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Understanding the Specificity and Complexity of Inter-Firm Knowledge Flows in Alliance Networks

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Abstract
Research on inter-firm knowledge transfer is burgeoning, yet our understanding of its specificity and complexity in the context of alliance networks remains rather unclear. The main purpose of this paper is to examine how knowledge-specific characteristics, such as a partner’s knowledge base, learning intent, absorptive capacity, knowledge protectiveness, and cultural distance each impact differently on knowledge transfer performance in alliances. This paper suggests that, although the emergence of alliances provides an ideal platform for acquiring knowledge resources, certain challenges are still embedded in inter-firm knowledge transfer process. We also suggest that certain moderating relationship factors (including intensive interaction, inter-partner trust relationship and cognitive shared understanding) may help us understand knowledge transfer in cross-cultural alliance settings. By aggregating and consolidating existing research, our study identifies promising avenues for future research.

Keywords: Inter-Firm Knowledge Transfer; Strategic Alliances; Knowledge-Based Theory (KBT); Cross-Cultural Knowledge

1. Introduction
The rapidly changing and turbulent business environment today has made knowledge a dominant source of developing sustainable competitive advantage (Barney & Clark, 2007; Lyles & Salk, 1996; Van Wijk, Jansen & Lyles, 2008). Firms need to transfer and acquire new knowledge as they seek to develop capabilities and survive (Kogut & Zander, 1992). Evidence is accumulating that firms are increasingly improving their knowledge and innovative capabilities by leveraging
the skills of others through the transfer of knowledge both within and across firms (Easterby-Smith, Lyles & Tsang, 2008). However, knowledge transfer is a complex phenomenon and in practice success is often not easy to achieve. Even for the relatively simple case of transferring knowledge from one unit to another within the same firm, there are still a number of challenges that may affect the effectiveness and the outcome of transfer (Szulanski, 2000). Transferring knowledge between firms brings more complexity because of the multifaceted nature of the boundaries, cultures and processes involved (Easterby-Smith et al., 2008).

While a considerable amount of work has been contributed to research on inter-firm knowledge transfer, our further understanding regarding inter-firm knowledge transfer is still far from complete, and there are several gaps in the current research on inter-firm knowledge transfer (Easterby-Smith et al., 2008). First, extant research examines inter-firm knowledge transfer from a uni-dimensional viewpoint, rather than developing a multi-dimensional and systematic overview. Second, despite the recognition that the knowledge-based theory (KBT) is relevant to the study of knowledge as a resource, there has been limited applicability of this construct in the context of inter-firm knowledge transfer research. Third, the majority of inter-firm knowledge transfer studies focus on either the types of knowledge being transferred, the relationship between the source and the recipient and the characteristics of the contributor and/or the recipient. With few exceptions (e.g., Perez-Nordtvedt, Kedia, Datta & Rasheed, 2008; Szulanski, 2000), research has failed to simultaneously consider all of these antecedents. Fourth, strategically important knowledge is often embedded in the firm and supported by the corporate culture, but its meaning may be distorted and usefulness diminished when it is transferred to a different corporate culture. With the ongoing trend of globalization, national cultural differences constitute another complication. However, as Van Wijk et al. (2008) suggest, there are relatively few studies that have looked at the relationship between culture and knowledge transfer.

As inter-firm knowledge transfer often takes place in the context of strategic alliances, the acquisition and transfer of knowledge across firms, using inter-organizational alliance networks as instruments for gaining knowledge has become a very important strategic thinking in business strategy and management area (Lyles & Gudergan, 2006). In this paper, we focus on knowledge transfer in alliances, which is an elusive, difficult to capture process. It is unlikely that there are standardized routines for managing the specific intricacies that are unique to a particular firm that would apply to all firms (Doz & Hamel, 1998). Building on the pertinent contemporary
theoretical issues, such as knowledge-based theory (KBT), this paper explores inter-firm knowledge transfer in alliance networks from an integrated perspective, as Perez-Nordtvedt et al. (2008, p.718) argue that “a single dimension provides an incomplete picture of knowledge transfer in alliances”.

This paper firstly begins with a literature review on knowledge transfer and examines alliance characteristics. Then the paper considers possible knowledge transfer challenges including knowledge characteristics, knowledge base, knowledge protectiveness, learning intent and absorptive capacity. Knowledge transfer in the cross-cultural alliance setting is also considered. This paper then presents the proposed propositions in terms of cross-cultural knowledge transfer in alliances. As this paper is intended to benefit both researchers and practitioners in this interesting field, some implications for management and future research are finally offered by way of a conclusion.

2. Transferring Knowledge: Conceptual Background

The phenomenon of knowledge transfer has attracted many organizational management researchers dating back to the early 1990s (e.g., Hamel, 1991; Inkpen & Beamish, 1997; Inkpen & Crossan, 1995; Kogut & Zander, 1992; Simonin & Helleloid, 1993). A number of contributions suggest that knowledge transfer refers to a process of exchanging knowledge resources, including information and skills, between two different but relevant actors (at the individual, group or organization level) in a systematically organized way, so that competitive advantage can be improved (Tsang, 2007).

The ‘knowledge actors’ represent social actors, such as institutions, groups or individuals, which are often characterized ex definitione by a certain amount of autonomy (Albers, 2005), and thus can be assumed to have the freedom to choose whether or not to transfer knowledge. As knowledge transfer deals in the realm of knowledge connections between actors, the implication of knowledge transfer is sometimes related to the problems of coordination among the actors (Tsang, 2007). That said this relationship between knowledge transfer and coordination can be referred to as the paradox of knowledge transfer. On the one hand, knowledge transfer can be facilitated by coordination; on the other hand actors can influence the conditions of knowledge transfer; that is, they can decide which knowledge transfer activities are to be performed in which way (Van Wijk et al., 2008).
The clarification of knowledge contents also deserved serious attention in knowledge transfer research. Research suggests transferred knowledge can be the integration of ideas, experience, intuition, skills, capabilities and lessons learned. Kogut and Zander (1992) also systematically classified knowledge as (1) know-how, which is the practical skills or expertise accumulation which may allow actors/units to smoothly and efficiently complete tasks; and (2) know-what or information, which is used to represent the more articulated dimension of knowledge resources. Although knowledge can be classified along different dimensions using various terms, researchers generally agree that a company’s stock of knowledge contents must include technical knowledge as well as knowledge about how to function in global markets, work with local laws, how to protect intellectual property, and how to operate successfully in various forms (e.g., Foss & Mahnke, 2003; Nonaka, 1994; Simonin, 1999a; Spender, 1996).

As knowledge transfer necessarily involves the channels of at least some sub-activities that it is based on (Doz, 1996; Inkpen & Dinur, 1998), researchers have also paid attention to a concept closely linked to knowledge transfer research, which is the ‘knowledge channel’. The knowledge channel refers to the medium through or by which the knowledge is transferred; it is aimed at arranging or adjusting individual components in a certain way (Szulanski, 1999). The knowledge channel can be used among a certain set of actors or the firms with certain strategic goals as the component of knowledge transfer facilitating system, thus bringing interactive actions for individual firms into a systematic framework. Figure 1 demonstrates a typology of how knowledge is transferred from the knowledge sender (Actor A) to knowledge receiver (Actor B) through knowledge channels.

**Figure 1** A Typology of Knowledge Transfer

Actor A

```
Knowledge Channel (Facilitating)
```

Knowledge Contributor → Knowledge Contents → Knowledge Receiver

(Existing knowledge base will remain) → (Knowledge base will be increasing)

This figure simply illustrates that transferring knowledge is a changeable process, as interactions and communications between Actor A and Actor B take place continuously (Szulanski, 1999),
especially when both actors play an active role in exchanging their knowledge. The scope of knowledge transfer and the results of knowledge transfer could then be of benefit to both parties. From the figure, we can see during the knowledge transfer activities, the knowledge receiver would experience an increase of its existing knowledge storage/base, while the knowledge contributor still possesses the transferred knowledge and the storage level still remains constant. Put another way, a knowledge contributor will not be affected by the knowledge sharing actions and could still hold the knowledge resources after transferring the knowledge to the recipient. But the transferred knowledge will definitely increase the recipient’s existing knowledge storage level, as the recipient did not possess this kind of particular knowledge before the transfer occurred.

3. Alliance Networks: Institutionalized Knowledge-Driven Arrangements

Over the past two decades, although inter-organizational alliances are often described as the inherently fragile and unstable in nature, and have exhibited a high failure rate, the number of inter-organizational alliances has increased exponentially (Albers, 2005). A rapid proliferation of benefits from inter-organizational alliances has been witnessed worldwide, and inter-organizational alliance forms have been utilized substantially in nearly all industry sectors (Pavlovich & Akoozie, 2003). Inter-organizational alliances can be regarded as an important component of intentional corporate strategy undertaken by firms in facilitating manner. It normally involves two or more parties engaging in the development and operation of a new business entity both in the domestic and international markets (Ariño & Reuer, 2004).

Researchers seeking to explain the alliance trend have argued that inter-organizational alliances provide a platform for the maximization of their long-term profitability – either to increase sales or to decrease costs, or both (e.g., Inkpen, 1996; Lyles & Gudergan, 2006). Other common motives include capturing increased economies of scale; being cost-effective and efficient in the height of the globalization of markets; and gaining local market channel access (Albers, 2005). Researchers particularly note that accessing resources, core competencies, innovative skills, and country-specific knowledge could be the primary goals for many business firms (Eunni, Kasuganti & Kos, 2006). Researchers also argue that alliances provide a platform for knowledge transfer and skills learning (Parkhe, 1991). These arrangements could also bring about the innovativeness and competitiveness of the members involved because of the dispersion of
capabilities across firms (Hamel, 1991). Even though strategic alliances can be set up for other reasons, knowledge acquisition is a well-accepted cooperative byproduct (Child, 2001). In many industries, the need for increasingly rapid technological updates and the ferocity of competition has resulted in the formation of alliances intended to access knowledge, skills, and resources beyond firm boundaries. Companies that are capital-rich but knowledge resource-poor are attracted to collaborative alliance ventures (Inkpen, 2002; Schuler & Tarique, 2006).

4. Knowledge-Based View of Transferring Knowledge in Alliances

With regard to the emergence of knowledge transfer in alliances, the ‘Knowledge-Based Theory’ (KBT) provides certain convincing arguments. The KBT argues that knowledge is a firm’s most important and primary resource (Grant, 1996; 2002). Researchers adopting the KBT perspective highlight that a firm’s future growth is dependent on the productive integration of knowledge resources and the derivative decision-making capabilities; and a firm’s competitive advantage comes from the coordination and combination of different knowledge resources through business activities at the firm, rather than the individual level (Spender, 1996). According to the KBT, strategic alliances are used to access other firm’s resources and for knowledge enhancement in certain critical functional areas, as the required knowledge cannot be developed independently (Madhock, 1996). The premise is that firms forgo arm’s length arrangements (e.g., licensing) and pursue joint equity ventures and wholly-owned subsidiaries not necessarily to reduce transaction costs, but because higher levels of integration provide a more effective means of transferring know-how that is tacit, difficult to imitate (Kogut & Zander, 1993).

A knowledge-based perspective addresses the resources and capabilities of the alliance and, in particular, the transfer of critical know-how from the parents to the alliance (Steensma & Lyles, 2000). At the core of the KBT perspective is the notion that an organization’s idiosyncratic know-how and its ability to replicate and exploit knowledge are fundamentally responsible for organizational competitive advantage (Conner, 1991; Prahalad & Hamel, 1990). The strategic potential of knowledge, however, depends on certain characteristics of that knowledge. It must be simultaneously valuable, difficult to imitate, and limited in prevalence among the competitors in order to earn the organization competitive advantage (Barney & Clark, 2007). Therefore, alliances can be seen as systems of social knowledge inputs (Grant, 1996). Alliances are “required to integrate the specialized and idiosyncratic knowledge, thus to constitute the
coordination for generating advantage, creating returns” (Demsetz, 1991, p.172). In most situations, there exists a mutual reinforcing relationship between knowledge and capabilities, which can enable companies to create new knowledge (Eisenhardt & Martin, 2000). As stated by Tallman and Fladmoe-Linquist (2002), these movements potentially lead to a virtuous cycle of capability and technological enhancement. Knowledge transfer considerations are also particularly applicable to the viability of alliances. The relatively interdependent relationship between the partner firms enables more face-to-face interaction and closer working relationships than non-equity arrangements and contracts. The shared equity arrangements are believed to be effective vehicles for transferring tacit know-how (Mowery, Oxley & Silverman, 1996). Building on the knowledge-based approach, while alliances sometimes bring together partners making similar contributions, e.g. sharing the risks of assets’ investment (Shenkar & Li, 1999), it seems that they more frequently contribute to the integration of complementary inputs and attributes.

5. Alliance Knowledge Transfer Challenges
There has been a growing amount of research on the challenges of transferring knowledge in alliances fueled by the recognition that knowledge transfer is central to the success of business in the modern economy (Roos, Roos, Dragonetti & Edvinsson, 1997). However, knowledge transfer is not a simplistic process, and the activities of knowledge transfer in alliances vary significantly among different alliances (Gupta & Govindarajan, 2000). Research aiming at explaining why organizations differ in terms of their abilities of managing knowledge transfer has identified various organizational or contextual factors that either promote or impede the transfer of knowledge through collaboration in alliances to the forefront.

5.1 From the Perspective of Knowledge Characteristics
The first originates in the socially embedded nature of knowledge. Some scholars argue despite its importance, knowledge transfer does not necessarily take place efficiently or effectively (Szulanski, 2000). The ‘tacitness’, ‘complexity’ or ‘causal ambiguity’ of knowledge is one of the widely recognized barriers to its transfer (Simonin, 2004). Firm-specific knowledge is often tacit and embedded in organizational practices and routines, and is consequently immobile and non-tradable (Nonaka, 1994). Although these qualities make knowledge valuable, it is difficult to transfer non-codifiable, complex or ambiguous knowledge across units of an organization (Kogut
& Zander, 1992; 1993). Alliances provide opportunities for effective knowledge transfer because they involve not just tangible resources, but also the embedded individual tacit knowledge which is the more difficult resource to acquire. In contrast to codified, explicit knowledge, which is generally transparent, readily accessible, and thus inherently diffusible, most knowledge transferred between joint venture partners is tacit, context-specific, and socially or organizationally embedded (Yan & Luo, 2001). It is also recognized that transfer hardware such as blueprints, specification sheets, price lists and product samples is easy enough, but real commitment may be necessary to ensure the transmission of intangible know-how.

5.2 From the Perspective of Knowledge Base
Dierickx and Cool (1989) make the point that the capacity to transfer knowledge is primarily determined by (1) the quality of the knowledge base, and (2) the ability to effectively transmit knowledge to the recipient. Several empirical studies (e.g., Bucic & Gudergan, 2004; Inkpen, 2000; Lane, Lyles & Salk, 2001) have been conducted in support of Cohen and Levinthal’s (1990) research. The significance of this research on the transfer of knowledge is that the knowledge transfer action tends to be more effective and efficient if the recipient unit has an existing prior knowledge base relevant to the new acquired knowledge. The existing prior knowledge base is conceptualized as a stock of knowledge with an inflow from learning while doing internal tasks (independent of the collaboration). Other knowledge inflows occur through absorbing new knowledge, which is gained during an alliance (Cohen & Levinthal, 1990; 1994). Hence, the level of existing knowledge influences the ability to absorb new knowledge and a firm with a rich knowledge base will possess more valuable knowledge, routines, and intangible resources than a firm with a poor knowledge base.

5.3 From the Perspective of Learning Intent
Researchers (e.g., Hamel, 1991; Killing, 1983) point out that acquiring knowledge and learning from partners is often reported to be one of the prime motivations for forming alliances. The presence of a clear learning intent on the part of one partner has been found to be an important determinant of facilitating learning from its allies (Inkpen, 2002). Zander (1998) found that the reluctance of units to accept technology developed in other parts of the firm hindered the diffusion of technological capabilities within firms. Szulanski (1999; 2000) found that effective
knowledge transfer takes place when knowledge recipients have the motivational disposition to accept knowledge. For organizational learning to take place, it is imperative that a strong intent and plan to learn is present, in contrast to mere willingness.

5.4 From the Perspective of Absorptive Capacity
Lyles and Salk (1996) identify that absorptive capacity - the collectively constructed ability to absorb and assimilate transferred knowledge, plays a critical role in transferring knowledge. Absorptive capacity is the ability to recognize the value of new external knowledge, assimilate it, and apply it to commercial ends (Cohen & Levinthal, 1990; 1994). The ‘dynamic capabilities’ perspective of absorptive capacity has also been introduced which distinguishes between potential and realized absorptive capacity (Bucic & Gudergan, 2004). This ability is largely dependent on a firm’s prior related knowledge base (including basic skills, knowledge of the most recent technological development, existing managerial expertise and learning experience) and organizational factors, such as communication and knowledge distribution (Lau, Lu, Makino, Chen & Yeh, 2002). Lane et al. (2001) make a conceptual advance on the notion of ‘absorptive capacity’ by demonstrating the cognitive similarities between firms and clarifying the importance of relative absorptive capacity in knowledge transfer enhancement. In this vein, we can see that the existence of a prior knowledge base and relative absorptive capacity may be an explanation for innovation, business performance and inter-organizational learning.

5.5 From the Perspective of Knowledge Protectiveness
Another problem with knowledge transfer concerns partner incentives for knowledge sharing and protection against knowledge leakage (Yan & Luo, 2001). Naturally, firms may be reluctant to share knowledge and each party wants to protect its knowledge from uncompensated leakage to the other or any third party. Therefore, even when the firm is resource rich and able to disburse resources, it may not be willing to commit resources for this purpose. In the international alliance context, when knowledge is transferred across borders, the distance and unfamiliarity with host environmental conditions pose great challenges to the monitoring and controlling of knowledge flows. Firms are naturally concerned over the protection of their proprietary knowledge, which is likely to adversely affect the level of knowledge transfer (Simonin, 2004). Thus, if alliance partners are rivals or potential rivals, it is reasonable to predict that they will strive to prevent
knowledge leakage to partners because of the risks of knowledge spillover (Inkpen & Pien, 2006). Ideally, partner protectiveness will be minimal when an alliance is designed by both parties to facilitate knowledge transfer.

6. Knowledge Transfer in Cross-Cultural Alliance Settings

Researchers argue that knowledge transfer is subject to cultural influences (Ford & Chan, 2003). Inkpen and Dinur’s (1998) study identified the knowledge management processes - technology sharing, organizational interaction, personnel transfer process, the way knowledge is gained, and the questions asked that could be affected by national cultural differences.

By their very nature, cross-cultural issues are inherent in alliances. International alliances are normally formed by partners coming from different countries and ethnicities, and with different historical traditions, political bases and cultural backgrounds (Albers, 2005). These differences may be responsible for considerable diversity in firm-specific characteristics that might be linked to each firm’s national heritage and cultural misunderstandings. These differences appear to be particularly susceptible to failure on management and other behaviors (Data & Rasheed, 1993).

It is natural that the cultural differences (in the areas of national culture and organizational culture) will impact on a series of issues for an alliance, from negotiation of setting, to performance and survival (Meschi, 1997). Inter-firm cultural diversity might inhibit the ability for partners to work jointly and effectively unless the firms can overcome their differences, cross-cultural differences included. It may also mean that, perhaps, although companies from culturally dissimilar countries have a higher potential for knowledge transfer, such knowledge transfer will require more effort and commitment from management (Pollard, 2001). Killing (1983) further found that cross-border collaborations between partners from developed and developing countries are particularly troublesome. As Killing (1983) points out, such cultural differences can delay the creation of an effective, cohesive management team. The ability of managers to interpret one another’s estimates correctly - the forecasts of a sales manager, the delivery promises of a production manager, or the cost estimates of a financial controller means the group can develop more rapidly into a cohesive unit that shares many basic assumptions, in which everyone is seen as working towards the same objective. Organizational culture, a company’s ways of doing things, can also cause problems where companies with distinctive cultures merge or form a third venture jointly (Lyles & Salk, 1996). The managers or employees
from the parent firms tend to carry with them their home-company cultural burden which may not be easy to shake off. This baggage, if not directly responsible for poor performance, can have implications for the day-to-day business operations of the venture, in the form of tension and frustration for example (Data & Rasheed, 1993).

Child (1994) classifies knowledge transfer in alliances into several different levels. The three levels, in ascending order of managerial awareness and cognitive change required, are technical, systemic and strategic. Knowledge transfer at the technical level refers to the acquisition of new, specific techniques, such as market research analysis. Knowledge transfer at the systemic level refers to learning to work with new organizational systems and procedures, such as performance appraisal. Finally, knowledge transfer at the strategic level refers primarily to a new way of thinking about business objectives and how these objectives can be realized, which are greatly influenced by cultural elements.

Child’s (1994) study found that in Sino-foreign joint ventures, new techniques and systems could be introduced without much difficulty and resistance. The major challenge was to implement the knowledge transfer at the strategic level. That is, the real difficulty was to change the mentality of senior managers. For example, in the former centrally planned economy, managers of state enterprises in China performed the role of implementing instructions imposed from supervising authorities. The enterprises were under state protection and received subsidies. Enterprise managers did not have any chance to make strategic decisions. Under the present economic transformation, enterprise managers will need to understand the nature of operating in a competitive environment (Child, 1994). They have to develop a more market-oriented way of thinking, and it takes time to achieve the required cognitive change. From this viewpoint, it is necessary to be aware of this situation, to understand how local Chinese managers think, so that the foreign partner’s senior managers can accordingly interact and cooperate with their Chinese counterparts. The reasons behind this are quite simple. The evolution and transformation of national and organizational culture is a slow process (Meschi, 1997). Although the forces of homogenization and westernization can no doubt change some dimensions of national and organizational culture, they cannot eliminate the differences between them. Researchers thus agree that cultural distance between firms has implications for their ability to transfer knowledge (Simonin, 1999a). In the following sections, we show how inter-firm knowledge transfer in
cross-cultural alliance settings can be moderated by certain factors in explaining knowledge transfer adaptability in alliances.

7. Proposed Model and Propositions Development

While knowledge transfer is a prerequisite to competitive advantage, it requires effective mechanisms and appears to be difficult across different units if preexisting relationships are not present (Perez-Nordtvedt et al., 2008). As Gupta & Govindarajan (1991, p.696) state, “the potential for synergistic benefits from resources (knowledge) sharing varies across strategic contexts and the realization of these potential synergistic benefits depends on how effectively linkages between organizations are actually managed.”

7.1 Frequent Interaction.

Kogut and Zander (1996) suggest that firm boundaries provide the context for knowledge to be developed and exploited; they emphasize the role of coordination, identity, and interaction as key activities of the firm. In a similar vein, Nonaka (1994) emphasizes the role of ‘socialization’ in the diffusion of knowledge within organizations. His perspective suggests that social connections enhance the emergence of new knowledge and facilitate the transformation of tacit to explicit knowledge and vice versa. Bucic and Gudergan (2004) comment that social interaction enhances learning capability, simultaneously mitigating the transactional concerns. Cultural proximity may ease the transfer of tacit knowledge. If the partners are culturally very distant from each other, a high level of personal involvement from the parties may be required.

Different cultures may also prefer certain knowledge sharing mechanisms to others. For example, a Universalist culture (rules focused) up against a Particularist one (relationship-focused) may prioritize contracts, trustworthiness and face-to-face interactions differently (Trompenaars, 1993). Hence, transferring knowledge involves crossing national boundaries in such a way has implications for collaborating partners. Teece (1998) argues if the firms transferring knowledge are culturally distant from each other, it can be argued that there is a need of frequent interaction, at least in the beginning of their relationship.

Proposition 1: A high frequency of interaction between the parties will lead to a stronger relationship, which may ultimately reduce possible knowledge transfer obstacles within cross-cultural alliance settings.
7.2 Inter-Partner Trust Relationship.

As there are no specific contractual agreements that could cover all of the changing variations and conditions, trust, which is “the belief that one partner would not behavior in fulfilling its self-interests” is seen as being essential in alliances (Uzzi, 1997, p.43), and the extent to which one partner’s knowledge is accessible to the other also depends on inter-partner trust. Lane, Salk and Lyles (2001b, p.1141) suggest that ‘trust functions as an ongoing social control mechanism and risk reduction device. It influences both the extent of knowledge exchanged and the efficiency with which it is exchanged’.

From the knowledge-based perspective, trust affects the process of knowledge exchange, sharing, combination, and joint problems solving through creating or enhancing a number of necessary conditions, such as increasing openness, respect, friendship (McEvily Perrone & Zaheer, 2003; Van Wijk et al., 2008). This positive relationship has been empirically supported in a variety of intra- and inter-organizational contexts (Becerra, Lunnan & Huemer, 2008; Muthusamy & White, 2005). For instance, Zaheer and Venkatraman (1995) found that trust increases the scope of joint problem solving and planning in strategic alliances. Through relational processes, partners learn about each other’s competency and develop confidence in one another, which lead to further increase in investments, risk sharing, and knowledge exchange (Muthusamy & White, 2005). Such trustworthy behaviors increase the scope of the relationship, and enhance an enriched, meaningful mutual knowledge transfer between firms in the alliance.

Proposition 2: As the collaboration matures and the venture organizations build trust and learn more about each other; mutual trust can be a platform for accessing to each other’s knowledge base with fewer problems.

7.3 Shared Vision and Understanding.

In the social capital literature, a shared vision embodies the collective goals of the member organizations (Inkpen & Tsang, 2005), which is often used to refer to common business values and mutual understanding of doing business (Dyer & Singh, 1998). The importance of shared vision in inter-firm exchanges has been brought forward in the organizational cooperation literature. Knowledge and learning could be built on shared vision and understanding (Pollard, 2001; Pavlovich & Corner, 2006). As the alliance matures and both partners build trust and learn more about each other, they are likely to have developed a basic understanding about each other’s skills. Denton (1998) argues that shared vision is the important characteristic, which is
most closely relevant to the idea of a learning strategy. Without a shared vision and striving for the desired future, a company will not be moving forward (Hamel & Prahalad, 1994). Drawing on Nahapiet and Ghoshal’s (1998) study, Pavlovich and Corner (2006) further emphasize that shared understanding enhances relative absorptive capacity in the knowledge assimilation process and allows firms to engage more in knowledge acquisition and exploitation. The same line of reasoning applies in cross-cultural alliances context (Dyer & Singh, 1998).

Culturally very different firms may need personal knowledge sharing mechanisms to optimize understanding at the personal level. Cultural differences may be hard to overcome; this is one reason why researchers often claim that transferring knowledge locally is easier than in different cultures. Both the knowledge sender and the receiver, prior to meeting each other, may have experience with transferring knowledge to other firms, and with knowledge channels in general, which may facilitate their future knowledge transfers (Simonin, 1999b). One difficulty facing researchers and arguably practitioners in any cross-cultural situation is the problem of identity (Tsang, 1998). People interpret situations and actions in a cultural framework and it is all too easy to add one’s own cultural perspectives to an international setting. This can manifest itself in culturally-bound interpretation of management issues, and errors in understanding or action might not be realized until a problem occurs. An example might be not properly regarding the seniority of a partner firm’s senior manager, leading a loss of status or face.

Thus a shared vision and understanding is a necessary condition for an exchange to take place. The identification and combination of strategic resources can only be realized if the firms have systems and cultures that are compatible enough to facilitate coordinated action (e.g., Lane et al., 2001, 2001b). The existence of shared goals and values can enhance culturally different partner’s responsiveness to each other’s needs and an appreciation of the other’s initiatives help to create a conducive environment for knowledge sharing.

Proposition 3: Shared norms and identities increase the level of mutual understanding among culturally different organizational members, which in turn acts as a resource influencing both the anticipation of value to be achieved through collaboration and the motive to combine, share and transfer knowledge.

8. Discussion

Studies on knowledge transfer have increased rise in recent years (Eunni et al., 2006). Looking at the literature on knowledge transfer, the development of the research trends have contributed to
our understanding from different aspects and perspectives related to the knowledge transfer phenomenon. Most often, knowledge transfer in alliances setting has actually gained heightened recognition in the literature (i.e., Inkpen & Tsang, 2005). However, research on inter-firm knowledge transfer in alliances is still in its early stage of development, which presents a significant gap in the literature of knowledge transfer research (Duanmu & Fai, 2007). With respect to the overall inter-firm knowledge transfer based on the alliance phenomenon, Duanmu and Fai (2007) and Easterby-Smith et al. (2008) acknowledge that although alliances knowledge transfer have been the subject of much ‘theorizing’, they still remain relatively under-researched. A key challenge in studying knowledge transfer is how to adequately specify the actors involved, the contents to be transferred as well as the channels of action as the means of ‘facilitating’ the transfer (Van Wijk et al., 2008). Particularly, extant knowledge transfer research tends to focus on either the sender or the recipient side instead of both, and often from a uni-dimensional, rather than a multi-dimensional perspective, which prevented us from achieving a holistic understanding of the knowledge transfer process (Duanmu & Fai, 2007). This confirms that the competitive nature of knowledge transfer create fundamental challenges for both academics and practitioners alike (Szulanski, 2000).

As research on inter-organizational knowledge transfer is important in business and management research, this paper tries to overcome these shortcomings, whilst offering a new contribution. This paper identifies distinct dimensions of the inter-firm knowledge transfer in alliances with a particular cross-cultural setting. In this paper, we highlight the knowledge characteristics, knowledge base, learning intent, absorptive capacity, knowledge protectiveness and cultural distance in the knowledge transfer process in alliances.

First, we suggest that the term inter-firm knowledge transfer has been coined to describe a situation in which the primary objective of the partner firms is to learn knowledge. Although in some instances, learning is an unintended outcome that emerges over the life of the alliance, the knowledge gaps and skills differences between the alliance partners undoubtedly provide the learning opportunities (Inkpen & Pien, 2006). In other words, cooperative partners can all become sources of knowledge with the potential for utilization elsewhere in the alliance; partner firms are dependent on the alliance for knowledge and other types of resources, which may help reduce the risks. This is a shift from a single company’s perspective to the double or multiple
companies’ standpoint of sharing costs, risks and benefits and accessing new resources (Child, 2001).

Second, we think inter-firm knowledge transfer in alliances refers to a complex sets of arrangements, and the key element in knowledge transfer is recognizing challenges (such as knowledge characteristics and cultural distance) leading to some behavioral changes and/or the development of new knowledge. The uniqueness, tacitness and complexities of transferring knowledge requires management to recognize that access to a partner’s knowledge base needs serious consideration, especially when much of the knowledge is often organizationally embedded (Szulanski, 2000). Additional competence, abilities, and partnership-based cooperation are therefore required to overcome these challenges (Inkpen & Dinur, 1998). This paper argues that the transferability of knowledge is also connected with learning intent and absorptive capacity. Tsang (2007) also notes that an important requirement for effective knowledge transfer is for the source unit to recognize the form which is most appropriate for meeting the knowledge needs of recipient unit.

Third, this paper particularly recognizes that transferring knowledge involves not only explicit technological knowledge but tacit cultural knowledge that can also be shared through the development of working relationships personal interactions, movement and strategic linkages (Nonaka, 1994). Trust and shared understanding are also considerations in fostering the effective sharing of knowledge (Pollard, 2001). In the stream of alliance literature, extant studies on the role of the social aspects of alliances suggests that relational embeddedness, as evidenced by parent support to the alliances and commitment between the partner firms all enhance inter-firm learning (Lyles & Salk, 1996; Uzzi, 1997). Social capital is recommended as resource exchange and value creation facilitator (Nahapiet & Ghoshal, 1998). We suggest, in alliances, relational embeddedness between partner firms creates a common identity that helps to ‘openly share different types of valuable knowledge and prevent unwanted spillovers to competitors’ (Dyer & Nobeoka, 2000, p.348), thus to reduce knowledge transfer costs. Relational embeddedness creates the ‘logic of confidence and good faith’ and provides the ‘cohesive force’ that is imperative for creating an environment in which knowledge can flow, showing that social capital, a measure of embeddedness, positively impacts innovation.

In sum, scholarly inquiries into inter-firm knowledge transfer in cross-cultural alliances have emphasized the important roles of the surrounding social contexts in resource exchanges. Based
on the discussions above, we can also illustrate other logic of the thinking. Alliances facilitate knowledge flows because they function as mediators and repositories of knowledge providing the necessary environment and structure for resource exchanges. However, the extent to which knowledge transfers actually take place may be also determined by cultural differences between the partners involved. To facilitate greater cross-national coordination as well as the flow of valuable knowledge across geographically dispersed alliances, some attributes are also important resources for the creation and transfer of knowledge in the alliances. Nahapiet and Ghoshal (1998) label these resources as social capital. In their conceptualization, they suggest that social capital is a multi-dimensional construct containing three distinct yet interrelated attributes which in their terms identified as the structural, relational and cognitive aspects. The Structural dimension refers to the degree and frequency of social interaction between the firms; the Relational dimension refers to goodwill and reciprocity; and the Cognitive dimension refers to the higher shared understanding on each other’s business practices (Nahapiet & Ghoshal, 1998). Partnerships built on these dimensions will facilitate the combination and transfer of knowledge. These assumptions are further validated and supported by Inkpen and Pien’s (2006) empirical study. In order to facilitate and generate relational rents from network ties, we suggest that frequent contacts and ongoing interactions are required between cooperative partners in the alliances. The proposition is that three aspects of social capital in learning alliances context, which are the nature of ties (structure), trust (relational capital), and shared goals and understanding (cognitive), will act as the convergent conditions for ‘reciprocal knowledge transfer’ to occur (Pavlovich & Corner, 2006). This paper thus proposes the relationship quality mediates the cultural knowledge-specific flows. It acknowledges the relationship quality facilitates greater experimentation and risk-taking while shared decision-making enables both partners to contribute equally to new procedures and processes.

9. Conclusion
Inter-firm knowledge transfer research generally sees a transfer as the movement of existing knowledge between relevant organizations, and it has been examined in the context of international acquisitions, strategic alliances, and vertical supplier-customer market relationships (Tsai, 2001). This paper considers the theoretical and practical implications of knowledge transfer in alliances and examines the particular characteristics of cross-cultural knowledge transfer process as an additional way of looking at cooperative alliance relationships. It suggests
that the emergence of alliances provides an ideal platform for acquiring knowledge and learning. Alliances are often regarded as the organizational channel by which inter-firm knowledge transfer most often occurs, and the alliances bring cooperative partners into a close working relationship, fostering learning both by facilitating tacit (cultural) knowledge transfer and by promoting knowledge creation (innovation) on the basis of complementary competencies (Inkpen & Pien, 2006). Hence, alliances are relatively efficient in transferring tacit (cultural) knowledge between partners, as long as certain identified restrictions are not placed on the release of such knowledge. This paper describes the relevant barriers and facilitating mechanisms, which could affect the process of cross-cultural knowledge transfer in alliances.

In conclusion, this paper suggests that the transfer and creation of new knowledge is a central tenet of alliances, which implies that the ability to take knowledge from other alliance partner organizations and learn from what they are doing is an important task. Although the competitive nature of inter-firm knowledge transfer creates fundamental challenges for both academics and practitioners alike (Szulanski, 2000), scholars may need to look more closely at the dynamics of both tacit and explicit knowledge transfer and learning processes in the alliances. For example, while the notion that cultural differences do influence international business activities and alliance management has been well accepted, some crucial issues concerning their impact are still problematic. Such as, compared with other technical, productive and business specific factors, to what extent cultural factors affects alliance operation is still a controversial issue.

Future researchers may consider the cultural influence on knowledge transfer and managerial learning using a specific alliance context. However, this paper only identified what we view as the most critical issues. Future research needs to move beyond the current study and seek a deeper understanding, so the following proposed questions could be answered in depth:

“What does inter-firm knowledge transfer in the alliance system really mean?”

“Who transfers the knowledge in the alliance?”

“What knowledge is transferred?”

“How is the tacit and/or explicit knowledge transferred?”

So, in conjunction with earlier research, we would argue that new knowledge, especially knowledge from outside the firm, can be an important stimulus for change and organizational improvement. Organizations capable of transferring knowledge effectively may be more productive than organizations that are less capable of undertaking effective knowledge transfer.
References


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The Role of Knowledge Sharing Practice in Enhancing Project Success

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Abstract

In the knowledge-based economy, organizations need to manage project knowledge sharing effectively. Knowledge sharing refers to a positive force in sharing organizational knowledge and experiences that such knowledge can be used to increase the success rate of organizations. Today, organizations are looking for modern project management techniques that enable them to be successful. It is important to select appropriate process and properly manage a project with recognition of pervious mistakes and usages of existing knowledge. Many researchers continue to provide evidence that knowledge sharing is an important means that projects can better manage information and, more importantly, knowledge and to share it amongst projects and team members for increasing the chances of project success. Despite many literatures on knowledge sharing, we know little about why individuals do share knowledge, especially in projects environment. This research aims to understand individual and organizational factors that influence project team members' knowledge sharing behavior which eventually will contribute towards the success of a project. The research is concluded with the development of a new theoretical model of project knowledge sharing practice.

Key words: Knowledge sharing, behavior, intention, motivators, inhibitors, organizational factors, individual factors, project success.
1. Introduction

The effort for acquiring knowledge and effectively sharing and utilizing it is not new. This effort is as old as the history of human and knowledge management has more to do with ancient civilizations (Bergeron, 2003). The importance of managing knowledge for competitive advantage has received a noticeable amount of attention in the past decades. As manual worker of the 20th century will be replaced by the knowledge worker of the 21st century (Drucker 1993), the application of knowledge management and knowledge sharing has been widely recognized as important sources of sustained competitive advantage (Hall & Sapsed, 2005). Almost every organization is involved in projects and “Project management is the wave of the future” Stewart (1996, p.15). Organizations need to be aware with modern project management tools and techniques which assist project managers and their teams to meet project’s objectives and be successful (Schwalbe, 2007). Hence, organizations are looking for new tools and techniques to increase project success. So, knowledge sharing is one of the most important means that projects can better manage knowledge and to share it amongst projects (Nonaka, 1994; Davenport et al., 1998; Reich et al., 2008). Currently, many researchers have discussed on the effect of the knowledge sharing in project (Jewels & Ford, 2006; Jones, 2007; Landaeta, 2008). They have identified knowledge sharing as a critical success factor for projects, however research on project knowledge sharing practice are insufficient (Newell, 2004; Jones, 2007). Recently, in their literature (Alavi & Leindner, 2001; Jewels & Ford, 2006; Jones, 2007; Hsu, 2008), they state that knowledge sharing do not adequately reflect, the reality of knowledge sharing practice.

Also, according to Ruuska (2005), project knowledge sharing among team members is identifying as unique challenges. Therefore, project managers face challenges and opportunities as the leader and motivator of project team to promote the sharing of knowledge (Landaeta, 2008). Knowledge sharing has become very important in projects; consequently, the successful management of knowledge in projects related to effective knowledge sharing practices (Jones, 2007). In spite of many literatures on knowledge sharing, knowledge about why individuals do share knowledge, especially in projects environment is inadequate. This study aims at understanding individual and organizational factors that influence project team members' knowledge sharing behavior which eventually will impact on the success of a project.
2. Project success or failure

Organizations often use projects as a primary way to achieve business objectives efficiently. Project management literature recently has witnessed growing research towards identifying projects success and failure criteria but there is still no commonly accepted definition of failure and success. In the project management area, “success” is used in the context of achieving something desirable, planned, on budget, on time, and proper with organization’s mission, and objectives and that “Failure” describes the condition or fact of not achieving the expected end results (Cleland & Ireland, 2004). Also, project failure is a condition that exists when the project results have not been delivered as was expected. Many researchers have also expressed their interests to define the basic criteria of cost, time and quality, known as “Iron Triangle” or “Golden Triangle”, it has been traditionally used as project success criteria (Gardiner & Stewart, 2000; Yu et al., 2005).

In accordance with PMBOK (2008), the main objective of a project management is that project must be complete at the desired performance level, within budget constraints, on time, while holding the scope of the project and while using resources efficiently and effectively. This standard as well relates stakeholders with project success. The project management team must identify the stakeholders, determine what their needs and expectations are, and then manage and influence those expectations to ensure a successful project. In addition, Shatz (2006) stated seven key factors that contribute to the determination of success for a project including level of stakeholder satisfaction, meeting objectives, meeting budget, meeting schedule, added value requirements, quality requirements, and team member satisfaction. On the other hand, Schwalbe (2007) argued that project success or failure depend on integration of whole of factors in the project domain such as scope, time, cost, quality, human resource, communications, risk and procurement. Therefore, successful project depends on balancing and managing within the constraint of time, cost and quality to deliver the defined strategic benefits to the performing organization through a temporary organizational structure. At the same time the needs and expectations of the project’s stakeholders must be managed within uncertainty dynamic environment. It is possible for a project to be over time, over cost, missing scope and a success (Shatz, 2006).
This study focuses on the knowledge sharing in projects, because limited resources, sacrificed recourses, stakeholders expectations strongly affected to project success and failure (PMBOK, 2008). Hence, project managers seek ways to reduce their cost and time overrun and improves the quality of their products and their responsiveness to stakeholders’ expectations particularly customer needs. They need information and knowledge to support these changes. A better approach to managing projects particularly in encouraging knowledge sharing amongst team members can help projects and organizations succeed.

3. Knowledge and Knowledge Sharing

Many researchers have reflected on a definition of the concept of knowledge. Knowledge is a subject that has different meanings and interpretations (Gao et al., 2008). In other words, knowledge is many things to many people. Many authors have also expressed their interests to comment knowledge. For example, Jong de and Ferguson-Hessler (1996) have explained that knowledge has been general and specific concept, formal and informal, tacit and explicit, structured and unstructured, strategic, elaborated and compiled, and so on. In addition, knowledge has been linked with words such as data, information, intelligence, skill, experience, expertise, ideas, intuition, or insight, which all depends on the context in which the words are used (Gao et al., 2008). Moreover, based on Davenport and Prusak (1998, p.5), knowledge is "a fluid mix of framed experiences, values, contextual information and expert insight." So, knowledge can, at a first look, seem easy to define, but a literature search would seem to indicate differently. This has led to the definition of two types of knowledge; tacit and explicit, with the specific characteristics. Tacit knowledge: cannot be seen or expressed, extremely individualised, difficult to manage and share. Explicit knowledge: can be easily codified into numbers and words, easy to share, simply distributed, and can be managed (Polanyi, 1967; Nonaka, 1994). As a result, knowledge management (Davenport & Prusak, 1998; Alavi & Leidner, 2001) is the process of managing and getting the right information to the right people at the right time, and helping people creating, acquiring, organizing, sustaining, applying and sharing both tacit and explicit knowledge by employees to increase the organizational performance and create value. Accordance with Al-Hawamdeh, (2003), Knowledge sharing is one of the most critical steps in knowledge management practice.
Knowledge has been suggested as one of the strongest competitive advantages in modern economy (Druker, 1993; Davenport & Prusak, 1998; Ling et al., 2009) especially for companies that compete based on knowledge. Numerous studies have been done to investigate how to establish effective system to share knowledge in organizations. Today, the ability and willingness of individuals to share knowledge is crucial to organizations. Hence, one of the critical limitations of managers in organization is the inability to share new knowledge quickly and effectively amongst members. Knowledge sharing has been defined in different ways. For example, it has been defined as voluntary sharing knowledge between individuals and teams in an organization (Brink, 2003). Knowledge sharing also goes beyond the simple information sharing and is about stimulating the exchange of ideas, experiences and thoughts amongst people. Therefore, knowledge sharing by definition is a social process and interaction amongst individuals and cannot take place within one individual (Nonaka & Takeuchi, 1995). An organization which knowledge sharing is promoted leads to the creation of new knowledge; however, it is not simple to encourage employees to voluntarily share knowledge. Consequently, when discussing about knowledge sharing, it is essential to distinguish explicit knowledge and tacit knowledge because tacit knowledge is shared in different ways than explicit knowledge.

A definition of knowledge sharing needs further explanation about explicit and tacit knowledge. Tacit knowledge cannot be articulated because it has become internalized in the unconscious mind of people (Polanyi, 1967). There is a different opinion that proposes an individual’s tacit knowledge can be transferred or shared not exactly into explicit knowledge. Explicit knowledge, on the other hand, refers to transmittable knowledge in formalized language and can be shared in the form of data, scientific formulae, specifications, manuals and so on (Nonaka, 1994). Also, Nonaka and Takeuchi (1995) serves as a useful starting point in understanding this dimension of knowledge management and how knowledge creation occurs as a flow from tacit to explicit knowledge and a combination of knowledge push and pull. Nonaka and Takeuchi (1995) explain the process as beginning with a socialisation phase, sharing and exchange of tacit to tacit knowledge. Tacit knowledge is more difficult than explicit knowledge to create, capture, codify, communicate and transfer because it is highly intellectually energy intensive. The above explanation shows that it is not always easy to share knowledge. So, why should one share his knowledge with other or keep it within him or herself? The possible inhibitors and motivators for sharing knowledge can help organizations to make knowledge sharing behaviour.
Organizations today are interested to do work in project; as a result, a Standish Group study, popular as the CHAOS Report (Standish Group Report, 2004), has cited global spending on projects costs many trillions of dollars annually. Based on the CHAOS Report, at least 30% of projects were cancelled before completion and only 16% were completed on time and on budget with the average cost overrun being 180% of the original estimate. In addition, in that report the executives who supported the projects considered only 13% of them successful. As mentioned the CHAOS study approved that user contribution, managerial support, clear business objectives, timely management of risk, the level of knowledge, skills, and experience of the project manager and project team members, improved the chance of success (Henry et al., 2007; Reich et al., 2008). It has been argued that projects would not fail if there were an opportunity to learn from prior mistakes (Ruuska, 2005). Accordingly, many scholars are more concerned about how a project is able to acquire knowledge by team members from previous experiences and prior mistakes with acquiring and sharing knowledge among project members, and have paid scarce attention to the content of the knowledge practice. Moreover, team members in project environment are often required to work in knowledge areas they are unfamiliar with, also need to quickly understand new technology, techniques, markets, people and organizations and respond to changing environments. Thus, many researches are more concerned about how a project is able to be create, acquire, develop, shared knowledge and use in the area of responsibility and amongst team members, and how it is exchanged with other projects (Davenport et al., 1998; Reich et al., 2008).

Koskinen (2000) has discussed effects of knowledge, particularly tacit knowledge, as a contributor in project success. Tacit knowledge is an obvious responsible for the economic feasibility of the project, and it has significant effect in the success of the project. The research disputed that relation and communication amongst project team members is very important for sharing of tacit knowledge. Koskinen et al. (2003) also discussed several factors, including memory, communication, motivational, and situational systems affect one’s ability to utilize and share tacit knowledge in organizations. Another recent study of knowledge management projects found that a culture that supported knowledge sharing was highly correlated with project success (Davenport et al., 1998). Even though in project management literature has stated different success factors, some scholars emphasize on the importance of human capital factors for project success (Koutsikouri et al., 2008). Project teams today come together for shorter amount of time;
there need to be a special method for them to share their knowledge to the projects as well as appropriate amount of time to understand what they are learning. Hence, project managers necessarily need the ability to motivate and encourage team members to share knowledge.

When organizations do attempt to share and use new knowledge, they find it extremely difficult. Knowledge sharing depends on the willingness of organization members to share knowledge (Bock et al., 2005). Less research attention has been given to the role of motivational factors on knowledge sharing behaviors. Recently, researchers have begun to investigate causes that both inhibitors and motivators to knowledge sharing. For example, Ling et al. (2009) identified knowledge sharing inhibitors into individual inhibitors and organizational inhibitors. They explain several major individual inhibitors such as general lack of time to share knowledge, fear regarding job security, unawareness of knowledge sharing advantages, poor communication, difference in gender and age, lack of social network, education levels differences, lack of trust, uncertainty of knowledge source and cultural differences. They also identified several major organizational inhibitors to share knowledge such as unclear relation between knowledge management system and organization's objectives, lack of management support, lack of rewards and incentive system, lack of attention to organizational culture, shortage of organizational resources for suitable knowledge sharing practices, deficiency of communication and knowledge flows and organizational structure.

Sharing of knowledge has various motivations, including individual goals, shared objectives and values, role duties, or behavior or individual character (Castelfranchi, 2004). Maslow’s hierarchy of needs (1987) provides one widely accepted explanation of the behavior and attitudes of individuals in organizations. Maslow identified five categories of human needs: physiological needs, security needs, belongingness needs, recognition needs, and need for self-actualization. An unsatisfied need motives behavior because these five needs exist in hierarchy, a lower level need must be satisfied before the next higher level need is activated until the highest level, self-actualization, is reached. The more the self-actualization need is satisfied, the stronger it grows. Although there may be variety of ways to satisfy a need individuals can be expected to engage in knowledge sharing behaviors to the extent that they perceive that knowledge sharing leads to the satisfaction of a need (Jacobson, 2007). Individual may share knowledge to enhance their reputation, their job security, status and power, to strengthen their own knowledge and abilities,
and to support their relationships with others. On the other hand, Castelfranchi (2004) in his knowledge sharing motivations describes two kinds of individual decisions, the decision to share or not share knowledge. It focused strongly on the individual’s needs and intentions, on motivations and attitudes to share knowledge. The issue that needs to be explained further is whether it is possible to identify major organizational and individual motivational factors that have impact on the motivation to share knowledge, in a positive or negative way.

4. Factors Influencing Knowledge Sharing Behavior

The multiple factors that influence knowledge sharing behavior can be divided into two dimensions: individual and organizational (Lin, 2007; Connelly & Kelloway, 2003). This means that willingness from individuals is needed to share knowledge. Motivational factors are key factors to share knowledge, but what are they, more specifically and how do these factors arise? Literature includes indications to multiple factors, and next most commonly referred factors are elaborated.

4.1. Individual Motivational Factors

Knowledge sharing literature has identified a number of factors that are believed to influence knowledge sharing behaviors of individuals. Three major individual factors include trust (Davenport & Prusak, 1998; Ma et al., 2008), job satisfaction (Ismail & Yusof, 2008), and self-efficacy (Bandura, 1986; Lin, 2007).

4.1.1. Trust

Trust among project team members plays a key role in creating space for facilitating or impeding knowledge sharing in a project. Without it, project team members may be less willing to share knowledge with others (Davenport & Prusak, 1998; Ma et al., 2008). The conditions for trust, however, are continually changing for creating knowledge, sharing knowledge effectively. Researchers have also found that individuals with high confidence in their capability to provide valuable knowledge are more likely to accomplish specific tasks (for example, Davenport & Prusak, 1998; Castelfranchi, 2004; Jewels & Ford, 2006). Thus, trust building between project team members can be critical factor for effective knowledge sharing in project environment. Hence, the following hypothesis is proposed:

\( H1: \) Trust positively influences project team member intention to share knowledge.
4.1.2. Job satisfaction

Project team members will contribute their knowledge, skills, and experience to others if they should feel satisfied with their jobs in order to be in knowledge sharing environment (Engstrom, 2003). The success of knowledge transfer and sharing also depends on job satisfaction (Ismail & Yusof, 2008). Individuals’ job satisfaction increase knowledge sharing and largely team performance. In this study, job satisfaction is defined as the degree to which project team member satisfy with his/her own daily work. Therefore, the following hypothesis is proposed:

\[ H_2: \text{Job satisfaction positively influences project team member intention to share knowledge.} \]

4.1.3. Self-efficacy

Self-efficacy has been described as the judgments of individuals regarding their ability to organize and perform daily works required to obtain successful performance (Bandura, 1986). Self-efficacy can help motivate individuals to share knowledge with colleagues (Wasko & Faraj, 2005). Knowledge self-efficacy reveals in people confidence that their knowledge can help to solve problem of organization and increase work efficacy (Luthans, 2003). Project team members who believe that they can contribute project success by sharing knowledge will develop greater positive willingness to contribute to share knowledge (Lin, 2007). Hence, the following hypothesis is proposed:

\[ H_3: \text{Self-efficacy positively influences project team member intention to share knowledge.} \]

4.2. Organizational Motivational Factors

Some organizational factors affect knowledge sharing of members in project environment. According to the theory of planning behavior, this study focuses on the effects of the five factors on the project team members’ knowledge sharing behavior in the project context. In organizational dimension, five variables are suggested: organizational culture (Bock et al., 2005, Keshavarzi, 2007; PMBOK, 2008), organizational structure (Sharrat & Usoro, 2003; PMBOK, 2008), rewards and incentives (Lee & Al-Hawamdeh, 2002; Jewels & Ford, 2006), project manager (PMBOK, 2008), and information technology infrastructure (Song, 2009).

4.2.1. Organizational culture

Organizational culture is important for the success of a knowledge management effort. It can be the key motivator and inhibitor of effective knowledge-sharing (McDermott & O’Dell, 2001) and
also has a significant impact on project success (PMBOK, 2008). Several researchers have shown, it determines both individual and collective behavior in the organisation. For instance, Keshavarzi, (2007) and PMBOK, (2008) stated that values, norms, beliefs, and practices are elements of organisational culture, which affect knowledge sharing behavior. Some cultural factors including trust, status and reward, and intolerance for mistakes, negatively or positively affect knowledge-sharing behavior (Davenport & Prusak, 1998). Therefore, the following hypothesis is proposed:

\[ H_4: \text{Organizational culture positively influences project team member intention to share knowledge.} \]

4.2.2. Project manager

Project manager has an important role to play in facilitating knowledge sharing among project team members. A project manager is responsible for achieving the objectives of the project assigned to him or her (PMBOK, 2008). Also, this standard states that leadership, communication, personality characteristics, and attitudes of project manager are important factor of team member knowledge sharing and effective project management. An effective project manager is very important to a project’s success (Schwalbe, 2007). Project managers can have significant impact on project team members’ knowledge sharing behavior through inspiring, guiding, exciting, and encouraging without actually enforcing rules (Song, 2009). Thus, the following hypothesis is proposed:

\[ H_5: \text{Project manager positively influence project team member intention to share knowledge.} \]

4.2.3. Organizational structure

Organizational structure can affect the availability of resources and influence how projects are conducted. Project size, type, and characteristics are influence in project organizational structure. Project organization is to be designed specific to each project. In comparison to the relatively permanent structures of the permanent organization, project can be seen as temporary organizations. Hence, combination of a non-hierarchical, self-organizing and formal organizational structure would increase knowledge creation and sharing capabilities (Nonaka & Takeuchi, 1995). Most of projects have flat organizational structure and relationship between
project manager and project team members is very close, during the project cycle team members employed by the project manager (Song, 2009). Therefore, the following hypothesis is proposed: 

\[ H_6: \text{Organizational structure positively influences project team member intention to share knowledge.} \]

4.2.4. Rewards and incentives

Rewards and incentives are critical factors and are important for project team members’ to willingness to share knowledge. It can be in terms of monetary incentives and non monetary incentives (Bartol & Srivastava, 2002). To encourage and create a consistent knowledge sharing, monetary values such as financial rewards, salary increment and the like should be used (Davenport & Prusak, 1998). Rewards and incentives foster knowledge sharing, even though empirical studies on monetary incentives have shown different results between individuals. In this study, reward means financial incentives and recognitions means non financial incentives (Bartol & Srivastava, 2002, Bock et al., 2005; Ismail & Yusof, 2008). Hence, the following hypothesis is proposed:

\[ H_7: \text{Rewards and incentives positively influence project team member intention to share knowledge.} \]

4.2.5. Information Technology (IT) infrastructure

Information technology (IT) infrastructure is important knowledge sharing and facilitates knowledge creation, knowledge storage, knowledge sharing through better internal communication flows (Alavi & Leinder, 2001; Hsu, 2008; Song, 2009). Knowledge sharing among project team members could be increased through the use of IT, such as group decision support systems (GDSS) and networks, e-mail, chat sessions, online discussion, video conferencing and list servers (Song, 2009). In this study, IT infrastructure is defined as hardware and software that people in organizations use in order to do their task that helps project team members create, share and transfer knowledge in project environment. Hence, the following hypothesis is proposed:

\[ H_8: \text{Information technology (IT) infrastructure positively influences project team member intention to share knowledge.} \]
5. Intentions to Share Knowledge

According to the theory of planned behavior (Ajzen, 1991), an individual’s behavior is dependent on his or her intention to share knowledge in an organizational environment. Behavioral intentions are motivational factors which indicate how individuals are willing to try to achieve behavioral objectives (Ajzen, 1991). This theory assumes that behavioral intention is the most important determinant factor of behavior and explains the close relationship between behavior and intention (Ajzen, 1991). Prior literature has confirmed the relationship between the two variables (Jewels & Ford, 2006; Hsu, 2008). Results of these studies validated the predictive power of this theory in knowledge sharing behavior and showed strong associations between get-knowledge intention and get-knowledge behavior. In this study, a positive relationship between intentions to share knowledge and its knowledge sharing behavior in project environment is thus expected. Hence, the following hypothesis is proposed:

\( H_9: \) Knowledge sharing intention positively influences team members’ knowledge sharing behavior.

6. The Nature of Knowledge Sharing Behavior

There are different opinions about knowledge sharing behavior which some call natural and others unnatural. For example, Davenport and Prusak (1998) argues that knowledge sharing is often unnatural and people will not share their knowledge, because they think it is important and valuable. On the contrary, Skyrme (2002) calls knowledge sharing a natural tendency of knowledgeable people. He also declares that knowledge sharing is natural in some organisations, and unnatural in other organisations. Nevertheless, he adds that this is not the primary reason for a lack of knowledge sharing. It remains the case that in today’s organisations, work is dependent on so much teamwork and collective knowledge. Therefore, rather than just encouraging people to share knowledge, it seems crucial to identify the affective factors involved in knowledge sharing behavior (McDermott & O’Dell, 2001). Therefore, the following hypothesis is proposed:

\( H_{10}: \) Knowledge sharing behavior in project team members positively impact on project success.
7. Proposed Theoretical Framework

A central proposition in this study is that appropriate motivators and removing relevant inhibitors to share knowledge and experience in projects will result in more efficient and effective sharing of knowledge, which in turn would lead to an increased probability of project success. In endeavoring to better understand what contributes to an individual project team member’s extensive willingness to share knowledge and experience, this research will identify organizational and individual motivation factors that are believed to influence knowledge sharing behavior in project. Furthermore, investigation on how and why combinations of these factors affect knowledge sharing behavior and finally, the impact on project success is undertaken, with a view to developing a theoretical model that will be used to answer the principal research hypotheses.

Hence, there are several key issues about knowledge sharing practices in projects. For example, the literature obviously states that knowledge creation and sharing should be a part of the daily practice of project (Koskinen, 2000; Ruuska, 2005). In fact, studies by Polanyi (1967) and Nonaka (1994) form the foundation for this study. This combined model consists of two components: Firstly, knowledge sharing includes organizational and individual motivational factors, intention to share knowledge, knowledge sharing behavior, and secondly, project success. The first component of the unified model is knowledge sharing that divides three components: organizational and individual motivational factors and intention to share knowledge which is a better understanding of why project team members within projects would be motivated towards or inhibited from engaging in knowledge sharing behavior is likely to be of critical importance to project success. Knowledge sharing behavior which is a continuous process involving the interacting of tacit and explicit knowledge. Thus, examining the conditions under which knowledge is shared in projects will provide added understanding of how tacit knowledge is shared in the project. These four modes of knowledge conversion make up the spiral of knowledge that describes how individuals can increase tacit knowledge through a spiral of interactions of socialization, externalization, combination, and internalization (Nonaka & Takeuchi, 1995).

Therefore, a theoretical framework is developed, as represented in Figure (1). This model portrays the relationships among effective project knowledge sharing practice, and project
success. In this model, intention to share knowledge determines the impact on knowledge sharing behavior. This is in accordance with several important assumptions. The first is a need for knowledge sharing motivators and behavior within and between projects. This system has focus more on the Nonaka’s Conversion Model particularly on the socialization of tacit knowledge that is currently missing in most project environments. Sharing knowledge requires managing project success and leadership of project teams by ensuring that tacit and explicit knowledge are shared with regard to what is shared as well as when and how. There is also an assumption that knowledge sharing is essential for enhancing the success of a project.

8. Proposed Methodology

The authors suggest that the study employ an exploratory research design using qualitative and quantitative within combination of interpretive and positivist methods (Saunders, 2007; Yin, 2003). The selection of the research methodology is influenced by the research questions and the current state of this field of study (Yin, 2003; Saunders et al., 2007). Based on Yin (2003), case study method can be used as it explores real-life issues in their own setting and use a wide array of evidence. It can include the use of semi structure interviews, internal documentation, and questionnaire to provide a basis for extensive and thorough discussion of the research problem.

9. Conclusion

The purpose of this paper is to understand the knowledge sharing practices in a project environment. In order to motivate project team members to share their tacit and explicit knowledge, it may be essential to better align project team objectives with the objectives of a project. It is important to better understand how project team members may be motivated by several major organizational and individual motivational factors in order to anticipate their likely attitudes towards knowledge sharing behavior. A theoretical framework is proposed for the development of hypotheses based on eight factors which strongly affect the practice of knowledge sharing in project environment. Those factors are classified into two classes which are organizational motivational factors, individual motivational factors. The constructs have been operationally defined based on the scope of the research. The operational definition presents the basis for empirical testing of the research theoretical model in the following phase of the study.
References


Annexure

Figure 1: Proposed Theoretical Framework

![Figure 1: Proposed Theoretical Framework](image_url)
Practices of Food Producers in Producing Halal Food Products in Malaysia

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Abstract
Malaysian Government has taken proactive steps in making Malaysia as a regional halal hub. Tremendous potential in the development and production of halal products especially food should be expected. The aim of this study is therefore to investigate the level of practice by the food producers in producing halal food products. Studied variables are adherence on halal labeling, understanding on halal process and procedures and awareness on halal demand, and associated factor including food producers’ practices. A set of questionnaires was designed and sent to 60 selected food producers in Malaysia by post. The data collected were then analyzed using the SPSS version 13 for descriptive statistics, Pearson Correlation Coefficient, and also multiple regressions. The results showed that most of the respondents, who are Muslim food producers, claimed that they have obtained halal certification from JAKIM. The results also revealed that all the adherence towards halal labeling, understand the halal processes and
procedures, and aware of consumers’ demand towards halal food have significantly related to the halal practices and were moderately positively correlated. This present study can be used to serve as a basis for future research in determining the level of halal practices by all food producers in Malaysia.

Keywords: Halal Hub, Halal Certification, Halal Labeling, Halal Processes, Awareness, Practices

1. Introduction

Muslims nowadays are more educated and are aware of the status of the food consumed (Mohammad et al., 2007; Yaakob et al., 2007). The increase of awareness and also the number of Muslim population worldwide has therefore increased the demand for halal products (Che Man and Abdul Latif, 2003) resulting in the creation of business opportunity for all food manufacturers, suppliers, producers and distributors locally and globally. Estimation has been made that approximately yearly halal food manufacturers would get approximately USD 347 billion or RM 1 137 billion per year (Che Man, 2006). With regard to the mentioned potentials, Malaysian government plans to become a global halal hub by 2010 which would involve transporting, packaging, labelling and logistics of foods (http://knowledge.hdcglobal.com/en/indices/index_5.html).

Halal food refers to food that does not contain swine or pork and its by-products, alcohol, blood, certain types of animals, and all kind of meat which has not been slaughtered according to Islamic procedures. Swine or pork and its by-products are strictly not allowed to be part of halal food either as part of the ingredients, packaging materials or, have close contact with the halal food. Only when the food is prepared according to the Shariah law and processed in an Islamic manner, it can then be labeled as halal.

The halal standards and procedures definitions are not only confined to following the Islamic rituals but also on the cleanliness and quality control (Yaacob et al., 2007). The raw materials, intermediate goods and all equipment used must also follow Shariah law and should comply with the requirements (Riaz and Chaudry, 2004; MATRADE, 2007; Lokman, 2008). The flow of the food production must be monitored and supervised by competent Muslim inspectors (Chaudry, 1997; http://www.malaysiahalalfoods.com). Such processes that have followed halal standard and procedures are said to have halal accreditation. Halal accreditation is therefore could be an
effective tool in monitoring and supervising the halal production including storing and transportation. Once the producers have followed the halal standard and procedures, the products produced could obtain halal certification issued by government appointed body. The halal certificate could be obtained from the Malaysia’s Department of Islamic Development (JAKIM) and the certificate issued was recognized worldwide (Trade Mart, 2005). The involvement of the food producers in obtaining the halal certification is not only confined to Bumiputera manufacturers and Muslim consumers only but it is also meant for all races and religions in Malaysia (Mohammad et al., 2007).

Halal certification is one of the ways to inform and to reassure consumers that the product produced is not only halal and shariah-compliant (Shahidan and Md Nor, 2006) but also hygienic (Lokman, 2008). The label placed however, should be clear and meaningful as to avoid confusion among consumers (Degnan, 1997). Consumers are more concerned with the halal logo (Nuradli et al., 2007) and some of the Muslim consumers trust halal logo more than those carrying ISO or similar certification (Shahidan and Md Nor, 2006). However, some consumers still have doubted the validity of the halal logo used due to lack of enforcement by the government in monitoring the usage of certified halal logo (Zainal et al, 2007; Shahidan and Md Nor, 2006). It is therefore crucial to study the company practices and understanding of food producers of halal processes and procedures. To get a better insight of food producers’ awareness towards halal food demands, it is then has also been part of the study objectives.

2. Methods
A total of 60 food producers in Malaysia were conveniently selected. The data of the food producers were from the list of Suruhanjaya Syarikat Malaysia (SSM) and FMM-MATRADE Industry Directory 2005/2006. Self administered and structured questionnaires were sent to the respondents by post. The respondents were given two weeks to answer and returned the questionnaires using researcher’s address and stamped envelope. Company’s profile, exposure to halal training and certification, adherence towards food labeling, understanding towards food process and procedures, and producer’s awareness of halal food demand were collected via questionnaires. Prior to distribution of the questionnaires, they were validated in a pilot study consisting of participants of “Karnival Halal Malaysia” at Terengganu Trade Centre in March 2009. Based on the feedback, content and language accuracy, the questionnaires were modified
accordingly. The questionnaires were separated into four sections. The first section, Section A, consisted of eight questions on the company’s profile including three questions that were related to halal practices of the respective company. The second section (Section B) with five questions was focusing on the company’s adherence on halal food labeling. The third section (Section C) of the questionnaires comprised of seven questions in getting the company’s understanding on halal food process and procedures. The last section (Section D) of the questionnaires was solely on getting the company’s awareness on halal food demand among the consumers. There were seven questions related to the company’s awareness. All the questions in the first section were closed ended type of questions. Other sections of the questionnaires, that are Section B, C, and D, would like the respondents to answer them based on five point Likert scale with the lowest score of 1 to represent “Strongly Diagree” to the highest score of 5 that represents “Strongly Agree”. The returned questionnaires were then analyzed using the SPSS statistical software version 13 for the descriptive statistics, Pearson Correlation Coefficient and Multiple Regression analysis.

3. Results and Discussion

A total of 60 questionnaires were sent to the companies that were listed in FMM-MATRADE Industry Directory 2005/2006. After two weeks, 32 questionnaires were returned back and out of the number, only 27 questionnaires were usable. The usable questionnaires were then subjected to SPSS analysis. Reliability analysis showed that the Cronbach’s Alpha of the questionnaires was 0.883 indicating that the questionnaires were highly reliable (Sekaran, 2000).

The company’s profiles revealed that majority (59.3%) of the types of business ownership was Sdn. Bhd. Category, followed by sole proprietorship (25.9%), and finally partnership (14.8%). Muslim producer and manufacturer owned most of the companies (92.5%) and only 7.4% are belonged to non-Muslims. Majority of the company have between one to nine employees. Very few companies have more than 500 employees. Some of the businesses have been operated between two to three years (29.6%) and more than 10 years (25.9%). Only three companies claimed that they have been operated for less than one year (11.1%), five companies have been operated between four to five years (18.5%) and another four companies claimed that they have been operated between six to seven years (14.8%). Most of the companies that were listed with MATRADE involved in producing beverages (22.2%). Food products produced were processed
foods (18.5%), herbs and spices (14.8%), and baked products (11.1%). Other types of products produced were listed in Table 1.

Most of the companies already attended with at least one to three times of halal course. Some of the companies (18.5%) reported that they never attended a halal training course thus making them did not obtain Halal Certification from any authorized bodies. Majority of the companies obtained the halal certification from JAKIM (55.6%). Another 25.9% obtained their halal certificate from state authorized body. The findings shows that many food producers are now aware of the important of having halal certification in order to tap lucrative and growing Muslim market.

The number of companies applying for the halal certification increased tremendously. Up to May 2009, HDC have received 1686 applications for halal certification where 25% of the total applications came from the Bumiputera-owned companies (Mukhriz, 2009). In 2003, 2005 and 2008, the number of companies applying for the halal certification was up to 480 (estimated 40 applications per month) (Ghafani, 2003), 716 and 1743 (http://www.halalfocus.com), respectively compared to the previous reported by MIDA. MIDA reported that from 1995 to June 2003, only 424 companies were issued with halal licences (Norman, Md and Azmi, 2008). In 2003, 95% of the applications were from non-Muslim companies (Ghafani, 2003). The main reason for the tremendous increase of having halal certification could be due to customers’ demands as it is closely related to consumer’s acceptance and intention to purchase food products (Schutz, 1999).

Table 1 Companies’ profiles

<table>
<thead>
<tr>
<th>Respondent Profile</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Types of Business Ownership:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sole Proprietorship</td>
<td>7</td>
<td>25.9</td>
</tr>
<tr>
<td>Partnership</td>
<td>4</td>
<td>14.8</td>
</tr>
<tr>
<td>Sdn. Bhd</td>
<td>16</td>
<td>59.3</td>
</tr>
<tr>
<td>Total</td>
<td>27</td>
<td>100</td>
</tr>
<tr>
<td>Company Belongs to:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Muslim Producer and Manufacturer</td>
<td>25</td>
<td>92.5</td>
</tr>
<tr>
<td>Non Muslim Producer and Manufacturer</td>
<td>2</td>
<td>7.4</td>
</tr>
<tr>
<td>Total</td>
<td>27</td>
<td>100</td>
</tr>
<tr>
<td>No of Employees:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-----------------</td>
<td>-------</td>
<td>-------</td>
</tr>
<tr>
<td>1-9</td>
<td>14</td>
<td>51.9</td>
</tr>
<tr>
<td>10-99</td>
<td>8</td>
<td>29.6</td>
</tr>
<tr>
<td>100-499</td>
<td>3</td>
<td>11.1</td>
</tr>
<tr>
<td>500-999</td>
<td>1</td>
<td>3.7</td>
</tr>
<tr>
<td>More than 1000</td>
<td>1</td>
<td>3.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>27</td>
<td><strong>100</strong></td>
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</table>

<table>
<thead>
<tr>
<th>Years in Business:</th>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Below 1 year</td>
<td>3</td>
<td>11.1</td>
</tr>
<tr>
<td>2 to 3 years</td>
<td>8</td>
<td>29.6</td>
</tr>
<tr>
<td>4 to 5 years</td>
<td>5</td>
<td>18.5</td>
</tr>
<tr>
<td>6 to 7 years</td>
<td>4</td>
<td>14.8</td>
</tr>
<tr>
<td>10 years and above</td>
<td>7</td>
<td>25.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>27</td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Category best describes company’s food product:</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Dairy product</td>
<td>1</td>
<td>3.7</td>
</tr>
<tr>
<td>Raw meat, fish and poultry</td>
<td>1</td>
<td>3.7</td>
</tr>
<tr>
<td>Processed seafood product</td>
<td>2</td>
<td>7.4</td>
</tr>
<tr>
<td>Processed Meat, fish and poultry product</td>
<td>2</td>
<td>7.4</td>
</tr>
<tr>
<td>Processed food</td>
<td>5</td>
<td>18.5</td>
</tr>
<tr>
<td>Bread, cakes, cookies, pastries and pies</td>
<td>3</td>
<td>11.1</td>
</tr>
<tr>
<td>Herbs and spices</td>
<td>4</td>
<td>14.8</td>
</tr>
<tr>
<td>Beverages</td>
<td>6</td>
<td>22.2</td>
</tr>
<tr>
<td>Other</td>
<td>3</td>
<td>11.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>27</td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Halal Course or training attend:</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Never Attended</td>
<td>5</td>
<td>18.5</td>
</tr>
<tr>
<td>1-3 times</td>
<td>12</td>
<td>44.4</td>
</tr>
<tr>
<td>4 to 6 times</td>
<td>5</td>
<td>18.5</td>
</tr>
<tr>
<td>7 to 9 times</td>
<td>1</td>
<td>3.7</td>
</tr>
<tr>
<td>10 and above</td>
<td>4</td>
<td>14.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>27</td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Company obtained official Halal Certification from</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Jabatan Kemajuan Islam Malaysia (JAKIM)</td>
<td>15</td>
<td>55.6</td>
</tr>
<tr>
<td>Other Bodies</td>
<td>7</td>
<td>25.9</td>
</tr>
<tr>
<td>No Halal Certification</td>
<td>5</td>
<td>18.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>27</td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>
Pearson’s correlation Analysis was chosen in order to investigate the relationship between dependent variable (Practices) and independent Variables (Adherence of Halal Labeling, Understanding on the Process and Procedure and Awareness of Demand). Findings showed that all the independent variables are statistically significant and have moderate relationships between dependent and independent variables. All the three independent variables were significant at 0.01 significant level (p<0.01) 2-tailed.

The Pearson Correlations between halal labeling and practices of the halal processes was 0.557, which is in a moderate range. Both of the variables were significantly related. Significant relationship was also found between understanding of halal processes and awareness of the halal demand to the processes and procedures to the halal practices. Both of the relationships were in a strong range with a value of 0.693 and 0.657, respectively.

Based on Pearson Correlation Coefficient analysis, the promotion factor of the mean process has the strongest influences towards practice. The Pearson’s Correlation value represents by the r value for this variable is 0.693 which is considered in the range as moderate and positively correlated with each other. The second factor that influences the practices is the awareness of halal demand. It has an r value of 0.657 whilst adherence of halal labeling has the least r value, i.e. 0.557. In conclusion, all the three variables have moderate and positive correlation to the halal practices.

The relationship among dependent variables with independent variables was analyzed using multiple regression analysis. The coefficient of relationship (R²) of 0.218 showed that 21.8% of the variance in halal food practices was explained by the independent variables and they are positively related. However, none of the independent variables measured shows a significant different to the practices in producing halal food products.

Both Pearson Correlation Coefficient and Multiple Regression analyses revealed that the food producers in Malaysia did practice halal processes and procedures during the production although it was a moderately correlated. It shows that more efforts should be taken by the Malaysia government in order to ensure halal hub plan becomes a reality in 2010. According to Shahidan and Md Nor (2006), there were few reasons that might contribute to this moderately correlated relationship, such as 1) the inconsistency of definition of halal on the aspect of slaughtering of animal; 2) the introduction of halal logo by individual firms; 3) the use of Arabic-sounded or Islamic-signaled brand names; 4) the rampant display of Quranic verses (or
the use of Arabic characters) by food operators to indirectly signal that the premise is operated by Muslim and that it offers *halal* foods; and 5) the lack of enforcement by the authorities with regards to the misuse of *halal* logos. The reliability of the *halal* logo appeared on the food packaging also could pose uncertainty. Pork ingredients have been detected in certain food products that have *halal* logo on the packaging (Farouk et al., 2006).

The findings did not represent true practices of food producers in Malaysia due to limited numbers of sample. However, the findings did indicate Malaysia has potentials to make *halal* hub a reality based on training attended and percentage of food producers having authorized *halal* certification. According to survey done by the HDC- Merdeka Centre Domestic *Halal* Market Study (2005), majority of non Muslims populations have shown interest in consuming *halal* products. The survey also showed that other than pharmaceutical, nutraceutical and cosmetic and health care, raw and processed foods have been recognized as one of Malaysia potential global *halal* products.

4. Conclusion

In conclusion, food producers in Malaysia are aware of the demand for *halal* foods. Majority of the food producers attended the *halal* training course as an initial stage before obtaining *halal* certification. The *halal* certificate awarded by the authorized department such as JAKIM could be an indicator that the respected companies already practiced *halal* processes and procedures during the production. However, with regard to the adherence towards *halal* labeling and understanding of *halal* processes and procedures, Malaysian food producers are still not strongly related to their practices. Stricter enforcement should be carried out by Malaysian government in order to ensure the global *halal* hub would become a reality in 2010.
References


The Influence of Business Profiles on Brand Equity Awareness among Small and Medium Scale Food Entrepreneurs in Terengganu

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Abstract

The state government of Terengganu, Malaysia is encouraging small scale entrepreneurs to get involved in the promotion, packaging, labeling and branding of their products. However, the number of entrepreneurs in the state who are presently involved in branding is still small. A survey was conducted using questionnaire in order to discover the influence of the entrepreneurs’ business profiles on their knowledge, awareness and involvement towards brand equity. Six elements of business profiles have been identified which include Size of Business, Type of Ownership, Types of Products Sold, Source of Funding, Business Zone and Market Size. These entrepreneurs are registered under Yayasan Pembangunan Usahawan Terengganu (YPUT) and involved in the production or selling of food products in the state. Statistical analysis such as the Chi Square and Cramer’s V were used to determine the relationship between the entrepreneurs’ level of brand equity awareness with their business profile. Result shows that the entrepreneurs’ business profiles were found to have significant and moderately strong relationships with their level of brand equity awareness. Future researchers would benefit from this study and use it as a platform to further investigate other factors such as organizational culture, government support and style of management in influencing the entrepreneurs’ knowledge, awareness and involvement in branding.

Keywords: Malaysia, Brand equity, Business Profiles, Small scale entrepreneurs, Branding
1. Introduction

Branding is becoming an important marketing tool especially for big companies that hope to develop their product image in the market place. In general, branding is a name, term, sign, symbol, or design, or a combination of these that identifies the producers or sellers and differentiate them from competitors (Lamb, Hair and McDaniel, 2004). Normally, consumers are interested to the product which has a good label in packaging and also a right name in branding. Among the purpose of branding, labelling and packaging are to help the customers to easily identify a product and its benefits, to allow consumer to easily remember, to easily pronounce, and create a positive connotation towards the product (Lechmann and Winer 2003). The question however remains how many Malay entrepreneurs really understand and interpret the advantage of branding into their businesses?

Entrepreneurs in small and medium industry have to realise the benefits of branding in their businesses, especially for those who are facing competition from big companies. In fact, branding also helps the entrepreneurs to distinguish their products from competitors and indirectly creates customers’ loyalty to the products. The success of any entrepreneurs or producers does not only depends on the core product itself, but on how they strategies and develop market’s ability to distinguish their product from another (Boyle 2003). In the same vein, branding is useful for small and medium enterprises when they want to supply their products into local and foreign hypermarket (Keller, 1998).

Many huge retailers are concerned with the quality of products and its packaging, labelling and brand. This scenario motivates the Malaysian government to encourage branding activities among local producers in the small and medium industry. Furthermore, entrepreneurs registered with the Malaysian Ministry of International Trade and Industry (MITI), are encouraged to develop cooperation with foreign company. The Malaysian Ministry of Entrepreneur Development and Corporation has also directed all government agencies to conduct seminars, workshops, and conferences for these entrepreneurs to discuss the role and advantage of branding in local and foreign markets. Yayasan Pembangunan Usahawan Terengganu (YPUT) or the Entrepreneurs Development Foundation of Terengganu is one of the government agencies responsible to develop branding awareness for Malay entrepreneurs in the state of Terengganu.
Yayasan Pembangunan Usahawan Terengganu (YPUT) is one of the government agencies which consider itself as a ‘One Stop Agency’ in entrepreneurship aim to develop the entrepreneurship values among local entrepreneurs. The foundation was “corporatised” on 31st March 1994 under company act 1965 as a limited company. Since 1st of July 1994 YPUT has been focusing their effort in guiding the entrepreneurs to increase their sale and profit. As a result of this orientation, YPUT has designed four company objectives. These objectives are as follows:

i. To help as many entrepreneurs as possible to operate in medium size markets in achieving international standard

ii. To develop and increase the knowledge, skill and capabilities of entrepreneurs in Terengganu

iii. To develop, maintain and offer better facilities for entrepreneurial development to increase the competitiveness of the local entrepreneur

iv. To help YPUT to become a high performance corporate body in management and entrepreneurship

A lot of programs that have been organised by YPUT such as the Development Programmed for small and medium enterprise (SMI), Terengganu Entrepreneurs Development Fund, Research and Development in product and Marketing, Entrepreneurs Development program, Vendor and Franchise program and Counselling Services. YPUT has also planned to implement several programs that relate with the brand awareness for Malay entrepreneurs in Terengganu. In fact, YPUT has also launched their own brand for entrepreneurs in the food industry, in the form of T-Lekor for “Keropok Lekor” (fish sausage) products and T-Dagang for “Nasi Dagang” (rice with coconut milk) product (Ku Khairil, 2004).

Food industry is one of the industries in Terengganu that has contributes substantially to the state’s economy. A lot of traditional products are offered by the local producers, like fish crackers, grilled fish paste, grilled glutinous rice and other traditional snacks and delicacies. However, many of the Malay entrepreneurs do not know how to develop their product image and do not really understand the function of product branding. Some of them tend to ignore and are not interested in the planning and branding activities proposed by the state government. Meanwhile, other established producers are now moving forward in maintaining their image, to meet the challenges of market liberalization and increase competition both in the domestic and international market (Ku Khairil, 2004).
The main focus group in this paper is the Malay entrepreneurs in Yayasan Pembangunan Usahawan Terengganun (YPUT) and the objectives are:

i. To determine the level of brand awareness among Malay entrepreneurs in the food industry registered with YPUT.

ii. To analyze knowledge, interest, and involvement of Malay entrepreneurs regarding product branding.

iii. To identify factors that contribute to the degree of knowledge, interest, and involvement towards branding.

In the year 2000, the Malaysian government had allocated RM1.85 billion for small and medium industries fund and RM300 million for small and medium-sized ‘Bumiputera’ (the first inhabitants of the country) entrepreneur’s fund. Many activities have been implemented using this fund to enhance the skill and knowledge of the entrepreneurs in small and medium industries in the country. The Malaysian government has also encouraged local entrepreneurs to increase their product quality in order to compete better in international markets.

Branding has become important to Malay entrepreneurs especially when they want to sell their products into a bigger market and when they want to compete in international markets. Branding is therefore one of the ways to increase competitiveness, and a means to differentiate the products and services offered to customers. In developing a marketing strategy for individual products, the Malay entrepreneurs in Terengganu have to confront critical branding decision. Most customers will differentiate the product in term of packaging, labelling, advertising and branding. However, only a few Malay entrepreneurs are involved in branding, advertising and promoting their products. The majority of them are only concerned about the high cost and the possibility of lower profit when they want to implement product branding. The paper on “Industri Kecil Malaysia Isu Pembiayaan, Teknologi dan Pemasaran” (Small and Medium Industry in Malaysia, Funding, Technology and Marketing Issues), reveals that only 32.9% Malay entrepreneurs from small and medium industry are involved in advertising and 67.1% are not interested at all (Rahmah Ismail, 1995).
The brand management process is related to the function of brand as a product identifier. Aaker and Joachimsthaler (2000) discuss the traditional branding model where a brand management team was responsible for creating and coordinating the brand’s management program. In this situation, the brand manager was not highly position in the company’s hierarchy; hence his focus was the short-term financial results of single brands and single products in single markets. The basic objective was the coordination with the manufacturing and sales departments in order to solve problems concerning sales and market share. With this strategy, the responsibility of the brand was solely the concern of the marketing department (Davis, 2002). In general, most companies would consider focusing on the latest and best advertising campaign also meant focusing on the brand (Davis and Dunn, 2002). This approach itself was tactical and reactive rather than strategic and visionary (Aaker and Joachimsthaler, 2000). A brand was always referred to as a series of tactics and never a strategic decision (Davis and Dunn, 2002).

Strong brands provide advantages to both buyers and sellers. They can lead to fundamental differences in customer behaviour as well as produce different responses to specific marketing activities, i.e. product extension, pricing, communications and channel distribution (Hoeffler and Keller, 2002). For customers, branding offers certain advantages. The brand is a summary of all the values associated with a product and in the post-purchase stage it may increase customers’ confidence in their choices. Based on a strong brand, the seller is likely to get premium prices and in the ideal scenario, competing products will be rejected. Marketing communications related to a strong brand will be more rapidly accepted and the organization’s power in the distribution network will increase. In addition, successful branding may even open up licensing opportunities (Hague and Jackson, 1994; Low and Blois, 2002). Gregory and Sellers (2002) propose that brands should be developed over time through a four-step process:

i. Intelligence gathering
ii. Strategy
iii. Communication
iv. Management

The intelligence gathering phase involves gaining understanding about the brand’s situation and provides the information necessary to develop the brand strategy. In the strategic phase of brand building, the organization defines the brand’s reliability, personality, attributes, and messages. It must
be based on truth and it reflects the organization’s real character; although it must also provide room for positive development. This development is guided by brand vision, the core purpose of the brand and the definition of the future stage of the brand. Furthermore, this vision is supported by the chosen core values of the brand (Harris and de Chernatony, 2001), which in the best case is in line with the organization’s corporate values in general (Urde, 2003). This strategy positions the organization in the market and guides the development of brand expressions, and thus marketing communication. The coherence between the vision, core values and positioning is worth considering. Brand positioning tells the customers what the brand is, who it is for and what it offers (Rositer and Percy, 1996), whereas the “physique” provides the customer with cues about the brand’s performance (Kapferer, 2004). Core values also form the base for the “personality” of the brand, meaning the brand’s emotional characteristics.

2. Materials and Methods
The researchers use two types of data; primary and secondary data. Primary data was collected by distributing questionnaires to Malay entrepreneurs in the food industry in Terengganu. Secondary data was collected from government agencies like Yayasan Pembangunan Usahawan Terengganu, Majlis Amanah Rakyat (MARA), Bahagian Pembangunan Usahawan Negeri Terengganu, Small and Medium Industries Development Corporation (SMIDEC) and the Terengganu Malay Business Chamber. The research is conducted using a survey method where data are collected using face to face interview with the respondents. A three part questionnaire was utilised during the interview process. Census survey is used and the questionnaires are distributed by the researchers themselves to respondents operating in all seven districts in the state; Besut, Setiu, Kuala Terengganu, Hulu Terengganu, Marang, Dungun and Kemaman.

The respondents in the research conducted are small and medium Malay entrepreneurs registered with the Yayasan Pembangunan Usahawan Terengganu who are involved in the food industry. This paper measures only the level of awareness among Malay entrepreneurs in food industry in Terengganu. The independent variables in this paper are the degree of knowledge, interest and involvement of Malay entrepreneurs in product branding. These three variables are considered to influence the local entrepreneurs’ awareness towards brand equity. Furthermore, the authors hope to gain more information on the level of brand awareness among Malay entrepreneurs. This
information is important and applicable to the Yayasan Pembangunan Usahawan Terengganu as part of its responsibility to develop Malay entrepreneurs especially in the food industry in Malaysia. The finding of this research can provide other government agencies with evidence and data to encourage Malay entrepreneurs to participate in branding activities.

3. Findings and Discussion

Yayasan Pembangunan Usahawan Terengganu (YPUT) has patronages 65 Malay entrepreneurs in food industry which operated in seven districts in Terengganu. However, there are only 53 Malay entrepreneurs registered under YPUT who are still active. A descriptive analysis was first conducted before a test of association in order to determine the significant of the respondents’ business profile and their level of awareness towards brand equity.

3.1 Entrepreneurs Level of Awareness towards Brand Equity

The last section in the questionnaire is divided into three categories or level of awareness towards brand equity; which includes knowledge, interest, and involvement of respondents in branding. More than half of the respondents (58.5%) have a minimum knowledge about branding but they are not interested to brand their products. The numbers of respondents who have some interest in branding their products equal to 14 respondents or 26.4 %. In addition, the percentage of entrepreneurs who are involved in branding is only 15.1% which equals to only 8 respondents. These results reveal that only a small percentage of entrepreneurs are actually involved in branding their products. What is more alarming is that slightly less than 30% of the entrepreneurs are interested in branding. A descriptive evaluation of the relationship between the entrepreneurs’ six business profiles and their level of awareness towards brand equity is depicted in the Table 1 through Table 6 in the next few pages.

Medium scale entrepreneurs form the highest group of food entrepreneurs which equals to 81.1% or 43 entrepreneurs. Out of these 43 entrepreneurs, 31 of them or 58.5% only have a basic knowledge about branding, while the rest (12) have the desire to brand their products. There are only 8 entrepreneurs that are involved with product branding activities and all these entrepreneurs are operating medium scale businesses. These results are shown in Table 1.
In term of business ownership, the results in Table 2 clearly shows that the majority of entrepreneurs who are involved in branding activities are those operating as partnerships and private companies with 4 entrepreneurs owning a private company and 3 in partnership. Only one entrepreneur’s who is the sole owner is involved in branding activities. The majority of entrepreneurs (31) are sole proprietorship and they are neither involved in branding nor are they interested in branding their products.

Table 2: Type of Ownership and Level Brand Awareness towards Brand Equity

<table>
<thead>
<tr>
<th>Type of Ownership</th>
<th>Level of Brand Awareness</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Knowledge</td>
<td>Interest</td>
</tr>
<tr>
<td>Partnership</td>
<td>0</td>
<td>5</td>
</tr>
<tr>
<td>% within Type of Business</td>
<td>0%</td>
<td>62.5%</td>
</tr>
<tr>
<td>% of Total</td>
<td>0%</td>
<td>9.4%</td>
</tr>
<tr>
<td>Count</td>
<td>31</td>
<td>8</td>
</tr>
<tr>
<td>% within Type of Business</td>
<td>77.5%</td>
<td>20.0%</td>
</tr>
<tr>
<td>% of Total</td>
<td>58.5%</td>
<td>15.1%</td>
</tr>
<tr>
<td>Private Company (Syarikat Sdn.Bhd)</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>% within Type of Business</td>
<td>0%</td>
<td>20.0%</td>
</tr>
<tr>
<td>% of Total</td>
<td>0%</td>
<td>1.9%</td>
</tr>
<tr>
<td>Count</td>
<td>31</td>
<td>14</td>
</tr>
<tr>
<td>% within Type of Business</td>
<td>58.5%</td>
<td>26.4%</td>
</tr>
<tr>
<td>% of Total</td>
<td>58.5%</td>
<td>26.4%</td>
</tr>
</tbody>
</table>
The majority of entrepreneurs sell traditional snacks and bread with 22 (41.5%) and 16 (30.2%) entrepreneurs respectively. Out of the 22 entrepreneurs who sell traditional snacks, the majority or 17 entrepreneurs have the knowledge and awareness of product branding. However, only 2 of them (9.1%) are involved in branding their products. The same scenario can be observed from the entrepreneurs who sell breads where out of 16 entrepreneurs, only two are actively participate in branding their products. All results are shown in Table 3 below.

Table 3: Types of Product Sold and Level of Awareness towards Brand Equity

<table>
<thead>
<tr>
<th>Types of Product Sold</th>
<th>Level of Brand Awareness</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Knowledge</td>
<td>Interest</td>
</tr>
<tr>
<td>Agriculture</td>
<td>Count</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>% within Type of Product Sold</td>
<td>33.3%</td>
<td>0%</td>
</tr>
<tr>
<td>% of Total</td>
<td>1.9%</td>
<td>0%</td>
</tr>
<tr>
<td>Bread</td>
<td>Count</td>
<td></td>
</tr>
<tr>
<td></td>
<td>5</td>
<td>9</td>
</tr>
<tr>
<td>% within Type of Product Sold</td>
<td>31.3%</td>
<td>56.3%</td>
</tr>
<tr>
<td>% of Total</td>
<td>9.4%</td>
<td>17.0%</td>
</tr>
<tr>
<td>Drinks</td>
<td>Count</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>% within Type of Product Sold</td>
<td>50.0%</td>
<td>0%</td>
</tr>
<tr>
<td>% of Total</td>
<td>1.9%</td>
<td>0%</td>
</tr>
<tr>
<td>Restaurant</td>
<td>Count</td>
<td></td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>% within Type of Product Sold</td>
<td>80.0%</td>
<td>20.0%</td>
</tr>
<tr>
<td>% of Total</td>
<td>7.5%</td>
<td>1.9%</td>
</tr>
<tr>
<td>Spice</td>
<td>Count</td>
<td></td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>% within Type of Product Sold</td>
<td>60.0%</td>
<td>20.0%</td>
</tr>
<tr>
<td>% of Total</td>
<td>5.7%</td>
<td>1.9%</td>
</tr>
<tr>
<td>Traditional Snacks</td>
<td>Count</td>
<td></td>
</tr>
<tr>
<td></td>
<td>17</td>
<td>3</td>
</tr>
<tr>
<td>% within Type of Product Sold</td>
<td>77.3%</td>
<td>13.6%</td>
</tr>
<tr>
<td>% of Total</td>
<td>32.1%</td>
<td>5.7%</td>
</tr>
<tr>
<td>Total</td>
<td>Count</td>
<td></td>
</tr>
<tr>
<td></td>
<td>31</td>
<td>14</td>
</tr>
<tr>
<td>% within Type of Product Sold</td>
<td>58.5%</td>
<td>26.4%</td>
</tr>
<tr>
<td>% of Total</td>
<td>58.5%</td>
<td>26.4%</td>
</tr>
</tbody>
</table>

As expected, most of the entrepreneurs obtained their funding from loans given by government agencies where 32.1% of them fall under this category. This is follow by those who obtained...
funding from their own savings and 26.4% (14) received loans from financial institution. Only 8 entrepreneurs participate in branding activities and from this amount, the highest number comes from those who received loans from financial institutions. All data can be observed in Table 4.

**Table 4: Source of Funding and Level of Awareness towards Brand Equity**

<table>
<thead>
<tr>
<th>Source of Funding</th>
<th>Level of Brand Awareness</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Knowledge</td>
<td>Interest</td>
</tr>
<tr>
<td>Personal</td>
<td>14</td>
<td>2</td>
</tr>
<tr>
<td>% within Source of</td>
<td>82.4%</td>
<td>11.8%</td>
</tr>
<tr>
<td>Funding</td>
<td></td>
<td></td>
</tr>
<tr>
<td>% of Total</td>
<td>26.4%</td>
<td>3.8%</td>
</tr>
<tr>
<td>Government</td>
<td>14</td>
<td>7</td>
</tr>
<tr>
<td>% within Source of</td>
<td>63.6%</td>
<td>31.8%</td>
</tr>
<tr>
<td>Funding</td>
<td></td>
<td></td>
</tr>
<tr>
<td>% of Total</td>
<td>26.4%</td>
<td>13.2%</td>
</tr>
<tr>
<td>Financial Institution</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>% within Source of</td>
<td>21.4%</td>
<td>35.7%</td>
</tr>
<tr>
<td>Funding</td>
<td></td>
<td></td>
</tr>
<tr>
<td>% of Total</td>
<td>5.7%</td>
<td>9.4%</td>
</tr>
<tr>
<td>Total</td>
<td>31</td>
<td>14</td>
</tr>
<tr>
<td>% within Source of</td>
<td>58.5%</td>
<td>26.4%</td>
</tr>
<tr>
<td>Funding</td>
<td></td>
<td></td>
</tr>
<tr>
<td>% of Total</td>
<td>58.5%</td>
<td>26.4%</td>
</tr>
</tbody>
</table>

In terms of market size, all 8 entrepreneurs that are involved in branding activities operate at national and state level. As shown in Table 5, the largest number or 11.3% (6) sell their products throughout the state of Terengganu. This is not surprising, since they form the highest number of entrepreneurs registered under YPU, equivalent to 58.5% (31%) of total respondents in this category. None of the entrepreneurs who market their products at district level participate in branding activities, where the majority has only basic awareness towards branding activities.

**Table 5: Market Size and Level of Awareness towards Brand Equity**

<table>
<thead>
<tr>
<th>Market Size</th>
<th>Level of Brand Awareness</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Knowledge</td>
<td>Interest</td>
</tr>
<tr>
<td>District</td>
<td>17</td>
<td>2</td>
</tr>
<tr>
<td>% within Market Size</td>
<td>89.5%</td>
<td>10.5%</td>
</tr>
<tr>
<td>% of Total</td>
<td>32.1%</td>
<td>3.8%</td>
</tr>
<tr>
<td>National</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>% within Market Size</td>
<td>0%</td>
<td>33.3%</td>
</tr>
<tr>
<td>% of Total</td>
<td>0%</td>
<td>1.9%</td>
</tr>
<tr>
<td>State</td>
<td>14</td>
<td>11</td>
</tr>
<tr>
<td>% within Market Size</td>
<td>45.2%</td>
<td>35.5%</td>
</tr>
</tbody>
</table>
Table 6 reveals the three business zones identified as the main operating area where the Malay entrepreneurs sell their products. Those operating in towns form the majority of the respondents with 30 entrepreneurs (56.6%). Out of these 30 entrepreneurs, only 3 are involved in branding activities with 11 entrepreneurs showing interest to brand their products in the future. The highest group of entrepreneurs who are actively involved in branding their products come from those operating in the big cities such as Kuala Terengganu and Kemaman. Five of them constitute 35.7% of the total number of entrepreneurs who are operating in big cities. As expected, none of the entrepreneurs operating in the villages are branding their products.

### Table 6: Business Zone and Level of Awareness towards Brand Equity

<table>
<thead>
<tr>
<th>Business Zone</th>
<th>Level of Brand Awareness</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Knowledge</td>
<td>Interest</td>
</tr>
<tr>
<td>Big Cities</td>
<td>Count</td>
<td></td>
</tr>
<tr>
<td>% within Business Zone</td>
<td>7</td>
<td>2</td>
</tr>
<tr>
<td>% of Total</td>
<td>50.0%</td>
<td>14.3%</td>
</tr>
<tr>
<td>Town</td>
<td>Count</td>
<td></td>
</tr>
<tr>
<td>% within Business Zone</td>
<td>16</td>
<td>11</td>
</tr>
<tr>
<td>% of Total</td>
<td>53.3%</td>
<td>36.7%</td>
</tr>
<tr>
<td>Village (Kampong)</td>
<td>Count</td>
<td></td>
</tr>
<tr>
<td>% within Business Zone</td>
<td>8</td>
<td>1</td>
</tr>
<tr>
<td>% of Total</td>
<td>88.9%</td>
<td>11.1%</td>
</tr>
<tr>
<td>Total</td>
<td>Count</td>
<td></td>
</tr>
<tr>
<td>% within Business Zone</td>
<td>15.1%</td>
<td>1.9%</td>
</tr>
<tr>
<td>% of Total</td>
<td>58.5%</td>
<td>26.4%</td>
</tr>
</tbody>
</table>

### 3.2 Tests of Association between Respondent’s Business Profile and Level of Brand Equity

In order to determine the influence of the respondents’ and Business Profile on their awareness of brand equity, the researchers conducted a Chi Square test. A Symmetric Measures test was also exercised on the data collected to gauge the strength of the relationship. These tests were chosen due to the small number of respondents and the ordinal scale used in the questionnaires.
Results of the Chi-Square test shown in the next page reveal that the entrepreneurs’ business profile have significant influence on their respective level of brand equity. This is shown by the Asymptotic Significant value of the Pearson Chi Square of less than 0.050. All results are shown in Table 7.

Table 7: Chi Square Test between Respondents Business Characteristics and Level of Awareness towards Brand Equity

<table>
<thead>
<tr>
<th>Business Profile</th>
<th>Value</th>
<th>df</th>
<th>Asymp. Sig. (2-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Size of Business</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pearson Chi-Square</td>
<td>41.801</td>
<td>2</td>
<td>0.000</td>
</tr>
<tr>
<td>Likelihood Ratio</td>
<td>39.853</td>
<td>2</td>
<td>0.000</td>
</tr>
<tr>
<td>N of Valid Cases</td>
<td>53</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Type of Ownership</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pearson Chi-Square</td>
<td>35.538</td>
<td>4</td>
<td>0.000</td>
</tr>
<tr>
<td>Likelihood Ratio</td>
<td>36.258</td>
<td>4</td>
<td>0.000</td>
</tr>
<tr>
<td>N of Valid Cases</td>
<td>53</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Type of Product Sold</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pearson Chi-Square</td>
<td>20.663</td>
<td>10</td>
<td>0.024</td>
</tr>
<tr>
<td>Likelihood Ratio</td>
<td>19.062</td>
<td>10</td>
<td>0.039</td>
</tr>
<tr>
<td>N of Valid Cases</td>
<td>53</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Source of Funding</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pearson Chi-Square</td>
<td>16.852</td>
<td>4</td>
<td>0.002</td>
</tr>
<tr>
<td>Likelihood Ratio</td>
<td>16.540</td>
<td>4</td>
<td>0.002</td>
</tr>
<tr>
<td>N of Valid Cases</td>
<td>53</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business Zone</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pearson Chi-Square</td>
<td>10.320</td>
<td>4</td>
<td>0.035</td>
</tr>
<tr>
<td>Likelihood Ratio</td>
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<td>4</td>
<td>0.030</td>
</tr>
<tr>
<td>N of Valid Cases</td>
<td>53</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market Size</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Pearson Chi-Square</td>
<td>17.177</td>
<td>4</td>
<td>0.002</td>
</tr>
<tr>
<td>Likelihood Ratio</td>
<td>19.414</td>
<td>4</td>
<td>0.001</td>
</tr>
<tr>
<td>N of Valid Cases</td>
<td>53</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

In order to determine the relationship strength of the variables, the Symmetric Measures test was used and results are encouraging. The Phi values ranging between 0.414 and 0.888 and Cramer’s V value between 0.312 and 0.888 reveal in the Symmetric Measure test respectively indicates that the relationship ranges from moderate to very strong. On average these values indicate a
strong relationship that exists between the entrepreneurs’ business profiles and the entrepreneurs’ level of brand equity. All figures are shown in Table 8.

Table 8: Symmetric Measures for Business Characteristics against Level of Brand Equity

<table>
<thead>
<tr>
<th>Business Profile</th>
<th>Cramer’s V</th>
<th>Phi Value</th>
<th>Approx. Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Size of Business</td>
<td>0.888</td>
<td>0.888</td>
<td>0.000</td>
</tr>
<tr>
<td>Type of Ownership</td>
<td>0.579</td>
<td>0.819</td>
<td>0.000</td>
</tr>
<tr>
<td>Types of Product Sold</td>
<td>0.442</td>
<td>0.624</td>
<td>0.024</td>
</tr>
<tr>
<td>Source of Funding</td>
<td>0.399</td>
<td>0.564</td>
<td>0.002</td>
</tr>
<tr>
<td>Market Size</td>
<td>0.403</td>
<td>0.569</td>
<td>0.002</td>
</tr>
<tr>
<td>Business Zone</td>
<td>0.312</td>
<td>0.414</td>
<td>0.035</td>
</tr>
</tbody>
</table>

4. Conclusion

Size of business was discovered to have the strongest influence on the entrepreneurs’ awareness of brand equity as shown by the Chi Square test and Symmetric Measures. Data in table 1 indicate that the majority of entrepreneurs operate small scale businesses that equals to 81.1% of total respondents. The small scale business may not motivate the entrepreneurs to involve in branding their products due to the extra cost that they have to bear in branding activities. Adding to this challenge is that most of the businesses are privately owned (sole proprietorship). Therefore, all decisions are made by the owner and without the advice of others; they may not realise the importance of branding their products.

The majority of entrepreneurs sell traditional snacks as opposed to other type of food products. In fact, these entrepreneurs comprise 43.4% of total respondents. There is a possibility that this kind of products has not been accepted in big markets, thus contributes to the entrepreneurs lack of interest to brand their products. This attitude may also be motivated by the fact that they have loyal customers who buy their products. Another possibility is their limited zone of operations. A total of 23 entrepreneurs or 43.39% are operating in towns and small villages throughout the state. Out of these 23 entrepreneurs, only 5 entrepreneurs are engaged in product branding activities. These Malay entrepreneurs may be complacent with the amount of sales and profit generated from these markets. The authors argue that this attitude may create barriers for the
entrepreneurs to fully engage in branding activities. Even though 30 respondents operated at district level, only 3 entrepreneurs are branding their products. The other 27 entrepreneurs may not realise the need to venture beyond their marketing territory, hence creating the lack of desire to engage in a full-fledge branding activities.

Another significant factor that the authors believe may contribute to the lack of product branding among the Malay entrepreneurs is their source of funding. From the data in table 4, the researcher discovered that the majority of entrepreneurs (22 respondents) received their funding from the government. This is followed by personal funding and the least number of entrepreneurs had their source of funding from financial institutions. Results from both the Chi Square test and the Symmetric Measures indicate that there is a significant relationship between the entrepreneurs’ source of funding and their level of brand equity awareness.

This phenomenon may be due to the amount of funding received from different sources. As branding activities would incur higher costs, those entrepreneurs having lower amount of funding from government agencies and their own sources may not have the courage to take the risks of incurring higher costs and obtaining lower profit. Figures in table 4 reveal that the majority of entrepreneurs (6 entrepreneurs) who are actively engaged in product branding had loans from financial institution as their source of funding.

The outcome of this paper is important to the Entrepreneurship Development Foundation of Terengganu (YPUT) in several ways. Knowledge gained from this research would assist YPUT in motivating the entrepreneurs to work on their branding strategies. A good entrepreneur will identify several opportunities in branding when trying to expand their market territory. Intermediaries, especially huge hypermarkets operating in Malaysia are concerned about product image, quality of product, packaging, labelling and product branding. Hence, this paper is crucial in identifying factors that may contribute to the lack of product branding among the majority of the Malay entrepreneurs in Terengganu. Furthermore, this information is useful in order to find solutions to the lack of branding activities among the entrepreneurs.
Entrepreneurs, small or large should upgrade their skills and knowledge to successfully create a long term competitive advantages. One of the approaches is to create an excellent product brand that customers will associate with the attributes that they seek in a product. This paper has discovered that Malay entrepreneurs in the food industry registered under YPUT have low level of awareness towards brand equity and branding activities. The factors that may contribute to this phenomenon are small size of business, type of ownership, type of product sold, lack of funding, limited business zone and small market size. YPUT as a government agency can look into these factors contributing to the lack of branding activities among Malay entrepreneurs in food industry in Terengganu as a guideline to develop a better training module and to monitor the branding interest of the entrepreneurs.

In this respect, YPUT as the main guardian to these Malay entrepreneurs needs to take several steps to create greater involvement among local entrepreneurs towards brand equity. Two types of training modules are suggested to develop awareness towards brand equity. They are:

i. ‘Introduction to Brand Equity in Business’, for those who want to study the advantages and opportunities of branding.

ii. ‘How to Strategize Brand Image’. This module should be targeted for those who are already implementing the product branding in their businesses.

In addition, the Terengganu state government should play a better role to manage the development of traditional food products, especially in implementing a standard brand for local producers who are producing traditional food. Assistance from the state government in brand development will help the local food producers to compete with foreign food producers. Developing a standard (family) branding will create a solid foundation for the state government to standardize the packaging, labelling and product quality of the local products. In fact, this standard of branding will instil confidence among the local producers to get involve in the activities of branding.
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Abstract
Japanese organizations combine the concepts of “competition” and “co-operation”. They believe in long-term relationships and trust their workers and vendors. It is argued that because of the practice of single or dual sourcing, there is a tendency for high inter-dependence between assembler or automaker and suppliers. On the other hand, because of specialized capital investment, suppliers are highly dependent on the assembler (market dependency). In analyzing the diffusion or transferability of Japanese technology, some authors taken it as the supreme model and used it as a benchmark while other regards the Japanese software technology transfer as a discrimination model between Japanese. Early research on industrial organization tended to emphasize the cultural uniqueness of Japanese firms i.e. industrial relations, lifetime employment, and seniority wages and enterprise unionism were all proclaimed as uniquely Japanese and explained by cultural features. Recently, economists have explained Japanese industrial characteristics based on new developments in industrial organization research.

Keywords: Japanese workers, Government, Changes, Practices, Human resource, Workers

1. Introduction
Hiring of workers and managers into entry-level positions directly out of college is common. Pay rises and promotions are automatic. In the wage system based on seniority (nenko-joretsu), status and seniority are tied to length of service, rather than to job duties or merit. Shushin koyo is the
lifetime employment system. Participation by coworkers in after-hours gatherings to foster harmony and cooperation is generally expected. Workers take responsibility and then accept blame, to protect their superiors from loss of face. Although subordinates know that they can influence decisions, the ultimate decision comes from the top. Japanese managers make an active commitment to preserve harmony, through intricate social rituals like gift giving, bowing to superiors, and using honorific language to show deference. They keep their opinions to themselves, rarely expressing true feelings (*honne*), instead voicing *tatamae* feelings, revised to harmonize with those of the group. Japanese managers humbly decline to take credit for personal achievements, even when credit is due. They cooperate with their coworkers in every way they can to complete their tasks without involving their boss in any mistakes and problems along the way. Every group member is responsible for lending a hand in achieving the objectives of the group (Engholm, 1991).

Operationally, workers belong to production teams with fluid job assignments. They often gain a broad perspective on production by being rotated through different departments. Such investments in breadth of skill and overall understanding of the production process are justified by the strong lifetime employment guarantees bonding workers to their companies and allowing the skilled and experienced production workers to contribute to management decisions (Doeringer *et al.*, 1998). The breakdown of the *keiretsu* (interfirm network) system of cross-shareholding and preferential trading among member corporations of a business group (Gerlach, 1992) has badly hurt the safety net of supporting the long-term growth strategy of Japanese firms and their ability to protect employees from downside market risks (Lincoln *et al.*, 1996). Deregulation is another force for change. It has made Japanese markets more accessible to competitors, foreign as well as domestic. In heretofore protected industries – like financial services, distribution and agriculture – few firms are prepared for the onslaught of competition and uncertainty (Lincoln and Nakata, 1997).

The aging population also has clear implications for corporate human resource practice. With an aging workforce, the permanent employment and seniority system burdens firms with rising numbers of higher-paid and less-productive workers. Previously, these systems were more suitable to employers, since the steep seniority escalator resulted in less payment for the relatively young workforce and the permanent employment norm reduced the uncertainties and
costs of high staff turnover. Finally, the transition to a service economy combined with socio-cultural and socio-economic changes has had a profound effect on Japan’s employment institutions. Although leading-edge manufacturers are still competitive, their contribution to Japanese domestic employment and income is shrinking, in favor of the emerging service sector as the next great engine of jobs and wealth. Employment practices of sales and service firms are different from those of manufacturing. Their younger workforce is more mobile, less committed to work and the firm. Furthermore, since the organization of work in service firms is less team based, individual performance is more easily evaluated. Accordingly, occupational skills are valued over firm-specific skills, so that broad job experience becomes the main driver of wages and performance rather than loyalty to one employer (Debroux, 1997; Lincoln and Nakata, 1997; Ornatowski, 1998).

Gender issues are rapidly surfacing in the Japanese traditionally male dominated corporate world. Japanese women, long locked in the crouch of tea-serving office ladies or contract workers performing low-skilled work on the assembly line, are standing up (Kenney et al., 1998). Professional young women are flocking to new high-tech ventures, where gender does not seem to matter much. Such opportunities have been increasing steadily over the past few years and the Equal Opportunity Law, passed in 1985, which “requested” employers to “make efforts” not to discriminate, was recently revised to make discrimination illegal. Seku-hara, Japanese slang for sexual harassment, has become a buzzword feared in many a corporate and government office. Needless to say, there are no female directors on Japanese boards of major corporations. This is not likely to change in the near future due to entrenched cultural values and institutional practices (Bostock and Stoney, 1997).

2. Recruitment and careers

Cutting back new hiring is not such a simple and risk-free way of reducing labor costs as it may seem. Maintaining a stable yearly influx of new graduates reassures the labor market of the stability and trustworthiness of a Japanese firm and corporations fear that their competitiveness for new talent will be threatened by reduced hiring. However, the traditional system of hiring inexperienced graduates from élite universities is being called into question and a growing number of companies claim an interest in hiring white-collar and technical workers without college degrees. The firms are administering sophisticated tests and other screening devices to
select high quality recruits, whatever their deficits in academic certification. However, there are lingering doubts as to how fundamental this shift in hiring practice is. Merely a professed openness on the part of employers to recruit from non-conventional sources does not really signify a fundamental new trend (Lincoln and Nakata, 1997).

Some companies, like Toyota, are considering a “new flat” (nuufratto) organization aiming at lower management density, shorter chains of command and, it is hoped, dampened employee expectations of upward career mobility. Although abolished by some large manufacturers, most companies still pursue a policy of rewarding what effectively is a “dummy” title, such as kacho (section head) to employees who have not made the actual grade. Although an employee of kacho rank in the ability or status (shokuno) hierarchy has no management role, but remains a staff member, his compensation and status ranking is equivalent to that of true section heads. Advancing in the status hierarchy does not mean becoming a manager; only those with a genuine talent for leading others become managers. Given the reduced availability of titles due to the de-layering, this practice of “dummy” titles is likely to survive, at least in the short run (Debroux, 1997; Lincoln and Nakata, 1997). Traditionally, Japanese companies recruited from colleges and universities each year and then provided in-house, on-the-job training throughout an employee’s career. A company’s relationships with colleges and universities was built up over the years, and company employees maintained close ties with their alma mater and pushed hard to recruit its students each year. This recruiting technique was crucial for large companies with more than 100 employees. Smaller companies used the same techniques, but often experienced less success.

With Japan’s difficult economic times now almost a decade old (but with some positive indicators surfacing this year), several smaller companies and some large ones are looking to other means of recruiting. Some of these new methods include using recruiting agencies, lateral hires, temporary employees, etc. Not surprisingly, foreign companies have had the most difficult time, and college and university recruiting very seldom worked for these organizations. These foreign companies have been forced to rely heavily on other recruiting and hiring methods, using temporary employees, poaching employees from other companies (frowned upon by Japanese companies), and hiring Japanese returnees from abroad, and where justified, expatriates. This was, and still is, accomplished outside normal and traditional Japanese recruiting channels using word of mouth, recruiting agencies and advertisements often both in English and in Japanese.
Japanese custom and law have not eased this transition. For example, Japan limits the time temporary employees can be employed by any one employer, usually to one year. Also, lateral recruiting and hiring are not popular in Japan and usually carry a stigma. All alternative employment methods have been a struggle for Japanese companies as well as foreign companies. Yet, more companies are experimenting with these and other new employment methods as a way of coping with the difficult situation. There is an increase in mid-career hiring, lateral hiring from other Japanese companies, outsourcing for special skills, as well as increased use of temporary employees and “freeters,” (persons who juggle outside assignments (chuto saiyo). Very few Japanese companies use recruiting firms, but almost all foreign companies do. The Japanese themselves are developing more flexible attitudes about how to obtain employment. This change in attitude is necessitated by unemployment, the lack of jobs for new graduates, and downsizing. Some Japanese are finding that independent contracting and other methods of “creating” a career may be necessary and even desirable.

Some students are staying in school longer, finding that they will not obtain employment if they leave in the normal cycle. Others are returning home to old-fashioned jobs such as farming, which they went to school to avoid. Some recent graduates have given up their dream of becoming “salarymen” and have taken temporary jobs, including assignments that, while limited in length, could develop into something more permanent if they perform well and show initiative. Recruitment strategies vary according to the size and type of company in Japan. Under the tradition of lifetime employment, most Japanese companies hire a new class of graduates from colleges and universities each year, and provide on-the-job training to their employers throughout their working lives. Most large Japanese companies (those having more than 100 employees) are able to recruit their new class of managers successfully from these institutions. Smaller companies, however, must rely on other recruitment methods as well. Foreign companies also face some difficulty in hiring new employees from universities, which involves breaking through the strong company-university ties in Japan. Most foreign companies therefore rely on temporary staffing, mid-career hiring, overseas Japanese returnees and expatriates to fill their positions. Common recruitment methods for foreign companies include word of mouth, employment agencies, newspaper ads in English and Japanese (in such publications as The Japan Times, for example) and executive search firms.
As mentioned above, university recruiting is still by far the most popular method for large Japanese companies to hire new professionals, and there is a great deal of prestige that accompanies being hired by a major Japanese firm. As a result, university recruiting is extremely competitive among companies that are especially intent on hiring graduates with engineering and other technical degrees. Due to the longstanding popularity of hiring university graduates, many Japanese companies have been able to establish a large alumni base and thus maximize their exposure on campuses. These companies develop strong relationships with the faculty, alumni programs, and university managers; many also make charitable cash and in-kind donations. As a result, strong connections are developed between these institutions and company representatives, whose sole job is to recruit candidates from universities and maintain their contacts there. Foreign companies, many of who have little or only recent exposure in Japan, are therefore at a marked disadvantage when it comes to university recruiting.

The cycle of recruiting begins in the student's junior year. Interested students typically send approximately 100 postcards to various companies to inquire about employment; some also contact companies directly. Many companies sponsor forums (usually held April through August) that are heavily attended by university prospects. The formal recruiting cycle begins in April through contacts with professors, and the formal selection process takes place between July and November. Successful recruits begin their careers the following April (the academic year in Japan begins in April and ends in March). Japan enacted a law that regulates all recruiting practices; it prohibits companies from recruiting on campus before July 1st and sets standards for other recruiting-related activities. However, this law is not enforced, and many companies ignore it. Due to the fierce competition among companies and students for employment, some companies have recently begun to cancel job offers at the last minute if a better candidate accepts. Many students have responded by accumulating as many offers as possible and then waiting until the last minute to notify the companies of their decision. Foreign companies should therefore be careful about making an offer too early; the sooner an offer is made, the more companies must worry about whether the student will change his or her mind. While employment contracts are enforceable in Japan, it is possible for a student to successfully cancel such a contract.
3. Mid-Career hiring and temporary staffing

Despite changing hiring practices, it is still very difficult to hire mid-career professionals in Japan. A well-rooted stigma still exists against changing jobs (chuto saiyo) in Japan, and employees generally switch companies only when there is a significant problem. Economic stagnation and international competition are changing this practice, however, and a slow but increasing number of individuals are beginning to switch jobs mid-career. There are some advantages to this trend, since mid-career recruiting involves a greater emphasis on a candidate's abilities and experience than traditional considerations (such as seniority). Also, by hiring mid-career candidates, companies do not have to invest as much in training as they do for new graduates. Given that university recruiting is so difficult, foreign companies will find that mid-career hiring is often the only way to "hit the ground running." This is especially true for start-up companies, who do not have much capital to invest in training. To lure hesitant Japanese middle managers that are often fearful of losing seniority, foreign companies can offer a substantial salary increase with excellent benefits and/or a prestigious title. As in other countries, personal contacts, networking, advertising and executive search firms are always helpful in canvassing the pool of Japanese mid-career candidates. Under current law, employers can hire temporary staff for up to one year, after which new single-year contracts can be made. Companies typically hire such staff in Japan from temporary help agencies, which charge a fee to the hiring company if it decides to hire the temporary employee on a permanent basis after the trial period is over. Several such firms cater to foreign companies in Japan and provide English-speaking candidates.


Given the traditional constraints on employment in Japan, foreign companies are also increasingly turning to Japanese “returnees” -- that is, Japanese nationals studying and/or living abroad who either want to return to Japan or have already returned. These individuals, many of whom are in their late 20s or early to mid-30s, are often well trained and highly motivated. They have Japanese roots and some Western business and/or cultural experience, and many (particularly women) believe that they will have a difficult time readjusting to the highly formalized Japanese way of doing business. A Western company may therefore offer a welcome alternative to the Japanese corporate environment. Returnees' international exposure and Japanese language and cultural skills offer a dynamic advantage for foreign companies. Not only
do foreign companies avoid having to train these individuals in international business practices, but returnees offer a better understanding of local business practices as well. Furthermore, the visa requirements for returnees are considerably more relaxed than those for expatriates; often, there are no special requirements for them to reenter the country, except to go through customs at the airport. Many of the advantages to hiring returnees are difficult to achieve by employing either local Japanese candidates or expatriates (see below). In general, returnees may be more expensive than local Japanese, but the benefits and compensation they expect varies widely from one returnee to another. Other potential areas of concern include whether the returnee will be able to get along with other local Japanese employees (local workers may feel it unfair that the returnee receives higher status and/or salary simply because of his or her study in the West) and the returnee's visa status. Foreign companies interested in recruiting Japanese returnees can start by looking on foreign university campuses, particularly at science, engineering, and business schools.

While expatriates may be necessary to start a foreign operation, they are generally very expensive and should be kept to a minimum. This is particularly true in Japan, which has been one of the most expensive countries in the world to maintain an expatriate. Currently, however, the depreciation of the yen and the recent proposal by Japan's Finance Minister and the Liberal Democratic Party (LDP) to make significant income tax cuts in 1999 (reducing the highest income tax rate from 65% to 50%) may make it (temporarily) slightly easier to hire expatriates.

5. Retaining and termination of employees

Ten years ago, employees of large Japanese firms expected to receive continuous salary growth, regular career promotions, and long-term employment security. However, Japan's economic stagnation has forced changes in these expectations. In 1996, a survey was taken of 3,130 white-collar and managerial employees on what they believed were the most important employee motivators. The respondents came from over 30 firms in the Tokyo and Osaka metropolitan areas. Although their answers reflected a continued belief in some Japanese employment practices (i.e. in-house skill development), many also favored "newer," productivity-raising management practices such as performance and evaluation feedback that affect an individual’s paycheck and career growth. The survey revealed a strong bias against the seniority system in terms of training and promotion; a strong majority of the employees who responded (78.7%)
would prefer staffing policies that promote employees with high potential even if it involves a reversal of the seniority order. An even higher proportion of employees stated that they would like to acquire skills that are transferable among firms even if it means that they will not be promoted to senior management positions. As a caveat, however, these preferences generally decline as the employee gets older. In addition, employees are still split 50-50 on whether they would prefer having their wages based solely upon job performance without consideration of age or seniority. As changes in the economy and company outlook continue, employee expectations will certainly change. However, at present, employers should not overestimate Japanese employees' enthusiasm for a wholly performance-based corporate environment.

Because Japanese law typically requires "just cause" for dismissal, terminating employment in Japan is significantly more difficult than in Western countries. However, if employers are aware of the laws governing termination and follow them carefully, termination in Japan is possible, albeit uncommon. Under existing laws, if there is no fixed term for employment, both the employer and employee are free to terminate employment by giving 14 days' notice. In this case, no specific reason for termination is required. Where the employee's contract involves stated periodic payments, the parties can terminate employment at the start of the next pay period if notice is given in the first half of the current pay period. In cases where employment is for a definite period of time, the employee and worker can only terminate employment at any time during that period if there is an "unavoidable" reason.

6. Special labor laws and working conditions

Two major factors have influenced Japan's drive to find a proper equilibrium between work and family life. First, the growing number of women in the job market has raised concerns about how women will be able to balance their responsibilities at work and at home. Second, Japan's rapidly aging population is placing an increased burden on working individuals, many of whom must take care of their aging relatives themselves due to the lack of elderly care facilities in Japan. As a result of these two factors, the Japanese government created the Childcare Leave Law (CCLL) in 1991, later renaming it the Childcare and Family Care Leave Law (CCFCLL) in 1995. With regard to childcare, the CCFCLL and the CCLL are fairly similar. Upon request, a worker has the right to take leave in order to care for his or her child, including adopted children less than a year old. Workers that are employed on a day-to-day basis or have fixed term contracts are
excluded from this provision. Although the CCLL did not explicitly require the employer to guarantee any payments during this leave, a 1994 amendment to the Employment Insurance Law codified a payment structure. Under the amendment, 20% of the worker's regular monthly wages earned before taking leave must be paid as a Childcare Leave Basic Allowance from the employment insurance, with an additional 5% as a Returning Job Allowance.

In addition to childcare allowances, the CCFCLL will also grant workers the right to take family care leave effective April 1, 1999. A worker can request this leave in order to care for a family member who is in a condition requiring constant care for two weeks or more due to sickness, injury, physical or mental disability. "Family members" in this case include the spouse, parents and child of the worker, parents of the worker's spouse, and the worker's grandparents, siblings, and grandchildren, provided that they reside with (and are dependents of) the worker. The period of family care leave cannot exceed three months, and in principle, the right to family care can be exercised only once for each family member. The employer must grant a worker the right to take family leave, unless: 1) the worker has been employed for less than one year by the employer; 2) the worker will be leaving the company within the next three months; or 3) the worker's weekly work days are two days or less. Other exceptions are also included in the Enforcement Order of the CCFCLL. In order to be eligible for these exceptions, employers must conclude a written agreement with a majority representative at the company. Still, the CCFCLL does not require the employer to guarantee payments during family care leave. Unlike childcare leave, current Japanese law does not provide social security benefits or social security premium exemption for family care leave.

Japan's deregulation measures and the influx of temporary, part-time and female workers led the government to revise certain provisions of the Labor Standards Law in December 1997. The maximum length of labor contracts was extended from one to three years (limited, however, to "older employees" and those with "sophisticated knowledge") and the upper limit of flexible working hours was relaxed to allow workers up to 10 hours in one day and 52 hours in one week. These measures aim to fulfill the growing need for diversified contract periods and work patterns, particularly in an increasingly competitive economy. The government is also considering an increase in the upper limit of overtime to 360 hours a year (compared to the 150 hours proposed by labor unions). Japan's Central Labor Standards Council also seeks to
strengthen worker protection and clarify working conditions under the Labor Standards Law, which currently focuses on wage-related matters.

7. Women in the workplace

In traditional Japan, women did not receive many opportunities, economic or otherwise. Although women did hold power in the privacy of the home, this did not extend to the outside world. Today, women in Japan account for only 8.2 percent of corporate managers, while in the United States that figure is almost 43 percent; in the United Kingdom, more than 33 percent; and in Germany, more than 26 percent. In short, Japan is far behind the rest of the industrialized world with respect to the role of women in government, business and management. Japan remains a very traditional, closed and paternalistic society, despite the many legal (although not enforced) rights -- including educational opportunities -- accorded women in Japan after 1945. In recognition of the need to change this situation, 13 years ago Japan passed a voluntary equal opportunity law applicable to women and revised its Labor Standard Law for equal treatment of women in the workplace. This is a fairly short period of time within which to try to change centuries of practice. Even though there are now many more women in the workforce and real progress is being made, Japan still faces a great challenge in according women equal opportunities. Discrimination remains the rule rather than the exception. It is not uncommon, for example, for young Japanese women to go abroad, often to the United States, for university training and later decide either to stay because of better treatment and better economic opportunities, or to return to Japan and work for a foreign company.

The current recession in Japan is forcing change more quickly than would otherwise be the case. The Research Institute on the National Economy recently released information showing that providing Japanese women more economic opportunity in Japan would greatly benefit the Japanese economy. Specifically, it estimated that the rate of Japan’s gross domestic product would grow by up to four–tenths of one percent—a significant figure in such macroeconomic calculations—in the next 10 years if more women and seniors were to be employed. The government is attempting to encourage opportunities for women in business and is developing plans for learning sessions nationwide to ensure that businesses and management officials are aware of the equal opportunity law, as well as the business benefits that women bring to the workforce. There is some visible evidence of these changes. For example, Nippon Life Insurance...
Co. (known popularly as Nissei) now calls female salespersons “partners,” rather than “Nissei Ladies,” as was the practice in the past. The Tokyo Chamber of Commerce and Industry dropped the label “women” from the title of a seminar on new recruits that the company held in April this year. The labor law also recognizes the work needs of women (for example, mothers avoiding night work and other conditions that are especially detrimental to childcare). Nevertheless, the law is still relatively new, and such changes are just beginning. In a country where change is slow, perhaps the most obvious progress women have made in the Japanese workplace is as employees of foreign companies in Japan. U.S. and other foreign companies operating in Japan are providing real opportunities for Japanese women in the job market.

8. Special labor laws and working conditions

The Equal Employment Opportunity Law (EEOL) was enacted in 1985, and later revised in 1997. Despite the fact that women's participation in the workplace increased markedly after the EEOL was enacted, the legislation itself remains quite conservative. Although the share of women workers in the Japanese workforce increased 36% between 1985 and 1996, the 1985 EEOL refrained from any intervention against discriminatory practices other than advising companies that they had a duty to follow equal employment guidelines. As a result, women continued to experience widespread discrimination in recruitment and hiring.

The 1997 EEOL takes a more active approach to ending discrimination in the workplace. Mediation procedures can commence at the request of one party (the 1985 EEOL required that both parties agree to mediation), retaliation against a discontented worker (dismissal, for example) is illegal, and any company's violation of equal employment provisions will be publicized by the Ministry of Labor. The law also attempts to create a more "equal" working environment by abolishing special privileges accorded to women under the 1985 EEOL. For example, it abolishes the 1985 version's provisions to "improve the welfare of women" by eliminating the special treatment accorded to women for overtime, rest-day work and night work. Thus, after April 1, 1999, women are in principle subject to the same working-hour regulations as men. Preferential treatment in hiring women is only permitted when a company is trying to correct obstacles to equal employment opportunity in the workplace.

Nevertheless, some problems still exist with the current EEOL. The law does not impose criminal penalties for companies violating equal employment laws, nor does it take a firm stand
against sexual harassment (sexual harassment is not considered a form of discrimination under existing Japanese law). Progress in Japan's equal employment law remains to be seen as more women enter the Japanese workplace and the enforcement of such "equalization" has yet to be fully achieved.

9. Performance-based pay

Historically, compensation in Japan has been based on age and seniority rather than performance or position. Older employees received higher compensation and would typically also have more responsibility. Regularly scheduled bonuses were also a part of this compensation system. Although bonus amounts fluctuated with company profits, bonuses were not usually tied to stock prices and could generally be counted on. As individuals rose within the ranks of the company, greater seniority would be associated with larger bonuses. Although these practices continue and the overwhelming number of Japanese companies still adhere to them, there have been numerous changes in Japan’s system of compensation. The tough economic realities in Japan today have forced Japanese firms to change the way they compensate their employees. Numerous Japanese companies have found that they simply cannot afford to keep all their employees on the payroll, especially highly compensated employees in their 40s and 50s. As a result, some Japanese companies are resorting to utilizing lateral hiring for special tasks, hiring younger workers to replace older employees who have been downsized, and paying existing and new employees based on performance and experience.

Some senior corporate executives, however, still believe that faster action in streamlining and downsizing will destabilize Japan, hurt the ability of companies to compete abroad, and otherwise damage Japan’s companies and its economy. Corporate Japan is attempting to execute a balancing act to deal with the economic problems it now faces. For example, toward the end of 1998, Nikko Securities carried out research on customer satisfaction. Internally, Nikko used the results to rate the performance of more than 100 branch managers with regard to allocating year-end bonuses. In addition, a number of branches have been restructured to assign profit goals and focus on building customer trust. Last spring, Daiwa Securities, Co., one of the largest brokerage houses in Japan, began changing the manner in which it compensates its employees. A merit system is being introduced, and Daiwa plans to discard the seniority system through corporate restructuring. The company’s retirement system is simultaneously being changed from a
seniority system to a merit-based system. Electrical giant Matsushita Electric Industrial also acknowledges that it must cut down on the number of its employees and change its traditional ways. Matsushita plans to offer pay options to employees—including new ones—that are more in line with free market labor practices elsewhere in the world. The pace of change is very slow, but pays for performance is on the move in Japan.

10. Lifetime employment

Traditionally, this type of employment refers to core employees, leaving out temporary workers, subcontractors, seasonal workers, part-timers and dispatched employees. It is mainly practiced by larger companies and it applies to the enterprise group or keiretsu, not excluding the possibility that the employee can be transferred to another company (shukko) (Ornatowsky, 1998). There is evidence of a continuing commitment to the lifetime employment principle. Results of a recent survey of directors, personnel managers, and union officials in 308 major Japanese companies undertaken by the Japan Productivity Center for Socio-Economic Development reveal that almost 90 per cent of the respondents indicated that their companies planned to provide workers with continuous employment until retirement. Furthermore, 82 percent characterized lifetime employment as advantageous, while only 18 percent believed it to be disadvantageous (Lincoln and Nakata, 1997; Ornatowski, 1998). Firms have used various means to scale down labor costs. The Japanese Ministry of Labor reported recently that 34 percent of the firms surveyed had undertaken one or more of the following: overtime reduction (23 percent), cutbacks in the recruitment of core workers (13 percent), intrafirm transfers (10 percent), outplacements to affiliates and subsidiaries (8 percent), dismissal of part-time and temporary workers (4 percent), furloughs and other temporary suspension of work (4 percent), and voluntary early retirements (2 percent) (Lincoln and Nakata, 1997). Also the government seems determined to avoid an abrupt departure from the lifetime employment system. The Japanese Ministry of labor subsidizes up to two-thirds of the wages of the employees whose firms implement temporary factory shutdowns instead of genuine layoffs. Starting in 1994, the further reinforcement of the existing employment adjustment measures has resulted in about 4 million workers (around 6.3 percent of the labor force) receiving subsidies at one time or another (Debroux, 1997).
Until recently, Japanese companies, especially larger, well-established ones, have followed a lifetime employment system whereby newly hired employees implicitly agree to a lifetime working arrangement. While this is not a formal contract, the pervasiveness of the system has led courts to take this practice into account when deciding employment cases. The system would accommodate poor performing employees by shifting them to “easier” jobs with lower salaries but enhanced titles, either in the same company or in a subsidiary or affiliate. Today, the largest Japanese companies are beginning to examine techniques used by U.S. and European companies to deal with such human resources issues. Many companies hope to utilize the merits of the Western human resources system while preserving the best qualities of their own system. Some Japanese companies have begun to replace a portion of employees in their 40s and 50s with younger, less expensive (and less experienced) employees or with independent contractors. Now, it is not unusual that when profits plunge -- at least in some of the larger companies -- employees will be laid off. New training courses and technical schools are targeting existing employees, rather than just those who will become new employees for the first time. For example, Kameido Technical College, a vocational school in eastern Tokyo, (one of 18 such technical schools in Tokyo) provides training to help employees at Japanese companies retool and learn new skills to get new jobs. There are similar training centers elsewhere in Japan.

Fringe benefits are increasingly under review in order to reduce costs. Some of the more paternalistic companies such as Matsushita Electric Industrial Co., which historically provided dormitories for employees, are now cutting back, changing or eliminating such practices in favor of more traditional, free-market housing options. While Toyota recently decided against changing its traditional employment practices for the moment, Bridgestone, one of the largest tire companies in the world, has chosen to change its longstanding system. Bridgestone is cutting its staff as needed to deal with lower profits and other changes. NEC Corp., the giant electronics company, also plans to cut its staff by approximately 15,000 jobs over the next three years, and Sony Corp. also has plans to downsize. There have been and will be some adverse consequences of such actions; for example, older employees who believe that they were promised lifetime employment as “salary men” for grinding, nonstop work when they began their careers years ago will rise in protest.
To date, the vast majority of Japanese companies have followed a lifetime employment system where the company and its newly hired employees implicitly agree on a lifetime working contract. Although there are no legal statutes enforcing this practice, the courts generally consider this convention when deciding employment cases. Depending on the position, companies will recruit their employees from high school or university. For example, companies will pursue university graduates for managerial and technical positions. Every three to five years, employees receive new position assignments in order to familiarize the employee with the company's operations and expand the employee's range of capabilities. Employees typically retire between the ages of 55 and 65, at which time they receive a lump-sum retirement payment from the company. Individuals on the company's board of directors are often allowed to serve until age 65. Although lifetime employment had some negative effects, it has provided Japanese companies with workforce security. Guaranteed employment and a secure salary served to promote employee loyalty, thus protecting the significant investment companies pour into employee training. Throughout the course of employment, employees were also able to establish strong relationships with their colleagues and superiors, reinforcing a sense of good management and harmony within the company. Lastly, workforce security and lack of employee turnover helped to ensure the confidentiality of company information transmitted to an employee.

Historically, if an employee's performance level was poor, that individual was shifted to an "easier" position at an affiliate, subsidiary, or related company. Although the employee's salary would probably be lower, his or her title might be improved as a consolation since titles are considered important in Japan. As a result, employee loyalty would not be compromised, and the original company could avoid having to pay the lump-sum retirement amount until the employee retired. This process, known as shukko, was the most common way Japanese conglomerates relieved themselves of surplus or inefficient employees. Until recently, outplacement and outright firing of employees was virtually unknown. With the current recession, however, some companies have gone out of business and others, particularly large conglomerates (keiretsu), have been forced to downsize. Some Japanese are being forced to change jobs, even in mid-career, and for the first time some traditional Western outplacement firms have appeared in Japan to help with corporate downsizing. While the vast majority of Japanese companies still hire their employees on lifetime contracts, a growing number of companies have begun to emulate Western-style hiring practices in order to improve efficiency.
With the increased efforts to lower personnel costs, more and more companies are hiring contract and dispatched workers to complete tasks. According to the Ministry of Labor's 1997 Industrial Labor Situation Survey, which queried 4,500 private firms with 30 or more regular employees, 50% of respondents said they commissioned work to other firms, and 31% pointed to reduction in personnel costs as a major reason for contracting out work. In fiscal year 1997, firms that most actively hired dispatched workers reported a 30-40% increase in their profits, many of them recording their "largest profits ever." Over the next few months, hourly wages for dispatched workers are expected to rise by 2-3%, and firms contracting out dispatched workers are expected to increase their charges to client companies by an average of 3-5% to cover growing social insurance premiums.

11. Seniority system

The emphasis placed on seniority in the workplace is one unique characteristic of the Japanese labor market. Japan's strong belief in authority and the chain of command has led to a well-established hierarchy in Japanese companies, where senior staff members are accorded the greatest respect and deference. In general, competition for promotions and greater responsibility is intense among employees, but such competitiveness rarely oversteps the traditional rules of respect for more senior employees governing the workplace. For example, the Japanese are very uncomfortable when a younger or junior employee is promoted over someone older, even if the younger person has greater knowledge or experience in a specific area. In most cases in which a younger person of unusual ability is "promoted" over the heads of more senior employees, employers often refrain from increasing the individual's title or salary until he or she has gained more seniority and age. The Japanese corporate hierarchy, along with a strong tradition of group consensus, has had a significant impact on the skills that employees acquire. For example, mid-career managers (who are usually between the ages of 40 and 50) are typically only allowed to make decisions on routine matters, and often make these decisions as part of a large group. Mid-level managers also act as mediators between their subordinates and superiors. As a result, 40-year-old Japanese managers do not have as much decision-making experience as Western managers of similar age, and will often be uncomfortable making important decisions (especially in the course of negotiations) without the approval of their superiors. There are advantages and disadvantages to this system of consensus-based decision making. It takes much longer for a
decision to be made in Japanese companies -- one Japanese management association recently reported that Japanese managers spend up to 40% of their time in conferences and meetings. However, by involving employees from all levels in the decision-making process, decisions often prove easier to implement and Japanese companies build company loyalty and strong employee relationships in the process.

As with lifetime employment, however, the emphasis on seniority is gradually decreasing. Japan's stagnant economy and new deregulation efforts are increasing demand for younger employees, who are typically more energetic, more in tune with modern communications technology and current global business practices, and can shift functional areas with less difficulty. A number of mid-to-senior-level employees have already been released since the recession first set in around the early 1990s, including a significant number of 50-plus-year-old senior managers, who were pushed towards an early “retirement.” This course of action has helped Japanese companies become more competitive since these companies no longer need to pay the higher salaries associated with older workers. Instead, these companies can channel those extra funds to pay younger, hopefully more productive and less costly employees. In addition, large Japanese companies like Fujitsu, Mitsubishi, Matsushita, and Toyota have recently begun promoting ability and performance over age and title. Although it will probably take a long time to displace Japan's well-established seniority system, Japan's increasingly competitive market is slowly forcing change among Japanese companies.

12. **Wages and compensation**

In the *nenko* system, employees who join the firm without any work experience are paid a low starting salary but can look forward to steady raises with increasing age and seniority until retirement (Lincoln and Kalleberg, 1990). Such a system depends on lifetime employment, because, without the guarantee that they will be around to collect their return on their early career investment, employees would find it unattractive. At the same time, under lifetime employment, the organization has an incentive to continually invest in training and it does not risk the loss of its investment or proprietary knowledge. The consequence is that parties, the firm as well as the employees, have a long-term stake in the development and success of each other (Lincoln and Nakata, 1997).
Recently, growing numbers of companies are explicitly weighting ability and performance over tenure and age in salary decision. Since the early 1990s, some companies have developed a system of job ability-based wages focusing individual worker performance over one year compared with goals set at the beginning. This new system is quite close to a true performance-based pay system. It has been termed “annual salary system” (nen posei) and has been introduced by about 10 percent of large companies. This system is primarily used for managers and general managers, not for lower level employees. The monetary benefits to employees, if any at all, are typically small (Debroux, 1997; Lincoln and Nakata, 1997; Ornatowski, 1998). The attempt to shift from nenko to performance pay illustrates the dilemma companies face. Managers worry that the resulting inequities will destroy morale and cohesion. Furthermore, most companies would not like to see younger people supervise older ones. Also, there are fears that individual merit pay will ruin the Japanese system of team-based production, where stronger team members assist weaker ones for the good of the performance of the team as a whole (Lincoln and Nakata, 1997).

The continuities in the Japanese employment systems are as striking as the changes, especially when one considers the depth and length of the economic recession. Based on data from 1,618 firms, Morishima (1995) identifies three different types of attitudes and actions of firms toward employment system reform. One group of companies tries to change their wage system from seniority based to performance based and these firms try at the same time to use the external labor market to recruit workers. Although they represent the highly publicized trend away from traditional Japanese employment practices, these companies only make up 10.8 percent of the sample. Most firms (56.8 percent) have retained the traditional employment system representing the majority force of continuity. A third group (32.4 percent) shows a mixed picture consisting of firms that are reforming the wage system, while maintaining long-term employment practices. These findings highlight the striking resilience of traditional practices as well as some important changes. Other surveys indicate a similar pattern (Thelen and Kume, 1999).

Technological changes have revealed some of the limits of traditional practices based on seniority-based wages and on-the-job training. The basic assumption of the traditional system was that workers would become ever more valuable to the company, as they acquired more experience on the job, justifying their steadily increasing wages. However, recent rapid
Technological developments have surpassed the skills of many experienced workers. The need to fill this gap has increased the competition among firms for promising young workers, not so much because of their relatively lower wages, but because of their adaptability to new technology. Furthermore, increasing competition in product markets requires breakthrough innovations more than incremental adjustments in product development, the latter associated with on-the-job training. Breakthrough innovations may require more flexible staff policies based on external labor markets rather than internal experienced-based systems of skill formation. These observations suggest that the changes in Japanese traditional managerial practices are but partial adjustments to adapt to a new market context rather than a genuine transformation of the entire employment and wage system (Thelen and Kume, 1999).

In Japan, employees usually receive their salaries in 14 equal parts, 12 of which are paid monthly and the other two in June. Additional bonuses are paid to employees in the form of extra payments in early December. On the other hand, if the company has not done well, the employee is new, or the employee has not met performance standards in the past six months, the December bonus would be canceled and the regular 14-payment plan would apply. Although this practice varies from one company to another, it is still quite common in Japan and encourages employees to save money for such things such as large consumer purchases, children's education, or buying a house. Foreign employees may be paid on the Western system of 12 months' pay plus a bonus, which is what they are used to at "home." When discussing salary with a potential employee in Japan, it is useful to know:

a. For all applicants, the total annual salary should be the main issue, not the incremental payments. Bonuses can vary or not be paid based upon company performance (particularly in the last six months) and/or the employee's starting date.

b. As mentioned above, the seniority system in Japan still dominates the pay scale. To a large extent, level and experience are valued more than special skills or education, although some major companies are trying to reverse this trend slowly. Most employees, therefore, will not ask for salaries that are significantly higher than others with comparable responsibilities. In some cases, Japanese companies may pay a higher base salary to a foreigner depending on the foreigner, his or her expertise, and the job. For an overview of the breakdown of the
salary structure in Japan, see Figure 4.

c. In general, Japanese companies do not tailor individual benefits and compensation packages to specific employee needs. New employees typically join a company in the spring as a "class," and are initially given the same pay and benefits. While there is variation from industry to industry, companies within the same industry usually pay approximately the same annual salary to new employees who are university graduates. Bonuses may vary from one employee to another, but such bonus payments are based on performance and cannot be determined in advance.

From the 1980s to the early 1990s, wages in Japan steadily increased. This growth has stagnated, however, since the recession began. Japan's average wage hike for workers of major corporations saw a record-low rise of approximately 2.5% in fiscal 1996-97, compared to a 3.1% gain in 1994-95. Wage growth has slowed for several reasons. First, the Japanese economy is flat. Second, the growth of temporary and part-time workers (who are paid much less than regular employees) has contributed to some of this stagnation. Third, the Asian financial crisis is also responsible for flattening wage growth; foreign companies employing local Japanese will find that the rapid depreciation in the yen over the past year has cut real wage costs for these employees by as much as 20%.

Some large Japanese corporations are now adopting the Western-based annual salary system in place of the 14-payment convention. A 1998 Central Labor Committee survey queried approximately 360 large Japanese companies that had paid-in capital of more than ¥500 million and more than 1,000 employees, and found that close to 30% have already introduced (or plan to introduce) Western-based annual salary systems for managerial employees. Moreover, manufacturing companies represent approximately 66% of the firms that have already established annual salary systems, and many have also taken major steps towards eliminating the seniority-based pay system.
13. **Health care, housing, transportation, pensions and sick leave**

All employees in Japan are covered under one of three health care plans: National Health Insurance (NHI), Employer's Health Plan, or Private Health Insurance. Japan's local governments administer NHI (kokumin kenko hoken). Individuals who do not receive health care benefits from their company (for example, if one works for a company which employs fewer than five employees) or who are self-employed can obtain coverage under this program if they do not already belong to another private health plan. Under NHI, the individual must pay approximately 30% of clinic or hospital costs. The plan also covers approximately 70% of medical, dental and prescription drugs. The annual premium for NHI participation is based on the previous year's income and individual residents' tax payments, with a maximum monthly payment of ¥63,000 (approximately $450). Within the 23 Tokyo wards, for example, the annual premium is calculated as follows: (Residents' Tax) (1.07) + (16,800) (Number of family members).

Most employers enroll their workers in the Employer's Health Plan (shakai hoken). Under this system, insured employees pay approximately 10% of the cost for medical services, dental treatment, and medicines, while their dependents are charged approximately 30% of the cost of outpatient services and 20% of inpatient or hospitalization service costs. Under this plan, the employer and employee contribute each contribute 50% of the monthly premium, with the employee's share deducted from payroll. The employee's monthly premium is calculated as follows: Monthly premium = (Basic monthly salary)(85/1000). As with NHI, the maximum payment per month is ¥63,000 ($450).

In principle, the Ministry of Health and Welfare mandates that anyone residing in Japan must belong to either the national health plan or company health insurance supervised by the government. However, many individuals, particularly foreign employees, are allowed to "quit" their national or corporate plans and obtain private health insurance. Private insurance is generally more flexible and provides more options than current government plans, and a growing number of foreign companies are offering private insurance programs in Japan through companies' central insurance policies. Foreign employees are especially drawn to private insurance because they can avoid having to complete the numerous legal documents necessary for coverage under local health insurance systems. Expatriates should be aware, however, that many private plans do not offer coverage in their home country as part of their basic service, and
thus cannot cover the employee while he or she is away from Japan. Also, while private insurance holders are increasing rapidly in the urban areas of Japan (like Tokyo), hospitals in rural Japan are not yet used to private insurance schemes. Thus, certain procedures like obtaining reimbursement can be very difficult for privately insured workers in rural areas. Benefits can typically be divided into housing, transportation, special family allowances, vacation, sick leave, health benefits, and pension. A detailed listing of all employee benefits is usually found in a company's work rules or personnel handbook, which must be submitted to the government by all employers.

Single employees may be offered dormitory housing and may receive travel allowances for commuting to and from the workplace. Special family allowances, rental benefits, business trip expenses, and allowances for relocation may also be granted depending on the company and the individual. Most of the time, the size of the benefits package received by an employee depends on his or her title and position in the company. In some cases, the amount of benefits may also depend upon whether the employee has an ownership position in the company. Vacation time accorded to employees in Japan depends upon the length of time they have worked with their company. After a new employee's six-month probation is up, he or she may accumulate up to 10 days of paid vacation for that year. For every year thereafter, additional paid vacation is accrued up to a ceiling of 20 days. In general, a limited amount of vacation time may also be carried over from one year to another, but after the ceiling is reached, employees must forfeit additional leave if not used within the year. Sick leave policies vary from one company to another. Often, companies will require a doctor's report if an employee uses more than three days of sick leave.

Currently, companies choose between two different pension plans: the National Pension System and the Employee's Pension Program. The National Pension System (kokumin nenkin) was introduced in 1961, and is regulated by the National Pension Law. This system has provided pension coverage for all citizens, and has come to be a major source of financial support for the country's elderly. All employees between the ages of 20 and 59 are eligible to participate in this system. Benefits can be paid after the employee turns 59 and if he or she has contributed to the fund for at least 25 years. As of April 1, 1995, the monthly premium for participation by an employee is ¥11,700 (about $83). A premium tax on participants and a government subsidy have been the major sources of financing for this pension system. The Employee's Pension Program (kosei nenkin) is regulated by the Employee Pension Insurance Law. This pension plan must
cover all individuals under 65 whose employers participate in the program. Benefits and contributions are decided by standard remuneration; monthly standard remuneration (MSR) comes in approximately 30 types and ranges between ¥92,000 (about $660) and ¥590,000 (about $4,200). A simplified calculation of the annual pension benefit is as follows: (Average MSR for entire career)(7.5/1,000)(Number of months as a contributor).

In this program, the employer and employee each contribute 50%, and the employee's share is deducted from the company payroll each month. The monthly contribution for men is calculated by multiplying (145/1,000) and for women by multiplying (141.5/1,000). Japan’s pension market, currently the largest in Asia and second largest in the world, is expected to increase its holdings of funded pension assets from about $2 trillion to $4 trillion within the next ten years. However, socioeconomic changes in Japan are increasing the burden on the pension system. Japan's aging population, stagnant economic growth, and increased participation of women in the workforce have initiated serious discussions within the government about revamping the pension system (particularly the Employee's Pension Program) to accommodate future demand. Japan’s Ministry of Health and Welfare (MHW) also plans to revise the Employee's Pension Program in 1999, and has identified five options for doing so in its 1998 White Paper on Pensions:

a. Keep the premium for maintaining benefits currently available (currently 34.3% of monthly income);

b. Keep the Employee's Pension Plan premium to within 30% of monthly income;

c. Keep the Employee's Pension Plan premium to within 20% of annual income (which includes bonuses);

d. Maintain the premium for the Employee's Pension Plan at the current level (20% of monthly income); or

e. Abolish (i.e. privatize) the Employee's Pension Plan.

The debate on these options has centered on three major concerns. The first major concern is the manner in which the pension system should be restructured in order to amass more revenue and create a better balance between the contributions given and benefits received for each generation. Currently, the MHW can choose to implement an assessment system, an accumulation system, or some combination of the two. Second, there is a growing debate over how to adjust the level at
which pension benefits and contributions are calculated. The Employee's Pension Plan is still premised upon the male wage earner as the only working member of the household; it thus reduces the pension-earning capacity of female members of the household. In the latter case, for example, a husband whose wife has earned five years' salary receives a pension of ¥239,000 (about $1,700), only ¥8,000 ($57) more than he would receive were his wife not to work at all. A 1998 MHW survey recently reported that over 70% of Japanese familiar with the national corporate pension plan revisions support monthly benefit reductions of 10-20% and monthly pension premiums between 26-30%. The third issue being debated is whether premiums should be collected monthly or annually (including bonuses), and whether part-time and full-time housewives should be required to contribute to the public pension system. Currently, part-time employees (those who work less than three-quarters of the hours worked by regular employees), workers earning less than ¥1.3 million (about $9,300) a year, and full-time housewives are exempt from paying pension premiums -- although these groups are still eligible for receiving basic pension in old age. The MHW is studying ways that this exemption can be reduced for part-time workers and housewives in order to lessen the growing burden on the pension system.

14. Conclusion

For decades, corporate hiring practices in Japan primarily consisted of large, established Japanese companies recruiting graduates directly from colleges and universities. These Japanese companies would offer graduates lifetime employment within a rigid seniority system and chain of command. Salaries and benefits, such as health and retirement, were fixed by schedule and paid regularly regardless of performance. Recently, as Japan’s economy has slumped through a ten year recession, such human resource practices have come under increased scrutiny, and many Japanese companies now view the system as more of a burden than an asset. Although change is generally very slow in Japan, some Japanese companies today have been forced to rethink their insular human resource practices. Conventions of lifetime employment and seniority, as well as other related employment traditions, have hardly disappeared in Japan, but the number of mid-career shifts and companies offering performance-based pay has grown. Foreign companies attempting to build a successful and stable employee base in Japan and seeking to staff their Japanese operations should pay close attention to these new developments.
As the economy continues to stagnate, and growing global competition forces companies to downsize, traditional human resource practices that once formed the core of Japanese corporate life must now be superseded, at least in some cases, by more competitive recruitment and human resource methods. While conventions such as lifetime employment and seniority are still the norm for the majority of Japanese companies, the number of mid-career shifts and companies switching to performance-based compensation is growing. In addition, foreign companies should pay close attention to the changing expectations of Japanese employees so that they may build a successful team of employees and a successful business in Japan. Japan is undergoing a period of major economic change. As economic stagnation and growing competition forces companies to downsize, human resources practices that once formed the core of Japanese corporate life are being superseded by more competitive recruitment and retention methods. While conventions such as lifetime employment and seniority are still visible, the number of mid-career shifts and companies switching to performance-based pay is growing. Foreign companies looking to hire staff for their Japanese operations should pay close attention to these developments, including the new and changing expectations of Japanese employees, in order to build a successful staff in Japan.
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Artificial Intelligent System for the Malaysian MODENAS Production System

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Abstract

Artificial Intelligent (AI) system in the production process is essential to ensure the overall achievement of the targeted Quality, Cost and Delivery (QCD). A good AI system is one that can promote an effective and relatively inexpensive way of reducing manufacturing defects and increase the quality of output. Mistakes happen in organizations for many reasons, but almost all of them can be prevented, if people make the effort to identify when problems happen, define root causes, and then take the proper corrective actions. The objective is to prevent, or at least, detect and weed out defects, as early as possible in the process. However, it will be the best to eliminate the source of problem forever and not just prevent it from occurring. “Prevention is always better than cure”. This study focus on the categories of Poka-Yoke devices which is prevention and detection as well as method used in Poka-yoke system, Contact Method, Fixed-Value Method and Motion Step Method. The success rate of a process can be vastly improved if self-checks, successive checks and intelligent systems (Poka-yoke) all work together and that
will need an atmosphere of continuous improvement which will ultimately lead to reliable products, satisfied customers and empowered workers. In making the Poka-yoke system successful, Poka-yoke devices maintenance must be well taken care so that they could functions efficiently and effectively.

Keywords: Artificial Intelligent, Poka-yoke, Quality, Cost and Delivery (QCD), prevention and detection.

1. Introduction

Artificial Intelligence (AI) system is being designed to mimic the human intelligence. The system also is being used as a smart system to remind the human not to forget of doing something especially on when it involve with the critical process that has a tremendous effect on the final output. In manufacturing industry, such AI system is being installed to make production operator impossible or very difficult to make mistakes. This is due to the fact that the operators are human and cannot be expected to do everything perfect like a machine. AI system in the production process is essential to ensure the overall achievement of the targeted Quality, Cost and Delivery (QCD).

A poka-yoke device is any mechanism that either prevents a mistake from being made or makes the mistake obvious at a glance. The ability to find mistakes at a glance is essential because, as Shingo writes, "The causes of defects lie in worker errors, and defects are the results of neglecting those errors. It follows that mistakes will not turn into defects if worker errors are discovered and eliminated beforehand. He later continues that "Defects arise because errors are made; the two have a cause-and-effect relationship. ... Yet errors will not turn into defects if feedback and action take place at the error stage"- Shingo, Shigeo (1986).

Mistakes happen in organizations for many reasons, but almost all of them can be prevented, if people make the effort to identify when problems happen, define root causes, and then take the proper corrective actions. The use of simple artificial intelligent system can prevent mistakes from becoming catastrophic events. In manufacturing industry the use of Fool Proof System or Poka-yoke mechanisms is consider an intelligent system that will remind/alert the production workers to perform certain critical jobs that mistakes must be avoided. The important point of these types of mechanisms is that 100% of the parts are checked without the need for concentration from the operator.
"To correct this problem, we simply drilled a hole through the electrode that holds the nut that is attached to the panel in the welding operation. We put a wire through the hole in the electrode, insulating it away from the electrode so as it passes through it will only make contact with the weld nut. Since the weld nut is metal, it conducts electricity and with the nut present, current will flow through, allowing the machine to complete its cycle. If a nut is not present, there will be no current flow. We try to control the process so that the machine will actually remain idle unless there is a nut in place." - Richard (1987).

The basics of mistake-proofing are reviewed. According to Grout (1997) situations when mistake-proofing works well are where manual operations where worker vigilance is needed, where mispositioning can occur, where adjustment is required, where teams need common-sense tools and not another buzz-word, where attributes not measurements are important, where training cost and employee turnover are high, where mixed model production occurs, where customers make mistakes and blame the service provider, where special causes can reoccur and where external failure costs dramatically exceed internal failure costs. On the other hand, mistake-proofing does not work well where destructive tests are used, where the production rate is very fast, where shifts occur more rapidly than they can be responded to and where control charts are used effectively (for successive and self-checks only).

According to another Toyota industrial engineer, Monden (1983) who explained on autonomation, which is the autonomous checking of a process for abnormal conditions. Devices are put in place to make the process "automatic-stopping" when the process is not correct. Monden includes Poka-yoke as one example of autonomation. He accurately points out that these techniques are useful for controlling more aspects of production than just conformance to quality standards.

However, since mistake-proofing involves 100% inspection, it can only be economical if the cost of inspection is very low – Grout, J.R 1997. In other words, the cost of Poka-yoke system must be lower for overall cost saving in the manufacturing cost.

The objectives of this study are two folds, namely to ensure application of Artificial Intelligent (AI) in MODENAS Production System, and to ensure the Quality, Cost and Delivery (QCD) in MODENAS Production System.
2. Methodology

The study is mainly based on secondary data collected from MODENAS Poka-yoke System manual, MODENAS Kaizen Group paper work, MODENAS ISO procedures and through access to the internet website of various usage of Poka-yoke system in the world.

3. Results and Discussion

3.1 Categories of Poka-yoke devices

Poka-yoke devices according to ‘Using Poka-yoke Techniques for Early Defect Detection’ by Harry Robinson via website, fall into two major categories: prevention and detection. A prevention device engineers the process so that it is impossible to make a mistake at all. A classic example of a prevention device is the design of a 3.5 inch computer diskette. The diskette is carefully engineered to be slightly asymmetrical so that it will not fit into the disk drive in any orientation other than the correct one. Prevention devices remove the need to correct a mistake, since the user cannot make the mistake in the first place. A detection device signals the user when a mistake has been made, so that the user can quickly correct the problem. The small dish used at the Yamada Electric plant was a detection device; it alerted the worker when a spring had been forgotten. Detection devices typically warn the user of a problem, but they do not enforce the correction.

The small dish solution used at Yamada Electric is typical of many Poka-yoke devices. It did not merely examine switches at the end of the operation; it changed the procedure for assembling switches. The additional step of putting the springs into the dish slowed down the individual operation, but the increased reliability of the assembly eliminated the need for rework and therefore sped up the overall process. It was designed to stop a particular mistake - a worker forgetting to insert a spring. It did not stop all possible mistakes. Being a detection device, the small-dish solution was not completely error-proof. It could only warn of a problem, relying on the worker to correct the situation. The solution dealt with aspects of the assembly that were necessary, though not sufficient, for correct operation of the product. This Poka-yoke ensured only that each push-button had a spring under it; it did not attempt to detect whether the springs were the right height or made of the proper materials. Finally, the quality check done was independent of the actual, eventual use of the switch. The Poka-yoke device was oblivious to the overall goal of a properly assembled switch. Instead, one could argue that the small-dish solution
was actually implementing a crude form of syntax checking enforcing the one-to-one correspondence between push-buttons and springs.

3.2 Methods used in Poka-yoke System

There are three methods used in Poka-yoke System, namely Contact, Fixed-Value and Motion Step Methods. Contact methods are based on some type of sensing device which detects abnormalities in the product's shape or dimension and responds accordingly. Interference pins, notches with matching locator pins, limit switches and proximity switches are sometimes used to ensure that a part is positioned correctly before work occurs. Asymmetric parts with matching work fixtures can also alleviate incorrect positioning. If orientation is not critical, symmetrical designs can then be used to prevent defects. Contact methods are useful in situations which encourage mistakes. Such situations involve rapid repetition, infrequent production, or environmental problems such as poor lighting, high or low heat, excess humidity, dust, noise, or anything which distracts a worker. Paul Dvorak, in "Poka-yoke Designs Make Assemblies Mistakeproof," an article appearing in *Machine Design*, recommends that the maintenance engineer investigate at least four areas for potential problems that require contact method solutions, namely (a) Look for where the product will fail if parts are assembled incorrectly (b) Look for small features critical to proper assembly, (c) Beware of relying on subtle differences to determine top from bottom or front from back, especially if the parts are painted dark colors and (d) Beware of designs so complicated that they confuse inexperienced operators.

Fixed-value methods are used in processes where the same activity is repeated several times, such as tightening of bolts. This method frequently involves very simple techniques, such as methods that allow operators to easily track how often this activity has been performed. Dvorak gives the example of an operator who is responsible for tightening down six bolts on a product. Before passing the product on, the tightening process is performed a fixed number of times (six). A simple Poka-yoke device would incorporate the use of a wrench dipped in diluted paint. Since untightened bolts will not have paint on them, the operator can easily see if he or she has performed the process the required number of times. A second example (from Dvorak) would be the use of packaged material in the exact (fixed) quantities needed to complete the process. If the
bolts were stored in containers of six, the operator could easily see when the process was still incomplete as the box would still contain one or more bolts.

The motion-step method is useful for processes requiring several different activities performed in sequence by a single operator. This is similar to the fixed-value situation in that the operator is responsible for multiple activities but instead of performing the same activity multiple times the operator performs different activities. First, each step in the process is identified by the specific motions needed to complete it. Then devices are created to detect whether each motion is performed and then alert the operator when a step is skipped. An assembly process could utilize a device that senses when all required components are present at the start of the process for each unit. The devices could then detect when each component is removed from its dispenser. If a component is not removed, the sensing device alerts the assembler before he/she can move on to another unit.

3.3 Poka-yoke System in Modenas Production Line

The basic idea of Poka-yoke system in MODENAS is to stop the process whenever a defect occurs, define the cause and prevent the recurring source of the defect. This is the principle of the JIT production system since no statistical sampling is required and the process will be fully 100% check. A key part of this procedure is that source inspection is employed as an active part of production to identify errors before they become defects.

The system is fully automated with set of Poka-yoke mechanism programmed in the computer through PYK System in each effected line conveyor. Sensors are installed to detect on any irregularities or mistake in the production process. Error detection is triggered by stopping the line conveyor if the critical process has not been performed by the production operator. Furthermore, the production line will only resume after the effected process has been performed with the existence of line supervisor (to attend the problem to avoid re-occurrence). This occurs at every stage of the process by monitoring potential error sources. Thus defects are detected and corrected at source, rather than at a later stage.
The work flow of the systems is as follows:

Types of Poka-yoke systems in MODENAS are as tabulated below:

<table>
<thead>
<tr>
<th>Type/Method</th>
<th>Detection Type</th>
<th>Prevention Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contact Method</td>
<td>Use torque wrench when lights turn on. Failure will cause the line conveyor to stop immediately.</td>
<td>A device on a drill counts the number of holes drilled in a work piece; a buzzer sounds if the work piece is removed before the correct number of holes have been drilled.</td>
</tr>
<tr>
<td>Fixed-value Type</td>
<td>Light sensors determine if each part is present in each box; if a part is missing, the line conveyor will stop automatically.</td>
<td>Bolts are tightened with a wrench dipped in paint. Bolts with no paint on them are still untightened.</td>
</tr>
<tr>
<td>Motion Step Method</td>
<td>A simple proximity switch opens after all components are loaded in the proper order.</td>
<td>A device detects when each component is removed from a dispenser; if a component is not removed, the line conveyor will stop automatically.</td>
</tr>
</tbody>
</table>

The Five functions of MODENAS Poka-yoke system are as follows, namely (a) in-process sequence – the way operator work with the equipment or to keep them from continuing the sequence of operations in the production process, (b) between process sequence - Poka-yoke
devices work to stop operations whenever a process within a series of processes is performed incorrectly or is overlooked, (c) counter - Poka-yoke devices can detect when the numbers are wrong and can issue a warning, (d) reminder - Sometimes parts/components are grouped into sets before being processed or assembled. A Poka-yoke device can detect when any remains in used sets, and (e) other statistical method - Other numerical values that can be monitored by Poka-yoke devices including pressure, electrical current, temperature and time. Poka-yoke devices can notify us whenever any of these values are out of standard.

The advantages of Poka-yoke System include prevention from human error and they are simple and cheap. If they are too complicated or expensive, their use will not be cost-effective. Poka-yoke systems are part of the production process, implementing a 100% inspection. This system is always better compared to a random sampling to check the quality. The systems are placed close to where the mistakes occur, providing quick feedback to the workers so that the mistakes can be corrected. The errors will not turn into defects if feedback and action takes place at the error stage. Poka-yoke improve greatly on quality in all aspects of the manufacturing process by reducing waste, inventory of parts and work-in-progress. The result is a high quality product.

Poka-yoke systems will promote an effective and efficient production process in preventing the mistake from happening. However, if the system maintenance is not well taken care off, the production jobs will be slow due to the line conveyor is frequently stops. The system requires well trained workers in order to facilitate the production to achieve the targeted quantity. The untrained workers in Poka-yoke system will always cause the line stoppage and this will definitely disturb the other production workers who are in the next production line waiting to complete the process. High investment in Poka-yoke system is apparent especially in a complicated production environment process. This will defeat the purpose of Poka-yoke system - an inexpensive system to reduce the overall production cost and the product cost itself. For a large manufacturing with many production processes, duplication of jobs may occur especially between the production department and quality control department. For instance, by having a same jobs being done by two separate people at a different location.

4. Conclusion

The success rate of a process can be vastly improved if self-checks, successive checks and intelligent systems (Poka-yoke) all work together and that will need an atmosphere of continuous
improvement which will ultimately lead to reliable products, satisfied customers and empowered workers. Poke-yoke can be applied in any situation where a process converts an input into an output. All that is needed is some "out of the box" thinking and a desire to improve the process.

Poka-yoke’s are an effective and relatively inexpensive way of reducing manufacturing defects and quality costs as well. However, not all parts require such an intelligent system. Thought should be given as to why it was possible to make the mistake in the first place and therefore need Poka-yoke system. A longer-term aim in manufacturing industries like MODENAS might be to eliminate the source of problem and not just prevent it from occurring.

The best system is to eliminate the error permanently rather than relying heavily on such Poka-yoke system. All departments concern must always think on how to eliminate the mistake permanently as is always the best of the problem solution. “Prevention is always better than cure”. The current of normal process must be re-examined to include the Poka-yoke system. Nevertheless, not all parts require mistake-proofing. By analyzing the process and re-design it may open up some chances this artificial intelligence system to be incorporated in the current system. The Poka-yoke devices maintenance must be well taken care so that they could functions efficiently and effectively. Considering that the system will take care on the critical production jobs, any failure to the system may bring a disaster to the final output in terms of bad quality and higher cost to rework. The Poka-yoke system should be designed to avoid human errors that may result in safety accidents. This is due to the fact that the system is being concentrating too much on quality and cost matters only. Before considering how to mistake-proof a process, however, it’s important to focus on reducing variation. This can often produce a simple, low-cost solution rather than a complex and possibly expensive poka-yoke device.
References


Performance Enhancement through Effective Communication: A Study of the Role of External and Internal Communication

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Abstract
It is widely believed that organizational communication affects organizational performance and creates comparative advantage for the organization. This study contributes to the growing literature on the influence of organizational communication and its impact on organizational performance. The study further aims at finding out relationship among external communication, internal communication and change in perceived organizational performance. Instrument was developed and its reliability was tested through pilot study. For the main study, 136 questionnaires were distributed in 34 organizations in banking, oil and gas and telecommunication sectors and the entire respondents provided the data through effective coordination prior and post dispatch of the questionnaires. Regression analysis and correlation were applied. Overall organization performance varied 8% to 26% due to organization communication. Organization performance interrelated 18% to 44% with organization communication’s component in banking sector. Organization performance correlated 07% to 35% with organization communication’s components in oil and Gas sector. Organization performance interconnected 07% to 32% with organization communication’s component in telecommunication sector. The findings of this study depict that organizational communication is an important determinant of change in perceived organizational performance component. These
findings suggest that increasing organizational communication will have a positive effect on organizational performance. Increasing organizational communication is a long term process, which demands both attention from management side and initiative from the employee side.

**Keywords:** Performance Enhancement, Effective Communication, External, Internal, Communication

1. Introduction

Communication plays pivotal role in smooth functioning of life. It’s an art which facilitates in achievement of defined objectives in individual capacity as well as in the organizations: hence, it is imperative for each members of the society to gain proficiency in communication. It encompasses whole life of a person. Communication is a behavior, verbal or non verbal, that is perceived by knowledge, feelings or thoughts encoded and sent from at least one person and received and decoded by another. Meaning is given to the message or the receiver interprets the message (Dwyer, 1997). Communication at work place is equally important which facilitates in achievement of the entrusted task: hence mangers need to exercise conscious in better communication of message.

People communicate to plan products and services; hire, train and motivate workers; coordinate manufacturing and delivery; persuade customers to buy; and bell them for the sale. For many business/ nonprofit ventures, and government organizations, the “product” is information or a service rather than something tangible. Information and services are created and delivered by communication. In every organization, communication is the way people get their points across, get work done, and achieve recognition for their contributions (Kitty & Kaczmarek, 2004).

According to (Hocker and Wilmot,1991) Communication strategy sequence addresses both internal and external communication systems and occurs through the following four broad stages.

i. Securing senior management commitment;
ii. Data collection in communication practice;
iii. Diagnosis and treatment;
iv. Follow-up and evaluation.
Each step builds on work done during the preceding stages. Consequently, securing the commitment of senior management forms the essential foundation for the program. It has been our experience that busy managers often see the communication aspects of management as an extra responsibility over and above more basic concerns, like ensuring service quality. However, it is our contention that communication is at the heart of effective management practice and that the communication of quality is as important as quality itself (Hocker & Wilmot, 1991).

The basic process of communication begins when a fact is observed or an idea formulated by one person. That person (the sender) decides to translate the observation into a message, and then transmits the message through some communication medium to another person (the receiver). The receiver then must interpret the message and provide feedback to the sender indicating that the message has been understood and appropriate action taken (Bateman & Carl, 1990).

Although successful communication is generally defined as the one between two or more individuals, issues concerning the useful nature of communicating with oneself and problems concerning communication with non-sentient entities such as computers have led some analysts to consider this definition as a bit narrow in scope (Ruesch & Bateson, 1951).

Communication among the members of an organization is essential for a business to be effective, so each organization approaches internal communication differently. In a small business with only five or six employees, much information can be exchanged casually and directly. In a large organization like Saturn, transmitting the right information to the right people at the right time is a real challenge (Thill & Bovee, 1996).

A vital means of attending to company concerns is through effective internal communication—downward, upward and horizontal. It helps increase job satisfaction, safety, productivity and profit and decrease absenteeism, grievances and turnover (Murphy, Hildebrandt & Thomas, 1962).

When employees receive appropriate downward communication from management they can be better motivated and more efficiently directed. They require not only clear job directions and safety rules but also facts about organizational strategy, products and viewpoints on important
controversial issues. They are concerned about employee benefits - health care, insurance, promotions, pensions, training, work environment and retirement. In all the many pressures from employees, employers are to be accountable for their decisions through effective downward communication. Employers who communicate effectively have more productive employees (Murphy & Thomas, 1962).

Upward internal communication has become increasingly more significant. Many executives sincerely seek frank comments from employees, in addition to the usual periodic reports. Successful managers listen closely to opinions, complaints, problems and suggestions, especially when these are clearly and effectively stated. As a response to increasing global competition, some companies are developing a new management style, which makes input from employees an integral part of the important decisions affecting the company.

Effective horizontal communication between peers is also essential in organizations in order to solve problems, perform job duties, prepare for meetings, and cooperate on important projects. For example, if you think about the time spent listening to and making requests, writing notes and memos, and discussing and writing about projects, you soon realize that communication is the medium through which an organization accomplishes its goals. Among various ways of communicating within companies are memos, reports, meetings, face-to-face discussions, teleconferences, video conferences and electronic mail (Murphy & Thomas, 1962).

Communication process commences from its inception of the idea by the individual. It transforms into thoughts, making use of person’s own experiences in the subconscious. Thoughts framed in the mind are then given words. Sooner these words reach to the stage of sentence framing for execution of communication; it becomes important that its impact on the recipient becomes evaluated and phrased accordingly. It therefore becomes essential that communication is vivid, well structured, with sufficient vocal for the other person to understand its contents. Comprehending conversation would primarily base on the clarity of thoughts and art of structuring the sentences. However, recipients own interest towards the subject is crucial. Direct concerned and important nature communication would acclaim greater acceptance than routine nature of communication.
2. Literature Review

Communication within the workplace occurs for a number of direct and indirect reasons. Primarily it is necessary for passing information between people working in the same organization and others. Within organizations, your ability to communicate is reflected in the quality and range of your communication skills. Communication - written, spoken or even nonverbal - is also used by leaders and managers for evaluating performance directing or instructing staff and motivating others. People working as part of a team or department with an effective communicator as its leader are generally more confident and competent because they understand what they are doing and what is required of them. They are able to work in a purposeful, supportive and a flexible manner.

Observe people who are good in their relationship at work and with others. How do they interact with others? Note the skills used by these people, the means, the capacity and the will to communicate. Communication provides the means; their motivation provides the willingness and their skills in communication present the capacity (Dwyer, 1997).

For business decisions to be effective and relevant, timely and appropriate information has to be obtained and communicated throughout the organization. The successful organization is the one that has effective communication both within the organization and with other companies and clients. In fact, information flow is crucial to any organization; and the better the flow, the more successful the company or organization is.

Being an effective communicator means being honest with yourself and others. It means having the ability to say what you want or feel, but not at the expense of others. It is not about getting your own way and winning every time, nor is it a means to manipulate and manage other people so that you achieve the aim while appearing to be considering others. An effective communicator avoids a series of quick-fix tricks of techniques (Dwyer, 1997).

The new tools of communication have as much power to alienate people as to bring them together. In fact the former would result from the 'Don't commute- communicate' prediction
(Clarke). There will be no more of the 'huddling' or the 'manage by walking around (Clark, 1978).

A complete revolution in communication technology has and is still under way, but while it is making the most useful contribution, there is an urgent need to stay with the 'basics' of human nature vis-a-vis communication (Haigh & Byrne, 1981).

One of the leading challenges in organizations has been implementing effective human capital strategies to enhance their performance and accountability. As a result of the emphasis on performance and results orientation, researchers and government agencies have stressed effective human resources management strategies such as job satisfaction, team empowerment, participative management, and strategic planning (Dwyer, 1997).

Oral communication is the essence of management, so a proper education is a must in this field. It is as important as written. Many people lack in the skill and confidence to make effective presentation. Your strategy, structure and style of speech should be striking. Your attention and actions play a major role in oral communication. Managers and supervisors have to be aware of other people, and have to exert themselves to ensure that other person understands them. A great speaker is great boom to any business. Eye contact, gestures and dressing sense, all reflect your attitude and approach.

For business decisions to be effective and relevant, timely and appropriate information has to be obtained and communicated throughout the organization. The successful organization is the one that has effective communication both within the organization and with other companies and clients. Being an effective communicator means being honest to yourself and others; it means having the ability to say what you want or feel, but not at the expense of others. It is not about getting your own way and winning every time. Nor is it a means to manipulate and manage other people so that you achieve your aim while appearing to be considering others. An effective communicator avoids a series of quick-fix tricks of techniques (Dwyer, 1997).

If you are in an online business, you must have the ability to reach the audience that wants your services or products. Since the online world is so big and it offers so many amazing things, your
online business communication needs to be instantaneous and effective. Otherwise your clients will look somewhere else for their requirements. In online businesses, there are so many ways that one can convey one's thoughts. Examples include e-mails, newsletters, web sites, articles and reviews. You can win the respect and clients by every word you write and speak (Thomas, 2005).

It seems to me that any study of human communication must ultimately fall within the broader question of why and how a person does what he does. If people are “selectively perceptive,” they must also be “selectively communicative.” If people behave so as to enhance their self-concept or preserve their self-esteem, then they must “send and “receive” to satisfy the same objectives. If people are socialized to “perform” certain roles in certain situations or behavioral settings, then they must be socialized to utter and interpret others’ utterances according to their understandings (or their expectations) of their and others’ roles. There can no more be a distinct and separate theory of communication than there could be a distinct and separate theory of elimination culturologists (Gouran & Doelger, 1994).

Any act by which one person gives to or receives from person information about that person's needs, desires, perceptions, knowledge makes communication. It may be intentional or unintentional, may involve conventional or unconventional signals, may take linguistic or nonlinguistic forms, and may occur through spoken or other modes (Gouran & Doelger, 1994).

Communication has become increasingly identified as a key factor influencing the ability of organizations to achieve their objectives. As early as the 1970s Tubbs and Widgery noted a $7 million saving on production costs at General Motors following the introduction of a new training program. Similarly, Aiello has established that organizations, which carry out regular employee attitude surveys and hence listen to their employees, experience half the number of strikes of organizations than those which do not. In particular, communication emerges as a crucial concern when organizations are thrust into prolonged periods of re-organization and change.

The concept of communication as a more effective approach to managing the organization’s key assets i.e. its people, has attracted enormous attention and has stimulated significant debate
amongst academics and practitioners. Much of the debate has been around the meaning of communication, yet there is no universally accepted definition of Communication (Sieberg & Evelyn, 1975).

(Robert Fulghum, 1989) got me wondering about what school is all about. He is the author of the best seller in which he proclaims that all he really needed to know he learned in kindergarten. He says he learned ideas like: put things away where you found them and don't hit people. At first, what he had to say sounded right to me, but it led me to wonder about what I learned after kindergarten. (To be honest, all I remember learning in kindergarten was how to zip up my jacket, or was that first grade?) Perhaps because I value speculation so much, it occurred to me that everything I needed to ponder engaged my mind during junior high school years.

The mutual relationship between the communication richness of media is used for conducting organizational communication and organizational culture. The richness of the media influences how well the organization might maintain its culture. On the other hand, a strong organizational culture allows a more effective use of the media by providing members with some of the necessary common ground to better understand the information exchanged. This all comes in the effective communication and the organization performance gets developed (Canessa, 2003).

Investigation of the organizational communication-job performance research indicates a need for further empirical study. The existing research is limited to three studies (Jain, 1973; Pincus, 1986; and Clampitt & Downs, 1993), two of which are dated. None has focused solely on the small business, except a portion of Clampitt & Downs (1993) population. Intensified efforts to explain the nature of organizational communication satisfaction as a construct likely would prove beneficial in further developing the theoretical base for sound applications research and in determining important research directions (Looft-Wilson, Payne, and Segal 2004).

Conversely, lack of communications or distorted communication is ought to create disharmony and conflict in the individual life as well as practices in the organizations. Each individual spends his maximum time in communicating therefore it is accentuated that communication encompassing major activity of a human being is controlled in accepted manner in order to lead smooth life.
In the wake of globalization, interaction among different nations and people of the globe has increased manifold. It has amplified the requirement of approved principle of communicating whereby intentions are conveyed with clarity and objectivity. It could safely be deduced that in personal, practical and interactive life in the nations calls upon to have the ability and means to communicate in all its manifestation in a most befitting manner.

3. Theoretical Framework

This study aims to analyse organizational communication and its impact on organizational performance. It also aims to operate the data as to how two independent variables namely internal communication, external communication, influences dependent variable to enhance the organization performance.

Hypothetical Research Model given in Figure 1.2, 03 variables were considered for the analysis out of which 02 were dependent variables whereas 01 was independent variable was selected for this study. Independent variable includes internal communication, external communication whereas dependent variable in this model is organization performance on change in performance. The extensive literature review contributed to develop the model which includes Takahashi, (2004); Hofstede, (1980, 1991); (Berger & Calabrese (1975); Heath and Bryant, (2000).

3.1 Hypotheses Development

On the basis of extensive literature review this research study was conducted to test the following hypothesis:

H1: Internal Communication has direct positive effect on Change in Organizational Performance.

H2: External Communication has direct positive effect on Change in Organizational Performance.
3.2 Constructs

It was explained earlier in the process that the objective of the research was to document and to some extent measure the existence of organizational communication; the research had no intention to measure different dimensions of organizational communication practices. My goal was clear as it was explained again and again. So it was needed to develop construct to further clear our vision in the research.

I had developed the constructs under the Personal Construction Theory which says that “the world is 'perceived' by a person in terms of whatever 'meaning' that person applies to it and the person has the freedom to choose a different 'meaning' of whatever he or she wants”. In other words, as suggested by George Kelly, the original proponent of the theory, “the person has the 'freedom to choose' the meaning that one prefers or likes.”

3.3 Internal Communication

The construct of internal communication was that it was the idea of utilizing the knowledge, strengths, creativity and ingenuity of all employees towards creating continuous improvement in the organization (work place) and enhancing the quality of the company's products and services.

3.4 External Communication

The researcher developed this construct on the basis of the definition given by Rudolf O. Large (2004). “There are a variety of factors that can influence an organization’s external communication; these factors include the quality and quantity of forms of external communication.”

3.5 Change in Perceived Organizational Performance

The construct of change in perceived performance, used in this study, means as to how the employees perceived organizational performance due to all of those organizational communication activities they had adopted in their organization. Its all about perceptions and
that varies from man to man and it was a product of all of socio-economic factors that form the percepts of an individual.

4. Method

Emphasis in this study was laid on provision of an explanation with regard to research design (sample size, survey, questionnaire development, description of instruments), details regarding the sample, research model and variables (Independent variables and dependent variables), hypotheses and response rate, chosen measurement instruments, means of data collection, and data analysis. Hence, the main objective of this chapter was to outline the steps followed in carrying out the research.

4.1 Pilot Study

To evaluate the results and validity of the instrument, 30 individuals were chosen from the subject organizations i.e Oil & Gas, Telecommunication and Banks. The data received was analyzed and found in order; therefore it was decided to proceed for the main study.

4.2 Sample

The sample for this study was drawn from Telecommunication sector, Banking Sector and Oil & Gas Sector of Pakistan. These sectors were selected for the sample because during last ten years growth rate and change rate was higher in these sectors as compared to other sectors in Pakistan. The platform which helped me to select the sectors and the organizations was the website of Islamabad Stock Exchange. This website contained all necessary information of the listed companies.

Study participants included first line managers. Five questionnaires each were distributed in every organization for minimizing the chance of ambiguity and bias. As all the thirty four companies responded back therefore the response rate was 95%. Sectors with such responses are given in Table 1
Organizations operating in twin city (Rawalpindi and Islamabad) were personally visited and the questionnaires were distributed to the HRM personnel of those organizations. The total companies covered in Islamabad & Rawalpindi were thirty four in number. Total sample size became 136 and I calculated the results by using Regression analysis and correlation on the collected data.

Table No 1: Sector wise Sample

<table>
<thead>
<tr>
<th>No.</th>
<th>Industry</th>
<th>Organizations No.</th>
<th>Questionnaires No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Banking Sector</td>
<td>17</td>
<td>68</td>
</tr>
<tr>
<td>2</td>
<td>Oil &amp; Gas Sector</td>
<td>10</td>
<td>40</td>
</tr>
<tr>
<td>3</td>
<td>Tech. &amp; Communication Sector</td>
<td>7</td>
<td>28</td>
</tr>
<tr>
<td></td>
<td>Total number of Organizations and Questionnaires.</td>
<td>34</td>
<td>136</td>
</tr>
</tbody>
</table>

4.3 Instrument and Measures

This study was conducted from very initial level because there was no data available prior to this research. Therefore a likert scale questionnaire was developed to find out impact types of organizational communication on change in organizational performance. Questionnaire included name of organization, life of organization in years, no of employees, as independent variable change in organizational performance and as dependent variable internal communication and external communication. From each three sectors, one organization was benchmark for their practices; like Union bank in banking sector, OGDCL in Oil and Gas sector, Mobilink in Telecommunication sector. The response rate of these questionnaires was
not low in the previous research studies conducted by (Takahashi, (2004); Hofstede, (1980, 1991); Calabrese (1975); Heath and Bryant, (2000)

Each scale was a 7-point scale with 1= strongly disagree to 7 strongly agree.

4.3.1 Internal Communication

Internal communication was measured by an instrument consisting of 12 items and the respondents had to specify the importance attached to the practice of the Internal communication tools and tests.

4.3.2 External Communication

External communication was calculated by means of an instrument having 04 items.

4.3.3 Change in Organizational Performance

The ‘Change in Organizational performance’ variable (measured by 4 items covered aspects like quality of products or services, growth in sales, profitability and market share. The items from the questionnaire were as under:

Compared to last 3 years performance of your organization, how would you compare your organization’s current year performance?

4.4 Procedure

In this research attempt “Convenience Sampling” (a form of Non probability Sampling) technique was used. This technique was used to make research process faster by obtaining a large number of completed questionnaires quickly and economically. Only listed companies having hundred employees with minimum three years of corporate life were selected for the study. The platform which helped us to select the sectors and the organizations was the website of Islamabad Stock Exchange. The website contained all necessary information of the listed companies. The postal addresses of the registered offices of the listed organizations were collected and later on questionnaires were posted to them.
Management science research studies had used surveys as methods of data collection many times in history. The same approach was followed because secondary data in that field was not available in Pakistan. Due to the shortage of time and limited budget, the researcher initially used mail survey for data collection. Through this method, the researcher collected 30 responses from the listed organizations, but a few problems reduced the response rate efficacy e.g. HR managers from different organizations were not quick in answering, therefore the data collection was slow. To cope up with this challenge, one to one interviewing method was started. Organizations operating in the twin cities e.g. (Rawalpindi and Islamabad) were personally visited and the questionnaires were distributed to the HR Managers/Executives of the organizations. As a result, the response rate became quicker with high quality. For making responses quicker and eliminating excessive traveling, telephonic interviewing method was also adopted. That method was comparatively more productive and through which we collected some 44 responses.

Descriptive surveys were sketched for providing a picture of the ongoing matters and relational surveys were developed for empirical analysis. This research attempt was relational for exploring association between organizational performance and HRM practices. For the survey, questionnaires developed consisted of 5 likert scale point, 5 for strongly agree and 1 for strongly disagree. Four times, it happened that the managers were not clear about the terminologies used in the questionnaire but that matter was solved through detailed explanation and by one to one discussion.

Much of the research conducted today provides an analysis of the strengths and weaknesses of communication, and stops there, leaving it up to you to determine which weaknesses to focus on and which strengths to leverage, making assumptions about how the actions one took impact the performance of the company.

Mostly in primary researches survey is considered the most effect practice. This research study was a relational for exploring association among internal communication, external communication and change in performance, at first step the relationship among internal communication, external communication and change in performance was analyzed, at second step the relationship among internal communication, external communication and change in performance were explored separately in selected three sectors.
At third step, impact of internal communication and external communication on change in performance was tested. The data included name of organization, life of organization.

For the tangible research work, information regarding name of organization, life of organization in years, number of employees, internal communication, external communication, interpersonal communication, intrapersonal communication and change in performance was collected from the first line managers. Managers were requested to respond to all questions up to the best of their knowledge with reference.

Before sending the questionnaires to the targeted companies, a pilot survey was circulated in three organizations from the selected sectors so that validity of the formulated questions could be checked. The employees were asked to rate positive statements about attitude in a likert scale from 1 to 7, where 1 meant that respondent completely disagreed with the statement; and 7 indicated the total agreement with the statement. The master questionnaire for the pilot survey included 30 questions and 3 background questions; the respondents were also asked to evaluate the wording and the understanding of the statements and the length and the depth of the questionnaire.

A pilot study was carried out among 12 employees from Oil & Gas, Banking and Telecommunication sector in order to test the questionnaire. Several employees highlighted the relevance of the questionnaire, as it was able to capture many different sides of being an employee. After the results were obtained from the questionnaire, an in-depth interview was held with these employees. As a consequence, the wording and essence of some questions were changed. The pilot study helped me to revise the questionnaire and prepared it for the final survey. In addition, three extra questions were added to capture the different aspects in which intrapersonal communication was revealed.

The questions were largely based on extensive study of literature (Rudolf O. Large, 2004; Ikushi Yamaguchi, 2009). The wording was adapted to the English linguistics and Pakistani cultural context. The results showed that only two questions from Interpersonal communication portions and one from external communication portions were ambiguous for
the employees. To eliminate that problem, the included questions were rephrased after getting requisite information from those employees.

The questionnaire was distributed among first line managers because they were those employees of the organization who were closer to field and labors and needed a slightly more communication and independence in their decisions as compared to other levels of the organization so they could better answer the questions of the portion of internal communication, external communication, interpersonal communication, and intrapersonal communication on change in performance.

5. Research Findings

The core aim of the research was to figure out relationship and effect among internal communication and external communication, change in performance of the organization and also what difference such aspects created by practicing in three different sectors of Pakistan. For that purpose, research had been originated from primary level onward and then data was tested through statistical tools. The chapter highlighted the important findings with comprehensive explanation.

5.1 Correlation

Correlation was a measure of the relation between two or more variables. Correlation coefficients could range from -1.00 to +1.00. The value of -1.00 represented a perfect negative correlation while a value of +1.00 represented a perfect positive correlation. A value of 0.00 represented a lack of correlation. The most widely-used type of correlation coefficient was Pearson r, also called linear or product-moment correlation.

Pearson correlation (hereafter called correlation), assumed that the two variables were to be measured on at least interval scales and it determined the extent to which values of the two variables are "proportional" to each other.

The correlation coefficient (r) represented the linear relationship between two variables. If the correlation coefficient was squared, then the resulting value (r², the coefficient of determination)
would represent the proportion of common variation in the two variables (i.e., the "strength" or "magnitude" of the relationship). In order to evaluate the correlation between variables, it became important to know "magnitude" or "strength" as well as the significance of the correlation.

5.2 Multiple Regression Analysis

The general purpose of Multiple Regression Analysis (the term was first used by Pearson, 1908) was to learn more about the relationship between several independent or predictor variables and a dependent or criterion variable.

Reality was complex. Often there might be several possible causes associated with a problem; and likewise there could be several factors necessary for a solution. Ordinary least squares linear regression was the most widely used type of regression for predicting the value of one dependent variable from the value of one independent variable. It was also widely used for predicting the value of one dependent variable from the values of two or more independent variables. When there were two or more independent variables, it was called multiple regression analysis.

5.2.1 Elements of Multiple Regression Equation

\[ Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + U \]

**Y** was the value of the Dependent variable (Y), what was being predicted or explained a (\( \alpha \) Alpha) has the Constant or intercept. The regression coefficients (or \( \beta_1 \ldots \beta_2 \) coefficients) represented the independent contributions of each in dependent variable to the prediction of the dependent variable. \( \beta_1 \) was the Slope (Beta coefficient) for \( X_1 \). \( X_1 \) First independent variable that was explaining the variance in Y. \( \beta_2 \) is the Slope (Beta coefficient) for \( X_2 \). \( X_2 \) Second independent variable that was explaining the variance in Y. U was the uncontrollable factor.

\( R^2 \) was a measure of association; it represented the percent of the variance in the values of Y that could be explained by knowing the value of X. \( R^2 \) varies from a low of 0.0 (none of the variance is explained), to a high of +1.0 (all of the variance is explained). F was whether the equation as a whole was statistically significant in explaining.
6. Data Analysis

Following Statistical tools were used for data analysis:

Table 6.1

<table>
<thead>
<tr>
<th>Frequency Distribution with Respondent to Gender (N=136)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency Percent</td>
</tr>
<tr>
<td>-------------------</td>
</tr>
<tr>
<td>Male</td>
</tr>
<tr>
<td>Female</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

Pie Chart 6.1

The Results showed that 72.10% respondents are male and 27.90 respondents are female.
Table 6.2

Frequency Distribution with Respondent to Education (N=136)

<table>
<thead>
<tr>
<th>Education Level</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under Graduate</td>
<td>3</td>
<td>2.00</td>
<td>2.00</td>
<td>2.00</td>
</tr>
<tr>
<td>Graduate</td>
<td>36</td>
<td>36.40</td>
<td>36.40</td>
<td>38.40</td>
</tr>
<tr>
<td>Post Graduate</td>
<td>97</td>
<td>71.30</td>
<td>71.30</td>
<td>100.00</td>
</tr>
<tr>
<td>Total</td>
<td>136</td>
<td>100.00</td>
<td>100.00</td>
<td></td>
</tr>
</tbody>
</table>

Pie Chart 6.2

The results showed that 2% respondents were undergraduate, 36.40% respondents were graduates and remaining 71.30% respondents were postgraduates.
Table 6.3

Frequency Distribution with Respondent to Age (N=136)

<table>
<thead>
<tr>
<th>Age Range</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>20 - 30</td>
<td>29</td>
<td>50.00</td>
<td>50.00</td>
<td>50.00</td>
</tr>
<tr>
<td>31 – 40</td>
<td>74</td>
<td>39.40</td>
<td>39.40</td>
<td>89.40</td>
</tr>
<tr>
<td>41 – 50</td>
<td>33</td>
<td>20.60</td>
<td>20.60</td>
<td>100.00</td>
</tr>
<tr>
<td>Total</td>
<td>136</td>
<td>100.00</td>
<td>100.00</td>
<td></td>
</tr>
</tbody>
</table>

Pie Chart 6.3

The results showed that 50% respondent’s age between 20 to 30, 39.40% respondents age between 31 to 40 and remaining 20.60% respondents age 40 to 50.
Table 6.4

Frequency Distribution with Respondent to Specialization (N=136)

<table>
<thead>
<tr>
<th>Specialization</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management</td>
<td>25</td>
<td>18.30</td>
<td>18.30</td>
<td>18.30</td>
</tr>
<tr>
<td>Marketing</td>
<td>15</td>
<td>11.01</td>
<td>11.01</td>
<td>29.31</td>
</tr>
<tr>
<td>Human Resource</td>
<td>54</td>
<td>39.70</td>
<td>39.70</td>
<td>69.00</td>
</tr>
<tr>
<td>Accounts and Finance</td>
<td>22</td>
<td>16.17</td>
<td>16.17</td>
<td>85.70</td>
</tr>
<tr>
<td>Information Technology</td>
<td>20</td>
<td>14.30</td>
<td>14.30</td>
<td>100.00</td>
</tr>
<tr>
<td>Total</td>
<td>136</td>
<td>100.00</td>
<td>100.00</td>
<td></td>
</tr>
</tbody>
</table>

The results showed that 18.30% respondent’s specialization was management, 11.01% respondent’s area of specialization was marketing, 39.70% respondent’s area of Specialization was Human resource, 16.17% area of specialization was accounts and finance and remaining 14.30% respondent’s area of specialization was information technology.
Table 6.5

<table>
<thead>
<tr>
<th>Position</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lower Level Management</td>
<td>45</td>
<td>33.08</td>
<td>33.08</td>
<td>33.08</td>
</tr>
<tr>
<td>Middle Level Management</td>
<td>91</td>
<td>66.91</td>
<td>66.91</td>
<td>100.00</td>
</tr>
<tr>
<td>Total</td>
<td>136</td>
<td>100.00</td>
<td>100.00</td>
<td></td>
</tr>
</tbody>
</table>

The results showed that 33.08% respondents belonged to lower management level while remaining 66.91% came from middle management level.

After collecting the data, we tried to plot it to see what degree of association the data had between two variables i.e. the spread and symmetry of data, identifying the outliers etc., and for that we had selected the technique of Scatter Diagrams.
7. Scatter Diagrams

The scatter diagram was developed so that intuitive and qualitative conclusions could be drawn between two variables. The scatter diagram proved as a useful tool for identifying a potential variation between variables. The shape of the scatter diagram presented valuable information about the graph. It showed the level of variation which could occur between variables.

The Scatter diagrams revealed that data collected on selected variables was positively skewed by some of the banks and telecom companies turned out to be outliers that showed distortion and variation in data.

It indicated that among individual HRM practices, the employee and organizational communication was also a very important factor, which led the organizations to a relatively high performance and ultimately to the higher market share. It also indicated that the employees in the organizations were allowed to take information to the cost and quality matters, they were asked by their supervisors to participate in operations related decisions, they were provided opportunity to suggest improvements in the way things were done and the individual and the organizations growth needs were matched in the organizations commonly.

8. Conclusion

Although this study discussed organizational performance with reference to organizational communication, it had actually integrated most of the significant management subjects under considerations into the judgment. The results of the study were derived from organizations of Oil & Gas, Banking and Telecommunication sectors of Pakistan. It made the conclusions more sector-oriented. The results of that study provided relatively strong support for the existence of a positive relationship among internal communication, external communication, and change in performance of the organization.

This research study was carried on in order to examine the impact of organizational communication (internal communication, external communication) and change in performance of the organization from the organizations of Oil & Gas, Banking and Telecommunication...
sectors of Pakistan. Here in this study, the organizational performance was measured by means of Quality of products or services, growth in sales, profitability, and increase in the market share of the organizations. It was an open secret that in Pakistan no empirical work had been done so far in human resource management especially in our area of research. Therefore it was an important and distinctive feature of this study.

The data also confirmed the association sandwiched among internal communication and external communication, and change in performance of the organization in Pakistan. The variables proved a positive relationship with each other.

Regression results indicates that there was positive relationship amongst internal communication, external communication and change in performance of the organization. The organizational communication had a positive and significant impact on the organizational performance which leads employees to perform much better as relevant to its competitors in the industry. Further, it was important that employees knew what was going on in a firm so that they could use the knowledge that resided in the organization to its fullest potential (Pfeffer, 1998). As a result, it was important that firms used information-sharing programs.
9. Recommendations

Empirical evidence appears to support the view that practices like Organizational communication can influence the organizational performance and growth. Organizations interested in the growth and in high performance must involve and inform their employees in decision making process in later stage for creating high level of employee job satisfaction, increasing their productivity, decreasing their turnover and increasing employee commitment.

Those organizations, which make effective use of different kinds and levels of business communication on a wider scale, can generate higher returns. Sometime, it happens that what employees know, management does not.

It is always true that employer cannot implement all the Organizational communication techniques immediately, it never works. Organizations had to implement them one by one so that employee can trust their employer.

The research provides proofs for the organizations that whenever the workforce is not informed and there exists a communication gap between them, productivity is adversely impacted. When an employee leaves the company, there are multiple effects. The first is the loss of that person’s skills and knowledge. The second is the loss of productivity of the organization. The third is the financial impact of replacing that individual. The fourth is the impact on employee morale; depending on the reason the employee who left the company.

It is particularly fascinating to probe human resources and the communications issues in firms. Management theory often seems to be constructed with the large conglomerates in mind, and it is interesting that the management theory favored in the firms depended in part on the training courses.

Management might be able to increase the level of commitment in the organization by increasing satisfaction with compensation, policies, and work conditions. One way of addressing this could be by increasing the interactions with employees in staff meetings and increasing guided
discussions of topics related to these issues. Employees could be interviewed to determine their perceptions of management’s ability to address these issues.

Changes in organizational variables, such as pay scales, employee input in policy development, and work environment could then be made in an effort to increase organizational commitment and decrease subsequent turnover.

Researchers on HRM and organizational performance have been trying to establish a link between good HRM practices and organizational performance and argue that firms should adapt them in order to increase their competitiveness. Amongst other things increasing job satisfaction, employee involvement and commitment, increasing employee productivity and quality initiatives are seen as central to the sustained economic performance.

Most of the Pakistani organizations do not see organizational communication as a driver of better employee performance; our research is indicating that this is one of the foremost contributing variables towards Job satisfaction.
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African Cultural Value System and the Dilemma of Bureaucratic Malfunctioning: Implications for Development in Africa

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Abstract
The failure of bureaucratic organizations is very much connected with issues of development since the bureaucracy is central to government’s policy formulation and implementation process. Fred Riggs (1964) in his prismatic theory revealed that administrative malfunctioning in the developing countries is as a result of the overlap of the administrative system with non administrative or cultural values of the society. Most scholars by application misinterpret this ecological influence to mean that African cultural values are incongruent to ideal bureaucratic features, hence the prominence of bureaucratic malfunctioning in Africa. This paper is a descriptive analysis of cultural elements usually described as African and how these affect the functioning of bureaucratic organizations and, by extension development in Africa. The paper acknowledges the view that cultural values affect the proper functioning of the ideal bureaucratic norms, but argues that the major problem of bureaucracy in Africa is not the so called incongruence of the bureaucratic norms with African/traditional cultural values or non administrative factors. It asserts that African cultural values rooted in communalism are amenable to ideal bureaucratic features. It is the failure of state-building project and the disarticulated imbibe of western cultural values by the governing and bureaucratic elites that is rather the problem. The paper recommends reintegrating fundamental African values such as communal morality and the traditional legal system which is prompt and more stringent as a technique of governmental and bureaucratic control. It also pinpoints to the preeminence of resolving poverty and unemployment issues before hoping to resolve bureaucratic malfunctioning.

Key words: Ideal bureaucracy, Communalism, Incongruence, Cultural transvaluation, Communal morality, Traditional legal system.
1. Introduction

It was Fred W. Riggs (1964) that popularized the application of ecology to public administration. His prismatic theory tried to explain why the principles of bureaucracy as described by Max Weber could not effectively be applied to developing countries. He preferred to describe the administrative system of a developing country as a ‘sala’ bureaucracy as different from the ideal bureaucracy of a developed country and the chamber of a traditional society. While recognizing these three social types and their respective administrative trademarks, Fred Riggs was not able to explain the nature in which change is admitted from one societal type to the other. It is this inability and the difficulty surrounding it that has shown that prescribing proper administrative functioning for developing countries is not as easy as prescribing healing therapy for the sick. Thus, most developing countries especially in Africa had embarked on numerous administrative reforms some of which are copied from more developed countries with little to show for it in terms of development.

It is not therefore, difficult to find a ready blame for this in the cultural values and non-administrative factors to which Riggs had alluded. Haque (1997: 442), for instance, states that ‘most developing nations have inherited or borrowed the Western administrative framework, although the patterns of their local cultures remain significantly different’. This paper tries to analyse the effect of key cultural values that are described as African on the bureaucratic functioning of bureaucratic organizations. Cultural values examined are rooted in the fundamental value of African communalism, the centrality of the family, respect for the old and communal morality. The paper is a theoretical analysis purely subsumed in critical analysis of documentary sources and data.

The paper is organized in four sections. The introductory section includes this introduction and the conceptual explication that follows. Section two examines key African cultural values. Section three discusses the African cultural values and the issue of bureaucratic malfunctioning which they are alleged to influence. Section four suggests ways of improving the functioning of public bureaucratic organizations as a prelude to national development in Africa and concludes the paper.
2. Conceptual Explication

The paper is buttressed on the nexus between the core concepts of bureaucracy and African cultural value system. We shall therefore explain the concepts of the bureaucracy and African cultural value system with emphasis on those aspects of it that are discussed in the paper.

2.1 The concept of bureaucracy

Bureaucracy is a confusing concept and has been subjected to many different interpretations. The word is a make-up of two words, ‘bureau’ and ‘cracy’ and literally means the rule of the office. In academic usage, the word is traced to a French origin and was said to have been first used by Vincent de Gourney in 1745. From France it spread to Germany in the 19th century and had since found its way into English and many other languages (Aghayere, 1999). At the early stage, the concept appears to have a pejorative meaning being used to refer to a form of government by officials characterized by their tendency to meddle and to exceed their proper functions. Broadly defined, it stands for ‘that apparatus of government designed to implement the decisions of the political leaders’ (Sharma and Sadana, 2007). It refers to ‘the administrative machinery, personnel of government at the federal, state and local levels and the corpus of rules and regulations that govern their behaviour’ (Okafor, 2005:67).

It was the German sociologist Max Weber who has given prominence to the concept of bureaucracy. Weber regarded bureaucracy as a universal social phenomenon and the means of carrying “community action” over into rationally ordered “societal action” (Sharma and Sadana, 2007). Max Weber’s concept of bureaucracy is concerned with outlining the characteristics of the ideal type from a functional point of view. His views probably championed the application of the concept to institutions rather than to officials employed in such institution.

Max Weber’s bureaucracy was a mental construct depicting an organization with certain features. It is an ideal type. While it is replicated in many organizations, its features are not fully realized in any existential bureaucracy. Thus, bureaucratic organizations are found not only in governments, but have penetrated much wider spheres of social life. Besides the state administration, armies, churches, universities, economic enterprises and political parties also have become bureaucratized.
2.2 Features of Max Weber's bureaucracy

As we have mentioned, Weber’s concern was to extract from the empirical world (i.e. existed or existing institutions) the central essential features that would characterize the most fully developed bureaucratic forms of organization. These features are usually separated into structural and procedural/behavioral characteristics.

2.2.1 Structural Features

The structural features include:

i. Specialized jurisdiction i.e. each office has a well defined sphere of competencies with duties clearly marked off from those of other offices. This is also known as division of labour.

ii. A hierarchy of authority: offices are ordered in a hierarchy; each lower office is under the supervision and responsibility of a higher one.

iii. A career structure: officials hold office by appointment (rather than by election) and on the basis of a contractual relationship between themselves and the organization. Appointment is based on merit or objective qualification.

iv. Permanence: Officials are protected from arbitrary dismissal and can expect to maintain office permanently until retirement.

v. Largeness: by implication, bureaucracy is a large organization (Rosenbloom and Kravchuk, 2002)

2.2.2 Procedural/behavioral features

These features explain the functional procedure or the expected behavioral pattern of bureaucratic officials. They include:

i. Impersonality or dehumanizing: this feature is considered by Weber as a special virtue because it eliminates irrational, emotional elements from the performance of officials. In other words, impersonality promotes objectivity and prevents favoritism, and discriminations.

ii. Rule-bound: bureaucracy operates according to formal rules that are in writing and can be learned. Activities are regulated by general, consistent, abstract rules.

iii. Authority: Authority is restricted to official duties. Beyond these, subordinates are not subject to their superiors. Thus, there is a complete segregation of official activity from private life. Relationship is as between desks or offices not personal.
iv. Officials are entirely separated from the means of administration hence they cannot appropriate their positions. Though for purpose of control, the head of a bureaucracy should be a non-bureaucratic official. While bureaucrats follow rules, he sets them; while bureaucrats are appointed, he usually inherits his position, appropriates it or is elected to it.

v. Highly disciplined: bureaucratic officials are expected to be highly disciplined. This is because they are bound by the bureaucracy’s rules and authority structure. They may be disciplined for rule infractions and insubordination (Rosenbloom and Kravchuk, 2002: 150).

Max Weber’s bureaucratic features are meant to achieve legal rationality, maximum efficiency, continuity, precision, predictability, expertise and reliability in organization. As portrayed by Sharma and Sadana, 2007: 334):

Weber claimed that purely from a technical point of view, bureaucracy is capable of attaining the highest degree of rationality and effectiveness because of these features. It is also superior to any other type of organization. Division of labour minimizes duplication of tasks and disciplines. Employment on the basis of qualification makes for a higher level of knowledge and more competent work. Rules not only save effort by standardization but also they eliminate need to find a new solution for every individual problem. They also spell calculability of results. Impersonality promotes objectivity and prevents irrational action, favoritism and discrimination.

Nevertheless, like Plato’s ideal world, the Weberian bureaucracy is not to be seen anywhere in practice. Rather, existing bureaucracies are imitations of this ideal bureaucracy. Bureaucracies are perverted in real life situation, even in the most advanced or developed countries of the world. But the closer any organization comes to displaying the ideal features, the more rational and effective it is likely to be. As a result of bureaucracy’s pervasion in real life situations, there are some inherent limitations of the concept. Scholars qualify these as the dysfunctional features of the bureaucracy.

2.3 Dysfunctions of bureaucracy

Bureaucracy is desirable, if the ideal features are realizable. But as a product of man, it invariably inherits man’s imperfections. It produces unintended, undesirable effects or dysfunctions. Victor Thompson (as cited by Hick and Gullet, 1975) describes these as
bureaupathology - a disease of bureaucracy. Sharma and Sadana (2005) observe that the list of dysfunctions of bureaucracy is so long, contributed by countless scholars and critics. Even Max Weber himself was top in the list of critics of the bureaucracy. The views of some scholars on the dysfunctions of the bureaucracy are as follows.

Weber discovers that bureaucracy gives births to new species of human beings. This is the species of “rationalistic expert incapable of emotion and devoid of will”. He is a person who is nothing but a little cog in a big machine. Thus, man’s social relations have been converted into control relations and technical means have replaced norms and beliefs of man concerning human ends (cited in Sharma and Sadana, 2007). Hick and Gullet (1975) consider rigidity, impersonality, displacement of objectives, limitation of categorization, limiting assumptions, self perpetuation, leveling effect, cost of controls and anxiety as the most important dysfunctions. Michael Crozier (1964) includes slowness, ponderousness, routine and complications, which cause frustration to the members, clients and subjects of an administrative organization. Robert Merton (1968) devoted great attention to the study of dysfunctional aspects of bureaucracy. His views summarized most of the views on dysfunctions of bureaucracy. For him, bureaucracy largely controls man’s social relations to the instrument of production; it entails the separation of individuals from the instruments of production; it, develops occupational psychosis or trained incapacity i.e. one’s ability functions as inadequacies or blind sport. This means that actions based upon training and skills which have been successfully applied in the past may result in inappropriate responses under changed conditions. It sees administrative actions as ‘experiments’ that are bound to produce the same results all the time without observing the uniqueness of each administrative situation; Adherence to rules becomes transformed into an end in-itself leading to goal displacement; Bureaucracy’s adherence to rules also develops into rigidity, inability to adjust readily, formalism and even ritualism; The in-group feeling of bureaucratic officials, i.e. feelings of mutual solidarity leads them to defend entrenched interests rather than to assist their channeled or elected higher officials; Bureaucratic officials resist change in established routines; Bureaucratic virtue of impersonality or depersonalization leads to stress and tension in several ways (Sharma and Sadana, 2007).

Raph, P. Hummel (1977), similarly, made a detailed study of the negative features of bureaucracy. He equally dealt with the bureaucratic effect on the individual and the society. For
him, socially, bureaucracy has cracked the unit of social relationships i.e. two people relating to one another in reciprocity and relative equality; it has trained us to look upward towards supervision. Culturally, we look to the superiors for the answer to the question of what is good or bad for us. Bureaucracy has made it impossible to maintain personal norms; it has destroyed the integrity of the individual by turning him into a being of dependency, subject to manipulation from outside. It has trained the individual to be mute and not talk back while becoming wide open to the imperatives flowing down the chain of command. In summary, “it is bureaucracy itself that had produced the kind of dehumanized human fragment- socially crippled, culturally norm-less, psychologically dependent, linguistically mute, and politically powerless.” (Hummel 1977: 220-221). Nachmias and Rosenbloom (1978) highlight inefficiency, unresponsiveness, apathy, corruption as the universal traits of the ‘ruling servants’ (this is Merton’s phrase for bureaucrats).

Karl Marx explains the socialist/ communist view of bureaucracy. All Marxists regard bureaucracy as tied to the capitalist state. Hence, it is a bourgeois phenomenon. For Karl Max, bureaucracy is a social force through which the interests of capitalism and the bourgeois are implemented. It therefore contributes to the alienation of the people. It contributes to the consolidation of class differences and of supporting the power of the ruling class (Sharma and Sadana, 2007). Though not a class itself, it is ultimately subordinate to the ruling class. As instrument of the dominant class, bureaucracy shrouds all its actions in secrecy which is preserved internally by hierarchy, and externally, i.e. against the community, by its nature. The way it interacts with the world is essentially manipulative.

The conclusive statement deriving from the bureaucratic dysfunctions is that the bureaucracy has flaws in every administrative and cultural setting and while cultural and societal values can worsen the occurrence of these dysfunctions, it cannot be said to be the only explanatory factor. Thus, even in the developed countries, administrative systems have suffered ineffectiveness leading to constant review and reforms. Another point worthy of mention here is that whatever the dysfunctions of bureaucracy, its relevance in the modern age is inevitable and necessary. It has continued to serve a useful purpose in modern large organizations. In spite of all criticisms and efforts to replace the bureaucracy, its characteristic features (both positive and negative ones) remain issues to contend with in all modern administrative system.
3. African Cultural Value System

The concept of African cultural value system is rooted in the belief that the people of Africa despite the obvious diversity and differences possess some unique culture and values that unify them. By culture is implied the dynamic and communicative aspect of social life (O’Donnell, 1981). It is the feature of a society that includes the complex whole of knowledge, belief, art, morals, law, custom, and other capabilities and habits acquired by man as a member of society (Tylor, 1972). In relation to the members of the society, culture signifies the distinctive way of life of such people. Igbo and Anugwom (2007) describe it as social heritage or social inheritance. In other words, it is learned through socialization as a member of the society and is shared. Hence the emphasis by O’Donnell that the central issue in culture is the creation and communication of meaning. According to Dwvedi (2001), culture is a system of values, beliefs, traditions and practices which structures and regulates the behaviour of individuals as well as of groups of human beings.

On the other hand, values ‘are products of the culture of a given people and the embodiment of their ideas about what is good or bad, desirable or undesirable’ (Igbo and Anugwom, 2007:64). As a product or element of culture, it implies that a people’s cherished values are influenced by their society. At the same time, values help to maintain and keep the society because they significantly include the people’s moral conceptualization. This functionalist view is traced to Emile Durkheim in his theory of social solidarity (see O’Donnell, 1981). As explained by O’Donnell, ‘social solidarity depends on basic moral consensus. Morality exists primarily to keep society together (466). African cultural value system therefore, refers to the cultural values of the African people. It refers to those cultural values cherished by Africans which has helped to keep their societies together. It becomes difficult to continue to regard as values those things that do not ensure social solidarity. For instance, the killing of twins used to be a cherished value in most traditional African societies. This is because twins are thought to be evil and portended danger for the existence of the society. But it will be anachronistic today to still regard the killing of twins as a cultural value in Africa. While the experience that led to this change of value might have come through association with the western society (Christian missionaries), it might be out of place to hold the value of not killing as western and that of killing as African. In other words there are values that are universal or ideal as long as man remains a rational animal.
We must also underscore that Africa is not a single social entity by any simple imagination. Thus rather than speak of African cultural value system, we should more properly talk of African multicultural value system. This is better articulated by the Wikipedia free encyclopedia (2008) when it avers that Africa is home to innumerable tribes, ethnic and social groups, some representing very large populations consisting of millions of people, others are smaller groups of a few thousand. Some countries have over 20 different ethnic groups. Above all, these various groups possess a culture (may be it will be more appropriate to use subculture) that is very different from that of the rest. The idea of African cultural value system is therefore hard to swallow by a critical mind because of the obvious diversity in cultural elements and social co-termination among African peoples.

There has been, however, a strong inclination among African scholars starting from the wake of nationalist movement against colonialism to propagate the unity of Africa including cultural and value issues. The idea originated with the Pan African movement which is a sociopolitical movement or philosophy that is based on the belief that African people share common bonds and objectives and thus must unite to achieve these objectives. According to MSN Home Encyclopedia Dictionary,

Pan Africanism developed as a reaction to the impact of European colonialism in Africa on peoples of African descent. In the mid-20th century, activists in Africa adopted Pan-Africanism as a rallying cry for independence from colonial rule. Some African Pan-Africanists sought to unite the continent as one independent nation.

The concept of African value system could therefore be traced to this desire for unity and belief in one Africa. It gave room not only for desire for political and social unity but also initiated the belief in cultural and value unity.

The second possible explanation for the belief in a common African cultural value system stems from the fact that most of the African peoples still live in societies that can relatively be described as traditional or at best transitional. As Riggs (1964) observes, there are three social types, each with unique characteristics. A traditional society whether western or African has some expected cultural manifestation. This is because the scientific knowledge available to it is limited and many of its cultural values are founded on superstition, ignorance and traditional dogma. Thus, to the extent that most African societies can be classified as traditional or transitional societies, they are bound to share in some characteristic features that are common in this social type. In this sense, even a western developed society was at some stage a traditional
society and had possessed these same features that are regarded today as African. A traditional society whether in Africa or elsewhere is bound to exhibit cultural patterns reflective of its level of development. Attesting to this view, Silhongonyane (2008:1) avers that

It probably suffice to indicate that the initial traditional standpoint of both African and Western values were similar among primitive societies. For instance, communal bonding was strong and the notion of the "nation as a family," the king and queen mother as father and mother of the nation respectively existed among other things.

It does seem therefore, that the conceptualization of an African value system derives from this traditionalism and the expected world view dependent on it. Most African nationalists in the likes of Nkruma of Ghana, Lepold Seghnor, Julius Nyere, Paul Bear and the rest propagated a philosophy of African thought and culture that was rooted on this communal bonding spoken of by Silhongonyane above. This is usually what is called African communalism or socialism. African communalism in its various aspects emphasizes the importance placed by the African to communal life. African communalism significantly contrasts with the individualism of western culture. The value of communalism therefore underscores the view that the individual or self is almost totally dependent on and subordinate to social entities and cultural processes. Communalism underscores the cooperative and collective value system of the African that contrasts with the unbridled individualism, fierce competitiveness and ruthless exploitation associated with the west. This value as noted interpenetrates all aspects of the life of the African. Hence it is an economic, social, ethical, political, religious and even a bureaucratic phenomenon. In other words, the community has a positive influence on the economic, social, ethical, political, bureaucratic and religious lives and behaviour of the African.

African communalism is related to the cultural value of the extended family and kinship relations. Again, we need to point out that the value of the extended family system could only be understood in relation to the features and complexities of the society in which it existed as a value. The traditional African society was based on a subsistence economy in which the extended family was acting as a wedge against the handicaps of the nuclear family. It was not only the source of economic support; it was the fundamental moral, educational and security authority for the individual, as there were no formal structures like schools, that could carry out those specific functions. Thus, the authority relationship in the society is based on seniority in the guise that the elders who had more experience as a result of age would equally have greater knowledge and wisdom, greater power to provide security and greater moral uprightness to guide
the youth. In developed societies where the government and its specific organizations have taken up these roles, the importance of the extended family has waned greatly, even in developing countries where the functions performed by these cultural institutions have been ineffectively taken over by the government.

It is unfortunately believed that these cherished African values are responsible for the corruptive tendencies of public officials and some bureaucratic mal-functional behaviours such as nepotism, ethnicity and other favoristic inclinations in personnel and other bureaucratic processes. It is not unusual to see scholars argue that part of the bureaucratic problems of developing countries to which most African countries belong arise from the importance attached to the traditional values of the society such as extended family, ethnicity and other sectarian attitudes. Aghayere (1999) for instance, argues that one of the common administrative patterns of all developing countries is the carry-over of deep-seated values from traditional past despite the adoption of non traditional social structures. He further explained that the value attached to status based on ascription rather than achievement explains much of this behaviour. Scholars that are in this class will likely attribute bureaucratic corruption and favouritism in personnel practices as arising from the particularistic tendencies driving from influences from cultural values.

Thus, the question is whether the dysfunctions of the bureaucracy in most African countries are as a result of these cultural values? In other words, to what extent does communalism, extended family system and respect for elders which are fundamental African cultural values underscored above contribute to corruption, ineffectiveness, nepotism, ethnicity and other bureaucratic mal-functional traits of Africa and indeed developing countries’ bureaucracies? Are the African values really incongruent to bureaucratic features as argued by some scholars? Are these values still relevant with the institutions and structures that are operative in the transiting societies of the present day Africa? Attempts to answer these and related questions constitute the core of this paper and are made in the following section.

4. African Cultural Value System and the Dilemma of Bureaucratic Malfunctioning

Most African nations are no more traditional societies. As Riggs (1964) explained, they are transitional or prismatic societies. This entails that they now possess cultural values that are significantly un-African and tend to resemble western cultural values than pure African ones. There is no doubt that in Africa as in practically all cultures, the increasing drive of civilization and complexities of social structures have given rise partly to a transvaluation and partly to a
reversal of traditional values. Certainly it has created additional values. Riggs’ rightly explained this factor when he described the administrative features of prismatic societies as heterogeneous and overlapping.

Prismatic theory is built on the assumption that there are three social types, namely, the traditional (fused or agraria), the developing (prismatic or transita) and the modern/developed (diffracted, refracted or industria). The three social types are viewed as being in a continuum with the traditional and modern societies occupying the extremes of the continuum and the prismatic/transitional societies as intermediate between the two polar extremes. Riggs believes that each of these types of societies have peculiar characteristics. It is not clear whether Riggs understands these as cultural values rather than administrative behaviours in various classified societies.

Diagrammatic Illustration of Riggs’ Three Social Types and their Features

Other scholars tend to qualify these as the cultural values of the societies. Haque (1997:443) for instance, identifies a number of studies that have favoured this belief. He writes that

There are sufficient studies which stress that cultures in developing societies are unique and have different sets of values such as ritualism, ascriptive norms, patron-client relations, reciprocity, caste structure, informal interaction, seniority-based authority, extended family, and collective responsibility…. The point here is that in regard to the nature of relationship between the cultural and administrative realms, there is considerable disparity in developing countries between the values that are immanent in their indigenous cultures and the values that are inherent in their borrowed bureaucratic models.

It is clear that most scholars have misinterpreted Riggs on two fronts in the issue of ecological influence on the administrative system especially as it concerns the prismatic societies to which most African countries belong. In the first front, many analysts tend to still regard developing countries as still retaining the cultural values of a traditional society. The traditional society is
described by Riggs as a fused society with characteristic features of ascription, particularism and functional diffusion. Riggs does not seem to identify this type of society with the developing countries even though he believes its features are important to understanding the administrative behaviour of developing country or prismatic society. Secondly, Riggs does not seem to equate these features as the cultural values of the various societies but the resultant administrative behaviours arising from whatever ecological (i.e. social-cultural, political, economic etc) peculiarity of these social types.

The features of a traditional society are ascription, particularism and functional diffusion. Ascription denotes the fact that roles are assigned or given not attained or achieved. The idea of ascription as meant by Riggs gives the impression that roles in such societies are performed by those to whom they have been given by tradition or any other factor that does not have to be considered meritorious. Particularism refers to the consideration of roles from one’s own self interest, group, sect or class, friends etc. It connotes the impression of sectionalism and favouritism in role assignment. The feature of functional diffusion refers to the idea of a person or organ/structure performing non-specific roles. For instance, in traditional societies, it is portrayed by a situation where an individual or a group performs legislative, judicial and executive duties of government. Allocation of roles and functions are not concise, clear-cut and determinate, and roles in themselves are not precise and distinct. As Riggs explains, “if a society is not at all differentiated, if there are no specialists, if everyone can do everything, then I call it a fused system”.

Analytically, these features tend to contrast with the African cultural values which have been discussed in the previous section. Particularism for instance semantically contrasts with communalism and the spirit of community that have been seen to be a fundamental cultural value among the traditional African people. Particularism more closely equates with the accepted western value of individualism. It is ridiculous to see how acquisitive tendencies arising from the western cultural value of capitalism and individualism have transformed to particularism which is now labeled a value of a traditional society. In this regard, Ofuebe (1995:66) reminds us that communalism as an African cultural value is not a selfish acquisitive character. Using the communal possession of land as an example, he recollects that

Land then was communally owed and everybody had access to it. There was the
The centrality of affiliational, filial and conjugal relationships in the supply of labour. Generally, people were not abrasively acquisitive, but cherish ceremonies and conviviality.

Also, ascription cannot be said to be a cultural value of an African traditional society for roles are given to the most capable in traditional Africa. Those who performed given roles were seen to be capable for it. The war commanders were men of valor and so with other assignments in the society. Weak kings were dethroned by stronger ones. During slavery, it was those considered weak that were sold rather than the strong. Assignments were usually given to the most capable and often through communal choice. Thus ascription, understood as giving assignment to those incapable or unqualified as evident in most bureaucracies in Africa cannot be perceived as being part of an African cultural value for ascription does not really represent a fundamental value of African culture. Merit and excellence is recognized in most African societies and that is why people like Okonkwor in Achebe’s Things Fall Apart would be given a title and also most assignments deserving a warrior of his kind.

The issue of functional diffusion can only be explained to the extent that most traditional societies are simple and less complex and thus have less roles to perform. It could be said that these roles did not exceed the necessary maintenance of law and order or performing rituals for the benefit of the entire society and not for individuals or classes. A government that has few roles to perform will likely have fewer structures to perform them. The point here is to show that most of these values which have been found to affect bureaucratic behaviour in Africa cannot be said to be part of the African cultural values.

What then is the source of these administrative behavioral patterns of African bureaucracies? Attempt to answer this question will bring us to the second front on which Riggs is misunderstood in his theory of prismatic society. Silhongonyane (2008) in his attempt to conceptualize the key factors of the African cultural value system contrasts it with the western. For him, the western cultural value system is atomic, individualistic, modernised and compatible with capitalist objectivised ideals, while the African cultural value system is trustee, communalistic and traditional akin to socialized ideals. The modern is associated with complexity, heterogeneity, differentiation, secularisation and technological advancement whereas the traditional is linked with underdevelopment, the primitive, simple, homogeneous, undifferentiated and supernatural influence. The Western family also has materialistic, scientific and secular values whereas the African values are communal, socialistic, sacred and magical.
Similarly, Riggs’ diffracted or modern societies are positioned at the other extreme of the continuum of the three social types. These societies refer to the modernized polities or developed/industrialized countries. They are societies where roles are highly differentiated and integrated. Their major attributes are achievement, universalism and functional specificity. Perhaps that is why the bureaucratic features of impersonality (universalism), division of labour (functional specificity), merit (achievement) and other such features that tend to agree with the described features of a developed country lead to the ethnocentric belief that bureaucracy is a western phenomenon. Though the development of modern bureaucracy is attributed to the rise of the money economy and nation states that started in the West, there is historical evidence that the bureaucracy had existed in other cultures before the modern dominance of the west. According to Weber,

Historical examples of rather distinctly developed and quantitatively large bureaucracies are: (a) Egypt, during the period of the new Empire which, however, contained strong patrimonial elements; (b) the later Roman Principate, and especially the Diocletian monarchy and the Byzantine polity which developed out of it and yet retained strong feudal and patrimonial elements; (c) the Roman Catholic Church, increasingly so since the end of the thirteenth century; (d) China, from the time of Shi Hwangti until the present, but with strong patrimonial and prebendal elements, (e) in ever purer forms, the modern European states and, increasingly, all public corporations since the time of princely absolutism; (f) the large modern capitalist enterprise, the more so as it becomes greater and more complicated. (cited in Wikisource, 2007)

Bureaucracy as Weber conceived it is an ideal which can be adapted to all cultures. In reality the western culture of individualism and acquisitive capitalist value system should be more detrimental to the workings of the bureaucracy rather than the African cultural value of communalism and sharing. We also dare say that we find in such developed societies the same tendencies that constitute dysfunctions to the bureaucracy such as rigidity, favouritism, corruption, use of partisanship and so on. Thus, it is not the incongruence of the bureaucratic norms to African cultural values that is the cause but a disarticulated imbibing of the western cultural values which must be distinguished from ideal bureaucratic features. The ideal bureaucratic features are meant to achieve legal rationality, maximum efficiency, continuity, precision, predictability, expertise and reliability in organizations as portrayed by Sharma and Sadana (2007). And rationality is an essential feature of all men, so are all other principles of the ideal bureaucracy.
Nwala (1980:296) remarks that

No one denies the fact that our traditional values (which includes our moral values) that was dominant before the colonial era of our history, has changed tremendously. In its place we have a new set of values based on modern society inherited from colonialism. The colonial period introduced a new economic structure which dramatically changed our whole outlook on life. Thus, the new economic structure transformed our traditional world into a new world.

The prismatic society/developing countries manifest features that are significantly a mixture of the characteristics of the traditional and the modern society. By implication, these societies have developed societal values that are unique and contrasts with what might be described as traditional African cultural values. Riggs describes these unique values with new terminologies that include heterogeneity, overlapping, ‘bazaar-canteen’, ‘polycommunalism’ and formalism. These values give a resultant administrative behavioural pattern of attainment, selectivism and poly functionalism. Okolo also submits that as the African passes from folk to urban society, from traditional to modern, urban and semi-urban life with its complicated money economy and other demands of an industrializing and urbanized society, his traditional values are bound to be affected. In some cases, old values disappear only to reappear as higher ones in a transvaluation of values; in other cases some traditional values suffer disruption, at times to the point of extinction; in yet other cases the African suffers a reversal of his traditional values; lastly, he creates altogether new values with consequent tensions. Tension is more obvious in a situation where the cultural transvaluation has not been gradual but was violently influenced by another.

We may further need to elaborate this point with the cultural value of the extended family again and the argument that it encourages corrupt tendencies, nepotism and favoritism in bureaucratic processes. It is pertinent to clarify that the extended family system does not signify a culture of dependence. It rather depicts a necessary social, economic and political functional necessity of the family in the life of the individual in absence of a higher social structure. Okeibunor (1995:233) observes that

The significance of the extended family ideology stems from numerous functions it performs for the society. These range from its exercise of some controlling authority over all its members to the actualization of mutual aid among members as well as labour exchange. People give more weight to the ‘mutual aid’ function while neglecting the ‘controlling authority’ aspect of its functions. It should be borne in mind that the extended family abhors and punishes
the moral lapses of its members. As Nwala (1980:297) further explained, ‘moral values of the traditional society were communal, that is to say, moral lapses of any member of the society became the concern of everybody. In fact the whole society, through its rituals, taboos, powerful public opinion and sanctions, tried to exercise strict control over the moral life of the community’. Today, the state has stepped into performing these duties and fails to either integrate the traditional mode or properly adapt the western system. Many people will go to court today to challenge sanctions meted out on them by their traditional social groups such as the extended family or kinship groups because that is where they will successfully delay justice or get free from it.

In the final analysis, it is tenable to say that African cultural values have increasingly given way to western values brought about by modernity. The cultural values of communalism, extended family and kinship relations and their attendant mode of social organization have been discarded by the elites in preference to western values of individualism, capitalistic acquisitive tendencies and competitiveness. Unfortunately, these have equally been improperly integrated and have been the real problem to proper bureaucratization in Africa and many third world countries. We therefore summarize our contention with the submission of Haque (1997:449) that

The preference of bureaucratic elites for Western lifestyles and cultural products is related to the erosion and impoverishment of indigenous cultural forms. In other words, for most developing nations, underdevelopment in the economic, political, and cultural realms cannot be isolated from the state bureaucracy characterized by its colonial origin, elitist nature, expansive power, interventionist tendency, foreign alliance, imitative values and indifferent attitudes.

Thus the major problem of bureaucracy in African states is not so much of the incongruence of the traditional African cultural values which are not antithetical to bureaucratic norms. It is rather the total abandonment of these indigenous values and inability to imbibe the authentic western values that would sustain the bureaucracy in a western culture by the elites. Haque (1997) rightly informs us that bureaucratic and other elites are often out of touch with the masses whom they want to change and modernize and thus become isolated from them. He refers also to the opinion of Olowu (1993) when he writes:

The biases of third world bureaucrats for the western rather than indigenous cultural forms and products become a motivational source for their corrupt behavior: they are induced to acquire additional incomes through corrupt means to maintain their expensive Western lifestyles. Thus while expansive state control over the economy provides these
bureaucrats an ‘opportunity’ for corruption as mentioned above, the biases for western lifestyles reinforce their ‘willingness’ to commit such corruption. (Haque, 1997)

In a similar opinion, Nwala (1980) categorically notes that the traditional values where they still linger has taken on a subservient and subordinate position to the colonially inherited value system and the yardstick for conduct is what we call modern ideas or values.

5. The Way Forward For Development in Africa

From the foregoing, we have pushed the thesis that African cultural values are not antithetical to bureaucratic norms which transcend any particular culture. Bureaucratic organizations and structure from all indications seem to develop in response to specific problems in historically specific circumstances (Omoleke, 2004). Such historically specific problems include the need to manage a large territory such as are constituted by today’s nation states and modern large organizations. Its necessity for the countries of Africa that have developed from small autonomous nations some of which were based on kinship or ethnic relations is a desideratum. It is however important to observe that these African states have not properly overcome the problem of nation-building and are thus a conglomeration of many social units with primordial bonds but forcefully bound by brute forces into a state. These new states have not properly taken over the roles performed for the individual by the primordial social groups of the traditional society and are therefore perceived as a competitor with one’s social group. The African personality therefore develops some techniques that will help him survive in the new situation he has found himself in which the emerging progeny of the communal social forces could not provide for his well being. He carries these new survival techniques which are in the main individualistic and selfish into the organizations of the new states.

It is therefore important that the first requirement for proper bureaucratization is to properly build the states in Africa in such a way as to attract the loyalty of member groups and individuals. African peoples respected their kinship groups and extended family that symbolized and carried out the role of the state in the traditional setting. Why has this respect and loyalty suddenly been lost in relation to the new states? This is significantly because the new states are seen as exploitative since the colonial times and have not been perceived to always act in the interest of the people. It is therefore obvious that the first approach to solving Africa’s bureaucratic failings would start with nation-building measures that secure the citizens loyalty.
and respect. Hence, the need to address issue of national membership of primordial groups or what is popularly known as national question in Nigeria must be addressed in most states in Africa to secure the loyalty of groups and citizens to the states and reduce the issue of polyfunctionalism and poly communalism. It is through this method that the communal spirit of the African formerly directed to the extended family, the kinship group, ethnic identity, caste or any of such social diversity could be extended to the state which has stepped into the shoes of these social groups. Communalism will continue to be a relevant value of the African as long as he is convinced that he is part of the commonwealth in the way resources are shared among groups and among social classes e.g. the rich and the poor.

Bureaucratic malfunctioning in Africa also was shown to be as a result of a cultural gap between the masses and the governing elites. The governing elites including the bureaucrats have totally isolated themselves from the masses and remain indifferent to their plight (Haque, 1997). They have imbibed the acquisitive character and individualism that drives from capitalism of the west. This behavioral attitude of African bureaucrats and governing elites were nothing but institutionalized colonial mentality and precept. As illustrated by Adamolekun (2006:195)

What existed in virtually all colonised SSA countries were imperfect imitations of the Weberian model. In particular, the colonial administrations in all these countries were not politically neutral because their loyalty to the colonial order was total and they were an integral part of the political executive. Furthermore, whenever expatriate commercial interests clashed with those of the colonised people, they were usually on the side of the expatriates. And instances of treating the inhabitants of the colonies with fairness and impartiality were the exceptions to the virtual triumph of unequal and discriminatory practices. Another illustration of the imperfect imitations of the Weberian model include the dilution of the merit system by the importance attached to the racial factor: the top administrative positions were reserved for citizens of the colonizing powers until the immediate years preceding independence.

It is therefore important to exterminate these institutionalized colonial exploitative and chauvinistic attitude that has manifested in various forms of patron-client practices. In other words there is need to eliminate all types of political and non merit based personnel practices in public bureaucracy. While this will likely engineer some political problems, it will only be for some time. When the gains of an impartial, capable and efficient bureaucracy begin to materialize, very few may continue to clamour for representation that disposes the bureaucracy towards excessive malfunctioning. Stopping the practice of patronage-based bureaucracy will
help to improve political and internal bureaucratic control and discipline since there will be less filial relationships, thus giving more room to impersonal relationships.

The government and all its structures lack control partly as result of poorly developed political structures that ought to be a driving force to all spheres of development including the bureaucracy. It is also partly as a result of the elites’ determination to preserve their selfish interests. Rules are sparingly enforced. This problem can be overcome by reintegrating the spirit of communal morality. Nwala (1980) rightly observes that moral values of the traditional society were communal, that is to say, moral lapses of any member of the society became the concern of everybody. Communal morality will be enhanced if government deals are made more open than secret. Also, the African traditional legal system is usually qualified as jungle justice. This bespeaks quickness in giving punishment to offenders and also meting out punishment that is commensurate to the offence. A situation where people who embezzled government funds or committed such heinous atrocities are left going about as if nothing has happened or at worse reassigned to another duty defies the African sense of punishment and retribution. More severe punishment should be meted out to poor and fraudulent performance. It is recommended that the African legal system that has been abandoned in favour of the western system should be reintegrated into governmental and organizational rules and regulations to promote quick and severe punishment for offenders. The progress currently sustained by some African countries like Ghana is attributed by some to be as a result of such stiff punishment meted out to some of her past leaders.

Finally let it be noted that economic factors are significant in bureaucratic malfunctioning in Africa. Unless and until most people in Africa are sure of their daily bread, sure of employment and social and economic needs, the issue of stopping corruption, nepotism and other patron-client behaviours that affect bureaucratic functioning will not abate. It could be argued that such behaviours are intuitively self defensive for any human being is ultimately survival instincts. Though bureaucrats are necessary as implementers of government policies towards the solution of Africa’s economic problems, it cannot be doubted that political leadership is prior and more fundamental. Hence, bureaucratic malfunctioning in Africa will be minimized through effective political leadership.
6. Conclusion

Bureaucratic malfunctioning in Africa and other developing countries is not substantially as a result of the perceived incongruence between the norms of the ideal bureaucracy and traditional cultural values. This paper has revealed that the behavioural forms of the bureaucrats and political elites in these countries resemble more the acknowledged western cultural values which have been selfishly imbibed by these elites for their selfish interest rather than those of the entire society. It is also revealed that the failure of the states to take over the roles performed by primordial social groups like the extended family, kinship groups and ethnic relations have continued to encourage the loyalty of citizens to these primordial groups. Most traditional cultural values of the African people founded on communalism are not incongruent to ideal bureaucratic principles, but have not been integrated as a substratum on which the bureaucracy rests. Developing civil service and indeed all bureaucratic organizations in Africa will therefore start with reforms beyond the bureaucracy itself. More fundamental among these is the issue of nation-building that redefines membership of groups to a state to secure the fundamental value of loyalty and patriotism that moralises roles in a state including bureaucratic performance. There is also the need to reintegrate fundamental African values such as communal morality and her traditional legal system as a technique of governmental and bureaucratic control. Finally, it is necessary to recognize that the economic environment is very important to the outcome of bureaucratic beahviour. Hence, it is premature to expect much from the bureaucracy as long as salary and motivation in most African civil service remain poor; as far as most citizens cannot find means of livelihood and as far as the state remains the major source of employment. It is therefore incumbent that political leadership must first of all resolve poverty and unemployment issues before hoping to resolve bureaucratic malfunctioning.
References


Abstract
The main objectives of the paper is to study the actual level of service quality in the nine selected commercial banks in Delhi by analyzing their scores as against the various service quality dimensions and to make a comparative analysis of the degree of service quality across Public, Private and Foreign banking sector operating in Delhi. The study has revealed that the foreign banks operating in Delhi provide better service quality , as compared to private and public sector banks . Citibank , ICICI Bank and State Bank of India (SBI) were perceived to deliver better services in their respective banking sectors . The point to worry is that public sector banks which account for over three-fourth of banking business in the country have failed to adequately satisfy their customers. Their Cumulative Service Quality (SQ) Score of 49.94 was found to be much below the expected score of 54.0. On the other hand, there is a close competition between the private sector banks (SQ of 69.77) and foreign banks (SQ of 72.33) for gaining the largest market share by providing excellent service.

Keywords: Comparative Analysis, Service Quality , Commercial Banks , Delhi

1. Introduction
The conceptualization and measurement of service quality have been the most debated and controversial topics in the services marketing literature to date. Perceived Service quality may be defined as the evaluation by the customers towards the overall excellence or uniqueness of the service rendered . Providing quality service for a commercial bank would mean the art of identification of customer’s needs and excelling at them. Various committees have been appointed from time to time to study service quality in banks and to provide concrete recommendations. Previous research has identified a number of critical factors that affect service quality in financial services . High level of service quality is associated with several key organizational outcomes including high market share (Buzzell and Gale , 1987) , enhanced customer loyalty( Zeithaml, Berry and Parasuraman, 1996) and improved profitability relative to
competitors (Kearns and Nadler, 1992). One of the measure of service quality is in terms of its perception by the service takers (customer), and this is utilized in this study with the use of Rust & Oliver (1994) Three Component Perceived Service Quality Model.

2. Theoretical Background

Service delivery and Customer delight is probably one of the most debatable issues gripping the banking industry in our country. Quality in financial services sector has gained paramount importance by the increasing marketing profile of bank branch operations over time. The thrust on efficient customer service has increased manifold with the onset of competition from private players and the initiation of banking reforms in India since early 1990’s( Narsimham Committee). Service industries are playing an increasingly important role in the overall economy. The Indian banking is an essential component of the service industry. The share of banking and insurance within the service industry has burgeoned from 2.78 % of GDP in 1980-81 to 12.27 % in 2007-08. Interest in the measurement of service quality is thus understandably high and the consistent delivery of superior service is the strategy that is increasing being offered as a key to service providers (like banks) to position themselves more effectively in the market place.

Service is an invisible offering which is dependent on and inseparable from the person who extends it. Services in Indian Banks are mostly branch-based in the public Sector banks, while the Foreign banks are making strides into full scale technology enabled banking(like Net Banking). Banking services constitute a hybrid type of offering that consists of both tangible goods (like loan schemes, interest rate paid, kinds of accounts) and the intangible services (like behavior and efficiency of the staff, speed of transactions, the ambience).

The conceptualisation and measurement of service quality have been the most debated and controversial topics in the services marketing literature to date. There is no generic definition of service quality and one can find quality defined as excellence (Garvin, 1984); value (Cronin and Taylor, 1992); Conformance to specifications (Garvin 1988) and meeting customers expectations (Parsuraman et.al. 1985; Gronoos, 1990). Service quality is an elusive and obstruct construct that is difficult to define and measure (Brown and Swartz 1989). Perceived Service quality may be defined as the evaluation by the customers towards the overall excellence or uniqueness of the service rendered. Providing quality service for a commercial bank would mean the art of
identification of customers needs and excelling at them. One of the measure of service quality is in terms of its perception by the service takers (customer), and this is utilised in this study with the use of Rust & Oliver (1994) Three Component Perceived Service Quality Model (discussed later, Fig.1)

3. Objectives of the Study

The main objectives of the paper are:

i. To throw light on Indian banking and some of the studies on quality of banking services in India.

ii. To present a conceptual overview of the Three-Component model of Service quality as suggested by Rust & Oliver.

iii. To study the actual level of service quality in the 9 selected commercial banks in Delhi by analyzing their scores as against the various service quality dimensions.

iv. To make a comparative analysis of the degree of service quality across Public, Private and Foreign banking sector studied

4. Indian Banking – An Overview

The Indian banking industry can be segregated into 3 distinct segments- Public sector banks (27 in number), Private banks and the Foreign Banks. Bank branches are service providers (Antreas p. 300). As on September 2008, there are 26,62,125 branches/offices of schedule commercial banks, as against only 8,187 at the time of nationalisation (December 1969). As per RBI statistics (2008-09), there are 82 commercial banks operating in Delhi out of which 27 are in public sector, 31 in private sector and remaining 24 are foreign banks. As on March 2000, the total banks deposits in Delhi was Rs.19,05,382 crores as against Rs.125,50,705 crores in the all Indian scheduled commercial banks deposits. The number of accounts and the amount outstanding (as per sanction) in Delhi was 39,75,463 and Rs.514,273 crores as on March 2009 [Source: RBI, Banking Statistics, Various issues].
5. Literature Review

Previous research has identified a number of critical factors that effect service quality in financial services. In Oslen (1992), the survey based report concludes with the three dimensions of service quality which are design quality (existence of available tangible and intangible infrastructure for proving the service); the production quality (the readiness and quality of the staff) and process quality (the ability of the staff to provide the service in a better fashion). In order to develop greater understanding of the nature of service quality and how it is achieved in an organisation, a service quality model was developed by RUST & OLIVER (1994) called The Three-Component Service Quality Model (discussed later), which is surveyed on few selected banks in Delhi. Rust and Oliver do not test their conceptualisations, but support has been found for similar models in retail banking (Mc Dougall and Levesque 1994). The study is primarily intended to measure the service quality across the three banking sectors – public, private and foreign and scope is limited to the 9 sample commercial banks in New Delhi.

6. Banking Services in India – Some Studies

Various committees have been appointed from time to time to study service quality in banks and to provide concrete recommendations. The Banking commission appointed Saraiya Committee in 1972 which provided 77 recommendations, followed by Talwar committee (1975) with 176 suggestions and Goipuria Committee (1980) which studied the causes of below-par customer service in banks and suggested 97 recommendations for improvement of work culture in Indian banking.

A nation wide survey on the 27 public sector bank’s Customers Service conducted on 3rd January 1997 by IBA (Indian Banker’s Association) provided useful findings. The western Region of our economy showed excellent results with 26 banks providing “A” rating (above 75% quality & satisfaction) service followed by Southern and Northern region (which includes our field of study- DELHI) with 22 and 21 banks in “A” category respectively. In terms of quality standards and customer satisfaction, the central region was lagging far behind with only 1 bank in “A” group and majority in “B” category (60-75% satisfaction).[Source: IBA Bulletin, March 1997, Pg.125] (“A” rating denotes above 75% customer satisfaction, “B” and “C” Rating refer to 60-75% and below 60% satisfaction, respectively)
Similarly an All Indian Survey conducted by the National Institute of Bank Management (NIBM) covering 90,000 households and 10,000 institutions on behalf of IBA provided two eye-opening lacunas in Indian banking. Firstly, many customers respondents expressed dissatisfaction over the delays in collection of cheques and other instruments. Secondly, the banking sector has not effectively adopted any promotional strategy on the various schemes and products offered by the banks. A recent Study conducted by Sangeeta Aurora & Minakshi Malhotra(1997) concludes that Routine operation factors (like Cash withdrawal time, time in opening account, etc) and Staff factors (staff attitude, knowledge of staff) are the activities of highest satisfaction among customers of both public sector banks and Private sector banks, receptively. On the other hand, Interactive factors (banker-customers) and Situational Factors (Location of the bank) are least satisfying in public sector and private banks, respectively.

7. Three-component Service Quality Model

As part of the study, we adopt Rust and Oliver’s (1994) view that the overall perception of service quality is based on the customers evaluation of the three dimensions of the service encounter: (see Fig. 1). They are

i. The customer-employee interaction, called the Functional Quality (FQ) [see Gronroos 1982, 1984] This aspect refers to the service delivery of the staff to the bank customers.

ii. The service environment, called the Environment Quality (EQ) [see Bitner, 1992]. This refers to the tangible and intangible infra-structure that support better service delivery.

iii. The outcome (service product) also called as Technical Quality (TQ) [see Gronroos 1982, 1984 and figure 2]. This measures the product quality offered and relates to the tangible benefits which directly effect the bank customers.

( Oliver, 1997) [that defines perceived service quality as a combination of Technical Quality & Function Quality], and the recent evidence that the service environment effect service quality perceptions (Baker 1986, Spangenberg, Crowley & Henderson, 1996), a framework that incorporates these three dimensions is justified.
8. Sample for the study

The sample consisted of 600 respondents who are customers of 9 different commercial banks in Delhi. 210 customers from public sector banks in Delhi, 210 from private bank and remaining 180 from foreign banks were contacted at the bank premises for survey purpose. Three banks from each category (public, private and foreign banks) were chosen that have wide geographical coverage in Delhi.

*The banks selected are:*

- *State Bank of India (SBI), Punjab National Bank (PNB)*
- *ICICI Bank, HDFC Bank & Karur Vyasa Bank (KVB)*
- *Citibank (CITI), HSBC & Bank of America (BOA)*

To make the study comprehensive and to provide generalizations, a minimum of two branches of each of the above 9 banks were visited. Table 1 gives the details of the sample selected. The study is based on non-probability, convenient sampling held during the period covering July 2008 to December 2008. The average age and banking tenure (number of years as customers of the bank) of the sample was 36 and 6 years respectively. 156 out of the 600 respondents were females.

9. Measure of Service Quality

For the purpose of determining the Service Quality Level, the study is based on Rust & Oliver’s (1994) Three-component Model of SERVICE Quality. The Three components and the respective measurement dimensions (Statements & their No.) under each are listed below:

- **Technical quality** (Statement 1 to 5)
  - i. The bank offers a variety of attractive loan schemes which are easily sanctioned.

- **Functional Quality** (Statement 6 to 13)
  - ii. The service fee charged by the bank is quite nominal relative to other similar financial institutions
iii. The interest paid on saving and deposits is attractive enough to retain customer’s loyalty.

iv. The bank branch has adequate provision of locker facility.

v. The publication and advertisements about the bank and its products are high enough to adequately spread consumer awareness.

vi. The customers does not have to wait for long while withdrawing money.

vii. The time taken in opening an account (of any kind) is very less.

viii. The bank employees are always available at their respective counters.

ix. The customers are always welcomed with a smile and made to feel as special.

x. The bank offers hassle-free, error-free processing of all transactions to the utmost satisfaction of customers.

xi. Whenever a customer is dissatisfied, the complaint is solved within 24 hours.

xii. The bank staff is highly knowledgeable regarding bank services and are always ready to extend a helping hand.

xiii. The bank timings are highly convenient.

xiv. The inside ambience and the layout of the bank is eye-catching, with adequate sitting facility.

xv. The parking space outside the bank is large enough to avoid any discomfort.

xvi. The number of transaction processing terminals is large, which reduces waiting time.

9. Methodology

The study is based on primary data obtained through a well-designed questionnaire. The questionnaire consisted of the 18 service quality statements – 5 each on Technical (TQ) and Environment(EQ) dimensions and 8 on functional quality(FQ) dimensions. The customers were required to mark their response for each statement on the Likert Scale (range 1 to 5) where “1”
referred to “Mostly Disagree” and “5” meant “Mostly Agree”. The total minimum score for a bank would be 18 [i.e., 18 statements x 1(minimum score)] and maximum would be 90 (18x5). The possible range of service quality therefore would be from 18 to 90.

The actual mean score for each bank against all the 18 service quality dimensions were calculated. (see Table 2). Successively, the average score for each service quality component (TQ, FQ, EQ) was arrived for each banking sector. Finally, the cumulative service quality score (SQ) for each sector (public, private and foreign) was computed and compared for further analysis. Symbolically, \( SQ = TQ + FQ + EQ \). Table-3 gives the Service Quality (SQ) scores for each of the 3 banking sectors, and also the weighted average score for the 3 components across the 9 banks sampled.

10. Analysis of Data

The analysis of service quality standards in the study can be done on two levels:

i. Studying the average score of each bank and their scores against each service quality parameter/dimension. (Table-2)

ii. Analyzing the weighted mean score for each of the 3 components of service quality for each banking sector. (Table 3).

Results

Table-2 shows the actual Mean scores for each of the 9 banks as against the 18 service quality dimensions (statements). We analyze each individual bank and the respective banking sector on the Three component service quality model.

10.1 Public Sector Banks

As seen in Table-2, the State Bank of India(SBI) has moderate SQ score of 2.61, followed by CORP (2.53) and PNB (2.35). All the 3 banks have performed relatively better on product quality (Technical quality-TQ) dimension with score of 2.76, 3.05 and 2.8 for PNB, SBI and CORP respectively. The service delivery (functional quality-FQ) is far from satisfaction in public sector banks and the worst performer is PNB (1.93) with the lowest score on each dimension of functional quality. Environment Quality is not very satisfactory either.
10.1.1 Product Quality (Technical Quality)

As shown in Table 3, the mean score for public sector banks operating in Delhi is 14.35(TQ) that is below the expected score (15.0). While the customers are moderately satisfied with service fee charged by the public sector banks and “Locker facility”, much needs improvement in “Bank’s advertisements and publications”. SBI is currently having its in-house journal- SBI Monthly Review. PNB has got least rating in 4 out of 5 technical dimensions and this will surely bother the bank in the long run. The “interest paid on deposits” is barely satisfying as evident from below average (<3.0) scores for each banks; but ‘service fee charged’ has score above average (> 3.0) for the banks.

10.1.2 Service delivery (Functional Quality)

A pathetic below average score of 17.44 against the expected mean of 24.0 is quite revealing of the bad state of affairs in public sector banks. Corporation Bank (CORP) is still better with score of at least 2.0 on each dimension (except 1.8 on “making customer feel special”); but Punjab National Bank (PNB) has scored least (<2.0) in most of the quality standards regarding service delivery. “Error free processing” has managed to be rated above average (>3.0). The waiting time to open account or withdraw money is perceived to be very high, and the bank employees are sometimes not available at counters (1.8 for PNB; 2.05 for SBI; 2.1 for CORP). The knowledge level of the staff and their helping tendency needs to be improved. (1.2 for PNB , 1.45 for SBI , 2.15 for CORP)

10.1.3 Service Environment (Environment Quality)

Table-3 show that public sector banks have below average score of 13.15 (<15.0) for Environment Quality. CORP is observed to be least performing on adequate parking space (2.0), on the extent of measure computerization (3.5), location of bank branches (2.4) and number of processing terminals (2.4). SBI is perceived to have relatively wide network of branches at prime locations (2.9) and large number of transaction processing terminals (3.0). PNB has moderate ratings on each dimension with average 2.62 on Environment Quality.
10.2 Private Sector Banks

Table-3 shows that private banking is perceived to be conducting satisfactory business with above average score of 69.77 (>54.0) on the overall service quality scoring.

10.2.1 Technical Quality

With a cumulative score of 18.35, the private banks have performed better than public (14.35) and foreign banks (17.7) on this measure. ICICI Bank has garnered 3.99 score with above 4.0 score on three dimensions – interest paid (4.15), provision of locker facility (4.25) and bank’s publication and advertisements (4.25). HDFC bank is closely inching towards ICICI with a minor lag in each dimension, averaging to 3.77. Karur Vyasa Bank has failed on two dimensions (below average score) – i.e., attractive, easily available loan schemes (2.9) and locker facility (2.1)

10.2.2 Functional Quality

The service delivery is quite satisfactory with the actual mean score of 4.04 (table 3) with again ICICI bank (4.18) leading the other banks. Both ICICI and HDFC bank have managed to obtain above 4.0 score on each service delivery standard except for two – waiting time for withdrawing money (3.7 for ICICI; 3.6 for HDFC) and bank branch timings (3.9 for ICICI; 3.8 for HDFC). The bank staff is relatively superior on knowledge and are of helping tendency; and the customer complaints, if any, are safely handled (above 4.0 score for each bank). The private banks have been successful in providing hassle free error free processing (above 4.5 for each bank). Karur Vyasa Bank was perceived to take relatively longer time in (4.25) opening customer’s account (3.7) and falling short of ICICI in terms of making customers feel specials (3.5).

10.2.3 Environment Quality

On this measure, the private bank have a cumulative score of 19.1 (above the expected – 15.0). The wide networking and location of bank branches is not very satisfactory (3.9 for ICICI; 3.7 for HDFC; 3.1 for KVB). The banks have definitely improved their inside ambience and
parking space, as compared to public sector banks. But table-3 shows that the foreign banks (Citibanks e.g.) have excelled on the above dimensions with score of above dimensions with score of above 4.0. Owing to the metropolis demographic of Delhi, parking space may be a constraint but the interiors can definitely be improved. The computerization and number of processing terminals are perceived to be superior for ICICI and HDFC bank with score of above 4.0. Karur Vyasa Bank needs to excel at bank layout and sitting facility (3.25) in near future.

10.3 Foreign Banks

The foreign banking sector witnessed an overall cumulative SQ score of 72.33 (highest amongst the 3 banking sectors) with Citibank leading the lot by average overall mean score of 4.29, followed by HSBC (3.91) and Bank of America (3.85)

10.3.1 Technical Quality

Citibank was the leading provider of superior product quality (avg. of 4.20) with the best scores (across all banks, see table 2) against each of the five technical quality standards. HSBC was perceived to offer a moderate quality (3.26) with the average score hovering above 3.0 for all dimensions except “facility of Locker” (2.50). Bank of America had the same story with locker facility obtaining least score (2.1) across all banks sampled. Availability of easy loans schemes, service fees charges and interest paid in foreign banks were rated comparable with private sector banking.

10.3.2 Functional Quality

Unlike technical quality, the service delivery component in foreign banking is quite satisfactory with cumulative score of 34.48, and individual bank score of above 4.0 (average) for each foreign bank sampled (4.46 for ICICI; 4.27 for HSBC; 4.20 for BOA). The highest scores was obtained by Citibank on 6 out of 8 service delivery standards. Unlike the public sector bank, the customers in foreign banks are relatively welcomed with a smile and made to feel special (4.55 for ICICI Bank). Bank of America was perceived to take relatively (with ICICI, HSBC) longer time in opening account (3.95). Customer complaint is handled well as evidenced from above 4.0 score in all three banks. The point to note is that, unlike other sectors foreign banks employee
staff have good knowledge base and have helping attitude (4.50 for ICICI) and are responsible enough to be available at counters most of the time (4.55 for ICICI).

10.3.3 Environment quality

The foreign banks in Delhi are perceived to provide service environment with cumulative score of 20.15 (see Table-3). HSBC is perceived to provide highest quality (among all 9 banks) with respect to “inside ambience and sitting facility” (4.2). Citibank has above 4.0 rating on all service environment dimension and leads all bank in terms of its wide network of branches & ATMs situated at prime locations (4.2). The degree of computerisation is on par with the private banks studied. The inside ambience of bank branch and the sitting facility is definitely better than private sector banks operating in Delhi and Citibank has above 4.0 rating on all service environment dimensions and leads all banks in terms of its wide network of bank branches and ATMs, situated at prime location in Delhi (4.2). The degree of computerisation is on par with the private banks studied. The inside ambience of bank branches of bank branch and the sitting facility is definitely better than private and public sector banks (see Table –2). Both HSBC and Bank of America has comparable ratings with Citibank except on two parameters, i.e., “parking space” and “the number of processing terminals”. On both these factors, Citibank scores above 4.0 while HSBC rate below 4.0.

In the overall Analysis, the foreign banks in Delhi are perceived to deliver superior service Quality, totalling to cumulative SQ score of 72.3 with Citibank being the best with average SQ of 4.29. Private banking comes second (69.77) although they are perceived relatively better on technical quality dimension (18.35); but the difference is not large. Public sector banking in Delhi was perceived to deliver lowest service quality (44.94), far below the expected score of 54.0 (see Table-3). Punjab National Bank has performed miserably on the service delivery front (FQ). Table-3 shows that private banks have excelled in technical quality (18.35), while foreign banks have topped in both functional (34.48) and environment quality (20.15).

11. Conclusion

The study has revealed that the foreign banks operating in Delhi provide better service quality, as compared to private and public sector banks. Citibank, ICICI Bank and State Bank of India (SBI) were perceived to deliver better services in their respective banking sectors. The point to
worry is that public sector banks which account for over three-fourth of banking business in the country have failed to adequately satisfy their customers. Their Cumulative SQ Score (49.94) is much below the expected score of 54.0. On the other hand, there is a close competition between the private sector banks (SQ of 69.77) and foreign banks (SQ of 72.33) for gaining the largest market share by providing excellent service. A more in-depth, comprehensive study on a larger sample can provide generalized conclusions.

Our study achieves three important objectives. First, it consolidates multiple service quality conceptualization into a single measuring framework. Secondly, it probes into the customer’s perceptions of service quality in Delhi, the country’s Capital City. Thirdly, the study has measured service quality in banks under three established components (TQ, FQ, EQ) of Service. These advances and analysis are particularly significant because a high level of service quality is associated with several key organizational outcomes including high market share (Buzzell and Gale, 1987), enhanced customer loyalty (Zeithaml, Berry and Parasuraman, 1996) and improved profitability relative to competitors (Kearns and Nadler, 1992).
References


Annexure

Table 1. Sample Distribution

<table>
<thead>
<tr>
<th>Public sector bank</th>
<th>State Bank of India SBI (70)</th>
<th>Corporation Bank CORP (70)</th>
<th>Punjab National Bank PNB (70)</th>
</tr>
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<tbody>
<tr>
<td>Private Sector Banks</td>
<td>ICICI Bank ICICI (70)</td>
<td>HDFC Bank HDFC (70)</td>
<td>Karur Vyasa Bank KVB (70)</td>
</tr>
<tr>
<td>Foreign Bank</td>
<td>Citibank CITI (60)</td>
<td>HSBC (65)</td>
<td>Bank of America BOA (65)</td>
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</table>

✓ Total sample size – 600
✓ The figures in parenthesis show the number of bank customers chosen from each bank.
### Table-2: Nature of Service Quality in the Indian Banks

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<tr>
<th>St. No.</th>
<th>Public Sector Banks</th>
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</tr>
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</table>

# St.No- Statement Number (See- Measures of Service Quality)

**TQ** - Technical quality ; **FQ** - Functional Quality ; **EQ** – Environment Quality ; **SQ** - Service Quality ; * - Lowest Score ; ♫ - Highest Score

### Table-3: Service Quality in Indian Banks- The Overall Picture

<table>
<thead>
<tr>
<th>Quality Dimension</th>
<th>No. of Items</th>
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<th>Actual Score</th>
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<td></td>
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<td>14.35</td>
<td>18.35</td>
</tr>
<tr>
<td><strong>FQ</strong></td>
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<tr>
<td><strong>EQ</strong></td>
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<td>13.15</td>
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<tr>
<td><strong>SQ</strong></td>
<td>18</td>
<td>54</td>
<td>44.94</td>
<td>69.77</td>
</tr>
</tbody>
</table>
Impact of selection, training, performance appraisal and compensation on employee performance
A case of Pakistani telecom sector

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Abstract
In the fast growing telecom sector there are 6 big players offering services with stratagem and always looking for faster growth through employees’ performance by all the means. In current study we analyzed the effect of a set of four HR practices namely Selection, Training, Performance appraisal and Compensation on employee performance. Results highlighted that all the tested variables are positively correlated but correlation of compensation (0.67) and training (0.66) are highest respectively.

Key Words: Pakistan, Telecom sector, Selection, Training, Compensation, Performance appraisal, effectiveness, efficiency

1. Introduction
The Pakistani Telecom industry has seen tremendous growth in recent years. To benefit from growing market, telecom companies constantly require right people for the right Job with an ever increasing rate. To attract, retain and add to share holder value innovative Human Resource Management practices are required to be implemented.

We are living in an era where the business world has become a village and the business organizations are facing cutthroat competition from around the globe. One of a source of competitive advantage for any business is its human resources (Becker & Huselid, 1998). When
it comes to developing nations like Pakistan the role of human resources is visible only in those organizations which are either knowledge organizations or are technology intensive organizations. One sector which has shown tremendous performance can be attributed to its use of technology made possible by its competitive and innovative Human Resource practices is the telecom sector.

In today’s knowledge organizations (telecom service provider are good example of such organizations), where value is locked in the heads of the work force, best HR practices only can ensure continued success of business organizations. In developing economies like ours, best Human Resource practices are a recent phenomenon. Most of the firms follow Human Resource practices to the level of compliance of the law of the land.

After deregulation of the sector, it has attracted FDI of US $ 3255.1 million. In first quarter of 2007, US $ 878.1 million has been added to the sector. Total FDI was US $ 1989.5 million for the period. Thus telecom sector alone attaracted 44 % of the total FDI for first quarter of 2007. During 2006-2007 total Telecom revenue was Rs.236 billion and the over all teledensity of Pakistan reached 45 in December 2006-07. Despite very difficult time of Pakistan Economy teledensity raised from 45% in 2006-07 to 58.8% in 2007-08 although this jump was much bigger in 2006-07 compared to 2005-06. Similarly the revenue of Cellular Sector being the engine of telecom sector was 35% during 2007-08 as compared to 48% in 2006-07.Main reason for the decline be due to the financial crunch ,imposition of new taxes and the blocking of SIM by PTA . Comparatively the total share of telecom sector in FDI for the year 2001-02 was US $ 6.1 million which was 1.26% of total FDI for the whole financial year During 2007-08 telecom sector made US$ 1.4 billion FDI which is about 30% of the total FDI of the country showing tremendous growth in this sector The growth of the telecom sector in Human Resource context can be seen from the fact that in 1998 only 19 licensed telecom service providers were doing business while in 2004 no of licensed operators have increased to 126 and today (May 2007) 556 licensed service providers are in the industry. Cellular and fixed line telephone service providers are however the biggest players of the industry. The share of the sector in GDP was 1.5 % in 1999-2000 which has increased to 1.9 % in financial year 2004-05 and 2.0 % in 2006-07.
Telecom investment during the year 2006-2007 was US$ 4.12 billion and the share of telecom sector in GDP was 2% ...

Pakistan’s telecom sector is providing direct employment opportunity to 20000 individuals in different telecom related services. Indirectly another 350,000 individuals are employed in the sector. After deregulation, telecom sector has created over one million jobs. Keeping in view the tremendous growth in the sector, it is natural that the telecom companies are facing shortage of highly skilled telecom engineers and technician and other non technical employees. Employee retention is a serious issue for telecom companies. Companies are innovatively attracting highly skilled employee. Use of best HRM system is used as tool to attract and retain employees. In backdrop of above situation, this study will attempt to find effect of certain HR practice on perceived employee performance of Pakistan’s telecom sector.

2. Literature Review

Guest (2002) has argued that the Impact of HRM on performance depends upon worker’s response to HRM practices, so the impact will move in direction of the perception of HRM practices by the employee. Wood (1999) and Guest (2002) has stressed that a competent, committed and highly involved work force is the one required for best implementation of business strategy. Huselid (1995) have found that the effectiveness of employees will depend on impact of HRM on behavior of the employees. Patterson et al (1997) while discussing impact of people management practices on business performance has argued that HR practices in selection and training influence performance by providing appropriate skills. Their research has found that HR practices have powerful impact on performance even if measured as productivity.

Huselid (1995) stressed that by adopting best practices in selection, inflow of best quality of skill set will be inducted adding value to skills inventory of the organization. He also stressed on importance of training as complement of selection practices through which the organizational culture and employee behavior can be aligned to produce positive results. Cooke (2000) has included efficiency and effectiveness as ingredients of performance apart from competitiveness and productivity. S(he) further argued that training is the tool to develop knowledge and skills as means of increasing individual’s performance (efficiency and effectiveness). Singh (2004),...
whose observations are more relevant in our cultural context, argues that compensation is a behavior aligning mechanism of employees with business strategy of the firm.

Use of best HR practices shows a stronger association with firm’s productivity in high growth industry (Datta et al, 2003). This finding has significance in our case as we have shown that the telecom sector of Pakistan is a high growth industry.

Wright et al (2003) have argued that an employee will exert discretionary effort if proper performance management system is in place and is supported by compensation system linked with the performance management system. Ichniowski (1995) while observing productivity of steel workers have found that complementary HR practice System effects workers performance. Majority of previous research has verified significant relationship between HR practices and Employee Outcomes (Sels, 2006)

Collins (2005) in a research of similar nature targeting small business have found that effective HR practices impact employee outcomes significantly (employee outcomes used by them were different than ours). A research was conducted by Mr. Tahir Masood Qureshi (2006) regarding Impact of HR practices on organizational performance in Pakistan. His findings were supportive of our assumption that HR practice system effect Organizational Performance through employee outcomes. Teclemichael and Soeters (2006) have found that Selection, training and compensation are some of the most significant HR factors effecting employee outcomes. Williams (2003) in his study has inferred that by implementing HRM practices desired by employees will make the employees feel indebted to the organization thus will result in positive change in discretionary efforts.

3. Rationale
Being a developing country having limited quality human resource, knowing those HR practices which the employees want (and with which they will show positive change in discretionary efforts should be the most essential part of any research conducted in the field. As evident from the introduction, the telecom sector of Pakistan is the fastest growing sector attracting more than 54 % of FDI (2005-06). Growth in knowledge based organizations depends on the skills
inventory of its human resource. If we can prove the effects of a system of HR practices on employee outcomes, this sector will be encouraged to invest more on its employee in an innovative manner. By developing its employees the organization will be realizing its financial goal through increased employee performance.

4. Research Question


5. Hypothesis

Human Resource Management Practices are positively correlated to Employee’s Performance.

H 1: Selection is positively correlated to Employee’s Performance.

H 2: Training impacts Employee’s Performance positively.

H 3: Performance appraisal is positively correlated to Employee’s Performance.

H 4: Compensation is positively correlated to Employee’s Performance.

6. Methodology:

6.1 Data Collection and Analysis

Sample of this study is Human Resource executives of telecom Companies. Selected sample size is 60 and 56 returned out of total distributed questionnaires. Response rate is 92%. Female were 30% of the respondents. 84% of the respondents were having post graduate degrees which means that the telecom companies are well aware of the importance of HR function and were assigning senior HR positions to educated managers.

Questionnaires of Singh (2004) and Qureshi M Tahir (2006) was selected for data collection because already available data is not sufficient for analysis. The dependent variable was however amended from perceived organizational performance to employee’s performance in organization. The amended was done to capture the most nearer outcome of the HR practices i.e. employee outcome.

Since the purpose of the study was to find relationship between human resource management practices and employee’s performance, Pearson correlation and descriptive statistics are used for analyzing data numerically.
6.2 Theoretical Framework

7. Findings, Recommendations and Conclusion

There is strong positive correlation between compensation and training (0.78) with mean of (3.58) indicating that, most of people are idealizing compensation as an important factor which is directly correlated with Employees’ performance. All the variables are having positive correlation with Employees performance. Compensation’s correlation with the dependent variable is (0.67), Training’s is (0.66), Selection’s is (0.62) and Performance appraisal’s is (0.47), All of our hypothesis stands validated as a result.

Table 1- Descriptive Statistics

<table>
<thead>
<tr>
<th>Selection</th>
<th>Training</th>
<th>PA</th>
<th>Compen</th>
<th>EPP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>3.74</td>
<td>3.58</td>
<td>3.58</td>
<td>3.85</td>
</tr>
<tr>
<td>Median</td>
<td>3.83</td>
<td>3.79</td>
<td>3.60</td>
<td>4.00</td>
</tr>
<tr>
<td>Mode</td>
<td>4.00</td>
<td>3.86</td>
<td>3.40</td>
<td>4.00</td>
</tr>
<tr>
<td>Standard Deviation</td>
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<td>0.81</td>
<td>1.18</td>
<td>0.85</td>
</tr>
<tr>
<td>Range</td>
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<td>3.57</td>
<td>4.00</td>
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<tr>
<td>Minimum</td>
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<td>1.29</td>
<td>1.00</td>
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<tr>
<td>Maximum</td>
<td>5.00</td>
<td>4.86</td>
<td>5.00</td>
<td>5.00</td>
</tr>
<tr>
<td>Sum</td>
<td>216.83</td>
<td>207.36</td>
<td>200.60</td>
<td>223.25</td>
</tr>
<tr>
<td>Count</td>
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<td>58.00</td>
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</tbody>
</table>
Table 2- Correlations

<table>
<thead>
<tr>
<th></th>
<th>EPP</th>
<th>Training</th>
<th>PA</th>
<th>Compen</th>
<th>Selection</th>
</tr>
</thead>
<tbody>
<tr>
<td>EPP</td>
<td>1.00</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Training</td>
<td>0.66</td>
<td>1.00</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>PA</td>
<td>0.47</td>
<td>0.73</td>
<td>1.00</td>
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<tr>
<td>Compen</td>
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<td>0.78</td>
<td>0.74</td>
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<tr>
<td>Selection</td>
<td>0.62</td>
<td>0.59</td>
<td>0.58</td>
<td>0.74</td>
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</tbody>
</table>

These results are matching with the findings of Qureshi M. Tahir (2006) where he concluded that all these practices are positively correlated but correlation and effect of selection, training and employee compensation in decision making is highest respectively. These results are also matching with the findings of Singh K (2004), he concluded that Training and compensation are having positive effects on organization and employee’s performance.

In the context of WTO all those organizations who are interested for High growth through increasing employee performance must pay attention on Training, Selection, Compensation and fair appraisal for development of quality human resource inventory.

Like many developing countries, in Pakistan the correlation between compensation and employee outcome is the highest underlining the need of the employers to pay attention to compensation while making policy HR decisions.
References


Annexure

**GST/CED Collection from Telecom Sector (Rs. in billion)**

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
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<tbody>
<tr>
<td>Mobile</td>
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<td>3.3</td>
<td>5.2</td>
<td>9.9</td>
<td>18.8</td>
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<tr>
<td>Basic Telephony*</td>
<td>6.9</td>
<td>8.2</td>
<td>6.9</td>
<td>9.7</td>
<td>7.7</td>
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<td>6.80</td>
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<td>Others**</td>
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<td>0.9</td>
<td>0.3</td>
<td>0.2</td>
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</tr>
<tr>
<td><strong>Total</strong></td>
<td>8.9</td>
<td>11.5</td>
<td>12.1</td>
<td>20.5</td>
<td>26.8</td>
<td>36.3</td>
<td>44.53</td>
</tr>
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</table>

**Foreign Direct Investment in Telecom Sector (US $ million)**

<table>
<thead>
<tr>
<th>Years</th>
<th>Total FDI</th>
<th>FDI in Telecom Sector</th>
<th>Contribution in Total FDI (%)</th>
</tr>
</thead>
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<tr>
<td>2001-02</td>
<td>484.7</td>
<td>6.1</td>
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<tr>
<td>2002-03</td>
<td>798</td>
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<td>1.69</td>
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<tr>
<td>2003-04</td>
<td>979.9</td>
<td>207.1</td>
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<tr>
<td>2004-05</td>
<td>1524</td>
<td>494.4</td>
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</tr>
<tr>
<td>2005-06</td>
<td>3521.0</td>
<td>1905.1</td>
<td>54.11</td>
</tr>
<tr>
<td>2006-07</td>
<td>5124.9</td>
<td>1824.3</td>
<td>35.60</td>
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<tr>
<td>2007-08</td>
<td>5152.80</td>
<td>1438.60</td>
<td>27.92</td>
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</table>
Crude Oil in Nigeria: Issues in the Crisis in Niger delta

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Abstract
This paper examines the crucial issues involved in the politicization of crude oil exploration and production in Nigeria within the context of the crisis in Niger Delta. The near warfare situation agitating for resource control and even development of the area, exposes the nakedness and the poverty of ideas of the Federal Government and its incapacity to harness and articulate both human and natural resources for development. The paper calmly beamed its search light on the issues involved and arrived at the inescapable conclusion of embracing the tenets of true federalism as a way out. In other words, the political elite and the Federal Legislature must show sufficient courage and political will power to tackle the contradictions inherent in the 1999 federal constitution. The paper agrees that a constitutional amendment is long over-due!

Keywords: Crude Oil, Nigeria, Issues, Crisis, Niger delta

1. Introduction
The crisis in the Niger Delta region of Nigeria appears to defy suggestions, recommendations, action plans or options because of the diversity of interests, and the undemocratic nature of government on critical issues of state.
Ihonvbere (2002) for example, traces the reasons why the number of commissions, panels, conferences, summits, and debates in the National Assembly, had not helped matters to the defects of the federal constitution.

There are no parties to this dispute in the true sense of the word. The frontier of the insurgency is nowhere but every where, Movement for the Emancipation of the Niger Delta – (MEND) for example does not strictly speaking, represent the Niger Delta in a political sense as to qualify as a party in a negotiated settlement, nor does any of the other militia outfits. The political wing of
the Niger Delta consists of politicians that have not managed to win elections in recent times or ex-government officials and high chiefs who want visibility and relevance and cannot, in all honesty, reach any agreement that can be binding on the militants in the creeks.

The reasons why the problems of the Niger Delta refuses to abate suggests that something fundamental must be wrong somewhere in our body polity. The major objective of this paper is therefore to examine some of these crucial lapses involved in the politicization of Crude Oil exploration and production in Nigeria within the context of the unending crisis in Niger Delta. In this regard we beamed our search light on the fiscal structure, Laws governing oil exploration and production in the region, and state’s response. We attempted a review of some suggestions with the hope that when taken into consideration by the authorities concerned, peace might come to the region. We concluded by stressing that the 1999 federal constitution should be amended to reflect the tenets of a true federal state in practice!.

2. Some Conceptual Analysis

A.S Hornby (2005) defined oil “as a thick liquid that is found in rocks or underground…. a form of petroleum that is used as fuel and to make parts of engine, machines move smoothly”. Other definitional perspectives include some of the followings:

Awake! (2003) see petroleum as a thick, flammable, yellow or black mixture of gaseous liquid and solid hydrocarbons that occurs naturally beneath the earth’s surface, which can be separated into fractions including natural gas, gasoline, naphtha, kerosene, fuel and lubricating oils, paraffin wax, and asphalt and is used as raw material for a wide variety of derivative products. In liquid form it is being referred to as crude oil. It is a natural gas and an international commodity, a force and live wire of the industrialized states. Oil is a “Black Gold” apparently because of the great and lucrative economic and social importance it portends to a nation state. Some sections of the local and international press (mass media) such as The Nation Newspaper and the Vanguard respectively see oil as “Blood”, satirically referring to the socio-economic vices such as the intolerable environmental hazards, squalor, inequality in the sharing of the proceeds from the commodity and crime attendant on oil exploration and production.
3. Oil in Niger Delta

Crude oil is found in huge commercial quantity both from off-shore and in on-shores areas of the Niger Delta region of Nigeria. Since oil was first struck more than 45 years ago, Oscar (2006) opined that the region has grown to become the source of more than 85% of Nigeria’s foreign exchange receipts. The area that makes up the Niger Delta has been subjected to various forms of controversial definitions and delineations by analysts.

The political apologists of the concept of Niger-Delta in terms of the definition of the area, such as, Boge, Volker, Fitzpatrick, Jaspers, Willem, Paes and Wolf Christian opined that the Niger Delta region is comprised of the six states of the South-South geopolitical zone of Nigeria. To them the states include; Akwa-Ibom, Bayelsa, Cross River, Delta, Edo and Rivers’ States. The classification constitutes the main centre of Nigeria’s oil industry with three distinct ecological zones namely, the sandy coastal area, the fresh water swamp area, and the dry land rain forest.

Another school of thought as contained in the “Willinks report” has it that the Niger Delta constitutes, Bayelsa, Delta, and Rivers States and possibly Akwa-Ibom. To them, since oil has become the determining factor, other oil producing states like Edo, Ondo, Cross River, Abia and Imo could be added.

Today, the reality has been that the Niger Delta region consists of Abia, Akwa-Ibom, Bayelsa, Cross River, Delta, Edo, Imo, Ondo and Rivers. This classification is not so much of a geographical entity, but a political creation of the Nigeria state.

For Daniel Omoweh (2003), the region is also rich in other natural resources like palm oil and kernel, herbal plants, reptiles and monkeys etc. Farming and fishing remain the major economic pre-occupation of the people, with other handicrafts like hand-dug boats, salt making and distillation of local gin. The area has been estimated by Omoweh to have a population of over 20 million people with about 50 ethnic groups, and over 3500 communities who speak not less than 260 dialects.

Be that as it may, the concept of “Oil” when viewed and coined in the idiom of “Crude Oil in Nigeria” (for the purpose of this paper) and with specific reference to the crisis in Niger Delta region, we may find ourselves compelled to look at the bureaucratic and governmental imperatives, dynamics; specific contradictions and capacity of the Nigeria state to share, appropriate and allocate the proceeds of oil from the region for the benefit of the area and others.
4. Nigerian Federation

Governance in the post colonial Nigeria state is hinged on a federal structure aimed at realizing the full potentials of the people for development. For the purpose of emphasis a federal structure has some or all of the following features and characteristics.

i. Wheare(1963) sees a federation as: neither the central nor the regional governments are subordinate to each other but rather the two are co-ordinate and independent. There is no hierarchy of authority, units of government have horizontal relationship with each other:

ii. A balance relation of meaningful independence between the national and regional government with each having powers and resources to support the structure of functioning government, able to stand on its own against the other:

iii. Respect for the separate and autonomous existence of each other government within the sphere assigned to it by the constitution. The exercise of such powers is not to be impeded, obstructed or interfered with by the other unit of government.

iv. Oransanye et al (1996) as jurisdictional provision in the constitution defining the powers and functional responsibilities of the component units. Supremacy of the constitution subject only to the interpretation of competent court of law:

v. Formal and informal institutions as machineries for intergovernmental relations and an arena for national policy-making and execution:

vi. The existence of defined intergovernmental fiscal relationship inclusive of fiscal adjustment provisions:

vii. Mechanisms for the assurance of security and the existence of a non discriminatory central public services and

viii. Common citizenship, existence of broad based political parties that are not regionally or state based.

Unlike other responsible federalist states of the world; the features of true federalism highlighted above; are observed in Nigeria in their flouting with impunity. A few examples will suffice:

It will be safe to assert that Nigeria could not pretend to have a federal structure in place under military dictatorship. For example, constitutions are always suspended. The hierarchical and “Commando” like nature of “Obey the last command of the military, (particularly under military rule) coupled with its characteristic lack of intellectual and administrative capacities; especially
as the military are not trained to govern the people have all combined to overthrow legitimate constitutional structures and institutions.

Nigerian federalism even under a democracy is coordinated more as a unitary system of government with a very “powerful” centre. The federal government in this case single handedly allocate, share, appropriate and “fix” both appointive and elective positions. Ihonvbere (2002) posit that the 1999 constitution behaves as if the military was still in power.

The rascality, bravado and the lack of political experience of the military in the one hand, and the insensitivity, visionlessness, corruption of the elite class and poverty of ideas of civilian leadership have combined to erase, destroy and destabilize political institutions and democratic ethos which are necessary ingredients at moving a federal nation forward.

The aggregate of the contradictions inherent in the above analysis dovetailed into a perfect conceptualization of the crisis in the Niger Delta region of Nigeria. The manifestations leaves one with the issues relating to injustice against the people of the area, grievances of critical concern such as deprivation, exclusion, human rights violation, oppression, intimidation, domination, marginalization, insecurity and state sponsored near-genocidal warfare in some areas of the region.

6. Elite Theory Approach to Crude Oil in Nigerian and Issues in the Crisis in Niger Delta

In looking at the issues in the crisis in Niger Delta, the Elite theory becomes handy. Parry (1969) postulate that public policy reflects the values and preferences of the elites, rather than the demands of the masses. It is the elites that makes policies, while administrators and public officials carry out the elites policy decisions. Because the elites have common interests in the preservation of societal status quo, policies are bound to be conservatives, non innovative and marginal, rather than those with bold and high change potentials. Policies might sometimes be in the masses interest, even though the long time interest might be that of the elites; but this happens as concessions to or reactions by the elites to threats of the status quo by the masses.

The elites are few in society but they wield power and influence, allocate values and rule. The majority, the masses only obey and are guided, controlled and governed by the few. The elites consists of those who hold leading positions in the strategic groups.

Parry went further to assert that there are thus military elites, business, bureaucratic, political or governing elites, religions and traditional elites. Many of the elites do not hold formal or legal authoritative powers but are rather behind the scene, teleguiding and manipulating overt political
and policy actions of the productive resources of the society by the society such as wealth, economic influence, social status and education.

There is consensus among the elites on the survival and stability of the society and its fundamental values. The consensus is based on self and vested interests in the protection of their status quo. It co-opts citizen who challenge the system into the elite class so long as they accept the basic elite consensus.

The elites provide a slow, gradual but some access to the elite class so that change and stress could be avoided. To preserve itself and to avoid change and stress, it concedes to some welfare policies and public demand.

The masses of the population are, on the other hand, unorganized, passive and uniformed. Accounts given in Bachrach (1967) is of the view that the other elitist theorists such as Mills, Mosca and Michel agrees that the masses are atomized, not organized for concerted political actions caught in their own milieus, have fragmented and perceptions, are politically incompetent and inert, lack political initiative, lack motivation, interest and knowledge concerning political activity and displays a psychological need for guidance and direction. The masse have relatively little influence or control over public policy or even over the elites. Public policy seldomly reflects their interests and preferences. Even in representative democracies, the masses still have little or no control because the elite select the candidates and manipulates the voter through propaganda and resources. The theory attempts a realistic explanation of the source of policy by predicating it in the elites rather than the masses.

The major theoretical persuasions of the elite theory clearly indicts and points accusing finger at all those who have ruled this country since independence; particularly in the context of the alienation, inequality, marginalization, pauperilization political injustice dished out to the people of Niger Delta.

7. Issues in Oil Exploration and Production in Nigeria

Certain observable, fundamental and constitutional flaws abound in Nigeria federalism. The federalist non-federalist gyration of the polity has made it almost impossible for the nation to grapple with the challenges of contemporary nation building imperatives. The resultant consequence, being the series of political instabilities the fragile nation had to contend with since independence.
For example, issues in the crisis in Niger Delta can be located to the injustices and inequity associated with revenue allocation and fiscal federalism, dictatorial and unfavourable oil laws of the state, and the poverty of ideas of state actors in alleviating the yearnings and aspirations of the people of Niger Delta, whose land carries the gold mine the entire nation is feeding on.

8. Revenue Allocation and Fiscal Federalism

Section 134(1) of the 1960 constitution gave 50% of royalties and mining rents to the federal government. In the Republican constitution of 1963, section 140(1) upheld the sharing formula of the 1960 constitution. Decree No 51 of 1959 transferred all oil mineral rights and revenues from crude oil to the federal military government after the dissolution of the three regions for the creation of twelve states in the federation. Col. Yakubu Gowon (as he then was) abolished the 50-50 percent sharing formula and unilaterally allocated funds to states based on need and derivation.

Decree No 6 of 1975 retains 50% for the federal government, states 20%. By the time Shehu Shagari came to the saddle in 1979, powers were given to the National Assembly under section 149 (3) (4) of the 1979 constitution to allocate resources. The Act of the national revenue that emanated from the process shared the oil revenue as follows:

- Federal Government: 55%
- State Government: 32.5%
- Local Government: 10%
- Fund for oil producing areas: 1.5%
- Disaster Relief: 1%

In 1983, Gen. Mohamadu Buhari retained the above sharing formula. The increase of the fund to the development of oil producing areas had a slight adjustment to 3% in 1992. William (1988) identified the fact that the proviso to section 162 (2) of the 1999 constitution provides for 13 percent of oil revenue to oil producing regions. It had remained like that till date.

In the 2005 National political Reform conference, delegates from the South-South geopolitical zone of the country almost was on their knees begging for an upward review to about 25 percent – derivation. Senate Constitutional Amendment Committee, before the conference disappeared into oblivion recommended 18% to the federal government for approval.
From the analysis given above of the fiscal structure of the nation, it could easily be seen that both the military and their civilian collaborators does not seem to support the principles of derivations. To them, notwithstanding where the wealth comes from, the proceeds may also be required for control by the federal government to ensure:

i. Even development of the polity.

ii. Socio-political crisis that may arise from states and geo-political regions who don’t have or is not capable of generating revenue

iii. The population of non oil producing communities within the federation is large and

iv. That the oil producing regions may not need the proceeds from “their” oil more than the rest.

9. Laws Governing Oil Exploration and Production in reduce Niger Delta

To further consolidate its strong hold on oil and all the proceeds accruable from it, the federal government in its wisdom came out with all manners of legislations and Acts to gag, and to perpetually control oil production and exploration in the Niger Delta region.

Section 44 (3) of the constitution of the Federal Republic of Nigeria 1999 provides;

_Notwithstanding the foregoing provisions of this section, the entire property in and control of all minerals, mineral oils and natural gas in, under or upon any land in Nigeria or in under or upon the territorial waters and the exclusive economic zone of Nigeria shall vest in the government of the Federation and shall be managed in such manner as may be prescribed by the National Assembly._

Others include the following Acts:

i. Land use Act

ii. Companies and Allied Matters Act

iii. The Department of Petroleum Resources Act

iv. Federal Environmental Protection Act (FEPA)

v. Environmental Impact Assessment Law

vi. The Petroleum Act

vii. Petroleum (Drilling and Production) Regulation

viii. Oil in Navigational Waters Act
10. Federal Government Response at Developing the Niger Delta

Arising from the above the federal government came out with some policies and measures to cushion the effects of the people of Niger Delta. These developmental institutions include the Niger Delta Development Board (NDDB) Oil Mineral Producing Area Development Commission (OMPADEC), Petroleum (Special) Trust Fund (PTF), Niger Delta Development Corporation (NDDC), Special Security Committee on Oil producing Areas on Nov. 8, 2001, Niger Delta Peace and Security Strategy (PASS) Socio-Economic Development of the coastal states of the Niger Delta in Abuja. Niger Delta Ministry has been established by the present President Ya’Adua’s administration.

The operations of these institutions were centralized according to the dictates of the federal constitution of Nigeria 1999. Funding, logistics, appointment, man power and operational blue prints came from Abuja – the seat of power of the federal government.

11. The Nature of the Crisis in Niger Delta

Okpongete (2006) traces resources control to king Jaja. Others started the process of agitation for resource control in the 1970s: The Ogonis in Rivers State were at the fore front of this struggle, before others like the Iko people, the Etches at Umuechem, the Omudiogo, Oggia, Igbide, Ixon, Irri, Uzure and Ijaw followed. Obia (2006) stated that in August 1990, the Ogoni elders signed the Ogoni Bill of rights which called for,

Political control of Ogoni affairs by Ogoni people, control and use of Ogoni economic resources for Ogoni development;
adequate and direct representation as of right for Ogoni people
in all Nigeria national institutions and the right to protect the
Ogoni environment and ecology from further degradation.

The crisis that emanated from the struggle led to the untimely death of four Ogoni chiefs in May 21st 1994. Ken Saro Wiwa and others were arrested for the killing, cutmarshalled in a military tribunal, the nine of them were sentenced to death by hanging. Agbamu et al (2006) highlighted the awareness created by the famous Ogoni nine, led to the formation of the Ijaw Youth council on Dec. 11, 1998, known as the Kaiama Declaration which stated that:

All land and natural resources including mineral resources
within the Ijaw territory belong to Ijaw communities and are
the basis for our survival. Accordingly, we demand the
immediate withdrawal from Ijaw land of all military forces of
occupation and repression by the Nigeria state.

There is the Ikwerre Charter of Demands and Resolutions of the Urhobo Economic Summit, Isoko Charter of Demands, Oron Bill of Rights, Egi (Aklaka Declaration) others include Niger Delta People Volunteer Force (NDPVF) led by Mujahid Asari – Dokubo. The group wants 100% resource control! Their leader is presently facing treason charge trial in an Abuja High Court.

Other internal dimension of alleged intimidation exhibited to frustrate the Niger Delta people include the activities of multinational corporations engaged in oil exploration and production in the region. Agbamu further stressed that they deal only with those they perceived could act as agents to them to the detriment of other inhabitants.

These divide and rule tactics of the firms and the activities of government officials by resorting to the use of instrument of state to cajole and subjugate the citizens with the least provocation were not acceptable to the people. For example, the federal government under the President Olusegun Obasanjo’s regime sent military personnel to run down the people of Odi for resources control agitation. When you add the insensitivity of government especially in the area of not providing basic social infrastructural development to the area, the people had no choice than to resort to violence. Udo et al (2006) brought to the fore a “Report of the Special Security Committee on Oil Producing Areas” and highlighted few cases to show the trend and nature of militancy in Niger Delta, in it:
In January 2001, youths of Beneku and Abalagada communities of Ndokwa East LGA of Delta State disrupted the operations of Nigeria Agip Oil Company over demands for royalties. Youths of Nange Ama community in Southern Ijaw LGA-Bayelsa state held two staffs of SPDC hostage for more than five hours. The youths ascribe their action to the failure of SDPC inability to construct roads in the area, as well as clean up the area of oil spillage that affect their farm lands.

A fire outbreak at the SPDC crude oil pipeline in Gio community, Tai LGA in Rivers State which occurred in Oct 2001 could not be extinguished in good time as the indigenes of K-Dere in Gokana LGA refused to allow the company’s technical team access to the manifold equipment belonging to the technical team which attempted to visit the site, was seized by the youth of the community. In Obayanfor village Ikpoba-kha LGA of Edo State, an NNPC pipeline was vandalized by unknown persons.

In Yeye creek, Buruku LGA of Delta State, SPDC pipelines were vandalized leading to massive oil spillage along the creeks. The indigene of the area prevented the SPDC officials from effecting repairs until they were paid compensation for a previous spillage.

A massive explosion in Oct 2001 at Oleh Olomoro SPDC flow station in Delta State storage tanks, communication mast and connecting pipelines were damaged. A massive oil spillage ensued. It was estimated at about $20 million would be required to repair the damage. Youths in Escravos blew up Salomi Gbaramatu creek location of NNPC crude oil pipeline under a mistaken belief that it was a shell location so as to claim compensation from SDPC from the resultant spillage. The spate of militancy in the Niger Delta took on a quickening tempo when some more armed militants attacked a shell facility in Bayelsa State on Jan 11th 2006 and took four expatriate hostage whom they released after 19 days. The group repeated the daring raid in Forcados Delta State and captured nine foreign oil workers. They released six of the expatriates later. According to Agbam, Others include: An attack on Cawthorne channel by some militants in the Niger Delta which resulted in the death of four Naval officers. Niger Delta militants attacked a military installation in Warri on Feb 21, 2006.

Chelsea (2006) included the pipeline conveying crude oil from Chevron and Texaco from Escravos Terminal in Warri and Kaduna refineries were blown up at Chanomi creeks. Abduction of five South Korean who were later released. Abduction of three expatriate workers of Saipem by the Bukuma community youths.
Another threat to life and properties in the region is the resort to the use of explosive bombs on oil installations, they include the following cases: In Effurun, a bomb planted in a Mercedes Benz 190 car exploded barely a week after another bloody blast, which others said killed two persons.

A militant group known as the movement for the Emancipation of the Niger Delta (MEND) claimed responsibility for the blast. The damage done to the nations revenue according to Udo et al (2006) include the blowing up of two gas pipeline in the Niger Delta by militants consequently denied the country of more than 1000 mega watts of electricity.

Lawal et al (2006) recounted on how Agge manifold in Bayelsa State, belonging to shell was blown up by unknown insurgents on 4th March 2006 which resulted in the spillage of over 250 barrels of crude oil. Chidi Amuta (2006) stated that on the 29th April, 2006, another bomb explosion rocked the oil city of Warri, the casualty figures remained unknown and no group claimed responsibility.

**12. Suggestions**

Quite a few number of suggestions have been canvassed as a way out in the crisis in Niger Delta. They include some of the following:

A constitutional provision that entitles the states and local governments of Niger Delta to 20% of oil and gas revenue. The National Assembly should embark on this instead of wasting time on fruitless probes that add no value to accountability.

The establishment of a dedicated and specialized force like the National Guard with training and perpetual basing in the Niger Delta to ensure security.

The establishment of a Niger Delta Mega City project / initiative as a partnership between the Federal Government and the Rivers, Bayelsa, Delta, Abia and Imo state governments with Port-Harcourt as nucleus and spanning out in different directions to cover the Port-Harcourt – Yenagoa, Port-Harcourt – Owerri, Port-Harcourt – Aba, axes, (The Federal Government is partnering Lagos State on the Lagos Mega City project)

The building of a string of satellite industrial and tourist cities along the East-West road corridor to link Delta and Ondo States with Rivers and Bayelsa States.

An optional relocation of communities project to accommodate the developmental needs of communities whose terrains make them difficult for physical development.
The modification of the existing NYSC programme to draft 20% of all NYSC members in each year especially in the areas of Engineering, Medicine, Architecture, Education, Agriculture etc for 10 years to serve in the states of the Niger Delta with a special allowance regime that encourages them to settle in the area to assist in the massive development project.

13. Conclusion

We concluded by stressing (underlining provided for emphasis) the fact that a true federal constitution is long overdue. The 1999 constitution was drafted by the military junta of General Abdu-Salam Abubakar which ushered in the past and present civilian regime, since 1999. The constitution appears to be defective in terms of resource control, as clearly experienced in the crisis in Niger Delta, and concentrated too much power at the centre to the detriment of other component units. As an interim measure before the constitution is amended, the National Assembly together with the Federal Government should look for a way to review an upward demand of 25% from 13% derivation made to the 2005 National Political Reform Conference by delegates of states of the Niger Delta.
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