness and drainage. The management of several other units, which, though not so new, in the process of expansion of their plants, have given due attention to these aspects. To this, there are many old units which had unplanned haphazard expansions or modifications with scant regard to the labour working conditions. This is directly relevant to the policy of Inclusive Growth model, as the invisibility and neglect of work often combine with a common perception of the need to reduce work.

Keywords: Growth, Worker, Management, Planning, Conditions, Policy.

METHODOLOGY

This study examines the status of decent work in terms of the Provision for working conditions in sugar industry. The indicators adopted to examine the working conditions are the actual working hours of the employees, voluntary or involuntary overstay at the workplace, and the frequency of work done on weekends/holidays. The selection of these indicators has an underlying logic in consonance with the basic Philosophy of decent work, which attempts to measure the gape between sufficiency and desirability, that is, between the Actual and the recommended level of work. The number of working hours should not exceed 8 hours per day/48 hours per week for any adult as per the Labour Bureau, Ministry of Labour, Government of India. Overstay at the workplace, whether voluntary or involuntary, is detrimental for the Physical and mental well-being of an employee, and should be regulated by the organization as pointed. The frequency of weekend/holiday work not only shows that there is an excessive burden of work on the employees but may also indicate the prevalence of an unfair practice in the Sugar Industry wherein excessive work/overstay may be used as performance indicator by the company and decisive factor for finalizing their annual increments, bonuses, as well as probations!

1. Sampling Design

The study is based on a sample of 100 Uttar Pradesh sugar industry employees. It relied solely on the primary data collected through a well-designed questionnaire as well as telephonic

interviews. Since this is an exploratory study, the target population (comprising sugar industry employees) has been selected and addressed on the basis of snowball sampling, which is one of the methods of purposive and non-random sampling. The choice of this method has been guided by the following two major considerations. (a) The responses derived on the basis of the sampling method are free of any influence/scrutiny from the employer's side. (b) The findings are also free from any bias on the part of the researcher. Since the objective of the study is to assess the decent working time provision by sugar industry, it was important to ensure a level of trust and freedom on the part of the respondents in order to arrive at unbiased result. Questionnaires were sent by emails and forwarded further with personal requests. However, informal and indirect requests for the filling of the questionnaire led to some disproportion in the male-female ratio or size of company due to the use of the snowball sampling method.

2. Techniques of Data Analysis

The techniques of data analysis used for this study have been guided by inductive logic. Being a theory-independent approach, intuitivism relies on observations to draw conclusions in research. The inference drawn on time-related issues pertaining to decent work are based on the qualitative and quantitative data collected through the administration of questionnaires. The responses were compiled, coded and normalized for each indicator associated with decent working time. A

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standardized process of index construction has been adopted to develop the 'Decent Working Time Index' for each sample unit. The formula used for normalization is the following standard formula [also known as the rang equalization method (REM)] adopted by UNDP and ILO in their earlier surveys and studies: (Actual value-Minimum value)/(Maximum value-Minimum value)

“The lowest value 0 has been used as an indicator of decent work and any value higher than 0 shows the extent of decent work deficit.”

It is important to note that 'decent hours' have been proposed as one of the eleven indicators of decent work in ILO. In view of the selection of the respondent on the basis of snowball sampling, a question may be raised about the validity and reliability of the results, and it may be argued the due to the element of chance factor in the selection of the respondents, the results are unscientific and of limited application. Hence, the chi-square test was applied to test the validity of 'decent working time' (as an indicator of decent work) and the validity of result. It is a non-parametric method used to rule out the element of chance/coincidence in the results achieved. A statistically significant chi-square value denotes the degree of confidence in ascertain that the results obtained are systematic in the larger population and not attributable to any random error. Another test of coefficient of correlation, r , was also applied to assess the magnitude of the association between two defined ranges in the sample results.

RESULTS AND DISCUSSION

1. Decent Working Time Is a Valid Indicator of Decent Work

The application of the chi-square test led to the conclusion the 'decent working time / decent hours' is a statistically significant indicator of decent work. The non-parametric test for coefficient of correlation (r), which is a powerful test of significance, helped in the computation of a higher value in this case (0.84), which endorses that the indicator and the sample are highly representative of decent work status. These findings provide a firm ground for the analysis of the result and assessment of its implication for the sugar industry employees.

2. Index Results

Since the employees are commonly seen to work for longer hours and on weekends/holidays, these issues have been rigorously examined in this study. The following criteria were used to assess the provision of work performed in 'decent hours'.

- (i) **Number of Hours:** A working routine of eight hours is considered decent and the number of hours exceeding this figure shows the extent of deficit in the decent working time. The study has revealed that only 19 percent of the employees actually worked for eight hours, while 66 percent of the respondent's workers for 8-10 hours, 10 percent for 10-12 hours, and 4 per cent for more than 12 hours. These results clearly indicate the prevalence of a deficit in the decent working time.
- (ii) **Reason for Overwork:** An employees work for longer durations either voluntarily or due to economic reasons: if an employee overstays at the workplace voluntarily, that is, due to his own interest in the project-work, it does not account for a deficit in the decent work provision, though it still amounts to 'overwork'. However, if the overstay is the result of work pressure, the expectation of extra income or because of the directions of the higher authority at the workplace, then it is due to economic reasons and accounts for a deficit in decent working time. It was found during the course of the study that 49 percent of the employees overstayed at their workplace due to their own interest in project works, 2 percent did so in an effort to earn an extra salary, 37 percent to avoid work pressures, and 11 percent because they had been directed to do so by their managers/team leaders.
- (iii) **Frequency of Work on Weekends/ public Holidays:** this is also an indicator of heavy workload in any industry. During this study, it was found that 18 percent of the employees did not work on weekends/holiday though 72 percent worked once/twice a month, and 10 percent of the employees had to work on almost every weekend. This rustle also implicates that sugar industry employees are subjected to work pressures.

After being coded and normalized for each of the above sub-indicators, the responses were aggregate to formulate the Decent Working Time Index (see Table 1).

The result of the index can be seen in a diagrammatic form in Figure 2.

The tabular format has been converted into a chart in Figure 2 to facilitate a clear understanding of the rustles. The chart shows a skewed ration sugar industry employee, particularly.

Table 1
Decent Working Time Index (DWTI)

<i>Range for DWTI</i>	<i>Percentage of Employees</i>
0	8
0-0.1	0
0.1-0.2	6
0.2-0.3	23
0.3-0.4	12
0.4-0.5	30
0.5-0.6	6
0.6-0.7	8
0.7-0.8	5
0.8-0.9	1
0.9-1.0	1
<i>Total</i>	<i>100</i>

SOURCE: Based on primary survey.

Figure 2
Decent Working Time Index

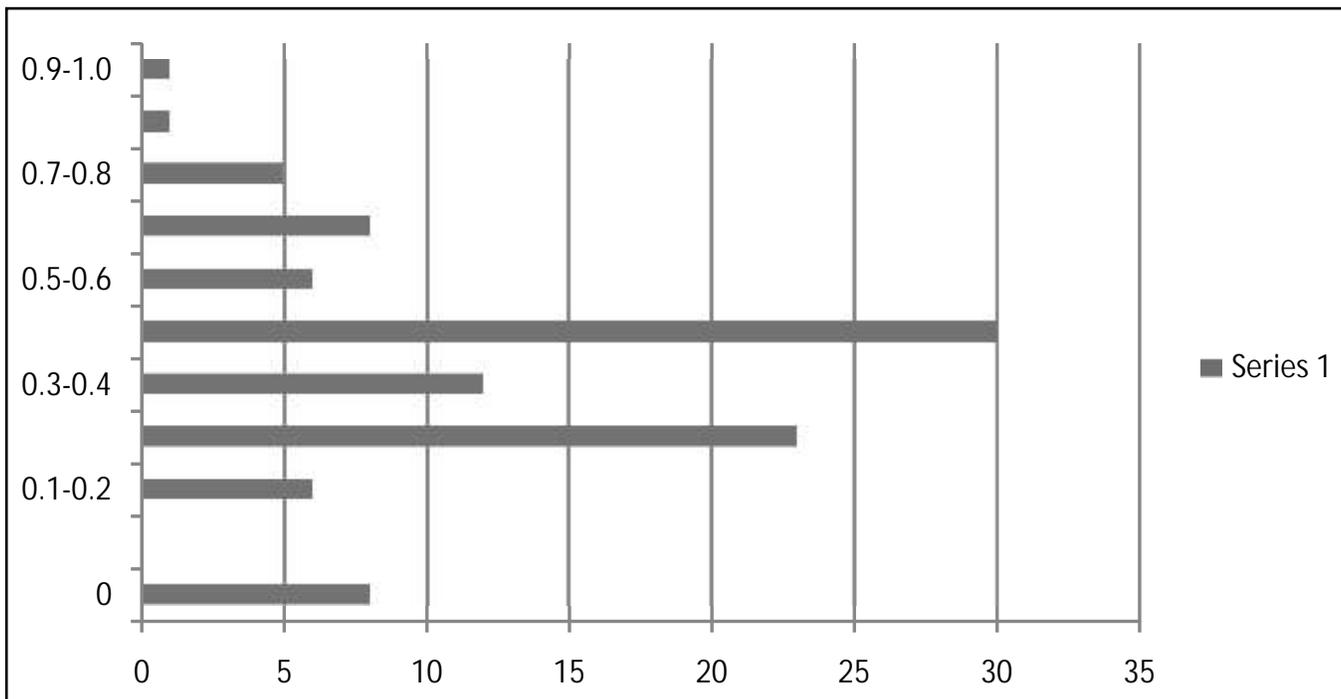


Table 3 Socio-demographic Profile of the Sample	
Socio-demographic Dimensions	Percentage of Employees
<i>Gender</i>	
<i>Male</i>	86
<i>Female</i>	14
<i>Marital status</i>	
<i>Single</i>	53
<i>Married</i>	47
<i>Age group</i>	
<i>18-25</i>	09
<i>25-30</i>	61
<i>30-35</i>	15
<i>35-40</i>	15
<i>Background</i>	
<i>City</i>	41
<i>Towns</i>	50
<i>Rural areas</i>	09
<i>Geographical location</i>	
<i>India</i>	85
<i>Abroad</i>	15
<i>Size of the Sugar Industry</i>	
<i>Large</i>	82
<i>Medium</i>	15
<i>Small</i>	03
<i>Source: Primary survey</i>	

In the 0:2–0.5 index ranges .The heighest percentage (30 per cent) of employees was found in the index range of 0.4-0.5 and 23 per cent of the employees were found to be in the 0.2-0.3 range. The proportion of people in the range signifying decent working time provision was only 8 per cent. What does this imply? It shows that a majority of the Sugar Industry employees actually work longer on any given day and that their work-cycles are unaffected by any upsurges from the demand side. It also leads to the conclusion conclusion that flexi-time is a synonym for 'longer working hours' in the Sugar industry. The lowest percentage of employees was in the index range of 0.8-1.0 (2 per cent). If for academic interest, the status of decent work is further sub divided into three categories, that is 0, 0-0.7, and 0.7-1, then the result are worth nothing (See Table 2).

As is evident from Table 2, 85 per cent of the sugar industry employees in the sample were found to be facing a higher defic sugar industry in decent in decent time provision by their respective employees. It also signals that vicious circle of longer working hour is bound to affect the professional and personal lives of these employees. The significant questions emerging from results are as follows:

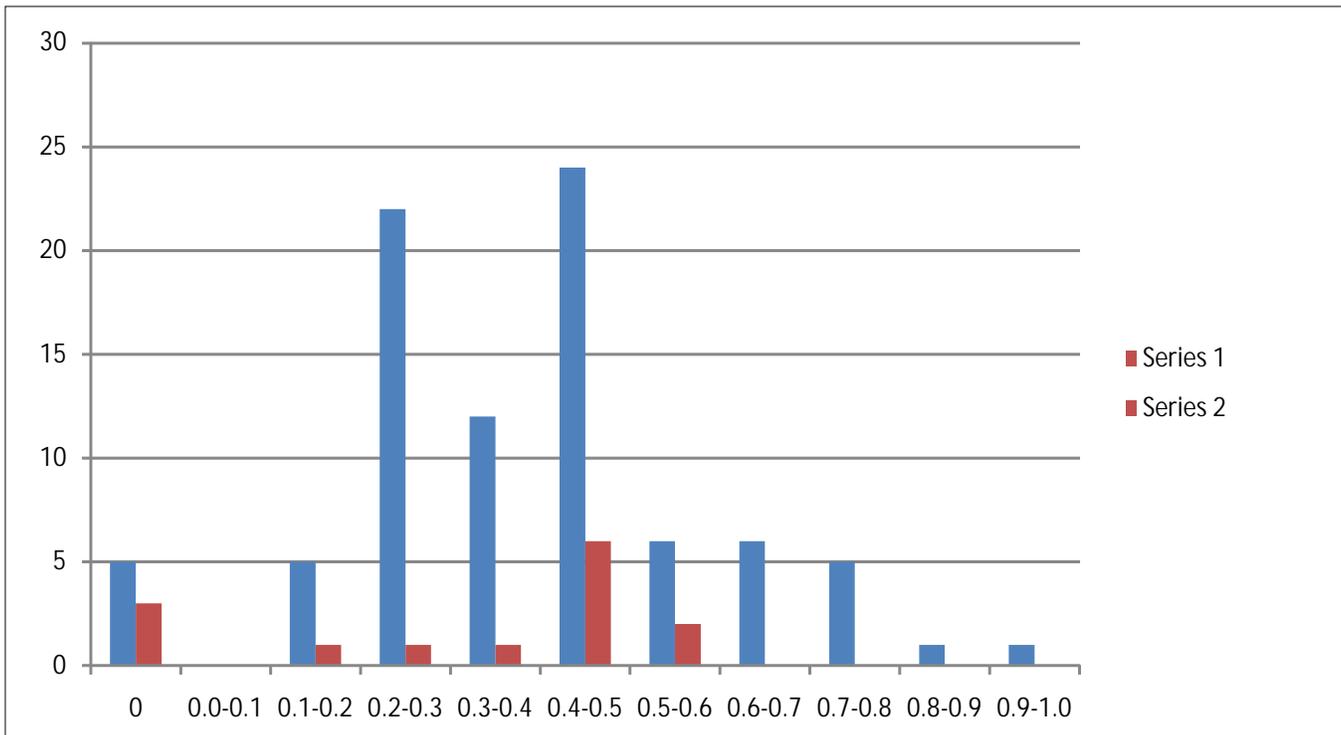
- (A) Is the global development of the sugar industry in India taking place at the cost of the comfort and right of its employees?
- (B) Is the trade off between development and decent work provision a myth or a reality?
- (C) Is the impact of longer working hour on sugar industry employees equally distributed across all socio-demographic dimension? Or is the burden of wok being more by a few categories of employees than the others?

The last questions has been effectively dealt with in the study, as the sample result were studies across six socio-demographic dimensions, viz. gender, marital status, age group, employees background, geographic location, and size of the company.

Table 4
Gender-wise distribution across Sample

<i>Range of Decent Working Time Index</i>	<i>Male (%)</i>	<i>Female (%)</i>
0	5	3
0-1	81	11
<i>Total Employees</i>	86	14
<i>Source: primary survey.</i>		

Figure 3 Gender Distribution



Result as per the Socio-demographic profile of the Sample

(i) **Gender wise Distribution:** Due to the use of snowballing, the gender profile of the respondents was found to be disproportionate. The sample consists of only 14 per cent of female employees. The finding revealed the dominance of male employees in the Sugar Industry sector. The result for the decent working time index as per the gender distribution of sample have summarised in Table 4 and figure3.

The study found that only 5 per cent of the male and 3 per cent of the female employees have values in the range of decent working time. It was also

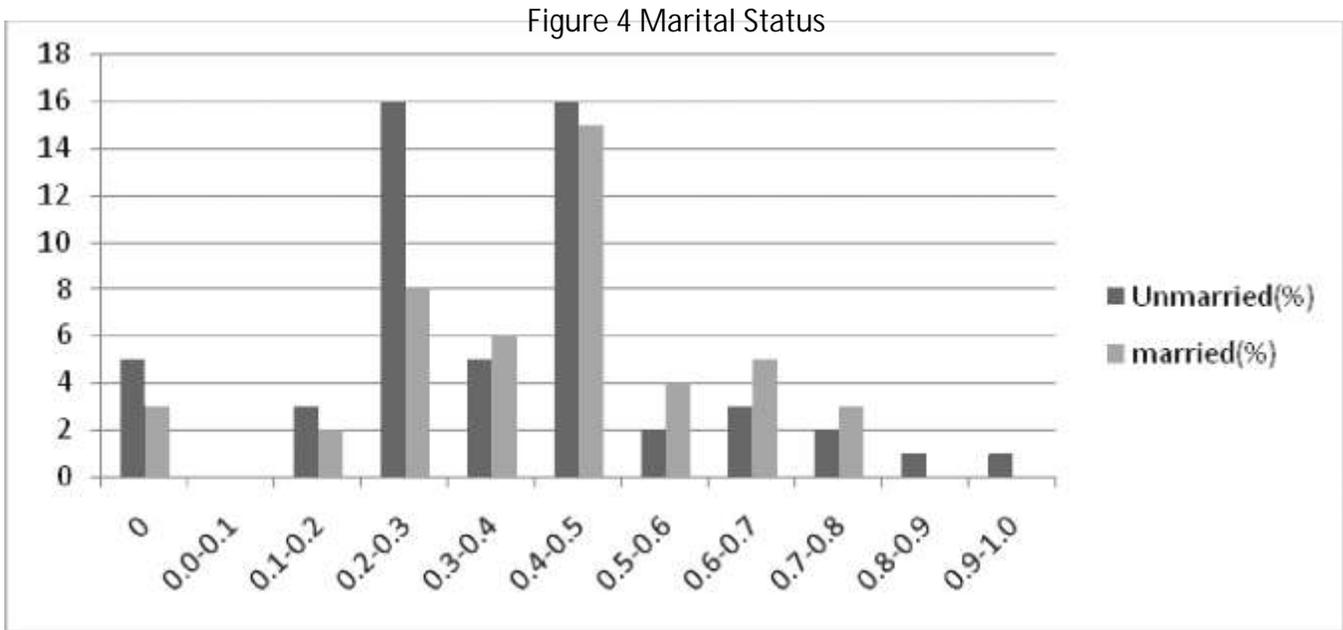
observed that 92 per cent of the employees, out of which 81 per cent were male and 11 per cent were female employees, faced a high deficit in the provision of decent working hours with their values being in the range of 0-1. This indicates that the gender of an employee is not a significant issue for the employer in the provision of decent working time.

(ii) **Marital Status:** The marital status of an employee has an important bearing for a study on decent because certain key issues like work-life balance and stability of work are expected to have differential impacts for the married and unmarried employees.

Table 5
Distribution of Sugar Industry Employees as per Marital Status

Range of decent Work Index	Married (%)	Unmarried (%)
0	3	5
0-1	44	48
Total	47	53

Source: Primary Survey



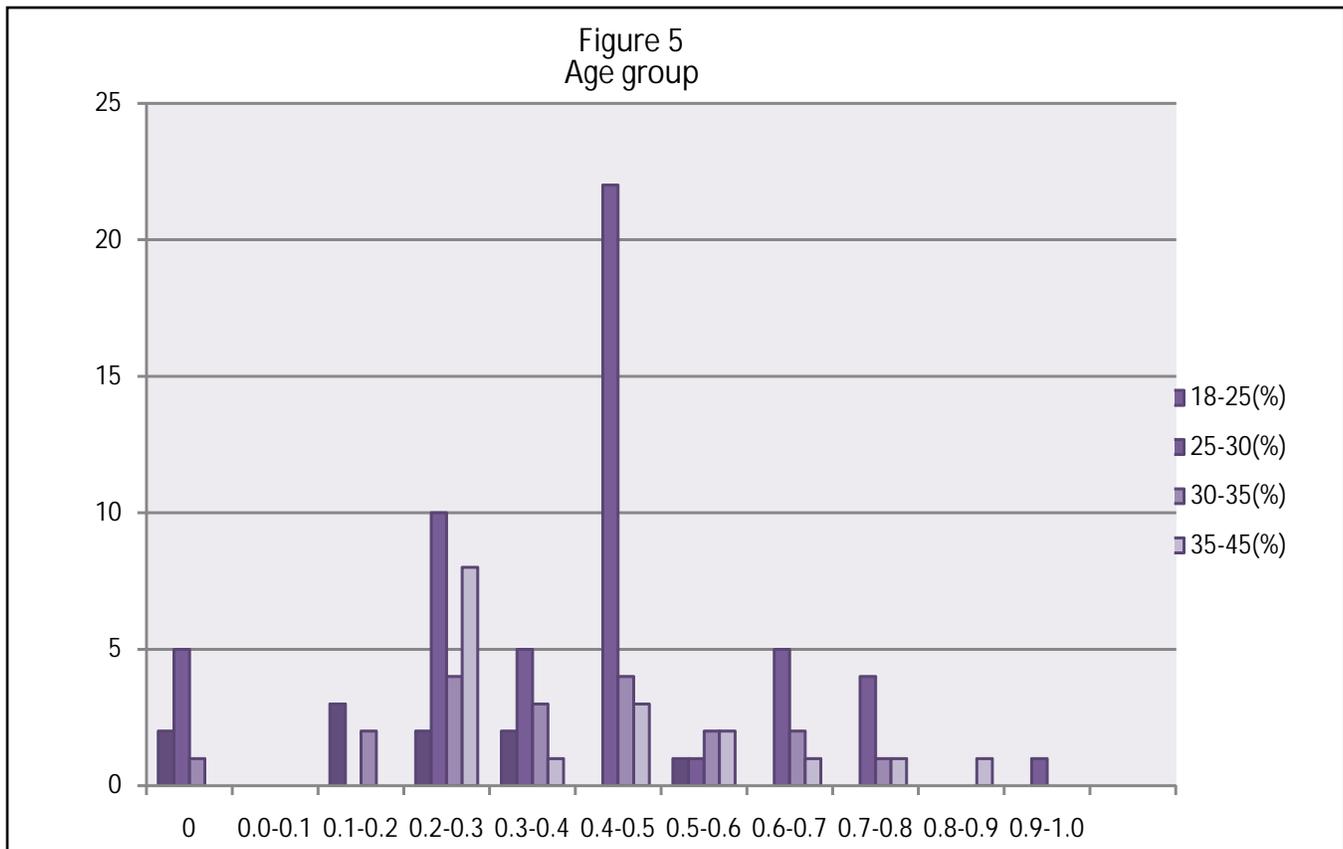
In the studied, 53 per cent of the employees were unmarried while 47 per cent were married. The decent work index showing the distribution of the employees on the basis of their marital status is depicted in Table 5 and Figure 4.

The values of unmarried employees were found to be skewed around the range 0.2-0.5, indicating that they were working for unusually longer hours. On the other hand, even married employees were found to be in caught in relatively similar circumstances with their consistent rise in values being away from 0. Another striking feature was that the proportion of married employees outnumbered the unmarried ones in the 0.5-1 index range. To sum up, the marital status of Sugar Industry employees reflected an unevenly distributed pattern in the decent working time index.

(iii) **Age Group:** A peculiar feature of India's Sugar industry has been the employment of a labour force of a relatively younger age-group. An analysis of the industry on the grounds of decent work indicates that changes occur in it as the work experience of the employee's increases. In the study sample, 10 per cent of the employees belonged to the age-group of 18-25 years, of which 3 per cent were females. A majority of the sample (53 per cent) fell in the age group of 25-30 years. Among the rest, 20 per cent of the employees belonged to the age group of 30-35 years and 16 per cent to the age group of 35-40 years, while the remaining 1 per cent belonged to the category of above 40 years. The age-wise classification of the sample in the index shows some surprising results (see Table 6 and Figure5).

Table 6
Age-wise Distribution of Employees in the Index

Range of Decent Work Index	18-25(%)	25-30(%)	30-35(%)	35-45(%)
0	2	5	1	0
0-1	8	48	19	17
Total	10	53	20	17
Source: primary survey.				



It was found that employees in the age group of 25-30 years had a relatively higher proportion of decent work provision on all the index ranges vis-à-vis those in the other age groups. In the index range of 0.4-0.5, employees in the age group of 25-30 years occupied relatively the highest share, which clearly shows the burden of work being borne by them. Given the nascent stage of the industry and the preference it exhibits for the recruitment of young professionals, the burden of work inevitably falls more on employees in the age group of 25-30 years. Why is this so? The answer is that this age

group comprises employees with experience of 3-8 years. In all likelihood, therefore employees in this category are not only young and dynamic but also better-skilled and experienced enough to manage client relationships, and solve technical problems speedily. Further, a majority of them are likely to be unmarried and thus willing to re-locate and work for longer hours (if required) in their attempt to stabilize their careers and gain promotions for taking on higher responsibilities. Nevertheless, the burden of work on employees of this age group constitutes an important issue of concern in the

Sugar industry, largely because of the probable impact of longer working hours on the personal lives (work-life balance) and health status of these employees.

(iv) **Background/Native Place:** The background/native place of a respondent is also an important criterion, as it reflects either the advantage he derives from being a local resident, or his mobility and readiness to re-locate for work. Generally, professionals in the Sugar industry are found to have urban backgrounds. In this study too, 39 per cent of the employees came from a

metropolitan city. Among these, 54 per cent came from townships while the remaining 7 per cent of the employees had rural backgrounds. This variation is also the result of the fact that Sugar Industry are now setting up businesses in both two-tier as well as three-tier towns.

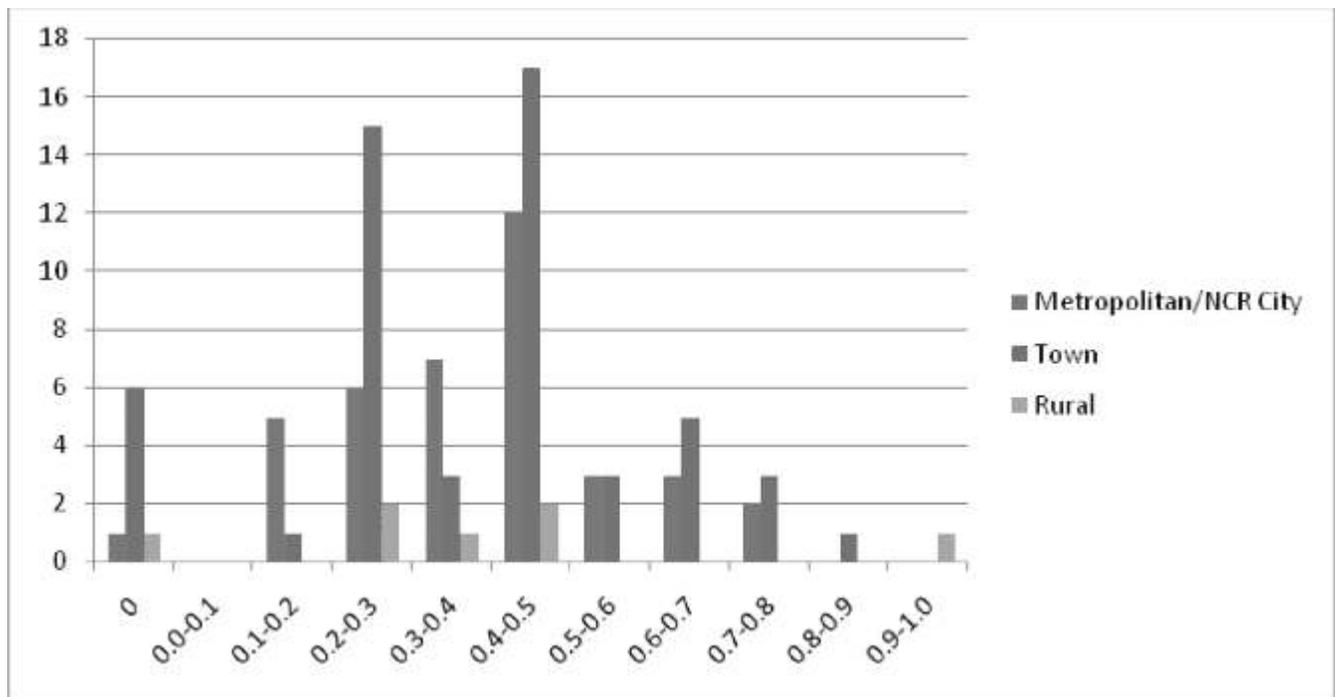
During a background wise analysis of the employees undertaken in the course of the study, it was found that 35 per cent of the employees with a township background fell in the index range of 0.2-0.5. In addition, 12 per cent of the employees, who had

Table 7
Results of the Index as per the Employee's Background/Native place (%)

Range of Decent Work Index	City	Town	Rural
0	1	6	1
0-1	38	48	6
Total	39	54	7

Source: Primary Survey

Figure 6
Employee's Background and Native Place



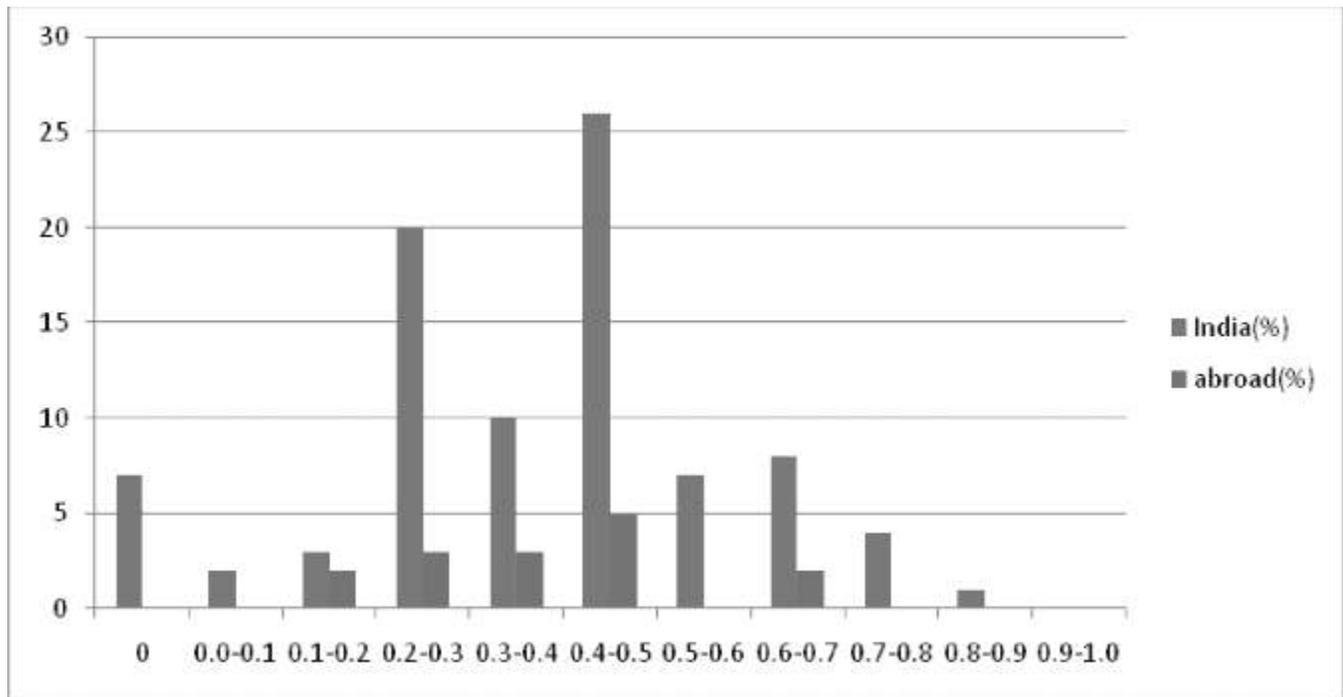
Metropolitan/NCR backgrounds were skewed in the range of 0.4-0.5. Employees with a township background were seen to have relatively higher shares in a few index ranges. To sum up, the result

indicates the all employees, in general, and those with township backgrounds, in particular, work for long hours on a regular basis.

Table 8
Results of the Index as per the Employee's Geographical location

Range of Decent Work Index	India (%)	Abroad (%)
0	07	00
0_1	78	15
Total	85	15
Source: Primary Survey.		

Figure 7
Geographical Location



(v) **Geographical Location:** The geographical location in this study pertains to the native country of the employees or a foreign country. The underling for this profile was to ascertain whether a change in geographical leads to a better provision of decent working time. It was found that 85 percent of the respondents were residents of India, while the remaining 15 percent were working on-site abroad.

The geographical location in terms of the country of residence of the Sugar Industry employees did not seem to lessen the work-load, as employees working both in India as well as abroad were found to be skewed in the range of 0.2-0.5, denoting longer working hours at their working place. Another startling result was that not a single

employee engaged abroad was working as per decent hours.

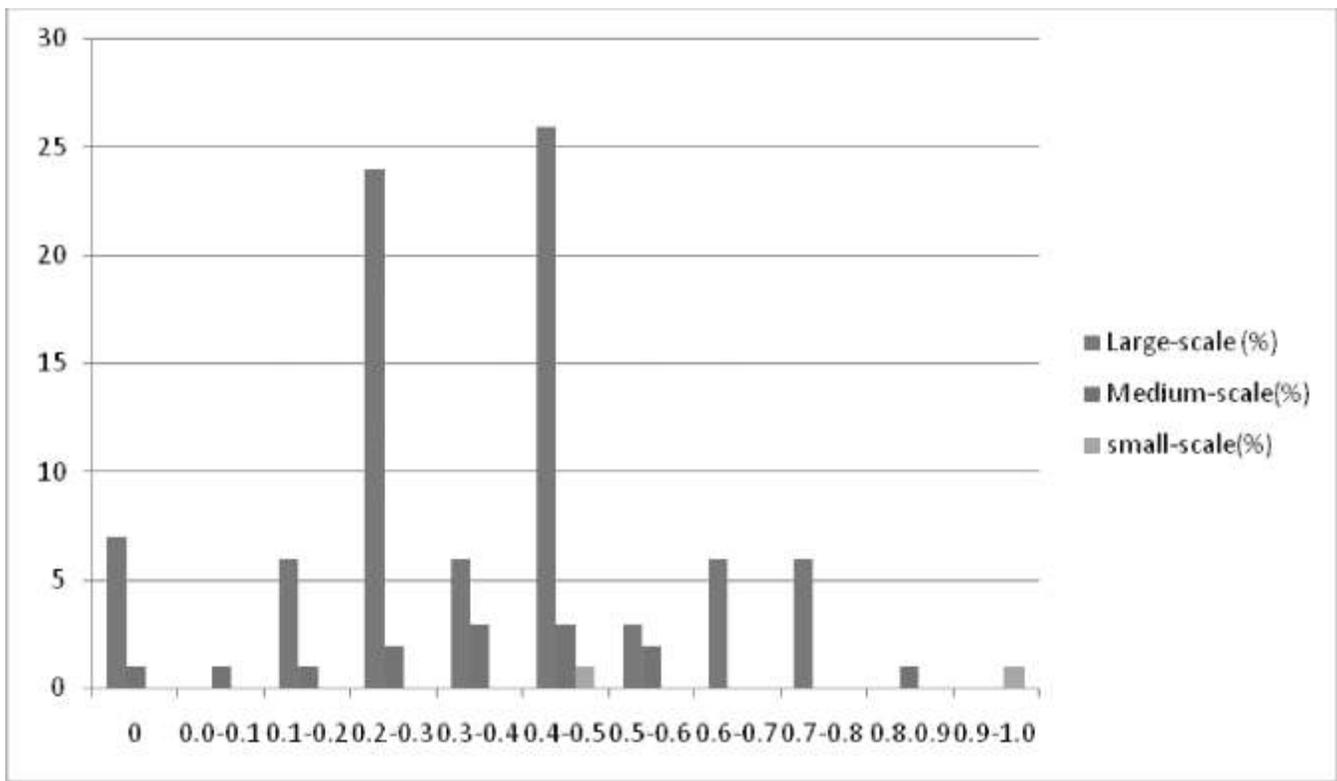
(vi) **Size of the Company:** The size of an employee's company is a major determinant of working conditions. A larger company is assumed to provide better conditions of work vis-à-vis medium-scale and smaller companies. A firm is considered to be large if it employs more than 500 persons, medium if the employment size is 50-500, and small-scale if the employment size is less than 50 employees. In the sample, 83 per cent of the employees were found to be working in large-scale Sugar Industry firms, 15 per cent in medium-scale firms, and the rest 2 per cent in small-scale firms. The data pertaining to the geographical location of the Sugar Industry employees are depicted in Table 9 and Figure 8.

Table 9
Result of the Index as per Size of the Employee's Company

Range of decent work index Employees)	Large-scale (% of	Medium-scale (% of	small-size (% of Employees)
0	7	1	0
0-1	77	13	2
Total	84	14	2

Source: Primary Survey.

Figure 8
Size of Company



Employees working in the large-scale companies were found to have a comparatively higher deficit in working hours with regard to decent work, as the values applying to 56 per cent of these employees were skewed in the range of 0.2-0.5. Such a deficit in the provision of decent working time from the employer's side. Thus, the fact that a Sugar Industry may be a large size does not lead to-decent working conditions in the industry.

4. Validity of the Results

The application of the chi-square test method

as a test of independence resulted in the acceptance of the null hypothesis (H_0). Here the null hypothesis was:

H_0 : Results of the decent working time index are independent of their defined ranges, that is, 0 for the decent work, and 0.1-1 for, the extent of decent of the work provision.

The computed chi-square test value was found to be very high (70.56). This successfully points to two conclusions. Firstly, the observed results of the decent working time index are independent of their defined ranges, and secondly, it reconfirms the fact

that decent hours constitute a statistically significant indicator of decent work.

The chi-square test was also applied to test the validity of the results on the socio-demographic dimensions of the sample, and it was consequently found that the various factors considered including gender, material status, age group, background/negative place, geographical location, and company size are independent of the scale/range of decent working time are uncorrelated, that is, they have not due to a coincidence/chance.

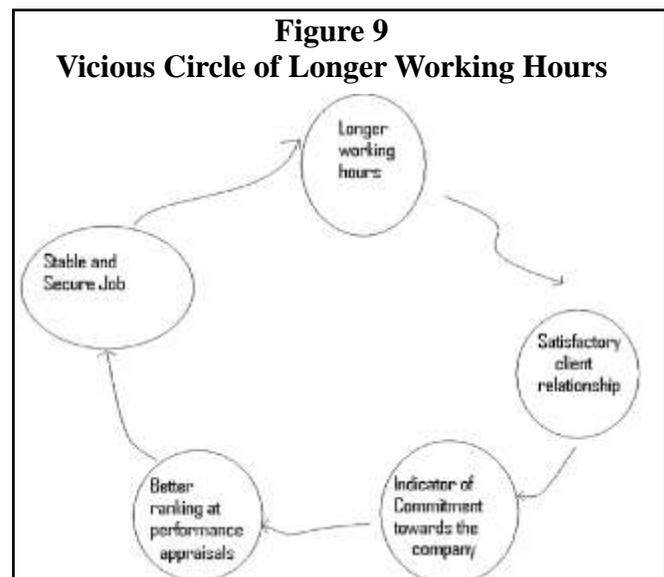
CONCLUSION AND POLICY IMPLICATIONS

The study reveals the Sugar industry in India substantially falls short of the provision of ensuring decent working time for its employees. A majority of the Sugar Industry employees surveyed reported working for longer hours as a regular part of their job. The consequence of working hours at that workplace, that is, a deficit working time provision, is profound and has inter linkages with many dimensions of an employee's life. It also has a tendency to negatively affect the balance between the professional and personal lives of the employees. In addition, an employee's extraneous work effort such as longer working hours is an indirect way of establishing and securing his or her right and securing his/her current job. A focused analysis across six dimension revealed that the deficit in provision of decent work is relatively higher for employees belonging to the 25-30 year age group, metropolitan/township backgrounds, and large-scale companies. One of the starting findings of the study was that 80 per cent of the employees in the sample reported working for more than eight hour per day. Another major employees in the sample reported working for more than eight hours per day. Another major finding was that 72 per cent of the respondents reported working on weekends/holidays. A major issue examined in this study was as whether the 'over-work' done by the employees was due to self-interest, the desire to earn an extra income, or work pressures. It was found that while 49 per cent of the employees reported self-interest as the reason for 'over-work', only 2 per cent claimed to be doing it for earning an extra income and 48 per cent of the employees did so due to work pressures.

What could be the reason and implication of 'voluntary work', that is, work done due to self-interest or realistically 'voluntary over-work', in an

Sugar industry? Can it be a part of decent over provision? A deeper analysis is needed to arrive it an answer. A glance at the history of economic thought may hold the clue. The classical economists postulated that human behavior is driven by self interest for either economic or non-economic reasons. Employees who indulge in over work voluntarily report a relatively higher share in this study. Voluntary work is apparently a non-economical reason for over-work. However in an industry where the type of employment is contractual and not governed by labour regulations, voluntary work/ work due to self-interest is a wrong contender for ensuring stability and appraisals of its employees on an annual basis. Longer working hours are put in by employee are often seen as an indicator of a high level of commitment towards work on their part, and such employees are, therefore, given a higher rating.

The result of the Decent Working Time Index (DWTI) in this study revealed that 92 per cent of the Sugar Industry employees face work deficit in the decent working time provision, which corroborates the findings of the other researchers; particularly Boulin, Landers, and Schor, that workers often participate in a workplace game under in which working hours accept as the 'rule of the game' have shown that the promotion criteria which favour longer working hours result in the 'rat race' among employees to put in longer hours, and at the same time, the penalization of workers who put in prefer shorter hours of work. A closer look at this issue actually hints at the formation of another vicious circle (see figure 9).



The policy implications of the vicious circle portrayed in Figure 9 are profound. It directly nurtures the roots of work-pressures in the competitive, lawfully exempted, and not-so-employee friendly labour market of the Sugar industry. Therefore, deficits in the decent working time provision have a bearing on the role of the strategists and management of the industry, on one hand, and the policy-makers and law regulation authorities, on the other hand.

Firstly, it needs to be assessed whether the longer working hours that employees voluntarily put in at the workplace help them in their stabilizing and securing their current jobs. A positive answer to this issue is bound to indicate the absence of a decent work provision in a developing country like India. It also highlights the fact that the plight of a Sugar Industry employee is no less than that of an informal sector worker where an issue like job security is concerned. It also fosters criticism about the very existence of the concept of flexi time-work in the Sugar industry.

Secondly, it is important to examine whether the longer hours spent by the Sugar Industry employees at their workplaces for raising the productivity and profits of the company are commensurately accompanied by higher earnings to them. A longer work schedule for the employees without adequate compensation being paid to them is an indicator of a decent work deficit. The flexi-work, culture of the industry needs to be adapted in a way that the duration of working hours does not extend beyond 8-9 hours per day. Such a stipulated duration of working hours is accepted to lead to harmony in the work-life balance employees, thereby enabling them to spend more time with their families, societies, and self. Moreover, it would also minimize the impact of a strenuous work schedule on the health conditions of the employees.

Thirdly, it has been advocated that the stronger impact on an employee's job performance and hence on a firm's productivity is the worker's ability to choose the arrangement, which is often referred to as 'time sovereignty', and not a working time arrangement. It is very important to accord fair treatment to all employees on the performance

scale in order to reduce their voluntary over-stay at the workplace.

Lastly, an employee's –friendly policy ensures a family-friendly working time, leading to a variety of policy options, ranging from a collective reduction in full-time working hours to an individual's right to reduce and adapt his/her working time for family reasons. In accordance with the certification on the standardization of workplaces, it would be a human gesture to enforce a 'decent work' rating to the workplace itself, given its vast impact on the objective of safeguarding the humanity, society, freedom and dignity of a worker, who is after all human being.

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EVALUATION OF COMPETITIVE STRATEGIES FOR SUSTAINED COMPETITIVE ADVANTAGE

Mr. CHIRANTAN SEN*, DR. P.R. BHATTACHARYYA**

Abstract

In the present tech savvy era, when products and services get changed very fast due to intense marketing and promotional techniques, markets are finding it difficult to leverage the additional market space created by the existing customers and ready-to-move onlookers for different products and services. In pursuit of the above, attaining competitive advantage has become the prime focus of the organization vis-à-vis marketers to sustain in the market and grow further. The art and science of customer satisfaction involves strategically focusing on creating and reinforcing pleasurable experiences. Effective business focuses on creating and reinforcing pleasurable experiences so that they might retain existing customers and add new ones. This competitive advantage can be derived out of customer satisfaction which may be possible if the marketer is focused in delivering his promise in terms of products and or services. The stronger customer satisfaction may lead to customer retention, customer loyalty, and ultimately product repurchase. This satisfaction which the customer has derived out of consumption of a particular product can be evaluated on the basis of a primary data collected by interviewing people about different affective and cognitive attributes which are relevant in this context to measure the ability for assessing value for customer satisfaction. The study has been conducted with a sample size of 100 respondents using stratified random sampling method to identify the key drivers of satisfaction and the factors responsible in generating such satisfaction. This study has also generated two new key words in terms of satisfaction: quality improvement and renovation, other than differentiation strategy and competitive strategy.

Keywords: Competitive Advantage, Customer Satisfaction, Key Factors of satisfaction, quality improvement and renovation

Due to intense competition in the capital market with number of companies, offering different products becoming more intense. On one hand investor's decisions regarding investments getting restricted and on the other, companies are struggling to gain a competitive advantage out of this intense market. It's getting increasingly difficult to compete on the basis of price only (Wheelen L. Thomas & Hunger J. David, 2011). So, effective organizations are developing other ways to maximize profit as well as retain their loyal customer base. In this highly competitive market scenario Effective business focuses on creating and reinforcing pleasurable experiences so that they might retain existing customers and add new ones. Every organization is striving to create ways to make customer experience more realistic, efficient and effective. So, it becomes even more important to ascertain the customer satisfaction. Measuring customer satisfaction can provide organizations useful information about the customer loyalty and retention and also help them to evaluate the competitive strategy and find out key factors which create satisfaction or dissatisfaction (Anderson & Sullivan, 1992).

Research Rationale:

In current consumer oriented market where competition is highly intense, companies who are offering Gold investment plans perceiving it very difficult to attract customers with their core products (Kotler P, 2009). Gold has an aesthetic value in India, which makes it one of the largest importers of gold but due to current economic slowdown, people are looking for different investment options which can satisfy their wants. Due to CAD and increasing import figure, which is in quantitative terms, the imports of gold increased from 205 MT in April – July, 2012 to 383 MT in April – July, 2013, an increase by about 87%, in value terms, the imports increased 4 from Rs. 56,488 crore to Rs. 95,092 crore, an increase of about 68%. (www.economicstimes.india.com), Indian Govt. is discouraging the import of gold and has banned gold sales promotions in India. The import duty on gold has been increased from 8% to 10% to curb the import of gold (www.qualtrics.com). Our Finance Minister has encouraged people to invest in capital market rather than investing in Gold (www.economicstimes.india.com), which has made a great impact on the consumer's sentiment. Other than these

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aforementioned factors, some other incidents have wounded the trust of customers also. Some recent incidents of chit funds have weakened the faith of customers on non-governmental organizations (www.timesofindia.indiatimes.com). All these factors can be assumed as threats to the companies who are doing business in debt market. So to sustain in this current market scenario, it has become very important to find out the key factors which plays vital role in customer's buying decision and satisfaction (Zeithmal & Bitner , 2011). Analysis of those factors can depict a clear picture of consumer behavior. These factors can be drawn by analyzing Competitive strategies undertaken by the organization. Adoption of right competitive strategy at right time and right place will lead the organizations to achieve customer satisfaction and therefore a sustained competitive advantage.

Objectives of the study:

Broad objective:

From the review of literature and the study conducted to explore the research gap, the broad objective can be enumerated to analyze or probe how competitive advantage can be obtained and sustained after evaluating competitive strategies being undertaken by the organization.

The **Specific Objectives** which has been branched out of this broad objective are as follows

1. Factors influencing level of satisfaction.
2. To examine whether designed products are able to generate satisfaction in the mind of consumers.
3. To analyze whether the variables leading to brand resonance are closely associative or not.

Research Methodology:

The research was conducted using primary data of sample size of 100 respondents in and around Asansol in West Bengal.

Sampling Technique: Stratified sampling technique was used based on age, income and occupation. The justification of four different age groups was (i) below 20 years, (ii) 21 to 40, (iii) 40 to 59 (iv)above 60. The

justification of income groups was below a) 15000, b) 16000 – 29000 and c) above 30000. The sample was a mixture of different occupations, which were a) self Employed, b) Govt. Service, c) employed in private sector. The respondents were interviewed with a self-administered questionnaire.

The questionnaire was divided into two parts : Part 1 for demographic study consisting of questions pertaining to the respondent's demographic profiles, such as age, gender, marital status, educational qualification, occupation, employment sector and monthly income were asked and Part 2 having questions related to preference for investment, awareness of gold prices, gold products, other competitor's offerings, attitude of consumers towards company's image, and prioritization of key factors affecting consumer behavior towards systematic investment plans.

The secondary data used in this research were accumulated from websites, Journals, survey reports, research papers, and books and so on. The analysis was performed using SPSS 20.0. 6

Data Analysis & Interpretation:

Demographic Profile of Respondents: From table 1, the sample consumers have relatively higher ratio of male (87%) and female (13%). It is also evident from table 2 that respondents were mostly in the age group of 21-40 years (73%), 20% of the population was from age group of 41-59 years, 2% were below 20 years and 5% were above 60 years. Furthermore a majority of the population were married (55%) and 45% were unmarried which can be seen in Table 3. The respondents were predominantly Graduates (59%), Post-graduates (19%) and Under Graduate (22%), which signifies population was moderately literate (Table 4). With regard to employment status, the respondents were mix of self-employed (60%), employed in Govt. Sector (12%) and employed in private sector (28%), can be seen in table 5. The study had a majority of the respondents were earning less than 15000 Rs per month and 40% were earning between 16000-30000, while 14% of them were earning more than 30000 per month as per the table 6.

Table 1 :Gender

	Frequency	Percent	Valid Percent	Cumulative Percent
Male	87	87.0	87.0	87.0
Valid Female	13	13.0	13.0	100.0
Total	100	100.0	100.0	

Table 2: Age

	Frequency	Percent	Valid Percent	Cumulative Percent
<20	2	2.0	2.0	2.0
21-40	73	73.0	73.0	75.0
Valid 41-59	20	20.0	20.0	95.0
>60	5	5.0	5.0	100.0
Total	100	100.0	100.0	

Table 3: Marital Status

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Married	55	55.0	55.0	55.0
Unmarried	45	45.0	45.0	100.0
Total	100	100.0	100.0	

Table 4: Qualification

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid UG	22	22.0	22.0	22.0
Graduate	59	59.0	59.0	81.0
PG	19	19.0	19.0	100.0
Total	100	100.0	100.0	

Table 5: Occupation

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Self Employed	60	60.0	60.0	60.0
Govt. Service	12	12.0	12.0	72.0
Employed in Private Sector	28	28.0	28.0	100.0
Total	100	100.0	100.0	

Table 6: Income

	Frequency	Percent	Valid Percent	Cumulative Percent
<15000	46	46.0	46.0	46.0
16000-30000	40	40.0	40.0	86.0
>30000	14	14.0	14.0	100.0
Total	100	100.0	100.0	

Analysis of Key factor: A population of 100 people was surveyed to find out the key factor which influences the satisfaction most. Out of five most important factors, High Return on 8

Maturity, Lesser Risk, Easy Liquidation, and Trustworthiness of the organization and Flexibility of the Plan, key factor was selected. Respondents prioritized these factors as per their perception about

an investment plan. Sample consumers selected, "Lesser Risk" factor as the most important factor (35%) in any Investment Plan where 28% selected "Trustworthiness of the Organization", 17% selected "High Return on Maturity", 11% selected "Easy Liquidation" and 9% selected "Flexibility of the Plan" as the most important factor.

Table7: High Return on Maturity

	Frequency	Percent	Valid Percent	Cumulative Percent
Most Important	17	17.0	17.0	17.0
Important	23	23.0	23.0	40.0
Average	22	22.0	22.0	62.0
Not much Impact	23	23.0	23.0	85.0
Less Important	15	15.0	15.0	100.0
Total	100	100.0	100.0	

Table 8: Lesser Risk

	Frequency	Percent	Valid Percent	Cumulative Percent
Most Important	35	35.0	35.0	35.0
Important	22	22.0	22.0	57.0
Average	21	21.0	21.0	78.0
Not much Impact	13	13.0	13.0	91.0
Less Important	9	9.0	9.0	100.0
Total	100	100.0	100.0	

Table 9: Easy Liquidation

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Most Important	11	11.0	11.0	11.0
Valid Important	13	13.0	13.0	24.0
Valid Average	10	10.0	10.0	34.0
Valid Not much Impact	30	30.0	30.0	64.0
Valid Less Important	36	36.0	36.0	100.0
Total	100	100.0	100.0	

Table 10: Trustworthiness of the Organization

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Most Important	28	28.0	28.0	28.0
Valid Important	21	21.0	21.0	49.0
Valid Average	27	27.0	27.0	76.0
Valid Not much Impact	11	11.0	11.0	87.0
Valid Less Important	13	13.0	13.0	100.0
Total	100	100.0	100.0	

Table 11: Flexibility of the Plan

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Most Important	9	9.0	9.0	9.0
Valid Important	21	21.0	21.0	30.0
Valid Average	20	20.0	20.0	50.0
Valid Not much Impact	23	23.0	23.0	73.0
Valid Less Important	27	27.0	27.0	100.0
Total	100	100.0	100.0	

To examine whether designed products are able to generate satisfaction in the mind of customers or not, a chi-square test has been carried out.

Null Hypothesis (H₀):

There is no relationship exists between designed products and satisfaction generated in the mind of customers.

Alternative Hypothesis (H₁):

There is a relationship between designed

products and satisfaction generated in customer's mind.

Result of Chi Square Test: 10

From the result of chi- square test the calculated values of χ^2 were less than the tabulated values at degree of freedom 8 and 95% significance level, so the null hypothesis is accepted. So, it can be interpreted that only features of any designed product is not able to generate satisfaction in the mind of customer.

Chi-Square Tests, EXP_RETURN

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	3.853 ^a	8	.870
Likelihood Ratio	3.977	8	.859
Linear-by-Linear Association	.403	1	.525
N of Valid Cases	100		

a. 7 cells (46.7%) have expected count less than 5. The minimum expected count is 2.70.

Chi-Square Tests, EXP_RISK

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	8.315 ^a	8	.403
Likelihood Ratio	8.782	8	.361
Linear-by-Linear Association	3.312	1	.069
N of Valid Cases	100		

a. 7 cells (46.7%) have expected count less than 5. The minimum expected count is 1.62.

Chi-Square Tests, EXP_LIQUIDATION

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	10.323 ^a	8	.243
Likelihood Ratio	11.659	8	.167
Linear-by-Linear Association	.693	1	.405
N of Valid Cases	100		

a. 6 cells (40.0%) have expected count less than 5. The minimum expected count is 1.80.

Chi-Square Tests, EXP TRUSTWORTHINESS

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	6.144 ^a	8	.631
Likelihood Ratio	7.957	8	.438
Linear-by-Linear Association	.251	1	.617
N of Valid Cases	100		

a. 6 cells (40.0%) have expected count less than 5. The minimum expected count is 1.98.

Chi-Square Tests, EXP FLEXIBILITY

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	8.257 ^a	8	.409
Likelihood Ratio	8.328	8	.402
Linear-by-Linear Association	1.176	1	.278
N of Valid Cases	100		

a. 7 cells (46.7%) have expected count less than 5. The minimum expected count is 1.62.

Variables vs. Brand Resonance: In this study respondents were asked about their perception about five major features of service delivered by Reliance. Those major factors were, whether company understands customer needs, their customer service is wonderful, they offer discounts to loyal customers, they offer the best price in the market, and their products are of high quality. To analyze whether these variables leading to brand resonance are closely associative or not, the strength of association is

calculated between the factors which customers have perceived as true about the company and the perceived Brand image. The result of the study shows that the value of R and R² are consecutively 0.440 and 0.193, which signifies very low strength of association. So it can be interpreted from the analysis that these aforementioned factors, which can be considered as core, basic and augmented features of any product are not anymore able to attain brand resonance.

Table 12 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.440a	.193	.150	.740

a. Predictors: (Constant), True_Quality, True_customerneeds, True_Disc, True_Service, True_Bestprice

Table 13 ANOVA^a

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	12.322	5	2.464	4.503	.001 ^b
Residual	51.438	94	.547		
Total	63.760	99			

a. Dependent Variable: Comp_Image

b. Predictors: (Constant), True_Quality, True_customerneeds, True_Disc, True_Service, True_Bestprice

Table 14 Coefficients^a

Model	Unstandardized Coefficients		Standardized	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	2.258	.151		14.994	.000
True_customerneeds	-.574	.163	-.355	-3.525	.001
True_Service	-.629	.178	-.354	-3.530	.001
True_Disc	-.157	.206	-.072	-.763	.448
True_Bestprice	-.172	.167	-.105	-1.029	.306
True_Quality	-.237	.178	-.135	-1.331	.186

a. Dependent Variable: Comp_Image

Conclusion:

This research study revealed that, in this market scenario consumers perceive lesser risk factor in an investment as the key factor for driving satisfaction. The study also reveals that in this customer oriented market scenario, delivering core, basic and augmented values are not enough to achieve the consumer satisfaction. To attain customer satisfaction and therefore competitive advantage, new competitive strategy has to be developed. This study also proposes two new competitive strategies other than cost leadership and differentiation. If the traditional features of a product or service are not able to satisfy customers, organization must switch to "Renovation strategy". In renovation strategy a product is reengineered according to the factors which are perceived by the customers as the satisfying factor. On other hand if

an organization is able to satisfy the customer needs, they should focus on "Quality Improvement" strategy. In this strategy an organization continuously try to improve the values delivered to the customers.

Limitation:

Owing to time constrains, sample size is taken only 100 respondents. Thus a part of the research study revolves around the responses collected from them and may not be representative of the entire population pool. In this study company specific data about their competitive strategy of Gold investment plans were not analyzed as marketers did to wish to share their policies due to secrecy reasons. The survey was limited to Asansol region, West Bengal, India. The secondary data can be studied in a more extensive way.

Future Scope:

This study has a very wide future scope. From the analysis of the study a mathematical model can be developed which will help the organization to select right competitive strategy at right situation as per the level of satisfaction is achieved out of the product. Other than that more 14

factors can be included to evaluate a competitive strategy more minutely. The study can be enriched by surveying in a broader level and by including more factors leads to customer satisfaction. More mathematical and statistical tools can be used to find new relationships between different factors for better understanding.

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FINANCIALIZATION OF COMMODITIES- AN INNOVATIVE STRATEGY FOR HEDGING RISK

Prof. SHARMISTHA GHOSH*

Abstract

With the experience of so many financial disasters, the investors are quite hopeful about the commodity derivatives. There are many factors that impact the movement of commodities prices for example, weather conditions, amount of acres planted, production strikes, crop diseases, technological developments or international trade unions. Commodities are also capital intensive products to produce. They have considerable lead times and in many cases are politically controlled, through subsidies, taxes or trade restrictions. All of these are important and have considerable influence on cost of production, export potential and therefore prices. The commodity market, therefore, holds a considerable importance for an investor since it gives them another way to diversify. Financialization of commodities as such has gained momentum in the present environment. Commodity Derivatives are a considerably new class of Financial Instruments which have gained sufficient recognition in the field of investments. Moreover, the increase in trading in commodity derivatives over the past decade far outstripped the growth in commodity production and the need of derivatives to hedge risk by commercial producers and users of commodities. Even, the role of Commodity derivatives during the financial meltdown cannot also be disregarded. In this perspective this paper aims to discuss the concept of financialization of Commodities, the historical perspective and the benefits of the same. The paper also highlights the role of commodity derivatives in a portfolio and the part played by them in the global financial meltdown.

KEYWORDS: Commodity Derivative, Hedging, Financialization.

Introduction

Financialization is a term that describes an economic system or process that attempts to reduce all value that is exchanged (whether tangible, intangible, future or present promises, etc.) either into a financial instrument or a derivative of a financial instrument. The original intent of financialization is to be able to reduce any work-product or service to an exchangeable financial instrument, like [currency](#), and thus make it easier for people to trade these financial instruments. In recent years, a passive investment in commodities provided high, equity-like average returns, negative return correlations with traditional asset classes, and some protection against inflation. Augmenting a traditional portfolio with an allocation to commodity investments would have improved risk-adjusted portfolio returns. Consequently, interest in commodity investments has increased tremendously. Investors have been engaging in commodities trading for the purpose of portfolio diversification ever since it became evident that commodity futures contracts exhibited the same average returns as investments in equities,

while over the business cycle their returns were negatively correlated with those on equities and bonds. Viewing the potential of the commodity market in India, many nationalized and private sector banks have announced plans to disburse substantial amounts to finance businesses related to commodity trading. The Government of India has initiated several measures to stimulate active trading interest in commodities. Steps like lifting the ban on futures trading in commodities, approving new exchanges, developing exchanges with modern infrastructure and systems such as online trading, and removing legal hurdles to attract more participants have increased the scope of commodities derivatives trading in India. This has boosted both the spot market and the futures market in India. The trading volumes are increasing as the list of commodities traded on national commodity exchanges also continues to expand. The volumes are likely to surge further as a result of the increased interest from the international participants in Indian commodity markets. In this regard, this paper is organized as follows. Section 2 throws light on the historical perspective of commodity trading in

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India. Section 3 explains the benefits of commodity derivatives as an investment alternative and its role in a portfolio while Section 4 is devoted to the analysis of the contribution of commodity derivatives during financial meltdown. And finally Section 5 draws the conclusions and recommendations.

1. HISTORICAL PERSPECTIVE

The evolution of the organized futures market in India commenced in 1875 with the setting up of Bombay Cotton Trade Association Ltd. Following widespread discontent among the leading cotton mill owners and merchants over the functioning of the Bombay Cotton Trade Association, a separate association named Bombay Cotton Exchange Ltd. was constituted in 1983. Futures trading in oilseeds originated with the setting up of the Gujarati Vyapari Mandali in 1900, which carried out futures trading in groundnuts, castor seeds and cotton. The Calcutta Hessian Exchange Ltd. and the East India Jute Association Ltd. were set up in 1919 and 1927 respectively for futures trade in raw jute. Futures market in Bullion began in Mumbai in 1920, and later similar markets were established in Rajkot, Jaipur, Jamnagar, Kanpur, Delhi and Calcutta. In due course, several other exchanges were established in the country facilitating trade in diverse commodities such as pepper, sugar, turmeric, potato and jiggery. The futures trade in spices was first organized by the Indian Pepper and Spices Trade Association (IPSTA) in Cochin in 1957. However, the shortage in commodities cropped up in the mid 1960s due to the war in 1965 and natural calamities. In order to monitor the price movements of several agricultural and essential commodities, futures trade was banned by the government in most of the commodities except pepper and turmeric in 1966. Subsequently, based on the recommendation of the A. M. Khusro Committee (1980) futures trading in some commodities like gur, potatoes and castor seed was permitted in the early 1980s. Following this, the Kabra Committee (1994) recommended to permit futures in 17 commodities and unanimously opined against granting permission for futures in wheat, pulses, non basmati rice, tea, coffee, dry chillies, maize, vanaspati and sugar, on the basis of a case-by-case review of the suitability of each commodity

in the light of its present and likely position in the coming years. In 1996, the World Bank in association with United Nations Conference on Trade and Development (UNCTAD) conducted a study of Indian commodities markets. In the post-liberalization era of the Indian economy, it was the Kabra Committee and the World Bank–UNCTAD study that finally assessed the scope for forward and futures trading in commodities markets in India and recommended steps to revitalize futures trading. There were a number of other expert committees, including the Shroff Committee, Dantwalla Committee and the Khusro Committee, which laid the foundation for the revival of futures trading. Another major policy statement, the National Agricultural Policy, 2000, also expressed support for commodity futures. The Guru committee (2001) on “Strengthening and Developing Agricultural Marketing” emphasized the need for and role of futures trading in price risk management and in marketing of agricultural produce as it essentially helps in the process of price discovery and risk transfer. The committee recommended that it should be left to interested exchanges to decide the appropriateness or usefulness of commencing futures trading in any products based on concrete studies of feasibility on a case-to-case basis. Finally, the government allowed futures trading in more than 100 commodities and granted permission to set up modern national commodity exchanges in 2002. This step led to the revival of futures markets after nearly 40 years and at present there are 24 commodity futures exchanges operational in India which includes 21 regional bourses and the four national level players. National Multi Commodity Exchange (NMCE) was the first exchange to be granted permanent recognition by the government, where futures trading started from 26th November, 2002 in 24 commodities. Subsequently, Multi Commodity Exchange of India (MCX), National Commodity and Derivatives Exchange Limited (NCDEX), Indian Commodity Exchange (ICEX) and Ace Commodity Exchange (ACE) commenced their operations from November 2003, December 2003, November 2009 and October 2010 respectively. The Forward Contract Regulation Act (FCRA) and Forward Markets Commission (FMC)

under the Ministry of Consumer Affairs are the chief regulators of commodity derivative trading in India.

2. BENEFITS OF COMMODITY DERIVATIVES AND ITS ROLE IN PORTFOLIO DIVERSIFICATION

With the liberalization of the Indian economy in 1991, the commodity prices (especially international commodities such as base metals and energy) have been subject to price volatility in international markets, since India is largely a net importer of such commodities. Commodity derivatives exchanges have been established with a view to minimize risks associated with such price volatility. Majority of commodities traded on global commodity exchanges are agri-based. Commodity markets therefore are of great importance and hold a great potential in case of economies like India, where more than 65 percent of the people are dependent on agriculture. There is a huge domestic market for commodities in India since India consumes a major portion of its agricultural produce locally. Indian commodities market has an excellent growth potential and has created good opportunities for market players. India is the world's leading producer of more than 15 agricultural commodities and is also the world's largest consumer of edible oils and gold. The commodity trade segment employs more than five million traders. The potential of the sector has been well identified by the Central government and the state governments and they have invested substantial resources to boost production of agricultural commodities. Many of these commodities would be traded in the futures markets as the food-processing industry grows at a phenomenal pace. Trends indicate that the volume in futures trading tends to be 5-7 times the size of spot trading in the country. As stated by *Samuelson (1965)*, futures prices are generally referred as predictors of future spot prices and tend to provide direction to spot prices thereby helping in price discovery as well as minimization of seasonal price variations. Due to the financialization process, the price of an individual commodity is no longer simply determined by its supply and demand. Instead, commodity prices are also influenced by different financial factors, such as the aggregate risk appetite for financial assets, and investment behavior of diversified commodity index investors.

On one hand, the presence of these investors can lead to a more efficient sharing of commodity price risk while on the other hand; their portfolio rebalancing can spill over price volatility from outside to commodities markets and also across different commodities. Likewise, financialization of commodities brought with it a huge lot of advantages which may be enumerated as under:

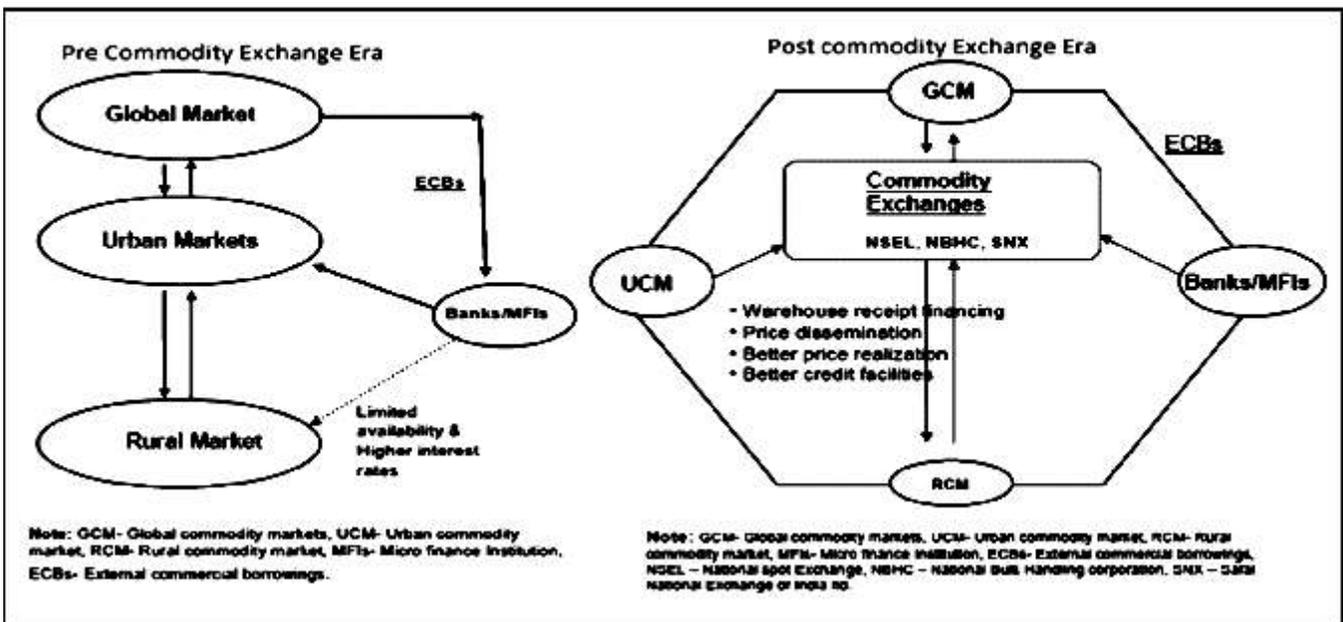
- **Efficient price discovery:** This is the mechanism by which a “fair value price” is determined by the large number of participants in the commodities derivatives markets. This is the result of automation and electronic trading systems established on the commodities derivatives exchanges. A farmer can plan his crop and sales by looking at prices prevailing in the futures market. Hence, expected future prices of commodities can be known in advance.
- **Price risk management:** It provides a mechanism to identify measure, manage and monitor risk. Commodity derivatives reduces risk and locks cost which in turn helps the farmers to effectively manage price risk by selling in the contract expiring close to the harvest date to lock in the current price. It actually removes the speculative element in the business by mitigating exchange rate risk. Moreover, the systemic risk like companies' policies, valuation procedures, industrial conditions and management styles influence the return from equity. However, in the commodity market, prices are dependent purely on the demand and supply conditions. So the macroeconomic variables affect the commodity behaviour and prices. In a nutshell, investing in commodity derivatives mitigates all the management risks and may help in effective diversification of a portfolio.
- **Integration of global, urban and rural markets: Commodity derivatives markets are extremely transparent** in the sense that the manipulation of prices of a commodity is extremely difficult due to globalization of economies, thereby providing for prices benchmarked across different countries and continents. For example, gold, silver, crude oil, etc. are international commodities, whose prices in India are indicative of the global situation.

- **Increased awareness about quality standards:** As the contracts for commodities are standardized, it becomes essential for the producers/sellers to ensure that the quality of the commodity is same as has been specified in the contract. So the advent of commodities futures markets has also enabled defining quality standards of different commodities.
- **Easy availability of finance:** A streamlined supply chain enhances farmer's realization and based on their hedged positions, farmers can easily avail loans from banks.
- **Efficient Portfolio diversification:** The ability to protect the value of investment in chaotic markets is the key to any diversification. Adding commodities to an equity portfolio can minimize the damage during economic crises or downturns. As commodities have the ability to react favourably to economic downturns or macroeconomic conditions unfavourable to equities, they are a perfect contender for reducing downside risks.

The following figure shows the difference in operating procedure prior to commodity exchange inception and post its inception.

the recent years is to invest in a basket of commodities following a certain commodity index. A commodity index functions like an equity index, such as the S&P 500, where in its value is derived from the total value of a specified basket of commodities. Each commodity in the basket is assigned a specified weight. Commodity indices typically built on the values of futures contracts, which are typically nearby contracts with delivery time longer than one month, in order to avoid the cost of holding physical commodities. Investing in commodities through futures markets has gained importance among ever since the burst of the dot-com bubble. Stung by losses, financial investors were on the lookout for a new asset class to diversify their portfolio and reduce their risks. *Gorton and Rouwenhort (2006)* showed that commodity futures have historically offered the same return as equities but are negatively correlated with equity and bond returns owing to different behaviour over the business cycle – supporting this diversification strategy. Investment in commodities became a common part of a large investor portfolio allocation, which coincides with a significant increase of assets under management of commodity indexes. In order to show the extent

Fig: 1
Operating Structure of Commodity Market Pre and Post Commodity Exchange establishment



Source: MCX

An increasingly popular investment strategy in

of relation between the commodity index and the Sensex, a correlation function between these two

indices needs to be carried out. In this context, i.e. to ascertain if there is any correlation between the MCX Commodity index and the Sensex movement, daily closing prices of MCX Commodity Index during the period June 2005 till December 2012 have been averaged to calculate the monthly Index and the data for BSE Sensex have been collected for the same period from the relevant websites of MCX and BSE (Annexure- 1). The output of which may be shown as under (Table 1):

between BSE SENSEX and MCX COMDEX. There seems to be a positive correlation between the two variables and $r = .721$. A scatter plot summarizes the above result (Figure 2). Overall there is relatively a strong correlation between BSE SENSEX and MCX COMDEX. Increase in commodity index more or less corresponds to increase in BSE SENSEX. Hence the investors in order to create their portfolio may choose to invest both in commodity derivatives and the stocks as

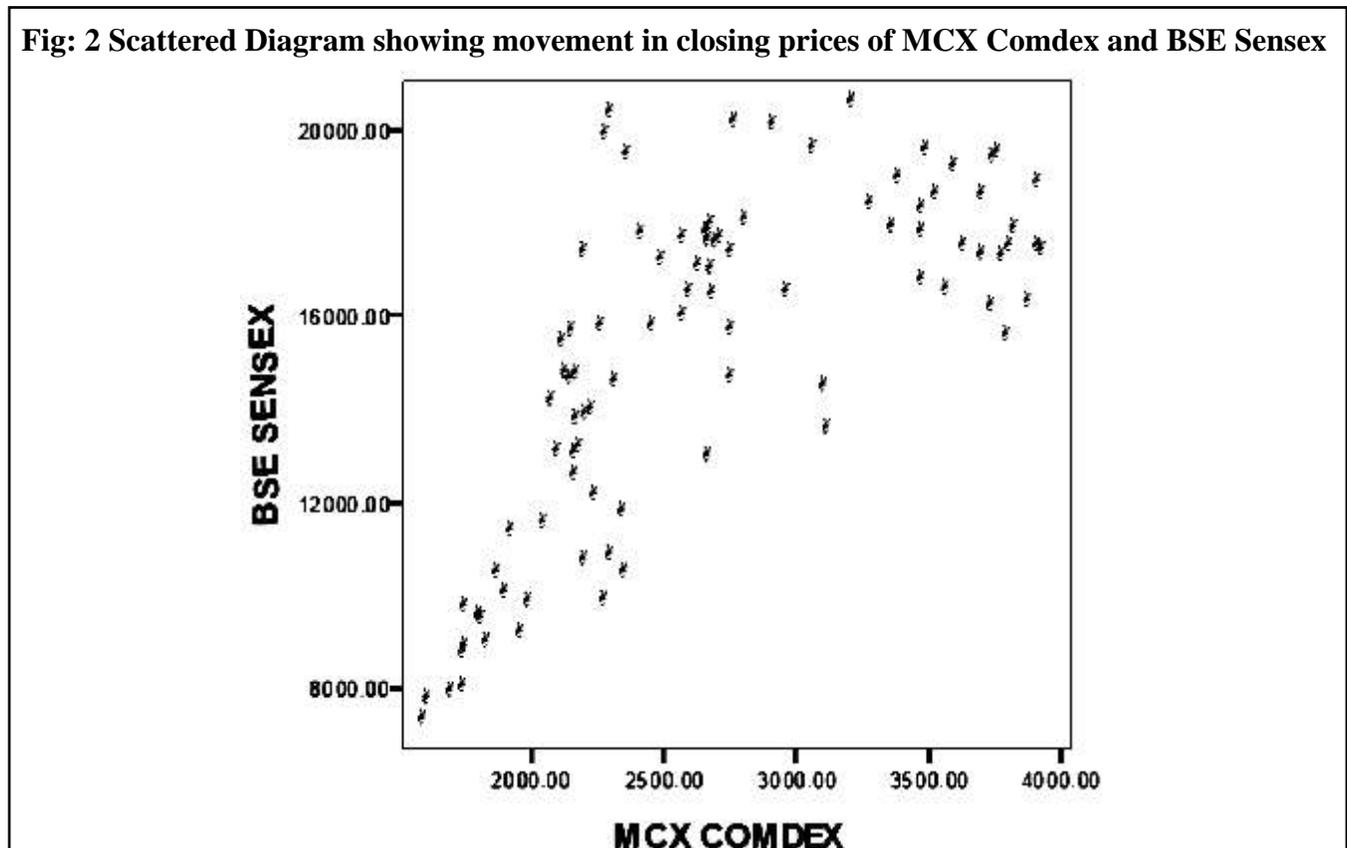
Table 1: Output of Correlation between MCX COMDEX and BSE SENSEX
Correlations

		MCX COMDEX	BSE SENSEX
MCX COMDEX	Pearson Correlation	1	.721(**)
	Sig. (2-tailed)		.000
	N	91	91
BSE SENSEX	Pearson Correlation	.721(**)	1
	Sig. (2-tailed)	.000	
	N	91	91

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

A Pearson product moment correlation coefficient was computed to assess the relationship

investment alternatives.



	MCX COMDEX	BSE SENSEX
Series or Sequence Length	151	151
Number of Missing Values in the Plot	0 60	0 60
User-Missing System-Missing		

1. ROLE OF COMMODITY DERIVATIVES IN FINANCIAL MELTDOWN

There are certain fundamental factors that drive the operations of a commodity market. These fundamentals may be different for different commodities based on its characteristics. There are certain important fundamentals that apply to all commodities either directly or indirectly. Some of these factors may be enumerated as follows:

Demand & supply

Demand and supply are basic factors that affect the movement of any commodity prices. The law of demand and supply is same for equity as well as commodity markets. However demand and supply of all commodities vary during different time periods depending upon seasons, domestic and global conditions and various other major factors influencing its characteristics.

Global and domestic economy

Economic scenario significantly affects the prices of a commodity. Demand and supply of any commodity has a direct relationship with economic condition in the state. Depending upon the nature of the commodity, global and domestic economic scenarios affect the commodity prices.

Economic growth

Economic growth of the world as well as the domestic economy is an important fundamental that will affect the demand and supply positions in a country. If the country is growing at a fast rate the consumption level will also be at a higher rate. This will increase the demand on one hand but supply may not increase at the same rate as it takes time to set up new industries and increase production. This drives the commodity prices of all major commodities.

Inflation

Commodities are considered as hedge against inflation because unlike equity, commodity prices move in direction of inflation. With increase in

inflation, the prices of major commodities tend to increase and it is true the other way as well.

Geo-political concerns

Political factors have a direct as well as indirect effect on commodity prices. For example, if we take the case of Potato, the time when it was barred from trading on the exchanges. However, at times, political factors can have positive effects as well.

Extra-ordinary events

There may be certain extra-ordinary factors that do not occur very frequent. Wars, natural calamities, depression etc. are such events that affect the commodity prices in a dramatic way.

Speculation

Speculators bring information into system at times fake or over hyped in-order to trigger the price movement in a particular direction. Although speculators form a part of technical analysis but it is important until that speculation is regarding some fundamental factors. However they are an important part of the market's price discovery mechanism.

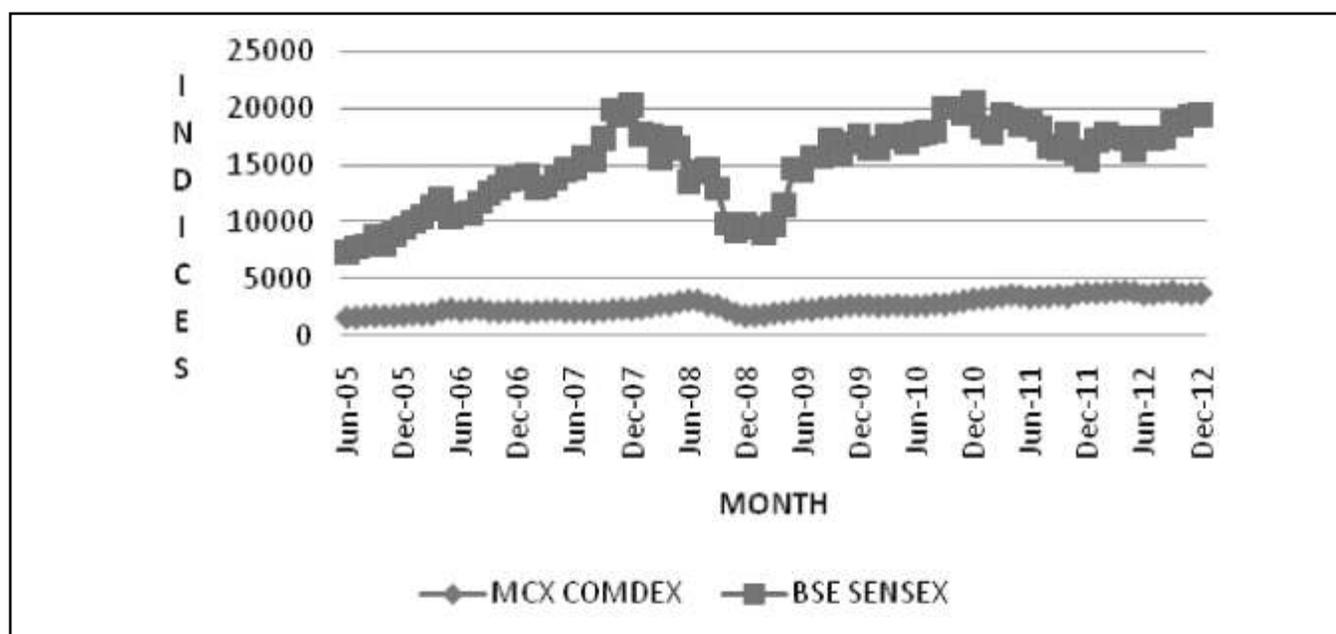
Prior to early 2000s, despite liquid futures contracts traded on many commodities, commodity prices behaved differently from that of typical financial assets. Commodity prices provided risk premium for idiosyncratic commodity price risk (e.g., *Bessembinder (1992)* and *de Roon, Nijman and Veld (2000)*); and commodities had little price co-movements with stocks (e.g., *Gorton and Rouwenhorst (2006)*) and with each other (e.g., *Erb and Harvey (2006)*). These aspects are in sharp contrast to the price dynamics of typical financial assets, which carry premium only for systematic risk and are highly correlated with market indices and with each other. This contrast indicated that commodities markets were partially segmented from outside financial markets and from each other. The tide changed in early 2000s, when the collapse of equity market in 2000 and the widely publicized discovery of a small negative correlation between

commodity returns and stock returns led to a belief that commodity futures could be used to reduce portfolio risk. This belief allowed investment banks to successfully promote commodity futures as a new asset class for prudent investors. As a result, various instruments based on commodity indices have attracted billions of dollars of investment from institutional investors and wealthy individuals. The increasing presence of index investors precipitated a fundamental process of financialization amongst commodities markets, through which commodity prices became more correlated with prices of financial assets and with each other. Most empirical assessments of the impact of financialization on commodity prices have emphasized either fundamental supply-and-demand factors or variables that reflect the financialization of commodity trading. Given that commodity prices have been influenced by both factors, both these groups of studies have found a significant impact on commodity prices of the variables they selected. Hence, those that attribute most of the development of commodity prices over the past few years to fundamental factors (e.g. *Sanders and Irwin, 2010*), as well as those that point to an additional impact from increased financial investment (e.g. *Gilbert, 2010b*), have been able to provide empirical support for their point of view. *Tang and Xiong (2010)* in a prominent recent empirical study have included both fundamental and financial

variables. The results of this analysis refute the contention that growing demand from emerging economies was the only driver of the commodity price hike in 2006–2008. They show that variables reflecting financialization remain significant even after controlling for fundamental factors. This finding suggests that the process of financialization has caused commodity prices to be determined no longer simply by supply and demand, but also by a wide range of financial factors and financial investors. The resulting change in commodity price dynamics is likely to persist and seriously affect commodity producers' hedging strategies, as well as many countries' food and energy policies.

The four global business cycles that occurred since mid 1970's shows four recessions for the period 1975-2010, with peaks in March 1980, October 1981, December 2000 and March 2008 with respective troughs in September 1980, December 1982, December 2001 and February 2009. A comparison of the business cycles done by the researchers showed that the commodity prices and the share prices moved in the opposite directions during the previous identified business cycles whereas in sharp contrast to it, there was a remarkable synchronization of share price and commodity price movements in the most recent cycle which may further be analyzed from the following graph.

Fig.3
Movement in BSE SENSEX and MCX COMDEX



The above graph (Fig.3) shows the movement of BSE SENSEX and the MCX COMDEX over the time period from June 2005 till June 2012. It was during September 2008 when recession hit the Indian markets due to the sub-prime crisis in the USA. If observed carefully, it may be noticed from the graph that before the onset of the recession, there was more or less a similar movement in both the indices. While during 2008-2009 there was a considerable fall in both the indices and the commodity derivative index dipped keeping at par with the share price index. This proves that since the BSE SENSEX and the MCX COMDEX are significantly correlated, both the indices showed same kind of behaviour during a particular economic situation. It further suggests that the commodity derivatives also behaved in the same manner as the stocks in the stock market during the financial meltdown. This finding supports the results found by the *IMF (2010)* in a similar exercise for developed economies. In this context, IMF warns against considering the increased synchronization of commodity and share prices as evidence in favour of financialization of commodity markets, and affirms that 'increased co-movements, however, likely reflects the sensitivity of both markets to broader economic developments". However, such an interpretation neglects to take into account the low level of capacity utilization in the wake of the "Great Recession" of 2008 and 2009. Low capacity utilization, in principle, implies a low level of industrial use of commodities, and thus a low level of demand for commodities by their largest consumers. Under such circumstances, steadily rising prices of commodities, even ahead of the rebound of stock market indices, appear to be related more to an anticipation of a future revival of demand than to a response to actually rising demand. The most plausible explanation for such price behaviour is financialization, which in 2008 eventually led to an overshooting of commodity prices in both directions over their "fundamental" levels.

1. CONCLUSION AND RECOMMENDATIONS

Financialization of commodities has in fact worked in sync with the other stock market securities and has helped investors in planning their portfolio. One of the key points for investing in commodities is that they act as a hedge against

inflation although it depends largely on the index which is used to represent commodities. Futures trading plays a key role in the marketing of a number of important agricultural and non-agricultural commodities as it provides the industrial and farming communities with a transparent price discovery platform, which also enables them to hedge their price risk and price volatility. The growth of Indian commodities futures trading towards an efficient, transparent and well-organized market has thrown open a window of benefits and opportunities to Indian producers and traders. With the state-of-the-art technology-powered modern, secure and efficient operational infrastructure these national exchanges have created a near-perfect market situation with a much wider participation from the ecosystem stakeholders in a large number of domestic and global commodities during local and international timings. As such, besides the primary benefits of its twin economic functions of price discovery and price risk management, commodity futures trading has also played an instrumental role in integrating various fragmented components of the commodity ecosystem, thus developing the overall infrastructure of agricultural commodities marketing in the country. Moreover, during the global financial meltdown that brought down precipitously the asset values of both movables and immovables, and tangibles and intangibles, affecting adversely the real economy with receding, and even negative, growths in almost all sectors of the economy, commodity markets have shown an amazing resilience and steadfastness. Commodity exchanges the world over, including those in India, have been surprisingly registering record turnovers in the face of a crisis that shook the entire financial ambit of the world economy. It may be concluded that commodities have emerged as a new asset class for safe and secured investments. It also appears that people has been moving from investing in other traditional asset classes to commodity derivatives. In the absence of alternative avenues of investments, the new investing classes like hedge funds, pension funds, index funds, endowments, banks, and other institutional investors are entering commodity exchanges with their huge fund flows to invest in index futures and commodity swaps. Institutions trading in commodity futures, index futures, and

commodity swaps are grouped along with the physical commodity market functionaries, since many of the institutions also hold physical stocks of commodities. As a result, investment trading in various commodity futures and their derivatives are also being treated at par with hedge trading. The commodity futures markets have, as a result, acquired a new dimension altogether and may be expected to perform even better in the forthcoming future.

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PERFORMANCE APPRAISAL IN THE NEW SCENARIO

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Abstract

The idea of a merit rating is alluring. the sound of the words captivates the imagination: pay for what you get; get what you pay for; motivate people to do their best, for their own good. The effect is exactly the opposite of what the words promise.

Human Resource Management (HRM) is a process of bringing people and organizations together so that the goals of each are met. Performance appraisal is the process of evaluating an employee's performance and providing feedback. It is necessary not only for the individual to improve his/her performance on the job so that s/he can earn the rewards (e.g., money, prestige, power) for which s/he is working, but also important so that the organization can determine the degree to which its employees are contributing towards meeting strategic goals and objectives. An effective Performance Appraisal System (PAS) is the keystone of any good organization.

This paper aims at bringing an insight on Performance Appraisal Justice as the crux of Performance Appraisal System in Organizations.

Keywords: *Performance Management, Performance coaching, Performance Planning, Performance Appraisal.*

Introduction

Human Resource Management (HRM) is a process of bringing people and organizations together so that the goals of each are met. The activities in HRM encompass recruiting people, developing and maintaining competent workforce to achieve the goals of an organization in an effective and efficient manner. HRM is a multi disciplinary activity, utilizing knowledge and inputs drawn from psychology, sociology, economics (Rao, 2009). Among the activities in HRM, Performance Appraisal is a significant tool for managing the human capital. Performance Appraisal acts as a disciplinary tool for any organization to sustain in the globalised environment.

Performance appraisal is the process of evaluating an employee's performance and providing feedback. It is necessary not only for the individual to improve his/her performance on the job so that s/he can earn the rewards (e.g., money, prestige, power) for which s/he is working, but also important so that the organization can determine the degree to which its employees are contributing towards meeting strategic goals and objectives. There are many ways to judge an employee's performance on the job ranging from objective performance data to global rating scales to more

detailed rating scales that represent each of the important aspects of the job. The rating scales need to be anchored to objective and well-defined criteria of job success, which will help ensure that the performance appraisal system is not only accurate, but fair (Rao, 2009).

An effective Performance Appraisal System (PAS) is the keystone of any good organization. Performance appraisal can be seen as a formal evaluation of an employee's job related performance in order to determine the degree to which the employee is performing his task effectively. The objective of performance appraisal is dual: evaluative and developmental. The evaluative purpose is concerned primarily with looking back at how employees have actually performed over a given time period, compared with required standards of performance. The developmental, future-oriented performance appraisal is concerned, for e.g. with the identification of employees' training and development needs and setting of new targets. There are a lot of benefits of having an effective performance appraisal system. For development at the individual level, organizations use the data collected in PAS for several purposes. Perhaps the most well known of these is to establish standards and an evaluation system that can be used to form

the basis of judgments as to whether to reward employees for good performance or punish them for poor performance.

According to Lai Wan (2007); Giles and Mossholder, (1990), employee satisfaction is an important goal for organizations to reach, as studies reveal that profitability, productivity, employee retention and customer satisfaction are linked to employees' satisfaction. Satisfied, motivated employees will create higher customer satisfaction and in turn positively influence organizational performance. For this reason satisfaction with aspects of the appraisal process is regarded as one of the most important reactions to PA. Treating employees fairly produces many positive outcomes, but evidence suggests that managers' efforts to be fair are often unsuccessful because they highlight the wrong aspects of justice, therefore it is essential for an organization to practice performance appraisal in a fair and just way.

Organizational Justice Theory and Performance Appraisal

Greenberg (1986) was one of the first authors to apply organizational justice theory to performance evaluation. Byrne and Cropanzano, (2001) viewed organizational justice as the study of fairness at work, while Greenberg (1990) explains that the term organizational justice implies that fairness is being considered in the organization. Organizational justice refers to “a personal evaluation about the ethical and moral standing of managerial conduct”. Organizational justice is the employee's perception of whether or not an organization's agents have acted fairly. Employee's judgments or organizational justice are important. Employees who feel fairly treated enjoy greater job satisfaction and physical health, are more committed to and trust their organization, provide better work performance, and increase their citizenship behaviors. Moreover, studies have shown that perceptions of injustice not only reduce positive outcomes but also increase retaliatory and vengeful behavior. Hence a thorough review of research studies was carried out to identify the varied perceptions of researchers about organizational justice and the dimensions that were included in the studies from EBSCO and Emerald databases. Research that were carried out in Private commercial companies, BPO/ITES employees,

private enterprises and manufacturing sector were considered for this study.

Dimensions of Justice

In the views of Ambrose and Schminke, (2007) and Greenberg, (2009) employees consider three distinct dimensions of justice: distributive, procedural, and interactional in deciding whether an action is fair.

Adams, (1965) state that Distributive justice refers to employee judgments about the fairness of outcomes, about the levels at which resources are distributed among parties. Thibaut and Walker, (1975) state that Procedural justice concerns employees' evaluations of the way in which decisions are made; that is, independent of whether an outcome is good or bad and employees examine whether the procedures used are fair while Interactional justice involves employees' perceptions of the interpersonal treatment they receive (Bies and Moag, 1986) and has two subcomponents: informational justice, which is the perceived truthfulness and adequacy of explanations offered; and interpersonal justice, which concerns being treated with dignity and respect (Colquitt et al., 2001).

Empirical evidence shows that performance appraisals that include the opportunity for employees to express themselves lead to greater employee satisfaction, motivation to improve, and perception of fairness – even when the employees know that their comments have no effect on the final outcome (Cawley, Keeping, and Levy, 1998). Moreover, employee evaluations of the procedures used can influence their judgment about whether the outcomes are fair, such that perceptions of procedural justice may contribute to perceptions of distributive justice (Folger, 1977; Bies and Shapiro, 1987; Greenberg, 1988; Van den Bos, Lind, and Wilke, 2001). As well, recent evidence suggests that interactional justice may help make both poor outcomes and questionable procedures more acceptable to employees (Greenberg, 2006, 2009). In other words, employees will often accept a great range of outcomes if they believe that the procedures and treatment associated with them are fair (Brockner and Wiesenfeld, 1996; Skarlicki and Folger, 1997 and Lind et al., 2000).

Distributive justice deals not only with the perceived fairness of the outcomes or allocations that individuals in organizations receive (Folger and Cropanzano, 1998), but also with “what the

decisions are” at the end of the appraisal process, or the “content of fairness” (Tang and Sarsfield-Baldwin, 1996). Erdogan (2002) contends that ratee's compare their efforts with the Performance Appraisal (PA) rating they receive and the fairness of the rating establishes distributive justice perceptions in PA. The second kind procedural justice refers to the fairness of the procedures used to decide outcomes and addresses fairness issues regarding the methods, mechanisms, and processes used to determine those outcomes (Folger and Cropanzano, 1998). The third kind of justice interactional justice clearly establishes that people care about the fairness of the interpersonal relationship and communication that they receive (Bies, 2001; Ambrose, 2002). It is important to mention that interactional justice focuses on how formal agents of the organization treat those who are subject to their authority, decisions and actions (Cobb et al., 1995). Greenberg (1993) proposed that interactional justice might actually consist of two factors. The first factor is labeled as interpersonal justice and reflects the degree to which subordinates are treated with politeness, dignity and respect by supervisors involved in executing procedures or determining outcomes.

Informational justice focuses on the information provided to subordinates about why procedures are implemented in a certain way or why outcomes are distributed in a certain fashion. PA requires substantial amount of communication between the rater and the ratee. Informational PA justice is an essential component of employee's due process and determines the amount of information and the truthfulness of the information that gets shared with the employees. The informational aspect of justice increases individuals' perceptions of instrumental control over the appraisal process and enhances their sense of self-worth and group standing (Taylor et al., 1995). Employees who perceive that they have been communicated the necessary and needed information during the PA process tend to exhibit greater engagement at their work.

During this interaction, individuals expect to be treated respectfully. The type of treatment shown to them by the rater affects their interpersonal PA justice perception. The fairness of interpersonal communication during appraisal process constitutes informational justice perception.

Review of literature

According to Lai Wan (2007) satisfaction is an important goal for organizations to reach, as it has been shown that profitability, productivity, employee retention and customer satisfaction are linked to employees' satisfaction. Satisfied, motivated employees will create higher customer satisfaction and in turn positively influence organizational performance. For this reason Giles and Mossholder, (1990) claim that satisfaction with aspects of the appraisal process is regarded as one of the most important reactions to PA.

Studies by Murphy and Cleveland, (1995); Taylor et al., (1995); Jawahar, (2007); Steensma and Visser, (2007) reveal that PA is one of the most important and remains as one of the greatest challenges of effective HRM practices in organizations as it yields critical decisions integral to various human resource actions and outcomes. PA is a formal and systematic process of identifying, observing, measuring, recording, provide valuable information to an employee about his/her performance and progress at work and developing the job-relevant strengths and weaknesses of employees Swanepoel et al., (2000), appraisal reliability and validity continue to remain a major concern for organizations and also PAs are often met with substantial resistance (Banks and Murphy, 1985; Cleveland et al., 1989; Taylor et al., 1995).

Employee perceptions towards PA are a crucial element in determining the long-term effectiveness of the system (Roberts, 1992; Longenecker and Nykodym, 1996). Not only do managers and subordinates generally differ in their perceptions of what should constitute an effective appraisal system, but they also differ in what causes appraisals to be ineffective. (Longenecker and Nykodym, 1996) found that subordinates believed appraisers were the key to the system's success with an emphasis on more effective planning, ongoing feedback, and better performance monitoring by supervisors. Managers, on the other hand, tend to focus on system design, operation, and support issues.

Performance Appraisal results provide employees with performance feedback (Reid and Levy, 1997; Narcisse and Harcourt, 2008), help define their career development needs (Hempel, 2001; Nickols, 2007) and determine their career

paths and goals (Spinks, Wells, and Meche, 2004; Law and Tam, 2008). Feedback is a vital motivating factor for individuals to receive incentives and rewards. It increases awareness among the employees to identify performance gaps and acts as a force to achieve the targeted goals (Cascio, 1991).

Dayani (1996), commented that feedback acts as a learning process and encourages effective behavior and serves to recognize individuals of less effective behavior to find remedial measures. Employees need feedback on their performance as a validation of their contribution to the organization goals. To attain the set goals, the company's vision has to be clear to the employees and translated them into action plan. Feedback helps the management to get the employees perception of their strengths, to find areas in need of improvement and evolve a better strategy for bringing positive work culture (Dayani 1996, Dowling, Wetch and Schuler Weiss and Hartle, 1997).

PA can help identify training requirements particularly for new employees (Broady-Preston and Steel, 2002; Seldon et al., 2002), and strongly relates to training (Cleveland et al., 1989). So performance appraisal system forms an integral part of HRM functions (Dulebohn and Ferris, 1999). Thus rightly administered PA system has a great utility for the individual employee as well as organization.

However Cascio, (1982) states that the success of PAS largely depends on the support and acceptance of the system users (rater and rate). As a result, a PAS will not be successful unless concerned people perceive it as a fair and effective system (Ilgen, Fisher, and Taylor, 1979; Murphy and Cleveland, 1991). Quite often superiors and the HR department may feel that the PA system is effective, but the people who are actually going to be affected by the Performance appraisal system think so is an important question of inquiry.

The perceptions of rate regarding the appraisal process are an important variable determining the success and effectiveness of any appraisal system. It is now a widely accepted fact that perceptions of effectiveness and fairness influence the way people think, feel, and act on the job (Bies and Shapiro 1987). PAS would influence performance appraisal satisfaction which is further linked to job satisfaction, job involvement, citizenship behavior, organizational commitment (Adams 1963;

McFarlin and Sweeney 1992; Moorman, Niehoff and organ 1993).

By their nature, individual-focused purposes are more related to organizational justice. Issues such as hiring, firing, payroll, etc. are tangible and concern immediate employees, vitally affecting their everyday routine, their behavior as well as their general presence in the organization. Therefore, it is essential to have a sound evaluation system, characterized by justice in individual-focused purposes, resulting in the increase of employees' efficiency and performance, decrease of potential turnover and absenteeism rate, while at the same time cultivating a sense of loyalty and commitment towards the organization.

Performance feedback provides information that helps employees to alter, change or maintain their behaviors and/or attitudes so that the organization continues to operate smoothly. Results of feedback are very important for the employees to know variables used are qualitative about their performance and where they stood when compared to others (Rapea 2004). Without feedback, employees tend to assume that their performance is acceptable and unchecked performance behavior leads to long run problems. Dayani (1996) commented that feedback acts as a learning process and encourages effective behavior and serves to recognize individuals of less effective behaviour to find remedial measures.

Employees need feedback on their performance as a validation of their contribution to the organization goals. To attain the set goals, the company's vision has to be clear to the employees and translated them into action plan. Feedback helps the management to get the employees perception of their strengths, to find areas in need of improvement and evolve a better strategy for bringing positive work culture Dayani 1996, Weiss and Hartle, 1997; Dowling, Wetch and Schuler 1999).

Gary Yukl and Richard Lepsinger (2006), in their work on "How to Get the Most out of 360 degree Feedback", described that 360 degree performance appraisals have gained popularity as they provide a comprehensive and holistic picture of employee performance. For this tool to be used effectively, it is essential to consider the design of the questionnaire, the way it is administered, the process of feedback reporting, and to follow up the

process with supporting activities such as training and development. Therefore feedback is a vital motivating factor for individuals to receive incentives and rewards. It increases awareness among the employees to identify performance gaps and acts as a force to achieve the targeted goals (Cascio, 1991).

Holbrook (2002) lists the perceived purposes of PA as; is important to set performance goals, solve performance problems and administer rewards, disciplinary issues and dismissals. Wilson and Western, (2000) more specifically states that PA can be used for numerous purposes including: reward; discipline; coaching; counseling; negotiating improvements in performance; improving the work environment; raising morale; clarifying expectations and duties; improving upward and downward communications; reinforcing management control; helping validate selection decisions; providing information to support HR activities; identifying development opportunities; improving perceptions of organizational goals; and selecting people for promotion and redundancy.

Conclusion

Performance appraisal can determine the degree to which its employees are contributing to meeting its strategic goals and objectives. Performance appraisal data can also be used for other purposes as well, including as inputs into training programs or to develop criteria on which to hire new employees. Even with the best of intentions and policies, managers are likely to overemphasize distributive justice at the expense of procedural and interactional justice, causing them to seem unfair. However this problem can be corrected and that training managers in organizational justice theory is an effective way to do so. Performance appraisal is important in organizations and Performance appraisal justice is an emerging part of research.

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NEURO MARKETING AS NEW APPROACH TO MODERN MARKETING - ITS CHALLENGES & OPPORTUNITIES

Dr. MONIKA SURI*

Abstract

Neuro marketing is the new approach to Modern Marketing. In some parts of the world, It has also been accepted as the most effective technique which is the blend of Neuro Science and Marketing in action. Though it has not reached to the desired pace in India but it has been welcomed across the world by many leading brands to study the cognition and emotions of the customers and accordingly position their product attributes which will give maximum customer satisfaction & also the desired profits to the companies. This paper emphasizes on neuro Marketing as the new Modern approach to marketing with special emphasis on anatomy of customer & challenges and opportunities of neuro marketing. Neuro means having to do with the Brain, and Marketing, having to do with Positioning a Product or Brand to a Customer, combine to mean "advertising to the brain."

Keywords: *Neuro Marketing, Anatomy of customers ,Challenges & Opportunities of Neuro Marketing*

Introduction

The word "Neuromarketing" was coined by Ale Smidts in 2002, Also The Neuromarketing concept was developed by psychologists at Harvard University in 1990. The technology is based on a model whereby the major thinking part of human activity (over 90%), including emotion, takes place in the subconscious area that is below the levels of controlled awareness The main reason is to inspire the desired reaction in person's perception as deeply as possible.

Another fact is that Neuro Marketers study the brain's reactions to certain triggers. These triggers can be visual, auditory, related to smell or to practical use or may be kinaesthetic in nature . Advertisements , presentations, brand marketing campaigns, celebrity endorsements are typical applications that trigger subconscious reactions of the target consumers . Neuro marketers use biometric sensors such as MRIs (Magnetic Resonance Imaging) and EEG (electroencephalography) machines to monitor brain activity before, during, and after exposure to triggers . This is done in order to detect the processes that lead to certain decisions and to determine the part of the brain that implemented these processes.

Neuro Marketers also use physiological sensors that monitor heart rate, breathing, and skin response as well as eye tracking which will further

be used for designing impactful ads and measuring advertising results

Anatomy of Customer

To understand this new approach of Neuro Marketing, It is very important to ponder upon few facts. As Earth's Total Population is approx, 7 Billion and thus 7 Billion customers have 7 Billion structures of Their Anatomy. Another fact is , we are able to serve only 2 Billion customers with the elite products and services because of their high purchasing power and 5 Billion population are still underserved . Marketers measure consumer's reactions to movie trailers, choices about automobiles, the appeal of a pretty face, and loyalty to specific brands. Before studying the anatomy of neuro marketing it is very important to study the Anatomy of Customer which is the key and prime element in the whole process of neuro marketing from the beginning to the End . We can see from the above mentioned statistics that there is lot of scope for serving more customers by reading their Anatomy in person at all levels and segments . When we analyze the anatomy of customer , It will be seen as follows :

1. MIND of a customer identifies the cognitive scientist which helps them in deciding and taking a purchase decision . In neuro marketing also MIND is the target to convince the customer to buy the product and services .
2. EYES of a customer identifies the Designers which may be the designing of the logos,

Packaging , Advertising and any attribute of the products and services that makes a brand memorable and will work like a magic for Neuro Science experts .

- 3 MOUTH AND EARS of a customer works as facilitators and influencers which increases or decreases the scope of Buying and purchasing the product and services. Thus mouth and ear will work as customer retention techniques for Neuro Marketing experts .
- 4 HANDS of the customer work like the computer scientists which talks about the durability and sensitivity of the products and services.here also Neuro marketing experts will get the scope for desired results for future growth.

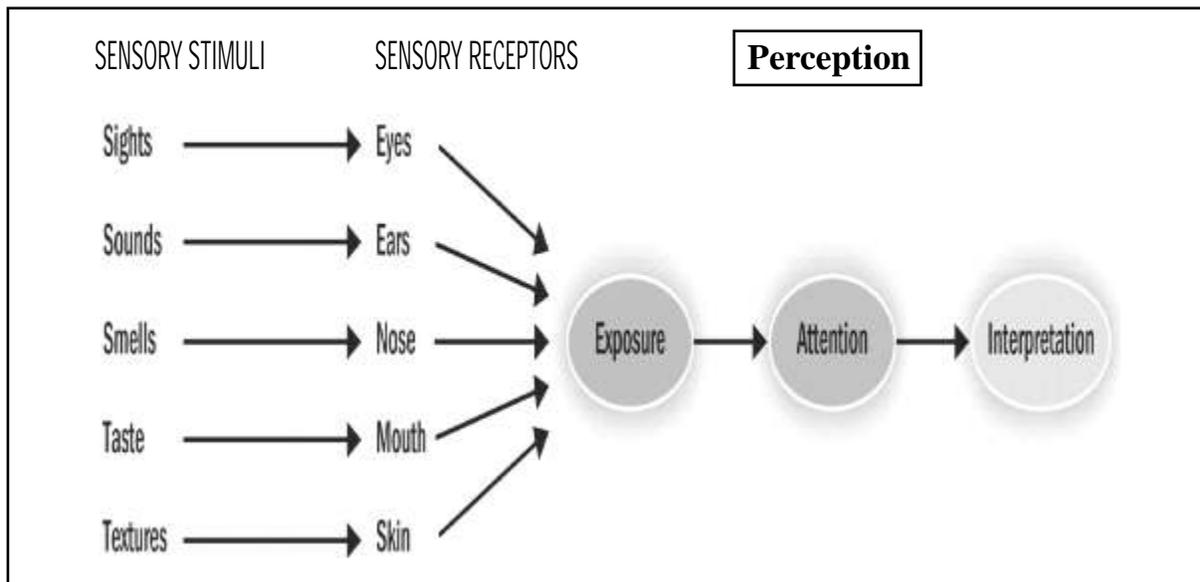
BACK of the customer identifies the data Scientist who has uncountable brands and products in the database. Thus for neuro marketing Experts, back of the customer become the front for selling the products and services .

Robert 1. End of Strategy 2. End of Marketing 3. End of Management. In that case Neuro marketing can play a very important role in giving a new orientation to marketing of products and services and also may give a new direction and approach to serve customers across the globe. Though its acceptability from Indian consumer perspective is a big question mark and may vary from region to region depending upon the demographics of various customer groups, Cultural barriers, Cognitive Biases and availability of Neuro Marketing Experts and Financial Deficits .

A New Modern Approach to Marketing :

As Neuro Focus claims itself as the Market leader in bringing neuroscience expertise to advertising, branding, product development and packaging, and entertainment. The company brings world-class experts in neuroscience and marketing from U.C. Berkeley, MIT, Harvard, and the Hebrew University to develop better methods of understanding consumer thought, emotion, and

The Process of Perception looks like as mentioned below



The Process of Perception also revolves around the Exposure , Attention & Interpretation which effects the Purchase decision in both positive and negative ways .

Thus Neuro marketing will be impactful only when Anatomy of the customer will be studied along with the Process of perception together. According to Three Warning's given by Kevin

behavior. NeuroFocus claims its clients include Fortune 100 companies across multiple categories, including automotive, consumer packaged goods, food and beverage, financial services, Internet, retail, and many more sectors. Entertainment category clients include major companies in the broadcast, cable television, and motion picture industries. NeuroFocus is a wholly-owned

subsidiary of Nielsen. Carolinewinett, Chief marketing officer, Neurofocus, postulates to 4ps b&m the changing dynamics of market research and how neuroscience can find answers to the most twisted questions, helping brands to achieve the best. Neuro marketing is also been taken as the new form of market research that uses Neuro Science tools to measure the emotional Impact of communication across all media and translate the findings into marketing recommendations.

In other words we can also say that neuro marketing also validates tradition market research. In today's complex global scenario Customer's understanding and knowledge about the products and services is key to successful communication, which is actually the landmark for True IMPACT as shown in Neuro Marketing Process. We can say the new science of Consumer Behavior is Neuro Marketing. Nick Lee Professor of Marketing, Aston University studied Neuro Marketing from the perspective of Neuro marketing Executives and found that executives love the idea of using brain scans. As brain imaging and neuroscience develop, neuromarketing companies will be able to pull out more sophisticated data about what makes people want to buy or avoid certain items. The big question is whether neuromarketing can push a 'buy button' in your brain.

Challenges of Neuro Marketing

There are many issues which a marketer ponder on day to day basis and many challenges that a brand faces. Like How does getting into the mind of a prospect help in crafting a marketing plan? Can science change the orientation of a brand? How have marketers responded to this new research platform? There is a huge difference in the way advertising is approached in India compared to the US. Culturally, emotion driven advertising is what works here. How long do you think is this trend likely to continue? What are your strategic plans in India and globally? What, according to you, are the major challenges this concept might face? What is the future of neuroscience and neuromarketing globally? Do we have the experts in the Area of Neuro Science and Neuro marketing in India? How much Budget is required to successfully practice Neuro marketing?

Thus in Nutshell The "TEA" Model (Thoughts, Emotions & Actions) of personality of

each customer across the Globe is a Big Challenge & Threat and may also be hindrance in the success of Neuro Marketing as a Modern Approach to Marketing if not been taken care of by neuro Marketing Experts.

Neuro Marketing As Opportunity

Neuro marketing as an opportunity can be seen as Holistic Marketing Practice keeping in mind the Benefits to Customers, Marketers, Stake holders, Brands and community at large across the Globe. The opportunities of Neuro marketing are hidden with in the Term "NEURO" which is explained as follows:

N - Near to the customer

To make the Neuro Marketing Approach effective, It is suggested that Neuro marketing Experts associated with various brands must stay very close to the customers to read the accurate impacts and results so that they can plan their marketing Mix and advertising strategies based on Results from MRI's, EEG etc. to get desired profits

E - Educate their Minds to Purchase Product

Education of Customer Mind is another golden Opportunity for every brand who is adopting Neuro Marketing Practice to have an edge over other competitors by pushing a 'buy button' in customer's brain.

U - Understand Psychology & Personality of Customers

Another opportunity for the Brands through Neuro marketers will be to understand the Psychology and Personality of different customer Groups in the best possible way to attain maximum profits by providing versatility in their Product Design and Attributes.

R - Respond to their Queries Generously

Customer is the King and the same quote is true for Neuro marketing practitioners also. Neuro marketing will give a new shape to Customer Relationship management. Neuro Marketers are better aware of the needs and wants of the customers as they read their mind and heart. Thus to retain the customers, it is very important for the Neuro Marketing executive to respond to the queries of the customers generously without misusing the Neuro Marketing tools in favour of their brands and for increasing the market Shares selfishly.

O - Offer them desired benefits

Marketing 3.0 implements on Neuro Marketing Practitioners also as an important Global Ethical Value Based Practice. Customer is a valuable asset for all the brands across the globe. Service of Customers is the prime responsibility of every value based brand. Thus all brands must utilize the Neuro Marketing tools in the best interest of customers by offering them desired product and service benefits.

To conclude Neuro marketing is not just an Approach but it is also a pathway to reach successfully and ethically in the Minds and Hearts of Customers. Neuro Marketing is the Heart and soul of future Marketing. The challenges and opportunities need to be studied properly by all the brands on the Marketing Dynamics nationally and

internationally. The Anatomy of customers across the globe is very much versatile and unpredictable and should be taken both as a challenge and opportunity to cultivate the best results out of this new Modern Marketing Approach called NEURO MARKETING.

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ROLE OF NEW TECHNOLOGY LIKE KNOWLEDGE MANAGEMENT IN E-COMMERCE IN INDIAN CONTEXT

Dr. RAJEEV PRABHAKAR*, Ms. SONAM MISHRA**

Abstract

Research shows that many consumers use the Internet to research products before purchasing through a more traditional channel, 'integrating e-Commerce services into their current consumption practices rather than rethinking the way they shop'. This suggests that company's web presence needs to be more than a just another retail channel. The internet is unique in facilitating this communication process. Business and consumers can now interact and share information and experiences or knowledge in ways that could not be realized in traditional retail channels.

To achieve knowledge management (KM), we need to integrate information system strategies with business strategies. The implementation of e-commerce provides conditions for KM of enterprises. This article suggests using data mining (DM) as a technique to support knowledge management in e-commerce. We discuss the process of knowledge management in e-commerce and present a reference model. A general architecture of collecting and mining data out of an e-commerce platform is designed to facilitate user discovering valuable knowledge. We detail the four functional modules, namely data collection, data pre-processing, pattern discovery, and knowledge analysis of the integrated architecture. Finally, some challenges in the process of implementing KM using data mining are summarized.

Knowledge management is a practice that involves the capturing and sharing of an organization's information assets in addition to the experiences of their employees that can be acted upon to achieve the strategic goals of the organization. It involves the sharing of tacit (what's in our heads) and explicit (paper, computer data, transactions, microfilm, etc.) information that leads to enhanced innovation and eliminates the reinventing of the wheel with each project.

Knowledge Management is a new branch of management for achieving breakthrough business performance through the synergy of people, processes, and technology. Its focus is on the management of change, uncertainty, and complexity. It evolved from the need for advancing beyond the failing paradigm of Information Technology Management that accounts for 70%-80% system failures. As 'IT' becomes more of a commodity and endowed with more complex 'potential' capabilities, there is need for re-focusing on strategic execution. As we transition from an era of information scarcity to information glut, there is need for re-focusing on human sense-making processes underlying decisions, choices, and performance. In this new paradigm for increasingly uncertain and complex business environments, dynamically evolving performance outcomes are the key drivers of how 'smart minds' use 'smart technologies' to leverage strategic opportunities and challenges

This paper outlines a research project that will explore the relationship of e-Commerce and Knowledge Management. Drawing on the theory of the 'personalization strategy' and on the 'socially constructed models' of Knowledge Management McAdam and McCreedy it constructs the concept of e-Commerce as Knowledge Management and propose the following research objectives:

- To explore the relationship between an organization's level of Knowledge Management awareness and the effectiveness of its e-Commerce facility.
- To explore the idea that consumers currently use the e-Commerce facility to create, communicate and exchange Knowledge.
- To develop a best practice framework for e-Commerce propositions.

Keywords: E-Commerce, Knowledge Management, communication, consumers.

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Introduction

E-commerce, Computer-mediated communications, IT tools and knowledge management have the capability to play a bridging role in managing the huge growth in businesses and information. This capacity can lead to an increased understanding of the nature of customers, markets and communication through e-researches. The combination of these new emerging high-tech disciplines can help identify new targets and test new strategies for e-businesses. High performance computers, software, appropriate algorithms, and integrated databases can also play a key role in e-research and identifying key innovative strategies.

E-commerce forces companies to look for new ways to make themselves more competitive. The Internet enables companies to attract and retain customers by customizing products and services according to their needs and to restructure the way

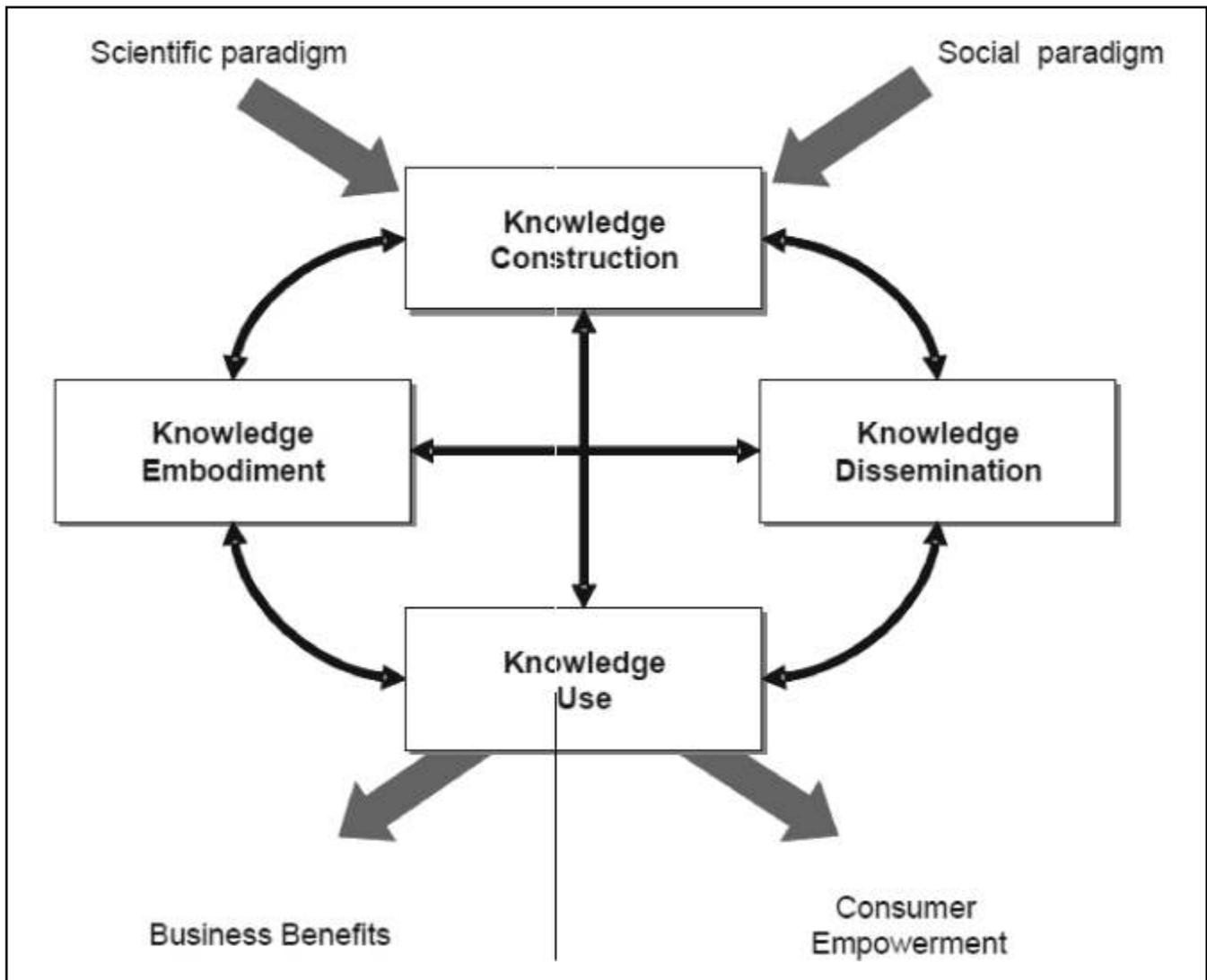
they do business to give an efficient and effective customer service delivery (Shin, 2001). This can be achieved through electronic Customer Relationship Management (eCRM) in which companies use web-based facilities to communicate with their customers (Schoder and Madeja, 2004). This entails companies gathering data and information about their customers' needs, wants and preferences, to bring together e-commerce transactions and traditional customer service.

KM cannot be achieved through a single product, but must be developed through creating an organizational culture that encourages sharing, adapting the proper practices and using technology as an enabler for knowledge sharing

3. RESEARCH METHODOLOGY

3.1 SAMPLING

Empirical evidence acquired by this survey



was obtained from the evaluation of a total of 554 websites of national airlines, national parks, government-run and private tourism promotion organizations, car rental companies, travel agencies and tour operators. With the size of the World Wide Web, it was decided to use two search engines with different searching methods to find the relevant web pages, Google and Excite. Search strings such as “Major Hotels in South Africa” and “Travel Agencies in Kenya” were used to find as many websites as possible. Google today is one of the most popular search engines with about 88 different language interfaces and has at least four billion indexed web pages. It treats natural language questions as lists of terms and retrieves documents similar to the original query. Excite uses the concept-based indexing which tries to determine the meaning of a search string using statistical analysis.

In this study the sample used was dictated by its availability to the researchers. The contact details of the organizations were obtained through intensive searches on the Internet and from personal contacts in the four African countries. Also brochures from travel and tourism exhibitions such as the World Travel Market and Business Travel were used to get the details of additional tourism organizations. Other details were obtained from websites of different organizational associations such as the Association of South Africa Travel Agents, and the Kenya Association of Tour Operators.

The limitation of this method is that it is difficult to determine the total population represented by the tourism organizations surveyed. However, each of the aforementioned categories of tourism organizations (national airlines, national parks, government-run and private tourism promotion organizations, car rental companies, travel agencies and tour operators) was well represented by obtaining as many companies as possible.

The websites were then grouped according to their level of development, that is, the number and type of e-commerce facilities present:

Level 1: These websites contain mainly information features, both product and non-product, providing sufficient information for the potential tourist to know about the organization and its products and services, but little else.

Level 2: These websites provide the information of level 1 and also have facilities to carry out limited online transactions. The online facilities include making reservations, submitting enquiries and customer feedback.

Level 3: These websites provide fully-fledged e-commerce facilities. They have facilities to make reservations in real time and allow customers to pay online. These websites also have interactive facilities for web-based eCRM.

By grouping the websites into three different development levels, the researchers aimed to determine at which level knowledge transfer is successfully being achieved in the four African countries.

3.2 KNOWLEDGE TRANSFER FACILITIES

The process of knowledge transfer on websites can be conceptualized into the following steps: collection of knowledge, dissemination of the knowledge and application of knowledge. The facilities for knowledge transfer are thus grouped according to the three steps as follows:

3.2.1 KNOWLEDGE ACQUISITION

The following allow knowledge acquisition through customer interaction as it is difficult to know customers preferences and needs if the interaction is limited.

- **Customer profiling** – Capturing the demo-graphics of existing and potential customers enables e-commerce organizations to know individual customer interests and needs.
- **Electronic guestbook** – This is a simple form for customers to submit comments about products and services. Through this online form customers can report inefficiencies in service provision and monitor the progress of complaints. Customers can use this facility to narrate their experiences obtained during their travels.
- **Customer surveys** - These can be used to get feedback and other information from customers. Surveys can be used to track the trends and changes in patterns of customer behavior and tastes. They can help organizations determine which new products to offer.

- **Interactive chat** - This enables tourist organizations and their customers to participate in a real-time conversation. This could be seen as the ideal replacement for the traditional interpersonal modes which have disappeared with the growth e-commerce.

3.2.2 KNOWLEDGE DISTRIBUTION

- **Electronic newsletters**- One of the functions of customer relationship management is to distribute information to its loyal customers and this can be achieved by publishing an electronic newsletter on the website. The newsletter allows website visitors to know about new products and services and any other information the organization might deem useful.
- **Bulletin boards**– These are special areas on the Internet for people to post messages for anyone to read. They can be used by customers to share their travel experiences. The electronic guestbook can also serve this purpose if it is accessible to the public.

3.2.3 KNOWLEDGE APPLICATION

Company knowledge can be used to provide features that tailor services according to the different customer needs.

- **Recommendation engine** – Recommendation engines are eCRM decision support applications that offer a new level of personalization through customized travel recommendations. Basically this facility helps a customer make a decision which is the best fit for that individual person. The information this interactive tool uses to help make decisions is gathered at the knowledge acquisition stage and could include past purchases and customer records. The combination of in-depth customer profiling, the knowledge acquired and the rules embedded in this tool provides an accurate, interactive, and automated customer service, resulting in high quality customer education (Vacation Coach Inc, 2002).

- **Loyalty systems**– Customer profiling together with records of customer transactions can be used to reward customers in the form of cash discounts to repeat clients. It also enables the organizations to calculate the value of their loyal customers. In this case both the customer and the organisation benefit, thus creating a symbiotic relationship
- **Customised content**– This is personalised content which can be accessed by registered repeat clients. The content and services displayed on the websites is tailored to individuals based on knowledge about their preferences, needs and behaviour.

4. RESEARCH FINDINGS

4.1 LEVEL 1- INFORMATION WEBSITES

There were 161 organizations at this level, representing 29% of all the organizations surveyed. At this level, the website represents a facility for information to be transferred from the organisation to the customer. There is no facility for the customer to transfer any information or knowledge back to the organisation other than sending a message to a contact address given on the site. Even in the direction of organisation-to-customer the transfer is really only that of information rather than knowledge as there is no means to tailor the information to the customers own context.

This level had the most organizations within it, 368 organizations represent two thirds of the total surveyed. The percentages in Table 1 are calculated as a percentage of the organizations in that category of tourist organizations. The survey showed that about one in every twelve of these organizations acquired knowledge through electronic guest books. Although there was some customer profiling, it is not included in Table 1 as the depth of the information entered by customers would be insufficient to study and analyse customer behaviour. About a quarter of the 368 organizations from this category used the electronic newsletter to disseminate information and knowledge to customers. Evidence from the results obtained from the survey shows that there is little application of knowledge obtained from the customer with only four organizations providing facilities to make recommendations to their customers.

4.2 LEVEL 2 – WEBSITES WITH LIMITED INTER-ACTIVE FACILITIES

The closest facility to a knowledge transfer is the electronic newsletter available on a few sites (about one in every four). The more descriptive form of a newsletter does give some knowledge as the readers can pick up elements of context from the

events taking place at the tourist destinations which might be of interest to potential tourists.

4.3 LEVEL 3 – FULLY-FLEDGED E-COMMERCE WEBSITES

Of the organizations surveyed, only 25 had fully-fledged e-commerce websites (see Table 2), with none of these in Zimbabwe or Uganda. About

Table 1: Analysis of knowledge transfer facilities on level 2 websites

Organizations \ Features	National Organisations	Hotels and Lodges	Travel agencies and Tour operators	Car rental companies
Knowledge acquisition				
Customer Profiling	-	-	-	-
Electronic Guestbook	2 (50%)	25 (25%)	12 (6%)	7 (13%)
Customer Surveys	-	1 (1%)	2 (1%)	-
Interactive Chat	-	-	-	-
Knowledge distribution				
Electronic Newsletters	4 (100%)	42 (42%)	49 (23%)	4 (8%)
Bulletin Board	-	-	-	-
Knowledge application				
Recommendation Engine	1 (25%)	-	3 (1%)	-
Loyalty Programmes	-	-	-	-
Customised Content	-	-	-	-

Sample size: South Africa - 226, Kenya - 89, Zimbabwe - 32, Uganda – 21

descriptions that they can then relate to themselves. The information available through the newsletters varied from information on new or planned products and services to information about major

two thirds of organizations from this category had at least one of the knowledge acquisition features of customer profiling, electronic guestbook and customer surveys. None of the organizations had

Table 2: Analysis of knowledge transfer features of fully-fledged e-commerce website

Organizations \ Features	National Organisations	Hotels and Lodges	Travel agencies and Tour operators	Car rental companies
Knowledge acquisition				
Customer Profiling	2 (100%)	4 (36%)	-	4 (80%)
Electronic Guestbook	-	1 (9%)	2 (29%)	-
Customer Surveys	-	1 (9%)	2 (29%)	-
Interactive Chat	-	-	-	-
Knowledge distribution				
Electronic Newsletters	2 (100%)	8 (72%)	2 (29%)	2 (40%)
Bulletin Board	-	-	-	-
Knowledge application				
Recommendation Engine	2 (100%)	6 (55%)	-	-
Loyalty Programmes	1 (50%)	4 (36%)	-	2 (40%)
Customised Content	-	3 (27%)	-	1 (20%)

facilities for interactive chat or links to bulletin boards. Similarly, nearly two thirds of the websites had the knowledge distribution feature of an electronic newsletter, but none had access to bulletin boards where customers find information about tourism-related topics. At least three websites from the hotels and lodges category used knowledge acquired through customer interaction for the benefit of the customer through recommendations and loyalty programmes. However, not one website from the travel and tour operators' category had any of the knowledge application facilities.

5. KNOWLEDGE ECONOMY

For the last two hundred years, neo-classical economics has recognized only two factors of production: labour and capital. This is now changing. Information and knowledge are replacing capital and energy as the primary wealth-creating assets, just as the latter two replaced land and labor 200 years ago. In addition, technological developments in the 20th century have transformed the majority of wealth-creating work from physically-based to "knowledge-based.". Technology and knowledge are now the key factors of production. With increased mobility of information and the global work force, knowledge and expertise can be transported instantaneously around the world, and any advantage gained by one company can be eliminated by competitive improvements overnight. The only comparative advantage a company will enjoy will be its process of innovation--combining market and technology know-how with the creative talents of knowledge workers to solve a constant stream of competitive problems--and its ability to derive value from information. We are now an information society in a knowledge economy where knowledge management is essential. This page lists and rates Internet resources related to the field of knowledge based economy and knowledge management in the new information society.

6. KNOWLEDGE MANAGEMENT CAPABILITIES & INFRASTRUCTURE FOR E-COMMERCE

Executives in leading organizations are increasingly recognizing that in order to maintain or gain competitive advantages, organizational knowledge needs to be managed for and integrated with their corporate e-commerce systems. This

paper defines what capabilities will be required for enabling knowledge management, describes the various technology elements required for knowledge management, and provides a technological framework for knowledge management capabilities and infrastructure for e-commerce which should assist organizations to identify and build innovative knowledge management solutions that meet their complex business requirements.

Legal and regulatory framework for e-commerce

Besides developing the e-infrastructure in the country through effective Telecom Policy measures, the Indian government is taking appropriate steps as confidence building measures for the growth of e-commerce. It has created the necessary legal and administrative framework through the enactment of the Information Technology IT Act which combines e-commerce transactions and computer misuse and frauds rolled into an Omnibus Act. While on the one hand it seeks to create the Public Key Infrastructure (PKI) for electronic authentication through digital signatures, on the other hand, it seeks to build confidence among the public that the frauds in the cyber space will not go unpunished. The Controller of Certifying Authorities (CCA) has been put in place for effective implementation of the IT Act. The Act also enables e-governance applications for electronic delivery of services to citizens.

The CCA acts as a regulator for the growth of e-commerce and e-governance. It is responsible for the establishment of PKI the country through licensing of certifying authorities (CAs). For this purpose, it has notified standards which are based on international standards as adopted by the International Telecom Union, the Internet Engineering Task Force (IETF), Institute of Electrical and Electronics Engineers, Inc. (IEEE) and the Federal Information Processing Standards (FIPS) of the Government of the United States. These standards range from specifying the high security modules for storing private keys of the CAs to the public key certificates, the certificate revocation lists and the directory services. Notable feature of the implementation in India is the creation of a panel of independent auditors who would be responsible for auditing the technical and physical infrastructure of the CAs to ensure

conformance with the standards as also to ensure that the CAs comply with their certification practice statement. There will be greater emphasis to ensure that the identity of individuals and businesses is verified as per established procedures to create the required level of trust in electronic environment. The CCA has established the National Root infrastructure which would be used for digitally signing the certificates of all the certifying authorities. Beginning February 2002, four certifying Authority license have been issued to operate under the Root. It is also setting up the National Repository to store all the certificates issued by all the CAs in the country as required under the Information Technology Act.

7. ROLE OF KMIN e-COMMERCE

E-commerce is an important part of the

knowledge organization puzzle. There is tremendous amount of information that is contained within each business transaction. But this information is much more that just who bought what and when. Questions such as why they bought are sometimes more important than what they bought or the amount of the transaction. If an organization can determine why each customer bought a particular item, it may be able to determine future trends or new potential markets.

To find the answer to why someone bought an item is more than just understanding the information that is housed within the physical transaction. Input from the sales person, customer service representative and the service technician needs to be made available to those that seek the information. Imagine if the product development

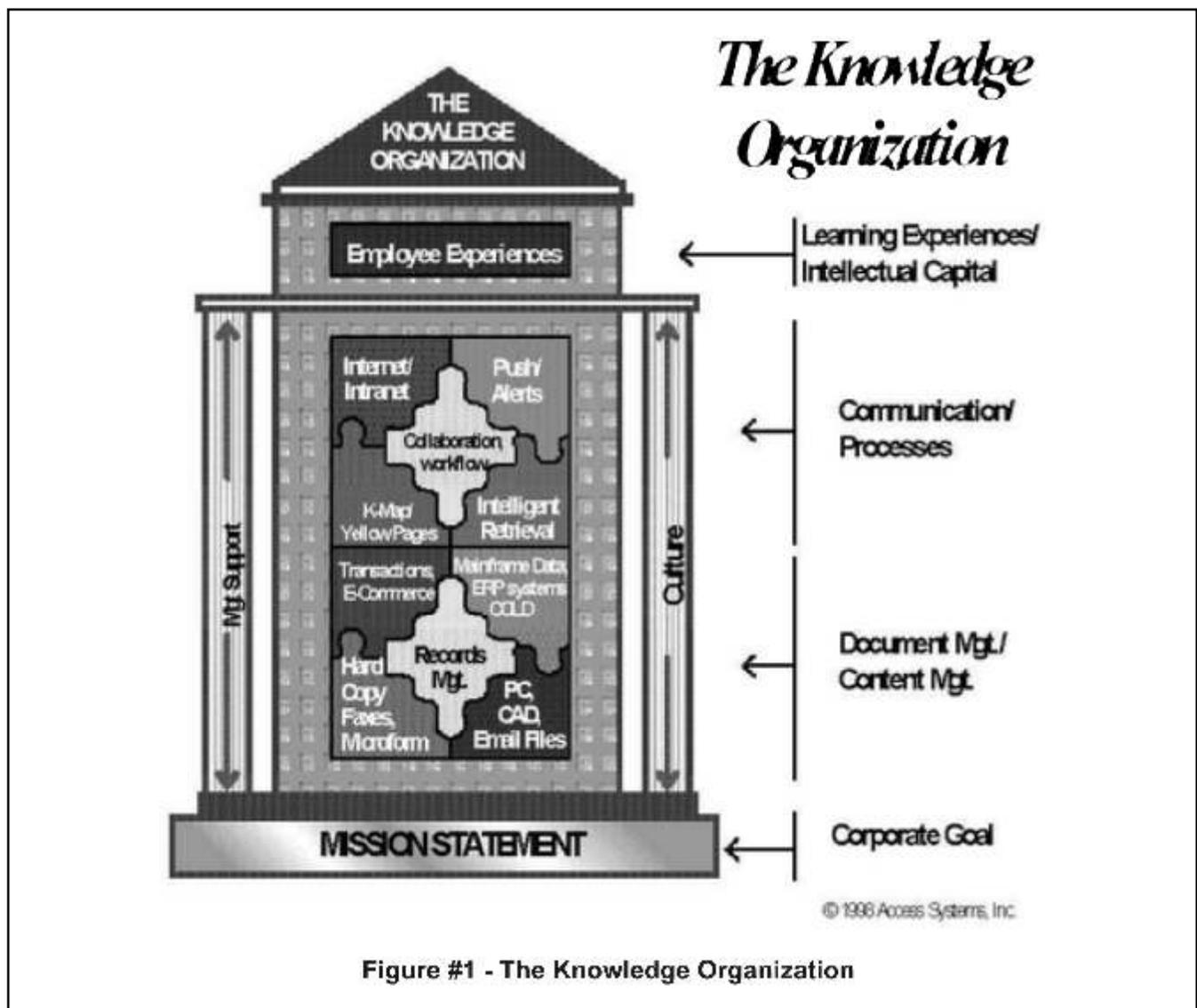


Figure #1 - The Knowledge Organization

and marketing departments had all the knowledge of the front line people (sales, customer service, maintenance, and the customers themselves) and was able to combine it with their own expertise in product planning. How dramatic would that increase future sales?

As the graphic below indicates, there are numerous pieces of the knowledge organization. The mission statement and strategic plan of the organization acts as the foundation that everything else is built upon. The company culture and executive support are the pillars that hold the organization in place and provide the framework for the tools (such as e-commerce) that facilitate communication of the explicit documents (the content) of the company. The employee knowledge (the tacit information) and their experiences rest on top of the building and utilize technology to enable greater knowledge sharing.

Others have said knowledge management is nothing more than information management. But information is only a subset of knowledge, just as data is a subset of information. Information becomes knowledge when it is acted upon. A quote that can act as a lighthouse for navigation through the knowledge management waters is as follows:

"To conceive of knowledge as a collection of information seems to rob the concept of all its life... Knowledge resides in the user and not in the collection. It is how the user reacts to a collection of information that matters." --Churchman (1971).

We have to remember what Churchman is saying when discussing knowledge management. Technology is only a piece of the puzzle. Knowledge is not something we can display as a tool or product. It is something we work towards, but will never reach a final destination since it is impossible for an individual organization to know everything about every possible topic and experience.

In Thomas Stewart's book, "Intellectual Capital", he tells of the story of Nike being a knowledge company and not a manufacturer. At first, this may sound strange, since many think of Nike as a manufacturer of footwear. But is Nike really a manufacturer? Stewart points out that they are a research and marketing company since they don't own any factories. They use the knowledge within their company to design great sneakers and

they use their tremendous marketing talent to sell products made by other companies to their specifications. Other than their corporate offices and real estate, they don't own physical assets such as factories to make the products they sell. The real value of their company is their knowledge and expertise to design and market products, not manufacture them. Their physical assets are a much smaller part of their total worth.

8. E-COMMERCE GROWTH IN INDIA

During the year 2000-2001, two major Industry Associations produced separate reports on e-commerce in India. Both the reports came out around the same time, namely June-July 2001. One was prepared by the National Committee on E-Commerce set up the Confederation of Indian Industry (CII), while the other was commissioned by the NASSCOM and prepared by the Boston Consulting Group. Both the reports are optimistic about the growth of e-commerce in India. The Confederation of Indian Industry (CII) report estimates the volume of e-commerce to grow to Rs 500 billion (US\$ 10.6 billion) in the year 2003, out of which B2B will be Rs 420 billion (US\$ 9 billion) and B2C will be Rs 80 billion (US\$ 1.7 billion) (CII, 2001). The NASSCOM-BCG Report, on the other hand, estimates for the same year that the total volume of e-commerce will be Rs 1,950 billion (US\$ 41.5 billion), out of which Rs 1,920 billion (US\$ 41 billion) will be on account of B2B and Rs 3 billion (US\$ 64 million) will be on account of B2C (NASSCOM and BCG, 2001). E-commerce volume for the year is estimated to be Rs 150-200 billion (US\$ 3.2-4.2 billion) (NASSCOM and BCG, 2001).

The earlier expectations of value creation through pure-play dot-coms, large online market sizes, businesses reducing their procurement and inventory costs through B2B have been belied. The euphoria of Internet revolution is over. But there is a deeper realization that the opportunities and threats of the Internet are very real. Organizations that have understood the power of the Internet and have implemented well thought out business strategies have leveraged B2B and B2C e-commerce to create significant gains in their business. LG Electronics India Ltd. is a case in point. It expects to realize margins up to 1.5-2 per cent through B2B supply chain initiatives on information sharing and procurement efficiencies.

Amul, a milk cooperative, is successfully using e-commerce to deepen its brand loyalty. Likewise, corporates in the automotive sector are improving their customer relations through this medium. Some of the new names that are rediscovering e-commerce through new portals at relatively low capital cost, without venture capital funding include: KEY2CROREPATI, MUSICABSOLUTE, GATE2BIZ, GRIHRACHNA, SHAADIONLINE. Business strategy on the Net is the key to these new portals. The new entrepreneurs are very clear in what they offer. Since they are not setting web sites with a view to sell them later, unlike the first wave of dot-coms, they put in their best efforts to check offerings and their processes before inviting customers in (Business Today [India], September 2001).

It has been seen that while the web sites and e-commerce portals are setup by technically oriented entrepreneurs, they have no experience of the logistics involved in delivering products to distant areas. B2C e-commerce is likely to remain small because of these constraints. In fact, when the e-tailing market grows in size, high delivery costs, logistical bottlenecks as well as regulatory requirements will act as major barriers. Coupled with this are the cultural barriers where most shoppers are uncomfortable buying items they are unable to see or touch. Consumer protection is also not very effective. If goods are not delivered after electronic placement of orders, the consumers may have to follow long process for redressal of their grievances. These are some of the limiting factors for B2C e-commerce. Domain names can now be registered in Indian languages too. Vishwabharat.com offers domain names using the alphabet in Indian languages. These will be valid like other domain names and are expected to help non-English speaking people take advantage of the benefits of Internet. Currently, one can register in Hindi or Kannada scripts.

Most of India's banks and financial institutions have set up web sites. Online stock trading has also taken off in India with the Securities and Exchange Board of India (SEBI) making efforts to standardize message formats and address issues pertaining to technology, connectivity, security, surveillance and monitoring. Companies such as <indiabulls.com> and <5paisa.com> actively

promote online trading on their web sites. A number of web sites cater exclusively to the expatriate Indians and offer valuable information on investment decisions, real estate, etc. Online portals have been set up for B2B e-commerce exchanges in the areas of automobiles, steel industry, construction, insurance, shipping and pharmaceuticals. A number of sites also deal in auctions. Most of the sites are in B2B segment, while there are some in the B2C segment as well. Vortals which cater to specific information needs and provide services across areas as diverse as cooking, women, online worship, specific sports (e.g. cricket), matrimonial, jobs, travel and tourism in India have also appeared in large numbers. Entertainment and games too have moved online and a number of portals catering to these areas are already in business.

A number of e-payment gateways have sprung up for B2B and B2C e-commerce financial transactions. There are four payment gateways operated by ICICI Bank, Citibank, HDFC Bank, and Global Trust Bank. But all these are closed user groups. There are no real time settlement systems available to let the users of one gateway settle their accounts with users of another group. No inter-bank settlement is possible as of now. This delays e-commerce transactions. The B2C transactions can, however, be enabled by the credit cards which are growing in number. The credit cards today number 5.1 million with total spending of Rs 81 billion (Business India, 14-27 May 2001).

India should be able to tap up to US\$ 4 to 13 billion in the year 2012. This segment includes SCM, CRM, knowledge management (KM), Internet services and Application Services Provider (ASP).

9. THE NEW KM IN E-COMMERCE IN INDIA

The RTE (REAL TIME) enterprise is based upon the premise of getting the right information to the right people at the right time (Gartner, Inc., 2002) in "real time", i.e. without latency or delay (cf., Lindorff, 2002; Lindquist, 2003; Margulius, 2002; Meyer, 2002; Siegele, 2002; Stewart, 2000). Enabling the RTE should lead to faster and better decisions, and enhanced agility and adaptability. RTE represents the future of knowledge enabled business processes: wherein digitized

organizations interact with increasing and relentless speed and any specific "event" results in a real-time "response". For instance, businesses such as Gillette and Wal-Mart are trying to minimize the delay between a customer order, its shipment and the restocking of inventory with the help of radio-frequency detection (RFID) tags, also known as smart tags (Cuneo, 2003). The proponents of RTE technologies suggest that these technologies would help companies to learn to adapt, evolve, and survive within increasingly uncertain business environments. Their rationale still seems to be based on the technology-push model of KM and may perhaps benefit from recognizing the strategy-pull model as a complement. One such perspective of RTE (Khosla and Pal, 2002) that yet does not address Stewart's (2000) big question: "why?" and may benefit from focus proposed above is listed below:

Real time enterprises are organizations that enable automation of processes spanning different systems, media, and enterprise boundaries. Real time enterprises provide real time information to employees, customers, suppliers, and partners and implement processes to ensure that all information is current and consistent across all systems, minimizing batch and manual processes related to information. To achieve this, systems for a real time enterprise must be "adaptable" to change and accept "change as the process".

The RTE will be able to operate at speeds with split-second reaction times that may far exceed human speeds of gathering and processing of information, analysis, and response (Meyer, 2002). At least, that is what the proponents of "RTE technologies" such as Khosla and Pal (2002) claim. Examples of increase of business process velocity that are often attributed to information technology include the following examples (Gartner, Inc., 2002):

- trading analytics: from 30 minutes to 5 seconds;
- airline operations: from 20 minutes to 30 seconds;
- call center inquires: from 8 hours to 10 seconds;
- tracking finances: from 1 day to 5 minutes;
- supply chain updates: from 1 day to 15 minutes;
- phone activation: from 3 days to 1 hour;
- document transfer: from 3 days to 45 seconds;

- trade settlement: from 5 days to 1 day; and
- build-to-order PCs: from 6 weeks to 1 day.

RTE enterprises would harness everything from radio frequency sensors and smart dust to global positioning satellites and worker-monitoring software to monitor and control all processes and activities. There are obvious benefits of the automated event-driven architectures (Sliwa, 2003) for repetitive, structured, and routine decisions (Malhotra, 2004b). Well-tested business processes may be suitable candidates for acceleration with automation of manual activities and workflows (Malhotra, 2000d). However, the more critical problem can be understood in terms of the contrast between the technology-push model and the strategy-pull model. The programmed logic of the RTE may yield diminishing returns if environmental change outpaces the assumptions and logic embedded in its computerized networks. Split-second decisions based upon pre-determined "rules" are efficient as they follow the single-loop logic and are well suited to repetitive, structured, and routine decisions. However when such decisions are made regardless of the obsolescing business process or business model, the price is paid in terms of effectiveness (Drucker, 1994; Yuva, 2002). High-risk or high-return situations require reflection, and re-thinking as meaning of information could change and previously non-existent responses become feasible. This is all particularly applicable in contexts within which creativity and innovation facilitate emergence of new meaning, insights, and actions. Such complex meaning making and sense making capabilities for anticipating the unforeseen are yet unavailable in existing technologies .

10. CONCLUSION

As can be seen, there are many pieces that are needed to evolve towards becoming a Knowledge Organization. The move from the industrial age to the knowledge age and the creation of more companies like Nike or Microsoft who rely more on brains physical factory output will be leading the charge.

For an e-commerce system to succeed within the emerging global marketplace it must be able to properly transfer knowledge, whether it is generated within the system or derived from external environments. The increased competition within

the tourism industry, the exponential growth of the Internet and the size and distribution of target markets are some of the reasons why knowledge transfer is so important in e-commerce systems today. The following is therefore recommended to organizations:

- Incorporate interactive services which can be used for knowledge acquisition as knowledge transfer generally requires extensive personal contact.
- Adopt more knowledge and information distribution methods as tourism is one of the most information-intensive sectors.
- Apply knowledge acquired from customers or other sources to return value to the customer as well as keeping them interested. Customers are usually prepared to part with knowledge or information if they receive something in exchange.

Since knowledge management is a practice and knowledge never stops growing, there is no such thing as a completed KM project. A final destination will never be accomplished since new knowledge and experiences are continually added and refined and outside forces can create a change in corporate strategy.

But it is those companies that lay the foundation for greater knowledge sharing now, that will be the leaders of tomorrow.

See, Knowledge Management really is much more than Document Management.

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CHARACTERISTICS AND CLASSIFICATION OF BANKING SERVICES

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Abstract

Distinct treatment of services marketing is due to existence of a number of characteristics of services in the literature. These unique characteristics are intangibility, inseparability of production and consumption, heterogeneity, and perishability. These unique characteristics distinguish them from products. Understanding of classification of services helps marketers to design better marketing strategies because all service concepts cannot be translated from one industry to another. This paper discusses unique characteristics and classification of banking services. For banking sector, three unique characteristics are discussed. These are intangibility, heterogeneity and inseparability of production and consumption. Classification of retail banking services is highlighted on the basis of nature of service, degree of regulation, degree of labour intensiveness, method of service delivery, customization and judgement, and relationship with customers.

Keywords : Service characteristics, classification, retail banking

Introduction

The place of retail banking in the banking industry has always been vital. The objective of reaching to mass can be achieved through retail banking. The growth in retail banking has been quite fascinating in the recent years due to advance technology, entry of private players in the market, economic prosperity, changing life style of people, changing consumer demographics and increase in Indian middle class. Entry of new private banks in India and their focus on retail banking has created new dimensions of delivering services for customers. They have been working to make banking more customer-friendly. In the process, public sector banks have also initiated steps to focus on retail banking and improve customer service. Retail banking has immense growth opportunities in a growing economy like India. With growth opportunities, challenges are also associated with retail banking sector.

Retention of customers is a big challenge for retail banking sector as more options are available for customers to avail banking services. Information technology is helping in growth of banking sector but it is a major challenge as well. It becomes obsolete very soon; therefore, it is required to update it before it gets outdated.

Maintaining privacy, security, controlling frauds, management of network, generating revenue and remaining competitive, etc. are some of the challenges regarding technology.

Employee training regarding soft skills has been a big challenge for retail banks. Welcoming the customer with smiling face, politeness, empathy, etc. have positive impact on customer satisfaction.

Proper blend of face-to-face interaction and technology is a big task in front of retail banking sector. Customers who require face-to-face interaction may switch to other banks if they lose face-to-face interaction with current service provider. Therefore, service providers are in a better position to develop a strategy for proper balance between human interaction and direct channels.

Delivering service quality is a major concern of Indian retail banking sector. Therefore, it is required to understand unique characteristics of services and classification of services with special focus on retail banking sector to evolve those marketing strategies which satisfy customers. Once the banking professionals have understood the unique characteristics and classification of banking services then it is easy to plan service marketing

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mix to satisfy customers. With this backdrop, this paper makes an attempt to analyze unique characteristics and classification of retail banking services.

Characteristics of Services

Gronroos (1990) defines services as 'an activity or series of activities of more or less intangible nature that normally, but not necessarily, take place in interactions between the customer and service employees and / or physical resources or goods and/ or systems of the service provider, which are provided as a solutions to customer problems'. According to Kotler (1988) service is 'any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything'.

There are unique features of services that differentiate products from services. This uniqueness does not allow service marketers to follow manufacturing based techniques. Ignoring the differences between manufacturing and service will definitely lead to failure in markets. The reason for a distinct treatment of services marketing is due to existence of a number of characteristics of services in the literature. These unique characteristics are intangibility, inseparability of production and consumption, heterogeneity, and perishability. These unique characteristics distinguish them from products. For banking sector, three unique characteristics are prominent. These are intangibility, heterogeneity and inseparability of production and consumption.

Intangibility

Intangibility is the primary attribute that differentiates a service from a product. Services are intangible because they are performances or actions than objects. Because of intangibility, it is difficult to understand how consumers evaluate service quality. Due to this limitation, it is required to find tangible indicators for making differentiation in services. By using tangible indicators like attractive and comfortable furniture, pass books, cheque books, information boards, banking services can be tangibilised.

Heterogeneity

Services are variable by nature which makes it

difficult to ensure the consistency of behaviour from service provider. In high labour intensive firms, performance differs from one service provider to another service provider; and same service provider delivers different quality of services at different times. According to Lovelock and Gummesson (2004) heterogeneity is explained as the challenge of establishing standards when behaviour and performance differ, not only among service providers, but also when consumers have exclusive demands and experience services in a distinctive manner.

Getting uniform output in labour-intensive firms is very difficult. Therefore, focusing on employee training programme and internal marketing can help bank employees in standardizing their services and controlling the degree of heterogeneity. Moreover, banking services can be made uniform through the adoption of latest technology like ATMs, internet banking, mobile banking, etc.

Inseparability of production and consumption

Generally, production and consumption of services are simultaneous. In labour intensive services, quality occurs during service delivery, usually in an interaction between the customer and the service provider (Lehtinen and Lehtinen, 1982). Since the customer involvement is required during the production of many services, inseparability functions as a major limitation for the customer to have intimate contact with the production process (Carmen and Langeard, 1980). The production, distribution and consumption of a service in a service encounter are simultaneous processes (Svensson, 2003) and forces service provider and customer to interact. When bank customers have to be present in branches for availing the services then employees' behaviour plays a leading role in satisfying customers. Similarly, if services are being availed through information technology, then it is required that technology should be user friendly. Maintaining privacy of customers' bank accounts also plays a leading role in satisfying customers while using information technology for banking operations.

Inseparability of production and consumption creates inconvenience for the bank customers as

they have to come to bank for availing services. The challenge of inseparability of production and consumption can be overcome through providing banking services at the door step. Relationship officers are providing services to high net worth customers at their doorstep. In this fashion, there is comparatively less rush at branches which helps banking professionals in their efforts to reduce waiting time of customers. Convenience is playing major role in satisfying bank customers.

The literature suggests that each unique characteristic of banking services leads to specific problems for service marketers and requires special strategies for dealing with them. Having understanding of these unique characteristics help banking professionals overcome these challenges and satisfy their customers.

Classification of Services

Identification of unique features of services provides insights for better service management. Some concepts of service management are of relevance to all service types but understanding of classification of services help marketers to design better marketing strategies because all service concepts cannot be translated from one industry to another. Ability of marketers to have understanding of classification of services will go a long way in satisfying their customers. Following is the classification of services with special focus retail banking on the basis of nature of service, degree of regulation, degree of labour intensiveness, method of service delivery, customization and judgement, and relationship with customers.

1. Nature of Service

Understanding of the nature of service helps marketers to decide some issues like the desirability of physical presence of customer during service delivery, and the mode of service delivery. Service marketing strategy must address issues of location and time to ensure the customer convenience. On the basis of nature of service act, two dimensions can be considered: 'who' or 'what' is direct recipient of service and 'what' is nature of the service. This will further lead to four possible classifications.

People processing

First type of service category is tangible

actions directed at people's bodies, such as health care, beauty care, etc. Customers enter the service site where service providers (people/machines or both) deliver the service benefits to them. Sometimes service providers reach the customers along with their tools to deliver the desired service benefits to customers' locations.

Possession processing

Second is tangible actions directed at customers' physical possessions, such as repair, laundry service, etc. In this case, customers need not be physically present, but objects requiring processing must be present. For example, lawn mowing, warehousing, laundry, etc. Many such activities are quasi-manufacturing operations, and do not always involve simultaneous production and consumption.

Mental stimulus processing

Third is intangible actions directed at customers' mind, such as education or cinema. In such instances customers must be present mentally, but could be physically located either in specific service facility, or in a remote place connected by broadcast signals or telecommunication linkages. This is in contrast to people processing where people must be present physically. As these kinds of services (advertising, consulting, etc.) pertain to people's minds and have the power to influence attitudes, there is lot of scope for manipulation; hence, strong moral standards and carefulness is required on the part of the service providers.

Information processing

Information processing is an intangible action directed at customers' intangible assets, such as banking and insurance. This describes inseparable actions directed at the customer's belongings or assets. In service sectors, such as insurance and banking, little direct contact is needed with customer after the request for service is made. In banking services, intangible form of service output can be transformed into more enduring tangible forms such as reports, ATM card, cheque book, pass book, furniture, etc. Moreover, customers prefer interaction with employees; therefore banks should try to build successful personal relationships based on trust.

Figure 2.1 Nature of the Service

Who or what is the direct recipient of the service?

What is the nature of the service action?

	People	Things
Tangible actions	Services directed at people's bodies: (people processing) ? Health care ? Beauty salons	Services directed at goods and other physical possessions: (possession processing) ? Veterinary care ? Repair and maintenance
Intangible actions	Services directed at people's minds: (mental stimulus processing) ? Education ? Theaters ? Museums	Services directed at intangible assets: (information processing) ? Banking/Retail banking ? Insurance ? Legal services

1. Degree of Regulation

Services can be classified on the basis of government regulation on them (Rathmell, 1974). Classification on the basis of government regulation provides understanding regarding prices charged by customers. In banking sector, prices are being controlled by Reserve Bank of India. However, deregulation is also taking place of late in this sector. As price structure is complex in case of loan, transparency is required to satisfy customers.

2. Degree of Labour Intensiveness

Service employees play a dynamic role in the service delivery and sometimes are also a part of the service delivery (Varoglu and Eser 2006). However, services may vary in keeping with the extent of the labour involved. Thus, there can be

equipment-based services and people-based services (Thomas 1978). Examples of equipment-based services are automated services such as ATMs and vending machines which require, at best, least human intervention. People-based services can be classified into unskilled (guards and cleaning services), skilled (appliance repair, printing, catering, etc.), and professionals (management consulting, data processing, medical services and banking services, etc).

3. Method of Service Delivery

According to Lovelock (1983), services can be classified on the basis of place and time of service delivery. Thus, there can be service-site (customer goes to service organization), customer-site (service organization comes to customer), and

customer-service-site (customer and service organization transact at arm's length) organization. In case of a service-site service, the customer needs to visit the service location to avail the service; for example, customer visits bank for loan. In

either the character of the service permits customization or the service personnel have the discretion to modify the service. In retail banking, service characteristics can be customized at higher level but customer contact personnel exercise their

Figure 2.2 Method of Service Delivery Nature of interaction between customer and service organization

	Availability of service outlets	
	Single	Multiple site
Customer goes to service organization (Service-Site)	? Salon ? Theater	? Train transport ? Retail banking
Service organization comes to customer (Customer-Site)	? Home delivery for various services ? Repair and maintenance	? Courier services ? Movers and packers Services ? Retail banking (High net worth customers)
Customer and service organization transact at arm's length (mail or electronic communication) (Customer-Service-Site)	? Online buying websites such as eBay, Amazon, etc.	? Online banking

Source: Adapted from Lovelock (1983)

customer-site service, the service is delivered to the customer, like home delivery. High net worth customers of banks are provided banking services at their door step. Customer-service organization involves the interaction between the customer and the service provider through a physical channel such as internet banking.

1. Customization and Judgment

According to Silvestro et al. (1992), 'a high degree of customization takes place when the service process can be modified to meet the needs of individual customers'. Lovelock (1983) has classified services as customized and standardized. Customization proceeds along two dimensions:

judgment in meeting individual customer needs at lower level.

1. Relationship with Customers

In service sector, marketers can easily build long-term relationships with customers because customers have direct contact with service provider. Contrarily, in manufacturing sector manufacturer cannot interact with end user directly due to the presence of distribution channels. On the basis of nature of customer's membership with the nature of service delivery, services can be classified. Knowing the customer is a significant advantage for the service provider. Continuous delivery of service with membership relationship

opens door for customer relationship management. It has advantages for valued customers. In banking services, customer receives continuous delivery of services and enjoys membership relationship with

bank. A formal relationship is represented in banks, where each transaction is noted. This relationship increases scope for banks to maintain relationship with customers.

Figure 2.3 Customization and Judgment in Service Delivery

Extent to which customer contact personnel exercise judgment in meeting individual customer needs		<u>Extent to which service characteristics are customized</u>	
		High	Low
High	? Legal services	? Education (large classes)	
	? Healthcare/surgery	? Preventive health programmes	
	? Architectural design		
Low	? Internet broadband services	? Public transportation	
	? Hotel services	? Fast-food restaurant	
	? Retail banking	? Movie theatre	

Source: Adapted from Lovelock (1983)

Figure 2.4 Relationships with Customers

Nature of service delivery	Type of relationship between the service organization and its customers	
	Membership relationship	No formal relationship
Continuous delivery of service	? Insurance	? Police protection
	? Telephone subscription	? National highway
	? Newspaper/magazine subscription	
	? Retail Banking	
Discrete transactions	? Long-distance phone calls	? Postal service
	? Theater series tickets	? Toll highway
	? Airline frequent flyer	? Restaurant

Source: Adapted from Lovelock (1983)

According to Hafer (1987) following are the reasons to classify products/services:

Classification can help to discern the changing needs of consumers. It helps a marketer to understand pre-purchase and post-purchase customer behaviour. This offers insights into the consumers approach on how they evaluate services, the source from where they obtain information, and their judgment of a product's performance. Classifying services further helps to determine the strengths and weaknesses of a particular service. It also helps to determine the strengths and weaknesses of the competitor. Classification can help service providers to formulate strategies for services. Such strategies save time and effort and can become the foundation for the marketing mix of the firm.

Conclusion

Characteristics of services are considered challenges of services. Understanding of these unique characteristics and knowledge of the ways to overcome these challenges help bank marketers to design their services to enhance customer satisfaction. Classification of services helps banking professionals to understand consumer behaviour, dimensions of services and in formulating strategies for their services. It helps in knowing how customers evaluate the services and what factors are important for their satisfaction.

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PRESENT TRADE SYSTEM FOR DEVELOPING COUNTRIES A LEGAL ANALYSIS

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Abstract

The paper is an attempt to explore the various obligations of the WTO members including their legal commitments, under the GATS. The focus is on the global trade agenda of developing v/s developed countries.

The withdrawal of concessions, bargaining in a multilateral environment, criticism of increased legalization of dispute settlement, tariff escalation, danger of excessive regulatory overload are highlighted. The paper touches issues which are a cause of dissatisfaction for developing countries. Some suggestions have been brought forth, along with an analysis of what are the institutional features of the present trade regime which can help or hurt the interests of the developing countries. An important issue which has to be handled is the escalating tariffs which take away the incentives of the developing countries to specialize in higher value added segments of the production chain. The paper concludes that WTO is going through a challenging period of integration of the developing countries as these countries are dissatisfied with the way their issues are addressed.

Introduction

It is commonly accepted that “increased trade is essential” for developing countries to fully benefit from increased globalization of product and financial markets (United Nations [2001]). Despite the importance of successfully integrating developing countries into the world economy, there has always been an active debate on the pace, method and institutional framework to achieve these goals. An important milestone in the debate was reached when a large number of developing countries actively participated in the Uruguay Round negotiations and signed the agreements. Since then, many other countries joined the WTO, agreed to implement many reforms and committed to make the rule-based multilateral trade regime a cornerstone of their development process.

This commitment is stated clearly in the opening sentences of the Doha Ministerial Declaration: “The multilateral trading system embodied in the WTO has contributed significantly to economic growth, development and employment throughout the past fifty years. We are determined, in the light of the global economic slowdown, to maintain the process of reform and liberalization of trade policies, thus ensuring the system plays its full part in promoting recovery, growth and development.” (WTO [2001]).

However, the Doha Declarations could not conceal the complaints among the developing countries that the promises of the Uruguay Round were not fulfilled. The events and discussions surrounding and following the Seattle and Doha Ministerial Conferences are illustrations of this dissatisfaction¹.

The Doha Ministerial Declaration repeatedly stresses the commitment to WTO “as the unique forum for global trade rule-making and liberalization.” For the global commitment to economic integration, trade liberalization and especially to the WTO to continue, it is imperative to have a clear understanding of what institutional features of the present trade regime can help or hurt the interests of the developing countries. This is especially important today since “the majority of WTO members are developing countries” and the ministers in Doha were clear on their desire to “place developing countries' needs and interests at the heart of Work Program adopted in this Declaration” (WTO [2001]). As the debates leading to the Cancun meetings show, the development concerns may easily become the main obstacles in front of the multilateral trade liberalization efforts.

So, what is the “global trade system”? According to Whalley [1996], “when applied to global trade arrangements, the term *system*² implies

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¹We should note that the latter one's agenda was rightly named “Doha Development Agenda.”

²Original italics.

a coordinated and well-organized set of rules and institutions that oversee and regulate world trade.” Upon close inspection, we see that the current global trade system is not a monolithic structure but is comprised of several overlapping and, in certain ways, conflicting pieces. The overarching piece of the system is the GATT/WTO framework that has been shaped during 55 years of continuous negotiations over trade liberalization as well as over new rules and laws that govern the framework itself. The second piece is composed of bilateral and regional agreements (such as free trade areas and customs unions) that increasingly include “deeper” measures of political and economic integration such as monetary, fiscal environmental and even military policies. The third group includes special sectoral or unilateral arrangements such as the Multi-fiber agreement (MFA) for textiles and apparel, voluntary export restraints, certain preference programs for developing countries (such as the Caribbean Basin Initiative, AGOA, Lome/Cotonou convention)³.

The GATT/WTO is a rather unique institution, especially compared to other post-war multilateral institutions, in terms of the way it operates and is perceived in the world. For example, one of the most important successes of the post-World War II international economic architecture has been the universal acceptance of the legitimacy of the GATT/WTO regime as “the” trade regime by most countries regardless of their income levels, political orientations or geographic locations. That is why membership in the WTO is a key issue for most countries, including China and Russia, as part of their overall economic programs. The legitimacy of the WTO as the main forum to address global trade issues is based on three premises – *fairness*, expressed through the Most Favored Nation (MFN) clause, *legality*, protected through the Dispute Settlement Procedures, and *reciprocity*, the driving engine of post-war trade liberalization. The fact that all other pieces of the global trade system (regional agreements or the MFA regime) have to be “approved” by the GATT/WTO regime to earn their own legitimacy (even if they sometimes conflict with GATT’s principles) is an indicator of the authority of the GATT/WTO in the global trade system.

As we stated above, some of the current criticisms of the multilateral trade regime are based on its perceived failures in protecting the interests of the developing countries. And these criticisms, in return, are deteriorating the legitimacy of the GATT/WTO regime. Hoekman [2002] argues that its “development credibility” needs to be enhanced for the Doha Development Agenda to reach its goals.

“GATT is like a bicycle; you will fall unless you go forward.”

Currently, we are at a critical stage where the momentum to go forward with trade liberalization is being challenged. Unless the concerns of the developing countries are adequately addressed, the historic process of trade liberalization may be derailed.

The first criticism is that market access promises to developing countries during the Uruguay Round never materialized. The developed country protectionism in agriculture and textiles & apparel are the best-known examples in this category. Furthermore, antidumping actions are becoming effective protectionist devices in markets which developing countries manage to successfully penetrate. Second is related to special and differential treatment (SDT) of developing countries. Most important SDT provisions allow developed countries to grant preferential access to their markets to the exports of developing countries such as the Generalized System of Preferences. However, these are “best endeavor” provisions and are neither guaranteed nor protected under the WTO law. Developing countries are demanding them to be more extensive and automatic. Third category includes the technical and financial difficulties associated with the *implementation* of the Uruguay provisions. Many countries are claiming that they lack adequate capabilities to perform their obligations. There are many other discussions such as the ones related to dispute settlement, services trade and competition policies etc.

All of these issues foster the perception that the global trade agenda is tilted against the interests of the developing countries. One of the main themes in this paper is that the GATT/WTO with its

³ Whalley [1996] actually includes certain policies that have trade implications as the fourth subsystem. Examples are competition, investment and environmental policies.

established principles for conducting negotiations, implementing the agreements and resolving disputes is the best platform to protect and promote the interests of developing countries. The further we move away from the WTO as the main forum to address trade-related issues and disputes, the more difficult it becomes to reach the development goals and solve the problems listed above.

Basic Principles of GATT/WTO Regime

In this section, we briefly go over the main principles of GATT/WTO regime and identify how they reinforce each other. Their relevance and importance for developing countries is analyzed in the following sections.

The success of the GATT in terms of achieving its intended goals at its inception is captured by the simple fact that average tariff rates have been reduced from 40% in 1947 to 4% in 1994 (Staiger [1995]) while most quantitative barriers have been removed⁴. During the same period, world trade has increased more than 20-fold, much faster than income levels. One of the main sources of the success is the way GATT negotiations were conducted, as a “market” for market access, especially during the initial rounds. Governments, motivated by mercantilist preferences due to protectionist pressures at home, come to GATT negotiations to swap market access concessions with their trading partners. This **voluntary exchange of concessions** creates welfare gains for the participants like any other market would. It is crucial for developing countries to never forget that this negotiation and reciprocal concession mentality is the defining feature of GATT/WTO.

Trade liberalization is a natural outcome of this negotiation process. It is otherwise rare that a country (especially among OECD countries) will voluntarily lower its barriers below a certain level without reciprocal concessions from a trading partner. As a result, if a country is the main exporter of a product in the world but does not participate in GATT, it is unlikely that the participating importers will voluntarily implement significantly lower trade barriers on this product. Another example may be a GATT-member small country that is the largest producer and exporter of a single product

but is not a large importer of other countries' products. Therefore, it does not have much to offer in terms of market access to its trading partners which make it difficult for this small country to obtain trade concessions on its export product.

The first role of GATT is to provide the opportunity for the interested countries to negotiate and coordinate their trade policies efficiently so that economic and political externalities are internalized. (Staiger [1995] and Ethier [2002]). Since efficiency increases in a market with the number of participants and number of traded goods (different market access concessions in this case), there are obvious benefits to conducting multilateral negotiations with ever increasing number of countries. The second role is to establish the rules and legal principles under which these negotiations are conducted and the resulting agreements are enforced. The key principle in operation is non-discrimination, expressed through the Most Favored Nation (MFN) clause. MFN states that an importing country can not discriminate between (similar) products from different countries and has to apply the same tariff and other national restrictions on them. A related concept is the National Treatment rule which prohibits discrimination between domestic and foreign goods (once the customs duties are paid.)

The concept of non-discrimination has obvious economic benefits as it guarantees imports come from the most efficient supplier. However, a more important benefit is the sense of “fairness” and legitimacy it creates among the participants, as mentioned in the introduction. The sense of **legitimacy** encourages participation and it is the main contributor to the emergence of GATT/WTO as the forum to address all trade related issues⁵ in recent decades as the tariffs ceased to become the main obstacle to liberalization.

The next key function of the GATT/WTO is to make sure countries abide by the market access commitments they made and do not completely withdraw from the regime in case the commitments turn out too burdensome. At the same time, it is important to deter attempts to renege on promises under false pretenses. This is a rather complicated

⁴There are some notable exceptions to this in the developed countries such as the MFA and quotas on agricultural products. These are analyzed in detail in following sections.

⁵Such as intellectual property rights, foreign investment, anti-dumping and competition policies.

process. To solve the former problem, it contains permissible exceptions so that countries can withdraw concessions under unforeseen contingencies, such as balance of payment crisis. On the other hand, there is a sophisticated dispute settlement mechanism so the disputes do not lead to trade wars and endanger the system. There is a large body of literature analyzing the effectiveness of the dispute settlement mechanism in the GATT/WTO (see Reinhardt and Busch [2002] for an overview). However the fact that the compliance rate by the parties found to be guilty is quite high (although not 100%) is indicative of the importance of the mechanism. The presence of a credible dispute settlement mechanism increases the effectiveness and efficiency of the initial agreement as countries are more likely to agree to more significant commitments knowing the other side is more likely to abide by its obligations.

Each one of the principles and practices identified above, (reciprocity, non-discrimination and credible dispute settlement), individually contribute to the effectiveness and success of the GATT/WTO regime. Another important feature is how these principles reinforce each other. For example, through the MFN principle, reciprocal concessions are extended to other members which contributes to further liberalization. Knowing that market access is non-discriminatory also increases the efficiency of the initial negotiation (Staiger [1995]) and countries are more likely to make larger commitments in the initial negotiations if they know there is an efficient and credible dispute resolution mechanism. Moreover, the presence of non-discrimination principle increases the credibility of the dispute resolution process.

There are other key GATT principles which have been instrumental over the last five decades. One is the insistence on tariffication of non-tariff barriers (especially quantitative restrictions). Transparency of the individual trade policies makes negotiations and liberalization easier. Another one is the consensus approach in many decision making processes from tariff reductions to dispute settlement cases. In tariff negotiations, the gains and concessions of all countries are closely linked. So it is necessary to have everybody's approval for the final agreement. In dispute settlement cases, *the*

consensus approach increases the legitimacy of the decisions. That is why we commonly see countries “not” blocking decisions against them under the old GATT regime when they were allowed to do so (Reinhardt and Busch [2002]). Finally, there is the reliance on member countries' delegations (more than the professional staff) for the operations of the WTO. The committees and other decisions making bodies are headed by delegations of the member countries while the professional staff have a more “advisory role.” In other words, WTO⁶ is a member-driven organization which is consistent with the principles we identified above.

No institution is perfect and can solve all ex ante and ex post problems. GATT/WTO is no exception and has many features that require improvement. However, member countries created a rule-based international trade regime through the GATT/WTO that managed to increase global trade rapidly, lower barriers significantly and avoid serious trade wars of the sort we witnessed in the interwar era. This is even more impressive once we take into account that GATT/WTO has no specific enforcement powers, “no jailhouses, no bail bondsmen, no blue helmets, no truncheons, no tear gas” (Bello [1996]) to use against violations of commitments.

The Importance of Multilateral Trade Regime for Developing Countries

In any discussion of growth and development issues, the importance of certain macroeconomic and social policies needs to be emphasized. For example, one key to economic growth is to provide the right environment for both domestic and foreign investment. Towards that goal, a government needs to protect property rights and create a stable macroeconomic environment through responsible and stable fiscal, monetary and foreign exchange policies. Furthermore, it is necessary to have a transparent legal and political regime as well as an effective education system for long-term growth. Without these and other numerous policies and institutions in place, trade liberalization can not deliver miracles (Rodrik [2001]). On the other hand, successful trade liberalization is likely to reinforce the effects of these other domestic policies.

⁶A less known fact is how small the WTO secretariat staff is. The current total is 550 according to the official website.

The value of commitment

A critical issue in the development and growth context is the credibility and durability of reforms. Regardless of the income level of the country, any reform program has distributional consequences, and therefore is likely to create a certain level of domestic opposition. Although reforms may have overall positive effects; interest groups who oppose reforms may be powerful enough to defeat them. This becomes a more serious problem in developing countries which tend to have less transparent, more corrupt political institutions and suffer from wide-spread rent seeking behavior. Trade policy is especially vulnerable to such threats since excessive protection generates economic gains captured by a range of influential groups at the expense of the public and long-run economic welfare. Furthermore, the beneficiaries of protection are generally more organized compared to the opponent (consumers and exporters) who creates a political bias against liberalization⁷. In short, trade liberalization in a developing country can be derailed or overturned relatively easily.

One of the key benefits of an international trade agreement and especially membership in the WTO is the commitment mechanism they provide to the government against domestic pressures. Using international obligations and reputations as a legitimate excuse, the government can “stand up” against the demands for protectionism and claim that its hands are “tied.” The increased credibility of trade reforms, of course, discourages wasteful rent-seeking activities. Resources can flow out of protected sectors into export sectors which gives further momentum to growth.

Some of the critics maintain that the pace and degree of liberalization demanded by the multilateral trade agreements from the developing countries are not compatible with their development needs. Developing countries should have the right to design their own programs and withdraw commitments without any obligations in the presence of economic and social problems (Third World Network [2001]). These issues became more important due to the “Single Undertaking” principle of the Uruguay Round where member countries had to accept either all or

none of the provisions. As it became evident afterwards, most of these obligations imposed serious burdens on many developing countries, especially with respect to their technical capabilities to implement reforms (Finger and Schuler [2000]). The essential issue is to be able to differentiate real difficulties with liberalization from political demands for protectionism by interest groups. This problem is closely related to the standard “rules vs. discretion” dilemma which is extensively studied in the literature in many different contexts. The main conclusion is that it might be better to stick with a rule and give up the chance to use discretionary policy later on when discretion can also be used to against the interests of the public.

Withdrawal of the concessions are allowed under the WTO rules under certain circumstances as long as the injured partners can also withdraw equivalent concessions to compensate for their losses. This mechanism permits the withdrawal of really burdensome concessions while discouraging opportunistic protectionist behavior. The problems related to the pace and degree of implementation of trade reforms in developing countries can be addressed through the same mechanism. Countries who wish to slow down their liberalization process and cancel some of their concessions may do so as long as they give up some of the benefits they obtained and trading partners are “appropriately compensated.” Potential conflicts can be addressed through the dispute settlement mechanism if there is concern that the withdrawal is not warranted. However, politically motivated withdrawal of concessions is likely to hurt the country in question more than anybody else. In short, by increasing the cost of withdrawal of concessions, GATT/WTO commitments serve the long-term interests of the members. They provide certainty and reliability in the economic environment which is especially essential to attract and maintain investment.

Nevertheless the technical and financial difficulties faced by the developing countries in terms of fulfilling their WTO commitments are real and there are serious capacity building challenges. These concerns need to be adequately addressed during the negotiations and this is one of the most

⁷We should note that the same problem also exists in developed countries. So the arguments in this section apply to them as well.

important areas where other development agencies (World Bank, UNCTAD etc) can play a significant role.

The Value of Bargaining in a Multilateral Environment

Countries differ in terms of their economic size, level of development and volume of trade. These factors naturally affect trade negotiations whether these are conducted on a bilateral, regional or multilateral basis. The asymmetries in bargaining powers influence the negotiation outcomes which may favor larger countries. Small, developing countries with concentrated product portfolios and few export markets tend not to have much bargaining power. Therefore they may be less likely to obtain market access concessions on their exports.

An important advantage is that the multilateral system increases the bargaining power of developing countries relative to a developed countries since it enables them to negotiate as a block. During negotiation rounds, many different coalitions are formed, mostly depending on the issue. For example, the Cairns group representing agricultural exports has been quite effective and long lasting. Similarly, developing countries coordinate their strategies on many issues that affect them. It is less likely that countries will be more successful in resolving their disputes and obtaining bigger concessions through unilateral actions or outside the WTO.

We should note the importance of the non-discrimination principle and the MFN clause which increases the likelihood of coalition formation among smaller and weaker countries. Since the benefits (such as obtaining market access concessions from a large country) accrue to all countries through the MFN clause, the interests of all exporters are aligned in negotiations. The inability of an importer to discriminate between them encourages exporters to act and negotiate as a block.

The Value of Legalization and Rule-Based Regime

In the initial GATT rounds, the emphasis was on elimination (and tariffication) of quantitative restrictions and lowering of tariffs. There are notable exceptions in some sectors but, the general consensus is that negotiations have been successful

in reducing tariff barriers. Tariffs on most products are fairly low with an average of 4% in most developed countries. As tariffs ceased to be the main policies of protection, the negotiation agenda moved towards more challenging items. Some of them are non-tariff barriers, inclusion of previously excluded sectors (e.g. agriculture, services), certain domestic policies that have trade implications (taxes, subsidies) and other trade related issues (intellectual property rights, standards). The inclusion of more complicated issues on the negotiation and implementation agenda led to increased “legalization” of the system. Dispute settlement has been the area with the most extensive developments with explicit procedures, rules and decision making processes. Furthermore, many Uruguay Round Agreements (TRIPS, GATS, SPS) contain detailed rules and regulations.

The process of **increased legalization** has been criticized for many different reasons. Some argue that GATT/WTO is based on bargaining and flexibility with conflicts being resolved through negotiations. Increased legalization can weaken this source of strength and effectiveness (Sally [2003]). On the other hand, increased legalization requires “*armies of high-fee lawyers.*” Higher financial cost of dispute tilts the field in favor of the wealthier countries who can afford it. Furthermore, litigation allows increased influence by organized interest groups in developed countries, sometimes at the expense of developing countries (Third World network [2001])

These arguments tend to overlook how trade negotiations would be shaped and disputes would be resolved in the absence of a rule-based and legalized regime. In the previous section, we argued that bargaining power is rather important in trade negotiations and in enforcement of agreements. Smaller and poorer countries are at a natural disadvantage in this regard. Like in any other environment, well established, credible and efficient legal rules benefit all members, especially the weak ones.

Developing countries benefit from the legalization of the WTO regime in many different ways. First, legalization increases the credibility and legitimacy of the institutions and the decisions made there. It becomes more difficult for firms or interest groups in a country to demand protection against foreign competitors when a WTO panel

rules against it. The government, due to concerns based on reputation and legitimate retaliation, is going to be more reluctant to acquiesce to such pressures. If there was a credible retaliation threat from the trading partner, WTO's **extra enforcement might** not be necessary. However, if the other country is a developing country with limited retaliatory power, WTO's additional influence might make a difference. Furthermore, the increased transparency of the dispute resolution processes strengthens the effectiveness of the system since "international reputations" can be tarnished more easily. Finally, the respect for **rule of law** in most developed countries further increases the legitimacy and power of decisions in the WTO. As we argued in earlier sections, the higher expectations that promises are going to be kept and cheaters are exposed, amplifies the level of liberalization commitments in the negotiation stage. And all members benefit from lower barriers through the MFN clause.

The increased costs of litigation and compliance with complex legal requirements can pose real challenges for the developing countries. Again there is an important role to be played by other multilateral agencies. Also, institutions such as the Advisory Center on WTO Law (ACWL) which provides free legal services to least developed countries play a valuable role. Better understanding of the WTO law and more active participation by the developing countries can only increase the effectiveness of the WTO as an institution. The ACWL's basic mission is to ensure that these Members of the WTO have a full understanding of their rights and obligations under WTO law and an equal opportunity to defend their interests in WTO dispute settlement proceedings.

The Challenges for the Developing Countries Implementation and Participation Costs

The global trade system poses numerous difficulties and handicaps for the developing countries. As mentioned above, an important challenge is the technical and financial difficulties associated with participating in the WTO, implementing trade reforms as well as pursuing disputes. Some of them are actively participating in the WTO activities after the Uruguay Round. These are middle income countries which already have or are building significant global presence in

certain markets. On the other hand, a large number of small and least-developed countries lack effective presentation in the WTO with no permanent representatives in Geneva in most cases. "Trade Challenges for Developing Countries: Preparations for the New Round," by Prof David Robertson of the Melbourne Business School, argues that instead of relying on the various mandated reviews of the WTO agreements, developing countries can deal with their 'justifiable concerns' better in a new round, where 'opportunities for trade-offs and reciprocity are greater.'

Another issue closely related to implementation costs are the difficulties associated with behind-the-border reforms. Some of these are transportation, finance and other legal and regulatory policies that are vital for trade reform to succeed (Hoekman [2002]). Most of the improvements in these areas should be part of an overall development strategy and should be implemented along with trade reform.

The "development challenges" faced in the WTO can not be fully resolved without full participation of all developing countries in the regime. Therefore, it is important to provide the necessary technical assistance for capacity building and implementation in these areas. Developed countries need to realize that such assistance is in their long-term interest since economic growth in developing countries benefits the trading partners as well. Furthermore, active participation of developing countries in the WTO and their implementation of WTO agreements increase its legitimacy and effectiveness which, in turn, provides momentum for further liberalization.

The Danger from Regional and Unilateral Arrangements

Borrowing Bhagwati's terminology, some economists believe regional agreements are "stumbling blocks" while others think they are "stepping blocks" to global free trade. Regardless of the academic debate, regional agreements proliferated over the last two decades, with a powerful surge during the Uruguay Round negotiations. A WTO report lists more than 170 regional agreements with many developing countries as members. Some of the regional agreements play significant roles in the overall

development strategies of developing countries. Prominent examples are Mexico in the case of NAFTA, Brazil and Argentina in Mercosur and ex-Eastern block countries in the case of their various agreements with the European Union.

Another program that has increased in popularity is unilateral preferences. These are sometimes referred to as Special and Differential Treatment (SDT) programs and are variations of the older Generalized System of Preferences (GSP). However, some of the issues related to SDT programs are similar to the ones posed by regional agreements which lead us to mention them in this section as well. As opposed to regional agreements which are reciprocal and are required to cover “substantially all trade”, SDT programs are unilaterally granted by developed countries on a select list of exports from developing countries. Each donor country administers its program as it desires with full discretion over the eligibility criteria, preference margin and product coverage. In the last decade, the US implemented regionally targeted programs such as the Caribbean Basin Trade Partnership Act (CBTPA), African Growth and Opportunity Act (AGOA), and Andean Preferences in addition to the standard GSP program. The European Union also operates various programs with Lome/Cotonou convention being the most well-known.

Although they are legal under GATT/WTO, regional and unilateral agreements are in clear conflict with the main principle– the MFN clause – since they are inherently discriminatory against the non-members. The implications of proliferation of such agreements for developing countries can be stark. First, small, developing countries who are members in a regional block with a larger, developed country might not have much bargaining power and end up agreeing to terms that might not be in their long term interest. Furthermore, regional agreements, especially customs unions, may take away the policy flexibility which is one of the criticisms against WTO provisions as well (Rodrik [2001]).

Second, due to their legal structure, regional and unilateral arrangements are outside the WTO jurisdiction and the benefits they confer are not protected by the WTO Dispute Settlement mechanism. This is a rather important concern since developing countries lack enforcement and

retaliatory power in a trade dispute. For example, GSP benefits can be cancelled at any point by the donor and there is not much the recipient can do in that case. Although some agreements (such as NAFTA) have introduced dispute settlement forums, they are unlikely to have the strength of the WTO.

Third, membership in regional and unilateral programs may decrease the incentives of the developing countries to participate in multilateral negotiations. This effect operates through different channels. In the case of GSP-type preferences, developing countries believe that (i) they can not obtain further market access concessions from developed trading partners, and (ii) they might lose the existing ones they have. In the case of regional agreements, the same concerns apply. In customs unions, small developing countries have little effective say over their own tariffs anyway. Furthermore, developing countries which are not in regional agreements but are pursuing them, may not want to clash with their future (developed country) partners. Finally, membership in such programs may lead to more protectionist policies due to domestic political economy reasons as Krishna [1998] argue in the case of regional agreements and Ozden and Reinhardt [2002] in the case of GSP.

Fourth, discriminatory programs create strong conflicts of interest among developing countries, between the recipients of the preferences and the excluded ones, since they tend to specialize in similar product categories. This might prevent them negotiating as a block in multilateral rounds against the developed countries' protectionism. For example, during the Uruguay Round, developed countries agreed to eventually eliminate the MFA which administers their textile and apparel imports through a complex web of quotas and tariffs. Today, more than 25 % of US imports of apparel come from Mexico and other countries in the Caribbean and Central America without quotas and tariffs due to the preferences granted under NAFTA and CBTPA. On the other hand, especially the exporters in Easy Asia face restrictive quotas. Naturally, the preference recipients (and countries who have non-restrictive quotas) will not be very supportive to elimination of the MFA today.

Finally, preferential programs and discriminatory policies may be used as bargaining

chips against developing countries in many areas. These can be (i) directly related to WTO such as dispute settlement cases and anti-dumping investigations, (ii) related to trade issues in general such as intellectual property right and competition laws or (iii) unrelated political and military issues. For example, the US removed Pakistan from GSP during the tensions with India over nuclear weapons testing and reinstated in 2002 to receive support in Afghanistan.

The Danger from an Excessive Regulatory Agenda

One emerging pattern in the WTO is the inclusion of certain regulatory issues on the negotiation agenda. The signals of this process emerged in the Tokyo Round and it culminated in the Uruguay Round. Competition, government procurement and investment are some of the areas for which initial work has started based on Ministerial Declarations. There are several reasons why these regulatory issues are becoming more prominent. The elimination of tariff and other trade barriers brought attention to regulatory regimes as other sources of market access restrictions. Of course, the governments are now more likely to use these regulatory measures for protectionist purposes as trade policies become less available. Again a delicate balance needs to be maintained. On one hand, there are benefits of establishing multilateral rules to prevent abuse of such policies to restrict market access. The dispute resolution process can also become an effective tool to establish *legal precedence* and discourage such behavior. Furthermore, there is the commitment value we identified above. Most of these regulatory reforms face domestic opposition and international commitment and pressure may tip the balance in favor of implementing them. On the other hand, there are two concerns with including them in the WTO agenda. First, in most cases, it is not clear WTO is even the appropriate forum. The difficulty associated with harmonizing domestic regulations is daunting task which might distract the WTO from its core objectives. It is also not clear how some of the WTO principles, such as reciprocity and non-discrimination, can be implemented in negotiations over regulations. Second, developing countries have diverse needs and circumstance, especially with respect to their development policies. WTO rules on harmonization may impose

severe constraints on their ability to effectively implement their objectives. As many conclude, one size might not fit in the case of complicated regulatory rules (Rodrik [2001], Hoekman [2002], Sally [2003], Finger and Noguees [2002]).

Specific Issues

This section goes over some of the issues which are the causes for dissatisfaction among developing countries. Most of them have been mentioned in the previous sections but it is important to review them as they are likely to dominate the trade agenda for the next several years. We also aim to provide suggestions on how to resolve these problems taking into consideration the WTO rules and principles presented.

Market access, tariff peaks and tariff escalation in developed countries

Some of the sharpest criticisms of developing countries are targeting the trade policies of developed countries. There is extensive analytical and anecdotal evidence showing that trade barriers of developed countries disproportionately target developing country exports. Tariff peaks for products that are important to developing countries are significantly higher than the average tariffs imposed by the developed countries. Most of these tariff peaks are on agricultural products and textiles & apparel. Furthermore, the tariffs of developed countries exhibit strong escalation with significantly higher tariffs on processed products compared to raw materials and intermediate goods. A schedule of escalating tariffs takes away the incentives from developing countries to specialize in higher value added segments of the production chain.

One of the important outcomes of the Uruguay Round was the tariffication of non-tariff barriers in agriculture which led to imposition of relatively high tariffs in these products. Hoekman, Ng & Olarreaga [2002] show that a significant portion of developing country exports face tariffs over 15% in the US and the EU. Another outcome of the Uruguay Round was the agreement to eliminate the MFA quotas by 2005. The process on this front has also been quite slow with significantly small liberalization so far.

There are several other developments since the Uruguay Round that need to be mentioned. First, developed countries, especially the US, started to follow a new path in trade policies regarding

textiles & apparel. In 2002, around 25% of US imports in apparel came from Mexico, the Caribbean & Central American and African countries under preferential programs (NAFTA, CBTPA and AGOA). As a result, overall apparel imports of the US actually increased significantly, although the exporters are not necessarily the countries with the highest comparative advantage (such as South and East Asian countries). These programs have several advantages for the US. First, they are less threatening to domestic industries and thus face less political opposition. Second, they can be used as bargaining chips with the recipient countries for other political purposes. Third, they have strict rules of origin requirements which force them to use American yarn and fabric. This greatly benefits the domestic producers of these products who provide further political support. Finally, it prevents the developing countries from negotiating as a unified block since the beneficiaries of such preferential programs want to see the continuation of quotas and other barriers against excluded countries.

The agriculture sector suffers from other problems. The most important is the subsidies and other transfers provided to farmers in developed countries. OECD estimates that transfers to farmers are around 30% of farm income and total around \$300 billion in 2001. Although there are many reasons behind why agriculture receives such special and inefficient treatment, organized and concentrated political power of the sector is probably the most important. Despite the pressures on the developed country governments, especially the European Union with respect to agriculture, there is little evidence that any progress will be made any time soon.

There is no doubt that agriculture and textiles & apparel are of significant importance to developing countries in terms of achieving their development objectives. Also, liberalization in these sectors would increase the commitment of the developing countries to the WTO. On the other hand, it is difficult to force the developed countries to liberalize their policies in these sectors due to the domestic political pressures they face. Nevertheless, the multilateral forum is still the best appropriate one to pursue these goals.

First, developing countries need to document clearly what they can offer to the developed countries in return. Most developing countries actually apply tariffs that are considerably below the bound tariffs. Lowering these bindings can be a valuable bargaining chip for most developing countries. Second, there are other areas, such as services, in which developed countries are interested. Again, developing countries need to effectively use their concessions in such areas during the negotiations. Third, developing countries need to negotiate as a block. The Cairns group has actually been quite vocal and effective in agriculture and there is no reason why this can not be replicated in other areas. Receiving preferential access through regional and unilateral agreements may be tempting but these are inefficient and harmful in the long run. Fourth, it is as important to pursue a public relations campaign. The economic inefficiencies and costs (both internal and external) of developed country policies in these sectors should be publicized extensively. The developed country governments are very sensitive to the concerns of their constituencies. The consumers, NGOs and potential exporters in developed countries need to be made aware of the costs (such as the fiscal costs) of the policies of their governments. They can be more effective in pressuring their own governments.

The tariffs of developing countries should not be ignored in the process. They impose, on average, higher tariffs and more non-tariff barriers. Interestingly enough, most of the higher tariffs of developing countries target exports of other developing countries (Sally [2003]). The negotiations for the elimination of significant developed country barriers should be conditional on developing country liberalization. This is what reciprocity is all about and it benefits all parties involved.

Services

Services trade is one of the least analyzed but potentially most important areas. Their economic importance arises from the fact that services account for 2/3rd of most developed countries' GNP. Developing countries have comparative advantage in some labor intensive sectors while developed countries have advantages in areas that require capital and advanced technology. Thus, there is no

doubt that liberalization of these sectors can provide significant welfare gains for all countries. However, service liberalization is not as straightforward. Most effective barriers are employed through domestic regulatory measures and we argued earlier how difficult it is negotiate efficient regulatory measures through the WTO. Absence of reliable and meaningful data also makes analysis and negotiation difficult. This is partly behind the failure of the Uruguay Round GATS commitments to go beyond the status quo (Sally 2003)].

The negotiations in services trade are quite different than merchandise trade. The key issues are the coverage of commitments, the transparency of the policies and multilateral disciplines (Hertel, Hoekman and Martin [2000]). The sectoral coverage of commitments with respect to national treatment and market access is one area where negotiations can take place. Sally [2003] argues that developing countries can make concessions in “mode three” of supply (commercial presence) while developed countries can reciprocate by commitments in “mode four” supply (movement of natural persons). Since these issues are covered in other chapters, we will not go into further detail but simply state that there is room for negotiations and reciprocal concessions to play an important role. However, it is important that concessions are granted on an MFN basis once they are made.

Market access commitments in services can be easily hindered by behind-the-border barriers, and non-transparent regulations. A first step would be a reporting requirement on all measures that affect market access in services. This information can be used as a basis for negotiations and to prevent withdrawal of concessions in later stages. Furthermore, collection and presence of such data would deter protectionist tendencies to a certain extent.

Anti-dumping

Anti-dumping actions became quite popular during the last decade and there is rapidly growing theoretical and empirical research on the subject. The consensus is that they are almost always used for protectionist purposes and rarely have economic rationale behind them. It has been argued that even the initiation of a case tends to curb imports and cause the importing firms to act less

aggressively. Some researchers also claim that the ability to file anti-dumping cases induces firms to collude, decreasing the level of competition and hurting the consumer.

Other empirical regularities are that they have been most extensively used by developed countries (the US and the EU) and they disproportionately target developing countries (Michalopoulos [2002]). Part of the problem is that developing countries have little retaliatory power and technical ability to defend themselves in rather complicated legal environments. Another pattern is that some middle-income countries started to use anti-dumping actions more frequently in recent years. Blonigen and Bown [2003] actually find that such potential retaliatory actions discourage the use of anti-dumping suits by developed countries. Finally, although anti-dumping laws are consistent with GATT law, they are in conflict with the non-discrimination principle since the specific companies can be targeted.

The efforts to restrain anti-dumping investigations concentrated on including them in the GATT/WTO, rather than allowing them to operate as unilateral actions. There has been some progress achieved in recent years. For example, a WTO panel decided that the US law allowing the complaining firms to receive the anti-dumping duties collected from the defendants was illegal. Furthermore, many countries file WTO disputes if they believe they were unfairly injured through anti-dumping actions.

Bringing anti-dumping laws under WTO jurisdiction, imposing higher legal standards and making them more transparent to the public are probably the best ways to eventually discourage and eliminate anti-dumping laws.

Regulatory Issues – TRIPS, Investment Rules, Competition Policies, Government Procurement

In previous sections, we mentioned the difficulties associated with negotiations over regulatory policies even if they are trade related. First, most of the time, it is not clear if WTO is the right forum for these negotiations. Second, it is not necessarily true that all countries should implement same policies. Developing countries' needs differ significantly and there are valid reasons to grant

them policy flexibility to solve their specific problems. Furthermore, it is not even evident that these policies have such urgency for most developing countries who lack necessary resources and human capital to implement such reforms. On the other hand, policy commitments in these areas create obvious benefits to the developing countries themselves. Regulatory measures can be used as effective market access barriers and it is important to eliminate the incentives and opportunities to do so.

Among these issues, TRIPS is the most demanding one since it involves the access to essential medicines against diseases such as the HIV. Unfortunately developments have not been promising, especially after the US refused to sign on to the agreements. The discussions in other areas are still in its infancy and it is not clear how things will progress. The challenges in these areas bring back the doubts on whether the WTO is the appropriate forum to deal with these issues. There does not seem to be easy answer.

Conclusion

Three institutions were planned at the Bretton-Woods conference, the World Bank, the International Monetary Fund and the International Trade Organization. The United States Congress did not ratify the creation of the ITO so the world trade was governed through a simple agreement, the GATT, for almost five decades, until the World Trade Organization was created after the Uruguay round. However, some would argue that GATT was the most effective institutions to emerge from Bretton-Woods. The success of GATT/WTO is based on three principles – its operation as a market for market access, the extension of market access concessions to all members through the MFN clause and the protection of concessions through a highly developed legal structure. The world trade regime and the WTO are probably going through one of their most challenging periods in their history. We are faced with the difficulties related to integration of the developing countries to the trade regime. Many developing countries are quite disappointed with the manner their concerns are addressed in the WTO negotiations.

In this paper, we argued that the rule-based multilateral framework is the best forum to address

the concerns of the developing countries. A successful resolution of these difficulties will bring many benefits to both developing and developed countries. First is the obvious benefit of helping developing countries achieve higher growth and prosperity through integration into the world economy. The second is the re-establishment of the “development credibility” of the WTO so that it continues to operate as the main forum for addressing trade issues and liberalization.

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PROSPECTIVE CANDIDATE'S PERCEPTION ON THE USE OF PSYCHOMETRIC TOOLS IN RSP & SELECTION PROCESS & ITS IMPACT ON COMPANY'S BRANDING

Mr. GIRISH V*

Introduction

RSP & Selection is a vital & one of the most strategic activities of any company. The amount of intellectual resources spent on this activity in the current business environment varies from company to company. The framework of “RSP & SELECTION PROCESS [RSP]” a company follows usually is an indicator of its strategy to hire the quality personnel for the various roles which the company expects its prospective employees to perform. In this direction, both the employers & the prospective candidates in the current scenario are equally prepared to take on the challenges which they usually face in trying to address the “Non Suitability Tag” to surge ahead for career & organizational development.

RSP is carried out usually in two ways, one at Induction level & other as Lateral RSP. The requirement for carrying the RSP in these two ways is extremely different. Induction level RSP involves short listing of candidates with a common minimum education level & with very less or no experience. Lateral RSP on the other hand has a common education level with the requirement of ample experience so that with that experience they shall be able to perform on the job immediately on selection with / without company orientation training.

RSP for induction level consists of the following characteristics:

- RSP usually for large number of vacancies
- Applications from large number of potential candidates
- RSP consists of multiple stages
- RSP consists of usually one / two major elimination stages
- RSP carries a Personal Interview stage
- Interview process usually consists of assessment of skills on basic competencies / knowledge
- Interview process usually assesses the

trainability factor among the candidates along with the basic application of knowledge

- RSP to be followed by a common induction training programme

RSP for lateral induction consists of the following characteristics:

- RSP usually for a few number of vacancies
- Applications from a few number of potential candidates
- RSP doesn't consist of any major elimination stages
- RSP mostly carries a Personal Interview stage
- Interview process usually consists of assessment of skills on strategic competencies / behavioral skills
- Interview process usually assesses the competencies among the candidates with reference to the advanced application of knowledge
- RSP is not followed by a common induction training programme except for a brief orientation about company information & values

The current scenario in the sourcing process of hiring for manpower at the job market may be summarized as per Figure 1.

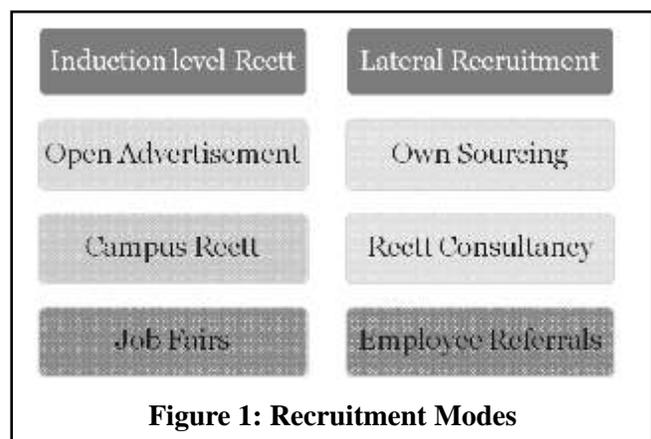
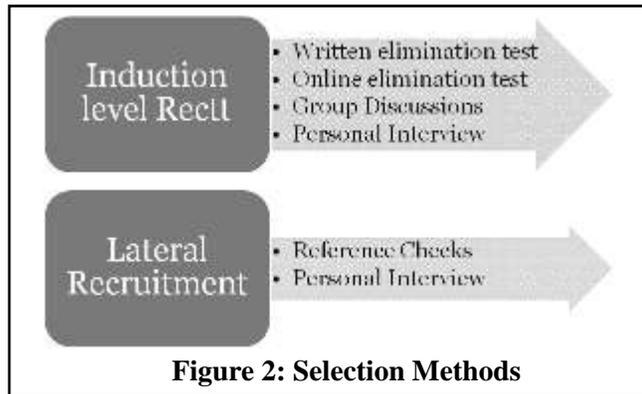


Figure 1: Recruitment Modes

The current selection processes followed for inducting manpower by various companies may be broadly summarized as per Figure 2.



As mentioned above, the importance & essence of the Psychometric Tools in the present era of competition & the above RSP is slowly turning out to be the X factor among most of the companies to try & assess prospective candidates against their framework so as to identify only such candidates who are more or else close to the required skill sets. This trend is now slowly gaining momentum since the traditional methods of structured interviews are now being supplemented by the Psychometric Tests to enhance the effectiveness of the selection process. Since single stage / multiple stage Personal Interview processes are an integral part of any RSP of any company which is purely the assessment of the individual predominantly on the Behavioural aspects supplemented by an analysis of the Technical acumen.

Fundamental question which arises in most of the minds is “What is a Psychometric tool / test?”

Psychometric Tools / Tests are:

- A standardized procedure for sampling behaviour and describing it using scores or categories
- Most of these tests are predictive of some aspects related to behaviour / interest
- Most tests are norm-referenced i.e. they describe the behaviour in terms of norms, test results gathered from a large group of subjects (the standardization sample)
- Some tests are criterion-referenced i.e. the objective is to see if the subject can attain some pre-specified criterion

The main types of Psychometric tests include:

- ❖ Intelligence tests: Assess intelligence
- ❖ Aptitude tests: Assess capability
- ❖ Achievement tests: Assess degree of accomplishment
- ❖ Creativity tests: Assess capacity for novelty
- ❖ Personality tests: Assess traits
- ❖ Interest inventories: Assess preferences for activities
- ❖ Behavioural tests: Measure behaviours and their antecedents/consequences

The effectiveness of the Psychometric Tools in RSP arises from few of the following factors:

- ✓ Thrust towards the suitability factors like the Work Preference, Values, Skills, Fitment with company culture etc.
- ✓ Integration with web & mobile technologies to enhance quick processing of data / information
- ✓ Job focused customization to enhance rate of predictability
- ✓ Includes factors of job driven satisfaction & retention factors
- ✓ Provides consistency in data driven decision making
- ✓ Recording of data to provide thrust on continuous study
- ✓ Helps in analyzing inherent inclinations towards job related aspects

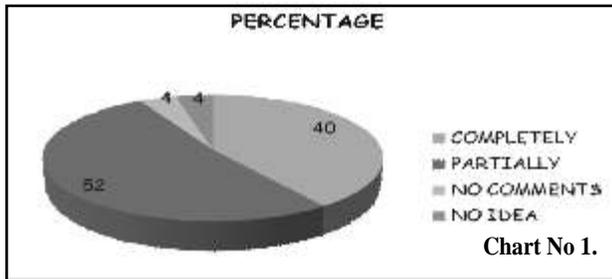
Keeping in view the above aspects, an exploratory study has been carried out which tries to understand the following from the prospective candidates who shall now be available in the Job Market in the next few months once they complete their educational courses:

- Awareness of Psychometric Tools which could be used for RSP
- Relevance of Psychometric Tools if used for RSP
- Impact of the use of Psychometric Tools if used for RSP on Brand Image of the company

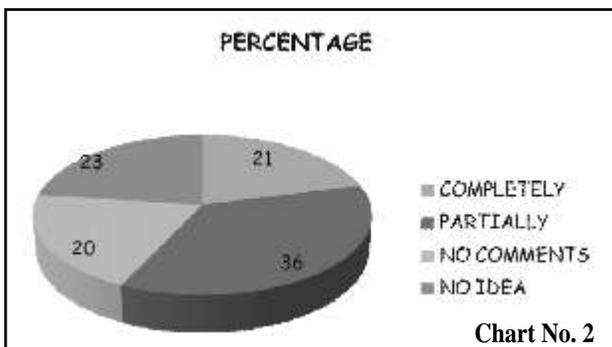
To carry out the study, a random sampling Questionnaire based Survey was conducted by

collecting responses from 600 students from various colleges & streams from the states of predominantly Uttarakhand & Uttar Pradesh. The study was conducted during the months of June & July 2013. The questionnaire was developed with the purpose of trying to understand the nuances of the awareness & the relevance factors of the Psychometric Tools in RSP.

The awareness of the Psychometric tools used for RSP by the respondents is shown in Chart No 1.

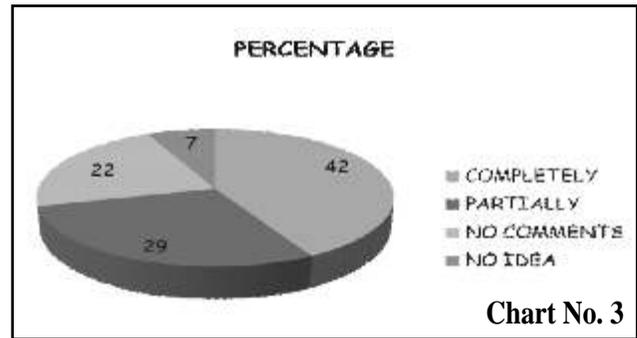


As depicted in Chart 1, it is observed that 52% though are aware of the tools their awareness is partial followed by 40% who are completely aware & the remaining 4% each who have no comments to make or have no idea.

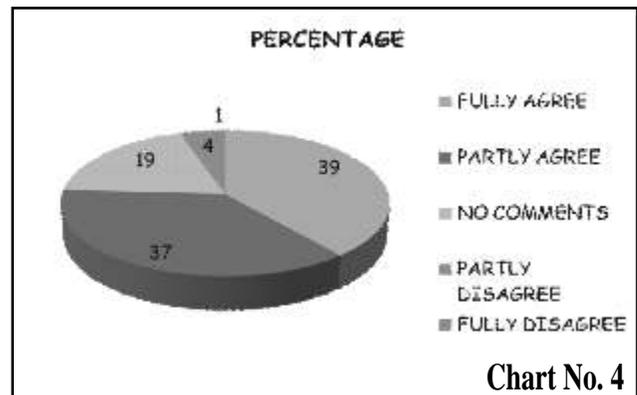


When asked whether respondents have ever undergone testing through Psychometric Tools, the responses have been mixed as depicted in Chart No 2 with only 21% getting completely administered followed by a 36% who have undergone partial administration which may include only a test administration without their results being analyzed & the remaining being no comments & no idea with 20 & 23% respectively.

When the respondents were posed with the question “Do you wish to undergo the testing through Psychometric Tools & experience its effectiveness?” the response again is mixed as depicted in Chart 3.



The response to the aspect of the need to use relevant Psychometric Tools in RSP by the respondents is depicted in Chart 4.



It is observed that 76% feel that there is a need to use relevant Psychometric Tools in RSP & 5% don't feel so & the remaining have no comments to make.

The respondents have provided the responses as per Table 1 when posed with the questions on the impact by the use of Psychometric Tools in RSP:

Question	Agreement	Disagreement	No Comments
You feel the use of Psychometric Tools in Recruitment & Selection process should help company select better candidates than through conventional selection methods.	66%	10%	24%
You feel since not many companies in India use Psychometric Tools in their Recruitment & Selection process it has not found importance in the hiring process yet.	63%	09%	29%
You feel your probability of getting selected / rejected through use of Psychometric Tools in the Recruitment & Selection process may improve than through conventional methods.	60%	08%	32%

Table 1

The respondents have provided the responses as per Table 2 when posed with the questions on the impact on Company Branding by the use of Psychometric Tools in RSP:

Question	Agreement	Disagreement	No Comments
You feel the use of Psychometric Tools in RSP shall help a company create a Brand name in the area of ITC.	66%	30%	24%
You feel the use of Psychometric Tools in RSP shall help a company create a unique Brand Identity among prospective candidates in the job market.	64%	37%	29%
You feel the use of Psychometric Tools in RSP shall help a company add Brand value & attract more prospective candidates by a through conventional methods.	64%	38%	28%
You feel frequent use & awareness of Psychometric Tools in the RSP shall help in brand building exercise for a company.	71%	29%	24%
You feel companies should start using Psychometric Tools in RSP for creating brand equity in the Job Market.	70%	36%	24%

Table 2

With the trends seen in Table 1 & 2, it is very much evident that the prospective candidates have a considerable perception that the use of Psychometric Tools in RSP shall help them have a robust selection process which in turn shall have a positive company's brand image.

The above results were simple overall analysis of the Awareness & the Perceived Relevance of the use of Psychometric Tools in RSP. The study has been taken a step forward with an analysis of the specific variables which is conceptualized as "4E Matrix".

The study of the conceptualized "4E Matrix" is as under:

- It takes in to consideration two parameters, one Awareness of Psychometric Tools which is plotted on the X Axis & the Perceived Relevance by the use of Psychometric Tools in RSP. Perceived Relevance includes potential benefits perceived for self & company by the prospective candidates by the use of the Psychometric Tools in RSP.
- A Matrix / Graph is plotted using the responses from the respondents by converting them into Indices named

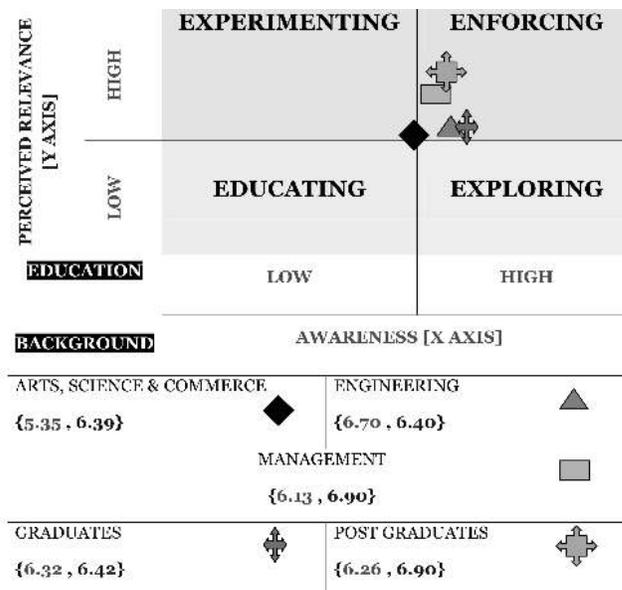
"Perception Index [PRI]" on a 10 point scale using a weighted average method.

- The matrix consists of "4Es" basically 04 quadrants namely Educating, Exploring, Experimenting & Enforcing with its description is as per Plot 1.

	HIGH	EXPERIMENTING The awareness level is Low but the perceived relevance is High, respondents / variables with PRI falling in this quadrant want to experiment with the unknown / little known options which they are not aware hence have a high perceived relevance in RSP.	ENFORCING The awareness level is High & the perceived relevance is also High, respondents / variables with PRI falling in this quadrant understand the practicality of the use of Psy. Tools & hence enforce the use of Psy Tools in RSP.
	LOW	EDUCATING The awareness level is low & the perceived relevance is also low, respondents / variables with PRI falling in this quadrant require more awareness so that they can have a better perceived relevance about its impact in RSP.	EXPLORING The awareness level is High but the perceived relevance is low, respondents / variables with PRI falling in this quadrant are aware of the Psy. Tools but tend to explore for still better options & have a tendency to carry low perceived relevance in RSP due to exploring options.
VARIABLE (RESPONDENT TYPE)		LOW	HIGH
		AWARENESS [X AXIS]	

Plot 1

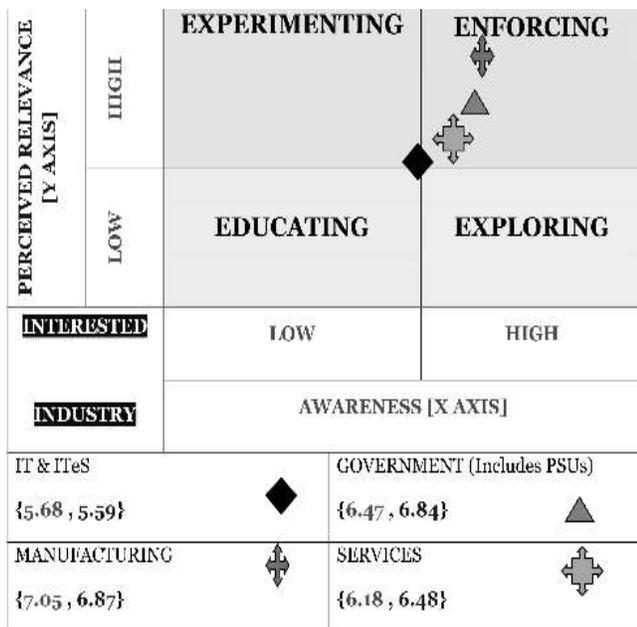
Based on the concept of the 4E Matrix, the study of the variable of Education Background of the respondents & its 4E matrix plot using the PRI is given as Plot 2.



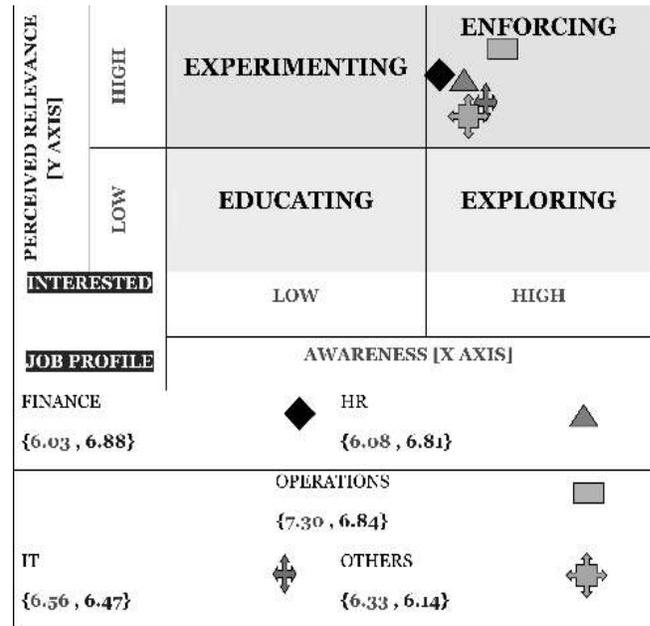
Plot 2

As evident from Plot 2, the respondents with the Education background of Engineering & Management are coming under “Enforcing” quadrant which means they perceive that Psychometric Tools should be used in RSP. The respondents from Arts, Science & Commerce are coming under “Experimenting” quadrant which means they would like to have the use of Psychometric Tools in RSP though their awareness levels are just fair enough. Overall the graduates & Post Graduates are coming under the “Enforcing” which means they perceive that Psychometric Tools should be used in RSP.

While we refer to Plot 3 which is the study of the variable of Industry which the respondents are interested to join, it is seen that respondents interested to join Government (Including PSUs), Manufacturing & Services industries are coming under “Enforcing” quadrant which means they perceive that Psychometric Tools should be used in RSP while recruiting them to their companies. The respondents interested to join IT & ITeS industry are coming under “Experimenting” quadrant which means they would like to have the use of Psychometric Tools in RSP though their awareness levels & perceived relevance are just fair enough.



Plot 3



Plot 4

While we now refer to Plot 4 which is the study of the variable of Job Profile which the respondents are interested to join, it is seen that respondents interested to join the Profiles in Finance, HR, IT, Operations & Others where all are coming under “Enforcing” quadrant which means they perceive that Psychometric Tools should be used in RSP while recruiting them to their companies.

With the above results, we can conclude that the prospective candidates are looking for something more substantial than the traditional methods which are being followed. Though the awareness levels of few of the prospective candidates are still yet to be enhanced the perception of its potential benefits which it can reap to them & the companies are embedded with a positive outlook & frame of mind. Furthermore RSP being one such critical & strategic process for a company, with the results now seen though from miniature samples, it is evident that the use of Psychometric Tools are here to provide that competitive advantage & shall supplement the company's strategy to hire what most of the companies target “The Best Performers”.