

An Exploration of Intellectual Capital Notion as a Dynamical Capability and Knowledge Management in the Organizations

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Abstract: Intellectual capital can include the skills and knowledge that a company has developed about how to make its goods or services; individual employees or groups of employees whose knowledge is deemed critical to a company's continued success; and its aggregation of documents about processes, customers, research results, and other information that might have value for a competitor that is not common knowledge. Business organizations employ knowledge. To cope with new era of management complexity; the necessity of being Learning Organization, LO is essential for any organizations and enterprises. This paper is aims to review the Intellectual Capital, IC concept among organizations and employees and also the Knowledge sharing barriers in the organization. Generally, this paper looks the IC concept in Management sphere.

Keywords: Intellectual Capital, Intellectual Capital Knowledge, Organization

Introduction

Primary uncertainty can never be reduced, but organizations can adapt to it (Williamson 1985). Fundamental changes have been wrought in the global economy, which are changing the basis of firm level competitive advantage and with it the

functions of management. The decreased cost of information flow, increases in the number of markets (e.g. for intermediate products, and for various types of risk), the liberalization of product and labor markets in many parts of the world, and the deregulation of international financial flows is stripping away many traditional sources of

competitive differentiation and exposing a new fundamental core as the basis for wealth creation. That fundamental core is the development and astute deployment and utilization of intangible assets, of which knowledge, competence, and intellectual property are the most significant. Also included are other intangibles such as brands, reputations, and customer relationships. Thus, while there are many ways to keep busy in business, and to expand revenues, there is only a diminishing subset of strategies for creating attractive profit margins. In the end, wealth creation in a world of heightened competition comes down to developing and owning difficult to replicate (intangible) assets, and orchestrating them astutely. The latter capability is what I have referred to elsewhere as dynamic capabilities (Teece, 2002).

Knowledge creation by business organizations has been virtually neglected in management studies even though Nonaka and Takeuchi (1995) are convinced that this process has been the most important source of international competitiveness for some time.

Traditional accounting methods look backwards into the past and measure physical assets only. But new methods must be established to measure intellectual capital because now we could not put of the important roll of IC in today's competitive markets (Davis, 2009).

More than 60% of US workers are knowledge workers, Knowledge workers are defined as "symbolic analysts", workers who manipulate symbols rather than machines. They include architects and bank workers, fashion designers and pharmaceutical researchers, teachers and policy analysts. In advanced economies such as the US, more than

60 per cent of workers are knowledge workers (Ernst & Young, 2006). So in all entire the world all countries try to develop all their workers' and staff's capabilities. especially in knowledge. By increasing these capabilities countries will have much more development in this global economy and will act more efficiently and effectively.

It is estimated that; intellectual capital research has primarily evolved from the desires of practitioners (Bassi and Van Buren 1998; Bontis 1996a; Darling 1996; Edvinsson and Sullivan 1996; Saint- Onge 1996). Consequently, recent developments have come largely in the form of popular press articles in business magazines and national newspapers (Davis, 2009, p.18).

Only Knowledge and knowledge-based organizations can dominate the markets (Drucker, 1995). It has long been recognized that 'economic prosperity rests upon knowledge and its useful application' (Teece 1981).

In ancient time, the ruler of kingdom searches for the group of intellectual people, who can advise them for better a management. For developing the IC, they have been established so, many schools of thought & universities around the world. Today's ruler must do the same for worldwide holistic Intellectual human resource development, whole can make prosperous world. Organizations which have more intelligent staff will do better (Nirmal et al, 2004).

Indeed, 'the increase in the stock of useful knowledge and the extension of its application are the essence of modern economic growth' (Kuznets 1966). Enlightened economic historians have long emphasized the role of technology and organization in economic development.

Formalization, the sharing of personal knowledge, and the development of structural approaches as a mechanism to transfer learning throughout the firm may on the other hand sap creativity and impede learning. Ideally, one would like to develop approaches or models which have a common essential logic, but which enable customization of particular features. This is but one of the many challenges to service firms in the new economy where knowledge sharing itself can often be the basis of competitive advantage (Teece, 2002).

Also doing a successful strategy and transferring a traditional organization to a knowledge-based one, and keeping and accumulating the IC and intangible resources in the organization more efficient, organizations should use from LO and knowledge accumulate strategies and professional team building strategies in their organizations to survive and growth and dynamical capability in today's competitive era (Hung et al, 2005; Davenport & Beck, 2002; Groves, 2002; Levet & Guenor, 2000).

This paper first discusses the Intellectual Capital and states burgeoning field of intellectual capital as an exciting area for both researchers and practitioners. Second, the importance of IC in recognising changes in the worth of their business and ultimately in balance sheets comes. Then the importance of Intellectual Capital Technology, ICT brings and state that ICTs are the enablers of change and not by themselves create transformations in society. ICTs are best regarded as the facilitators of knowledge creation in innovative societies. Then the problems of IC and the role of IC in the organizations come. Finally the barriers of IC come in details.

Intellectual Capital

First, the field of intellectual capital initially started appearing in the popular press in the early 1990s (Stewart 1991, 1994). Intellectual capital was described by Stewart as a "brand new tennis ball—fuzzy, but with a lot of bounce." However, this statement acts as a detriment for the survival of this field in academia. Most "bouncy" topics that are researched extensively (e.g., reengineering, quality circles, management by objectives) are frowned upon in academic circles because they are considered nothing more than popular fads. Due to their temporal shortcomings, they are deemed unworthy of serious study. On the other hand, the "fuzzy" aspect of intellectual capital captures the curious interest of practitioners who are always on the prowl for finding solutions to difficult challenges. Hence, the popularity of this topic during its genesis has been sponsored by business practitioners. It is for this audience that the conceptualization of intellectual capital resonates most (Bontis, 2002, 14-15).

Since organizational knowledge is at the crux of sustainable competitive advantage, the burgeoning field of intellectual capital is an exciting area for both researchers and practitioners. Intellectual capital is conceptualized from numerous disciplines, making the field a mosaic of perspectives. Accountants are interested in how to measure it on the balance sheet, information technologists want to codify it on systems, sociologists want to balance power with it, psychologists want to develop minds because of it, human resource managers want to calculate an ROI on it, and training and development officers want to make sure that they can build it (Bontis, 2002).

Information and knowledge are the thermonuclear competitive weapons of any time. In today's time, acquiring the knowledge is not a big deal but implementation of acquired is a big deal. Only intelligent people can take the decision that where & when the acquired knowledge implementation can produce the best results.

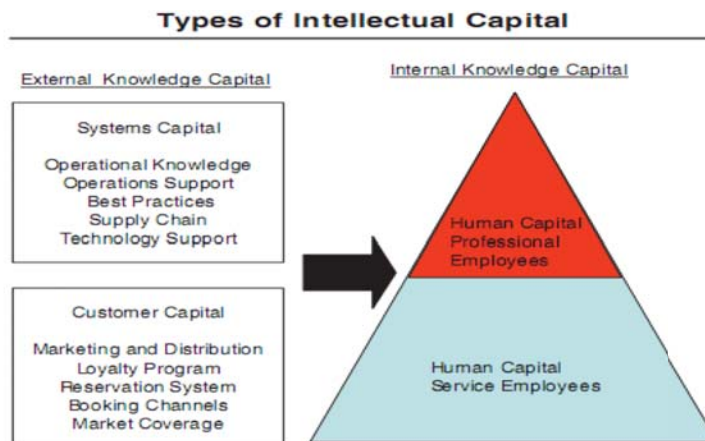
Success goes to those who manage their intellectual capital wisely (Stewart, 1997, p. 68). Many view the accessibility of knowledge as the foundation for establishing a competitive advantage in the new millennium (Edvinsson & Malone, 1997; Stewart, 1997). The theory of intellectual capital has emerged in the past decade in response to these advances within an organization. Although the theory is new and research is in the early formative stages, theoretical foundations have been identified as anchors of intellectual capital.

In the simplest of terms, Ulrich (1998) defines intellectual, & competence multiplied by commitment (p. 125), meaning that intellectual capital equals the knowledge, skills, and attributes of each individual within

an organization multiplied by the person's willingness to work hard. Klein and Prusak (1994) define intellectual capital as the intellectual material that has been formalized, captured and leveraged to produce a higher-valued asset (p. 67).

The literature on intellectual capital has deployed a variety of different classification schemes (i.e., Edvinsson and Malone 1997; Petrash 1996). There are widely accepted, three-category classification, which divides intellectual capital into codified knowledge about an organization's systems and operations (systems capital); knowledge about customers, markets, and distribution (customer capital); and knowledge acquired from people skills and expertise (human capital; Bontis 1996; Bontis and Fitz-enz 2002; Stewart 1997; Sveiby 1997). Figure 1 provides an overview of the three types of intellectual capital used in this study. Whether professional based or customer based, it is common practice for service firms to purchase some of their intellectual capital from external consultants and franchisors (Walsh et al, 2008, p.302).

Figure 1: Types of Intellectual Capital



Source: (Walsh et al, 2008, p.302).

Over the last ten years, intellectual capital (IC) has been the subject of several interesting developments, which led to its establishment as a recognized field of research and action. Yet, in spite of the already observed effort IC research is still in its infancy, and there is a need to consider to what extent it contributes in a sufficient way, to problematizing managerial and policy issues of the knowledge economy. One of these challenges lies in considering the dynamic aspects of performance, and how IC research can address it in a proper way.

Intellectual capital is knowledge that can be exploited for some money-making or other useful purpose. The term combines the idea of the intellect or brain-power with the economic concept of capital, the saving of entitled benefits so that they can be invested in producing more goods and services (Augier & Teece, 2005). Business organizations generate and process information, formulate plans and strategies, make decisions, monitor behavior and experiences, and learn, create, and use know-how (Augier & Teece, 2005). Although economists have traditionally modeled firms as employing capital, labor, and other factors of production to increase output—possibly with exogenous technical change as a shift parameter in the production function—it is increasingly realized within the economics profession that knowledge and intellectual capital (IC) are the primary creators of value in the economy (i.e., the creation and use of intangible rather than tangible [physical] assets are the keys to wealth creation), and technological change is not exogenous but, in fact, generated in large measure by firms themselves (Augier & Teece, 2005). Peter Drucker suggested: “The traditional factors of production—land, labor and capital—have not disappeared. But they have

become secondary. Knowledge is becoming the only meaningful resource” (1993, p. 42). Also Intellectual property systems have been strengthened since the 1980s, both in the USA and abroad. Moreover, intellectual property is not just important in the new industries—such as microelectronics, biotechnology and the internet—it remains important in pharmaceuticals and chemicals and is receiving renewed interest in more mature industries such as petroleum and steel.

The Importance of Intellectual Capital, IC

Intellectual capital is a firm’s source of competitive advantage, to become knowledge driven, companies must learn how to recognise changes in intellectual capital in the worth of their business and ultimately in their balance sheets. A firm’s intellectual capital - employees’ knowledge, brainpower, know-how, and processes, as well as their ability to continuously improve those processes - is a source of competitive advantage. But there is now considerable evidence that the intangible component of the value of high technology and service firms far outweighs the tangible values of its physical assets, such as buildings or equipment. The physical assets of a firm such as Microsoft, for example, are a tiny proportion of its market capitalisation. The difference is its intellectual capital.

Benefits of Intellectual Capital in Management and Organization

Successful organizations hire intelligent staff and this is the usual form of developing IC in the organization (Sveiby, 1997; Rose et al 1997; Stewart, 1997; Edvinsson, L., and Sullivan, 1996; Edvinsson, L. and M. S. Malone, 1997).

Most organizations have adapted or transformed their management styles and business models to manage intellectual capital (IC) and respond to the IC-enabled dynamics of the knowledge economy. Many of these organizations have done it without even realizing that they are adopting an intellectual capital management (ICM) approach. A top executive of a leading consumer products company, whose name is withheld, commented that his company is not interested in ICM. "Show me the money," he said. "All I see are the circles and pyramids that ICM people draw in conferences." What this executive did not realize is that he was already managing IC in one way or another on a daily basis to make money. If it weren't for this executive's daily reliance on his gut feeling and tacit knowledge to manage his employees' innovation, the company he works for wouldn't be a market leader. If the company's employees did not care about the management of customer and structural capital, it wouldn't invest millions of dollars in its interactive Web site to solicit consumers' feedback 24 hours a day, seven days a week (ICM, 2009).

Knowledge, competence, and related intangibles have emerged as the key drivers of competitive advantage in developed nations. This is not just because of the importance of knowledge itself, but because of the rapid expansion of goods and factor markets, leaving intangible assets as the main basis of competitive differentiation in many sectors. There is implicit recognition of this in both management theory and practice with the growing emphasis being placed on the importance of intangible assets, reputation, customer loyalty, and technological know-how. By using a

good structure like learning organization we will have organizational structure that have the ability to support the Intellectual capital in today's market. So today's organizations should try to use this paradigm (learning organizations) to be competitive. Also because our contemporary organizations may differ from the traditional organizations and so we should implement new skills to be learning organization so that our staff can adjust themselves with new technologies. Also can sense the weak signals in the environment and can reply the prosper answer to them. In this situation our managers and executives and CEOs can effectively manage the Intellectual Capital in the organization.

Successful managers and businesses have been managing intellectual capital one way or another all along, whether consciously or intuitively. This however, does not mean that they have an ICM program or strategy. Managing IC as a matter of common business sense is not sufficient for the development of ICM as an organizational competency. It is only when a management style moves from being intuitively applied to a planned and systemized process that it can be perfected. Only then can it be substantially transformed from being an art to becoming a science. Once it transitions into a science, it becomes testable, measurable, more predictable, and, most importantly, repeatable. Though organizations that apply ICM advance this goal, there is still a long road of experimentation and applied research ahead for the emerging field of ICM to become more of a "science." (ICM, 2009)

One of the established precepts of ICM to date, however, is dividing IC into human, customer, and structural capital-what.

IC as Dynamical Capability

The dynamic approach to intellectual capital has been developed by IC strategist scholars. Its roots can be found in the resource-base view of the firm (RBV) as well as in the dynamic capability approach. RBV considered the firm as a bundle of resources – mainly intangibles (Barney, 1991; Grant, 1996; Peteraf, 1993; Wenerfelt, 1984). From this framework resources that are of high relevance for competitive advantage are specifically those which are valuable, rare, inimitable and non-substitutable (the so-called VRIN attributes). This framework has been the subject of many critiques, related notably the difficulty of defining and identifying VRIN resources.

The dynamic capabilities approach aimed at addressing some of the RBV weaknesses, especially by providing a more operational analytical framework. Teece *et al.* (1997) defined dynamic capability as “the firm’s ability to integrate, build and reconfigure internal and external competencies to address rapidly changing environments”. A concept similar to the “combinative capabilities” was defined by Kogut and Zander earlier (Kogut and Zander, 1992). This definition has been criticised by Zollo and Winter, as they consider it “as troublesome near-tautology in defining a capability as ability” (Zollo and Winter, 1999, p. 4), and from their perspective the conditions of formation of capabilities are not explicitly defined by Teece *et al.* They connect capability with routine, especially in the context of what they called “knowledge evolution cycle”. Therefore, the authors defined a dynamic capability as “a learned pattern of collective activity through which the organization systematically generates and modifies its operational routines

in pursuit of improved effectiveness” (Zollo and Winter, 1999, p. 10). In a later paper Winter (2002) addressed in more details the issue of dynamic capabilities. He made a distinction between ordinary “zero level” capabilities, (i.e. those capabilities that “permit to the firm to make living in the short term”) from dynamic capabilities that contribute to the extension, modification or creation of ordinary capabilities. These have been named elsewhere “high-order capabilities” (Collis, 1994) (Stähle & Bounfour, 2008,).

Learning Organizations

The literature on LO has been suspected of colluding with the ‘ruling courts’ which govern organizations (Coopey, 1995) and of employing ideologically a discourse of democracy and liberation (Snell and Chak, 1998). Easterby-Smith (1997: 1086) defines the literature on LO as having ‘an action orientation’, and being ‘geared toward creating an ideal type, an organization in which learning is maximized’ (Gheradi, 2006).

The “learning organization” is the generic term given to strategies and initiatives for improving organizational effectiveness through emphases on developing the capabilities, capacities and qualities of the staff, and on approaches based on behavioral and attitudinal, as well as skills, enhancement (Pettinger, 2002).

Organizations that differentiate themselves through concentrating on employee development also gain reputations for being good employers. Staff is attracted because of the training, development and enhancement on offer, and the opportunities for variety and interest that this is understood to bring (Pettinger, 2002).

Table 1: Characteristics of IC- knowledge based organizations

Characteristic	Definition	Associated Best Practices	Positive Byproducts
Self mastery- individual	The ability to honestly and openly see reality as it exists; to clarify one's personal vision	1. Positive reinforcement from role models/managers 2. Sharing experiences 3. More interaction time between supervisory levels 4. Emphasis on feedback 5. Balance work/non-work life	Greater commitment to the organization and to work; less rationalization of negative events; ability to face limitations and areas for improvement; ability to deal with change
Mental models - individual	The ability to compare reality or personal vision with perceptions; reconciling both into a coherent understanding	1. Time for learning 2. Reflective openness 3. Habit of inquiry 4. Forgiveness of oneself 5. Flexibility/adaptability	Less use of defensive routines in work; less reflexivity that leads to dysfunctional patterns of behavior; less avoidance of difficult situations
Shared vision - group	The ability of a group of individuals to hold a shared picture of a mutually desirable future	1. Participative openness 2. Trust 3. Empathy towards others 4. Habit of dissemination 5. Emphasis on cooperation 6. A common language	Commitment over compliance, faster change, greater within group trust; less time spent on aligning interests; more effective communication flows
Team learning - group	The ability of a group of individuals to suspend personal assumptions about each other and engage in "dialogue" rather than "discussion"	1. Participative openness 2. Consensus building 3. Top-down and bottom-up communication flows; 4. Support over blame; 5. Creative thinking	Group self-awareness; heightened collective learning; learning "up and down" the hierarchy; greater cohesiveness; enhanced creativity
Systems thinking - group	The ability to see interrelationships rather than linear cause-effect; the ability to think in context and appreciate the consequences of actions on other parts of the system	1. Practicing self mastery 2. Possessing consistent mental models 3. Possessing a shared vision 4. Emphasis on team learning	Long-term improvement or change; decreased organizational conflict; continuous learning among group members; Revolutionary over evolutionary change

Adapted from the work of Senge (1990), Argyris and Schon (1996), Argyris (1991), and Schon (1983)

Benefits of Learning Organizations

Twenty first century is the century of knowledge (Rose, 2004).

There are many benefits to improving learning capacity and knowledge sharing within an organization. The main benefits are:

- Maintaining levels of innovation and remaining competitive (Mchugh et al, 1998)
- Being better placed to respond to external pressures(Mchugh et al, 1998)
- Having the knowledge to better link resources to customer needs (Pedler, M., Borgoyne, 1997)
- Improving quality of outputs at all levels(Pedler, M., Borgoyne, 1997)
- Improving corporate image by becoming more people orientated(Pedler, M., Borgoyne, 1997)
- Increasing the pace of change within the organization(Pedler, M., Borgoyne, 1997)

The Importance of Intellectual Capital Technology, ICT and Organizational Innovation

ICT releases people's creative potential and knowledge (Frankland, 2008, p.483).

ICTs are the enablers of change. They do not by themselves create transformations in society. ICTs are best regarded as the facilitators of knowledge creation in innovative societies (OECD, 1996). The new economics looks at ICT not as drivers of change but as tools for releasing the creative potential and knowledge embodied in people.

However, the ICT sector has a powerful multiplier effect in the overall economy

compared with manufacturing. A 1995 study of the effect of software producer Microsoft on the local economy revealed that each job at Microsoft created 6.7 new jobs in Washington State, whereas a job at Boeing created 3.8 jobs (Mandel, 1997). Wealth-generation is becoming more closely tied to the capacity to add value using ICT products and services. The value of accumulated knowledge within New Zealand is an important indicator of its future growth potential (Ernst & Young, 2006).

The problem of IC's Assessment

The real problem with intellectual capital lies in its measurement. Unfortunately, an invisible conceptualization— regardless of its underlying simplicity—becomes an abyss for the academic researcher. To make matters worse, intellectual capital is conceptualized from numerous disciplines, making the field a mosaic of perspectives (Davis, 2009).

How do we measure a firm's intellectual capital? How can a firm tell whether its knowledge assets have increased or diminished over a certain period of time? According to Strassman (1998), intellectual capital is what is left over after suppliers, employees, creditors or shareholders and the government have been paid, and obsolete assets replaced. There are other approaches, including those of Sveiby (1997) and of Stewart (1997). One tool that is now widely used by US companies is Kaplan and Norton's Balanced Scorecard, which combines financial with non-financial measures, such as internal business processes, learning and growth, and various customer-related measures (Kaplan and Norton, 1996). Competency models seek to define and classify the behaviours of successful employees

and calculate their market worth, while a business worth approach seeks to consider the value of information and the costs of missed or under-utilised business opportunities (Ernst & Young, 2006).

Intellectual Capital Is an Organizational Resource

Intellectual capital can be regarded as the hidden value of an organization. The intention of these social capitals (human, organizational and customer) is to value the intangible asset and reassess the knowledge gaps to improve the business advantage. The three components of intellectual capital capture a number of asset-driven functions and each should be regarded as an iterative *double-arrow* dynamic. A good example is attributing value to corporate tools, templates and training programs etc as an intangible asset registered on the 'Balanced Scorecard' rather than incorporated as 'Goodwill'. As an intangible asset there is so much more benefit available to the business (Davis, 2009)

Knowledge management theorists argue that knowledge is the preeminent resource of the firm (Grant 1996a, b; Spender 1994, 1996; Baden-Fuller and Pitt 1996; Davenport and Prusak 1997). The knowledge-based view of the firm identifies the primary rationale for the firm as the creation and application of knowledge (Demsetz 1991; Kogut and Zander 1992; Nonaka 1994; Spender 1994; Nonaka and Takeuchi 1995; Foss 1996; Grant 1996a, b; Bierly and Chakrabarti 1996; Connor and Prahalad 1996, Choi and Lee 1997).

Johnson and Kaplan state that: A company's economic value is not merely the sum of the values of its tangible assets, whether measurable at historic cost, replacement cost,

or current market value prices. It also includes the value of intangible assets: the stock of innovative products, the knowledge of flexible and high-quality production processes, employee talent, and morals, customer loyalty and product awareness, reliable suppliers, efficient distribution networks and the like. Reported earnings cannot show the company's decline in value when it depletes its stock of intangible resources. Recent overemphasis on achieving superior long-term earnings performance is occurring just at the time when such performance has become a far less valid indicator of changes in the company's long-term competitive position (1987: 202).

Although intangible assets may represent competitive advantage, organizations do not understand their nature and value (Collis 1996). Managers do not know the value of their own intellectual capital. They do not know if they have the people, resources, or business processes in place to make a success of a new strategy. They do not understand what know-how, management potential, or creativity they have access to with their employees. Because they are devoid of such information, they are rightsizing, downsizing, and reengineering in a vacuum (Davis, 2009, p.17).

Barriers for IC

Despite the embryonic stage of the IC field (Serenko and Bontis, 2004), the extant literature offers a number of factors that affect intra-organizational knowledge flows and serve as antecedents to knowledge sharing. These are based on four different schools of thought:

- (1) The social school;
- (2) The structural school;

- (3) The rational school; and
- (4) The incentive school.

According to the social school, rapport is the most important antecedent, including the ability to trust one another so that the knowledge recipient will use shared knowledge in an appropriate way. Within the structural school, knowledge is shared because the knowledge donator feels obligated to a stakeholder, such as a boss, client or shareholder.

The rational school suggests that an intrinsic micro cost-benefit analysis determines whether knowledge is shared on a case-by-case basis. From the incentive school's viewpoint, economic gains are guaranteed by a reward and recognition system that compensates individuals when they share knowledge (Serenko and Bontis, 2004). Also Riege (2005) highlights a variety of knowledge sharing barriers that managers must consider:

Level of analysis	Knowledge-sharing barrier
Individual	<p>General lack of time to share knowledge, and time to identify colleagues in need of specific knowledge</p> <p>Apprehension or fear that sharing may reduce or jeopardize people's job security</p> <p>Low awareness and realization of the value and benefit of possessed knowledge to others</p> <p>Dominance in sharing explicit over tacit knowledge such as know-how and experience that requires hands-on learning, observation, dialogue and interactive problem solving</p> <p>Use of strong hierarchy, position-based status, and formal power ("pull rank")</p> <p>Insufficient capture, evaluation, feedback, communication, and tolerance of past mistakes that would enhance individual and organizational learning effects</p> <p>Differences in experience levels</p> <p>Lack of contact time and interaction between knowledge sources and recipients</p> <p>Poor verbal/written communication and interpersonal skills</p> <p>Age differences</p> <p>Gender differences</p> <p>Lack of social network</p> <p>Differences in education levels</p> <p>Taking ownership of intellectual property due to fear of not receiving just recognition and accreditation from managers and colleagues</p> <p>Lack of trust in people because they misuse knowledge or take unjust credit for it</p> <p>Lack of trust in the accuracy and credibility of knowledge due to the source</p> <p>Differences in national culture or ethnic background; and values and beliefs associated with it (language is part of this)</p>

Level of analysis	Knowledge-sharing barrier
Organizational	<p>Integration of KM strategy and sharing initiatives into the company's goals and strategic approach is missing or unclear</p> <p>Lack of leadership and managerial direction in terms of clearly communicating the benefits and values of knowledge-sharing practices</p> <p>Shortage of formal and informal spaces to share, reflect and generate (new) knowledge</p> <p>Lack of transparent rewards and recognition systems that would motivate people to share more of their knowledge</p> <p>Existing corporate culture does not provide sufficient support for sharing practices</p> <p>Deficiency of company resources that would provide adequate sharing opportunities</p> <p>External competitiveness within business units or functional areas and between subsidiaries can be high (e.g. not invented here syndrome)</p> <p>Communication and knowledge flows are restricted into certain directions (e.g. top-down)</p> <p>Physical work environment and layout of work areas restrict effective sharing practices</p> <p>Internal competitiveness within business units, functional areas, and subsidiaries can be high</p> <p>Hierarchical organization structure inhibits or slows down most sharing practices</p> <p>Size of business units often is not small enough and unmanageable to enhance contact and facilitate ease of sharing</p>
Technological	<p>Lack of integration of IT systems and processes impedes the way people do things</p> <p>Lack of technical support (internal and external) and immediate maintenance of integrated IT systems obstructs work routines and communication flows</p> <p>Unrealistic expectations of employees as to what technology can do and cannot do</p> <p>Lack of compatibility between diverse IT systems and processes</p> <p>Mismatch between individuals' need requirements and integrated IT systems and processes restrict sharing practices</p> <p>Reluctance to use IT systems due to lack of familiarity and experience with them</p> <p>Lack of training regarding employee familiarization of new IT systems and processes</p> <p>Lack of communication and demonstration of all advantages of any new system over existing ones</p>

Source: (Serenko et al, 2007, pp.612-613).

Out of these various lines of thought, a number of specific, overlapping factors have been identified and reported by researchers (Huber, 2001; Cabrera and Cabrera, 2002; Connelly and Kelloway, 2003; Hutchings and Michailova, 2004; Bock et al., 2005, 2006; Lin and Lee, 2006; Michailova and Hutchings, 2006; Al-Alawi et al., 2007; Ang and Massingham, 2007; Du et al., 2007; Hall and Goody, 2007; Lin, 2007; Makela et al., 2007; Riege, 2007; Yang, 2007). Many of these research highlights are summarized here:

- Internal compensation structures or sufficient extrinsic rewards are necessary to motivate people to share knowledge. At the same time, over-reliance on compensation alone may dramatically impede knowledge flows because of the threat of system abuse or collusion.
- Intrinsic motivators that include the enjoyment of sharing knowledge, the positive mood resulting from helping others, higher knowledge self-efficacy, feelings of contributing to overall organizational performance, or confidence in one's ability to provide important knowledge are all key drivers of knowledge flows.
- Top-level management commitment and support (i.e. senior executives who exhibit behaviors of knowledge sharing themselves) and getting other influential organizational members to publicly share their knowledge also acts as a driver of overall collaboration.
- The availability of knowledge sharing spaces aids in the collaboration process. These include physical meeting

places and virtual spaces, for example access to knowledge management systems (KMS), groupware, portals and various communications technologies that facilitate knowledge exchange.

- National cultural influences impact the propensity of organizational members to share knowledge (e.g. collectivistic societies such as Japan versus individualistic cultures such as the USA).
- Connective efficacy and feedback on the quality and usefulness of knowledge donated and received is also precursor to sharing.
- Organizational structures that are less bureaucratic better support knowledge flows.
- Technological issues related to system integration, support, IT training, and understanding the capabilities and limitations of current systems.
- Workforce heterogeneity/homogeneity (e.g. differences in age, ranks, experience, education, gender, etc.) has an impact on knowledge sharing.
- Intra-organizational work climate also drives knowledge sharing behaviors. Examples here include the degree of affiliation with the organization, perceptions of job security, innovativeness and tolerance to failure, freedom in decision-making and degree of monitoring, interpersonal relationships (i.e. degree of familiarity between knowledge donor and recipient), interpersonal trust, and interpersonal communication (Serenko et al, 2007, pp.613-614).

Knowledge economy, the most important capital in the organization

For the last two hundred years, neo-classical economics has recognized only two factors of production: labor and capital. This is now changing. Information and knowledge are replacing capital and energy as the primary wealth-creating assets, just as the latter two replaced land and labor 200 years ago. In addition, technological developments in the 20th century have transformed the majority of wealth-creating work from physically-based to „knowledge-based.“ Technology and knowledge are now the key factors of production. With increased mobility of information and the global work force, knowledge and expertise can be transported instantaneously around the world, and any advantage gained by one company can be eliminated by competitive improvements overnight. The only comparative advantage a company will enjoy will be its process of innovation--combining market and technology know-how with the creative talents of knowledge workers to solve a constant stream of competitive problems--and its ability to derive value from information. We are now an information society in a knowledge economy where knowledge management is essential (enter web, 2005).

For countries in the vanguard of the world economy, the balance between knowledge and resources has shifted so far towards the former that knowledge has become perhaps the most important factor determining the standard of living - more than land, than tools, than labour. Today's most technologically advanced economies are truly knowledge-based (power, 2003; World Development Report, 1999, p.16).

Conclusions

As David (2009) state; it seems that every month a new management technique emerges that CEOs, hungry for new ways to improve the performance of their business, readily devour. Companies are rightsizing, downsizing, and reengineering. They are promoting a culture of leaders and followers. They are striving to be “learning organizations” and promoting team building and self-empowerment. The options are overwhelming. But all these techniques have one thing in common; they are seeking to discover better ways of utilizing organizational resources (Davis, 2009). So our managers and CEO's should provide themselves with the latest knowledge so that they could overcome to the forthcoming events. This important as stated earlier is possible with competent employees and managing them effectively. Also managers should note that; that organizations are operating in a vacuum is not surprising, as they do not have any methods or tools to use that would enable them to analyze their intellectual capital stocks and organizational learning flows. To that end, a methodology and valuation system is required that will enable managers to identify, document, and value their knowledge management. This will enable them to make information rich decisions when they are planning to invest in the protection of their various intellectual properties (Davis, 2009, p.17). So they should an IC management system in their organization to identify intellectual employees. After identifying those staff, the organization can utilize them in appropriate way in organizational shared vision.

Managers who do not pay attention to the IC and knowledge flow in the

organization or know themselves the only intellectual source of the organization or firm should note that, this idea was on Fredric Taylor's time in the 19 centuries and we are in twenty first century and knowledge in the most important factor in all managing process in this era. Peter Drucker (1993) heralds the arrival of a new economy, referred to as the *knowledge society*. He claims that in this society, knowledge is not just another resource alongside the traditional factors of

production—labor, capital, and land—but the only meaningful resource today.

As mentioned earlier, intellectual capital research has primarily evolved from the desires of practitioners (Bassi and Van Buren 1998; Bontis 1996a; Darling 1996; Edvinsson and Sullivan 1996; Saint-Onge 1996). Finally, consequently, recent developments have come largely in the form of popular press articles in business magazines and national newspapers (Davis, 2009, p.18).

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Analysis of nigerian consumers' perception of foreign made products

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Abstract: *This article presents the results of a survey of Nigerian consumers' perception and attitude towards products foreign made products. The focus of the study is the source of information in evaluating a product; the evaluation of specific product dimensions by Nigerian consumers' assessment of different product categories. The results show that Nigerian consumers perceive foreign made products as more reliable technologically advanced, stylistic and competitively priced than made in Nigerian products. More importantly, the most common product information sources are advertising and words of mouth. The managerial implication and limitations of the study are examined.*

Introduction

There has been considerable interest in recent years on the effects of country of origin products on consumer's perception of products. Consumers usually have several options in their choice of product consumption (Schooler, 1965; Ahmed and d' Astous, 2002, 2003; Ahmed and Xia Yang et al. 2003). These research findings indicate firstly, that better understanding of country of origin is

required in appreciating perceptual decisions of consumers. Secondly, country of origin is used by consumers to evaluate products and in making purchasing decisions (Hong and Wyer, 1990; Parameswaran and Pisharodi, 1994). More importantly, country of origin may create a 'halo effect', influence customer's attention and evaluation of product features and dimensions (Erickson, Johansson and Chao, 1984). Country stereotyping may also affect consumers' attitudes towards the

brand of a country instead of through attitude ratings (Wright, 1975).

The conclusions that emerged from country of origin research indicate that consumers use country of origin to evaluate products (Han 1989; Johansson 1989). For example, Johansson (1989) argued that consumers' use country of origin information to evaluate product quality. Other authors suggested that country of origin could be used as an attribute (Hong and Wyer 1989, 1990)

Researches on country of origin provide insight knowledge into consumer attitudes in various countries in respect of foreign products and corresponding marketing strategies. It also provided considerable contribution into the understanding of international marketing strategies. Despite these contributions empirical research in developing nations in respect of foreign products and associated marketing practices and strategies are limited which limited conclusions that can be drawn from developing nations. A number of factors limit previous studies on country of origin, one, most of these studies were conducted in USA where authors made use foreign students on the assumption that their behaviors will reflect behaviors of their home country (Samiee, 1994). Two, only few studies were conducted outside USA mostly in developed and industrialized nations (Bhuian, 1997). Three, these studies adopted a general approach in their investigations, i.e they examined consumers' perceptions of products from a wide array of countries, this reduced the level of detail to be gained on specific country or region (Leonidou, Hadjarcou, Kaleka and Gergans, 1999). This may be helpful for comparative analysis on a general level (Sodiq and Zafar 2006). While a number of studies have been conducted in

many developed nations few studies, if any, as far as it can be determined have not been conducted on Nigerian consumers' preference of foreign made products. Specifically, this study attempt to investigate the following research questions: what are the sources of information used by Nigerian consumers in evaluating foreign made goods? How does this differ in accordance with consumer demographics? How do consumers in Nigeria evaluate specific dimensions of products made abroad and how do these factors vary in relation to consumer demographics? What is the Nigerian consumers' assessment of product categories?

Literature Review

Recent trend in globalization emphasizes the need to understand country of origin concept effects, especially in developing country like Nigeria. There is increasing application of digital mechanism in trade transactions and a reduction in trade barriers which make it relatively easy for multinational organizations to compete in several markets and economies. For example, a Nigerian consumer has access to several products from around the world and country of origin information may be used to evaluate these products. Several consumers make rational choice by comparing and contrasting product features and performance. Recent studies had shown that emotions play a major role in consumer purchase of foreign products (Maheswaran 1994).

The earliest study of country of origin can be traced to the work of Nagashima (1970). He argued that consumers evaluate products based on the picture, the reputation, and the stereotype that consumers and

businessmen attach to products of a specific country. The image of a product is formed by associating the product to such variables as representative products, national characteristics, economic and political background, history and tradition of the country of origin of the product. Samiee (1994) defined country of origin effect as the influence or bias that consumers may have resulting from the country of origin of the product or service or its associated products.. The results of the effects may be varied: a number may be as a result of the experience of the consumers of the country of origin; knowledge of the country of origin of the product; political beliefs; ethnocentric tendencies and fear of the unknown. (Ahmed, Johnson and Yang 2003).

Several studies have extensively documented that country of origin influences product evaluations. In general, evaluations of a country associated with a product leads to a corresponding favourable and unfavourable evaluation of a product (Gurhan-Canli and Maheswaran 2000b; Hong and Wyer 1989,1990). Previous studies provided conditions under which country of origin is used to new evaluate, some of these conditions include nature of information and the processing goal would determine whether country of origin will be used for product evaluation (Gurhan-Canli and Maheswaran, 2000b). For example Gurhan-Canli and Maheswaran (2000b) study found out that product from Japan elicit favourable perceptions of high quality product. However, Klein, Ettenson and Morns (1998) found out that some Chinese consumers may not consume Japanese product because of high animosity developed against Japan during the war. This shows that consumers' emotions impact significantly on the country of origin evaluation.

Consumers in less developed countries may favour products and brands from developed countries (Solomon, 2004) and Nigerian consumers are no exception. Consumers attitude towards western culture especially from countries that were colonized are ameliorated (Klein et. al 1998) and they often value western goods more than locally made goods (Ahmed and d'Astons, 2004). Consumers may prefer high-quality imported goods, they do not blindly buy western goods, rather they may seek quality at a good price (Cui, 1997). It is also possible that foreign brands may lose their appeals as locally made goods increase in quality and attractiveness (Zhou and Hui, 2003; Li, 2004). Another reason why foreign products may lose their appeal in less developed countries such as Nigerian may be local consumers' increasing knowledge about foreign products and brands (Dickson et al, 2004). It has also been reported that consumers buy foreign goods for prestige and nationalistic belief (Zhou and Belk, 2004). Therefore, it can be suggested that consumers in developing countries have conflicting reactions towards foreign brands.

Country of origin is a cue that consumers use to evaluate foreign products and brands. Country of origin (hereafter, COO) has been defined in several ways: as the country of location of the corporate headquarters (Ozsomer et al, 1991); country of manufacturing or assembly (Papadopolous, 1993); and the country of product design (Ahmed et al 1994). COO is also defined as any influence or bias that consumers may hold, resulting from the COO of the associated products or service (Samiee, 1994). The source of the effect is varied, some are based on the experience of the consumers with the products from the country in question, others are from

personal experience, knowledge regarding the country political belief, ethnocentric tendency or fear of the unknown (Samiee, 1994).

Previous studies had shown that COO can influence consumers' attitudes (Khachaturian and Morganosky, 1990); purchasing intentions towards foreign products and brands (Zhang, 1996; Kaynak, Kuankemiroghian and Hyde, 2000); evaluation of its attributes (Kim and Pysarchik, 2000); attitudes toward products (Lee and Leong, 1999) and product purchase value (Ahmed and d'Astous, 1999). These influences have been reported for products in general as well as specific product categories, including consumers as well as organizational buyers (Kim and Pysarchik, 2000; Ahmed and d'Astous, 1995; Li et al, 2000; Huddleston et al, 2001). COO is very important in evaluating foreign products principally from two main perspectives: quality (Khachaturian and Morganosky, 1990 and Steenkamp et al, 2003) and purchase value (Ahmed and d'Astous, 1993). These perceptions are influenced by such factors as brand familiarity, the level of involvement in the purchase decision, the level of involvement evoked by the product class, the familiarity with countries and preference for domestic products (Kaynak and Kara 2000; Steenkamp et al, 2003; Batra et al 2002).

Consumers' associate specific image to products from given country. Such images are influenced by a number of variables including national characteristics, economic and political background history and traditions (Nagashima, 1970, Sohail and Ahmed -). COO effect is concerned with how consumers perceive products sourced from a particular country (Chinen, et al 2000). Extant literature indicated that COO influence can

be traced to product assessment and decision making processes as it affect consumers' prediction of likelihood of specific features of products manufactured in a certain country (Zain and Yasin, 1997; Solomon, 2004). A number of studies have indicated consumers' bias favour of products from developed nations such as USA, European countries and Japan. This usually associated with high levels of economic and technological development (Chinen et al , 2000; Huddleston et al, 2001; Hsieh, 2004) which translate to high quality and better performance of products.

One important aspect of the effect of COO is the product type. It is established in literature that product that exhibit high complexity or product considered being luxurious items e.g automobiles, computers and television sets are likely to be more affected by the COO (Ahmed and d'Astous, 1993 2001; Okechuku and Onyemah, 1999). A number of variables have been identify to influence the COO effects. For example demographic factors such as age and sex have been found to influence country of origin effect (Schooler, 1971; Johanson et al 1986). College graduates have also been found to view foreign products more favourably than less educated respondents

There is evidence to suggest that highly industrialized nations such as Japan, USA UK or Germany are evaluated highly in terms of product quality (Ahmed and d'Astous, 2001) than newly industrialized nations such as China, Korea or Indonesia. Products from these later countries are generally viewed as inferior across design, assembly and parts ability. Products from developing countries like Nigeria are further viewed with negative impressions (Okechukwu and Onyemah, 1999).

Consumers' experience of living or studying in a foreign country will moderate his perception of product quality and purchase intention. This is based on the theory of acculturation. Acculturation looks at how consumers from one country adapt their attitudes and behaviour of a host country (Jamal and Chapman, 2000; Suri and Manchanda, 2001). A number of studies have investigated various aspects of acculturation and the impact on marketing (Son and Shin, 2004; and Chung et al, 2005). These include issues such as information search, price sensitivity, shopping behaviour, response to advertising and personal influences (Quester et al, 2001; Jamal and Chapman 2000; Xu et al 2004 and plumbo and Teich 2004). Yim, Garma and Polonsky, (2006) and Wong (2005) posulated that consumers who are acculturated to foreign environment have more positive feelings toward products from those foreign environments than those non-acculturated counterparts. It is expected, therefore, that adaptation to foreign views would impact on consumers' evaluation of products sourced from home country versus foreign products which could modify purchase behaviour (Xu, et al, 2004).

Materials and Methods

This study was conducted in Lagos, Nigeria. Lagos is Nigeria former federal capital and the commercial and industrial nerve centre of the country. Nigerians consumers' perceptions towards products made in Nigeria were measured on multiple-item scale drawn from previous research. The instrument was adapted from Leonidous et al (1999) with a number of modifications to suit our present needs. For example, information

on ethnicity was dropped despite the facts that Nigeria is a multi-ethnic society. This is because consumers may be sensitive to questions on ethnicity. Basically, the survey attempts to elicit response on the sources of information for evaluating foreign products, consumers' evaluation of different product dimensions, demographic profile of consumers and perceptions of foreign products based on experience.

Product dimensions studied included design, style, quality, branding and price. Specific products used in assessing the effects of COO include electrical appliances and electronics, clothing, cosmetics and footwear, confectioneries and drinks and computer accessories. The choice of these products is based on the facts that most of these products are accessible to consumers (both local and foreign made). Also covered in the questionnaire are issues relating to demographic profile of the consumers (age, gender, educational background). The study made use of customers of departmental stores in two major commercial and business districts of Lagos: Ikeja and Lagos Island. Shoppers were used to collect information majorly by convenient sample techniques. The respondents are at least 18 years old and were requested to fill a questionnaire as they are living a shopping mall. In all 220 questionnaires were administered of which 197 were found usable, which form the basis of this study.

Analysis and Discussion

The age of the respondents ranged from 18-55 years. More than 80% of this is in the age bracket of 18-35 years. All the respondents have at least secondary education with

more than half possessing a secondary education, see table 1.

The major sources of information for the respondents about goods imported are friends, television and radio and experiential knowledge. A check on the relationship

between demographic variables and sources of information indicated that friends' opinion ($p = 0.001$) and experiential knowledge ($p = 0.066$) are preferred by both male and female respectively. Gender has no other significant impact.

Table 1: Demographic Profile

Profile	Frequency	Percentage
Gender		
Male	69	35
Female	128	65
Total	197	100
Age		
18-25	106	53.81
26-35	59	29.95
36-45	24	18.18
45 and above	8	4.06
Educational Qualification		
Primary education	-	
Secondary education	118	59.90
NCE/HHD/BSC	69	35.03
Post graduate	10	5.07

Table 2: Sources of Information for Products

Variables	Experiential Knowledge	Friends Opinion	Product Packaging	TV/R Radio	Sales Reps
Gender					
Male	3.09	2.98	3.02	3.35	3.56
Female	3.27	2.64	3.62	2.87	4.17
P value	.066**	.001*	.811	.649	.920
Age					
18-25	4.09	2.39	2.79	2.73	2.69
26-35	4.65	2.14	2.88	2.92	3.97
36-45	4.34	2.65	3.34	3.04	4.34
+45	3.98	3.11	3.03	3.57	3.96
p value	.060	.889	.734	.002*	.635
Educational Level					
Primary	3.16	2.41	4.88	3.88	3.23
Secondary	2.98	2.35	4.82	3.82	3.87
NCE/HND/BSC	2.76	2.79	4.01	4.01	4.02
Postgraduate	2.45	4.06	3.33	4.33	3.42
p value	.050***	.035	.370	.01**	.022**
Overall Ranking	1	3	4	2	5

Mean scores based on ranking of preference ranging from 1= most preferred and 5 least preferred

*=1%, **=5% and ***=10%

Age groups present different scenario in respect of sources of information in product evaluation. Table 2 showed that young respondents (18-35 years) relied mostly on television and radio for their source of information ($p=0.002$). Other sources are of no importance to the respondents' product purchase decisions.

Educational qualification is related to three of the items studied. Respondents with lower education: primary and secondary are influenced by television and radio ($p=0.01$), and sales representation ($p=0.022$), while respondents with higher level of education i.e minimum of university education relied on experiential knowledge ($p=0.050$). Overall rating of the sources of information studied

indicated that respondents rated experiential knowledge higher than other sources. The rating ranged from most preferred (1) to the least preferred (5). Television and radio are ranked second followed by friends 'opinion, the rated source of information from table 2 is product package.

Respondents were asked to indicate how they evaluate foreign products using six dimensions presented in table 3. The dimensions are design, style, quality, branding, packaging and price. The relationship between demographic factor and the six dimensions of product evaluation studied showed that male respondents used design dimension to evaluate a product ($p=0.55$) while the female respondents relied on price

($p=0.034$). However, there was a consensus on the relevance of quality in product evaluation ($p=0.062$).

An analysis of the relationship between age and the products evaluation dimensions showed that two of the dimensions namely: made serious impact on consumers' evaluation. Respondents whose age range between 36-45 years placed high premium on quality in their products evaluation. Meanwhile consumers within the age bracket of 36-45 placed

little emphasis on quality. Several studies had related quality to product evaluation (Sohail and Ahmed -), however the finding here is that all the age group considered have similar mean values.

Younger respondents in the age group of 18-25 years and those are above 45 year old relied on branding for product evaluation. The other dimensions have no meaningful impact on age in the consumer evaluation of foreign products.

Table 3: Consumers Evaluation of Product Dimensions

Variables	Design	Style	Quality	Packing	Branding	Price
Gender						
Male	2.28	3.67	2.55	4.62	3.02	2.85
Female	3.75	3.15	2.69	3.34	4.93	2.01
p value	.055**	.598	.062*	.76	.211	.034**
Age						
18-25	4.26	4.14	3.71	5.88	2.68	4.58
26-35	4.92	4.78	3.17	5.93	2.93	5.31
36-45	4.66	3.55	3.07	5.72	3.05	5.72
+45	3.76	3.99	3.67	5.44	2.74	5.66
p value	.299	.544	.081**	.223	.043**	.738
Educational Level						
Primary	2.56	2.42	1.72	3.25	2.51	3.04
Secondary	2.93	2.95	2.86	2.65	2.77	4.89
NCE/HND/BSC	5.37	2.79	1.81	2.77	2.99	5.02
Postgraduate	5.72	4.66	4.17	2.50	3.28	4.98
p value	.398	.372	.000*	.060***	.034**	.001*
Overall Ranking	4	3	1	5	2	6

Mean scores based on the ranking of preference ranging from 1=most preferred and 6=least preferred .

*=1%, **=5%, ***=10%

Educational background is related to four of the six dimensions in evaluating foreign products. For example, except for postgraduate respondents all other respondents relied heavily on quality in evaluating foreign products ($p=0.000$), however, postgraduate respondents considered packaging more than other respondents with lower qualification, followed by secondary school graduates ($p=0.060$). Another finding is that branding was important to respondents with lower qualification ($p=0.034$). Further more, price was an important dimension to respondents with lower degree: primary and secondary

schools graduates ($p=0.001$). Overall ratings given by the respondents on all the dimensions showed quality as the most preferred followed by branding while the least preferred is price. That means Nigerian consumers rate foreign products highest on quality, branding, style, design, packaging and price in that order.

Product categories analysis in this study includes electrical appliances and electronics, clothing, cosmetics and footwear and confectionaries and drinks. The mean scores are shown in table 4.

Table 4: *Evaluation of Various Product Categories*

Product Category	Mean	Standard Deviation
Electrical/Electronics	4.07	.81
Clothing/Cosmetics	4.41	.59
Confectionary/Drinks	3.98	.731
Computers	3.79	.88

The responses were rated on 5-point Likert scale ranging from poor to excellence. Table 4 showed the mean and standard deviation scores. Clothing (4.41) was rated highest while computer category had the lowest rating. However, there was no uniformity in the rating of the product categories has indicated by the wide range of score in the standard deviation of the mean scores.

Implications and Conclusions

Main objective of this study is the evaluation of Nigerian consumers' perception of product made abroad. A number of general approaches were adopted for this

study: sources of information for products evaluation of product dimensions and product categories. The most important source of information for foreign made products is experiential knowledge, followed by television and radio, the least utilized source is sale representatives. For the male respondents the most preferred source of information is the experiential knowledge while the female most reliable source is their friends. The young respondents relied on television for their source of information. In terms of educational background those with higher education relied on experiential knowledge for information, the primary and secondary school certificate holder preferred

television and radio as a source of their own information.

More importantly, the sales representatives also constitute a preferred source of information for primary school certificate holders. The marketing managers should ensure that the adverts of their products should be effective enough to not only attract customers but to retain them.

In terms of the evaluation of the product dimensions the most preferred product dimension is quality, followed by branding, style, design, packaging and price in that order. The male respondents used design and quality to evaluate product dimension while the female respondents made use of price. The most preferred product dimension to the middle aged respondents (36-45) was product quality, while branding was important to the relatively young. The implication of this to marketing manager is that product design and perceived quality of the product should

not be compromised as it can affect the purchase of the products.

This study was limited by a number of factors, the study involved selected foreign products in Nigeria without country by country analysis, consumers perceptions of products from different countries may not be the same. The study was conducted in Lagos, a commercial and industrial centre, the characteristics and pattern of purchase of consumers in Lagos may be different from those in the other parts of the country. More importantly, the sample size was relatively small when compare to the population of the whole country even that of Lagos. Therefore, the results from this study require further investigations not only in terms of coverage, but in terms of country by country analysis, involvement of wider range of products, and extension of the study to other parts of the country.

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The Management of Media Organizations from Theory to Practice

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Abstract: Media organizations have become a barometer in the development of a society. The way these organizations are managed depends on the context they can be placed in. Media organizations can be assimilated with a social and economic context. I attempted to emphasize the importance of good management that takes into account the basic principles and which can be integrated into a media organization. Leadership should be concerned with combining the specifics of management with those of human nature. The need for management is real. As it is the interdependence between the media organization and an efficient management. Despite their shortcomings, today's managers are able to manage a newspaper, a radio or a television station. They can be divided into three categories, namely: managers of a media organization, having no knowledge of management; managers having the necessary training but unaware of how to implement management rules and finally, managers with very good training but lacking interest, who let things run by themselves.

Key words: Management, media, management style, leadership styles, free market economy, strategy.

Introduction

As with most organizations, the media ones are of a bureaucratic nature. In my paper I tried to stress out their characteristics but what really differentiates them is their

name of unbureaucratic bureaucracies. For the manager of a media organization, it is a greater or a lesser effort of management. I mean that in case of a lack of hierarchy the participative management appears, where the employees' need for self-achievement is

encouraged. In fact, the leadership style that should characterize the behavior of today's managers resides in combining the priority of production with the interest for human resources.

The managers in Argeş are highly interested in what is happening in their neighbors' yard, in the publications of the competition as well as in their own profit. This is so because newspapers such as *Societatea argeşeană*, *Observator argeşean*, *Top*, but less in the case of *Argeşul*, are owned by people who are involved in other businesses that can sustain, despite of losses even, the business called newspaper, just for the sake of the social position or other important advantages deriving from it. Such managers are not interested in adding value or improving, meaning that they do not make efforts for improving their leadership style.

Placing a media organization in a suitable environment allows it to develop. The more dynamic the environment the more differentiated its structure should be. The more differentiated the structure of a organization, the more difficult the task of coordinating the employees' work. This shows how important the different aspects are for the management of a media organization.

Literature review

Argeşul is the oldest daily newspaper in Argeş area, whose first issue was published on December 23, 1989, continuing the tradition of the first publication, with the same title of March 31, 1876.

The newspaper in tabloid format does not indulge in scandal stories, has a general audience for its general contents, targeted mainly to the rural audience (subscription-based).

The daily offers general political, cultural, sports, miscellaneous and advertisement information. Cultural and political information comes first. Different other types of stories are approached but mainly when the other types of information are scarce.

The strong point of the newspaper lies mainly in its highly stable pool of editors that write for the paper. It is one of the few publications that did not know major fluctuations of personnel. The professionalism and stability of the editorial group translated into the possibility of assuming and publishing articles that had an unusual impact and were a first for that region.

Argeşul is a serious newspaper brand that does not promote scandal stories, observes ethical principles and has a leadership aware that credibility is one of the greatest assets of the newspaper.

The long-term strategy of publishing only credible information and not resort to sensationalism proved beneficial. On the Argeş area market, *Argeşul* newspaper is considered the most serious as compared to other four existing newspapers which, with almost no exception, compete in promoting on their front pages, information on crimes, rapes, sex, incest, pornography, showing less interest for the major problems the local community faces.

The daily has been given credibility due to the information it offers, the attitude it has and the fact that it is considered traditional, with a ballanced but firm voice. It is a daily with a personality that constantly increased the number of its readers.

Top daily, with 6.000 daily issues, is edited by Media PIC, part of the PIC group of Piteşti. *Top* was launched on the market on April 1, 2003 as a weekly publication.

Ten issues later it appeared twice a week, Tuesdays and Fridays.

Six months later, the need for information of the people in Argeş area led to the daily publication of the newspaper, starting with October 1, 2003. Everything contributed to an increase in sales. Top daily is edited in very good graphic conditions at the Gutenberg publishing house in Craiova. Top defines itself as an information and publicity daily, guided by the interests of PIC group. At present, it advertises the products of PIC group. Top is a rather new product in the media market. It presents political, social, economic, cultural, sports, society and miscellaneous information.

All categories are treated fairly to cover most of the public's interests.

The editorial policy of the newspaper aims at bringing the readers general information on all aspects of the social life in Argeş County.

The newspaper targets not only the readers interested in local information but also those interested in events in general. For the last category, the paper brings the latest and most important national and international information.

The Argeş County daily, Observator, was first published in January 2000; it appeared in an already crowded market strongly inclined to enrich the genre.

Observator is an independent daily of the Argeş County, published in a 16-page format with an additional daily real estate supplement. The Argeş media market can be said to target the lower class of society. Crime is the topic of excellence for all the newspapers in the area, most of the front page features dealing in this subject. Since day one, Observator intended to approach the whole

range of social topics, focusing on those targeting the largest audience. News in brief are presented side by side with economic, social or political information, each according to importance. This was the way the newspaper tried to get as many readers as possible.

Curierul Zilei is the daily with the largest public in the area. It was established in August 1994, at the initiative of two businessmen in Piteşti, Mrs. Marilena Baraţă and Mr. Constantin Neguţ. The first issue was published on September 15, 1994. The editorial office started with a team consisting of young people, mostly with no previous experience with the media work. Paradoxically this proved to be an advantage, which soon translated into an increase in circulation.

Mention should be made that at the time of its first publication, on the Argeş media market there was an audiovisual channel, namely STP Piteşti, radio and television station, and Argeşul Liber daily. The direct, concise, dynamic language used by the Curierul Zilei, alongside its attractive layout, made it a vivid experience that quickly won the sympathy of the local public. Just to show how this worked we shall say that one of the rules in writing the articles was „Write it as you would tell it.”

Curierul Zilei is a daily tabloid, consisting of news that are 99 percent of local interest. Its contents is varied (news in brief, social, economic, political, sports, publicity) with a focus on miscellanea and publicity. The articles are written with professionalism, easily readable, presented on pages that are modern, clear and attractive.

Its distribution is 91 percent urban and the remaining 9 percent rural, only in Argeş County. Due to its high circulation and lower publicity costs per one thousand readers,

Curierul Zilei is the best media tool for publicity messages in the Argeş County. This is shown by the fact that Curierul Zilei is used as a publicity carrier by famous clients in the area.

Curierul zilei has its own loyal audience, due to the debatable cases it has always presented. At present, this daily is the most popular one in the county, the one with the fastest development after 1989.

Societatea Argeşeană is a complete one, according to its own description. It was first published on December 1, 2003, in an already highly competitive media market. Along the years, the newspaper adopted different editorial policies, according to the other actors existing in the print media market of Argeş.

Societatea Argeşeană grew its own loyal public, very much like the Curierul Zilei by publishing debatable cases, original stories and journalistic investigations that have more than once triggered true political and administrative earthquakes in the Argeş County political class.

It created true information breakthroughs in once considered taboo areas, such as police, magistrates, clergy, finances and the business community.

Societatea Argeşeană is a daily bringing a large volume of information, whose management changed quite often, which presents a diversity of political, social, economic, sports, cultural, ads and publicity, miscellaneous information.

The publication is disseminated all over Argeş County, through its own as well as other distribution networks. As a conclusion, Argeş County continues to be a strong economic center still, people afford less and less buying a newspaper. The lack of cash resulted in the print media consumers' desperate

ability to cope. People would buy one paper that would be read by several people or they would resort to radio or television.

Of the five daily newspapers we talked about, Curierul Zilei and Societatea Argeşeană cover mostly miscellanea, tragic and shocking cases, presented with photos. The other daily newspapers do not focus on this kind of information but it is nevertheless present.

Economy is the less covered topic by the newspapers of the county, while crime takes precedence on the front pages. Integrating a media organization into the free market economy requires both good training in the field and the implementation of an efficient management style. As for the publication management, the only publications that preserved the manager position are Argeşul – the oldest daily newspaper in the area, managed by Mihai Golescu – and Curierul Zilei – with Constantin Neguţ as general manager, as well as Marilena Baraţă, ex-wife of Cristi Neguţ, as founding chairman, which allows us to say it is a family newspaper. Top was created for the purpose of promoting the interests of PIC group and not so much for the sake of successful journalism. It was managed by Marian Jinga, who was removed from leadership as he created his own publicity company.

The owners of PIC group considered there was a contradiction of interests and accused the manager of lack of loyalty. At present, manager of the newspaper is Mr. Iustin Angelescu, who does not interfere with the editorial policy of the newspaper, merely managing the business newspaper Top represents.

According to the development of the internal life of the newspaper, we can say it was dictated by personal ego and financial

interests. The newspaper is meant as a support for the publicity business of the PIC group.

Observer daily has its own publishing house (S.C. Tipcomp S.R.L), just as Argeşul (Argeşul Liber S.A.), which is a great economic advantage.

Marcel Proca, chairman and owner of the newspaper does not interfere with the editorial policy. In 2005, Adrian Ştefănoiu was assigned editor-in-chief. He managed the newspaper well, increased the newspaper circulation, won new segments of readers, improved the editorial team and their working conditions and signed monthly publicity contracts of over 50 million lei. At the same time, there are interesting management positions, such as strategy director Cristi Bumbenici, administrative director Roxana Matei. That looks like there is an editor for each director, which may seem quite funny for the editorial office of a local daily newspaper.

Until the fall of 2005, Societatea Argeşeană was managed by Gheorghe Smeoreanu. The businessman financing the newspaper dismissed him for abuse and financial disorder, though he was the manager under which the newspaper started its activity. Societatea Argeşeană is considered a branch of Curierul Zilei, because Gheorghe Smeoreanu was first manager of Curierului Zilei. The newspaper focused on topics of local interest and had no characteristic style: it was an odd mixture of miscellanea, political, sports and moral lessons from His Holiness Calinic, Bishop of Argeş and Muscel.

Theoretical Background

The purpose of this paper is to identify the context in which managers of local

organizations work. I considered them to be the most important actors in the media. The research is based on the results of questionnaires conducted from September to December 2006, addressed to managers of print media publications in Argeş area, a total of 21 managers of the newspapers Top, Societatea argeşeană, Argeşul, Observer argeşean and Curierul Zilei.

The questionnaires focused on the perception, opinions and management style in terms of media organization treatment.

The questionnaire results correlated with theory led to the following conclusions:

The opinions of the interviewees were objective but their analyses and comments showed they did not have thorough knowledge of the approached topic. I talk here of the management of the media organization, which was treated superficially. This conclusion resulted from the managers' tendency to be more concerned with profit rather than competition. The reason they give is that profit-driven means customer (reader)-driven but this led to bad management. This is not how it should happen, as one of the most important roles of a manager is to translate potential into reality. This means that a manager is expected to always act as a factor of change, progress and innovation and not just to passively react or adapt to what has already happened. All the interviewees promoted the notion that the means of information co-exist peacefully and complementarily for the purpose of information, an idea that should be discouraged. This image should be replaced by another one taking into account the fact that the means of information are generally the result of another profit bringing business. As for the management style an acute lack of concern for this

aspect was noted. The capability to manage a media organization is the capability to efficiently implement one's own management style. Integrating and maintaining, of course, a media organization into the existing media market requires good media training which, at present, does not exist.

Most media organizations in Argeş need certain investments, need exploring new interest areas as well as bring journalists capable of writing with style into their editorial staff.

The editor-in-chief of *Societatea argeşeană* is worried that some newspaper managers, whether local or central, tend to overestimate the way their newspapers sell and to underestimate the competition. This is an observation that makes me state, as in the theoretical part, that management is truly needed. The fact that unimportant things such as overestimating the circulation of a publication are points of concern for a newspaper manager shows that integrating and maintaining, of course, a media organization into the existing media market requires good media training which, at present, does not exist. An optimal motivational climate should be created, in which the interests and needs of each person could be integrated into those of the organization, so that one's own goals should be best achieved.

Interviewed managers tried to define the strategies of the organizations they lead, but it was all talk. Goals were not clearly defined, here and there just the financial ones, leaving the impression they lacked knowledge on strategy.

One of the greatest problems managers of media organizations have to face is the legal framework and there was a consensus in this respect. Economic issues come first with

almost all daily newspapers we approached, while the management struggles to get the selling price that makes the newspaper as affordable to the reader as possible. Peaceful and complementary co-existence of the means of information for the sake of information is an idea that should be discouraged. This image should be replaced by another one taking into account the fact that the means of information are generally the result of another profit bringing business. For any businessman, media should be a profit-oriented business.

Based on the answers I got, I considered the following conclusions should be pointed out:

Societatea argeşeană – the goals of the media organization are correlated with the interests and the respect of the employees. Top – the newspaper management has a management style that resembles that of other publications and takes into account the employees' need for a social life. Hence, an increased interest in the human factor.

Based on the questionnaire results it becomes apparent that most media organizations in the Argeş region need certain investments, should identify other areas of interest and bring journalists capable of writing with style into their editorial staff.

Paper Content

According to editor-in-chief Daniel Barbu, the manager of *Societatea argeşeană* tries to adopt the typical behaviour of today's managers. The goals of the media organization he manages are correlated with an interest and respect of the employees.

The newspaper is not managed in a profit-oriented way, even if profit is one of the main targets.

The interpretation of other newspapers' managers of the competition is criticised and he sustains the idea that the public is the only one aware of how things are and the only decident on the success or failure of a newspaper. An important role in producing information is played by technological change, which goes for most fields of activity. In Daniel Barbu's opinion, today profit is the most important thing. Management and quality depend on the financial resources. Dumping prices of the newspapers (for instance, at one time, Societatea argeșeană had the price of 1000 ROL), which was harshly criticized by the most circulated newspaper in Argeș, *Curierul zilei*. On the other hand, Daniel Barbu admits that the journalists' recruiting system plays a crucial role in the success of the business, of the media organization.

Good management should combine readers' satisfaction and profit. Those who hold the secret manage to make a name and maintain it on the market.

Emilian Zamfir, editor-in-chief at the Top daily newspaper believes media organization should not be placed in the commercial area where businessmen's ideas and orientations prevail, as this impedes on presenting the true image of journalism. He sincerely admitted that most times, performance translated into survival, meaning you have to continuously adapt to change, to requirements, to the team you're working with. As in Argeș region competition in print media is extraordinary, (six daily newspapers, and four weekly ones) maintaining a direct and objective contact with readers could be the key to market success.

The newspaper manager has a management style that takes into account the

employees' need for a social life. So, there is an increased interest of the manager for the human factor. Emilian Zamfir thinks a good worker is the first step to making profit, an idea shared by his colleague at Societatea Argeșeană. This means an evolution at managerial level because it requires an integration of the employees' needs with those of the organization. Newspaper self-management means the financial aspect is very important. The profit is set at the same level of importance as the readers' satisfaction. The leadership of the editorial office also takes into account the tight competition existing on the media market in Argeș. Unlike Daniel Barbu, the editor-in-chief of Top thinks the media market is too often seen in terms of commerce and competition.

As for the economy of the newspaper, a balance is sought between the funds from publicity, the costs of production and the newspaper selling price.

He values much the honesty of the publication and of those managing it, as it is crucial that correct and authentic information reaches the public, which would result in the failure of manipulation attempts.

Unlike other newspaper managers, the chairman of the Observator argeșean is keen on the economic aspect. He has a higher level management style, where reaching goals takes precedence over the interest for the other employees.

Marcel Proca is politically involved, which has advantages and disadvantages for the newspaper. Nevertheless he tries to keep a balance so that his political activity does not have undesired effects on the publication.

He tried several styles of management; first with management teams consisting of the journalsits having different positions in

the editorial office, but because of misunderstandings he gave it up and assigned one manager, namely Adrian Ștefănoiu.

According to his employment contract, Adrian Ștefănoiu pledged to increase the circulation by 30 percent over the following six months, publicity with 50 percent whereas the editorial team was supposed to write better articles.

On the other hand, notice should be made of the continuous effort to integrate new technologies.

What the management of Observator argeșean seems to forget is the competition. The lack of other newspapers that could at least equal the performance of the newspaper made them so sure of themselves that they do not take competition into account.

As for the profit, it can only be said that it has a leading role in a media organization. It can signify the existence and also the development of an organization, even if in local media we talk of small profit. Economic issues are important even if a balance is sought after between expenses and income (mostly from publicity).

All this is important for attracting a larger audience while bearing in mind the needs and requirements of the public.

Mihai Golescu, manager of Argeșul, considers as most important the good relationship of the media with the public, as the only one responsible for keeping media alive.

He believes that in today's environment, where the laws of free market economy and the spiral of industrialization rule, a place apart is held by print media.

According to the manager of Argeșul, a healthy strategy of a media organization lies in its awareness of the role technology plays in its present but also future activity.

Today's media is characterized by sensationalism, hence the effects, unprofessional media, lack of objectivity, a false media.

For Mihai Golescu, being competitive means covering information in a correct, accurate and clear manner.

Argeșul has become a natural and normal presence in the media environment of Argeș, to whom everybody resorts.

Conclusions and implications

By sheer definition, the strategy of a society consists, in economical terms, in establishing costs that allow establishing the selling price of the newspaper, in setting a price for publicity correlated with the circulation so that by balancing expenses and costs, a minimal profit is obtained so that the organization can function and the reader can buy the paper. If such a strategy does not exist, the rest is just talk.

I wanted to emphasize that free market economy compels media organizations to have not only a good management but also benefit from the new technologies. They do not only reduce the working time but also contribute to simplifying different operations in both print and audiovisual media. The manager has an important role here, knowing how and when to implement technology.

Another aspect of media management is concerned with the legal frame the media organization works in. Most media managers complain of the limits it sets to their activity. Moreover, they accuse the administration and the political class for that!

Different management styles mean augmenting the role of the human factor. Of course, the manager cannot do everything by himself. An efficient management speaks

of the manager's capability to integrate and coordinate the efforts of all members of the organization so that to achieve the desired outcome. One can say that the achievements of a leader are a reflection of his own achievements combined with those of his employees.

In sum, media organizations are successful when they are managed effectively. It is only in such circumstances that they can benefit from public recognition. In terms of quality, there can be noted a lack of reference

to the managerial context. The image of the organization is mirrored by the manager's achievements.

If he is able to provide the organization with the necessary resources and if he manages the human factor correctly, he should be able to reach his goals. Otherwise, if the media organization is used in the absence of a strategy, of professionalism, he will disappear and so will the respective media organization eventually.

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The internal potential of the sustainable organization

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Abstract: *The internal potential of an organization reflects its ability to integrate sustainable within the business environment and to compete successfully in a particular industry. Starting from the premise that a competitive managerial strategy can be based and adopted following a proper assessment of the internal potential of the organization, this paper intends to make an integrated and correlative analysis of the four strategic variables that define the internal potential of an organization - the complex of organizational resources, the cultural model, the competitive ability and competitive position.*

Keywords: sustainable organization, organizational resources, cultural model, competitive ability, competitive position.

Introduction

Within a more complex and dynamic business environment, the substantiation and adoption of appropriate management strategies is a sine qua non condition of organizations' competitive feature. Strategy is "the most representative product" of an organization and also the instrument by which the organization's strategic orientation is translated into practice. Using strategy the

three vectors that are defining the strategic orientation are harmonized, namely the strategic base, the strategic segment and the target client group to whom the organization is addressing.

The substantiation and the development of a competitive strategy are conditioned decisively by a strategic diagnosis analysis. A firm adopts a strategy which is adequate to its moment and stage of development to the extent that the diagnosis analysis identifies the impact variables and defines the intra

and extra organizational reality.

An important stage of the strategic diagnosis analysis is the assessment of the internal potential of the organization, reflecting its ability to integrate sustainable within the business environment and compete successfully in a particular industry.

The sustainable organization is the organization based on a balanced economic, environmental and social approach, which values to a higher level knowledge and the other resources that are available and attracted by the organization, creating extended periods of efficiency and multidimensional performance, validated by market and society [7].

To become sustainable, an organization must be led by managers with strategic vision and also possess human resources with multiple skills, a flexible management system, material and financial resources, advanced technologies, as well as an organizational culture oriented to change. Each of the

components mentioned above has a well defined position within the pattern of the organization's internal environment and a special role in its operation mechanism.

Sustainable organizations must carry out regular assessments of their internal potential, associated with a thorough analysis of the business environment, with special reference to competition in the branch of activity they evolve in. In this respect, we consider it necessary to produce a major shift within the managers' and entrepreneurs' mentality in the sense of understanding the importance of carrying out such analysis and evaluations, whose complexity varies depending on the extent and the features of the organization's activities.

In our view, the internal potential of a sustainable organization is defined by four strategic variables - complex of resources, organizational culture, competitive ability and competitive position - illustrated in Figure 1.



Figure no.1. Strategic variables of the internal potential of a sustainable organization

The complex of organizational resources

Analysing the organization from a functional perspective, the complex of its resources includes human resources, research and development resources, commercial resources, technical and productive resources (technical and technological) and financial resources. To these categories of resources are added the knowledge, which tend to become increasingly important in all the resources of the sustainable organization.

Human Resources have an inexhaustible potential to develop and create, having the ability to properly produce and combine all the other categories of resource of the organization. In this context, we consider that the analysis of human resources should be structured in two coordinated - quantitative and qualitative. The quantitative coordinate of the analysis refers to proper sizing of staff numbers and the quality coordinate is considering a number of issues such as: assessing the structure, skills and attitude displayed by human resources in fulfilling their tasks; systematic enrichment of the theoretical and practical knowledge in their field of work or related fields; retraining of human resources in line with the requirements imposed by changes that took place within the intra and extra organizational environment; acquiring knowledge and deepening economic, managerial, informatics knowledge, etc.; type of developed training programs; increasing quality of the human resources in order to promote; amplifying professional mobility in terms of structural changes and the need to change jobs.

The analysis of the research and development resources is aiming mainly at: methods to design prospective studies, forecasts,

plans and programs; organizing the accounts of the abilities to product and conduct studies that target their optimal use; the assimilation in the manufacture and / or the implementation of new products and / or services, as well as the upgrade the existing ones; the introduction of modern manufacturing technologies, in order to obtain products that meet international quality standards; applying modern methods and techniques for organizing business activities.

The commercial resources are involved in marketing activities, technical and material supply and sales. The analysis of marketing activities includes the exploration of the internal market and external market (in the situation in which the organization is integrated within the international economic relations system) and ends by proposing ways to increase sales of products. The analysis of technical and material supply activity is centred on several issues, among which we are mentioning the following: linking the need for supply to the volume and pattern of consumption of materials and raw materials, drawing up the supply and issue orders to suppliers, ending and tracking the execution of the economic contracts concluded with them. The sales segment is analyzed in terms of developing the sale plan, ensuring the orders portfolio for finished goods and services, identifying distribution channels and concluding contracts with customers.

The technical and technological resources have a special importance within the sustainable organization, especially in the context of amplifying the moral obsolescence of products and technologies. The reference points of analysing this category of resources involve the schedule spread of production and service processes, drawing up charts for

planning, launching and operational monitoring of these processes, the application of advanced manufacturing technologies, implementing the total quality management within the activities of production and providing services, energy resources management, as well as the development of some effective programs of maintenance of machinery and equipment production. Currently, a prominent role within the technical and technological resources is owned by the innovative technologies, which relate mainly to: artificial intelligence, manufacturing advanced semiconductors and superconductors, making digital images, biotechnology, manufacturing flexible computers etc.

The analysis of the financial resources aim at assessing the working capital in terms of volume and structure, cash flow and banking relationships. Financial resources have a significant impact on the economic strength of the organization in the market competition, so they must be used rationally, especially in the current period, marked by major financial constraints.

Knowledge has a decisive impact on economic and social performance of organizations. Explicit knowledge is found in studies, patents, projects, licenses, standards, software, whereas implicit knowledge is in the minds of the organization's members (technical know-how, technological know-how, informatics know-how, management know-how, etc.) [6].

The human resources from sustainable organizations are involved in a continuous process of learning; they are acquiring knowledge and thus they gain new skills necessary to put into practice a new strategic orientation. For example, making organizational changes, such as total quality

management implementation, putting into practice of a new management system or introducing a new manufacturing technology involves learning processes and hence acquiring knowledge. In the current period, knowledge represents an important source for obtaining the competitive advantage, ensuring the strategic integration of the sustainable organization in an increasingly turbulent business environment.

The cultural model of the organization

Corporate culture influences significantly the internal potential of a firm as it is an efficient way to assess the personnel, and it allows its adaptation to the developments within the environment and it enhances the adherence degree of human resources to the organizational objectives and it supports the process of their socialization and integration, justifying statuses, roles and promotion systems.

Management specialists believe that the cultural model as the organization's philosophy regarding the conduct of business represents one of the key factors of competitiveness and operational excellence [2, 4, 8, 9].

A strong and positive organizational culture represents an important prerequisite for sustainability of an organization. This kind of culture promotes uniformity of values, the configuration of some perspectives that are providing positive motivation, as well as using a participative style in the process of substantiating and adoption of management decisions. In order to maintain within the operational excellence field, an organization must promote a cultural evolutionary model, oriented towards results and

economic performance. In this regard, management should initiate coordinated actions to motivate human resources and to adopt policies that have as source of inspiration the outstanding results of its employees. The development of such cultural model implies that managers design reasonable standards of achieving objectives, treat human resources with respect, give them creative freedom and also give them sufficient autonomy to excel.

The orientation of organizational culture in the spirit of high performance focuses on two coordinates: orientation towards action and promoting innovative climate [5]. The orientation towards action consists in the fact that human resources - managers and employees - do not waste time excessively analyzing the information, but they decide, experiment and evaluate the results of the activity. By promoting the innovative climate, managers encourage attempts and tolerate the possible mistakes or failures. It is important to create within the organization a state of mind governed by interest, flexibility and receptiveness to new, where people with ideas are encouraged and stimulated to try in the proposed directions, giving them the autonomy to experiment in this regard.

Organizational culture represents, alongside competencies and resources, a defining element of the firm and it influences its strategic options, and, implicitly, the type of adopted strategy. Culture has an essential role both in grounding and elaborating the strategy, as a determinant of it, and in the implementation stage, as an instrument [1]. In the substantiation stage of the strategy it is necessary to analyze the organizational culture, with a view to identifying its strengths and weaknesses. In the implementation

stage, the strengths of the cultural model must be maintained and eventually amplified, and the weaknesses must be reduced or, if possible, eliminated.

Maintaining or changing organizational culture represents a strategic decision of a firm. To become sustainable, an organization must promote a cultural model in which old practices are improved, while cultivating a spirit of tradition. It is essential that managers understand and then induce employees the fact that the new and the tradition are not in an antagonistic, but complementary relation. A successful organizational culture is one that promotes creativity and change within the company, without eliminating the value systems created and developed over time, which gives the company a particular cultural identity [3].

Remodelling the management system of many organizations involves essence changes within the domain of organizational culture. In our opinion, modern organizations must focus their efforts on the configuration of some cultural models focusing on the responsibility of human resources. Since the competitive market economy is based on a value system focused on the individual, firms will need to develop cultural models focused on promoting professional competence, spirit of initiative and individual performance.

It is important to mention that between business ethics and the value systems of the organization a relation of correspondence exists, in the sense that the ethical dimension is a projection of the organizational culture. Ethics, being a component of the cultural model, is a guiding instrument to managers and employees in different circumstances. It is necessary that managers promote an organizational culture to ensure a permanent

balance between ethics and profit, which is a difficult measure in the conditions of increasing competition on the market. Therefore, a positive organizational culture, centred on a set of principles that are cultivating a spirit of ethics within the business environment, represents an important prerequisite of increasing the internal potential of an organization.

The competitive ability and competitive position

The competitive ability represents another strategic variable of the sustainable organization's internal potential and lies in the competitive advantages and abilities it has in relation to other competitors on the market. Thus, an organization with a strong research and development department may have a manufacturing technology to ensure the achievement of products that are superior in terms of quality to those offered by competitors. Also, the existence in the organization of some human resources with multiple skills and abilities represents another source of competitive ability.

The analysis of the firm's competitive potential has, as indicators, the identification of the competitive advantages, the opportunity of changing the development strategy implemented at some point, the prospects of the organization in the context of maintaining its strategic orientation, the possible adjustments of the strategy in concordance with the mutations that took place within the activity branch and the comparison of the firm with its competitors in terms of some successful key-factors such as price, quality of products and services, technology performance, production flexibility, the level of training of human resources, etc.

The competitive position is the result of the organization's competitive ability. The strategic variable is determined by several factors, among which we are mentioning the following: the existence of some competitive advantages, the possession of some research and development, commercial, technical and technological, financial resources, quantitatively and qualitatively superior compared to those of competitors, the affiliation to a strategic group with an important economic force within the branch of activity, the extension of the target customer group, etc.

A sine qua non condition of a sustainable competitive position is the use of a proactive and flexible management. An organization has a sustainable competitive position when it maintains some competitive advantages over a long period of time. The proactive management approach lies in anticipating the mutations that will happen within the business environment, in evaluating the potential opportunities and constraints, as well as in initiating some actions meant to take advantage of some favourable moments that can occur in the development of the branch of activity. The flexible dimension consists in the organization's permanent connection to change, respectively in its ability to refocus within its strategic options. The competitive position of gained by the firm may be strengthened also by offering some differentiated products and services, by focusing on a segment that has a high rate of sales growth, as well as by withdrawing from the business segments that are running low.

Conclusions

An important stage of the strategic diagnosis analysis is the assessment of the

internal potential of the organization, reflecting its ability to integrate sustainable within the business environment and compete successfully in a particular industry. To become sustainable, an organization must be led by managers with strategic vision and also possess human resources with multiple skills, a flexible management system, material and financial resources, advanced technologies, as well as an organizational culture oriented to change.

The organization's aggregate of resources includes human resources, research and development resources, commercial resources, technical and technological resources, as well as financial resources. To these categories of resources the knowledge resources are added, which represent an important source for obtaining the competitive advantage, ensuring the strategic integration of the sustainable organization in an increasingly turbulent business environment. Explicit knowledge is found in studies, patents, projects, licenses, standards, software, whereas implicit knowledge is found in the technical, technological, informatics and management know-how.

A strong and positive organizational culture represents an important prerequisite for sustainability of an organization. This kind of culture promotes uniformity of values, the configuration of some perspectives that are providing positive motivation, as well as using a participative style in the process of substantiating and adoption of management decisions. In order to maintain within the operational excellence field, an organization must promote a cultural evolutionary model, oriented towards results and economic performance.

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competitive advantages, the opportunity of changing the development strategy implemented at some point, the prospects of the organization in the context of maintaining its strategic orientation, the possible adjustments of the strategy in concordance with the mutations that took place within the activity branch and the comparison of the firm with its competitors in terms of some successful key-factors such as price, quality of products and services, technology performance, production flexibility, the level of training of human resources, etc.

The competitive position represents a projection of the organization's competitive ability, being determined by a number of factors, among which we are mentioning the following: the existence of some competitive advantages, the possession of some research and development, commercial, technical and technological, financial resources, quantitatively and qualitatively superior compared to those of competitors, the affiliation to a strategic group with an important economic force within the branch of activity, the extension of the target customer group, etc.

The strategic variables that define the internal potential of the organization must be analysed and evaluated in an integrated vision as they are in a relation of interdependence. Thus, the cultural model influences the methods of involvement, combination and use of the organizational resources. The organization's aggregate of resources determines the strength or the competitive ability, which is reflected in achieving certain competitive positions on the market.

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A comparative study of male and female perceptions of service quality in fast food industry

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Abstract: The development of technology has brought about sudden shift in the economy towards service economy. It becomes important therefore that marketers need to bring marketing principles, theories, and strategies to bear in this emerging economy if they must satisfy their customers profitably. The study makes use of SERVQUAL, a research instrument developed by Parasuraman, Zeithaml and Berry to measure the impact of customer expectations on the perceptions of service quality. Three hypotheses were put forward and tested. The first hypothesis was to determine whether there was any difference between customer expectations and perceptions of fast food service. Dependent t-test was used and it was discovered that there was no significant difference between the two parameters. The second hypothesis was to determine whether there was difference between male and female expectations of service quality. Independent t-test was employed and it was found that there was no significant difference between the two parameters. The third hypothesis of the study was to determine whether there was difference between male and female perceptions of service quality. An independent t-test was also used for this hypothesis and it was discovered that there was no significant difference between the two parameters measure.

Based on the findings above some of the recommendations made were:

1. It is important that Nigerian fast food restaurants established a strong presence in the cyber space by having a functional website.
2. There is a need for the fast food operators to improve upon working conditions, including salaries paid to workers in the sector.

Keywords: Service Quality, Expectation, Perception, Fast-food, SERVQUAL

Background of the study

The perception of individuals tends to differ based on their motives, need, expectations, previous experiences and present encounter. This is about the same way Nigerians perceive and adjust to the demands of modern living particularly in urban and metropolitan cities. The fast lane nature to modern living has forced most city dwellers to adjust their styles of living to fit into this kind of existence.

Some of the major players in fast food industry in Nigeria include Mr. Biggs, Sweet Sensation, Tantalizers, Southern Fried Chicken (SFC), Tastee Fried Chicken (TFC), Mama Kas, Favourites, Hunger Busters, Frenchies, Domino and Tetrazzini .

Each customer contact is referred to as a moment of truth, an opportunity to satisfy or dissatisfy the customer. The whole essence of marketing is to satisfy the customers profitably. Customer services in the Nigerian fast-food restaurant context is a bit different from what is in the western countries, where customer service has already moved on to the stage of relationship management, with companies introducing several loyalty schemes to attract and retain their customers. Almost every Nigerian fast-food restaurant uses doormen and women, their main job is to open the doors for customers and give them a welcoming smile.

However, this doorman concept, which originally was hailed by, is now being abused by the doormen. As a result customers normally leave the restaurants with complaints and 'bad tastes in their mouths' as a result of the antics and attitudes of the doormen, who have now converted the front doors to begging spots. Customers no longer receive the expected welcome smiles, those customers

who have no succumbed to the pleas for a tip are sometimes thrown a mean look, and that is if he or she has not already been sworn at or cursed in the doorman's native language.

The sales attendants dress in standard uniforms, usually in the corporate or house colours of the restaurants. It is worth mentioning that these salesmen sometimes mix up customers' orders and do not normally take it kindly to customers' complaints, most times refusing to change a customer's order.

According to Parasuraman, Zeithaml, and Berry (1985), when expectations are exceeded, service is perceived to be of exceptional quality also to be a pleasant surprise. When expectations are not met, however, service quality is deemed unacceptable. When expectations are confirmed by perceived service quality it is satisfactory.

There is, therefore, need to measure the difference between customer expectations and the perception of service quality. As there is no absolute service quality, the value received of a service rendered is a function of how close the customers' experiences match their expectations both of process and outcome (Bell and Zemke, 1987). In other words, service assessment is largely dependent on customer perception of what they have received (Zeithaml, Parasuraman, and Berry, 1990).

Considering the benefits inherent in customer retention through delivering quality service in fast-food outlets, it becomes important to identify those factors that influence the perception of service quality. The study therefore, seeks to provide answers to the following research questions:

► Is there any significant difference between customer expectations and perception of service quality in Nigerian fast-food industry?

► Is there any significant difference

between male and female expectations of service quality?

► Does the gender of customers influence their perceptions of service quality?

Literature review

1. The competitive strategies of Nigeria's fast food restaurants

For Nigeria's fast food restaurants, the need to compete against one another is borne out of a desire to attract new customers, and also to satisfy and keep existing customers. Stewart (1996) writes that successfully implemented customer retention strategies are a point of competitive advantage. This means that the customer should always be treated as king, and should be at the core or heart of the operations of every business. For some of the fast-food restaurants, customer service is a key competitive strategy which for some others, customer service is not very high on their agenda, the latter operate as if it is still a seller's world, this may be the case for those restaurants operating in towns where there is less competition.

Nworah (2006) lists the competitive weapons of Nigerian fast food restaurants as including taste, prices, environment, class sensation, visibility and availability of parking space. They conclude by saying that for the restaurants, the critical factor remains the quality of products provided to customers at affordable prices. These classifications will appear to be consistent with the strategies adopted by the major players in the sector, this is because lesser known operators are not so much concerned with long-term brand building efforts which may be eroded by poor product and service offerings.

In the beginning Nigerian fast-food

restaurants sold mainly meat pies, fish pies, cakes, egg rolls, sausage roll and such other pastries that were culled from foreign cuisine books, they had adopted a standardized approach at this time, offering fairly similar products to the customers. This strategy was justified by Herbig (1998) who believed that firms may seek such approach to marketing their productions because of high costs of adaptation and differentiation of products.

Over time however, came the need to adapt the products to meet local needs, tastes, and culture. This was in recognition of the fact that marketing should only aim to satisfy the needs and wants of customers, which in the Nigerian context was very much culturally based. The shift from standardization to adaptation may also have been influenced by some of these classifications by Herbig (1998):

- Variations in consumer needs.
- Variations in conditions of use.
- Variation in ability to buy and differences in income levels.
- Strong cultural differences.
- Environment-induced adaptation, differences in raw materials availability, government requirements and regulations.

Unlike the fast food sector in the Western countries, Nigerian fast food restaurants do not engage in much sales promotion to encourage sales. If any the sales promotions they normally engage in are one-off activities rather than planned orchestrated sales promotion companies which is tied into the overall marketing plan. The reasons may be as a result of the fact that the sector is still believed to be driven by the fast food operators, rather than by the customers, so there is not a felt need to actively attract, keep and reward both new and existing customers.

2. Dimensions of service quality

The dimensions of service quality were identified by marketing researches studying several different service categories: appliance repair, retail banking, long-distance telephone service, securities brokerage, and credit card companies. They identified five principal dimensions that customers use to judge service quality – reliability, responsiveness, assurance, empathy, and tangibles, which are listed in order of declining relative importance to customers (Parasuraman, Zeithaml and Berry, 1988).

Reliability: The ability to perform the promised service both dependably and accurately. Reliable service means that the service is accomplished on time, in the same manner, and without errors every time. (Fitzsimmons, J. A. and Fitzsimmons, M. J. (2001).

Responsiveness: The willingness to help customers and to provide prompt service. Keeping customers waiting particularly for no apparent reason creates unnecessary negative perceptions of quality. If a service failure

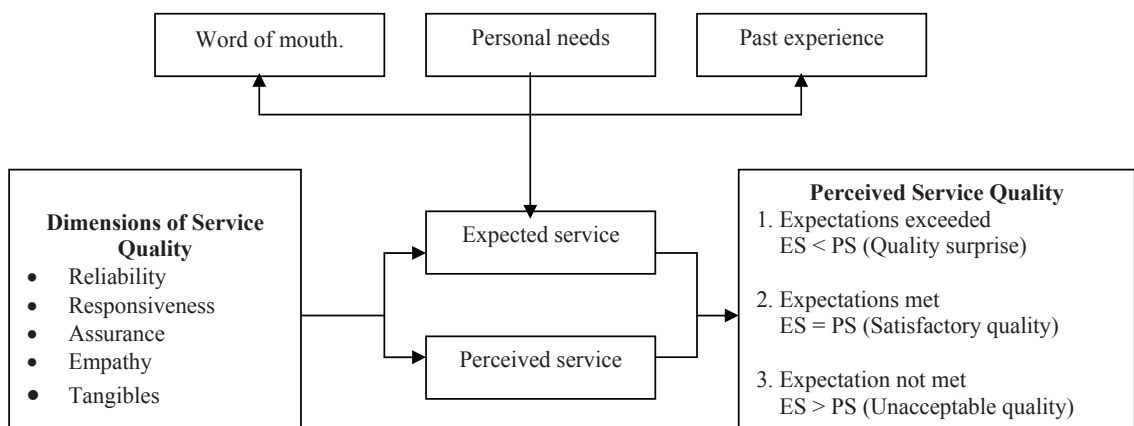
occurs, the ability to recover quickly and with professionalism can create very positive perceptions of quality (Gronroos, C. (1990).

Assurance: The knowledge and courtesy of employees as well as their ability to convey trust and confidence. The assurance dimension includes the following features: Competence to perform the service, politeness and respect for the customer, effective communication with the customer, and the general attitude that the server has the customer's best interests at heart.

Empathy: The provision of caring, individualized attention to customers. Empathy includes the following features: approachability, sensitivity and effort to understand the customer's needs.

Tangibles: The appearance of physical facilities, equipment, personnel, and communication materials. The condition of the physical surroundings is tangible evidence of the care and attentions to detail that are exhibited by the service provider. This assessment dimension also can extend to the conduct of other customers in the service.

Figure 1: Perceived Service Quality



Source: Adapted from Parasuraman, A., Zeithaml, V. A., and Berry, L. L. (1985). "A Conceptual Model of Service Quality and Its Implications for Future Research". *Journal of Marketing*. Vol. 49, Fall P.48.

Research method

The study focused on the quality of service rendered by the fast food service providers in Nigeria. Although the service quality gap model contains five gaps, this study centered on measuring GAP5, which is referred to as customer gap. The study measured the difference between customer expectations and perceptions in the Nigerian fast food industry. The SERVQUAL instrument developed by the authors of the service quality gap model was adopted and modified by the researcher to suit the purpose of this research. It was a multiple-item scale for measuring the five dimensions of service quality (i.e. reliability, responsiveness, assurance, empathy and tangibility). This two-part instrument has an initial section to record customer expectations for the Nigerian fast food service followed by a second section to record customer perceptions for the same service industry.

The major source of data for this study is the primary data that was collected through the use of the administered SERVQUAL to patrons of fast food outlets that are residents at Allen Avenue and its environs. Copies of research instrument were distributed to three hundred patrons (respondents) of fast food in that locality. The sampling technique adopted was a random walk sampling technique.

Three hypotheses were formulated for the study. The first hypothesis was to determine whether there was no significant difference between customer expectations and perceptions of fast food service. The first hypothesis was tested using dependent t-test. The second and third hypotheses were tested using independent t-test.

For the purpose of the study, content validity was employed. This emphasizes the

adequate coverage of the scope of the study. The reliability method employed for this research is test-retest reliability. It has a very high Correlation Coefficient of 0.89 which was found to be significant and points to high reliability of instrument used.

Data analysis

For the analysis of the data collected from the research questions, the three hypotheses are tested using student t-tests. The hypothesis tests involved testing differences between two means. The first hypothesis was tested using the statistical formula for testing differences between two dependent matched samples.

It is represented by:

$$t = \frac{\bar{D} - 0}{\frac{S_D}{\sqrt{n}}} = \frac{\bar{D}}{\frac{S_D}{\sqrt{n}}} = \frac{\bar{D}}{\frac{S_D^2}{\sqrt{N}}} - 0$$

where \bar{D} is the mean of difference of means, S_D^2 is the variance of the difference of scores and is given by;

$$S_D^2 = \frac{\sum (D - \bar{D})^2}{N - 1}$$

This statistical test was appropriate for the study because both expectation and perception of service quality variables have dependent matched samples.

The remaining two hypotheses were tested using student t-test represented by:

$$T = \frac{\overline{X}_1 - \overline{X}_2}{\sqrt{\frac{(N_1 - 1)S_1^2 + (N_2 - 1)S_2^2}{N_1 + N_2 - 2} \left(\frac{1}{N_1} + \frac{1}{N_2} \right)}}$$

Where:

Degrees of freedom is $N_1 + N_2 - 2$

\overline{X}_1 and \overline{X}_2 are the respective sample means of the two groups

S_1 and S_2 are the standard deviations

N_1 and N_2 are the samples sizes of the two groups.

Source: Adedayo, A. O. (2000). *Understanding Statistics*. Lagos: JAS Publishers.

The formula was appropriate for the test of the remaining two hypotheses because population variance was known and male and female samples of the study were independent samples.

Hypotheses testing

The three hypotheses for this study are tested using t-test.

Hypothesis 1

H0: There is no gap (difference) between customer expectations and perceptions of service quality.

For the above hypothesis, the mean of the respondents' ratings for each of the service quality dimension was used. Table 1 below showed the difference between perception and expectation using matched samples test.

Table 1: Showing the Difference Between Expectations and Perceptions using Matched Samples.

Service Quality Dimension	Perception	Expectation	$D = X_1 - X_2$	$D - \overline{D}$	$(D - \overline{D})^2$
Reliability	5.17	6.09	-0.92	-0.56	0.31
Assurance	4.63	5.32	-0.69	-0.33	0.11
Tangibility	5.32	6.55	-1.23	-0.87	0.76
Empathy	3.43	3.01	0.42	0.78	0.61
Responsiveness	3.07	2.47	0.60	0.96	0.92
			-1.82		2.71

Source: field survey (2008)

From the analysis tcal is -0.97.

The degree of freedom (n-1) is 4. At 95% confidence level ($\alpha = 0.05$), the tabulated value is 2.776 while at 99% confidence level ($\alpha = 0.01$), the tabulated value is 4.604.

Decision: Since the calculated value (-0.97) is less than the tabulated value (2.776, 4.604), then the null hypothesis (H0) was rejected and conclude that there is no significant difference between customer expectations and perceptions of fast food service quality.

Hypothesis 2

H0: There is no difference between male and female expectations of service quality.

Table 2: Showing the Difference Between Male and Female Expectations of Service Quality

	N	\bar{x}	S.D	t cal	$\alpha=0.05$ t tab
Male	90	4.76	1.5076	0.0487	2.306
Female	201	4.71	1.7295		

Source: Field Survey, 2008.

The table above showed the difference between male and female expectationst. The independent t-test was used.

The calculated value for t is 0.0487.

Decision:

Since the vertical values of 2.306 at α level of 0.05 and 3.355 at α level of 0.01 are greater than the calculated value then we accept the H_0 . There is no significant difference between male and female expectation of service quality.

Hypothesis 3

H0: There is no difference between male and female perceptions of service quality.

For the third hypothesis, the mean of the perception ratings elicited from the male respondents as well as from female respondents were used. Table 4.11 showed the difference between the male perceptions and female perceptions of fast food services quality.

Table 3: Showing the Difference Between Male and Female Perceptions of Service Quality.

	N	\bar{x}	S.D	t cal	$\alpha=0.05$ t tab
Male	90	4.384	0.6124	0.147	2.306
Female	201	4.296	1.0512		

Source: Field Survey, 2008.

At 95% confidence level ($\alpha=0.05$), the tabulated value is 2.306 while at 99% confidence level ($\alpha=0.01$), the tabulated value is 3.355.

Decision: Since the critical values are greater than the calculated value then we accept the null hypothesis (H_0), that is, there is no significant difference between male and female perception of service quality.

Discussion of findings

In order to measure the gap between expectation and perception of service quality in the Nigerian fast food industry, three hypotheses were put forward and tested. The first hypothesis was to determine whether there was any difference (gap) between customer expectations and perception of fast food service quality.. In this instance, the null hypothesis (H0) was not rejected at both 5% and 1% level of significance. This led to the conclusion that, "there is no significant difference between customer expectations and perceptions of fast food service Quality". This finding invalidates the existing belief that "there is significant difference between customer expectations and perceptions of service quality. Although the discrepancy between the findings of this study and that of the existing research works could be traced to the geographical location of the study as well as the industry under study. Most of these past research works were carried out in Western nations and also in other fields of service that are different from fast food service industry.

The research was also interested in measuring the influence gender may have on customer expectations and perception. As a result of this, the remaining two hypotheses were tested. The second hypothesis was to determine whether there was difference between male and female expectations of service quality. Independent t-test was used. In this case, the null hypothesis (H0) was not rejected at both 5% and 1% level of significance. This led to the conclusion that "there is no significant difference between male and female expectations of service". This finding validates the existing findings on the study. Some past research findings also agreed to

the fact that "there is no significant difference between male and female expectations of service quality". (Bitner, 1990); Brady and Cronm, (2001); Brown and Swartz. (1989).

The third hypothesis of the study was to determine whether there was difference between male and female perceptions of service quality. An independent t-test was also used for the hypothesis. In this instance, the null hypothesis (H0) was also not rejected at both 5% and 1% level of significance. It was, therefore, concluded that "there is no significant difference between male and female perceptions of service quality". These results also validate the existing findings on the related study. Most of the past findings agreed that there was no significant difference between male and female perceptions of service quality.

Conclusion

The researcher traced the origin of the Nigerian fast food industry. It highlighted the possible discrepancy between customer perceptions and expectations of service quality. Although the respondent ratings based on the five service quality dimensions showed that there were some slight discrepancies between expectations and perceptions, the result of the tested hypothesis showed that the difference was not significant. This invalidated most of the existing findings that concluded that there was significant difference between customer expectations and perceptions of service quality.

It has been discovered that the Nigerian fast food sector is still a seller's market. The operators of the fast food outlets in Nigeria believed that there is no cut-throat competition in the fast food sector and that they don't

see themselves as rivals. This explained why there is no significant difference between respondent expectations and perceptions. It can be inferred that it is either the Nigerian fast food operators provide very high service quality or the service providers. In this field survey, it was discovered that the patrons did not expect high service quality from the fast food provider.

Further, Liu and Sudharshan (2000) believe that there may be difference in the importance of Service Quality Dimensions across cultures as a result of cultural difference. These researchers used Hofstede's well-established cultural dimensions to assess whether service quality importance would vary across different cultural orientations. Although the findings of this research validate the existing findings that reliability is the most important service quality dimension but its insignificance difference between expectations and perceptions could be as a result of cultural difference.

The study also revealed that gender does not have any significant effect on the perceptions as well as the expectations of service quality. This is in tandem with the existing findings in that area.

Based on the findings of the study The following recommendations were made so that fast food operators can manage customer expectations and enhance their perceptions of service quality.

- 1) The restaurants that will thrive in the future will be those that focus on their customers more, rather than on the products and services which they sell. There should be a conscious effort at not only attracting new customers, but also in making existing customers enjoy their current experience, this will help the different restaurants to actually begin to build a customer focused brand.
- 2) The essence of marketing is to satisfy the needs and wants of customers. Therefore, the shift from standardization to adaptation as well as introduction of Nigerian food into their product lines should be embraced by the food operators in Nigeria.
- 3) Currently, there is no form of students discount for purchases in any Nigerian fast food restaurant, it is ideal therefore for such students offers and discounts which are obtainable in McDonald's Burger King and some of the other fast food restaurants in Europe and America to be introduced by the Nigerian restaurants.
- 4) It has been discovered that most of the restaurants do not have any functional website. To complement any brand building programme, it is important that Nigerian fast food restaurants establish a strong presence in the cyber space.
- 5) There is need to improve upon the working conditions, including salaries paid to workers in the sector. While this practice of paying meager wages to staff in the sector appears to be a universal practice, the Nigerian fast food sector can do better in this regard, as this may actually be the reason why their staff resort to begging and harassing customers for tips, thus damaging their brand image.

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Career in education – crisis situation?!

~ First degree teacher, graduand **Canapescu Mariana Viorica**

~ Ph.D **Catalina Bonciu**

Abstract: *The teacher is the result of a type of professional and educational formation, with characteristics that mark the pedagogical activity. The experience achieved during investigations proves that there is an insufficient preparation of students for the teacher profession. And if the analysis comprises also the professors, the alarming conclusions lead to the idea that such professions are in their way of being dissolved – not necessarily because of the lack of appreciation at governing level, but mostly because of the policies adopted by the ones with power of decision in the educational system.*

Key words: Teacher profession, teacher career, how attractive it is a career in education.

Introduction

The educational system comprises all public and private educational institutions and functions according to a Law of Education, observing the national standards and principles. According to the Law of Education, education is a national priority, its aim being the free, integral and harmonious development of the human individual, the formation of an autonomous and creative personality, this is the definition

in the Romanian Encyclopedic Dictionary – Education Sciences (1, P. 1043).

The formation of teachers is an essential point in the development of the society. It has to be a national priority because education “needs to speed up finding optimal solutions, to present remedies, but also of those in perspective” (2, p. 11).

As mentioned in the work of univ. prof. Emil Paun, PhD, from the University of Bucharest, “Sociopedagogie scolara” (Social

Pedagogy in schools), education within the relation educator-educated is deliberate. He makes a selection of the knowledge that students have to acquire, related to his formation and aspirations, with society's needs and the aspirations of the young generation (3, p.156-165). Univ. prof. Romita Iucu, PhD, defines the necessity of reconsidering the strategies of teaching and of pedagogical practice according to the teacher profession.

He recommends, according to the structure proposed by the collective coordinated by prof. Dan Potolea in the work "Programe Scolare" (Curricula in schools) for psychology and pedagogy, to emphasize on a program of practical formation in the following abilities and activities:

- Psycho-pedagogical abilities – expressed in projecting, leading, evaluating the instruction process, in the knowledge, counseling and assistance in the development of student's personality;
- Social abilities – expressed in social interactions with students and student's groups;
- Managerial abilities – the class's organization and leading.

Objectives

The university professor underlined the following levels of difficulty in the accumulation of knowledge for the future teacher:

- Abilities of knowledge and understanding – using the terms which are specific for the pedagogical and psycho-pedagogical disciplines;
- Abilities in explaining and interpreting – ideas, projects, educational processes;

- Applicative abilities – projecting, leading and evaluating the learning activities. (2, p. 71-72).

In order to ensure a good preparation for the career in education was enabled the Curriculum project for the pedagogical practice proposed by the participants at seminars and workshops organized under the Reform Program of the pre-university education co-financed by the World Bank and the Romanian Government, within the project START – for the professional development of the teacher on probation (October 2000 and may-august 2001) synthesized by univ. professor TOADER PALASAN from TRANSILVANIA University in Brasov, Romania and comprises the definitive elements in the 3 years of study.

Objectives in Year I:

- Get familiarized with the institutions where they will do the pedagogical practice;
- Get to know the organizational and functional structure of the education units;
- Appropriate the content that regulates teacher's assignments and attributions;
- Emotional self-valuation in relation to the future career.

Objectives in Year II:

- Get familiarized with the fundamental aspects in what concerns the teacher's training;
- Familiarize with the National Curriculum;
- Carry out the lesson planning;
- Get to know the school documents and the way to work with them;
- Observe (assisted) the ways of evaluating students;

► Observe the way of using didactic materials;

► Project – put into practice – evaluate probation lessons and correctly elaborate lesson plans.

It is also reminded the presence of activities such as: discussing the Curriculum they study, analyzing the observations made during assistance to classes, participating at systematic activities with the Nucleus staff (pedagogical body and commissions), participating together with students in extra-school activities. Analysis is aimed to lead to:

- Self-valuation and lesson evaluation according to the systematic requests;
- Teaching in the second Semester;
- Psycho-pedagogical knowledge of students.

Objectives in Year III:

► Further studying of the objectives in Year I;

► Further studying of legislation elements;

► Get initiated in psycho-pedagogical research.

The above are the aspects of the didactic training that can be studied in the objective, complete and well documented work "Formarea cadrelor didactice" (The formation of teachers), which is extremely necessary for those working in the field. Therefore, in the first part of this work we synthetically tackled the importance of the teacher's role and the formation of students, by pedagogical practice.

Research results

In the presentation of univ. prof. Romita Iucu, PhD, from the University of Bucharest,

in the second part we retain important to mention a few opinions of the third year that made the pedagogical practice at School No. 195, in Bucharest, where Mrs. Canepescu (first degree teacher and graduand) works as a civic education teacher and counselor. Follow-up we cite fragments from the experience those students acquired during practice, under the name *The first experience as a teacher*.

The most important day has arrived, the moment in which we switch places with the teachers. I knew from the beginning of the school year that I will teach, but the moment seemed far in distance. The moment when I had to prepare the lesson plan was near, after a few months of assistance I knew what I was supposed to do but still, ideas refused to come. I was thinking that I cannot meet expectations and that I am not made for this work.

When I entered the class (7th grade, B), for a moment I stood in front of the class scared that I won't be able to talk, unlike how much I talk in general. The students were watching me from head to toe; they were carefully analyzing every gesture of mine, ready to correct me if I had been wrong. For them too it was something new, they were used to their old teacher, a lady with experience... and now they were facing a beginner. From what I could observe during the lesson I could see that they enjoyed with my methods and they liked the subject we were discussing. I felt great satisfaction when the students were calling on me saying: Teacher, how do I do here? It was something new for me and suddenly I feel I became someone new. Towards the end of the class I felt more relaxed. The indications of my training teacher were correct and objective, I took count of them, and next time it will be even better.

I felt even before starting the practice activity that this would be the most complex task to accomplish in the University years and one of the experiences to reflect on in the years to come.

I never imagined that I would return again in the middle of students, and less to be their teacher; only when I was among them, when I felt their eyes on me, I truly realized how difficult it is to be a teacher.

In the past years, I excitedly waited the contact with the practical side of the field, to see school as it is, to discover all principles that govern its existence, in order not to remain anchored in theories and to keep as sole memories our own experiences in school.

The school reality reveals that in many classrooms, creativity is marginalized, kept in the shadow of conformity by the rigid strategies of work. We are equipped with methods and algorithms, but we do not arm students with strategies, competences, skills to search for other ways. We become specialists in various fields, but we do not think creatively.

I met teachers who consider that sciences can stimulate only a small part of the creative potential of students. But, creativity doesn't also mean find different, unusual solutions? In the classrooms where I assisted, I noticed that students are not afraid of making mistakes (if they don't make mistakes, they cannot create), they were encouraged to think alternatively to different problems in the civic education environment. From here, we can deduce that we have to be creative in order to grow and to activate the creative potential; the teacher has to discover and stimulate the need for development of each student's potential, and the school has to be a promoter of creative initiatives.

These were only a few opinions of the practitioner students. If and when they will become teacher, we will find out.

From talking to them I reached the conclusion that being a teacher is not attractive for them. Professions with a good remuneration are most wanted. Unfortunately, we are

facing one of the manifestations of the educational crisis phenomenon.

The time when the best students were decided to become teachers has passed. We, who have certain seniority in the system, helplessly become witnesses of their options. What can be done? How can we manage such a situation? But, what does the Educational system offer to a teacher, no matter his/her degree?

A few years back, in full economic growth, I was writing about the thoughts and feelings I had when I entered the 1st grade. I am talking about the reservation I felt when I first entered a classroom, about the fear of upsetting my teacher, about the continuous respect I have for that who thought us how to hold a pencil and how to write with it.

There are little chances to find in the present or future students those deep feelings we felt for our teachers, starting with the gymnasium level and ending with the post-university mentors. Or maybe we are wrong. Maybe when we get calls or messages from different parts of the world, from where students transmit us what they have learned and what they have achieved, the same transfer of feelings takes place as between a student and its teacher. Yet, rarely can we feel proud of personally influencing the destiny of one of our former graduates.

It is very likely that we die and never change our conviction that a teacher needs vocation, talent and dedication in his job, regardless of recognition and remuneration. But, it is also true that moral motivation will never feed us.

Assuming that a teacher has no other skills to provide him with the incomes he needs for a decent existence (teachers always received a wage under the level of their

quality and social significance of his work) there are no sufficient arguments to keep a job gained in competition:

- There exists no more that miraculous atmosphere created among students by their teacher.

► These are usually over-informed as high technology entered many houses, though not in as many as it should have, and frequently their capacities of understanding certain processes and phenomena are exceeded.

► It is also true that children positively overcome their knowledge limits, though these individual research and investigations.

- Teacher's personal and professional authority is no longer recognized as it should.

► The school children consider themselves know-it-all persons that don't need a systematic instruction, that being a waste of time.

► Parents do not adopt appropriate pedagogical practices and most often disrupt the efforts made by school, through its teachers. There are many cases in which parents denigrate teachers in front of their children, give contradictory information...

► The confusion in society related to the role of each actor in child's education: the parent is the one that has to create a basis of education and school institutions have to teach and complete the family efforts. Lately, probably because of the lack of time – which is due to a longer working time and the necessity of the mother to work – there are many who consider schools the only responsible with the education of children. Lots of money is spent in the private educational system, starting with kindergartens and continuing with home tuitions.

► Real are also the negative examples of teachers with a low qualification, who are accepted in the system not because of nepotism, but because of the following explanation (of which I am bored, even though it's true): *With such low wages, the best students do not beat path to come and teach.*

- There is no material stimulus to satisfy the teachers so that they would grow on their professional evolution. Education, although responsible in a great measure for the future human performances (including here the successes in all national economic fields), does not receive sufficient funds from any government, not even for wages, not to take into account the other endowments.

There is always the question: *Why becoming a teacher?* with its variants: *Why teacher in gymnasium and high school?* and *Why university professor?*

Don't try to look for answers if you already are a teacher. Try and think as a twenty two years old person, fresh graduand, full of dreams and hopes. Why would s/he choose a career in education, no matter the level? If we, those who create, educate, form, perfect and develop the human resources, are not conscious of the necessity in investing, as much as possible, in children, adolescents and youngsters, what are we waiting from the ones with power of decision in government, who are always constrained by certain interests and by budgets?

Our salvation (fairly said "as a nation") comes from the enthusiasm of youngsters, especially of those who finished a pedagogical high school or a faculty in the field.

It is worthy of note a questionnaire filled by our students, in order to discover their career orientations in relation to the

needs, aspirations, priorities and values offered by the life events.

- The motivation in choosing such a profession gravitates around the same ideas – the pleasure of teaching:

► *My dream from childhood was to work as an educator. I postponed this dream in order to complete my university studies.*

► Since high school I wished to become a university professor, now I make do with the School Inspector job, in pre-university education.

- We can also observe the consistency in what concerns the need for development:

► I want to finish the Master, and then do my Doctorate, but by then I will keep my job as psycho-pedagogical counselor.

► I am thinking about having a family with two children, but I don't want to give up the career of university professor, even outside country.

Instead of conclusions

To be extremely sincere, how many of those who have a long pre-university/university career would be ready, under the present demographic, cultural, educational and civilization, economic, social and political conditions, to choose the same profession?

Or, if they would choose again to be teachers, would they make a career of it, taking their wages the only source of income, or would they call on other alternatives which bring more money? In fact, what does pre-university/university career imply in the future? Or, what is the future of the pre-university/university career? In front of such questions, which open a long series of other questions, the following one seems fair enough in order to close the psychological circle: Why a pre-university/university career?

We consider appropriate to close this article with a quotation from univ. prof. Romita Iucu's work, a professor with a vast knowledge, a very good tutor, and an excellent professional, who guides us, whose materials improved our activity and who we thank on these lines. "There are many alarm signals that some schools could cease their activity for lack of teachers. The numerical decline of educators was accompanied also by a decline in what concerns the personnel's quality. Other sectors of activity became more attractive to the detriment of the educational sector, and the well-prepared youngsters opt for other jobs than that of teachers. The selection for the didactic professions is more and more made in a residual way: those who apply for the job of educators are those who remain after the other activity sectors selected the best graduates" (2, p.8).

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Sustainable development and construction industry in Malaysia

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Abstract: Sustainable construction is a way for the building and infrastructure industry to move towards achieving sustainable development, taking into account environmental, socioeconomic and cultural issues. Differing approaches and differing economic markets lead to different priorities. This paper presents the construction scenario of Malaysia and the developments in sustainable construction taking place in this country. Barriers to the implementation of sustainable construction are discussed. A list of recommendation was proposed to drive sustainable construction in this country. In conclusion, the status of sustainable construction in Malaysia is still in its infancy. The lack of awareness, training and education, ineffective procurement systems, existing public policies and regulatory frameworks are among the major barriers for sustainable construction in Malaysia. Besides the needs for capacities, technologies and tools, total and ardent commitment by all players in the construction sectors including the governments and the public at large are required in order to achieve sustainable construction in Malaysia.

Keyword: Sustainable development, Construction scenario, Construction industry, Barriers, Malaysia.

Introduction

As the world's largest and most fragmented industrial activity, construction faces a huge challenge in pursuit of sustainability. Construction accounts for an estimated 40% of all resources consumption and produces

about 40% of all waste including greenhouse gas emissions. Over a building's lifecycle-through planning and construction, building use and managements, maintenance and renovation, and finally dismantling or demolition-resource consumption and waste production together trigger a number of

environmental problems. These include loss of agricultural land, both by extending human settlements and increasing quarrying and mining for raw materials for construction, deforestation and pollution. Sustainable construction is about minimising these negative effects. These could be minimised if construction players e.g. owner, contractor, consultant, superintending officer, workmen, etc. do their duties by taking the responsibility to plan the work activities. The aim of this case study has been formulated as: To address the concept of sustainable construction and development. To identify what/how current construction industry practices has adversely affected the sustainability ideal. To explore and propose changes in practice so that sustainable construction and development can be achieved.

Overview on the Concept of Sustainability

Sustainable Development

Sustainable development is a buzzword found in much environmental and some economics literature these days. Certainly the idea of sustainable development has become increasingly popular in the contemporary world. New books on sustainable development have been appearing with increasing rapidity since the United Nations Conference on Environment and Development (the Earth Summit) held in Rio de Janeiro, Brazil in June of 1992, and the number of articles appearing in professional journals has been expanding at what seems to be an exponential rate. The questions are what is all the fuss about? What is sustainable development anyway? And more importantly, why does sustainable development matter? There are a number

of important antecedents to Our Common Future, the report by the United Nation's Brundtland Commission (1987) that marks the beginning of the sustainable development concept that has generated all the literature and recent commentary. Divergent economic theorists like E. F. Schumaker of Britain, environmentalists like Barry Commoner and Lester R. Brown, population analysts like Paul Ehrlich, politicians like Willy Brandt of what was then West Germany and Jimmy Carter of the United States, discussions within the United Nations and United Nations Agencies, and a number of environmental organisations spread throughout the world all played roles in formulating ideas that became part of the Brundtland Commission's message. But even though many of the concepts of sustainable development existed before Our Common Future was published, the commission's report, appearing in 1987, started the process of making sustainable development an important issue on the world stage. The Commission identified a number of "common challenges" facing the earth: Population and human resources, food security, species and ecosystems, energy, industrial development, and urbanisation. In the context of these challenges they discussed international environmental problems, what successes had been registered in trying to address those problems, the scope and nature of the environmental problems still facing the world community, and the role of the world's economic systems in developing solutions to these problems and providing long-term relief for what they perceived to be the related problems of poverty and underdevelopment. In the process of describing these challenges and proposing potential policy directions the world community could take to address the

problem they had identified, the Commission presented and defined the phrase, sustainable development (WCED, 1987).

Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

Sustainable development requires meeting the major needs of all and extending to all the opportunity to satisfy their aspirations for a better life. However, living standards that go beyond the basic minimum are sustainable only if consumption standards everywhere have regard for long-term sustainability (WCED, 1987).

Thus, sustainable development, as a concept, has two primary pillars: Economic development and the consumptive use of the world's natural resources in ways that are sustainable. We have to consume, in other words, with the realisation that resources are finite, and part of our job as human beings is to preserve the human future on this planet into a limitless future. In this concept of the limitless future, the Commission also called for what it termed "equity and the common interest". The Commission declared that "ecological interactions do not respect the boundaries of individual ownership and political jurisdiction". Nor has the local nature of human interaction with the environment been confined, as the result of the creation of ever more sophisticated technologies, to local environmental effects.

Sustainable Construction

Sustainable construction can be considered as an investment in the future. Through conservation of energy, water and natural resources by re-use, recycling, innovative design and the minimisation of waste and pollution we can meet our needs without

compromising the needs of future generations. The promotion of sustainable construction is a major part of the Government's policy on Sustainable Development, which recognises that our economy, environment and social well being are interdependent. Sustainable construction is the set of processes by which a profitable and competitive industry delivers built assets (buildings, structures, supporting infrastructure and their immediate surroundings that:

- Enhance the quality of life and offer customer satisfaction;
- Offer flexibility and the potential to cater for user changes in the future;
- Provide and support desirable natural and social environments; and
- Maximise the efficient use of resources.

The Sustainable construction represents one way of approaching the complex issues of sustainability and their application to the construction process. The foundation for the whole process lies in balancing financial, environmental and operational considerations. On top of this comes the assessment and remediation of contaminated land. Above that, sustainable construction considers materials, energy, design and construction. And on top of all of this come the requirements of the community. To many of us, sustainability in the built history may sound like a new terminology. However, if we examine the concept behind this word, it is actually not so, as many of the philosophy expounded have actually been promoted over the years albeit under different names. These past terms would include the likes of "Intelligent Buildings", "Energy Efficient Building", and many other terms including the still growing "Green Buildings". Sustainable construction

is about creating infrastructure and construction methods that are environmentally friendly, don't heavily rely on our rapidly diminishing resources and conserve virgin materials. It is also about minimising waste, pollution, noise and traffic and providing a safer working environment for all involved in construction, maintenance, use and eventual removal of buildings or structures. Good design is at the heart of sustainable construction. The adoption of environmental quality standards such as Building Research Establishment Environmental Assessment Method (BBREEAM), Civil Engineering Environmental Quality Assessment (CEEQUAL) or the National Health Service Environmental Assessment Tool (NEAT) will stimulate the consideration of sustainable issues at the early stages of project development, when significant benefits can be obtained by innovative design or consideration of alternative methods of project delivery. There is often the perception that "green" or sustainable features will increase the cost of projects. Whilst, this may sometimes be the case in relation to initial capital cost, experience is showing that good environmental practice results in good economic performance in the short and longer term. Reducing the use of energy and water not only benefits the environment by conserving resources and reducing pollution, but will also result in substantial cost savings over the lifetime of the building or structure. The costs of energy and water are likely to rise significantly in the future, so these savings are almost certain to be greater than currently predicted. Practical examples of sustainable projects are well known and include such measures as the re-use of crushed aggregates on site, harvesting of rainwater for flushing toilets, the use of

ground energy for heating of buildings, re-use of road plantings in asphalt production, natural ventilation and schemes. At the same time, many historical projects and practices may have delivered sustainable results before we even considered what sustainability meant. The economics on many large road schemes and site developments, for instance, led to cut and fill balances that ensured best use of the available materials on site. Re-use of existing buildings or structures will help reduce the demand for natural resources, but will also reduce the emissions and nuisance from construction activities and the associated traffic. Minimisation of waste through good design and control of waste disposal will also encourage better use of resources and help relieve the pressure on our overburdened landfill facilities. In summary, sustainable construction is about building, engineering and refurbishment projects that promote environmental, social and economic gains now and for the future, helping to create a better quality of life today and for generations to come.

Sustainable construction

Construction creates a dichotomy between its role as an economic driver and the environmental challenges it presents if sustainable development is to be secured. Within the EU for example, buildings consume 40% of total energy and are responsible for 30% of CO₂ emissions. The construction process creates environmental problems in the form of pollutive emissions, waste, noise, and dust, and is a source of other forms of disruption such as temporary road divisions, blocking of pavements, and so on. Also, there is growing concern over the use of resources and over the effect of the indoor

environment on our health and productivity (Patermann, 1999). Therefore, there is an overarching need for developing countries to be able to assess the sustainability of their infrastructure projects using international metrics (economy, society and environment - the triple bottom line). This needs to be carried out while incorporating specific indicators for sustainable harmonious existence that are suitable for their development needs and priorities (Ugwu and Haupt, 2007). In addition to the fulfillment of environmental dimension, the construction industry should also look into the other two pillars of sustainable development – economic and social (WCED, 1987). Ding (2005) pointed that it's impossible to carry out building projects without measuring their environmental effects. This will help them in making a decision as environmental friendly projects (San-Jose et al., 2007). Challenges facing sustainable construction occur on all three levels of economic analysis: macro, meso and micro (Bon and Hutchinson, 2000). Therefore, economic viability of business is at the heart of sustainable development because it generates profit and provides employment and through that contributes to general social welfare. Therefore, two types of economic issues are relevant for business: micro- and macro-level concerns. Micro- level issues are related directly to the economic performances of a company and include the usual financial measures such as sales, turnover, cash flow, and profit and shareholder value. Macro-economic issues link corporate performance with considerations at the national and international levels (Azapagic, 2003). This is a challenge for sustainable construction, whose goals often rely on long-term outlooks. The most effective way to stimulate sustainable development is by means of market based economic

measures that affect individual economic agents in the short as well as the long term (Bon and Hutchinson, 2000). To ease the transition towards environmental sustainability in construction and building, all actors should be working together as a chorus (Warnock, 2007). It is clear that the various activities of the construction sector have to be regarded and analysed when considering sustainable development. As a matter of fact, on one side, the built environment constitutes one of the main supports (infrastructures, buildings,) of economic development, and, on the other side, its construction has significant impacts on resources (land, materials, energy, water, human/social capital) and on the living and working environment. Hence the construction industry has a lot of direct and indirect links with the various aspects of sustainable development (CIB, 1998). During the construction stage, typical environmental impacts from implementing a project include air pollution, the emission of sulfur dioxide, and the degradation of water quality, noise pollution, and the generation of solid waste. During its operation, a construction project consumes a vast amount of energy and environmental resources. At the end of a construction project's life cycle, the demolition activities generate a large volume of various construction wastes. Such construction generated environmental impacts are common in both developed and developing countries and regions. Project performance traditionally refers to the outcomes of construction cost, construction time, and construction quality (Shen et al., 2005). The achievement of sustainable construction poses stiff challenges. Most pollutant emissions result from construction and refurbishment (Zimmermann et al., 2005).

On the macroeconomic level, the goals of sustainable construction are being

implemented most actively in countries in which the share of construction in output has been decreasing for decades (Bon and Hutchinson, 2000). The share of construction in output is increasing in LDCs and NICs, but the goals of sustainable construction are considerably more difficult to implement there. This is a global challenge for sustainable development in general. The market-based measures promoting sustainable development in advanced and developing countries will need to be differentiated to account for different roles of the construction sector in these two economic environments (Bon and Hutchinson, 2000). On the mesoeconomic level, the construction sector, which assembles the products of all other sectors, depends crucially on the implementation of the goals of sustainable development across the national economy as a whole. Economy-wide market-based measures promoting sustainable development are required. Production lines feeding the construction sector are not only long and ever longer, but they are also richly intertwined. Without a full understanding of these interactions it is difficult, if not impossible, to assess the overall environmental effect of different materials, components, and procedures used by the construction sector. Thus any imposed regulatory constraints and standards will be incapable of monitoring and therefore of effective enforcement. As international trade in this field increases, this challenge becomes greater (Bon and Hutchinson, 2000). On the microeconomic level, constructed facilities are erected with ever shorter time horizons in mind because their owners are facing an ever more uncertain economic environment. As derived-demand goods, which depend on the demand for other goods and services produced in them, constructed facilities are

generally becoming lighter, they are increasingly dominated by mechanical, electrical, and electronic equipment, and they are ever better adjusted to specific short and medium-term economic objectives of their owners. This is a challenge for sustainable construction, whose goals often rely on long-term outlooks. The most effective way to stimulate sustainable development is by means of market based economic measures that affect individual economic agents in the short as well as the long term (Bon and Hutchinson, 2000). Construction activities consider major contributor to environmental pollution or impacts (Chan and Chan, 2004; Yao et al., 2007). Social responsibility and respect for human rights are becoming part of the commercial agenda within construction. Internalization of social responsibility practices in the construction sector is beginning to become apparent. This can be seen in the improvement of working environment quality, safety and health; and the provision of opportunities for employee development and employment equity. While the regional construction sector is beginning to engage with these issues, the selection of business partners based on ethics and environmental responsibility criteria or the provision of projects' ecological impact reports to clients are incipient or virtually non-existent (Gomes and Silva, 2005). Developing and implementing sustainable development objectives in buildings and construction is particularly important in developing countries where there may be considerable social and economic problems, such as low or poor levels of health, education and employment and limited economic resources (Gibberd, 2005).

The construction industry is one of the main contributors to the depletion of natural

resources and a major cause of unwanted side effects such as air and water pollution, solid waste, deforestation, toxic wastes, health hazards, global warming, and other negative consequences (Augenbroe and Pearce, 1998). The environmental impacts of the construction industry are extensive (Hill and Bowen, 1997). Construction and refurbishment clearly emerge as a major source of environmental loads (Zimmermann et al., 2005). The construction process originates affections in the environment, as emissions in to atmosphere, spills into the water, occupation and contamination of soils, use of natural resources and waste generation (San-Joe et al., 2007). Shen et al., (2005) confirm that during the construction stage, typical environmental impacts from implementing a project include air pollution, the emission of sulfur dioxide, and the degradation of water quality, noise pollution, and the generation of solid waste (Shen et al., 2005). At the end of a construction project's life cycle, the demolition activities generate a large volume of various construction wastes. Such construction generated environmental impacts are common in both developed and developing countries and regions. Project performance traditionally refers to the outcomes of construction cost, construction time, and construction quality (Shen et al., 2005). Moreover, throughout the world, the construction industry is responsible for high levels of pollution resulting from the energy consumed and during the extraction, processing and transportation of raw materials (Ding, 2005). The construction industry, whilst important for every society, also has implicit and explicit responsibilities for environmental protection (Ding, 2005). The factors that explain the decrease of the action of

the construction in the production in subsequent phases of the economic development include less population growth, less migration, and the most physical capital already implemented. This carries to the declining action of physical advantages in the investment (Bon and Hutchinson, 2000). As a result, construction and demolition waste have a high impact on the environment. The form of this impact can be air or water pollution, and its associated energy usage. Environmental impact from energy usage occurs during the operation of recycling activities, where most of the operations are carried out by means of mechanical processes that need electrical power. Impact on air and water pollution mostly occurs from waste transportation and the composition period of wastes in landfill areas, i.e. from greenhouse gases and leachates (Yahya and Boussabaine, 2006). The construction industry has been identified as one of the most unsustainable industrial sectors and there is increasing awareness of the need for improvement through initiatives such as the construction best practice programme CBPP, and movement for innovation (Robinson et al., 2006). The increased awareness in measuring the impact on society is in response not only to the need to minimise the environmental effects of construction activities but as part of the corporate sustainability agenda to give something positive back to society (Robinson et al., 2006). Adopting sustainability principles requires proactive management of financial, human, environmental and social capital and a shift from the shareholder to the stakeholder perspective. Corporate responsibility is at the centre of the sustainability debate, to improve governance by managing both hard physical (tangible) and soft knowledge (intangible)

assets. Sustainability principles should therefore be related to the context of the business, i.e. it should address issues of what is produced (products – projects/services), how it is produced (processes), by whom (people) and its implication for stakeholders – investors, consumers and society. In the context of construction, this means, for example, a need to be involved in environmentally, socially acceptable and ethically sound projects, using processes that enhances regulatory compliance, minimises waste, rework, defects and pollution, and delivered by people trained in sustainability and working within a safe environment (Robinson et al., 2006). There is a need for the development of appropriate measures reflecting sustainability objectives and to assess their knowledge implications for continuous improvement. For example, designing out waste is a major issue for many construction firms. However, using “number of skips” as a measure of wastage may inform the finance/accounting department about the level of waste in monetary terms but such information is of limited use to the environmental department (Robinson et al., 2006). Failure to integrate sustainability principles into an organisation’s business strategy could result in a loss of competitive advantage and business opportunities, which will undermine long-term performance (Robinson et al., 2006). Construction organisations are expected not only to embrace the concept of sustainability but also to apply its principles as a way of doing business and managing its knowledge assets to facilitate continuous improvement in organisational performance (Robinson et al., 2006).

Conclusion

The aim of a traditional construction is to complete the development as cheaply as

possible. There are certain rules and standards which must be observed, but to win a contract and then complete it profitably, the only other considerations are economic. One aim of Sustainability is closing this gap between economics and the real world or, as an economist would say, internalities. If these costs are to be invoiced, we need to know how much to charge, which means putting a price on the environment. This is anathema to many environmentalists, as it can be seen as the first step toward trading in the environment, or selling the world for personal gain. A sustainable construction project; therefore, must aim to redress the imbalance caused by economists having only half the information at their disposal. It should aim to balance the financial, environmental and operational aspects of every decision, every material and every system in the development. This is not easy to do as well as the different languages of economics and environmentalism; there are still almost incomprehensible dialects within each discipline. How many tones of CO₂ are equivalent to a tone of waste? Or the quality of a river? Or the existence of a species? Should we tax work, which we want people to do, more than smoking, which we do not? Or driving? Or landfill? Clearly, the subject is vast and complex. In fact, it touches everything we do in every walk of life. There is yet no system which can take account of these disparate themes and help us to take measured decisions. The best we can hope for at this stage of our own development is to do our best to reach the right decision, based on the information available and to be opened and honest about the decision-making process, so that others can follow it (or avoid it). This is the approach we have chosen for sustainable

construction. In the future, energy prices and sources will change, some materials will be found to be more hazardous than was previously thought and some development

processes will improve. But a decision made today with today's information and today's values is the best anyone can ask for.

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The brand – a few definitions

"A consumer panel was shown the picture of two beautiful women and asked who was more beautiful. The vote split 50-50. Then the experimenter named one woman Jennifer and the other Gertrude. The woman named Jennifer subsequently received 80 percent of the votes."

Philip Kotler

~ Ph. D. Lecturer **Alexandra Craciun** (University of Bucharest)

Abstract: This article discusses a series of definitions of the term "brand" in order to highlight the fact that in a world dominated by hyper-consumption and products with similar functional benefits the role of branding is every day more important, being the only means by which the consumer is oriented. People no longer consume products but brands, because now the differentiation does not start from physical attributed but from emotional benefits. That is why the brand managers' role is all the more related to the management of a symbolic world.

Keywords: brand, strategy, brand identity, consumption, brand capital, products, category, market.

Introduction

In 1988, Philip Morris Companies purchased Kraft for \$12.6 billion, 6 times its actual value. The difference is the brand price or, better said, the price of the word Kraft¹ (NK, p. 28) with everything that implies in the mind of consumers.

The same thing happened when Ford purchased Jaguar, when the physical goods were not estimated at more than 16% of the total value of acquisition (MN, p. 31).

¹ Naomi Klein source, No logo

This means that the rest of 84% was the price of the name Jaguar.

There are facts that changed the perspective over advertising. It's not only a voice that calls us from the shop: Buy me, buy me! but it becomes the product's content, the essence of what we actually buy, the brand.

But, in order to understand all this alchemy, let's see together a few definitions. We will do this not because there is no hope to find the meaning of branding in one single definition, but because we are positive that "brand" is a hard to define term.

Therefore, where is the difference between Jennifer and Gertrude? Is it in the picture, in the name, in consumer's head or in the 80 percentages for Jennifer?

Some would say it's in the 80 per cent. And so we reach the first and probably most austere definition of the brand.

That would be a definition that valid for the grown-ups, if we are to listen to the Little Prince: "Grown-ups love numbers. When you tell them you have a new friend they will never ask questions about the most important problems. They will never ask how his voice is, what games he enjoys playing? They ask: How old is he? How many brothers he has? ... How much money does his father earn? Only from these numbers they get to know a few things about him." Let's approach things as grown-ups and see what brand means in numbers. The experts in such measurements are those from Interbrand, a company that calculates every year how much cost the 100 first brands in the world.

Therefore, at the question: "What is the brand?" Coca-Cola answered with 39 billion US dollars in 1995, with 83.8 billion US dollars in 1999, with 67.3 billion US dollars in 2005. In 2009 the answer was: 68.734, 3% more than in 2008. But, as Alice in Wonderland would say: "This is not a satisfactory answer".

It is like you would say about the beautiful woman Gertrude that she represents only 20%. And still, David Aaker shows that for the first 9 of the top 60 world brands, the value of the mark exceeds 50% of company's total value: "From the 15 top brands, only General Electric has the brand value under 19% from company's estimated value. In exchange, 9 of the top 60 most valuable brands have the brand value over 50% from the value of the company. But, in the case of BMW,

Nike, Apple or Ikea the brand capital is over 75% from the market capitalization.²

That would mean to have a good name. Is the reverse of the famous headline of John Caples: They laughed when I sat down to the piano... or, in other words, it's not good to be called Gertrude, at least not in a cultural environment where Jennifer sounds sexier.

But then, I think we still have to observe something. We can easily imagine a character that owns a BMW, wears Nike, uses an Apple computer and he just furnished his house with Ikea sofas. It is not odd that, between all the brands in the world, those that have the image capital highly exceeding company's assets address the same type of character? A character that is ready to offer almost 80% of the price on the company's name.

Moreover, these brands seem to be part of those types of brands that Kevin Roberts, CEO at Saatchi&Saatchi Worldwide, called LOVEMARKS, meaning "charismatic brands that people can't live without".³, brands that people excuse even the strategy mistakes, brands they are ready to even tattoo on their chest in order to be recognized as users of those brand's products.

And I am sure that those kinds of users do not know the value of that particular brand. But they know how much they paid for the product, and more than that, they know, as Little Prince says: "the sound of his voice and what games he enjoys playing". Moreover, they also know that if their mother calls them Gertrude, having a BMW, is like their name is also Jennifer.

² **David Aaker** - *Brand Leadership*, New York, The Free Press, , 2000, p. 18

³ "Out of love for brands", interview with **Kevin Roberts**, CEO at Saatchi&Saatchi Worldwide for the Biz Magazine, nr.91/sept. 2004, p.26

But let's let aside the ghosts of branding and let's get back to a coherent definition, much more prosaic. The trendy brand is etymologically more related to cows than to BMWs, because "brandon"⁴ or "brandr" in its older, Germanic form meant marking the cattle with the red-hot iron. Also the French "marquee" is related to the same action. We are looking at the first definition of brand:

Brand means marking, labeling, attribution.

That is of course the most innocent definition – and that is what most of the producers do with their marks: attribute them, but without making them known.

Actually, the brand specialists declaim against this definition, saying that branding starts where this definition ends, as the career of a great actor starts where he is no more figurant.

But let's move a step forward; in this stage we will add another element: Vision. Scott Galloway said that: "*A brand is the face of business strategy*".⁵

And that's true. I remember the most elementary strategy lesson I have ever heard was in fact a joke about the country branding. Accidentally or not the joke was referring to cattle: two in general. It sounded like this:

You have two cows. You sell one and force the other to produce milk for four. You are surprised when the cow dies. This is an American company. You have two cows. You strike because you want to have three. You can found with them a French company. You have two cows. You reset them so as to be ten times smaller than an average cow and

to produce two times more milk. Then you make intelligent animated images with the cows, call them Cowkemon and sell them worldwide. That's clear: this is a Japanese type of management.

You have two cows. You reset them as to live 100 years, eat once a month and to strip themselves. That's a German company.

You have two cows. Both are mad. That is only if you founded a British company.

If we are talking about an Italian company: you have two cows, but you don't know where they are. You go for a lunch break. But it can be worse: you have two cows. You count them and you find out they are 5. You count them again and you have 42. You count them again and you have 12. You stop counting and open another bottle of vodka. That's for sure a Russian company.

But let's take another example. You have 5000 cows, none of them is yours. You take money for storage. That means you think strategically in a Swiss style.

And on other continents:

Indian company: You have two cows. You hollow them.

Chinese company: You have two cows. You have 300 people stripping them. You declare 0% unemployment, high cattle productivity and you arrest the reporter that published the news.

As we talked about strategical ideas related to the country brand, let's see how a Romanian company would look like: You have 6 cows, costs as if you had 10, you milk only 3, you run like heck around them, you bring personnel for other 5, you declare bankruptcy and you blame the twerp.

If all these methods seem very little encouraging then we didn't hear the worse. Theories show that cows can multiply also

⁴ Jean Kapferer, op cit, p. 48

⁵ "*A brand is the face of a business strategy*", the quote is taken from David Aaker's work "Brand Leadership", The Free Press, New York, 2000.

otherwise than with a bottle of vodka, and some would call that the Enron model: You have two cows. You sell three of them to your listed in the stock exchange, using letters of credit opened at the bank by your brother-in-law, then you make an exchange debt/account receivable with an associated general offer, so as to regain the four cows, with a relief from taxation for four cows. The rights of the six cows are transferred, through an intermediary to a company in Cayman Islands, secretly hold by the majority shareholder that resells to your company all the right on the seven cows. According to the annual report, the company holds eight cows, with an open option for another one. You sell a cow to buy a USA president, and that will leave you with nine cows. No balance sheet is given together with the communiqué. The public bears with it and says nothing.

Chasing the herd of country and then company branding long the way we wondered from Scott Galloway's definition: "A brand is the face of business strategy"⁶. What we wanted to underline was the fact that between strategy and brand we have a strong relation that can lead to certain stereotypes. In other words, if you laughed at the above joke, that means you recognized the strategic face of country brands we referred to.

Going from national level to the super-market level, things sound more prosaic. What strategic face do yoghurt and salami have? It's hard to say. A few years ago I was counting in a Carrefour supermarket approximately 20 types of yoghurt, but only Danone was having a strategic face.

Now we can talk about the "old time tradition" of Napolact yoghurt, about the

"healthy taste for life" of Tnuva yoghurt. We now have brands, or in other words, we have business strategies.

That is why I believe this definition is appropriate. It takes the brand out of the marketing department and puts it on the CEO desk. And that is the normal way to be. Because Harley Davidson is not making perfumes, women are not ready to have Cosmopolitan yoghurt, they don't want to wear Bic lingerie or brush their teeth with Pond's toothpaste.

You recognized in the above examples some of the most roaring marketing mistakes that started from the wrong brand evaluation.

In other words, managers did not understand that their brand – as Scott Galloway says – is "the face of business strategy" and from here they have to start when they want to build up their name. When companies contradict their brands, consumers amend them immediately.

Jean Noël Kapferer was saying: "The brand is a point of view on the category of products"⁷ and this definition is almost similar to the one previously enounced. Because, what else is strategy other than "a point of view on the category"? You can't do strategy outside the category you are in. And still, we like more this definition.

Why? Because it bears the same subjective distance given by the "point of view" that strategically involves the brand manager, but does not mechanically anchor the attributes of the trade mark in market quota and distribution systems. Of course, the brand can still mean all these, but it represents, as Kapferer says, a point of view on them.

And so we reach another definition of brand, a more metaphoric one, but which is extremely important, as I see it.

⁷ *ibidem*, p.54

⁶ "A brand is the face of a business strategy", the quote is taken from **David Aaker**'s work "Brand Leadership", The Free Press, New York, 2000.

"A brand is more like a box in someone's head. (...) When time goes by, only few things we can recover from it. But we can know if it is a heavy or light box. We also know the room it was in – if it is in the room of positive boxes (that of objects associated to positive feelings and attitudes) or in that of negative boxes" ⁸.

So, as consumers we have our heads full of boxes, bigger or smaller, fuller or emptier, useful or useless, good or bad, but in anyway, perishable. Nevertheless, the most important discovery is that those boxes are in the consumers' heads and not elsewhere.

In fact, this theory that moves the brand box from the objective world, defined in terms of product benefits, to the consumer's head, is at the base of branding.

Al Ries and Jack Trout named this process since 1972 "positioning".

The positioning represents the place a product occupies in the consumer's head.

In the brand manager's language: "positioning is not what you do with a product. The positioning is what you come to create in the mind of the beneficiary" ⁹.

In Aaker's terms that is equal to: place the brand of a product in the positive and negative brand rooms, to determine if they get a bigger or smaller place. Evidently, each brand manager wishes for his brand a big and shiny box. But it happens often that a small and shabby box keeps better the essence of the brand.

This is the starting point of another vision on trademarks that says brands are

⁸ **David A. Aaker** – *Building Strong Brands*, New York, The Free Press, 1996, p.10

⁹ **Ries, Jack Trout**, *Poziționarea lupta pentru un loc în mintea ta*, București, Curier marketing, 2004, p.16 ("Positioning – The battle for you mind" Published by McGraw-Hill, 2001)

adjectives. All that is necessary to make a brand wanted enters this box. To the rest, we only have a succession of Russian dolls that hide deeper and deeper the essence.

Luke Sullivan, executive creative director at West Wayne Advertising was saying: "I use the expression brand=adjective. Volvo=safety, Fedex=overnight." ¹⁰

This "adjective" is practically a type of Unique Selling Proposition ¹¹ that is applied attributively to the category. But, at a closer look none of the words attached to brands is an adjective. They are made adjectives only when attributed to category. Therefore, Volvo is a safe car, Fedex – the ultra fast post with which you can do transfers overnight, Bergenbier – the beer you drink with your friends.

Coming back to Kapferer, we will enrich the idea of branding by another definition. Jean Noël Kapferer was observing that: "A brand is a living memory" ¹² because it has to "eliminate what is atypical, dissonant".

The adjective brand is a good example, because it can only preserve one trait, it has to eliminate all that's irrelevant. But what can be irrelevant for a brand that the better you know it the less you know about it?

For example, years ago, working in DDB Romania I took part in a pitch for Ford. The

¹⁰ **Luke Sullivan, Hei, Whipple**, *încearcă asta – un ghid pentru a crea reclame de excepție*, București, Curier marketing, 2003, p.35 ("Hey Whipple, squeeze this – a guide to creating great ads")

¹¹ The **Unique Selling Proposition** (also **Unique Selling Point**) is a marketing concept that was first proposed as a theory to explain a pattern among successful advertising campaigns of the early 1940s. It states that such campaigns made unique propositions to the customer and that this convinced them to switch brands. It was invented by Rosser Reeves.

¹² **Jean Noël Kapferer**, op cit, p. 49

brief: a campaign for Ford Focus along with the strategical part. The agency's proposition comprised, as usual, more creative directions all set on the same strategical platform. As it often happens I was one of the first victims of the campaign and I ended in buying a Ford Focus.

Now, after years of using the product it is difficult to find an adjective for it, as I could when I first heard about the product. Therefore, it is much simpler to talk about brands as adjectives when you know nothing about them. But after you position them and you build their strategical forms and then you also used them for some time, the adjective becomes too narrow to characterize them with. Therefore, when they start to move another theory arises, and more when many brands move very fast, and this movement is evidently influenced by category.

In 1975, W.P. Dizzard¹³ show that if the car industry had developed as rapidly as the computer industry, a Rolls Roys would have cost 2.5 US dollars and it could have used only a gallon of gas for 1.600km (995 miles).

Of course, it is almost impossible to cover all this metamorphosis with an adjective. That is why some see more plausible the verbal equivalence of brands. And then "Nike exhorts. IBM solves. Sony dreams."¹⁴ Apple means Think different, Philips Making things better, And McDonald's I'm loving it.

Even Google means to google, and Yahoo transformed into Do you Yahoo?

¹³ The reference is found in the book of **Charles U.Larson**, *Persuasiunea . Receptare și responsabilitate*, Iași, Polirom, 2003, p.108 (*Persuasion: Reception and Responsibility*) and it refers to the work of W.P.Dizzard, *The Coming Information Age: Overview of Technology, Economics, and Politics*

¹⁴ **Dan Weiden** cited by Luke Sullivan in "*Hey Whipple, squeeze this – a guide to creating great ads*", p. 35

And what about the Nestlé cereals, that instead of communicating something significant about themselves they ask for milk – the famous slogan Got milk? – or about Budweiser that asks with specific intonation: Wassup?- making history with beer brands.

What is then the relevance of these verbs and why do they have more meaning than an adjective? Why sometimes what makes the brand is more important than the brand itself?

A simple answer would be that the verb better expresses the relation. It has a person, is transitive or intransitive, it makes better reference to the consumer.

The adjective is static. Is stuck in the product without possibilities to make variations outside the superlative, that most of the times it is a sign of aging. The adjective is opaque.

The verb is more transparent. When saying Got milk? Nestlé.... Is the brand of cereals you can never get enough of, and this implies also an attribute – good, delicious, tasty, excellent. That means that with the help of the verb, the adjective loses opacity and the consumer is able to see more in a way that involves him/her.

The verbal form sends us to another definition of the brand that says:

"The brand is a program"¹⁵ Setting the product on a moving stairway, we would say, and like any other program it has to imply certain movement. The branding program is the distance between the product memory and its projections – Kapferer was saying, and so it is easily to be verbally consumed.

In fact, overcoming the adjective phase of branding and touching the verbal liberty is both dangerous and benefic. It indicates

¹⁵ **Kapferer**, op.cit., p.55

that the trademark is mature. But, when the brand becomes verbal before time it can get out of hand.

We say that Google is to google, or Nike means Just do it! when we know enough about these brands. Otherwise is better to talk about them in adjectival terms.

It was better to say at first about the WV that it's a German car and only then introducing Bill Bernbach's Think simple.

The conclusion is that only famous brands can afford to be verbal. Here we depend very much on the category, because it's hard to be verbal when you are a hard surface cleaner than when you sell high speed cars.

I think there are brands that "exist" and brands that "do". Is good to have a brand that "does" but it has to be sufficiently mature to do what it has to do, otherwise you could lose control and, as Kapferer says: it will exit the program.

And, as we are talking about Kapferer, he added something else also: the brand is both "product's memory and futuree"¹⁶.

Consequently, in branding the programming is made from the "roots", but it functions so restrictively that it prescribes what the company has to do from then on. That is why Xerox couldn't launch computers and it had to focus on printers. That is why Coca-Cola consumers boycotted the New Coke product because it has a similar taste with Pepsi, even though at the blind test they said that the flavor they like most.

The brand is programming, it offers that "legitimate territory" in which all products and all its slogans have to be comprised. Defined in this way, the brand starts to look like that psycho-analytic house described by

¹⁶ ibidem

Gaston Bacheleard there the attic is the memory, the ground floor is the conscious and the basement is the subconscious. Only that they seem to be put downwards: the basement should be the memory, the ground floor the present of the trademark and the roof the developments that the brand suffers. What brand managers should keep present in their minds is that they cannot build a roof which is outside the perimeter of their house, or is too heavy or over-dimensioned.

And at this point I would propose an exercise. Try to draw the house of your brand. Identify the memory elements of the brand that you would put into the basement. Bring those important to the surface and those you want to forget deep inside the basement. Place on the basis line those attributes on which you try to build the resistance structure. See which the brand doors are, what the things that make the consumers enter the house are. See what the brand windows are, that your consumers see in the brand. Draw a roof trying to place there your own projections related to the brand. At the basis of the roof put opportunities. On the top write the place that you want your brand to occupy in consumers' mind in 5 years time. Take out through the chimney what you want to eliminate from the brand content as it is now. Under the threshold put the brand key. What would the word be? The definitive element related to the brand, an element that you hold and wish to keep. The brand key is what some call One Word Equity, which WOW! capable of sustaining the brand capital of all products you have under the same name.

And if we tried to see how a brand house would look like, we remind also David Aaker suggestion of assimilating the brand to a ship – whose captain is the brand manager

and which, always in competition, has to precisely know where its competitors are, where they are heading and what is their power. But, more than this, it is essential to know the tendencies that could influence the behavior of target groups "consumers' perceptions and motivations are like wind. It's important to know their direction, their force and their possible changes."¹⁷

We have seen that the brand can be a box in the consumer's mind, a house – as legitimate territory where we can sometimes

change furniture; we can paint it or extend it, but always on the same foundations. It can also be a ship, namely another type of box, but a box with wings and whose biggest part, the best organized side is under water, and that which is seen is vulnerable in front of trends.

We have also seen that brand is memory as well as programming, a kind of genetic code that impedes the BMW to produce a product that would be similar to Renault.

¹⁷ **Aaker** – *Building Strong Brands*, New York, The Free Press, 1996, p. 21

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Launching of a new product on the market and marketing management at SC Electrecord S.A.

~ Ph. D. Candidate **Cristina Andreescu (Manolache)** (Academy of Economic Studies, Bucharest)

Abstract: A product is deemed to be new when it is new for the host country but not for the international market. Among the reasons for launching a new product, the following could be mentioned: serving an ignored market share, meeting an unsatisfied need, adapting a domestic product for a better supervision of the product / market ratio, adapting to the short product lifecycle and challenging the competition. This paper presents the sources used for launching new products on the market, the stages of development of new products and the policy of promotion specific to SC ELECTRECORD S.A.,

Key words: product, market share, development of new products, policy of promotion of new products.

1. Sources used for launching new products on the market

The main sources used for launching new products on the market are as follows:

- organisation of research-development compartments on the territory of the origin country – the new products are firstly launched on the domestic market. The centralised research reduces the company efforts, aiming to maximise the results.
- leader markets – they are a pattern for the product evolution in other countries, being a major source of ideas for new products.
- external subsidiaries – they can play an active role in the research-development field only if they do have production-related responsibilities.
- research acquisition – the necessary information may be acquired from other independent sources (leader

markets). Licences may be acquired and technological assistance agreements may be concluded with a foreign company.

- import of new technologies – the import of end products directly from the foreign companies, product trading under its own name and quick access to new products without research-development expenses but with the loss of its own innovation capacity.
- company acquisition – for getting access to new products and technologies substantial amounts of money should be paid, these amounts exceeding the related market value.
- joint venture – joining a company holding advanced technology can contribute to the development of new products with lower costs. The companies put together their resources in order to obtain competitive advantages.
- consortia – collaboration relationships are developed without involving the establishment of new entities. The aim is to share the huge costs involved by the development of new products. Once the new products created, the companies may enter other alliances.

2. Stages of development of new products

Stage 1. Generating ideas

➤ the consumers' needs and requirements impose the generation of ideas for the creation of new products;

➤ sources of ideas: current and potential customers, distributors, competitors, suppliers, consultants, government programmes, publications, international fairs

and exhibitions;

➤ it resorts to: inquiries, designing tests, market researches, encouragement of its own employees to bring ideas for improving products.

Stage 2. Selecting ideas

➤ the selection is made depending on certain criteria in order to preserve only the attractive, feasible and internationally required ideas;

➤ the selection criteria are as follows:

- the product compatibility with the international range of products;
- the possibility to meet the profit-related goal;
- the possibility to recover the investments;
- the existing competitive environment;
- the technical requirements necessary for manufacturing the product;
- the possibility to improve the company image;
- the size and the potential of the product market;
- the product compatibility with the company goal and resources;
- the product standardisation may be total or partial.

Stage 3. Assessing ideas

➤ the main objective is to search information relating to:

- the product marketing viability;
- the no. of countries where it might have success;
- the possible level of standardisation of the product;
- the image and market acceptability;
- the market protection and demand analysis assessment;

- the data quantified in profits and losses, all implications being assessed;
- the markets being grouped by revenues, costs and profits;

During this stage, the previous decisions may be reconsidered depending on the data rendered by the analysis.

Stage 4. Product developing

- it involves the designing and effective creation of the product (size, weight, packaging, design, selection of the internationally accepted brands);
- all characteristics should meet the international requirements.

Stage 5. Product testing (pilot experiment)

➤ the market reaction is tested to see whether the potential demand is satisfactory enough so as to allow the product launching on the market;

➤ it is carried out in a controlled environment, representative for the target country, during a period without circumstantial influences;

➤ the test is an instrument used to dissipate any doubts regarding the new product launching and its characteristic features:

- adequate packaging and labelling;
- colour, design;
- promotion, communication;
- consumers' preferences;
- justification of the production-related expenses.

➤ the market selected for being tested should be representative for the markets where the product is supposed to be launched;

➤ the selected country should have institutions specialised in collecting data

regarding the response of the market to the tested product;

➤ the test should be comprehensive enough in order to obtain representative results.

Test advantages:

- it is an instrument used to obtain accurate information;
- accurate forecasts of sales;
- possibility to discover in due time any product shortcoming.

The test is not recommended if:

- the competitors have obtained product-related information;
- the test results have been distorted;
- the test has delayed the product launching on the market;
- the company has not enough resources so as to finance such a project.

Stage 6. Product marketing

It depends on the marketing test results and encompasses the following variants:

➤ the test results fully meet the trader's requirements:

- the product is created as it has been designed before the test performance and the order according to which it will be marketed on different markets, identified as target markets (market potential; company renown; distribution cost; competition; promotion cost), is established;
- the selected strategy is that of simultaneously marketing the product on all markets.

➤ the results of the test are partly satisfactory

There are four options:

- acceptance of results and product marketing;

- performance of additional tests;
- identification of any shortcoming and bringing the related changes to the product or to its mix;
- product full removal.

► the results of the test are not satisfactory:

- product or marketing mix changing;
- planning of a new test in another country;
- product concept removal.

3. Policy of promotion specific to SC Electrecord S.A.

In order to establish the strategy specific to the marketing functional area, the "four P" represent a primordial element based on which the strategies existing at the level of the strategic unit are detailed and concretised at the level of the functional area of the activities, forming the strategy mix. Representing the essence of the marketing activity of a strongly market oriented strategic unit, the marketing mix comprises the key elements of the "four P" namely the supplied product / service, the price or the price range, the sale promotion and the distribution, respectively the assembly containing wholesales, retailers and the transportation and storage system¹. The strategic marketing planning comprises, according to J.H.Myers, successive sequences of opportunity identification, company relevant market selection, product positioning, quantitative target setting and marketing mix development.

Identifying the market opportunities means performing a thorough analysis of the marketing opportunities as well as of the technological and financial capabilities of

the company to profitably take advantage of them.

The market opportunities of the company ELECTRECORD are especially based on the customers' share to which it addresses, mainly private companies and institutions representing the demand greatest part. The company succeeds in satisfying the requirements of this market share by practising advantageous prices, by providing a series of ancillary facilities (discounts for high quantities, promotional prices and offers), but also by promoting the products through advertising on the sale place. Another equally important issue is related to the promotion of its own product range by trademarks, representing products already existing on the market, but under a different name. This type of product use and of labelling under its own trademark allows the company to practice lower prices for products with a quality similar to that of the products registered as trademarks of different manufacturing companies. This type of products and own trademarks represents the point towards which the company is going to direct in the near future.

ELECTRECORD has a special creation-marketing department making market researches, taking part in fairs, studying specialty journals and making polls so as to set the premises for efficiently promoting the company products.

Also, it permanently promotes its products and services by brochures, advertising in newspapers and magazines (Financial Newspaper, Money and BIZ Magazines) and by means of its own web site www.electrecord.ro.

a) Advertising

Advertising represents a series of techniques and means by which a message is sent

¹ Myers, J.H- "Marketing ", McGraw-Hill Book Company, New York, 1986, page 6

to the public via mass-media (written press, radio, television, cinematograph, advertising board). The advertising role is to make the offer known, to render its basic features, to build an image of its own and to incite to purchase and consumption.

Two issues are to be settled during two separate stages: the creation of the advertising message (spot) and the selection of the advertising support (media-planning).

The message creation starts with the selection of an advertising axle meaning a central idea the message should transmit to its recipients. The advertising axle should be distinctive, product tailored, based on motivation or inhibition, centred on a spectrum of positive or negative connotations and it should reach a large public.

The message is built on this axle under the form of texts, images, sounds or combinations of the above-mentioned.

b) Advertising sizes and structure

The spot is selected based on certain criteria such as: cost, covering level, efficiency, need for iteration and multiple insertions etc.

The main media proper for consideration are as follows:

- written press (local newspaper, national newspaper, weekly newspaper, magazine, specialty journal, professional bulletin);
- radio (local, national, specialty radio);
- local and national television;
- poster or advertising board;
- cinema.

A delimitation of the miscellaneous advertising media depending on several criteria (out of the above-mentioned ones) is presented in table 1.

c) Advertising: Centralised or decentralised?

The second issue faced by those resorting to the international advertising refers

to the necessity of centralising or decentralising the process of adoption and application of the decisions regarding this activity. Its solution is directly related to the solution of the previous issue – the advertising standardisation or differentiation – which, at its turn, is influenced by the similarities and differences ascertained as concerns the circumstances of the national markets. The centralisation or decentralisation of the responsibility for adopting and applying the decisions regarding the international advertising is determined by the action of 5 main factors:

- *General and marketing goals of the company.* It is probable for a company placing the accomplishment of the marketing global goals before the accomplishment of the internal goals to centralise its advertising and communication decisional process. The decentralisation of the decisional process is preferred only by a company aiming particularly to get profitable on the short run and to reach its goals locally.

- *Product uniformity.* More alike the products and services traded in different countries, greater possibilities for a uniform approach allowing for the centralisation of the advertising activity management.

- *Product attractiveness.* The maintenance of the product attractiveness elements represents the reason why it is used. The consumption motivation can vary from one country to another, depending on each one culture, irrespective of the consumers' demographic or psychological features. French women drink mineral water to maintain their silhouette while German women drink mineral water to preserve their health. The registration with a golf club in Singapore is closely related to that person social status while in

Great Britain this is deemed to be just an ordinary activity for spending the spare time, save for the clubs established based on certain

criteria. If the attractiveness elements are significantly different, the decentralisation of the decisional process is recommended.

Table 1. Characterisation of the main advertising media

Criteria purpose	Newspaper	Poster	Radio	Specialty journal	Mail, phone, fax	Television	Cinema
Cost	Modest	High	Acceptable	Modest	Low	Very high	High
Efficiency (cost/efficiency ratio)	High	Low	High	High	Very high	Low; Acceptable; High; Very high	Low
Impact on the public (covering)	Acceptable	Acceptable	Acceptable	Low	Very low	Very high	Acceptable
Uses	Regular campaign; Product descriptions; Price	Exhibitions Fairs; Public locations	Sensitisation of shares; General use assets	Presentation of some technical details	Target point; Hit point; Precise shares	Mass consumption; Large public; General use assets	Sensitisation
Effects	Long run campaigns have good results	Creates image	Sensitises if the station is adequately selected	Modest but deep impact	Precise target; Deepness; Certitude		Image; Sales

- *Cultural sensitivity.* If the use and the attractiveness elements of the product are related to culture under the form of the local inhabitants' consumption attitudes, customs and preferences, as for beverages and food, much decentralisation is necessary.

- *Legislative constraints.* The rules and regulations specific to each country influence the adoption and application of the advertising-related decisions. The decentralisation of responsibilities for valuating the local inhabitants' experience and knowledge is necessary wherever there are highly strict regulations imposed to the advertising field. Until getting to the point of a genuine "harmonisation" at the European Union level, the companies should continue to pay a special attention to the subtle differences existing between the rules and practice codes implemented by different countries, in order to avoid making expensive mistakes.

The international organisations have tended to centralise their marketing activities, including the advertising-related ones. This case was particularly obvious in Europe. For many categories of products such as: motor vehicles, durable goods, electronic appliances, cosmetics and beverages, the international companies in Europe have created, at continental level, advertising networks by only one specialised agency. Yet, the retailers, mass-media companies and food industry producers enjoy less the centralisation idea, as they have to adapt their activity to the culture and legislation of each country.

d) Sales promotion

The sales promotion comprises a set of techniques aiming to enrich the offer by adding additional value to the product, price and distribution, for a limited period of time,

considering the business goals of the company and having in view to gain a temporary competitive advantage.

1. Discounts

S.C. ELECTRECORD S.A. gives up on getting benefits, partly or in full, usually only for a few products of its catalogue or for limited periods of time, for several reasons, namely:

- - for penetrating certain markets - penetration prices;
- - for keeping away or for discouraging the competition - keep-out prices;
- - for promoting sales - promotional prices;
- - and more others.

Also, the commercial practice of S.C. ELECTRECORD S.A. is based on the purchasers' psychological stimuli, on their different sensitiveness to the product prices and on the rational and irrational components of their purchasing behaviour. They are called "psychological" prices and encompass a large variety of prices such as: "prestige prices", "leader prices", "bait prices", "magic prices" (ending by figure 9), and others.

S.C. ELECTRECORD S.A. also uses the so-called discrimination prices, depending on the quantities of purchased goods, purchase place and time. These are: fixed prices, negotiable prices, single prices, (for a large variety of products) prices with bonuses or incentives and so on.

Sometimes S.C. ELECTRECORD S.A. handles prices in a specific manner aiming not to render profitable any product or service but to gain long run global optimisation of its activity, enlargement of its stable customers and market strengthening.

2. Other types of promotion

Beyond the traditional techniques used to promote sales, S.C. ELECTRECORD S.A.

also uses the so-called non-conventional promoting techniques, among which those favoured by certain special occasions of the company or by sponsorships granted on specific events or public manifestations.

- a) Techniques relating to the evocation of special events – they are designed to foster and promote human contacts at multiple levels. Such events are as follows:

- ▶ “Natural” events – anniversary of the establishment of S.C. ELECTRECORD S.A. or inauguration of a commercial or economic objective (work point, store).

- ▶ Events specially created by the company – public signing of an agreement of international cooperation, different economic, scientific, cultural or even sport events.

The most representative event is the Golden disk award, a prize granted to singers, either for a high volume of sales (10000 albums sold), or for their entire carrier.

- b) Sponsorship – it represents the financial support offered by S.C. ELECTRECORD S.A. for certain public events in order to make known to the new public the brands under which it provides its products to the market share.

The sponsoring activities have begun in the seventies; they have developed initially in the sport field, then, in the eighties, they have extended to the culture field and finally, in the nineties, they have entered the social and political area.

The interaction between the sponsor companies and the sponsored agents (natural persons, groups or organisations) has as basic premise the existence of common communication goals relating to the market activity, similar to those specific to the other promotional instruments.

The interest for sponsorship has been driven by the successful experiences registered by S.C. ELECTRECORD S.A. which succeeded in this way to produce large audience events, occasions on which it has launched a significant range of products and services.

The last decade, in most developed countries, the number of large sponsoring companies has considerably increased, concomitantly with the enlargement of the sponsored activities.

In many countries, the sponsoring activities benefit from legislative regulations facilitating such promotional approach of the market agents.

3. Personal promotion

If in the past, in the service provision field, the active role was held by the customer, nowadays, the personnel charged with the service rendering has become a key condition in the process encompassing the provision, contacting, transmission of information and settling of the customer's issues.

The direct approach of sales is very important for the commercial and after-sale service provision sector, as the service being sold is intangible; therefore, the advantages of its acquisition from S.C. ELECTRECORD S.A. have sometimes to be explained to the customers. Each employee interacts either with domestic customers or with foreign customers. The quality of the service received by the domestic customers strongly influence the quality of the service extended to the foreign customers. The employees' attitude and behaviour can erode or improve the company renown.

But in order to become efficient, a seller needs, besides some specific innate features, to develop its selling aptitudes by specialty

courses and training. Such courses should cover the following topics:

- interpersonal communication ability;
- familiarisation with specific services and products;
- familiarisation with competition and selling methods.

It hereby results that the recruitment, promotion and training of the personnel as well as the issues relating to the professional activity are very important.

The implementation of the marketing concept as key factor in rendering a business successful implies a certain degree of involvement of the employees. The whole personnel of the company should be involved in the marketing strategy in order to make it succeed.

The professional selling methods generate new business and help the company employees to preserve the customers by meeting all their needs.

The high quality personal sales also maximise the benefits brought by advertising. An efficient publicity campaign may lead to the increase of the number of demands, but the personal sale is the key element cementing the business.

We cannot say that only the personnel coming into direct contact with the public is engaged in sales, but each and every employee. The latter serve the 'first line' employees charged with the responsibility of selling the company products. Therefore, there is a

directly proportional ratio between the quality of the services provided to the company colleagues and the quality of the services provided to customers. The manner of settling a claim, answering the phone and other similar actions affect the perceptions of the customers about the quality of the services provided by the company and will influence their decisions relating to the possibility of purchasing other products from the competition.

An efficient training in sales always starts with an adequate knowledge of the product.

The company can also use programmes for stimulating its employees to improve their knowledge about the company products and services. They should know:

- exactly what the service is about and how it should be provided;
- details about the advantages and benefits provided by the service;
- the market shares to which the service is addressed;
- the cost of the product or service;
- the contact person able to offer them further information.

The rewarding of sales performances and other methods of moral motivation are being used nowadays by most of the companies in order to stimulate their employees.

Therefore, in conceiving its promotional mix, S.C. ELECTRECORD S.A. should pay a very special attention to the personal promotion.

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Product policy of SC Electrecord S.A.

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Abstract: The global brand has the advantage of the scale economy, facilitates the company image and prestige and sometimes benefits even from its origin country effect. Its use is quite difficult (the semantic variations can impede the use of the same brand). The international brands act as a restriction against standardisation (the product should not be differentiated as there are internationally accepted and recognised brands). This paper makes an overview description of the general market environment, but also of the market environment of SC ELECTRECORD S.A.; it underlines the product characteristics as well as the commercial diagnosis within SC ELECTRECORD S.A.

Key words: product policy, global brand, market environment, product characteristics, commercial diagnosis.

1. Market environment

It mainly refers to the following components and key issues:

- legal regulations – exclusively politically oriented, they are meant to protect the internal branches or to respond to political pressures or they can be regulations regarding the protection of the environment, with a major impact on the product designing,

packaging and labelling.

- non-tariff barriers – the setting up of certain standards and procedures for product testing and checking, the subsidising of domestic products, the bureaucratic delays of some endorsements and approvals, all these register an ascendant trend.
- consumer's characteristics and preferences – if they are quite different

from one another, standardisation cannot apply.

- purchase and consumption patterns – purchasing frequency, miscellaneous uses of the product on different markets, various preparing methods.
- economic status of the potential user – the purchasing power influences both the product designing and packaging.

2. Analysis of the market environment of SC ELECTRECORD S.A.

The economic environment comprises all the economic factors influencing the company capacity to compete in its field of

activity, but also the consumers' possibility and willingness to purchase different goods and services.

The following are some of the key factors influencing the purchasing power: inflation rate, tendency of prices, population consumption patterns, unemployment rate, real income, wholesale trade structure, export and import of goods. These issues relating to the economic status of the area where S.C. ELECTRECORD S.A. is going to carry out its activity are directly or indirectly reflected in and determine the volume and structure of the supply of merchandise, the changes in prices and the competitors' level.

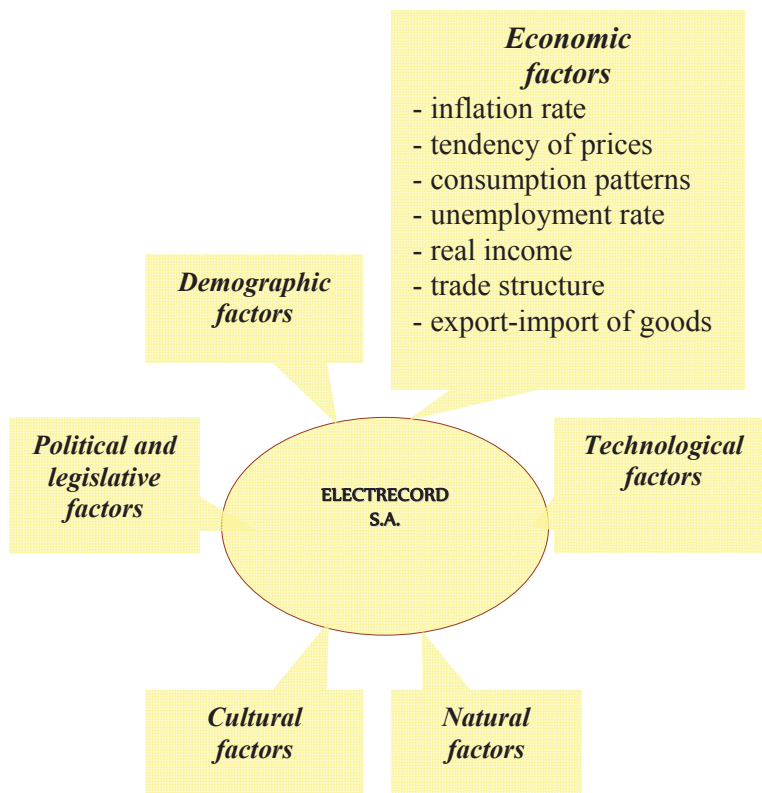


Figure 1. Key factors influencing the activity of S.C. ELECTRECORD S.A.

3. Product characteristics

These characteristics are closely related to the following:

- product components – the complexity of the product processing and the compliance with the legal regulations and religious customs.

- brand – the product image bearer and the most standardised product component. The company may use local, regional and global brands.

The global brand has the advantage of the scale economy, facilitates the company image and prestige and sometimes benefits even from its origin country effect. Its use is quite difficult (the semantic variations can impede the use of the same brand). The international brands act as a restriction against standardisation (the product should not be differentiated as there are internationally accepted and recognised brands).

- packaging – it is meant for the product protection and promotion; it varies for the same product depending on: the weather

conditions specific to the target foreign countries, the modality of transportation, the time needed for transportation and the labelling (bilingual information, choice of colours, package shape).

- functions, attributes, characteristics – they are broadly adapted for the products addressed to consumers (colours play an important role in this respect).

- use and operation methods – as for the electronic products, the deviations from the standard product are related to the differences existing between the voltage systems and the measurements systems.

- sustainability and quality – the competitive advantage in the international marketing management may be obtained not only by appealing to low prices, but also by providing high quality (standards ISO 9000).

- maintenance, after-sale services – more difficult the carrying out of these services, more technically justified the product standardisation, due to the particular importance of services.

Consumer's preferences	Use conditions	Purchasing capacity	Product line strategy
equal	equal	existent	extension
different	equal	existent	extension
equal	different	existent	adaptation
different equal	different	existent, low or none	adaptation, inventions (new products)
none	inadequate		removal

Table 1. Strategies regarding the product lines

4. Product characteristics at SC ELECTRECORD S.A.

The commercial diagnosis is oriented towards the establishment of the market and of the company position on this market.

The main object of activity of S.C. ELECTRECORD S.A. is in compliance with code CAEN 223 – reproduction of the recorded media.

Until 1989, this company was the only manufacturer of registered tapes and disks, holding the monopoly in the phonographic industry in Romania. Nowadays, even if the competition is increasing, S.C. ELECTRECORD S.A. remains the most important manufacturer of audio products in Romania.

The main products of the company are as follows:

- before 1989
 - audio tapes
 - analogue disks
- at present
 - audio tapes
 - compact disks

Evolution of the market over the last 30 years

In the nineteenth decade, the traditional audio records, on disks, have continued to decrease from 800 million copies in 1980 to less than 80 million copies in 1993.

The forecasts of 1980 – 1993 were indicating that around 2000, the sales of analogue

disks were about to reach the zero level. In exchange, the compact disks have registered a spectacular evolution.

Launched in 1982, they have exceeded the line of 1 billion copies in 1994, and in 1995 the CDs world production has reached the level of 1,4 billion copies.

Worldwide, the audio tapes, after their quite long run success during 1980 – 1990, have saturated the market and have entered their decline stage.

According to the forecasts of the „Tape One” magazine, the worldwide estimates for the product sales in 2005 were going to be about 47% more than those of 1995 (an impressive weight in this increase coming to the CDs production).

The Romanian market follows the evolution of the international market regarding the analogue disks and CDs, the first one disappearing while the CDs sales continuously increasing.

Evolution of the production of S.C. ELECTRECORD S.A.

The production of analogue disks, representing 104% of the capacity designed in 1989, has registered a continuously decreasing evolution, reaching today the level of 0%, thereby following the market trend.

The evolution of the production of tapes has been oscillatory. Thus, if in 1989, 107% of the designed capacity has been manufactured, in 1993, it has decreased to only 81%, evidencing an oscillatory evolution.

Product	2006	2007	2008
Audio tapes	344,833	198,152	255,312
CDs	83,618	92,890	120,318

Table 2. Evolution of the products sold by S.C. ELECTRECORD S.A. during 2006- 2008

Most products are sold on the domestic market, the end product export being insignificant.

Forecasts regarding the production of S.C. ELECTRECORD S.A.

Although continuously decreasing,

at the worldwide level, since 2005, the production of tapes has begun to increase, the demand for audio products registering nowadays an ascendant trend. On the Romanian market, due to the low purchasing power, the CDs cannot replace the audio tapes.

Product	2009	2010	2011	2012	2013
Audio tapes	280,000	300,000	300,000	300,000	300,000
CDs	144,000	172,000	189,000	245,000	257,000

The investment programme considered for the following period contains:

- 1) the creation of a new line of audio tape records (replacing the old one)
- 2) the creation of a new line for manufacturing cases – 150.000 pcs/year since 2010 (both for CDs and for tapes) and C0 tapes (empty tapes) – 100.000 pcs/year, the latter being currently brought by the company.

As for the publishing area, the activity of Electrecord record company will primarily focus during the following years on thematic programmes aiming to develop the catalogue of recorded compact disks and audio tapes, thus increasing the supply addressed to the musical market.

The drawing up of these programmes will be based on artistic value-related criteria able to increase the audience among the music loving public.

The thematic programmes will be accomplished considering that the company holds in its sound library an impressive number records of real artistic value being of great interest for the musical market. This is an important source of new titles, the valorisation of which, by transfer on modern supports, provides their restoring to circulation which

has ceased once the LPs (on vinyl support) have disappeared. This solution is useful for the company both musically and economically as it involves minimum manufacturing and trading costs.

5. Commercial diagnosis of SC ELECTRECORD S.A.

Supply

The compact disks and the cases for tapes and CDs are imported, as the related imported products are cheaper than the domestic ones, Romania being represented by only one CD manufacturing company.

The empty tapes are nowadays acquired from third parties.

The records on CDs are made in collaboration with foreign companies, the key filtering element being the delivery cost, the company itself being charged only with the domestic packaging (encasing – face printing– sealing).

The tape records are made within the company.

Deliveries and distribution

An important field of the economic reality is represented by the distribution of consumption goods, thus being

created the connection between production and consumption.

The circuit of distribution of S.C. ELECTRECORD S.A. gets the shape: „producer – retailer – consumer” and encompasses the following main channels:

- manufacturer – shopping centre – consumers
- manufacturer – bookstore – consumers
- manufacturer – store specialised in selling CDs and tapes – consumers, main domestic customer.

Normally, this form of distribution should be the optimum solution providing the cycle money – commodity – money with a quick and efficient rhythm. But, considering the period of transition to the market economy the whole Romanian society is facing, various short-circuits of the above-mentioned cycle may occur.

Nowadays, the physical distribution of products (transportation, storage, handling, packaging) is easily managed by the company. It is to be mentioned that the railway transportation of products significantly prevails.

Customers

S.C. ELECTRECORD S.A. mainly addresses to the domestic market and less to the foreign market.

The export weight is insignificant in relation to the yearly production of tapes undergone by S.C. ELECTRECORD S.A. This standing is correlated with the downward trend registered at the worldwide level as for the sale of such products, the demands of CDs substantially increasing instead.

In this regard, the new generation of compact disks has been generalised for several years, all the international manufacturers

transferring their catalogues on CDs.

Yet, the export of end products (CDs) has not reached an acceptable level, the revenue coming from other sources such as:

- sale of licences
- provision of services (records for other companies).

The main customers of the domestic market are: CARREFOUR, S.C. ANYEL S.R.L. București, S.C. BIG MEN S.R.L. București, S.C. GIMEX INTERNATIONAL S.R.L. București, S.C. MUSIKLAND București, S.C. LIBRIS DISTRIBUȚIE Brașov, S.C. TRASAL Cluj, S.C. ARTA S.R.L. Timișoara, S.C. LIBRI MARIS Constanța, S.C. DACIA TRAIANA Sibiu, S.C. INTERLOTUS Iași.

These customers, some of them having already turned into traditional customers, dealing themselves with the effects of the transition to the market economy, have become many times „slow payers”, thus generating a high level of receivables and a long waiting time for the invoice collection.

Geographically, there is no strict location for the product dispersion, the supply being oriented towards the areas where there is any potential demand.

Competition

After 1990, a series of companies having as object of activity the production of disks and tapes, recording and musical editing have emerged. At present, the most important companies in the matter are as follows: Transglobal Media, Alma Artex, Roton, Intercont, Nova, Media Services, Alfa Sound, Eurostar.

There is an ascendant trend; therefore new competitive companies are expected to be established in the near future. In fact, we deal with a phenomenon already manifested

in the countries with a market economy, encompassing one or two major companies dominating the market and holding the technical means necessary for accomplishing their production plan and a lot of "independent" companies, with relatively low turnovers, covering about 30-40% of the specific market. The latter do not benefit from the facilities necessary for the industrial production and resort to major companies or even to manufacturing companies, in both cases these representing services for the competition.

Considering the phonographic market, S.C. ELECTRECORD S.A. may be deemed as the only major company in the field.

The above-listed main competitors of the company cover at present about 50% of the specific market, especially the import related one.

The first important advantage of S.C. ELECTRECORD S.A. as compared to its competitors is the well known company brand and the management and use of its sound library with a catalogue with more than 5000 titles representing its permanent supply for the market. The competition works on a significantly low range - unit type - of titles.

The company catalogue renders a relatively complete image of the Romanian

musical landscape where the field of the cult music exclusively belongs to S.C. ELECTRECORD S.A.

A particularly annoying phenomenon occurring on the specific market is piracy. As there isn't any legal framework for the production and distribution of compact disks and tapes, the market is suffocated with pirate products conveying the latest products of the international repertory. These products are illegally traded, without acquiring licence, without paying for the rights of the composers and singers, etc.

The conclusions of the commercial diagnosis are the following:

- the relationships with the distribution network customers are quite sound despite the unpleasant phenomena occurred due to the financial blocking;
- S.C. ELECTRECORD S.A. holds a well known brand the prestige of which has been consolidated during its more than seventy years of activity in the matter;
- the world of singers and musical actors is closely related to S.C. ELECTRECORD S.A. which has served their interests for many years, launching itself and creating for them a discography, thus having substantially contributed to their popularisation and to their current market share.

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Job competencies for the malaysian consultant project managers

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Abstract: Architects, engineers and quantity surveyors are among the main players in construction. Coming from different background and professional background, these professionals bring in their own respective styles and methods of project management practices. There is now a body of opinion among industry people and academics alike that the industry needs to establish competency standard especially for project managers. Irrespective of their professional background, competent project managers should hypothetically deliver high quality services to the clients. A study was conducted at the School of Housing, Building and Planning, University of Science Malaysia (USM), to develop a job competence model for Consultant Project Managers (CPMs). It attempts to determine a set of minimum standards of skills and competencies for CPMs. This paper reports the findings of the study. It provides an insight into the type of competencies needed by CPMs based on the "Job Competence Model for Consultant Project Managers" developed from the study.

Key words: Project Management, Consultant Project Managers; Job Competence; Construction Industry.

Introduction

Project managers are responsible for the overall success of delivering the owner's physical development within the constraints

of cost, schedule, quality and safety requirements. As such, they play a crucial role not only in the operational activities of architectural and engineering construction companies but also the development of infrastructure

in every country. From the beginning of the 1990s the business climate in the construction industry has witnessed unprecedented dynamics as organizations respond to increasing competition within a stagnant or declining market (Edum-Fotwe and McCaffer, 2000). The industry's procurement methods also changed with clients allocating greater risks to contractors (Bedelian, 1996). The emergence of design-and-construct contracts as an alternative to the more traditional options of open competitive tendering for procuring public projects, and their widespread adoption is impacting on the role of project managers. Equally, the renewed demand for quality, productivity and performance is leading many organizations, and particularly construction companies, to question traditional philosophies and principles associated with their management processes and business practices (Hayden, 1996). Within such a changing industry climate, project managers increasingly find themselves accountable not just for the technical content of the project but also the engineering and construction accuracy, reliability of the facility, and within-cost performance. Project managers find themselves confronted by issues, and undertaking additional roles, that have traditionally not been part of their responsibility (Gilleard and Chong, 1996; Shenhar et al., 1997). Both, Ceran and Dorman (1995) and Russell et al., (1997) recognized this changing role for consultant project managers and argued that they must supplement their traditional functions with other non-engineering knowledge and skills to meet today's professional demands for which they become responsible, Adum-Fotwe and McCaffer (2000) equally emphasized the need for the project management function itself to adapt to

these changing industry conditions in order to maintain its relevance for project delivery well into the future. Ahmad (1997) presented the solution to such adaptation as pairing the project management function with information technology (it). The significance of such pairing becomes more apparent when viewed against the 70% proportion of construction project managers who considered their it resources inadequate to deal with the demands of their job (Essec, 1997). Although this is relevant to developing future project managers, it does not cover all the different issues that project managers operating in today's industry environment are likely to encounter. For example, Volckmann (1997) sees the management of relationships as an essential ingredient that is increasingly impacting on successful project delivery. It is true to say that the management of relationships can be facilitated by technology and engineering principles. However, the very essence of relationships is non-technical and often social-oriented skills. Many practicing project managers in performing their duties and roles, naturally, reflect these skills. The industry can gain valuable lessons and insight for expanding the scope and coverage of the functions required of project managers by establishing the additional skills and knowledge that these practitioners have to continuously acquire in order to retain marketable services. These additional requirements often encompass the broader social aspects such as societal expectations for environmentally responsible behavior, and maintaining the right relationships that will have a positive impact on the project outcome. For the construction industry, the essence in focusing on improving competency of project managers derives also from the impact

of projects on the company's business. Each project forms a significant proportion of the company's overall turnover. The failure of a single project can therefore trigger the failure of the whole company (Jannadi, 1988; Kangari, 1988). The development of job competence model and the requisite knowledge and skills that contained needed to perform this expanding role have traditionally relied on engineering degree programs that are pursued in academic institutions. Construction and engineering degree programs for educating project managers traditionally reflect a technological content. to ensure their continued relevance in an industry, consultant project managers often rely on various learning activities that help them to fulfill for the project, both the construction specific and the non-construction functions demanded of them. Identifying the routes and mechanisms by which these consultant project managers acquire such requisite skills should provide options for addressing the training of future consultant project managers (Bentil, 1996). A more significant aspect of the study however, is identifying potential lessons for management development policy that construction organizations may adopt. This paper reports on the findings of the development of job competence model for consultant project managers. It seeks to identify what are the main components of consultant project manager's competence?

Defining project management competence

The IPMA defined competence as "knowledge + experience + personal attitude". Knowledge and experience relate to function and attitude relates to behavior

(IPMA, 2002). Hornby and Thomas (1989) define competency as the knowledge, skills and qualities of effective managers, and point to the ability to perform effectively the functions associated with management in the work situation. Hogg (1993) states that competencies are the characteristics of a manager that leads to the demonstration of skills and abilities, which result in effective performance within an occupational area. Competency is linked with individual behavior and job performance. Regarding the effective performance in a job, Boyatzis (1982) states that: "effective performance of a job is the attainment of specific results (i.e. outcomes) required by the job through specific actions while maintaining or being consistent with policies, procedures and conditions of the organizational environment". In short, Competencies are specific knowledge, skills, abilities, characteristics, and behaviors that enhance job performance. However, a number of writers have identified competencies which they believe are generic, common to all occupations and spanning all other competencies. Some of these may be necessary prerequisites to the development of more role-specific competencies. Linstead (1991), Hyland (1992) and Nordhaug (1990), use the term "meta-competencies" to describe similar characteristics. Nordhaug offers as examples: communication, problem-solving and analytical capacities. Cheetham and Chivers in their model too, followed the latter authors in adopting the term "meta-competencies". The concept of meta-competence, while falling short of providing a holistic model of professional competence, nonetheless identifies an important principle which ought to be taken into account when constructing such a model; namely that there are certain

key competencies which overarch a whole range of others. The model developed by Cheetham and Chivers (1996) mentioned the competencies / skills; "Communication, Self-development, Creativity, Analysis, and Problem solving" are generic and are said to be fundamental to effective performance in all (or most) occupations. At the "core" of the model are four key "components" of professional competence. These are:

Knowledge/Cognitive Competence: - the possession of appropriate work-related knowledge and the ability to put them to effective use. The linkage of cognitive competence with knowledge emphasizes the importance of the latter part of the definition, i.e. the ability to apply knowledge in a variety of ways.

Functional Competence: - The ability to perform a range of work-based tasks effectively to produce specific outcomes.

Personal or Behavioral Competence: - The ability to adopt appropriate, observable behaviors in work-related situations.

Values / Ethical Competence: - The possession of appropriate personal and professional values and the ability to make sound judgments based upon these in work-related situations.

Project Management Competency

The project management competencies are the capability to manage projects professionally, by applying best practices regarding the design of the project management process, and the application of project management methods. Project management competencies require knowledge and experience in the subject, which enables the project to meet its deadlines and objectives (Gareis

and Huemann, 1999). The principal competencies of a project manager, as stated by Morris (1994) are: 1) skills in project management methods and tools; 2) team and people skills; 3) basic business and management skills; 4) knowledge of project sponsor role; 5) knowledge and awareness of project environment; 6) technical knowledge (specialized discipline skills), and; 7) Integrative abilities of the above skills and knowledge. Project management professionals working in projects where technical issues are important must have the competency to deal with them. Project Managers must be able to recognize the issue and be confident that appropriate action has been taken to deal with them. Technical issues can cause a project to fail and often have done. Professional project management competencies are achieved by the combination of education and the knowledge acquired during training, the skills developed through experience, and application of such acquired knowledge and experience.

The Need to Identify Project Management Competencies

A competence-based approach in education and training provides the opportunity to identify and develop people with the competencies required for performing the job. Organizations create such situations to help to improve the knowledge and skills of individuals, and ultimately to improve the competitiveness and productivity of the organization itself. Boam and Sparrow (1992) suggested that a competency approach in an organization allows one to: 1) improve the selection process; 2) improve the assessment of career potential; 3) improve the performance review process; 4) provide a common

language system to convey the nature of effective performance; 5) facilitate self-assessment and development; 6) provide a basis for coaching and training; 7) provide an essential tool for developing the business culture; 8) provide a tool for building a successful team; and 10) provide a method for identifying the implications for job and organizational design. As a consequence, Competence has been defined as the underlying characteristics of a person that enables that person to demonstrate superior performance in a job.

Research Methodology

At the beginning of the main study 3 practical models of project management competence were reviewed. These are the COIB model, PMI model and the CIDB Malaysian model. Comparisons were made and similarities and differences were noted. These were then compared with those of Thomsett (job of project managers) and the model of professional competence by Cheetham & Chivers. Based on this initial study, a "job competence model for consultant project managers" was developed. The newly developed model was sent to all 128 consultant project management (PMC) firms registered with the ministry of finance, Malaysia. Since all firms operating in the country must register with the ministry, the number represents the whole population of PMC. Of these 44 responses were received. The objective of the study was to ascertain the core components of the consultant project managers job competencies. The study focused on the 4 key components of the model which outlined what competence components that construction professionals had to acquire in order to become consultant project managers. each of

the key components is made up of a number of requisite skills/competence components required of consultant project managers i.e. knowledge/cognitive competence which consists of 64 variables, values/ethical competence which consists of 47 variables, personal/behavioral competence which consists of 42 variables and functional competence which consists of 46 variables. in all, a total 199 core competence components are listed in the model. The perception of practicing consultant project managers regarding the relative importance of the core components to their professional performance will provide useful options for designing training programs of future consultant project managers. The data are processed and analyzed by using the statistical package for social science (SPSS) software utilizing quantitative analysis method as follows:

► **Descriptive statistics:** to ascertain firms/company & personal information and elements of sub-competence components headings.

► **Pearson correlation:** expression on nature of the relationship between sub-competence components and core competence components headings.

► **One-sample t-test:** to compare the sub-competence components, core competence components, and the job competence model.

Results and discussion

Job competencies of consultant project

Managers Table 1 shows the comparison between the values of the mean difference for the whole independent variables/ core competence components. The knowledge/

cognitive competence is shown to have the largest value of mean difference which equals 105.04. Since the value is limited between the lower and upper values of 97.91 - 112.18, of the confidence interval of the difference, the null hypotheses which states that this competence component is required as one of the core competence components forming the job competence model is accepted. On the other hand, the functional competence has the smallest value of mean difference which is 66.15. However, the value falls within the lower and upper values of the confidence interval of the difference. Accordingly, the null hypotheses which states that this competence component is required as one of the core competence components forming the job competence model is affirmed. Likewise, the estimation for the 2 remaining key competence components with their mean difference values falling between the lower and

upper limits are accepted. Thus, the null hypothesis of all 4 core competence component, which states that there are requirements for the components in the job competence model, were accepted (refer table 1). Since the mean difference values of all key competence components falls between the lower and upper limits, all the 4 key components were accepted as forming part of the job competency model, at 95% confidence interval. Such validation, from the industry people is significant for the acceptability of the model. The percentage distribution of the 4 key components within the model is as follows (see also figure 1):

- Knowledge/cognitive competence - 34%.
- Values / ethical competence - 24%.
- Personal or behavioral competence - 21%.
- - Functional competence - 21%.

Dependent variable & Independent variables	Statistics					
	Test Value = 0.05					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Job Competence Model						
Knowledge / cognitive competence	28.607	43	.000	322.22	299.51	344.94
Functional competence	29.689	43	.000	105.04	97.91	112.18
Personal or behavioral competence	23.458	43	.000	66.15	60.47	71.84
Values/ ethical competence	22.244	43	.000	66.36	60.34	72.38
	23.713	43	.000	75.00	68.62	81.37

Table 1: One-Sample T-test of Job Competence Model Variables

Table 2: Pearson Correlation Relationship of Job Competence Model Variables

	Variables				
	<i>Job Competence Model</i>	<i>Knowledge / cognitive competence</i>	<i>Functional competence</i>	<i>Personal or behavioral competence</i>	<i>Values / ethical competence</i>
Variables	Statistics				
	Job Competence Model	Pearson Correlation Sig. (2- tailed)			
Job Competence Model		1			
Knowledge / cognitive competence		.831** .000 44	1 .44		
Functional competence		.902** .000 44	.744** .000 44	1 .44	
Personal or behavioral competence		.896** .000 44	.570** .000 44	.714** .000 44	1 .44
Values/ ethical competence		.883** .000 44	.531** .000 44	.681** .000 44	.916** .000 44

** = Correlations is significant at the 0.01 level (2-tailed)

Table 2 shows the Pearson correlation results for the 4 key competence components of the model. It is evident that the value for functional competence is 0.902** which suggested a very strong correlation between job competence model and its variable functional competence. Coming next is the personal/behavioral competence at 0.896**, the values/ethical competence at 0.883**, and the knowledge/cognitive competence, at 0.831**, all of which also indicating a strong correlation with the model. The stars (**) over the values indicate that the correlation is significant at the 0.01 level (2-tailed). As in Figure 2, 'scatter plot' for the dependent variable job competence model, the concentration of the variables' values are scattered around the standard deviations line indicating the strong relationship between core competence components and the newly developed job competence model. Accordingly, the strength of the relationship in term of rank is as follows:

- Functional competence.
- Personal or behavioral competence.
- Values/ethical competence.
- Knowledge/cognitive competence.

Discussion of the finding

Different professions will require a different mix of the core components. For example, a barrister will require a strong cadre of personal competencies, such as self-confidence, presentation skills and ability to "think on feet". In contrast, a research chemist may not require such highly developed personal competencies but will instead need a very strong knowledge base and a high order of cognitive competence. For him, or her, the ability to apply theory, transfer, synthesize and extrapolate knowledge may be

all-important. Similarly, a different mix of the core components may be necessary for different branches within the same profession. These differences may seem obvious, yet they are often not fully reflected in initial professional development programs either in what is taught, in the development methods used, or in the assessment processes applied. A better understanding of the relative importance of each of the core components, and possibly different meta-competencies to different occupations could help improve the design of professional training by placing appropriate emphasis on the various components (Cheetham & Chivers, 1996). The potential differences between and within professions generally, and within project management area, especially, have led to the development of a linked occupational competence mix model i.e. the "job competence model" for consultant project managers. The relative importance of each of the core components to different occupations is indicated by the size of the segments, as the situation for the model of job competence, the relative importance of each of the four core competence components, indicated by their effect percentage on job competence model, whereas; knowledge/cognitive competence represented 34%, values / ethical competence represented 24%, personal or behavioral competence represented 21%, and functional competence represented 21%. The model also incorporates meta-competencies (in the outer circle), which is illustrated in figure 3. In addition, figure 4 shows a three-dimensional version of the model referred to consultant project managers' competence mix. This illustrates the competence mix actually attained by the particular experienced consultant project manager. It indicates that

even after the necessary occupational competence mix for the profession has been acquired, consultant project manager may continue to develop each one of the components further, increasing the depth of competence within each towards the highest levels of excellence in terms of professional performance. However, ongoing development is likely to proceed at different rates within different core component areas, and this is illustrated by the variation in heights between segments. For simplicity, meta-competencies have not been included in the illustration but these are also likely to be differentially developed. Table 1 shows one-sample t-test analysis for variables/core competence components with their job competence model. Table 2 shows the relationship of pearson correlation of independent variables/core

competence components with dependent variable job competence model.

Conclusion

Results of the survey indicated that the «job competence model for consultant project manages» have been accepted by practicing PMCs. Out of the total of 199 job competence components listed in the model, 190 which represented 95.19% are accepted. This high acceptance rate suggested the applicability and validity of the competence component and hence the model. The model can be used for various purposes including raising the awareness of consultant project managers about their need of knowledge, training and skills to carry out their professions competently.

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An association between market orientation and business performance: A case study of small medium enterprises in sri lanka

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Abstract: In the globalized and highly competitive era of the present day business environment, firms are under constant pressure to build upon their skills and resources for developing distinctive competencies to withstand market challenges. Such competencies can be around either the lower delivered-cost-position or product differentiation. But building competencies around lower product costs and or product differentiation alone is not sufficient. "Market orientation" builds distinctive and sustainable competencies. An attempt to fill this research gap, the present study is instigated on market orientation and business performance as the case of small medium enterprises in Sri Lanka with the samples of ninety. A non-probabilistic sampling method, namely convenience sampling, was used in drawing samples for this study. Secondary data and primary data collections methods were used to conduct the study. In the present study, we analysed our data by employing correlation and regression analysis. For the study, entire analysis was done by personal computer. A well known statistical package 'statistical package for social sciences' (SPSS) 13.0 version was used in order to analyze the data. The results revealed that there is a significant association between market orientation and business performance; further, market orientation has statistically positive impact on business performance.

Keywords: Market Orientation; Business Performance; SMEs

Theoretical Framework

Market orientation has come to be recognized as a key concept in marketing literature. It is one such culture that has been widely advocated in the marketing literature

to build distinctive and sustainable competencies (Narver and Slater, 1990; Wooddruff, 1997). Market orientation requires business firms to be constantly vigilant of market developments and responsive to changing customers' needs and wants, thus building

a solid base for withstanding market challenges. No doubt marketing department and its personnel carry much of the onus of impacting market orientation for being closer to customers in their dealings, an effective implementation of marketing concept calls for viewing market orientation as a pervasive concept to be embraced by all the departments and personnel in the organization both in philosophy and practice (for a further discussion, please see Jain and Bhatia, 1995). The whole idea of organization-wide adoption of market orientation seems to be grounded in the belief that "marketing is too important an activity to be left with only the marketing department in the organization".

Market orientation is one of the five philosophies or orientations (the other four being production concept, product concept, selling concept and societal marketing concept) that guide the planning and organization of a firm's activities. In a competitive environment, marketing concept is considered to be a far superior guiding philosophy that the product, production and selling concepts (for a further discussion, please see Kotler, 2002; Stanton, Etzel, and Walker, 2003). No doubt societal marketing concept is relatively of a recent origin and constitutes an improvement over the marketing concept, it is the latter which continues to hold a sway over other concepts in both marketing literature and business speeches.

For a long time, marketing concept remained enshrined only in terms of customer orientation. But later on, other constructs such as competitor orientation, inter-functional coordination and profit focus also got added to it (Houston, 1986; Kohli and Jaworshi, 1990; Kotler, 1972; Levit, 1960; McNarmara, 1972; Narver and Slater, 1990). The idea

underlying addition of these additional constructs was that unless a firm aims at delivering customer satisfaction in away superior to competitors and adopts it throughout the organization, with due regard to profitability of its operations, customer orientation is unlikely to come up as a commercially viable competitive tool to withstand market challenges. Especially, the construct "inter-functional coordination" came to be organized as an essential ingredient for the successful implementation of marketing concept, with the belief that much of the satisfaction to the customers is unlikely to materialize unless all the departments in the organizations imbibe spirit of marketing concept and gear up themselves to work harmoniously with other departments for delivering customer satisfaction.

A review of past studies examining the impact of market orientation on a firm's financial performance reveals that being a culturally embedded philosophy, market orientation facilitates clarity of focus and vision for the efforts of the individuals and departments within the organization, thereby enabling the organization to evolve and pursue "consistent" and "workable" strategies (Kohli and Jaworshi, 1990). And when "behaviours are consistently guided by norms geared towards unified customer-satisfying goals, there is greater consistency and improved inter-functional coordination in the implementation of strategies, thereby leading to reduced costs which are associated with correcting problems on human resource development. And, hence the result is high financial performance (Pelham and Wilson, 1996).

The empirical studies undertaken by Jaworski and Kohli (1993) and Narver and

Slater (1990) also lend support to a positive link being present between the market orientation and financial performance. Based up on a comparative study of the firms with different organizational cultures, Deshpande, Farley and Webster Jr.(1993) too observed that an organization characterized by "a market culture with emphasis on external positioning" performs better financially than other firms that have a focus on internal maintenance of factors such as "clan" or "hierarchical culture".

Thus various studies on market orientation and business performance show different results. Whatever we have no studies in Sri Lankan context. Hence given the relative lack of research into the regularity of market orientation and business performance over time we investigate the longitudinal nature.

Objectives

The following objectives were taken for the study

- To identify the relationship between market orientation and business performance.
- To recognize the business performance.

Hypotheses

H1: *Market orientation and Business performance are significantly correlated.*

H2: *Business performance has greater impact on market orientation.*

Results and Discussions

Sampling procedure

For this study, we initially consulted the Industrial Development Board (IDB) for

the purpose selecting our sample. Small and medium entrepreneurs were considered as the population of the sample. The research covered ten entrepreneurs from each province such as Northern (except Kilinochi and Mullitivu districts due to the political unrest) North Central; North western, Eastern; Central; Sabragamuva; Southern; Uva and Western in order to make the study relevant. In a way ninety were used for the study as an ultimate sample.

Data Sources

The study was complied with the help of primary data. Primary data were collected through mailed questionnaire. Moreover, the desk study covered various published and unpublished materials on this field.

The Instrument

The questionnaire was administrated among small medium entrepreneurs in Sri Lanka. The questionnaire was designed by the researcher a seven item scale from strongly disagree (-3) to strongly agree (+3) was adopted to collect the information about the market orientation and business performance. The reliability value of our surveyed data was 0.911 variables. If we compare our reliability value with the standard value alpha of 0.7 advocated by Cronbach (1951), a more accurate recommendation (Nunnally and Bernstein's, 1994) or with the standard value of 0.6 as recommended by Bagozzi and Yi's (1988). We find that the scales used by us are highly reliable for data analysis (Cooper and Schindler, 2001; Page and Meyer, 2000; Hair, Anderson, Tatham and Black, 2003).

Statistical Tools Used

In the present study, we analyse our data by employing correlation; multivariate analysis like multiple regression analysis. For the study, entire analysis was done by personal computer. A well known statistical package- 'Statistical Package for Social Sciences' (SPSS) version-13.0 was used in order to analyze the data.

Results and Discussions

Business performance can be measured financial performance and non-financial performance. The correlation analysis was carried out to test the relationship between the market orientation and financial performance the results are summarised in table-1.

Table 1: Correlations Matrix for Market Orientation and Financial Performance

Variables	MO	SG	NPR	ROI	ROA
MO	1.000				
SG	0.259* (0.014)	1.000			
NPR	-0.005 (0.966)	-0.331** (0.001)	1.000		
ROI	0.171 (0.106)	0.043 (0.689)	-0.045 (0.671)	1.000	
ROA	-0.011 (0.919)	0.144 (0.176)	0.026 (0.805)	0.192 (0.071)	1.000

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

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

Note: MO-Market Orientation; SG- Sales Growth; NPR- Net Profit Ratio; ROI-Return on Investment; ROA- Return on Assets.

From the table-1 it is observed that market orientation is positively associated with sales growth except other financial performance ratio, which means that as the market orientation increases sales growth increases. It is natural and perceptible. Net profit ratio is negatively correlated with sale growth. Moreover, regression model is performed to investigate the impact of market orientation on financial performance which the model used for the study is given below.

Model 1

$$Y = f(x)$$

$$Y = \beta_0 + \beta_1 X_1 + e$$

Where β_1 , β_0 are the regression coefficient

$$Y = SG$$

$$X_1 = MO$$

e = error term

Model 2

$$Y = f(x)$$

$$Y = \beta_0 + \beta_1 X_1 + e$$

Where β_0 , β_1 are the regression coefficient

$$Y = NPR$$

$$X_1 = MO$$

e = error term

Model 3

$$Y = f(x)$$

$$Y = \beta_0 + \beta_1 X_1$$

Where β_0 , β_1 are the regression coefficient

$$Y = \text{ROI}$$

$$X_1 = \text{MO}$$

e = error term

Model 4

$$Y = f(x)$$

$$Y = \beta_0 + \beta_1 X_1$$

Where β_0 , β_1 are the regression coefficient

$$Y = \text{ROA}$$

$$X_1 = \text{MO}$$

e = error term

Based on the above regression model SG; NPR; ROI and ROA are considered as the dependent variables where as MO independent variable the detail analysis is carried out with the help of above variables.

Table 2: Model Summary - Predictors for Financial Performance

Model	R	R ²	Adj R ²	F-Value	P-Value
1	0.259	0.067	0.056	6.315	0.014
2	0.005	0.000	-0.011	0.002	0.966
3	0.171	0.029	0.018	2.667	0.106
4	0.011	0.000	-0.011	0.010	0.919

From the table-2 it is seen that above model revealed the ability to predict financial performance ($R^2 = 0.067; 0.000; 0.029$ and 0.000 respectively). In this model R^2 value of above four models denote that 6.7, 0, 2.9 and 0 percentages to the observed variability in financial performance can be explained by the market orientation. The remaining percentages are not explained, because the remaining part of the variance in financial performance is related to other variables which are not depicted in the model. An examination of the model summary in conjunction with ANOVA (F-value) indicates that the model explains the most possible combination of predictor variables that could contribute to the relationship with the dependent variables. For model-1, F value is

6.315 and respective P value is 0.014 which is statistically significant at 5% levels. Again considering model 2; 3 and 4, we see that all of the corresponding F values are insignificant in respect to their consequent P values. However, it should be noted here that there may be some other variables which can have an impact on financial performance, which need to be studied.

Market Orientation and Non-Financial Performance

Correlation analysis is carried out to find out the relationship among the variables. The results are summarized below table-3.

Table 3: Correlation Matrix for Market Orientation and Non-Financial Performance

Variables	MO	SP	CS	ES
MO	1.000			
SP	0.313** (0.003)	1.000		
CS	-0.051 (0.634)	0.190 (0.073)	1.000	
ES	0.056 (0.599)	-0.189 (0.074)	-0.182 (0.086)	1.000

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

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

Note: MO-Market Orientation; SP- Social Performance; CS- Customer Satisfaction; ES-Employees Satisfaction

From the table-3 it is observed that market orientation is positively associated with social performance except other non-financial performance variables, which means that as the market orientation increases social performance increases. It is natural and perceptible. Further the following, model is formulated to examine the impact of market orientation on non-financial performance.

Model 1

$$Y = f(x)$$

$$Y = \beta_0 + \beta_1 X_1 + e$$

Where β_1 , β_0 are the regression coefficient

Y = Non-Financial Performance (NFP)

X1 = MO

e = error term

Table 5: Predictors of Non- Financial Performance – Model summary

Model	R	R ²	Adjusted R ²
1	0.258 ^a	0.067	0.056

^a Predictors: (Constant), NFP

The above model revealed that the ability to predict non-financial performance ($R^2 = 0.067$). In this model and R^2 value of 0.067, denotes that 6.7% of the observed variability in non-financial performance can be explained by NFP. The remaining 93.3% is not explained which means that the remaining 93.3% of the variance in non-financial performance is related to other variables which are not depicted in the model. In this model, the value of an adjusted R^2 is 0.056, slightly less than the value of R^2 . This variance is moderately significant as indicated by the F value ($F = 6.299$ and $P = 0.014$) and an examination of the model summary in conjunction with analysis of variance (ANOVA) indicates that the model explains the most possible

combination of predictor variables that could contribute to the relationship with the dependent variable. Because the variance ratio is highly significant, Even though, the variance explained 6.7% in this context, it should be noted that there may be number of variables that can have an impact on non- financial performance that need to be studied.

The hypotheses of the study have been tested, and, the results and their level of significance have been analyzed. Correlation analysis is performed to test the strength and direction of the liner relationship between two variables; such as market orientation and business performance. In this regard correlation analysis has been shown the following the table-4.

Table 4: Correlations Matrix for Market Orientation and Business Performance

	MO	BP
EC Pearson Correlation Sig. (2-tailed)	1	0.241* (0.022)
OP Pearson Correlation Sig. (2-tailed)	0.241* (0.022)	1

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

Note: Figures in the parentheses indicate P- value

BP- Business Performance

From the table-4 it is seen that there is a fairly positive correlation between the two variables ($r = 0.241$, $P = 0.002$) which states that there is a significant relationship between market orientation and business performance, is thus supported at 0.05 levels of significance. Therefore hypothesis one is

accepted. In addition market orientation and business performance are explored using liner regression. In this regard regression is revealed in table-5.

Table 5: Predictor of Business Performance

Details	Business performance
Market Orientation	2.334(0.022)
Constant	12.070(0.000)
R	0.241
R ²	0.058
Adjusted R ²	0.048
Standard error	0.720
F Value	5.446

Note: Figure in the parentheses indicate P-value

The specification of market orientation in the model revealed that the ability to predict business performance ($R^2 = 0.058$). In this model, the value of an adjusted R^2 are 0.048, slightly less than the value of R^2 . In addition t value is 2.334 and that's P value is 0.022 indicates that hypothesis two is accepted at 5 percent level of significance. Therefore it explains that market orientation

have statistically positive impact on business performance.

Conclusion

The results from the operational hypotheses indicate that there is a significant relationship between market orientation and business performance; market orientation has statistically positive impact on business performance.

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How education determine wage inequality

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Abstract: *One of the problems the economy of the past 50 years has been generated by the increase to differences in income between workers with a level of preparedness higher compared to those with a poor level of training.*

There is a view that education can lead to greater inequality of income. Analyzing the current situation of increasing inequalities in most developed societies in which there is a high level of education, with schools that are financed by public funds, we can reach the conclusion that a labor force educated young will be associated with an increase in inequality of income, so education does not reduce social inequality, reducing inequality is necessary for the education of the active population is high but one uniform

Keywords: Inequality, education, globalization, unemployment

Increasing earnings dispersion and rising returns to education and skill have received a great deal of international attention.

The supply of unskilled labour, on the other hand, fell quite rapidly from the early 1980s as a result of increasing educational participation at second level. As regards labour demand, rising demand for skilled labour occurred throughout the industrialised economies over the 1980s and the 1990s.

Immigration of skilled and experienced workers – particularly returning migrants – became substantial in the mid 1990s and this

may explain the stability or even decline in the return to university education for this group over that period.

Income inequality widened, particularly between urban and rural households after China began its rapid rate of economic development in 1980. At the same time, the fraction of Chinese men, women, and children who live on less than \$2 a day--the World Bank's definition of poverty--greatly fell. Few would argue that the poor in China did not become much better off due to the rapid economic development, even though the gap between

their incomes and those of the middle and richer classes widened by a lot. A similar conclusion would apply to India as the explosion in its general economic development during the past 20 years widened the gap between rich and poor, but raised the income levels of the very poor.

The China and India examples illustrate that whether rising inequality is considered good or bad depends on how it came about. I believe that the foundation of the growth in earnings inequality of Americans has mainly been beneficial and desirable. The basic facts are these. There has been a general trend toward rising gaps between the earnings of more and less skilled persons. With regard to education, real earnings (that is, earnings adjusted for changes in consumer prices) earnings of high school dropouts did not change much. Earnings of high school graduates grew somewhat more rapidly, so that the gap between dropout and graduate earnings expanded over time.

Cognitive skills tend to get developed at very early ages, while non-cognitive skills, such as study habits, getting to appointments on time, and attitudes toward work, get fixed at later, although still relatively young, ages. High school dropouts certainly appear to be seriously deficient in the non-cognitive skills that would enable them to take advantage of the higher rates of return to greater investments in education and other human capital.

Instead of lamenting the increased earnings gap by education, attention should focus on how to raise the fraction of American youth who complete high school, and then go on for a college education. These pose tough challenges since the solutions are not cheap or easy. But it would be a disaster if the focus were on the earnings inequality itself.

For that would lead to attempts to raise taxes and other penalties on higher earnings due to greater skills, which could greatly reduce the productivity of the economy by discouraging investments in human capital.

The main action came in the earnings of college graduates and those with postgraduate education. They both increased at a rapid pace, with the earnings of persons with MBA's, law degrees, and other advanced education growing the most rapidly. All these trends produced a widening of earnings inequality by education level, particularly between those with college education and persons with lesser education.

As the education earnings gap increased, a larger fraction of high school graduates went on to get a college education. This trend toward greater higher education is found among all racial and ethnic groups, and for both men and women, but it is particularly important for women. The growth in the number of women going to and completing college has been so rapid that many more women than men are now enrolled as college students. Women have also shifted toward higher earnings fields, such as business, law, and medicine, and away from traditional occupations of women, such as pre-university teachers and nurses. The greater education achievement of women compared to men is particularly prominent among blacks and Latinos.

The widening earnings gap is mainly due to a growth in the demand for educated and other skilled persons. That the demand for skilled persons has grown rapidly is not surprising, given developments in computers and the Internet, and advances in biotechnology. Also, globalization increased the demand for products and services from the

America and other developed nations produced by college educated and other highly skilled employees. Globalization also encouraged a shift to importing products using relatively low-skilled labor from China and other low wage countries instead of producing them domestically.

Rates of return on college education shot up during the past several decades due to the increased demand for persons with greater knowledge and skills. These higher rates of return induced a larger fraction of high school graduates to get a college education, and increasingly to continue with post-graduate education.

Higher returns to **education** will accelerate growth in living standards as existing investments have a higher return and additional investments in **education** will be made in response to higher returns. Gains from higher returns will not be limited to Gross National Product (GNP) and other measures of economic activity.

Prior research has shown that individuals who have higher **education** not only earn more but also live longer, save a larger fraction of their permanent incomes, and invest more in their children. These characteristics do not offset income **inequality** due to **inequality** in **education**, but reinforce what earnings **inequality** contributes to widening **inequality** in overall welfare.

"More-educated people are better off in almost every dimension," notes Becker. "The **education** process itself leads people away from more harmful activities and toward better habits."

In addition, many more women than men are now enrolled as college students, and women have shifted toward higher earnings fields such as business, law, and medicine.

The greater educational achievement of women versus men is particularly prominent among African-Americans and Latinos.

"Changes in the economy such as technological changes and globalization cannot be undone," says Murphy. "These changes increased the advantage of people with greater human capital."

The key to addressing concerns about growing income **inequality** is designing the right policies and recognizing the connection between growing earnings **inequality** and investments in human capital.

There have generally been two types of policies proposed to reduce **inequality**. One approach is taxation to redistribute income to lower-earners. That approach reduces **inequality**, but doesn't address the issue of what generated the rising **inequality** and the greater reward for people who have more **education**.

An alternative approach would narrow income **inequality** by increasing the number of educated workers, which would change supply and demand conditions. If there are a greater number of educated workers, this will push down wages at the high end of the job spectrum. Having a smaller number of less-educated people will push wages up for low-wage workers.

In the process of narrowing earnings **inequality** through this second method, you take advantage of the high return of **education**, increase income for individuals, and increase the contribution to society as a whole.

"There is much to be done about income **inequality**, but the emphasis has to be getting people to pursue more **education** and training," says Becker. "The gap between the haves and the have-nots is particularly evident in earnings, but **education** and skill are

not God-given and can be affected through the right policies."

Becker and Murphy suggest the answer is that many young people are poorly prepared for college. One underlying problem is the rise of single-parent households and the resulting low skill levels reached by children in broken families. The cognitive skills required for academic success tend to get developed at very early ages, while noncognitive skills such as study habits, getting to appointments on time, and attitudes toward work are fixed at later ages. High school dropouts appear to be seriously deficient in the noncognitive skills that would enable them to take advantage of the higher rates of return to **education** and other benefits of human capital.

"Taking advantage of the returns afforded by higher **education** today requires that you be prepared, and much of that preparation takes place at home," notes Murphy.

Improving the **education** system is one avenue for improvement, as is recognizing that success in school is tied to the home.

"Not everyone needs to pursue advanced degrees, but everyone has the talent to acquire more skills than they have," says Becker. "That the main dilemma we're facing as we move forward in the United States."

In **conclusion** we can say that the forces raising earnings inequality in the America is on the whole beneficial because they were reflected higher returns to investments in education and other human capital. Yet this is not a ground for complacency, for the responses so far to these higher returns is disturbingly limited.

1. More education is generally seen as a good thing, not just for individual enrichment

but also more concretely for advancement in the job market. In some fields this is primarily because more education is tightly linked to a specific skill set (getting an M.D. or being certified as a professional engineer carries widely accepted meaning), while in other fields additional education functions primarily as social signaling, a proxy for "Job status matters to me and I want to move up the ladder in a credential-focused industry."

2. Economic and social research about jobseekers and workers has to simplify educational levels, or we wouldn't be able to say anything interesting. In most of the research I've seen, that leads to a few simple categories, such as: Less than high school, H.S. diploma/GED, some college, bachelor's degree, graduate-level education.

3. The explosive growth of for-profit and online colleges has diluted the amount of shared meaning that existed under the category of "bachelor's degree."

The trend toward larger gaps in earnings between those with only a high school diploma compared to college graduates has contributed significantly to the growth in overall earnings inequality. In recent years, the labor market has placed a greater emphasis on education, as seen in the growing salaries of those with MBA's, law degrees, and other advanced degrees. today.

"Human capital is the foundation of the modern economy," says Becker. "The earnings gap is largely due to the fact that some people have more human capital than others in terms of education and training."

The authors suggest that the foundation of the growth in earnings **inequality** of Americans has mainly been beneficial and desirable.

"Economists focus on incentives and investments," explains Murphy. "The rise in earnings **inequality** in the last several decades has been associated with a significant rise in the payoff of **education**. Individuals and society can take advantage of this payoff by increasing investments in human capital, particularly in the form of **education**."

The growth in wage differences across **education** levels is only one aspect of the growth in income **inequality**. Income **inequality** also has increased within **education** groups, reflecting increased returns to occupation-specific knowledge, on-the-job

training, and quality of schooling. As with **education**, higher returns will increase incentives to invest in these skills and lead to a higher rate of growth in productivity and wages.

The potential growth generated by the higher return on **education** extends to the economy as a whole. The growth in the **education** level of the population has been a significant source of growing wages, productivity, and living standards over the past century. The increase in the return on schooling over the past two decades enhances this opportunity.

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The Development of the Human Resource Manager – A Need that Arises from the Role of the Civil Servant

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Abstract: Labour is the most important factor of production in any organisation. In public administration, the development of the human resource manager is vital for the increasing of the administrative performance, mostly considering the wellbeing of the citizens. This argumentation comes to identify the essential levels of benefits and rewards provided by the human resources activity, from the most basic to the most strategic ones. The purpose of this paper is to understand the ways in which human development of the public worker can help increase public performance and respect towards the public administration.

Key words: strategic management, public administration, performant programme, responsibility and empowerment

The countries' economies are crossing a difficult stage in their development, in which many systems that seem stable are now desoriented. Most of times the public management is considered to be the only one responsible for the poor administration of resources, for the lowering quality of public services and for the inefficiency of administrative structures. That is why, the role of the public management in general, the human resources manager in particular, has to be acknowledged in public actions and decisions.

In other words, apart from the deontological features of the public role – which include, among others, property demands, dignity, cumulum interdiction, fairness, subordination, loyalty and respect for the status – it is necessary that the position is reorganised, and the manager of human resources should be acknowledged as vital for the growth of achievements in public services.

There are many approaches and structures that emphasise the role of the concentration in a middle sized department in public

services, as in the most part of the companies. Without a doubt, probably the best known of all is the structure named the human resources department – the business partner for the leading team in social services.

The department of human resources in a public institution is generated from five directions, so there are five directions of action for the human resources management, and define the necessity to develop itself from this point of view. Working in the human resources department can be classified by five levels of contribution, from the lowest to the highest point as follows:

Level no. 1 – information management and other essential processes

Each human resources department must give information concerning its employees, must answer some of the employees' demands or those of the managers at an operational level.

This type of activities are basic ones such as : paperwork, payrolls, firing, hiring etc.

Level no. 2 – functional services.

This level includes functional activities such as drafting and selection, compensations and benefits, socialising with workers and trainings. Each functional department has its own goals and objectives, so this kind of services interact in some degree, these can be independently run by each department. In this case they include:

- Standardised processes and politics concerning work demand, workers' evolution, rewarding the employees, performance management;
- Basic reports concerning the efforts to identify the management feature in people

Level no. 3 – joint effort for raising productivity

At this level there are activities that cover a wider range of demands, such as contributing to the scheduling of a joint effort to achieve an organisational goal, from the human resources' point of view, the contribution of this department to the productivity growth. An effort of this nature demands some pointers, elements to measure the human effort and the department of human resources is responsible for defining and initiating a growth in the value of human work for the organisation, and for the lowering of costs of the working force.

Traditionally, many of the human resources departments stop their intervention at the second level, even if there are known objectives concerning the third level. Sometimes this is overcome by the department by adding to the agenda to hold on to the employees that are hardworking, reduction or reorienting the ones that have low achievements, creating non-financial systems of motivation, introducing performance meters, joint effort to memorize the organizational "know-how".

Level no. 4 developing the competitive advantage by talent management

This level represents a major transition from working in the human resources department to assuming a strategic role. The growth of the competitive level in a public institution is achieved by the joint effort of the whole department of human resources. The institution chooses not necessarily to peep to what the competition is doing in the human resources department, or any organisations as a matter of fact, but to develop the inner potential and identify the weak points of the

competition and exploit them. As a result, this level includes:

- The analysis of programmes for the employees in the competitor's company
- Planning the work force and foreseeing it
- The quality of the employer's brand
- A way to gain information

Level no. 5 – developing solutions for problems at a difficult level and answering to opportunity

This level is the one that represents the real contribution to the department of human resources. The efforts go further from improving the efficiency and productivity, to involving in strategic aspects such as product development, service and product quality, services to clients, the position of the organisation on the market. There are little public institutions in which the human resource department work at such a level and most of those have an organisational policy based on performance. Unfortunately, although there are many debates on this aspect, most of the work done in the human resource department have no strategic feature nor do they have a "business partner" feature. Business and development plans are settled in the Meeting room, where the human resource manager is not invited.

To gain access to the strategic zone of the public institution, the development of the human resource department has to start with the development of each employee in that department, in the way that they can control the processes and use every element for what it's worth. Moreover, sharing experience is very important and the will for civil servants to transfer their experience and work to others.

For a public institutions that wants to fit into European standards, here are some major advantages for investing in the development of the human resource department within the Public Administration.

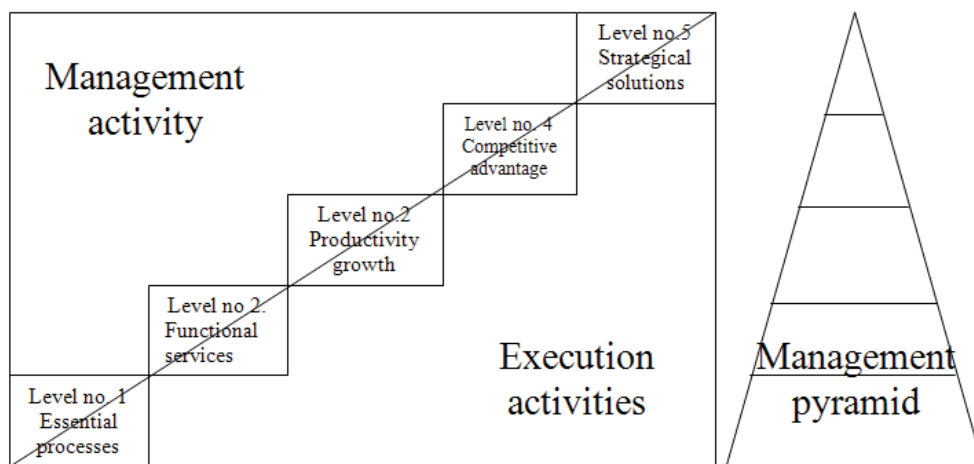
Economy and efficiency – it is much cheaper to train the employees you already have with the experience transfer than to hire somebody new who has to understand both the public institution's systems, needs and culture. And another thing, most public institutions forget that training existing employees to European standards doesn't mean that this doesn't affect the person's regular work, and that the training is an activity in itself. Part of the responsibility of the human resource employee has to be reorganised, redistributed.

Creating the feeling of empowerment

– developing internal resources for training and growth, the system is relying only on itself. An intern public clerk is a colleague the others can rely on, they feel comfortable with him and encounter no problem in discussing problems and finding solutions.

Novelty and trust – a department of human resources which uses new ways of work, generates an institution concerned with results and the impact of public services among the citizens. Therefore, not only do the institutional climate and internal climate evolve, but the relationship with the citizen also, and the need for the citizen to respond to the public administration's demands.

To summarise, the reflection of the work done in the human resource department can be seen in the following chart:



As a result, management in public administration has different implications in the development of activities and processes, depending on the position it is in. It is vital to notice that strategic couitions cannot put to good use the opportunities given in the economic and european status, if there are no managerial concerns for the level of inferior departments, improvement of essential processes and development of functional services. For that, in the human resource and

public administration department it is essential to be trained, think positive, share experience, be enthusiastic and put the energy to good use. In other words, a management department implies a group of different people, with unique experiences, because they are authentic, because they take on the tasks they know how to handle best, because they are professional, and because they work together for the same goal, because they are in a public and organised institution.

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Risk or Innovation, Which one is far More Preferable in Innovation Projects?

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Abstract: The object of this research is to identify the sources of risk in innovation projects and to determine whether they could be managed better. Due to the diversity of opinions and theories over the nature of risk, reaching an agreement about risk management is difficult. This will be a major problem if any effort is made to proactively manage 'risk' in naturally 'risky' areas such as innovation. Some risk management could be valuable, but perhaps too much, or inappropriate risk management might stifle innovation. It is necessary and valuable to consider the process of innovation from conceptualization to commercialization, how uncertainties are formed, how they are managed in that context, and how the techniques of risk management can be further deployed to enhance the success rate of innovation projects. Various approaches have been proposed to risk management in general, however the extent to which they are relevant for managing innovation is uncertain. Thus, during this paper, the general model of innovation and the process of risk management for managing the parameters which create the risk in these projects are explained.

Keywords: Innovation, management, risk

1. Introduction

Establishing something new is the essence of product innovation. Since this process necessarily involves risk, an early risk identification and management is required in innovative firms. So the purpose of this paper is to explore methods for managing risk in the

innovation projects. In the meantime, the proposal method for managing the risk in specific kind of innovation will be explained more.

In the next section, definition of innovation and different types of innovations are described. Continuously, different stages of innovation are presented. Section three

illustrates the definition of risk, sources of risk and risk management systems. Section four states the methodology of this research. Section five explains the proposal method for managing the risk in the innovation projects and includes the example of that and section six concludes this paper.

2. Innovation

Innovation is the main source of economic growth (Mokyr, 2002) and a key source of new employment opportunities as well as providing potential for realising environmental benefits (Foxona et al., 2005). One of the most important arguments is that, in the global economy, where economic actions can be more cheaply carried out in the low-wage economies such as China, the main way in which the other economies can compete and survive, is to find new and better products and processes. In other words, to innovate (Storey and Salaman, 2005).

2.1 Definition

According to the Oxford Dictionary of Economics 'innovation refers to the economic application of a new idea. Product innovation involves a new or modified product; process innovation involves a new or modified way of making a product' (Black, 1997). According to Afuah (2003) innovation is the employing of new knowledge to provide a new product or service that the customers want. In another words, it is invention + commercialization. Van de Ven (1986) describes innovation in terms of a new idea, which may be a recombination of old ideas, a plan that challenges the present order, a formula, or an exclusive method which is perceived as new by the involved individuals.

2.2 Different Types of Innovation

Literature provides different categories of innovation classified by type, degree, competence, impact, and ownership (Narvekar and Jain, 2006). Innovation can be considered in both manufacturing and service sectors of different sizes (small, medium and large). Although there is a difference between these two sectors, the general definition and process of innovation are the same. Services have their own characteristics different from manufacturing. For instance, services are intangible, perishable and heterogeneous (John and Storey, 1997; Song et al., 1999).

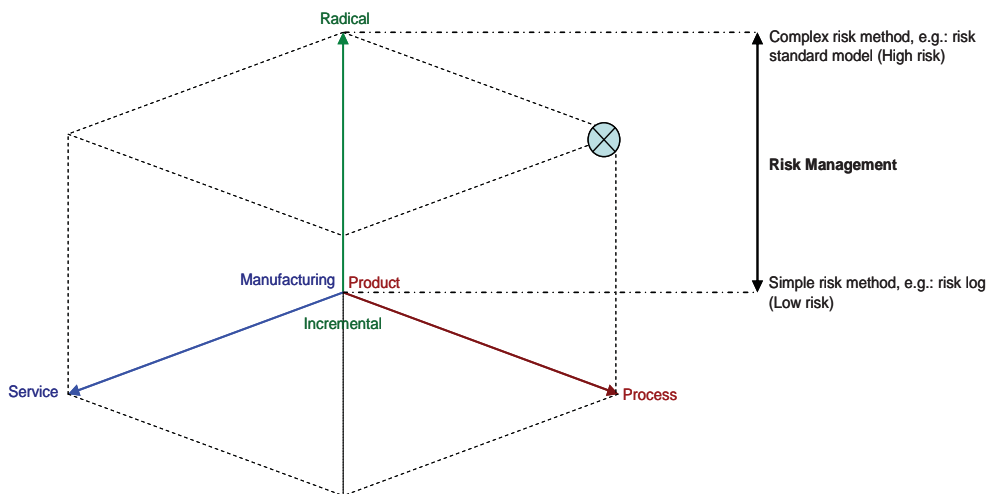
Tidd et al. (2005) says innovation is not just about opening up new markets; it can also present new ways of serving older and established ones. He classifies the innovation into 4 groups (Product, Process, Position and Paradigm) each of which can happen along an axis, running from incremental through radical change. Incremental product innovation entails the introduction of an improved product, which, compared with its predecessor, has at least one additional desirable characteristic or is efficient with the same characteristics. In contrast, radical or fundamental product innovation takes place when a new market has opened up and the innovator begins to satisfy a hidden demand (Ferguson and Ferguson, 1994).

By considering the different kinds of innovation which is mentioned above, as Figure 1 shows, for this study three dimensions were selected to classify the innovation types. First one is based on kind of company (manufacturing or service). The other one considers the innovation based on product or service. Among different kinds of innovation which are mentioned in the literature like marketing, organization, position,

paradigm and so on, the product and process were selected. Since it seems in general point of view all of these different kinds of innovation can be categorized based on these two dimensions (product and process). Also these two kinds of innovation are more common in comparison with other ones. The last

dimension assesses the innovation according to incremental or radical. The degree of novelty has an affect on this dimension. It means if the degree of novelty increases (based on the national or international consideration), the dimension is moving from incremental to radical situation.

Figure 1 - Classification of innovation



As figure 1 shows, in general, the kind of risk management is more related to incremental or radical dimension. Radical innovation has high risk in comparison with incremental which has a low risk. So for managing the risk in the radical one (which sometimes this innovation is new in the world or country) the more complex risk management methods (e.g.: Risk Standard Model) are needed. In incremental situation that are like the improvement, the simple risk methods (e.g.: risk log) can be used. It should be paid attention that the size of company can affect on amount and kind of risk management.

For example one small company may spend a lot of time and uses the different and precise method for managing the risk in one incremental innovation project, since it has a limited resources but a big company just uses the one and simple method for the same project. In this paper the proposal method -Risk Standard Model- for managing the risk in radical innovation will be explained.

2.3 Different Stages of Innovation

It is suggested by several studies that there is usually a formal process for

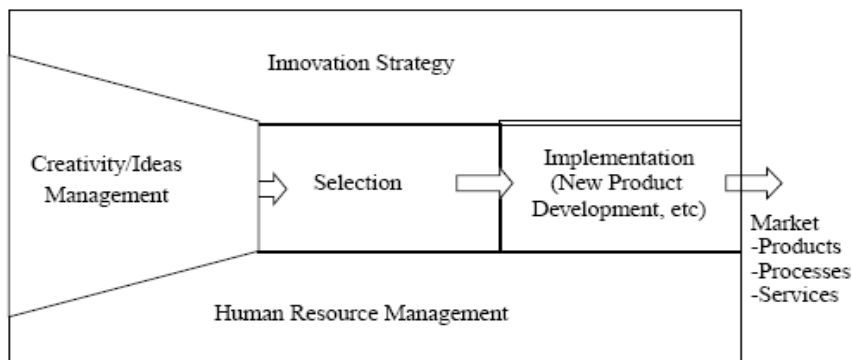
developing new products and services in firms with high performance in innovation (Griffin, 1997; Tatikonda and Rosenthal, 2000 and Shaw et al., 2001). In service firms, however, it does not appear to be common to use the formal process (Mitchell Madison Group, 1995). This formal process includes 'creativity and ideas management, selection and portfolio management and implementation management' (Oke, 2007). Tidd et al. (2005) argue that innovation is a general activity associated with growth and survival and a common fundamental process can be seen in all firms, which involve: Searching, Selecting, Implementing and Learning.

A stage-gate approach for managing the process of innovation (which has been adopted by many firms) is recommended by Cooper (1999); it allows the firms to manage, direct and control their innovation

efforts. However, there is a major critique of Cooper's stage-gate approach, which focuses mainly on process factors. Other organizational factors which have an impact on innovation performance need to be considered.

The Pentathlon framework (Goffin and Pfeiffer, 1999; Oke and Goffin, 2001) is a general one for managing innovation which addresses several soft organizational and process issues (figure 2). Goffin and Pfeiffer (1999) declare that in order to achieve successful innovation management, companies should perform well in five areas (which are demonstrated in figure 2) and make sure that efforts in these areas are integrated. Narvekar and Jain (2006) point out another framework for considering innovation. This framework demonstrates an interactive innovation process which has three stages: ideation, incubation and demonstration.

Figure 2 - The "innovation pentathlon" (Goffin and Pfeiffer, 1999; Oke and Goffin, 2001)



The inputs to the process are the triggers through in-house R&D (human and structural capital), feedback from customer (relational capital) or through a serendipitous incident. The intuitive nature of those who involved in

the innovation and the absorptive capacity of the organization, intervene here to have an influence on the production of the innovation process. Usually, the output of the process is a patent or a new process or a new product.

In spite of having many models of the technological innovation process in literature, the process is not vivid (Narvekar and Jain, 2006). Innovations vary widely in terms of nature, scale, degree of novelty etc. However it can be seen that the same basic process is operating in each case (Tidd et al., 2005). In summary, each innovation projects (in all manufacturing or service industry) may have five following stages:

1- Creativity

Searching the external and internal environment and processing relevant signals about threats, opportunities and also ideation.

2- Selection

Preliminary assessment and deciding by considering a strategic view of how the organization can be best developed; to know which of these signals to respond to.

3- Incubation

Transacting to the actual product development and producing the prototype production.

4- Implementation

Translating the potential idea into something new and launching it in an external or internal market.

5- Learning

Learning from progressing and building their knowledge base and improving the ways in which the process is managed.

3. Risk

For companies in order to launch new products speedily and successfully, taking risk is essential. The ability to identify and manage risk is considered to be vitally important in risky innovation.

3.1 Definition

There is no single, universally employed definition of the word risk (Green and Serbein, 1983). Its definition is changing as it becomes interwoven with innovation and a rapidly globalizing world. Companies in order to survive must innovate at a previously unparalleled rate and within the framework of greater uncertainty. This means the risks they take are deepening (Taplin, 2005). In the more technical and specialized literature, as Ansell and Wharton (1992) say, the word risk is used to imply a measurement of the chance of an outcome, the size of the outcome or a combination of both. According to the standard definition of risk, it is "the combination of the frequency or probability of occurrence and the consequence of a specified hazardous event" (Edwards and Bowen, 2005). Some former writers in the field drew a distinction between uncertainty and risk. A risk situation is defined as one in which a probability distribution for consequences is made on a meaningful basis, agreed upon by the set of relevant experts, and therefore it is 'known'. Uncertain situations arise when an agreement among the group of experts cannot be gained, so there will be an undefined probability distribution on the set of outcomes (Hertz & Thomas, 1919).

3.2 Sources of Risk

Any factor affecting project performance can be a source of risk, and when this effect is both uncertain and significant in its impact on project performance, the risk arises (Chapman and Ward, 1997). Ackermann et al. (2007) argue that the categorization of risk in a simple way can be extremely unhelpful since the categories may be viewed

as independent of each other. In addition to considering a wider range of risk categories, it is significant to consider more than just the risks themselves but also their impact on one another. In order to represent the different aspects of risk in an accurate way, it is important to consider risk as systemic. According to them the categorization of risk is: Political, Customer, Partner and Supplier, People, Reputation, Market and Financial.

In other categorization of sources of risk based on Green and Serbein (1983), risk aspects of the enterprise may be considered under the following major headings: Property and personnel, Marketing, Finance, Personnel and production, Environment. So with paying attention to the different sources of risk and purpose of this paper, the best categorization of them, which suits for this study, could be found as follow:

- *Environment* (government policy, exchange rates, availability of skilled labour, weather, culture)
- *Technical* (new methods, technologies, materials)
- *Resources* (staff, materials, finance)
- *Integration* (software modules, new & old systems)
- *Management* (multiple parties' experience, use of project management techniques, HRM, set the tight goals, product transition management, organization structure, organization behaviour)
- *Marketing* (customer, competitors)
- *Strategy*

3.3 Risk Management System

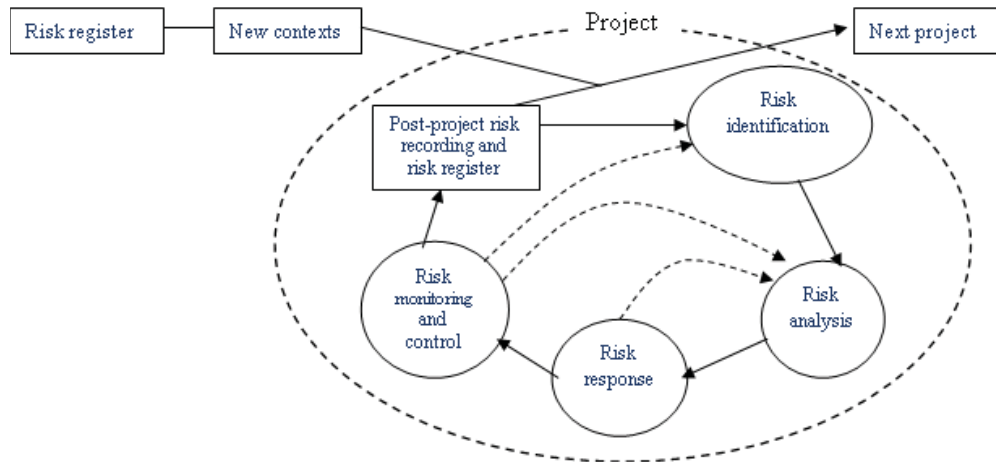
Risk management means 'the process of understanding the nature of uncertain future events and making positive plans to

mitigate them where they present threat or to take advantage of them where they present opportunities' (Taplin, 2005). By considering that one of the main features of innovation will always be 'risk', risk management needs to facilitate innovation rather than stifle it (Taplin, 2005). A methodical approach to risk management enhances the ability of an organization to manage risks at all stages. The important purpose of risk management is to improve project performance by means of systematic identification, appraisal and management of project-related risk (Chapman and Ward, 1997). A systematic approach to risk management has to encourage decision-making inside an organization which is more controlled, more consistent and yet at the same time more flexible (Edwards and Bowen, 2005). According to Edwards and Bowen (2005) (figure 3) it is safe to say that a good risk management system for a project should encompass these processes:

- Establishing the appropriate context(s)
- Recognizing the risk of the project which the stakeholder organization will face
- Analyzing the identified risk
- Developing responses to those risks
- Controlling and Monitoring the risks during the project
- Allowing post-project capture of risk knowledge

Chapman and Ward (1997) say that most specific risk management processes are explained in terms of phases (stages) which are decomposed in a variety of ways, some are related to tasks (activities), and some are related to deliverables (outputs/products). They present the nine-phase RMP that

Figure 3 - Systematic cycle of risk management (Edwards and Bowen, 2005)



is more detailed than most specific process. This structure depicts an alternative approach to managing risk. Smith and Merritt (2002) provide the other process for managing the risk. This process consists of 5 steps for managing the risk.

In summary, it can be said that all risk management systems have the four following phases:

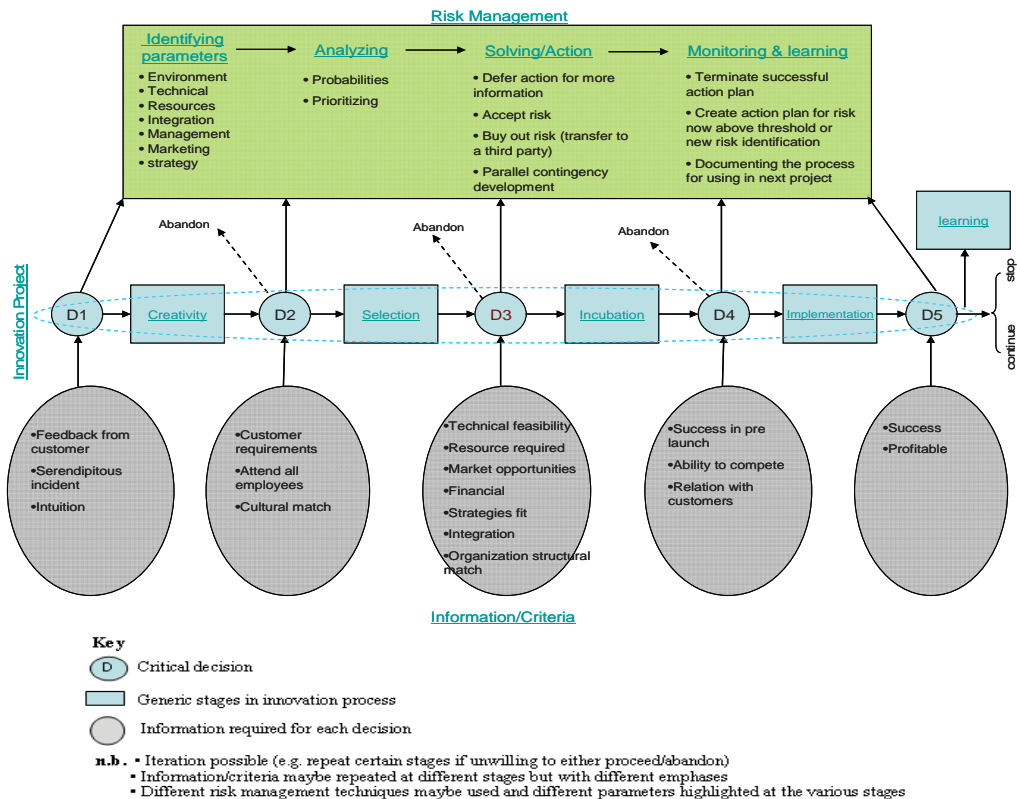
- 1) *Identifying parameters* (defining and focusing)
- 2) *Analysing* (probabilities and prioritizing)
- 3) *Solving* (e.g.: Defer action for more information, Accept risk, Buy out risk (transfer to a third party), Parallel contingency development)
- 4) *Monitoring and learning* (New risk identification, Creating action plan for risks now above threshold, Concluding successful action plan and redeploying resources, Documenting the experience for use in future projects)

4. Methodology

By considering the different kinds of purpose of research and research strategy, also some criteria for selecting the kind of research strategy (especially research questions), this research uses the case study as a strategy for research. As research project may have more than one purpose; this research is also placed between explanatory and exploratory research. This research concentrates more on the qualitative approach than quantitative, because finding the quantitative data during the innovation project is very difficult and at some points impossible (There are not any quantitative documents in different companies about innovation projects which they had done).

Because of the importance of theoretical model in any kind of case study, this study started the research with a hypothesis model (figure 4).

Figure 4 - Snapshot of innovation process and risk management system



As figure 4 shows there are five decision points in this process. Each of these points need some information/criteria for approving the last stage and going to next stage (or back or abandon) and also should consider the parameters which create the risk in the next step. This is a dynamic diagram and there is an interconnection and overlap between different decision points.

Based on hypothesis model, this structure is a method for better fitting the innovation process and risk management system together. These different stages of risk and innovation and elementary model for matching these two issues were considered in some cases from Iran and UK. Based on the

purpose, strategy of research and method of gathering the data, also with considering the different definitions of analysing method, the explanation building is the method for analysing the data in this thesis. In this paper, the second step of risk management system (analysing) will be explained more.

5. Method for Managing Risk in the Innovation Projects

Keizer et al. (1991) have been developing a novel method to diagnose and control risks in innovation projects: the Risk Diagnosing Methodology (RDM). This method lets a firm identify comprehensively and systematically the technological, organizational and

business risks that a project might faces, and to formulate and implement appropriate risk management strategies. This method includes nine steps which are: 'initial briefing, kick-off meeting, individual interviewing of participants, processing the interviews (design of a risk questionnaire), answering the risk questionnaire, constructing the risk profile, preparing a risk management session, risk management session, drawing up and execution of a risk management plan' (Keizer et al., 2001).

In risk analysis, typically we are trying to understand, how risks are generated, assessing their probabilities and impact, ranking them and screening out minor risk (Emblemavag and Kjolstad, 2006). Proper risk analysis lets an organization to achieve an understanding of the relative severity of its risks on a project (Edwards and Bowen, 2005). Different methods for analysing risk from quantitative to qualitative, include: Monte Carlo simulation, Hazard identification methods, Failure modes and effect analysis, Fault tree analysis, Event tree analysis, What if' scenarios, Risk Mapping, Influence diagram etc.

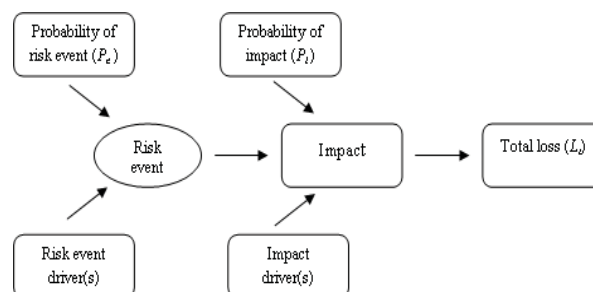
Method which will be used in this research consists of four phases. In following, the summary of different stages of this method (how they work) will be described and in next section the case application will

be explained for analysing the risk. It should be emphasized that various parameters like kind of innovation, industry and company have an affect on method, so therefore different methods may be appropriate for different conditions. Consequently this general method should be calibrated with different situations.

For the first phase of risk management - Identifying Parameters - some of the parameters as mentioned at section 3.2 can be selected as parameters that create risks based on the kind of industry, size of companies, the countries which the companies are located in and situation of company.

In the second phase -Analyzing- the company should estimate probabilities of events and the impact of their consequence and also prioritize these different risk factors in order to solve them, because, the company can not solve all the risks (limited recourses, time etc.) and also the innovation is inherently risky, and if the company wants to manage all risks, it may cause to stifle the innovation. With considering the conditions of radical innovation, standard risk model (figure 5) would be a good method for this purpose. Based on this method, expected loss for each of the risks could be calculated, and the risks could be prioritized based on the expected loss.

Figure 5 - Standard risk model (Smith and Merritt, 2002) (Expected loss $(L_e) = L_i \cdot P_e \cdot P_i$)



Risk events are the parameters which are recognized as risk. But for calculating the probability of risk event and probability of impact, the following method can be used. For instance, it can be assumed that the *Technical* (refer to section 3.2) is the risk event. Based on different parameters which are mentioned as a risk, technical risk includes three risk event drivers which create

this risk. These risk events are: new methods, technologies and new materials. For each of these risk events, different scenarios could be written with different probabilities of success (*Table 1*) (In different situations these scenarios and their probabilities could be changed). So after calculating the probabilities of success, P_e can be calculated as:

$$P_e = 1 - P_{\text{success}} = 1 - (P_1 \cdot P_2 \cdot \dots)$$

Table 1 - Risk event probability

Risk event: Technical			
Risk event drivers			Probability of success
new methods (P_1)	technologies (P_2)	new materials (P_3)	
			0.9
			0.7
			0.5
			0.3
			0.1

To find the reasons for each of the risk events drivers, the scenario method could be used. Same method could be applied for impact. Each of these parameters which create the risk is more effective in one or some of the stages of innovation project, and cause the problem(s) in these stages. Although in general, they affect the whole stages; separating

them is also possible. According to *Table 2*, if each of the risk event affects different stages of innovation, they would have different probability of success. If they affect more than one stage, the probability of success is equal to multiplying them. So the probability of failure for impact (P_i) equals one minus the probability of success.

Table 2 - Impact probability

Impact	Probability of success
learning	0.9
creativity	0.7
selection	0.5
incubation	0.3
implementation	0.1

For calculating the expected loss, total loss should also be found. But it could be assumed that the total loss for all risk is equal, because all of these risks will cause the reduction of success in the market and losing the profit. So if the total loss were the same for all risk events and impact, it does not have an effect on prioritizing the risk. Thus all risk could be prioritized based on result of multiply P_e and P_i , because the L_i in all is equal.

In phase three, the company should find different methods for solving these risks in different stages of innovation and in phase four, the company should monitor the process and also learn for future risk management system.

5.1 Case Application

In this section the proposed method for analysing the risk in risk management system will be applied for one case. January 2003, lightweight Medical directors Neil Tierney and Neil Farish were considering the

options open to their Edinburgh-based industrial design company. The commercialisation fund upon which the development of their Lightweight Incubator for Neonatal Transport (LINT) product depended on to secure patenting had failed to materialise.

According to parameters which create the risk during the innovation project and also information based on case, it can be said that environment, marketing and resources are three parameters which are creating the risk during this case. So in second phase these parameters should be considered and prioritized. *Tables 3, 4 and 5* suggest these three risk event (marketing, resources and environment) with their risk drivers. In the Lightweight case, for Resources risk, just finance plays a role as a risk event driver. In Marketing risk all three drivers (customer, competitor and market) exist and in Environment risk event, intellectual property is as a risk event driver. For each risk event the $P_e \cdot P_i$ for prioritizing them are calculated as shown bellow.

Marketing (Table 3)

$$\left. \begin{array}{l} P_1 = 0.7 \\ P_2 = 0.5 \\ P_3 = 0.5 \end{array} \right\} P_{\text{success}} = 0.7 * 0.5 * 0.5 = 0.175 \Rightarrow P_e = 1 - P_{\text{success}} = 0.825$$

Marketing has an affect on implementation stage of innovation $\Rightarrow P_i = 1 - 0.1 = 0.9$

$$P_e \cdot P_i = 0.7425$$

Table 3 – Risk event drivers for marketing

Risk event: Marketing			
Risk event drivers			Probability of success
(P1) Customer†	(P2) Competitor ‡	(P3) Market	
Product is different and best in all attributes and satisfy all of the new demands of customers	There is not any competitor product and entrance to this market is difficult	The company is in this market and has a relation with customer and also supplier and buyer are in coordination with the new idea	0.9
Product is different and best in some attributes and satisfy some new demands of customers	There is not any competitor product and entrance to this market is easy	The company is in the similar market but has a relation with customer and also supplier and buyer are in coordination with the new idea	0.7
Product is different and has advantages in one or two attributes but it can't satisfy the new demands of customers	Products with low capabilities of competing and difficulty for entrance to this market	The company is not in this market but has a relation with customer and also supplier and buyer are in coordination with the new idea	0.5
Product just has advantage in comparison with present products	There are competitors product and entrance to this market is difficult	The company is in this market just as a "niche" and does not have a direct relation with customer and also supplier and buyer are not in coordination with the new idea	0.3
Product is different and has advantages in one or two attributes but it is worse in other attributes and can't satisfy new demands of customers	There are powerful competitor products and entrance to this market is easy	The company is not in this market or the similar and does not have a relation with customer and also supplier and buyer are not in coordination with the new idea	0.1

† **Intervener Parameter:** introducing the future innovation before the maturity in life cycle of the previous innovation in the market, would have a negative effect on the probability of success.

‡ **Intervener Parameter:** if the competitors advertise about their future products which is not yet in the market, but with good attributes of competitions, this would have a negative effect on the probability of success.

Resources (Table 4)

$$P_1 = 0.5 \quad \left. \vphantom{P_1 = 0.5} \right\} \quad P_{\text{success}} = 0.5 \quad \Rightarrow \quad P_e = 1 - P_{\text{success}} = 0.5$$

Resources has an affect on implementation and incubation stages of innovation

$$\Rightarrow P_i = 1 - (0.1 \cdot 0.3) = 0.97$$

$$P_e \cdot P_i = 0.485$$

Table 4 - Risk event drivers for resources

Risk event: Resources	
Risk event drivers	Probability of success
(P1) Financet	
Financial resources for innovation is enough within the company	0.9
Financial resources for innovation should be supplied with external and some available external resources and good proposal is accessible	0.7
Financial resources for innovation are not in the company and they should be supplied from available external resources and a good proposal is accessible	0.5
Financial resources for innovation are not in the company but the familiarity with external sources is available and a relatively good proposal is accessible	0.3
Financial resources for innovation are not in the company and for consuming the external resources, researches should be done as there is no familiarity with them and a relatively good proposal is accessible	0.1

† **Intervener Parameter:** broad range of innovation would have a negative effect on the probability of success.

Environment (Table 5)

$$P_1 = 0.7 \quad \left. \vphantom{P_1 = 0.7} \right\} \quad P_{\text{success}} = 0.7 \quad \Rightarrow \quad P_e = 1 - P_{\text{success}} = 0.3$$

Environment has an affect on implementation, incubation, selection and creativity stages of innovation $P_i = 1 - (0.1 \cdot 0.3 \cdot 0.5 \cdot 0.7) = 0.9895$

$$P_e \cdot P_i = 0.297$$

Table 5 - Risk event drivers for environment

Risk event: Environment	
Risk event drivers	Probability of success
(P ₁) Intellectual property	
intellectual property rules are done completely and within the short time	0.9
intellectual property rules are done completely but within the relatively long time	0.7
intellectual property rules are done partially complete and within the short time	0.5
intellectual property rules are done partially complete and within the relatively long time	0.3
intellectual property rules are done incomplete and within the long time	0.1

So with pay attention to these results the company at first should consider the marketing risk after that, resources and in the last one environment. Also company based on their abilities should find the methods for solving some or all of these risks.

6. Conclusion

On the one hand companies need innovation to endure in the market competition but on the other hand one of the most important aspects of innovation is risk. If the companies do not consider the risk, the project will be failed and if they apply a lot of risk

management systems, these methods could stifle the innovation. This research attempts to provide the system for managing the risk in the innovation projects and also to create a method for prioritizing different risks factors and to manage the most important ones in second stage of this risk management system for some kind of innovation.

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Future Developments of QMS

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Abstract: ISO technical committee ISO/TC 176 is responsible for the ISO 9000 family of standards for quality management and quality assurance. National delegations of 81 countries participate in its work, while another 21 (February 2009) countries have observer status. The ISO 9000 family of international quality management standards and guidelines (totally 18), has earned a global reputation as a basis for establishing effective and efficient quality management system. This paper shows basic information about ISO 9001:2008, ISO 9004:2009 and future ISO TC 176 on advanced QMS model (probably ISO 9001:2015).

Key words: Quality Management, Quality Improvement, Quality Policy.

1. Introduction

ISO standards represent an international consensus on the state of the art in the technology or good practice concerned. ISO's portfolio of more than 17 800 (in March 2009) standards and related documents addresses all three dimensions of sustainable development: economic, environmental and social. ISO's rules for the development of standards require their periodic review to decide if they need revising, maintaining or withdrawing. Compared to the 2000 revision of ISO

9001, ISO 9001: 2008 – the fourth edition of the standard – represents fine-tuning, rather than a thorough overhaul. It introduces clarifications to the existing requirements in ISO 9001:2000, based on user experience over the last eight years, and changes that are intended to improve further compatibility with the ISO 14001:2004 standard for environmental management systems. The new edition of ISO 9001 does not introduce additional requirements, nor does it change the intent of the ISO 9001:2000 standard. No new requirements have been introduced in the

new edition, but in order to obtain the maximum benefit from the clarifications in ISO 9001:2008, the users of the 2000 edition must consider whether the clarifications have an impact on their current interpretation of ISO 9001:2000. ISO 9001:2008 has been developed in order to clarify the current requirements of ISO 9001:2000, and to introduce modifications that will improve its compatibility with ISO 14001:2004. ISO 9001:2008 does not contain any additional requirements, and in no way changes the intention of ISO 9001:2000. A certification to ISO 9001:2008 does not represent an increase in the level of quality to be expected, and any organizations certified to ISO 9001:2000 should be considered on the same level as those already holding a new certificate to ISO 9001:2008. For example, a large chemical processing company was required by its major customers to gain certification to ISO 9001 and to be environmentally friendly – ISO 14001. To address these issues, the company leadership planned a comprehensive management strategy linking their QMS and an environmental management system (EMS). A thorough review of their business processes indicated that all elements of ISO 9001 were applicable to their quality management system and the annex in ISO 9001 provided the information needed to effectively link it to the ISO 14001 EMS standard. This paper support references [1 – 10].

2. Activities on advanced QMS model

When applying the concept of multi dimensional Quality at the organization level, some difficulties are revealed in the

process of understanding the “expectations and needs” of the customer. The last study of ASQ published recently concludes more explicitly that the future of Quality is moving from the single product quality dimension to a multi dimensional discipline which has to encompass the whole universe an organization is operating in and the different challenges it meets to satisfy the needs and expectations of all its customers. The difficulties origin from a preliminary step that is often overlooked by organizations. This step is the one of clearly defining the organization’s customers. How could we understand and define customers’ needs and expectations if we have no clear idea who they are? Only after clearly defining who are the organization's customers it can proceed to define their needs and expectation which, of course, will differ from one type of customer to the other. The group of customers of an organization (beyond the customers of its products/services) are usually referred to as the organizations stakeholders or its interested parties. The concept of interested parties is used also in the ISO 9000 Quality Management family of standards and is defined in paragraph 3.3.7 of ISO 9000:2005 as follows : “interested party - person or group having an interest in the performance or success of an organization. In a more descriptive language interested parties are described in ISO/FDIS 9004:2009 as : “Interested parties are individuals and other entities that add value to the organization, or are otherwise interested in, or affected by, the activities of the organization”. As a general model was given on Figure 1.

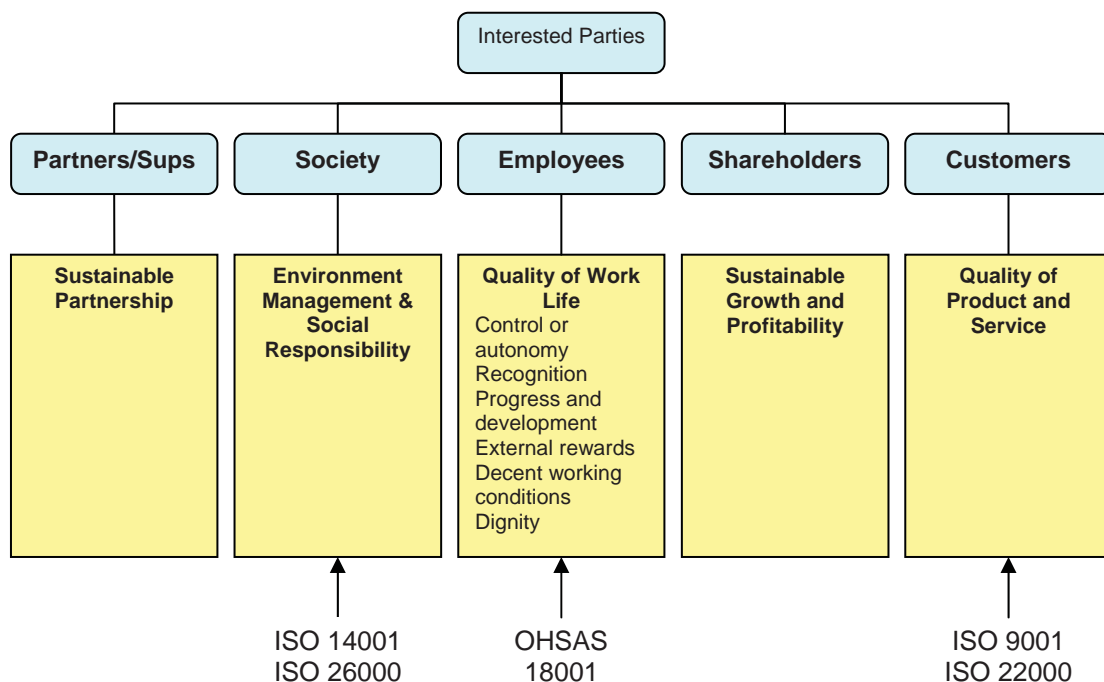


Figure 1. Interested Parties expectations from the organization and related Management Systems Standards

Each of them giving a different meaning for the Quality of the organization: Customers (Internal and External), Shareholders/Owners, Employees, Society, Suppliers/Partners. Of course interested parties differ between organizations, industries, nations, cultures and may change over time. A new Task Group, for examining concepts and ideas for a future revision to ISO 9001, held its first meeting in Tokyo. Its meeting was well attended, and allowed for considerable brainstorming activity on new issues. Initial inputs from the TG members and other sources (e.g. the project review report from TG 1.19) were also reviewed and then combined with the brainstorming results to be categorized into a set of high level concept groupings. Following the report of the TG to the SC2 closing plenary some questions were raised about the timeline for a future revision of ISO 9001. The Secretary advised that two

streams of development activity needed to be brought together for the next revision: the work in the TG on new ideas and concepts for quality, as well as the work in the ISO/TMB/Technical Advisory Group 13 – Joint Technical Co-ordination Group (ISO/TMB/TAG13-JTCG), which is seeking to improve the alignment across all of ISO's management system standards. The Secretary presented a chart to show that if about 3 years were to be permitted for the two streams to come together into an approved project, and then a further 3 years were permitted for the drafting activity, we would be looking at a target of around 2015 for the publication of the next edition of ISO 9001. A separate new Task Group also held its first meeting, to update the ISO Handbook: ISO 9001:2000 for Small Businesses, to align it to ISO 9001:2008. This made very good progress in its work, and will submit a draft for

a 3 month comments review by the members of TC 176 in the near future, following editing. Once the received comments have been reviewed by the TG, it is intended that a final draft will be submitted to ISO Central Secretariat for publication. The submission to ISO is expected to be achieved around the 3rd quarter of 2009. While the current edition of the ISO Handbook contains the complete text of ISO 9001, the SC2 closing plenary meeting agreed that it was not necessary to include either Annex A "Correspondence between ISO 9001:2008 and ISO 14001:2004" or Annex B "Changes between ISO 9001:2000 and ISO 9001:2008" from ISO 9001:2008 in the new edition, but only to provide an explanation of why they are given in the standard.

3. ISO 9004:2009

ISO 9004:2009 was prepared by Technical Committee ISO/TC 176, Quality Management and Quality Assurance, Subcommittee SC 2, Quality Systems. This third edition cancels and replaces the second edition (ISO 9004:2000) which has been technically revised. Managing for the sustained success of an organization is a major change in focus for this standard, leading to substantial changes to its structure and contents. The sustained success of an organization is achieved by its ability to meet the needs and expectations of its customers and other interested parties, over the long term and in a balanced way. Sustained success can be achieved by the effective management of the organization, through awareness of the organization's environment, by learning, and by the appropriate application of improvements and / or innovations. ISO 9004:2009 provides a wider focus on quality management than

ISO 9001; it addresses the needs and expectations of all relevant interested parties and provides guidance for the systematic and continual improvement of the organization's overall performance. An extended model of a process-based quality management system incorporating the elements of 9001:2008 and 9004:2009 is given in Figure 2.

This model have nine modules and three annexes. Main modules are: Managing for the sustained success of an organization; Strategy and policy; Resource management; Process management; Monitoring, measurement, analysis and review; Improvement and innovation and learning. Annexes are: A self-assessment tool; Quality management principles and Correspondence between ISO 9004:2009 and ISO 9001:2008. Interested parties are individuals and other entities that add value to the organization, or are otherwise interested in, or affected by, the activities of the organization. Meeting the needs and expectations of interested parties contributes to the achievement of sustained success by the organization. In addition, the needs and expectations of individual interested parties are different, can be in conflict with those of other interested parties, or can change very quickly. The means by which the needs and expectations of interested parties are expressed and met can take a wide variety of forms, including collaboration, cooperation, negotiation, outsourcing, or by terminating an activity.

Factors that are within the control of the organization and critical to its sustained success should be subject to performance measurement and identified as key performance indicators (KPIs). The KPIs should be

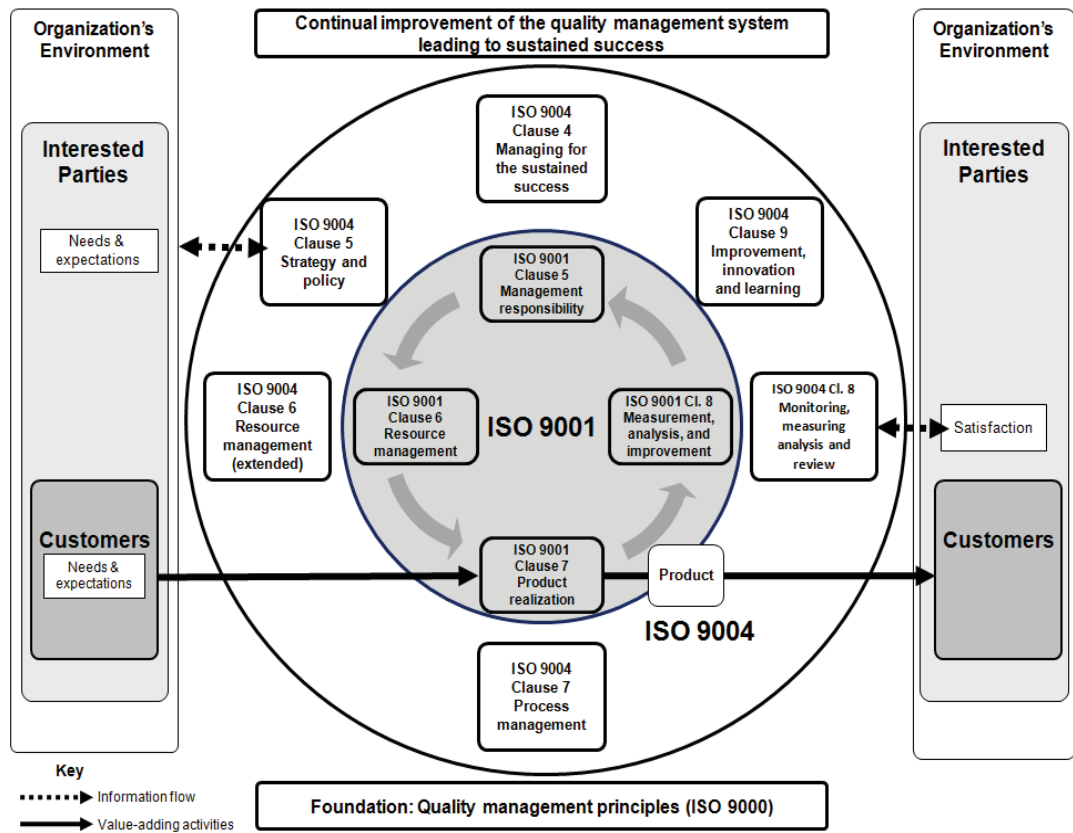


Figure 2. An extended model of a process-based quality management system

Interested party	Needs and expectations
<i>Customers</i>	Quality, price and delivery performance of products
<i>Owners / shareholders</i>	Sustained profitability Transparency
<i>People in the organization</i>	Good work environment Job security Recognition and reward
<i>Suppliers and partners</i>	Mutual benefits and continuity
<i>Society</i>	Environmental protection Ethical behaviour Compliance with statutory and regulatory requirements

Table 1. Examples of interested parties and their needs and expectations

quantifiable and should enable the organization to set measurable objectives, identify, monitor and predict trends and take corrective, preventive and improvement actions when necessary. Top management should select KPIs as a basis for making strategic and tactical decisions. The KPIs should in turn be suitably cascaded as performance indicators at relevant functions and levels within the organization to support the achievement of top level objectives. KPIs should be appropriate to the nature and size of the organization and to its products, processes and activities. They need to be consistent with the objectives of the organization, which should, in turn, be consistent with its strategy and policies. Specific information relating to risks and opportunities should be considered when selecting the KPIs. In selecting the KPIs, the organization should ensure that they provide information that is measurable, accurate and reliable, and usable to implement corrective actions when performance is not in conformity with objectives or to improve process efficiency and effectiveness. Such information should take into account: (i) the needs and expectations of customers and other interested parties, (ii) the importance of individual products to the organization, both at the present time and in future, (iii) the effectiveness and efficiency of processes, (iv) the effective and efficient use of resources, (v) profitability and financial performance, and (vi) statutory and regulatory requirements, where applicable.

The completion of a self-assessment should result in an action plan for improvement and/or innovation that should be used as an input to top management for planning and review, based on the elements of this International Standard. The information gained from the self-assessment could also

be used to: (i) stimulate comparisons and share learning throughout the organization (the comparisons can be between the organization's processes and, where applicable, between its different units), (ii) benchmark with other organizations, (iii) monitor progress of the organization over time, by conducting periodic self-assessments, and (iv) identify and prioritise areas for improvement. During this step the organization should assign responsibilities for the chosen actions, estimate and provide the resources needed, and identify the expected benefits and any perceived risks associated with them, Table 2.

4. Future trends of developing MSs

ISO 9001:2008 will have the impact of the new version on the value chain, based on the following facts: (i) scope extended to: "any intended output resulting from product realization processes" i.e. intermediate products, and (ii) much more emphasis on outsourced processes ISO 9001 users may influence their supply chain. ISO 9001:20XX work started for next revision last meeting (February 2009) in Tokyo, with next steps: 1st issue: major changes allowed ("blue sky"-thinking), and 2nd issue: revision of any ISO MS requirements standard should follow a common structure and use identical key wordings, as ISO standards affected: 9001, 14001, 20000, 22000, 27001, 28000, 29001, 30000 and 31000. Harmonized ISO MS requirements, for a concept for 9001 and 14001 are: (i) Context of the organization (Consideration of the needs and expectations of interested parties (including customers and stakeholders)), (ii) Leadership (Commitment and actions by management), (iii) Support (Resources and other needs that enable the organization to

Key element	Maturity level				
	Level 1	Level 2	Level 3	Level 4	Level 5
<p>7.1 (Process management) General</p> <p>7.2 Process planning and control</p>	Processes are planned and managed in an informal, ad-hoc manner.	<p>Key processes, such as those relating to customer satisfaction and product realization, are defined and managed.</p> <p>Interactions between processes are defined and managed.</p> <p>The effectiveness of the processes is systematically measured and acted upon.</p>	<p>Process planning is integrated with strategy deployment.</p> <p>The needs and expectations of identified interested parties are used as inputs into process planning.</p> <p>Improvements in process efficiency can be demonstrated.</p> <p>Processes are delivering predictable results.</p> <p>The efficiency and effectiveness of the organization's processes is reviewed.</p>	<p>Improvements in agility, flexibility and processes innovation can be demonstrated.</p> <p>All relevant interested parties are considered in process planning.</p> <p>Interaction conflicts between processes are identified and resolved in an effective way.</p>	<p>Process performance is compared to leading organizations and the results are used in process planning.</p> <p>The outcomes of key processes are above the organization's sector average.</p>
7.3 Process responsibility and authority	Process responsibilities are defined on an ad-hoc basis.	Clear responsibility and authority for the management of processes is assigned (e.g. to "process owners").	A policy to avoid and resolve potential disputes in process management exists.	Process owners' competences are continually improved.	Learning is shared between process owners and interested parties.
Note The current maturity level of the organization's individual elements is the highest level achieved with no preceding gaps in the criteria up to that point					

Table 2. Self-assessment of the detailed elements of clause 7 – Process management

function), (iv) Operations (Activities / processes that make the organization achieve its purpose), (v) Performance evaluation (Measurement and data gathering, analysis and use), and Improvement (Action to enhance the organization's performance). But, Risk Management also increasing attention within ISO & in general, because: (i) Word "risk" contained in 9001 the first time in 2008, (ii) Ongoing discussions about future "risk based" 9001 & 14001, (iii) Global financial crisis is enforcing discussions about RM, (iv) FDIS 31000 (RM Guidance) since February 18, 2009, and (v) ISO 31000 (not certifiable) awaited by September 2009. According previous considerations - Risk based auditing, may be considered in a future ISO 19011, because: (i) Think about our PAP method (available since years - 2009), and (ii) "Professional Auditing Practice" PAP includes: (a) identification of 2 major goals (opportunities), (b) identification of 5 risks related to the goals, and (c) auditing of the risks within the network of processes. Also, new DIS/prEN 14005 Guide for the phased implementation of an EMS — including the use of environmental performance evaluation, based on: (i) project following an EU mandate, (ii) „staged implementation“ (as in BS 8555) only informative option, and (iii) thus no recommendation for a „14001 minus“ certification. We can see structure similar to a „maturity model“, as used in the future ISO 9004:2009 (awaited in October) October), and potential usage of 14005 in Stage 1 EMS audits. Next interesting document is ISO Working Draft 14006 Environmental management systems — Guide on Eco-design, with following characteristics: (i) Work ongoing since September 2008, (ii) Need expressed by certain sectors (building construction, Energy Using

Products because of an EU Directive), (iii) Merging ISO 14001 with ISO 9001, Chapter 7.3, and (iv) Potential later usage for assessments (14001 plus). Also, joint usage of 9001 & 14001 preferred vs a potential new assessment-certification scheme. ISO also working on Energy Management Systems - prEN 16001 & ISO/PTC 242, with following characteristics: (i) prEN 16001: clearly a 14001 derivate — „environment“ simply replaced by „energy“, and (ii) A similar approach is discussed also regarding a „Greenhouse-Gas Management System“. 14001 users may easily fulfill these additional requirements if a need for certificates would arise. In Security Management Systems, ISO also have a lot of standardization activities, such as: (i) ISO 27001 (IT security) since 2005, (ii) ISO 28000 (Supply chain security) since 2007, (iii) BS 25999-2 (Business Continuity Management) since 2007, and (iv) ISO WD 22301 (Emergency preparedness & BCM) in process preparation. Excellent organizations can put following question - Which of our customers are "security sensitive" ? In field of CSR, ISO 26000, have following activities: (i) International Standard awaited by 2010, (ii) Guidance on social responsibility ("CSR"), (iii) A specific writing process - 6 International Stakeholder Groups: Industry, Government, Labor, Consumer, NGOs, Others, and (iv) Committee Draft stage reached of the end 2008. ISO CD 26000 Content of following modules: (a) Chapters 1-4: Scope, Definitions, Understanding, Principles - What is Societal Responsibility?, (ii) Chapter 5: Recognizing SR & engaging stakeholders - Stakeholder processes (process certification already present), (iii) Chapter 6: "CORE ISSUES" - in future likely to be considered in "sustainability reports", (iv) Chapter 7: Guidance on integration practices

- „system“ and awaiting of „assurance“, „recognition“, „certificate“. ISO CD 26000 Core Issues are related on: Organizational governance, Human rights, Labor practices, The environment, Fair operating practices, Consumer issues, and Community involvement and development. Finally, ISO 26000 – an outlook are: (i) Standard still in development, (ii) It is intended as a guide (not for certification), (iii) It should not become a Management System Standard, (iv) Follow-up-certification likely but path-forward not clear, (v) Content is long and challenging, and (vi) But: Social Responsibility is an issue in the global crisis.


5. Conclusions

ISO TC 176 working very hard last time on the new version ISO 9004:2009 and advance version ISO 9001:2015. On the last meeting, was held in February 2009, the closure of the validation programme meant that the SC2/WG18/TG 1.21 had completed its formal activities. Consequently the TG spent time in Tokyo to develop its project review

report, so that SC2 can learn from its activities and improve its processes in the future for the control of design specifications and for conducting verification and validation programmes. The project review report will be circulated to SC 2 in due course. In support of the publication of ISO 9001:2008, SC2/WG18/TG 1.22 had updated the “ISO 9000 Introduction and Support Package” documents, with the assistance of ISO/TC176/SC1. The member bodies of both SC1 and SC2 had been invited to submit comments on these documents, and the TG reviewed these before producing final versions of the texts. Additionally, the TG focussed its attention on providing supporting documents for ISO 9004:2009. It continued the development of: (i) a brochure on quality for Top management, (ii) a guide on the use of the ISO 9004 Self-Assessment tool, as well as starting new projects, (iii) an ISO 9004:2009 “Implementation” guide, (iv) a “Journey to Organizational Sustained Success” guide, and (v) a “How to sell and promote ISO 9004” guide for national standards bodies.

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Exploring the Relationships Between Just-In-Time Technique and Manufacturing Performance: Empirical Evidence From Selected Nigerian Firms

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Abstract: This study explores the relationship between just-in-time technique and manufacturing performance of some selected Nigerian companies. Just-in time was considered to be an overall organisational phenomenon. Data were obtained through a structured questionnaire from a sample size of 300 knowledgeable employees to test the developed model and formulated hypotheses that cover both just-in-time and the supporting infrastructures. Bivariate correlation analysis was used to test the three hypotheses. The results showed that: (1) there was a significant relationship between total quality management (supporting infrastructure) and just-in-time practices; (2) Human resources management (supporting infrastructure) was positively related to just-in-time practices; (3) there was a positive significant relationship between Just-in-time practices and manufacturing performance. These results demonstrate that just-in-time practices can be successfully implemented if certain supporting infrastructures are provided, and also support the notion that just-in-time should be practiced at all levels and departments of the organisation, rather than viewing it strictly for shop floor workers.

Key words: Just-in-time; total quality management; human resources management; just-in-time practice; manufacturing performance; competitive advantage; supporting infrastructure

Introduction

Numerous operations paradigms, initiatives, and practices have emerged in recent years in response to competitive pressures calling for improved product quality, increased responsiveness, and shorter lead

times, but at lower cost (Kannan and Tan, 2005). One of the most pressing challenges facing firms in today's business environment is the transformation to these new paradigms for manufacturing (The Economist, 1987; Drucker, 1990). One of these battery of

innovations (paradigms) that have received particular attention in both academic and practitioner circles is Just-in Time (JIT), which is essentially a philosophy- a statement of objectives- that defines the manners in which a manufacturing system should be managed (O'Grady, 1988). The JIT philosophy advocates the elimination of waste by simplifying production processes. Reductions in setup times, controlling material flows, and emphasizing preventive maintenance are seen as ways by which excess inventories can be reduced or eliminated and resources utilised more efficiently (Kannan and Tan, 2005).

JIT manufacturing represents approach to improving the effectiveness and efficiency of an organisation's total operations functions by aiming at waste reduction, improvement of product quality and customer services. In the view of Linge (1991), JIT concepts have more pervasive implications than they are generally recognised, not only for firms and systems of firms engaged in manufacturing but also for the organisation and operation of a much wider range of private and public sector activities. Morgan (1988) asserts that under a JIT system, a manufacturing firm must see itself as part of a broad inter organisational network and realise that it is this wider network of relations that must be managed. It is thus not uncommon to find manufacturers taking some responsibility for the management of their suppliers and engaging in novel methods of collaboration. Suppliers, manufacturers and retailers increasingly have to develop new mindsets consistent with this network of their identities.

Research has showed that JIT manufacturing system is a relatively new concept in Nigeria (Adeyemi, 2000). Recently, some Nigerian manufacturing firms have gained a

strong foothold in producing goods to selective markets once dominated by foreign companies (Obamiro, 2007). To achieve a strong economy and world class competitiveness, Nigerian firms have focused on Japanese techniques, and in particular, Just-in-Time (JIT) manufacturing systems. The adoption of JIT systems has helped the manufacturers to tackle the problems of customers concerning the dissatisfaction with the low quality of goods produced and the inability of firms to deliver the right quantity at the right time. It also finds solution to the inability of the firms to identify and eliminate all forms of waste and variance that led to the failure of some Nigerian manufacturing in 1990's.

The apparent linkages between JIT practices and organisational performance raised two questions that need to be answered, namely; what key JIT practices are consistent with each supporting JIT infrastructure that guarantee success, and how do they affect a manufacturing business performance. The purpose of this research is to provide answers to these questions. The structure of the paper is as follows: Section 2 presents a summary of literature on JIT, JIT conceptual framework and hypotheses. In section 3, we present the materials and methods. In section 4, we present the results of our analysis using Bivariate correlation, discussions of the results and conclusion.

2. Theoretical background

Just-in-Time (JIT) manufacturing, a set of reforms aimed at reducing waste and improving quality, has been receiving substantial attention in the literature, particularly in publications aimed toward practitioners (Drucker, 1981; Sur and De Treville, 1986;

Hannah, 1987 as cited in Brown and Mitchell, 1991). JIT has been defined by several authors in different ways which seems to differ slightly, but revolve around the general philosophy of reducing waste and improving product quality (Schonberger, 1982; Heiko, 1989; Payne 1993; William, 2005). Melnyk (1996) defines JIT as an organisation wide quest to produce output within the minimum possible lead time and at the lowest possible total cost by continually identifying and eliminating all forms of waste and variances. According to Horngren and Foster, (1987) JIT can be defined in four aspects namely; i) the elimination of all activities that do not add value to product or service, ii) a commitment to a high level of quality, iii) a commitment to continuous improvement in the efficiency of an activity and, iv) an emphasis on simplification and increased visibility to identify activities that do not add value.

Although JIT is a relatively new concept in Nigeria, it has been applied for quite a while in many developed countries like Japan, United Kingdom, USA, etc. Few among the numerous studies that examined issues relating to the implementation of the Just-in-Time production system, Mesimo (2007) studied the impact of Just-in-time (JIT) techniques on manufacturing performance; Kannan and Tan (2005) examined the linkages between Total Quality Management (TQM) and Supply Chain Management (SCM) and their impact on business performance; Linge (1991) evaluated the extent of the flexibility of JIT in relation to the management of work and the location of economic activities; Sakakibara, Flynn, Schroeder and Morris (1997) studied the impact of Just-in-Time manufacturing and its infrastructure on manufacturing performance and Obamiro (2007) did a survey research on the extent

of the application and benefits derived from Just-in-Time manufacturing system.

The literatures reviewed helped us to identify a number of economic benefits of JIT such as lowering inventory investments (Sage, 1984; William, 2005), ordering cost reduction (Hall, 1983), respect for people (Meybodi, 2004), product simplification, production flexibility and employee morale (William, 2005). Respect for people include elements such as employee training, employee participation, teamwork, fair compensation and a new attitude towards suppliers (Wantuck, 1983; Gunasekaran, 1999). The literature reviewed also led us to identify the following key JIT practices: short set-up time, reduction in machine downtime, production schedule, flexibility, JIT purchasing (supplier relationship). These are considered JIT practices in our model in this present study.

Supporting Infrastructure to the Success of JIT

An area often neglected in the literature is the linkage between JIT practices and other activities that provide support for the use of the JIT practices (Sakakibara, Flynn, Schroeder and Morris 1993). In this study, supporting infrastructure refers to those concepts that give synergy advantages to JIT practices in terms of improvement in waste reduction and manufacturing cycle time, reduction of inventory buffers, flexible problem system and workforce capable of solving problems as they arise. Few amongst the JIT supporting infrastructure that are considered in this day are;

Total Quality Management: A linkage between quality management activities and JIT facilitate the development of free flow goods through the process, and allows buffer

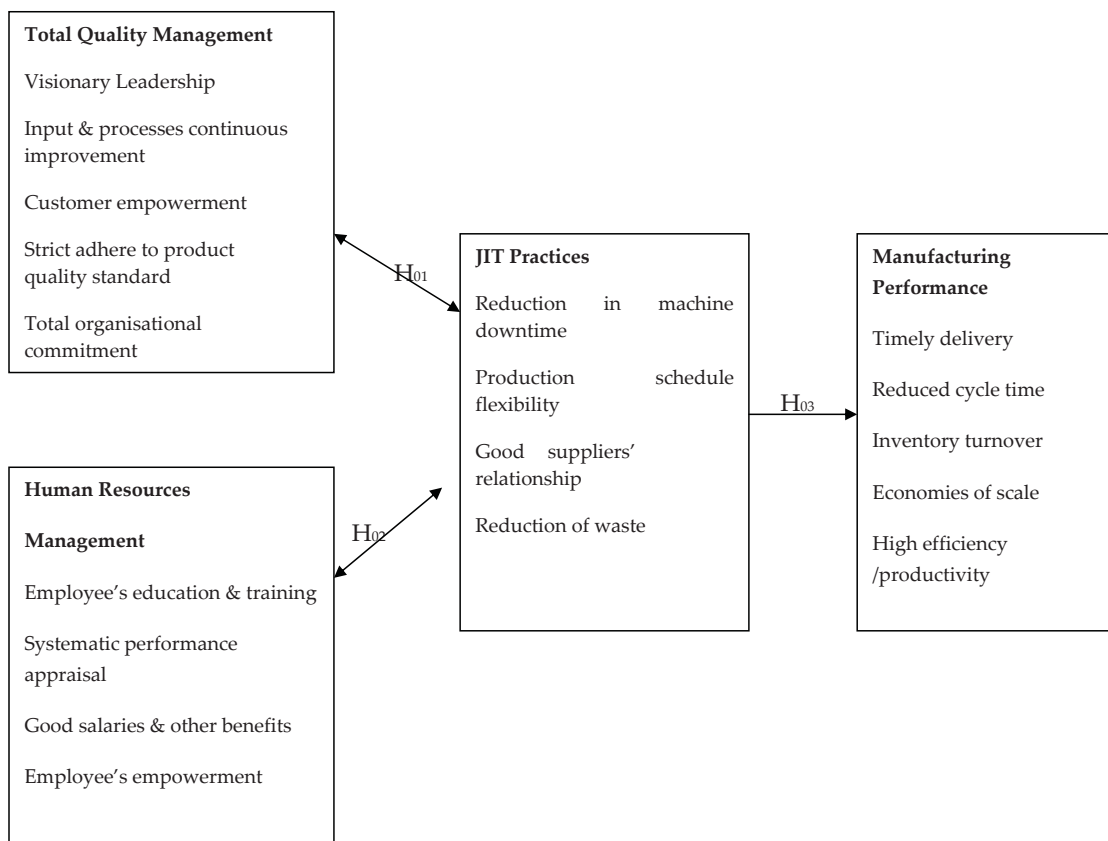
inventory reduction (Takeuchi and Guelchi, 1981, Schonberger, 1982). This also helps the production workers to produce defect-free products because they act on timely feedback about the manufacturing process.

Human resources management: Personnel activity that supports JIT includes the hiring of qualified workforce with good remuneration that promotes teamwork. Timely and effective training programmes are necessary in building flexible workforce that is capable and willing to shift to the place in the process where they are most required to facilitate a smooth production flow.

Conceptual Framework for assessing the relationship between JIT and Manufacturing Performance

The model to guide the research is an outcome of our discussion in key JIT practices, supporting infrastructure practices and manufacturing performance. Sakakibara et al (1997) assert that literature suggests that a wide variety of practices have an effect in manufacturing performance. The study separates them into those that are unique to JIT and those that support JIT as shown below;

Figure 1: Conceptual Framework for assessing the relationship between JIT and Manufacturing Performance.



Hypotheses of the study

- 1) H_0 : There is no significant relationship between Total Quality Management and JIT practices.
- 2) H_0 : There is no significant relationship between Human Resource Management and JIT practices.
- 3) H_0 : There is no significant relationship between JIT practices and manufacturing performances.

Hypothesis 1 tests whether there is a direct significant relationship between practicing Total Quality Management and JIT practices. Rejection of the negative hypothesis would indicate that total quality management enhances or promotes the JIT practices.

Hypothesis 2 examines the relationship between effective personnel management and JIT practices. Rejection of null hypothesis would indicate that a well managed workforce enhances the adoption of JIT practices.

Hypothesis 3: The purpose of this final hypothesis is to evaluate the direct relationship between JIT practices and manufacturing performance. If the result shows that there is a relationship between the two variables, the null hypothesis will be rejected.

3. Materials and methods

A questionnaire survey was carried out at the three selected multinational manufacturing companies in Lagos metropolis. A sample size of 100 staff from each firm were selected which added up to hundred (300) from the entire employees of the chosen

firms using stratified sampling. The stratified sampling technique was adopted to ensure representations of all the employees that are knowledgeable in providing the desired information from relevant departments of the companies. 300 questionnaires were administered but only 230 copies were adequately completed, resulting to a return rate of 76.7%. Responses to the questions were collected using a five-point Likert scales ranging from strongly agree (5) to strongly disagree (1). The questionnaire was sub-divided into four (4) sections. Sections A & B contain items that requested the respondents' evaluation of the contribution of some items to effective total quality management and human resource management. Section C required the respondents' to examine some aspects of just-in-time activities. Section D required respondents' information on the achievement of just-in-time techniques on business performance. The validity and reliability of the research instrument were considered. The questionnaire items were developed to correspond to the contents of the model proposed in this study. Also the set of questions posed to the respondents were worded with a view to achieving a high degree of content validity (i.e. covers what the study intends to measure) and to reducing the risk of common method bias. Also, the questions are akin to Adeyemi, (2000); Myebodi, (2004); Obamiro, 2007). The reliability of the questions and research instruments were tested using Cronbach Alpha Coefficient (1951) to ensure that items used in the model have internal consistency (Clark and Watson, 1995) and measure effect of JIT on manufacturing performance. The results of these are shown in table 2.

4. Results and discussions

<u>Respondent's Gender</u>			<u>Working Experience</u>		
<u>Sex</u>	<u>Frequency</u>	<u>Percent</u>	<u>Year</u>	<u>Frequency</u>	<u>Percent</u>
Male	133	57.8	< 5 years	128	55.6
Female	97	42.2	5-10 years	60	26.1
Total	230	100	11-15 years	24	10.04
			16-20 years	12	5.22
			<u>21 and above</u>	<u>6</u>	<u>2.6</u>
			Total	230	10

Table 1: Respondents' Socio-Demographic Characteristics

Table 1 shows that 57.8% of the sample size is male while 41.3% represents female. This implies that the companies chosen are dominated by male workers, which is not surprising because manufacturing firms in Nigeria are mostly populated by men due to

the nature of their operations. An analysis of the respondents' work experience revealed that more than half (55.6%) of the respondents have less than 5 years work experience while the rest 44% have a work experience ranging from 5 years and above.

A. Total Quality Management (TQMGT)	Mean	STD Dev.	Scale Alpha
1. Visionary leadership	4.10	1.06	.897
2. Inputs and processes Continuous Improvement	4.07	.93	.896
3. Customer Empowerment	3.75	1.11	.897
4. Strict adhere to product quality standard	3.92	0.98	.894
5. Total organisational commitment	3.75	1.03	.896

B. Human Resource Management (HRMGT)

1. Employees Education and Training	3.89	1.17	.897
2. Systematic Performance appraisal	3.62	0.934	.934
3. Good salaries and other benefits	3.67	1.14	.895
4. Employees Empowerment	3.64	1.03	.892

C. JIT Practices (JITPRACTICES)

1. Reduction in Machine Downtime	3.92	1.02	.895
2. Production Schedule Flexibility	3.48	1.12	.893
3. Good suppliers relationship	3.51	0.94	.897
4. Reduction in waste	3.59	0.97	.894

D. Manufacturing Performance (MANUPERF)

1. On-time delivery	3.70	1.07	.896
2. Short lead time from order to delivery	3.57	1.01	.899
3. Reduced cycle time	3.56	1.01	.895
4. Economies of scale	3.77	1.10	.895
5. High efficiency/productivity	3.85	0.91	.897

Table 1: Respondents' Socio-Demographic Characteristics

Table 2 presents the means, standard deviations and coefficient alphas of the survey items. Considering the means of the survey items which are greater than 2.5 of the scale

of 5, it implies that responses are positively skewed toward the application of JIT improving manufacturing performance. In testing reliability, the values of alphas (α) range

from 0 to 1, the nearer the values of α to 1, the more acceptable the reliability of the items. It is argued in literature that acceptable reliability should fall between 0.50 – 0.60, although 0.70 is desirable (Hair, Anderson, Tatham, and Black, 1998). The reliability of all the survey items used in this study fall above .80 as such were all accepted for further analysis.

It means there is strong internal consistency and reliability.

Bivariate Correlation analysis was carried out to determine whether there is a relationship between TQM and JIT practices (table 3), HRM, and JIT practices (table 4), and JIT practices and manufacturing performance (table%).

Table 3: Correlation Analysis: Total Quality Management (TQM) and JIT practices

JIT practices TQM	Reduction in machine downtime	Reduction Schedule flexibility	Good Suppliers Relationship	Reduction of waste
Visionary leadership	.378**	.450**	.321*	.286*
Inputs and pro- cesses continuous improvement	.554**	.446**	.389**	.494**
Strict adhere product quality standard	.488**	.506**	.430**	.386**
Customer empowerment	.404**	.621**	.391	.485**
Total Organisational Commitment	.385**	.574**	.230	.490**

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

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

Table 3, Shows the result of the first null hypothesis that is the relationship between TQM and JIT practices. To do this, we correlate the set of five TQM variables with the set of four JIT practices variables. All TQM variables correlate significantly with JIT practices variables (i.e. $p < 0.05$) except total organisational commitment and good supplier relationship are not significantly

correlated because $p > 0.05$. Also, the correlation coefficients were generally positive indicating that the more organisation and its employers are concerned about quality, the better the application of JIT. Therefore, the null hypothesis H_0 should be rejected indicating that there is relationship between TQM and JIT practices.

Table 4: Correlation Analysis: Human Resource Management and JIT practices

JIT Practices HRM	Reduction in machine downtime	Reduction Schedule flexibility	Good Suppliers Relationship	Reduction of waste
Employee Education and training	.337**	.345**	.315**	.397**
Systematise performance appraisal	.450**	.541**	.445**	.489**
Good salaries and other benefits	.461**	.546**	.368**	.496**
Employee Empowerment	.621**	.653**	.462**	.581**

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

In the analysis of the second null hypothesis, the variables representing human resource management variables were tested against the variables of JIT practices to establish whether a relationship exists. Table 4 shows the values of correlation of each individual HRM variable against JIT practices variables. All four human resources management are positively significantly related

to the variables representing JIT practices. These results are indications of the importance of the effective management/contribution of human resource to successful JIT practices. The result also suggests that while human resource management has impact on performance of any individual variable of JIT practices, managing the human resources is the main driver of performance.

Table 5: Correlation Analysis; JIT practices and manufacturing performance

JIT Practices HRM	Reduction in machine downtime	Reduction Schedule flexibility	Good Suppliers Relationship	Reduction of waste
On-time delivery	.399*	.446**	.388**	.571**
Short lead time from order to delivery	.509**	.297**	.380**	.721**
Reduced cycle time	.566**	.412**	.430**	.578**
Economies of scale	.251*	.461**	.294*	.487**
High efficiency and productivity	.467**	.593**	.294**	.458**

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

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

In table 5, of the manufacturing performance measures, on-time delivery, short-lead time from order to delivery and reduced cycle time were mostly related to reduction of waste. Beside this, all other variables of JIT practices are significantly related to manufacturing performance. This implies that

the null hypothesis should be rejected and accepts the fact that there is a strong relationship between JIT practices and manufacturing performance. This provides evidence that there is a relationship between TQM, HRM and JIT practices in achieving manufacturing productivity.

Table 6: Inter-correlation Analysis

	TQMGT	HRMGT	JITPRACTICES	MANUPERF
TQMGT	-	.836*	.746**	.740**
HRMGT		-	.751**	.788**
JITPRACTICES			-	.788**

The analysis of interconnectivity relationships among different management techniques was presented in table 6. Total quality management and human resource management (both are supporting infrastructure) are strongly positively correlated, which are also significantly correlated with JIT Practices

and manufacturing performance. The indication of this is that firms who have strength in total organisational quality and effective human resource management may likely have a good JIT practices, hence, achieve higher performance which invariably gives competitive advantage.


Conclusion

The results indicate that the success of manufacturing companies who adopted JIT techniques in their entire operations is largely determined by the explicit and effective coordinating of JIT supporting infrastructures

and JIT practices into operations strategy which gives better position to organisation in responding to competitive pressures. The results of the study are consistent with similar previous studies in other countries (Kannan and Tan, 2005; Sakakibara et al, 1997; Karen and Terence, 1991).

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A study for MBA in the world

The comparison among USA, Europe and Japan

~ Visiting Professor **Shinji Naruo** (Faculty of Bussines and Administration)

Abstract: There are many MBA courses in the world. It is necessary to know the uniqueness of each MBA (Master of Business Administration) in the world. What are the criteria to evaluate the value of MBA?

I gathered some basic information of MBAs in Europe, USA and Japan. These are the official information provided by Web site of each University. Through the survey for those 3 area's MBA course, I found regional uniqueness among 3 regions as above.

In the USA, it has long history and many MBAs in USA. They are in the very tough competition each other. However, majority of them are practical business oriented MBA. In Japan, it is different. MBA is very new in Japan. Some of the University strengthens MOT (Management of Technology). It is technology oriented MBA. In Europe, it has variety; however it smells academic oriented MBA. There are 3 tastes in MBA.

All of those MBA has 1 common approach, it is social linkage. MBA is developed for business needs, and it is from social needs. MBA must countermeasure such a social needs.

Key words: MBA, MOT, the social needs, business needs, value of MBA.

1.MBA in USA

There are many MBA courses in USA. Some agency announces the evaluation

reports of MBA ranking in USA every year. The ranking changes every year, however following MBA are constantly ranked in top of the MBA in the USA.

Business Schools in The U.S

	Name of Business School
1	Harvard Business School
2	Stanford Graduate School of Business
3	Wharton Business School (University of Pennsylvania)
4	Chicago Business School
5	Sloan School of Management (MIT)
6	Northwestern School of Management
7	The University of Michigan Business School
8	UCLA Graduate School of Management
9	Columbia Business School
10	Amos Tuck School of Business Administration (Dartmouth College)

Each MBA has unique history and education system. They compete in the education performance each other. They develop their curriculum in order to meet business and industry needs. The majority of graduate goes back to the company with good salary and conditions. It is very expensive tuition fee in MBA; however it is rational investment because of the good return. The company expects them to contribute the company's business performance.

The curriculum is designed based upon practical business experience. Many MBA courses implement "Case study method". It is very useful for the student to train practical skill in the business. The business and industry also expect the graduate student of MBA can contribute the business quickly and directly. So, "Case study method" meets the needs from business and industry.

MBA in USA is education and training school. However, it has another aspect. Top MBA learning environment is a kind of social club for future business elite. They have a chance to develop a high quality of human network in business. They study and discuss the business in the small class. They know

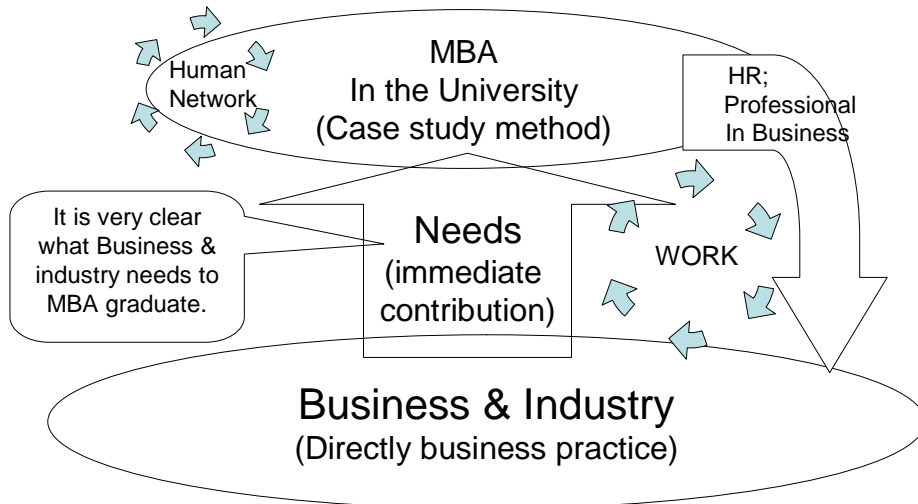
each other in the learning environment. This social opportunity has high value in top MBA in USA.

In USA, MBA is established education system that linked with social needs. However, due to the saturation of MBA graduates in business society, the value of MBA has decreased recently. Many business professional has MBA in the USA; it is no more scarcity (rarity) value in the business society. The company evaluates only top MBAs with high score. The graduate must have good record in the top MBAs. So, MBA itself is no more the proof of business professional. It is a kind of qualification as business professional.

2.MBA in Europe

MBA's history in Europe is not like the history in USA. As I observe, European MBA is different from USA. I found following MBA course in Europe from various information source. These are high ranked MBA in Europe. Each MBA has unique goal and curriculum. They imported some MBA concept from USA, and develop their originality in the education system.

The relation between the society and MBA in USA



Business School in European Countries

	Country	Name of Business School
1	Great Britain	LONDON BUSINESS SCHOOL
2	"	MANCHESTER BUSINESS SCHOOL
3	"	WARWICK BUSINESS SCHOOL
4	"	CRANFIELD SHOOLOF MANAGEMENT
5	"	LSE---THE LONDON SCHOOL OF ECONOMICS AND POLITICAL SCIENCE
6	France	INSEAD---THE EUROPEAN INSTITUTE OF BUSINESS ADMINISTRATION
7	"	ENPC---ECOLE NATIONALE DES PONTS ET CHAUSSEES
8	"	ISA -- INSTITUT SUPERIEUR DES AFFAIRES
9	"	HEC -- HAUTRE ETUDES COMMERCIALES
10	"	ESSES -- ECOLE SUPERIEURE DES SCIENCES ECONOMIQUES ET COMMERCIALES

Business School in European Countries(2)

	Country	Name of Business School
11	Germany	WISS HOCHSCHULE FUR UNTERNEHMESFUHRUNG. KOBLENZ
12	"	FH MUNSTER EUROPEAN BUSINESS PROGRAMM
13	"	FH REUTLINGEN EUROPASCHES STUDIENPROGRAMM BETRIEBSWRTSCHAFT
14	"	UNI KOLN
15	Switzerland	IMD---INTERNATIONAL INSTITUTE FOR MANAGEMENT DEVELOPMENT
16	Italy	SDA---SCUOLA DI DIRFZIONE AZIENDAL DELL UNIVERSITA LUIGI BOCCONI
17	Spain	ESADE-- ESCUELA SUPERIOR DE ADMINISTRACION Y DIRECION DE LA EMPRESAS
18	"	IESE--INSISUTO DE ESYUDIOS SUPERIORES DE LA EMPRESA
19	Holland	RSM---ROTTERDAM SCHOOL OF MANAGEMENT
20	"	NIJENRODE- -- THE NETHERLANDS SCHOOL OF BUSINESS

These are high ranked MBA in Europe. Each MBA has unique goal and curriculum. They imported some MBA concept from USA, and develop their originality in the education system.

Compare with MBA in USA, MBA in Europe has weak linkage with business and industry. This means the business and industry has not so strong expectation to MBA course. The graduate of MBA as above is not necessary to go back to business and industry. Some of them may go back to the business society; however others may go to somewhere. In the USA, it is strongly connected, and then majority of MBA graduate goes back to business and industry. The student invested a lot for MBA, and then they must go back to business society in order to get return that they invested. This is the economical mechanism in MBA.

However, mechanism surrounding MBA in Europe looks like disconnected. It

means MBA is not so highly evaluated in Europe. I don't have any statistical data of MBA graduate in Europe, so it is necessary to verify this hypothesis with reliable data and analysis.

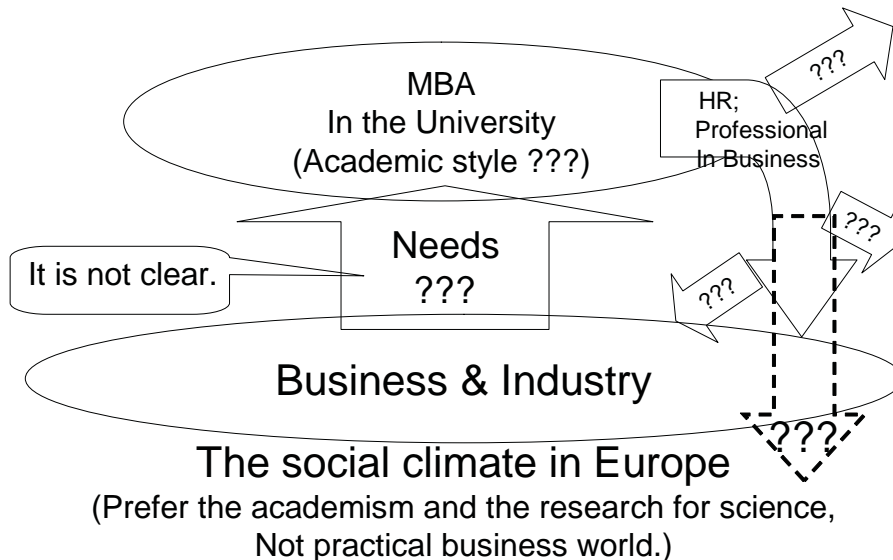
I observe some European social climate. The European has long history and culture. They were achieved by great scientific findings, industrial innovation and new social institution. It has long term vision. So, European people tend to respect such a steady effort for academism and research for the science. This kind of European's sense of value may exist in the business behavior in Europe.

If MBA in Europe is not linked with business and industry strongly and tightly, each MBA in Europe has much more flexibility compare with MBA in USA. This mild and slow linkage with business and industry could be advantage in long term view.

However, in some sense, this could weaken the business development and industrial

innovation in Europe. It depend on the strategy of business education system in Europe.

The relation between the society and MBA in Europe



3.MBA in Japan

MBA in Japan is very new system. Japanese company recognized the value of MBA, and then the company sent selected employee to MBA in USA. MBA in USA is a kind of social club for big business. The Japanese company and business person recognized the value of MBA in USA.

Japanese company and business person still admit the value of social club in MBA in USA, however some university in Japan recognize that MBA in USA doesn't satisfy the needs of Japanese business. Then, some state and private universities started Japanese original MBA course recently.

There are some unique aspects in the curriculum as follows.

- Integration of MOB and MOT

- Wider scope of MBA (Management for Public sector, technology and social system)
- The mutual support relation between MBA and traditional field (Economics, etc)

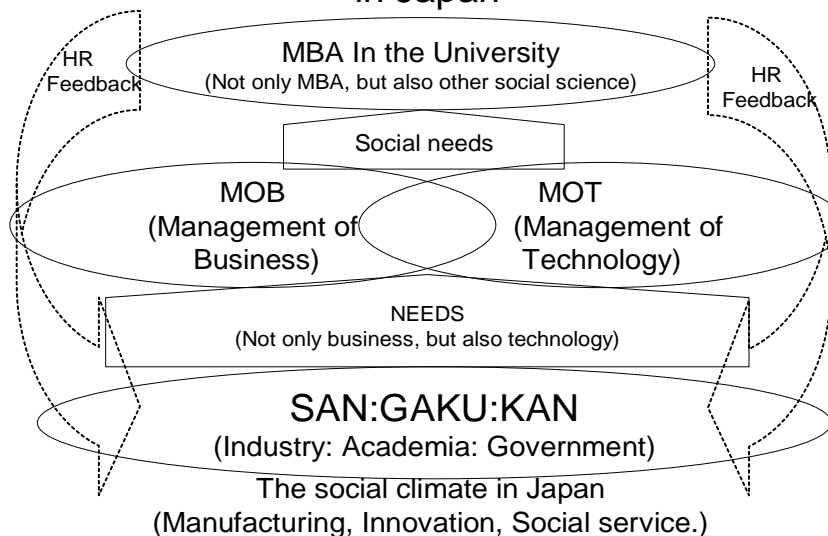
Japanese University learned a lot of things from MBA in USA; however they didn't directly import all of them. They carefully verify the real needs to MBA in Japan. It was different from MBA in USA. Japanese social climate respects the actual experience in the work place. The company expects the potential contribution of MBA graduate, however the company treat MBA graduate same as others in salary, promotion and other conditions.

MBA graduate also recognize such an evaluation system in Japan. So, investment for MBA is not economically rational in Japan. They are not really focus on the business and industry. They focus on other opportunities like government, NPO (Non

Profit Organization), research center and think tank.

In closing, I introduce MBA course basic information as reference. This will help you to understand MBA in USA, Europe and Japan.

The relation between the society and MBA in Japan



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5. <http://www4.gsb.columbia.edu/mba>
6. <http://www.gsb.stanford.edu/>
7. <http://www.london.edu/programmes/mba.html>
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9. <http://www.som.cranfield.ac.uk/som/>
10. <http://www.imd.ch/>
11. <http://www.gsm.kyoto-u.ac.jp/hara/gsm-e.html>
12. <http://www.kbs.keio.ac.jp/english/index.html>
13. <http://www.waseda.jp/eng/academics1/finance.html>

1. USA

Harvard Business School - 2-year full MBA course only

	1stYear	2nd Year
Required Curriculum	Finance Financial Reporting and Control (FRC) Leadership and Organizational Behavior (LEAD) Marketing Technology and Operations Management (TOM)	Business Government, and The International Economy(BGIE) Strategy The Entrepreneurial Manager Negotiation Finance II Leadership and Corporate Accountability
Elective Curriculum	Choose from 96 courses of 10subjects	Accounting and Management Business, Government & the International Economy Entrepreneurial Management Finance General Management Marketing Strategy Technology & Operations Management

MBA Programs Comparison Chart of Cornell University(The Johnson School)

	Tow-year MBA(Ithaca)	Accelerated MBA(Ithaca)	Executive MBA (New York City)	Cornell-Queen's Executive MBA
Degree Awarded	Cornell University MBA	Cornell University MBA	Cornell University MBA	Cornell University MBA and Queen's University MBA
Applicant Career Stage	Average 5 years professional work experience	Average 6 years professional work experience	Average 10-15 years work experience	Average 10-15 years work experience
Participant Profile	Average age 27, median GMAT 690	Average age 31; median GMAT 710; proportion with advanced degrees 100%	Average age 35; proportion with advanced degrees 25-30%	Average age 333335; proportion with advanced degrees 25-30%

	Tow-year MBA(Ithaca)	Accelerated MBA(Ithaca)	Executive MBA (New York City)	Cornell-Queen's Executive MBA
Admissions Requirements and Application Steps	Bachelor's degree; GMAT, TOEFLE or IELTS	Advanced degree in science or technology and strong quantitative skills;	Organizational experience and accomplishments Academic readiness Ability to contribute to team and class learning processes Motivations and commitment	Organizational experience and accomplishments Academic readiness Ability to contribute to team and class learning processes Motivation and commitment
Length	12 months (incl. summer internship)	12 months	22 months	17months
Start Date	Mid-August	End of May	July	July
Tuition	\$42,000(one year rate for '07-'08tuition only)	Tuition for '07-'08 is \$67,700, which includes the summer term	Tuition for the Class of '09\$122,400 (all inclusive with the exception of the Global Business Project travel)	\$95,000(class starting in 2007, all inclusive)

University of California Berkeley, Haas School of Business Berkeley MBA Degree Program

	Full-time MBA Program	Evening & Weekend MBA Program	Berkeley-Columbia Executive MBA Program
Length	21 months	3-year Weekend class are held in Berkeley and Silicon Valley	19 months
Start Date	August	August	May
Number of Students	240 students per class	Approx.240 Students per class	60 to 70 students per class

	Full-time MBA Program	Evening & Weekend MBA Program	Berkeley-Columbia Executive MBA Program
Required courses	12 required core courses (must take these courses in the first year) Finance, Accounting, Operations, Micro- and Macro-economics, Strategy, Organizational Behavior, Data and Decisions, Leadership, Communication Skills, Marketing, and Business Ethics	10 required core courses for this courses: Microeconomics, Organizational Behavior Financial Accounting Marketing finance Operations Management Macroeconomics Leadership Communications Ethics and Responsibility in Business Leadership	Corporate Finance, corporate Strategy Data analysis Decision Models(half-term) Financial Accounting Global Economic Environment Managerial Accounting (half-term) Managerial Economics Marketing Operations Management Organizational Behavior
Electives	Electives comprise 60% of the Berkeley MBA curriculum. Students may choose from a wide variety of electives and dual degree offerings—from within the Hass School and from the wider university	Academic Groups at the Haas School *Accounting *business &Public Policy *Economic analysis & Policy * Finance *Marketing *Operations &Information Technology Management *Organizational Behavior & Industrial Relations *Real Estate Students may chooses schedule option: evening or weekend	Sample electives include: Capital Markets and Investments High-Technology Marketing Entrepreneurship Executive Leadership Management of Technology Private Equity Real Estate

MBA Program and its goal	Two-year MBA Program (2Y) The largest of Kellogg's master's degree programs	One-Year MBA Program To enables applicants with clear and consistent career goals to return to the work force quickly	Part-Time MBA Program Evening-Program Saturday-Program Students should maintain full-time employment	Executive MBA Program(EMAB) At least 8 to 10 years of managerial experience A majority of Kellogg students have an average of 12-15 years of work experience with this program
Number of enrolled students	960 students	70 to 80 students		
Program Design	Fall, Winter & Spring Quarters for two academic years An internship during the summer following the first year	Students enter the MBA program in June And complete the 15.5 courses necessary to earn their degrees. They may major in any of the areas described in the 2Y MBA Program.	Two-and-a-half to five years	To complete two years of study This program is focused on the balance between research and real world

MBA Program and its goal	Two-year MBA Program (2Y) The largest of Kellogg's master's degree programs	One-Year MBA Program To enables applicants with clear and consistent career goals to return to the work force quickly	Part-Time MBA Program Evening-Program Saturday-Program Students should maintain full-time employment	Executive MBA Program(EMAB) At least 8 to 10 years of managerial experience A majority of Kellogg students have an average of 12-15 years of work experience with this program
	<p>Nine—Core courses in the fundamental areas of accounting, management, organizations, marketing, finance, decision sciences and management and strategy</p> <p>Students must complete at least 24,5 units over the six quarters they are enrolled</p>	<p>Students must have completed accounting as well as least five of the six courses of the listed; Accounting, Introductory Economics or Microeconomics. Finance ,Marketing. Operations or Manufacturing Engineering, Organizational Behavior or Management of Organizations and</p> <p>Statistics</p> <p>Applicants are required to have completed undergraduate or graduate courses in business to be eligible</p>	<p>In the Part-time MBA Program, the 9.5core courses are taken within the first 12 courses of study</p> <p>9.5 core Courses: Accounting for Decision Making Business Strategy] Finance Leadership in Organizations Marketing Management</p> <p>Mathematical Methods for Management Decisions Microeconomic Analysis Operations Management Statistical Methods for Management Decision Value, ethics & Strategic Crisis Management</p>	curriculum

Columbia Business School MBA Program

	First Term 1st half	First Term 2nd half	Second Term 1st half	Second Term 2nd half
Core Curriculum	Corporate Finance Financial Accounting Managerial Statistics Managerial Economics Strategy Formulation	Corporate Finance Financial Accounting Marketing Strategy Operations Management Leadership	Global Economic Environment Decision Models Managing Marketing Programs	
Electives			Elective 1 Elective 2	Menu I Organizations Menu II Performance Menu III Markets

Stanford GSB

	First Year	Second Year		
	Autumn quarter	Winter & Spring quarter	Autumn	Spring
Core	General Management Perspectives Accounting Information Critical Analytical thinking Ethics in Management Managing Group & Teams Organizational Behavior Strategic Leadership	General Management Foundations Data analysis & Decision Making Finance Financial Accounting Human Resources Information Technology Managerial Accounting Marketing Microeconomics		
Elective			From 100 electives Accounting entrepreneurship Finance Global Management Human Resources Information Technology	

2. EUROPE

London Business School (UK)

Program	Guidelines	Duration	Start	Curriculum	Necessary documents for application/prerequisites
MBA	To become a global business leader Students come from 70 countries with 54 languages 34 international exchange program partner	Flexible 15-21 months	Term: starts Autumn Spring Summer	Student in a first year concentrates in general management wide selection of electives in six courses (9~12 electives)	A one page- essay curriculum/ resume Two letters of recommendations Original copies of the official transcript of grades from universities attended GMAT score Certificate of proficiency in English
EMBA-Global a dual Executive MBA	Full MBA degree from Columbia Univ. and London Business School	20 months (five terms)	May	Students undertake 13 core courses in the first academic year Core courses take place in 4-6 day blocks which alternate between London and New York each month	Rich & relevant work experience Undergraduate degree Good GMAT score Signed statement of sponsorship from your organization
Executive MBA	Career Acceleration Enhancing Management Skill set Personal Development New Challenge	20 months 1st year Fridays 9:00-19:30 Saturdays 9:00-18:00	Twice a year In January & September	During the academic second year, students have to take a minimum of six electives	Five to 22 years of relevant experience, An undergraduate degree granted by a recognized university or other suitable professional qualifications Non-graduates are occasionally accepted
Dubai-London EMBA	New program Based both in London and Dubai To become influential business men and women	2 years	In September	First year, core course classes are taught in a four-day block format, consisting of two weekend days and two weekdays Second year, choose four or five electives from the School's elective portfolio	A proven track record as a member or leader of a team An undergraduate degree granted by a recognized university or other suitable professional qualifications GMAT is not required 9-10 years of full-time work experience

Warwick MBA (UK)

Program	Guidelines	Duration	Start	Curriculum	Prerequisites
Full-time MBA	To progress more quickly in your career By extending your study period to 15-months, you might choose to take part in an exchange programme with other world class business schools	12-month	The end of September		
Executive MBA	Delivered in week-long modules Many participants on this mode are sponsored by their organization.	In three years	March & October		
Distance Learning MBA		Three to eight years	January & July	It is compulsory to attend the annual eight-day September Seminar at WBS each year.	Seven core modules

International Institute for Management Development (IMD) in Switzerland

	MBA Program	EMBA Program
Participants	90	65 talented, motivated, experienced executives
Duration	One Year	Timing is flexible, spreading 16.5 weeks out of the office, and 40+ weeks of distance learning over a minimum of 15 months, as little as 16 months, or spread over three years or more
Content	The program is focused on leadership entrepreneurship and social responsibility	The IMD EMBA gives proven, high-performing managers the skills and tools to lead their companies into the future.

	MBA Program	EMBA Program
Qualifications and Experience	Bachelor's degree or equivalent from an accredited institution GMAT(average score;675) Minimum three years' full-time work experience(the average among accepted candidates in seven years) Strong command of written and spoken English	The program is designed for those with an average of 15 years of business experience (minimum 10years), and the average age is approximately 38.
Admission		Professional achievement Leadership potential Intellectual ability (undergraduate university degree and GMAT) International outlook English Language proficiency The support of your company

3. JAPAN

Kyoto University Business School (National Univ)

Program name	Graduate School of Management , Kyoto University	
Established	April in 2006	
Diploma given	MBA: Master of Business Administration	
Accepted number of students	60 students for one school year (A total number of MBA students are about 120 persons)	At most 60 students in one school year, which consists of 40 students with bachelor degree of management, economics, and technology. The rest of about 20 students are persons with already working experiences in a business world.
Campus	Yoshida Campus in Kyoto	
Study schedule	Monday to Saturday 8:45 to 18:00	
Maximum Study Duration	Two years	
Required credits for completion of MBA course	At least 42 courses (units)	First semester; more than 12credits of basic and core courses Second semester; 16 credits of specialty field, 3 rd and 4 th semester; practical business related courses and more developed core courses

Keio University Business School (Private Univ)

Program name	Graduate School of Business Administration, Keio University	
Goal	To Develop business leaders with both professional managerial skills and the sense of responsibility for the society as a part of corporate citizenship.	
Program Design	Normal class sessions based on Case Method and MBA thesis development	Eight core courses—basic management skills Electives courses –further strengthen specific functional skills and to facilitate deeper understanding of general management issues.
Characteristics	About two thirds of the curriculum are conducted by “case study” Second year students spend eight to ten months for their master ‘s theses Oral presentation is required at the end of the second year Most MBA program are conducted in Japanese language Good command of the language is indispensable for foreign students to study at the School	
Number of students	Maximum 90	
Entrance Exam.	Every October and January	

Waseda University MBA School (Private Univ.)

Program Name	Course Object	Prerequisite (Application)	Diploma	Course Schedule	Maximum Enrollment
MBA Program (full time) Strategic Management Entrepreneurship management	To train specialists familiar with corporate management	A bachelor degree holder or tree-year or above working experienced persons	MBA (Master of Business Administration)	Weekdays (Nishi-Waseda School Building)	One year or Two years
MOT Program (Weekend Program) Technology Management	To train specialists, especially in the area of technological management			Fridays& Saturdays (Nishi-Waseda School Building)	One year or Two years
MBA Program Night time Entrepreneur	To train specialists for corporate management (Module system adopted)			Night time on week-days & Saturdays	Tow years

Kosovo beer markets - Consumer preferences and buying behaviour

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Abstract: This paper analyzes and presents important findings on the consumers buying behaviour and their preferences for beer. The paper also tests whether there is dependency of frequencies buying beer with demographic and economic factors. The data were entered and processed in Statistical Program for Social Sciences (SPSS), while common statistical models have been used for interpretation of results and tested hypotheses. A research was part of the project "Marketing Support of Food Products in Kosovo" which was founded by European Agency for Reconstruction. The aim of this project was to support Kosovo producers of food industry by offering them relevant information on beer market, consumers buying behaviour and their preferences.

Keywords: Kosovo, beer market, consumer behaviour, factors, hypotheses

Introduction

It is very well-known that information on consumer's behaviour and their preferences are key factors which create efficiency in business management (Bytyqi et al., 2008; Gjonbalaj et al., 2009). Development of beer industry into a Kosovo beer market

is becoming more and more complex. In recent years the competitiveness in Kosovo beer industry has increased enormously by the emerging foreign new brands, with higher standards, quality and wider assortment. How the domestic competitors of this industry compete in this marketplace remains a

challenge as well a good chance for them to get better position into a beer market.

Domestic businesses of this industry can be competitive and yield more profit if they understand correctly why and how consumers buy this product. Thus, understanding customer needs, wants and factors that determine shopping behaviour helps businesses to improve their marketing strategies through market segmentation and price differentiation.

The aim of this research was to identify the profile of beer consumers by gender, age, income and region. In addition to demographic and economic factors the intention was as well to understand the influence of such factors on consumer's buying behaviour.

Previously, the concept of marketing was to produce cheap commodities for the market. Nowadays, new market approach and "contemporary marketers have broadened the concept of marketing to include the study of transfer behaviour as well as transaction behaviour". Having more information on customer needs and wants will help businesses of this industry "to choose their target market (s) and tailored marketing programs" (Kotler, 2002; Solomon, 2006). Knowledge of the factors influencing consumer behaviour in beer market is much more limited compared to wine consumer behaviour (Hajdu, 2007).

Research Methodology

The main objective of this paper was to examine beer market in Kosovo as well as on the study of consumer's behaviour of Kosovo consumers. A questionnaire was designed (Ian, 2004) by the researchers and used as a

tool to gain a consumers view with regard to the research questions. The research was conducted during the period June-July 2007, while the interviews with consumers were attained by students of Agriculture Faculty-University of Prishtina. There were $n=1.212$ realized questionnaires by random sampling of respondents. The distribution of this sample size was extended in each of the Kosovo's region. The consumer's judgment was gained through direct interviews with respondents (face to face). Statistical Program for Social Sciences (SPSS) version 10 has been used for entering and performing data analysis. The descriptive statistics and common tests like Chi-Square (χ^2), Asymp.Sig (2 sided), Likelihood Ratio (G^2) and Cramer's V were used for the assessment of differences in consumers attitudes and significance level of tested hypotheses.

Presentation of Research questions and Stated Hypotheses

Statistical analyses performed in this paper were focused in the responses of five key questions such as:

- a) Market place - where do the consumers buy beer?
- b) How often do they buy this product?
- c) How do they rate product attributes like: retail price, brand name, package design, quality, origin and confidence in product?
- d) How do they get information?
- e) Are they willing to buy and consume more this product, if their income increases?

The study also examines, whether there is dependency between frequencies of purchasing beer as dependent variable with

economic and demographic factors as independent variables.

Results and Interpretation of tested hypotheses

The intention of this study was to find out, whether the demographic and economic factors have an effect on beer consumption. The research result has shown that 51% or 619 out of 1.212 respondents consume beer. When asked "where do they usually buy beer", 24.6% of respondents declared that supermarkets were the most frequented market places for purchasing beer. While 19.6% of respondents noted retail stores are the most frequented market places for beer, followed by 6% buying from wholesale stores. Less than 1% of respondents buy beer at ambulant traders and producers.

Regarding the frequentness of buying beer, 256 respondents or 21.1% stressed that they buy beer twice a month, 13.3% buy beer once a week, while 10% of the respondents buy beer twice a week. Only 4.8% of the respondents buy beer on a daily basis, as it was expected.

As market become more and more complex with cheap, higher quality and wider assortment, it requires that for better businesses of this industry a new market approach having wider spectrum of data concerning consumer preferences is created. Getting information from consumers on the evaluation of product attributes helps businesses of this industry to improve customer relations, product quality, package design and other product attributes.

In relation to the question of "how they rate product attributes like: price, brand, packaging, quality, origin and trust", 536 or

44.1% of respondents highlighted that price is a very important form them when buying beer, 38% consider price as important. Only 7.4% of respondents consider it as not very important while, 6% stressed that price of beer is not important for them. These results indicate that producers must pay close attention on purchasing power in an economy, on current income, prices and consumer-spending patterns (Kotler, 2002; Richard, 2006).

Concerning brand as one of the product attributes, 16.4% of respondents evaluate it as very important, 48.1% as important, 17.8% of respondents consider brand as not very important and only 9.6% consider it as not important. Research results showed that 14.85% of respondents' evaluated package design as very important, most of them consider it as important, 20.9% stated that package design is not very important and 17.1% evaluate it as not important.

It is as well worthy to emphasize that majority of the respondents, 81.4% consider quality of this product as very important while, less than 1% evaluated it as not important. Regarding the confidence in the product, 77% of respondents highlighted that this is a very important for them; only 4.2% consider it as not important. Some analysts argue that origin of the product does not influence the market demand. However, the results of this study show that origin of the product was highly significant. Concerning question "whether they prefer domestic or imported brands", 52% of respondents prefer domestic brands, surprisingly 5.8% declared that they prefer foreign brands when buying beer.

Nowadays marketing information system is becoming a very important factor which helps marketers to reach the consumers needs through adaptation of

market segmentation and price differentiation. Marketers must be careful with targeted communication and distribution channels. They need to be aware how the consumers come to know of new brands in the market, what the most frequent information channels used by them.

With reference to information issue a research has shown that TV was the most frequently used information channel by consumers with 47% of the respondents, 26.7 of respondents are informed through the press for new brands in the market. While, most rarely information channel used by consumers was radio with only 9.1% of the respondents. In questioning "whether they are willing to buy-consume more this product if their income increases", 88.2 % of respondents were declared with "Yes" and 10.3% of respondents stated that they are not willing to buy-consume more, even if their income increases (Field, 2000; Desmond, 2003; Gupta, 2007). This willingness possibly will create a large market for beer industry in the future, if trends in income and consumer spending increases as well.

The analyses of tested hypotheses help in identifying variables which may have influence in the frequencies of purchasing beer by consumers. In hypothesis 1, research result has not shown any dependency between gender and frequencies of buying beer, even though by observing frequencies count it seems to be dependency between these two variables. The P-value of this test was not statistically significant $p = 0.057 > 0.05$, retained H_0 . Results testing the second hypothesis were not statistically significant. The P-value of this test was $P = 0.07 > 0.05$, retained H_0 . It can not be stated that there is dependency between ages of respondents and frequencies of

purchasing beer. Surprisingly, in the third hypothesis a research result has not shown dependency between respondent's income and frequencies of buying beer. The P-value of this test was $p = 0.941 > 0.05$, this high P-value gives strong support for H_0 . Based on the statistical results, region was one of the independent variable which influences the frequencies of purchasing beer. Statistical result has shown that there is a dependency of region where respondents are coming from and frequencies of buying beer. Statistical result was highly significant with $P = 0.005 < 0.05$, this small P-value gives strong support for H_1 . Based in the frequencies count, Peja and Gjakova were main region's contributing in the high value of Chi-square test $\chi^2 = 36.944 > 28.82$.

Concluding comments

Domestic competitors of this industry need to be aware of the effect of global changes, advanced technologies and trends. These radically changes have created different needs and wants by consumers. Copping with these changes of consumers behaviour is one of the challenges of domestic competitors. Marketers of this industry have to apply a set of marketing tools "Marketing Mix: Product, Price, Promotion, Place" in order to meet and satisfy target costumers' needs and wants.

Understanding the consumer's buying behaviour is not easy. There are many factors influencing the consumer buying decision process such as: demographic, economic, cultural, social, personal and psychological factors. Each of these factors contributes in segmenting consumer markets.

Factors like demographic, geographic, psychographic and economic which are

related to consumer characteristics and their behaviour provides a base for segmenting consumer markets. Research result has shown that there is dependency of frequencies buying beer and region's where the respondents were coming from. Therefore, domestic competitors of this industry should pay attention to this region variation, and divide the market into different regional units.

Variables as gender, age and income have been usually used to segment consumer markets. It was frequently stated by many researchers that consumer's wants and preferences change with age, gender and income. Surprisingly, a research results have not

shown dependency of the age, gender, and monthly income of respondents with frequencies buying beer.

Acknowledgment

The authors are thankful to the Project "Marketing Support of Food Products in Kosovo" and especially to European Agency for Reconstruction (EAR) which financed the research and made the data access possible. Special thanks deserve students of Agro Economic Department, Faculty of Agriculture in Prishtina and others who helped in executing the research.

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Table1. Hypotheses to test the effect of demographic and economic factors on frequencies of buying beer.

Hypotheses	The Null Hypotheses of Independence	The Alternative Hypotheses of Independence
H ₁	H ₀ : Gender of respondent and frequencies of buying beer are independent.	H ₁ : Gender of respondent and frequencies of buying beer are dependent.
H ₂	H ₀ : Age of respondent and frequencies of buying beer are independent.	H ₁ : Age of respondent and frequencies of buying beer are dependent.
H ₃	H ₀ : Respondent's monthly income and frequencies of buying beer are independent.	H ₁ : Individual monthly income and frequencies of buying beer are dependent.
H ₄	H ₀ : Region where respondent comes from and frequencies of buying beer are independent.	H ₁ : Region where respondent comes from and frequencies of buying beer are dependent.

*Presented hypotheses were tested at 5% level of significance. The dependent variable used was: *How often do they buy beer?* As independent variables used were: respondent's gender, age, monthly income and region.

Table 2. Results of statistical tests by tested hypotheses.

Independent/ Dependent Variables	Observed χ^2	Tabulated χ^2	D.f	P-value	Value of G ²	Cramer's V	Retained Hypotheses
H ₁ : Gender of respondent/ Frequencies of buying beer	7.53	7.81	3	0.057	7.79	0.112	Retain H ₀
H ₂ : Age of respondent/ Frequencies of buying beer	15.546	16.92	9	0.07	17.121	0.093	Retain H ₀
H ₃ : Respondent's income/ Frequencies of buying beer	3.507	16.92	9	0.941	3.542	0.044	Retain H ₀
H ₄ : Region of respondent/ Frequencies of buying beer	36.944	28.82	18	0.005	36.823	0.144	Retain H ₁

$P < .05$

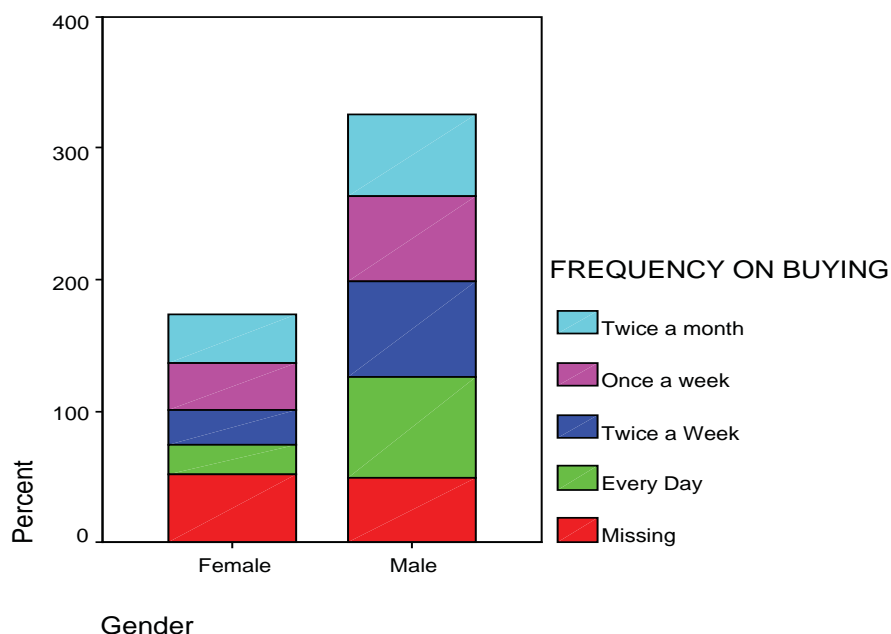


Fig.1 Frequencies on buying beer by gender

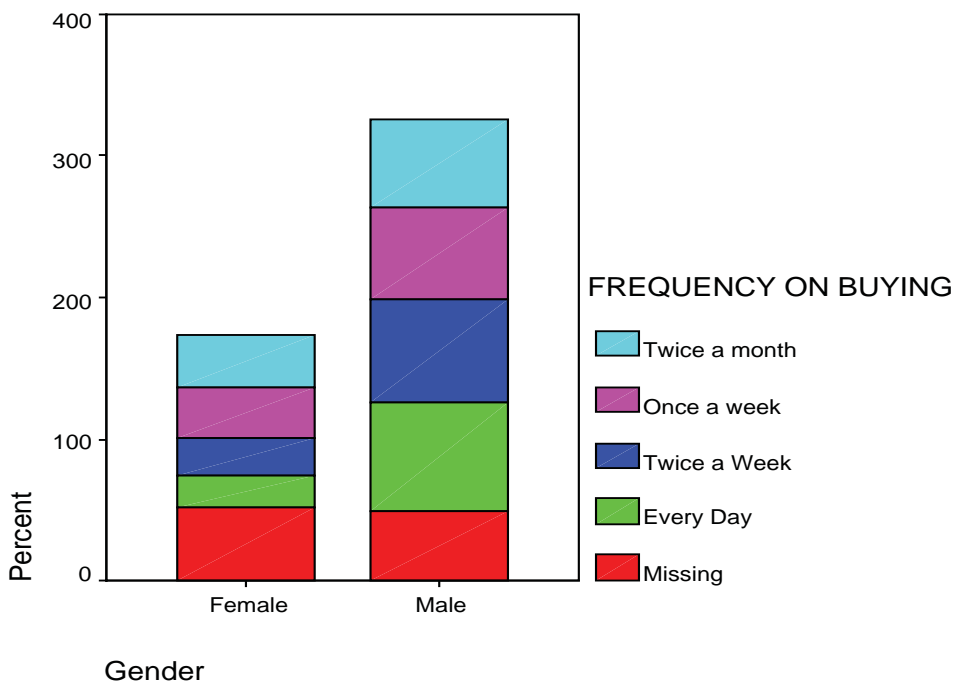


Fig.1 Frequencies on buying beer by monthly income

Removing samples taken illegally in the criminal trial

~ Ph. D. Dumitru Rădescu

Abstract: As far as evidence in a criminal trial is concerned, Criminal Act no. 281/2003 has brought about a new procedural sanction in Romanian criminal procedure, completing article 64 in the Code of Criminal Procedure by a second para-graph, namely the exclusionary rule. The case-law of the European Court in Strasbourg is not very clear when it comes to the admissibility of illegally seized evidence against the defendant. As opposed to that, American and British common law and, following these standards, most of the traditional legal systems on the continent, acknowledge the practical use of this procedural sanction, although it is set out differently and generates somewhat different effects. The said sanction is applied according to the particulars of each case, in order to achieve a just balance between the right to punish, which belongs to the state and the right to fair trial, which belongs to the suspect or the accused. In Romanian law, the unsubstantial legal provisions and the sparse case-law give no obvious answer to a series of fundamental questions related to the functioning and effects of this legal instrument: its relation to nullity, the "fruits of the poisonous tree" effect, its practical use depending on the "causes" of illegality, the trial stage when it may be used, the procedure that governs its application and the persons entitled to benefit from this right etc. Moreover, the New Code of Criminal Procedure, in spite of its more complex content, tends to complicate many of the problematic issues in the current criminal procedure.

Keywords: exclusionary rule, criminal trial. Act no. 281/2003, illegally seized evidence, admissibility, fruits of the poisonous tree doctrine, the New Draft Code of Criminal Procedure

For situations where there is violation of laws governing matters of evidence, the challenge to be answered by the prosecution is in providing effective remedies, to ensure

the principle of legality and the fundamental guarantees of criminal proceedings.

In this context, the art. I section 39 of Law no. 281/2003, the Romanian criminal

procedure and has emerged, second paragraph of Art. 64, which has succinctly: "evidence obtained illegally can not be used in criminal trials." The effects of this rule, expressed briefly, are sufficiently broad to not be considered in all their valences, in a study article.

As noted, the concept of illegal evidence includes not only evidence of Plano prohibited, by their very nature, but also to other evidence, allowed, in principle, but have been obtained or taken with disregard for the legal conditions of administration¹.

ECHR has, on the evidence obtained in violation of procedural rules, a consistent practice² of refusing to being declared inadmissible, preferring an overall examination of the procedure, examining the existence of that and other evidence and the defendant standing position and intervening only when the abuse of procedure is obvious and remedy³. Exceptions are only those cases in which evidence was obtained in violation of Art. 3 of the Convention, which enshrines the prohibition of torture and cruel, inhuman and degrading⁴.

In American common law's solution was to exclude evidence obtained in violation of the laws, especially those in the

field searching and the right to silence and non-autoincrimination, recognizing at the same time, that occurs when the violation of these rights is above that in which it tries to use evidence obtained in criminal proceedings, so that violation is whether or not you try drawing advantages from illegal⁵ labor.

Justifications for the case-law to sanction exclusion were over time, multiple.

First, it turned to the argument that lack of reliable evidence obtained in violation of the law a whole. Thus, the exclusion was a penalty only intervene for those situations where it is found that the way they have done specifically state bodies is that no reliable evidence. Basically, the penalty was not so directly aimed at protecting the rights of the suspect or accused, as the integrity of the final result of truth.

But then, this argument for the exclusion of illegal evidence was rejected, considering that, although it is an undeniable fact that in violation of the laws to obtain evidence which does not inspire a high degree of confidence, without, however, that this premise to Always check should not be made confusion between two entirely different concepts: reliability test and its legality. Fund and the form should not be confused.

It was called, then the integrity of the justice argument, deeming that the sanction of excluding evidence obtained in violation of the rights of the suspect or the accused is required to protect the honor and credibility of justice and maintain public confidence in

¹ Gheorghe Matei, a Romanian news for the prosecution: the invalidation of evidence obtained illegally, the law no. 1 / 2005, p. 137-138.

² For example, the ECHR, because Khan v. the United Kingdom, decision of May 12, 2000, Schenk v. Switzerland, decision of July 12, 1988, etc..

³ S. Bario, B. Conforti, G. Raimondi, *Commentario alia conventional europea dei diritti dell'uomo per la guardianship e delle Liberta fondamentali*, give in, Padova, 2001, p. 199

⁴ D. Bogdan, M. Selegan, *rights and freedoms in the European Court of Human Rights*, IIA Ed Beck, Bucharest, 2005, p. 273

⁵ S.J. Winger, *denying Fifih Amendment Protections to witnesses Facing Foreign Prosecutions: Self-Incrimination Discrimination?*, The Journal of Criminal Law and Criminology, vol. 89, no. 3 / 1999, p. 1134. Basically, this element is important for understanding the legal nature of exclusion, as a penalty and not as a remedy

the justice act⁶, otherwise claiming even that justice would become accomplice of illegal actions of police⁷.

Currently, the S.U.A. main argument for exclusion of evidence, including those obtained by disregarding the right to silence and non-autoincrimination, stems from the need to combat misconduct of state bodies⁸. This system is a direct consequence of the fact that if state agencies acted in that manner in good faith, the evidence will be admissible, even if the suspect or defendant's rights were not respected.

The question of admissibility or inadmissibility of evidence obtained in violation of the laws being discussed at an early stage prior to actual costs. This feature is particularly important in its effects: the separation of time discussing the admissibility of evidence of review and resolve the question of guilt or innocence of the accused is very real, as long as the governor body on matters of substance of the case is not in any way influenced by inadmissible evidence in the previous procedure. (*Likewise is the art. 174. (3) C.proc. pen. France, which provides that documents and*

⁶ Likewise is the regulation of Art. 24 para. (2) of the Canadian Charter of Rights and Freedoms: „In cases where the court concludes that evidence was obtained in a manner that infringed or denied any of the rights and freedoms guaranteed by this Charter, the evidence will be excluded if it is established that reported in all the circumstances, the admission of evidence in the case would discredit the administration of justice „.

⁷ This is the predominant justification for excluding statements obtained unlawfully in the criminal justice system in Argentina - CM Bradley, Criminal Procedure, A Worldwide Study, Carolina Academic Press, Durham, 2007, p. 32.

⁸ Y. Kamisar ş.a., Criminal Procedure and the Constitution, Thomson West, St. Paul, 2005, p. 313.

samples are removed from the file void track and filed at the Registry of the court of appeal, and drawing conclusions about the adverse parties of documents or evidence canceled case is prohibited, on pain of disciplinary liability of lawyers and magistrates.)

National system, and legal systems of European countries **France** (If, in general, regulations totalitarian states do not contain rules to allow invalidation of illegal evidence in the legal systems of democratic European inquisitorial tradition, specific sanction of invalidity is, without legally fulfill act contrary to mandatory rules, even when the game is a fundamental right. For example, Art. 171 C.proc.pen. French has: "There revocation that the violation of a substantial formalities provided for in this code or any other provision of Criminal Procedure, brought to the interests of the covered".) ,**Spain** (In Spain distinguishing the breach of a "simple" rules of procedure and violation of a fundamental right, the consequences are different: the former is allowed to use another evidence to prove the circumstances which can not be proved by evidence tainted and In the second case, the effect is total disablement process both probation and the sample itself, in accordance with art. 11.1 of the Ley Organica del Poder Judicial, that "can not be given effect of evidence obtained directly or indirectly in violation rights and fundamental freedoms".), **Italy** (Article 191 C.proc.pen. Italian states: "Evidence obtained in violation of the prohibitions established by law can not be used. Exclusion is invoked even in office at any stage and grade of the procedure.), **Germany** (In Germany, in the absence of regulatory texts governing the legal consequences of illegal evidence, the German Supreme Court intervened, establishing standard proportionality test. Thus, according to his need to be weighed on the one hand, the state's interest in pursuing and punishing offenders, reported

the gravity of the crime committed and, on the other, the importance of the right of the suspect or the accused has been violated - SC Thaman, *Comparative Criminal Procedure, A Casebook Approach*, Carolina Academic Press, Durham, 2008, p. 112 ff.), **England** (Article 76 para. (2) of the Police and Criminal Evidence Act 1984 provides: "If, in any case in which the prosecution proposes to administer a confession as evidence of an accused person, is raised before the court that the confession was or could have been obtained:

a. by coercing the person who did it;

b. because of something that was said or done which was likely, in the circumstances existing at that time to the unreliability of any confession which might be taken as a result of those words or deeds court will not allow testimony as evidence against that person unless the prosecution proves the court, beyond reasonable doubt that the confession (whether true being) was not obtained in the manner described above. This text is supplied by art. 78 of that Act, which provides that the court not to accept a proposed prosecution evidence if "taking into account all the circumstances in which evidence was obtained, the admission of evidence would have an adverse effect on the equity so that court proceedings should not admission".), **Belgium** (If by 2003, the Court of Cassation considered that evidence obtained in breach of the right to silence was illegal and is absolutely invalid, following the two decisions in 2003 and 2005, she shifted in meaning to consider valid evidence even illegal, but not obtained in violation of rules sanctioned by invalidity or the right to a fair trial, provided that the sample should not be deprived of reliable and its admission is not in itself contrary to fair trial rights - F. Kutu, *Justice et criminal trial Equitable*, vol H, Larcier, Brussels, 2006, p. 327-328.), **Russia** (Article 50 para. (2) of the Russian Constitution states: "the administration of justice, any

evidence obtained in violation of federal law will not be accepted." Also, Art. 75 para. (1) C.proc. pen.: "The sample obtained in violation of requirements this code should be regarded as inadmissible. evidence inadmissible are without legal force and can not serve as the basis of prosecution or be used to prove any of the circumstances covered by the sample, according to art. 73 ".) are faced with finding a fair solution to the situation in which attempts to use evidence obtained in violation of procedural rules, the solutions given by these systems are non-unitary, the void, the conditional exclusion of an examination of proportionality and the importance of law to the exclusion violated and unconditional proof unlawful.

At the present regulations, we believe, with most authors, that the main effect of the procedural violation in the taking of evidence is to exclude matters such use evidence obtained in violation of law (Where the infringement relates to subject the suspect or accused to torture, cruel, inhuman or degrading treatment, the penalty of exclusion is justified by the express requirement of Art. 15 of the Convention against Torture and Other Cruel or cruel, inhuman or degrading (adopted in New York on December 10, 1984, ratified by Romania by Law no. 19/1990, published in Official Gazette no. 112 of October 10, 1990): „Each State Party shall ensure that no statement established to have been obtained by torture can not be invoked as evidence in any proceedings if it is not is against the person accused of torture, in order to be establish that the statement was made"), through the rigorous application (A rigorous application of this rule remains, so far, more than one goal a reality because the Romanian courts, formed on an inquisitorial system type, the declarations and the rest of the samples obtained from the suspect or accused enjoys a presumption of validity, the the defense has to dismantle, refused to oblige, as a natural corollary of the right to silence and non-autoincrimination, the owner and the prosecution to prove the legality of obtaining such evidence, as in systems

accusers - an analysis at length in D. Ionescu, *warning procedure. Consequences for the validity of the statements of the defendant matters in the criminal, criminal law in the contract no. 2 / 2006, p. 51.*) of art. 64 para. (2) C.proc.pen., That "evidence obtained illegally can not be used in criminal trials".

At the present regulations⁹, we believe, with most authors, that the main effect of the procedural violation in the taking of evidence is to exclude matters such use evidence obtained in violation of law, through the rigorous application of art. 64 para. (2) C.proc. pen., That "evidence obtained illegally can not be used in criminal trials.

The doctrine was formulated and our view that the penalty should intervene in such cases would be invalid (*If the sanction of the continental law system is specific, aimed at maintaining behavior state bodies within certain limits of loyalty, the sanction of excluding evidence, the common law tradition, has a totally different purpose, namely to protect their right to free choice of the suspect or defendant - SC Thaman, op. cit, p. 105.*), which would have to draw the appropriate adjustment to the Water Framework text nullity, art. 197 C.proc.pen. To include the situation obtaining evidence illegally.

One such proposal is not safe from criticism. First, the sanction of procedure is another legal (Nullity, to punish corrupt act, it requires restoration, may be, in some cases covered [art. 197 para. (1) C.proc.pen. refers to „harm that can be removed, and in par. (2) the automatic nullity, para. (4) establish specific deadlines in which to raise the relative nullity, with the result, in the event of infringement, to cover the defect] , while excluding evidence does not allow recovery of the document, it automatically making

⁹ Gheorghe Matei, Code of Criminal Procedure, the general part in a European perspective, the Review of Penal Law no. 1 / 2004, p. 67.

inadmissible evidence (of course subject to be invoked automatically or stakeholders). From this apparent inequity that would occur if the sanction would be to invalid relative (because not listed among the absolute nullities), which would reduce the possibility of sanctioning illegal evidence if the parties do not have specialized legal assistance, nor have the legal knowledge required - E. Anthony, *Ensuring objectivity in the administration of evidence in the criminal law no. 10/2000, p. 114.*) regime than that of exclusion, the latter being perfectly adapted to situations of this kind, which is why she knows and an extensive international dedication in this matter. On the other, with other authors¹⁰, believe that by entering text in art. 64 para. (2), we have the emergence in the field of new sanctions procedure designed to remove the probation field evidence to those obtained in breach of regulatory provisions are flawed and can not be the basis of a solution under the guarantee fair trial. Or that the sanction is exclusion and not affect the invalidity of great importance and on another level: she comes to give evidence on the basis of serious and penalize illegal evidence, which may not be that of their lack of reliability of specific penalty invalid relative¹¹.

Finally, for consideration and provisions of the new Criminal Procedure Code,

¹⁰ O. Predescu, M. Udriou European Convention on Human Rights and Romanian criminal procedural law, Ed CH Beck, Bucharest, 2007, p. 378, G. Theodoru Treaty of criminal procedural law, Ed Hamangiu, Bucharest, 2007, p. 348, D. Ionescu, op. cit., p. 16, 48, I. Grig, M. Ungureanu, right to silence of the accused and the accused, the Criminal Law Review no. 1 / 2005, p. 41.

¹¹ We must not forget that Relative nullity may be considered by the court only when „the cancellation is necessary to ascertain the truth and just settlement of the case” - art. 194 para. (4) C.proc. pen.

which outlines a more comprehensive manner the legal institution.

Finally, for consideration and provisions of the new Criminal Procedure Code, which outlines a more comprehensive manner the legal institution.

Initially, as published by the Ministry of Justice, rules sanction such exclusion was to provide a clear response to breaches of procedural rules. In the field trials, the exclusion was imposed as a sanction in its own right, being provided within each article that contains the fundamental rights of the suspect or defendant, disregard their response to the situation¹². This optic was consistent with the regulation of exclusion of evidence obtained unlawfully, former art. 102 by referring not only to breach substantial fairness of criminal proceedings, but also the rights of the suspect or accused.

As an example, the solution was provided expressly excluded evidence obtained through violence, threat, promise an unfair advantage, or any other form of coercion prohibited by law, methods or techniques that affect the ability of the person listening to remember and to is consciously and voluntarily reported the facts, even used with the consent of the person concerned, statements obtained from the suspect or accused again its notice on the deed of which is suspected or accused and the legal status of it, the right not to make statements and the consequences of refusal or acceptance of or the right to a defender and autoincrimination statements obtained from persons called as a witness, without specific warnings. Unfortunately, the text sent to Parliament debate has changed substantially.

¹² In this regard, expressing that the Code „shall be punished with exclusion of“ [art. 108 para. (4)] was above all a polemic.

Thus, there shall be no exclusion sanction the articles regulating the essential guarantees of fair trial rights. The sanction of exclusion is governed only by the text frame, art. 100, which provides:

- Evidence obtained unlawfully can not be used in criminal proceedings.
- In exceptional circumstances, evidence obtained unlawfully may be used when it is not infringed by the fairness of criminal proceedings.
- Evidence obtained by torture, inhuman or degrading treatment can not be used in criminal proceedings.
- samples derived from the evidence provided in par. (1) and (3) are excluded if they were obtained directly from the evidence obtained unlawfully and could not be obtained otherwise.
- samples derived from the evidence provided in par. (1) and (3) do not exclude that evidence obtained unlawfully used under par. (2) .

The new text without a significant setback to the previous form, subject to debate. Illegality of the evidence is viewed with more leniency. It will produce legal consequences only when prejudice to the fairness of criminal proceedings, the notion is, at least in our system of law, still rather vague.

Towards the fundamental value of the principle of legality in criminal proceedings, but also guarantees the right to a fair trial, we can not accept criticism without such a regulatory option such as that expressed by the new code. State bodies are first called to respect and ensure the correct and just ensure the provisions of law, infringement is not divided into irrelevant, mild, medium, serious and very serious when there is an obligation of

professional knowledge and enforcement to ensure the prestige of justice.

On the other hand, may be accepted unlawfully obtained evidence in criminal trials will generate default, susceptibility to abuse of state bodies, putting the burden on the shoulders of courts to intervene where equity proceedings - enough concept outlined in doctrine, legal practice and even new legislation that is projected - is broken.

More will be affected including trust and respect in the act of justice, because justice that supports law breaking by their own bodies called upon to give law to target defendants conviction can not draw any sympathy or respect.

In addition, such legislation is at risk of being born the idea that a purpose of criminal proceedings - conviction of the accused - is more important than another - maintain law and fundamental procedural safeguards, in the same sense, I think we can talk just about a breach of guarantee equality of arms in criminal proceedings, as long as the dispensation of penalty functions clearly benefit only the accuser (guarantees fair trial rights are essentially the suspect and the accused).

May be said that the new Criminal Procedure Code also brings another new, very important, inspired by the common law system: preliminary Room judge assigned jurisdiction to rule on the legality of evidence on which the notice of referral¹³, so will avoid confusion of roles currently existing, the

¹³ According to art. 2. (6): „On the legality of the act of arraignment, the evidence on which it is based and the legality solutions netrimitere trial judge acted preliminary view in the law.” Solution is similar to French. Thus, training room is the competent body during prosecution, which will decide on the termination of a document or evidence (art. 170 C.proc.pen. French).

same judge examines evidence and legality, but their merits, because resolving the issue of guilt or innocence of the accused.

With this change beneficial to the judge the case will be absolved of the burden of analyzing the legality of evidence and, importantly, in this way will see better protected impartiality for the benefit of a complete respect for the presumption of innocence and the right to a fair trial.

A problem that arises with the sanction of exclusion is whether this is implications for all parties in the criminal trial, both defense and the prosecution¹⁴, or whether the prosecution would only be affected by this penalty¹⁵. Compared to the wording of the text of the law firm (“can not be used in criminal trials”), which makes no distinction, the only conclusion is valid in the sense that neither party can rely on illegal evidence. In this way we achieved and equality of arms between the parties in criminal proceedings, none of them unable to secure an advantage in breach of the law. Furthermore, it raises the question as to when that may be invoked by this sanction: is it a legal regime similar to the invalidity Absolute Relative nullity? May be invoked at any time or only up to a procedural point¹⁶, with the consequent forfeiture of the right to invoke it? We express our agreement with the view expressed in our doctrine, under which the penalty may be invoked at any time, both the prosecution phase - a request or statement, or even

¹⁴ In this respect, G. Theodoru, op. cit., p. 348.

¹⁵ For this view, Gheorghe Matei, A new ..., accurate., P. 142. The author brings the main argument for his opinion, the reason the introduction of this text, which would be an additional guarantee of the right of defense.

¹⁶ Idem, p. 140.

a complaint, under Art. 275-278 C.proc.pen.
- And in the court - by exception.

If this penalty proceedings was cited in phase trial, we believe that the court before which was raised to proceed with the discussion of this exception, Ruling is the conclusion of the meeting, with the consequence that, if admitted her evidence that be removed from the probation on bearing conduct subsequent to the process and debate¹⁷ conclusion as an interlocutory, on they can return only if there new evidence of the apparent legality of the sample excluded.

The persons who may apply this sanction, the lack of regulatory limits, either party to criminal proceedings (including attorney) may customary for the instrument, if it proves an interest. Also, court proceedings can apply this penalty after a challenge from office¹⁸.

But evidence obtained in violation of laws that can not be used in the process may, however, provide very useful information and data indictment for prosecution of the person concerned.

In this regard, the effects of "cascade" of an illegally obtained evidence and excluded from the probation, our criminal law is silent. Missing any regulations about what happens to the data of such a declaration.

¹⁷ In our doctrine was made and the view that recovery of this exception will be achieved only when the debates, the court having on them by deliberation and decision making - Gheorghe Matei, A new ..., accurate., P. 143. This view may be, however, criticized, in that the text of art. 356 C. proc.pen., Showing what to include judicial decision refers to evidence „that have been removed, so that this text makes no evidence that removing the opportunity to deal only with deliberation.

¹⁸ Id. o. 141.

A solution is very simple to foresee as often adopt extreme positions, the exclusion of all evidence obtained directly or indirectly from evidence provided in violation of the laws, would result in blocking the investigation and the quasi-impossibility of proving the crime. Moreover, excluding only the declaration or other evidence obtained illegally would demonetazion defense rights, the principle of legality and acceptance of abuse.

The American system of common law, the doctrine operates fruit-of-IHE-poisonous-tree¹⁹, under which any evidence that comes from a flawed source is also flawed²⁰. Only that this exclusion is not automatic, but it operates only after careful consideration of the link between the two samples.

On the mainland, are quite different positions. In France²¹, it allows the Chamber of instruction that when an act or invalidate evidence obtained in violation of legal interests of a person to be totally or partially after the procedure, but this effect is left to the discretion of the court.

¹⁹ In free translation, doctrine poisoned tree fruit.

²⁰ Do not fall into this category, of course, the evidence derived from those considered to be obtained legally, as a result of public policy exception, established in *New York v. Quarles*, accurate. But the American system has a particularity: it is considered that although the declaration of the person concerned can not in any way used, the same can be said about using the new statement to check the reliability of the statements in question, which would be admissible. For example, making an incriminating statement without reading the Miranda rights that person is in principle the declaration itself useless in court, but the statement will be used to prove that the person in mind when declaring later that he was in a place other than arising from the first statement invalid.

²¹ Article 174 related to art. 206 para. (2) C.proc. pen. French.

Spain took the theories of common law's U.S. Supreme Court²² interpreting the existing rules of evidence as to impose the exclusion and exclusion of evidence derived therefrom, unless it can prove the existence of a failure of causality between evidence illegally obtained and the the conviction was based solution.

And the system adopted in Germany, following the Supreme Court case law²³, not much different than the U.S., enabling the exclusion of evidence derived from evidence obtained unlawfully²⁴, while a poisoned fruit doctrine is not established.

²² Case June 5, 1995, in s.c. Thaman, op. cit., p. 118-119.

²³ Thus, this court was faced with a case in which they were used entries made under the law, but that it appeared and the perpetration of crimes that making records was not allowed to determine the person suspected to recognize their commission. Not only that the court considered illegal entries on those facts, but it labeled the same way and obtained recognition statements, even if administered after the warning had been legal, but subsequent statements of the accused, which he found to be was influenced by records and previous statements - SC Thaman, op. cit., p. 119 ff. in another case, the same court held illegal evidence obtained by performing a search that led to the discovery of weapons and explosives, if information about their existence and location of the queries came from illegal - SC Thaman, *Miranda in Comparative Law*, Saint Louis University Law Journal vol 45, no. 2 / 2001, p. 611.

²⁴ Instead, the evidence materials, the supreme court does not show the same strict standards, assuming such use evidence obtained as a result of a search without a warrant if there was a legitimate justification for the search and whether a magistrate would be authorized one if he would be asked - SC Thaman, *Comparative ..., accurate*, p.124.

In England, the exclusion of evidence derived from illegal evidence was admitted to the practice courts in matters of self incriminating statements establishing the standard firm to exclude unconditional subsequent declarations of the crime committed is recognized and which were obtained in violation of laws²⁵.

Argentina allows the use of the benefits of statements obtained illegally²⁶, in exchange for a ban in Egypt work in this respect, subject to establish a causal link between the primary source of illicit and subsequent statements²⁷.

In our current legislation believe that without any express rules, which is not only necessary but mandatory adopted in the immediate future²⁸, the most fair solution is to

²⁵ *Regina v. McGovern*, decision of the Court of Appeal, Criminal Division, in 1990, in SC Thaman, *Comparative ..., accurate*, P. 121-122. concerned, the defendant had been heard without being allowed to be assisted by a lawyer, she showing signs of emotional imbalance. After recognition of the crime committed, the next day held a second interrogation, that date in compliance with legal requirements, but without notice to the lawyer about 1 infringement previous day. According to the Court, „when an accused has made a series of recognition of its participation in a criminal offense to a first hearing, the very fact that these recognitions were Jacute are likely to have an effect on the person during the second interrogation, therefore, if it decides how to decide this case, the first hearing was held in violation of legal rules (...) The Court considers that the subsequent query must be similarly flawed.

²⁶ C.M. Bradley, *Criminal Procedure, A Worldwide Study*, Carolina Academic Press, Durham, 2007, p. 32-33.

²⁷ *Idem*, p. 127

²⁸ Unfortunately, neither our doctrine on the matter not proper space.

eliminate all samples that are direct or indirect²⁹ consequence of illegally obtained evidence, based Legal Art. 64 para. (2) noted, which makes no distinction between illegal evidence probably used due to process or result of the other evidence derived from illegal. We can not agree with the doctrinal³⁰ proposal to distinguish between samples obtained direct evidence obtained indirectly supporting the subsequent test to be admissible, because it would open the door to possible abuses in the idea of having just a starting point, clearing content and efficiency are considered rights³¹.

Solution New Criminal Procedure Code is the purpose of excluding only direct evidence, from evidence obtained illegally, not those obtained indirectly from them. Also on the exclusion of evidence, is operating with a distinction between specific cases where the penalty is imposed and other cases where, in the absence of explicit legal terms, the exclusion of such evidence could only work conditioning. Thus, art. 100 makes the exclusion

of illegal evidence derived from meeting several conditions:

a) samples were obtained directly from the evidence obtained illegally;

b) could not be obtained otherwise than on evidence obtained illegally;

c) samples are not derived from evidence that, although illegal, are allowed to be used in criminal trials by virtue of the fact that it is not harmed fairness of criminal proceedings.

The text you proposed new code is capable of criticism. It unduly restricts the exclusion of illegal evidence and the evidence derived from unlawful, allowing them to be used only as an exception. The rule is, therefore, that the evidence derived from the illegal are admissible in the criminal! And not only is the entire category of evidence obtained indirectly from illegal evidence, but will be in the same position, and samples obtained directly from them, they could be obtained otherwise than on evidence obtained unlawfully or the illegality is not such gravity as to affect the fairness of criminal proceedings.

Does not define who must prove that the derived sample can be obtained otherwise. We believe that the sample belongs to prosecution and can not be an easy test, but must be evaluated with maximum vigor. From this perspective, the proposed legislative text that is objectionable is, by formulating it, too lenient to a particularly thorny problem of criminal probation³².

In terms of final conditions, appears to be deeply objectionable can use in criminal proceedings of evidence derived from evidence because of illegal use of torture and

²⁹ The doctrine (O. Predescu, M. Udrioiu, cit., P. 380) was referred to the notion that *sine qua non* for the subsequent illegal sample. It seems to be the most appropriate test.

³⁰ R, rent, right to silence and privilege against autoincrimination, the specification of Penal Law no. 4 / 2006, p. 66.

³¹ This reality can not be challenged: those who support the need for methods of investigation contrary to the silence and non-autoincrimination the suspect or defendant insisted on taking advantage of as much detail, information that may be subsequently recovered and developed - S. Gîfei, November tactics used in criminal investigation work in the United States of America: strategies for interviewing by analyzing returns in righteous no. 2 / 2008, p. 250.

³² In S.U.A. This problem was solved with requirements more stringent and clearer solution to be embraced in our new regulations - see *infra*.

cruel, inhuman or degrading. Although these latter samples are excluded from compulsory criminal process when primary evidence, their derivatives do not have a legal regime so strict in meeting those conditions and may be used in criminal proceedings.

In terms of final conditions, appears to be deeply objectionable can use in criminal proceedings of evidence derived from evidence because of illegal use of torture and cruel, inhuman or degrading. Although these latter samples are excluded from compulsory criminal process when primary evidence, their derivatives do not have a legal regime so strict in meeting those conditions and may be used in criminal proceedings.

Text analysis is incomplete and because he absolutely miserable implement theories of evidence obtained from independent sources (*In S.U.A. case-law were allowed two exceptions to the rule of excluding evidence derived from illegal evidence. The first concerns the situation where, although there is an initial activity unlawful procedure subsequent evidence unrelated to the activity, or the link is so attenuated that it removes the illegality. According to this theory, will be excluded statements that relate to information obtained through illegal activities by state bodies (eg, illegal searches, illegal interception, etc..) - Murray v. United States, 487 U.S. 53: Supreme Court decision June 27, 1988. The*

second exception is closely related to the first and concerns the situation where subsequent samples were inevitably found by other means, legal-in this case Nix v. Williams, 467 U.S. 431, the Supreme Court of June 11, 1984 the supreme court ruled the evidence admissible on the body of a girl, identified as a result of evidence obtained unlawfully from the suspect, considering that anyway its body was identified by thorough searches conducted by police. Importantly, however, in both cases of exception, the sample belongs to the accusation.) on our right. This theory the only evidence on which there is a causal withheld from evidence obtained. Illegally, and not those on which there may have been a causality other than the actual set. A substitute form such an examination of the concrete conditions of those with one hypothetical, abstract, imperfect, and therefore potentially abusive interpretation.

In conclusion, we can say that the institution of criminal proceedings unlawful exclusion of evidence, recently brought into our law and is projected to suffer a deep resizing, generates large problems that were not yet fully systematized the initiator of the New Criminal Procedure Code, the current form nascent project not only serious risk of incoherence and abuse, but just as serious, the Romanian state conviction by the European Court of Human Rights.

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Relationship between price and money stock in Iranian economy (1961-2008)

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Abstract: The main purpose of this paper is to investigate the relationship between money and inflation in the Iranian economy with cagan(1956) money demand function . In doing so, I have first reviewed theoretical and empirical literature of causality throughout the world and then it be used Granger's method for detecting causality between money and inflation in the Iranian economy. according to this working paper elasticity of demand for real balances in money market toward inflation for Iranian economy are approximately 0.9 and Money is exogenous reward to WPI, CPI and PPI in Iranian economy.

Key words: money stock, price indexes , Iranian economy , Causality test, stationary test.

Introduction

The concept of macroeconomic instability is widely used in the policy-oriented literature. However, this concept is almost never really defined, and seems to refer in turn to high inflation, overvalued currency, unstable real exchange rate, balance of payment deficit, or fiscal deficit, etc. Roughly speaking, everything that is going wrong in a country's macroeconomic condition is often called macroeconomic instability. It is then implicitly

entailed that what a country suffering from these ills ought to do is to implement a stabilization policy. John Maynard Keynes once said that according to Lenin there is no surer way of overturning a society than to degrade its currency. Inflationary processes, it is clear, can be very disruptive in the short run, even if they do not cause revolutions. But they also have long lasting effects. Fernand Braudel believed that price revolutions represented the strongest secular pattern in modern history. In fact, over the past eight centuries, the

world economy has experienced four major price-revolutions whose inflationary forces ultimately transformed economic and social structures. These four price-revolutions took place approximately in the late medieval period, from 1180 to 1350, after the age of great discoveries in the sixteenth-century, from 1470 to 1650, during the Industrial Revolution era, from 1730 to 1815, and during the twentieth century, from the 1890s to the 1980s. (Hackett Fischer, 1996).

The main goal of this paper is to investigate the causality between money and inflation in the Iranian economy. In doing so, we have first reviewed theoretical and empirical literature of causality throughout the world and then we used Granger's method for detecting causality between money and inflation in the Iranian economy. We then used cagan(1956) money demand function for estimating relationship between money and price in Iranian economy. Testing for Relationship between price index and money supply; in Iran economic is included of these steps:

- monthly surveing of price and money variables in 1961-2008 for Iranian economy.
- testing for stationary of price and money log variables.(according to cagan model)
- Granger causality test between price and money
- try to estimate money supply function
- try to estimate cagan model equation in limited and full information method.

Literature review

In standard economic theory, inflation is associated with money supply growth.

At equilibrium, money determines price

level and implies equilibrium in markets for other assets. At equilibrium, money demand depends primarily on income and interest rates. But there are several factors keeping money demand unstable, such as financial innovations as well expectations. Indeed, one of the major causes of the complexity in stabilizing inflation together with other macroeconomic variables is that expectations of producers, consumers and investors may play a key role in the dynamics. Indeed, investment allocations or inflation expectations are influenced by ex-ante values of the risk premia and ex-post returns are rough approximations of these. Thus, "inflationary expectation" occurs when people begin to raise prices not because of actual changes in supply or demand or cost or the size of the money supply, but out of fear that some such changes might happen. In the 1990s, when Alan Greenspan, the chairman of the US Federal Reserve, said that the U.S. was still suffering from the inflationary expectations caused by the monetary excess of the 1970s, he was directly addressing the potential for inflation caused by "inflationary expectations." When European central banks added liquidity to the gold market in an attempt to prevent an increase in the price of gold from creating concerns about a decrease in the value of the dollar, they were addressing the psychological component of price stability involved in "inflationary expectations." (D. Sornette et al; 2008)

In recent years money supply increased rapidly and some researchers thought this increase in money supply was going to translate quickly into inflation.

But inflation did not grow much and empirical evidence shows that shocks to the petrol and meat supply mainly affected

inflation (Mostafavi, 2007). In the long-run the relationship between money supply and price is very strong and their correlation is almost one. Lucas (1995) emphasized the long-term relationship between money and prices in his Nobel Prize lecture by mentioning McCandless and Weber (1995).

Indeed, as shown in Table 1, inflation in the second half of the 20th century is a global phenomenon. (Pierre L. Siklos (2000)) Even in the so-called economies in transition formerly referred to as centrally planned economies inflation has been a fixture of their experience, though a combination of subsidies and artificial price fixing produced a form of repressed inflation until the transition to market began in earnest in the 1990s. The dating of the transition is not uniform across these countries; see S. Fischer and R. Sahay (2000). Even Mainland China is not immune to the

inflation disease. The Table masks the fact that several countries, particularly in Latin and South America, have lived for decades with chronically high inflation (roughly 20% or more inflation on an annual basis). Finally, it is noteworthy that inflation continues to persist in all part of the world with the exception of the industrial countries where inflation has dropped sharply during the 1990s. Indeed, inflation among these countries is now not much higher than during the high point of the gold standard era (1900-13) when average inflation rates in the US and UK were, respectively, 1.23% and 1.22% per annum. There is some evidence that central banks with a mandate to control inflation hence the name inflation targeting has contributed significantly to this outcome (see Bernanke, Laubach, Mishkin and Posen 1999).

Table 1
Post World War II CPI Inflation in Selected Areas of the World

Country Grouping	1969-99	1991-99
	(percent per annum)	
Asia	8.90	8.34
Developing Countries	27.49	29.30
Europe	48.35 (1971-99)	79.84
Industrial Countries	5.63	2.46
Middle Eastern Countries	13.62	12.39
Western Hemisphere	80.23	92.65
Economies in Transition	41.61 (1961-89)	101.18 (1991-98)
Mainland China	9.37 (1987-99)	8.28

*Source: International Monetary Fund CD-ROM
(Washington, DC: International Financial Statistics).*

table 2. Main Episodes of Hyperinflation

Country	Year Ended	Duration (No. of Months)	Average Monthly Inflation Rate (percent)
<i>Pre-World War II</i>			
Austria	1922	11	47.1
Germany	1923	15	37.2
Poland	1924	13	81.1
Russia	1924	37	57.0
Hungary I	1924	28	46
Greece	1944	13	365
Hungary II	1946	12	2345×10^3
<i>Post-World War II</i>			
Taiwan	1949	17	30.7
Bolivia	1985	18	48.1
Peru	1989	8	48.4
Yugoslavia	1989	4	50.9
Poland	1990	4	41.2
Brazil	1990	4	68.6
Argentina	1990	11	66.0
Ukraine	1993	14	1024
Georgia	1994	13	44.1
Zaire	1994	36	665

Source: Pierre L. Siklos (2000)

The relationship between inflation and the demand for money has been investigated extensively, and several studies have focused on money demand during periods of hyperinflation. Perhaps the most famous is Cagan(1956) study of the inflationary circumstances in the countries of post-World War II Europe, including Germany, Austria, Hungary, Greece, Poland, and Russia.

Asilis, Honohan, and McNelis (1993) provide a similar study of hyperinflation and money demand in another Latin American country, Bolivia.² Between 1980 and 1985, Bolivia experienced inflation comparable to that of Peru. These authors examine this five-year period of hyperinflation in which Bolivian inflation rates reached nearly 20,000 percent and the three-year stabilization period that followed. As in the Cagan study, money demand depended on the inflation rate during the Bolivian hyperinflation, but two other factors were also involved the degree of uncertainty that people felt about

future inflation, and the amount of money they had held in the previous period. Jones and Uri (1987) used three econometric methods to examine causality between money and inflation in the USA during the period 1953-1984. Failing to find a clear causal direction, they concluded that the broadly money stock does not determine inflation, though the effect of narrow money on inflation was suggested. Anderson et al (1988) reexamined Cagan's model for two hyperinflation cases, Greece (1943-44) and Hungary (1945-46). They find evidence in favour of a one-way causality from inflation to money growth. Makinen and Woodward (1989) studied hyperinflation in Taiwan. Their empirical findings show that while causality from money growth to inflation is countered, causation in the opposite direction cannot be ruled out. This implies a unidirectional causality from inflation to money. Lahiri (1991) studied causality in Yugoslavia and concluded that there is a bidirectional causal relationship between money

and inflation. Beltas and Jones's (1993) investigated causality between money, (M1 and M2), and inflation using the Granger methodology in Algeria for the period 1970-1988. Their conclusion was a unidirectional causality from money to inflation. Choudhry (1995) applied a causality test between money stock and inflation in Argentina during the period 1935-1962. He concluded that there was bi-directional causality between aggregate real money and inflation both in the long period and in short period exists. Kamas (1995) tested the impact of money on inflation in Colombia with a crawling pegged exchange rate. Using a VAR model, Kamas proved that domestic money has little role in changing for inflation, while income has much effect in inflation. Cointegration techniques are used by Ahumada (1995) to reexamine a monetary model on monthly data for Argentina over the period 1978-1991. His results suggest a long-run relationship between money and inflation, however, in order to test the monetarist contention that money determines inflation, he used weak exogeneity tests but the results of his tests showed there to be no evidence for the monetary argument. This in turn means that money appears to grow passively.

Nell (1999) studies causality between rate of change of money (gM3) and inflation using Pesaran et al (1996) methodology in South Africa over the period 1966-1997. He deflated inflation by CPI, GDP, and GDE separately, and he further applied two types money: gM, and excess money (egM). Nell concluded that both types of money cannot cause inflation in South Africa, and it has merely been passive in the inflationary process. The only exception was the causality between egM and inflation, which there was a bi-directional causality between them. In

general, the empirical findings of the different studies tend to suggest that endogeneity of money supply cannot be rejected, implying that governments often allow money supply to act as an endogenous variable. A second approach in the empirical literature has been testing Cagan's model adequacy or a variant of it in describing the demand for money in Brazil as in Phylatkis and Taylor (1993) Engsted (1993 a), Rossi (1994) or a variant of it as in Feliz and Welch (1997) and Tourinho (1996). Whilst most of the evidence in this strand has been favourable to the Cagan model, its relatively simplicity in describing the money demand as a function of expected inflation does not allow a more detailed analysis of the long run relationships present in the sector. The Cagan model was proposed originally to describe short periods of high inflation rates, whereas the history in Brazil has showed a different phenomenon, namely high inflation being questionable its use in modelling empirically the money demand. Furthermore Phylatkis and Taylor (1993) and Engsted (1993 a) concentrated their attention to a period where actually inflation rates were moderate with both samples ending in 1986 when the Brazilian economy experienced the first stabilization plan. Such restriction is present also in other papers that devoted to study the Brazilian case as Juselius (2002), Durevall (1998), Feliz and Welch (1997), all of them imposing 1986 as the ceiling point in the sample length. The findings in Juselius (2002) of a stable liquidity ratio and a long run relationship where prices grow less than proportionally to the expansion of M3, only reinforces the argument that simply testing the adequacy of the Cagan model to the money demand in Brazil and arguing that it adequately describes the

data, is a procedure that leaves out subtle economic relationships which could only be explored in a deeper econometric analysis.

An interesting conclusion can be drawn from the article by Dwyer and Hafer (1999). These authors compare the relation between average money growth and average inflation rate in two periods, 1987–1992 and 1993–1997. In the second period, the average inflation rate (across all countries in the sample) is lower. The reduction in the average inflation rate leads to the creation of two horizontal clusters of observations close to the origin. Thus, the weakening relation between money growth and inflation, as we progress towards zero money growth, may be associated with the average money growth of a country.

The second type of empirical study uses single country time-series analysis. Within this class of studies, an initial approach has been to analyse the long-term quantity theory relationship after transforming time series into the frequency domain. Representative papers are Lucas (1980) and Fitzgerald (1999). These studies tend to confirm the proportionality prediction of the quantity theory, although their methodology has been criticised by McCallum (1984) and Rolnick and Weber (1995). McCallum (1984) warns us that associating high-frequency time series with long-run economic propositions is not always warranted. More recently, researchers have adopted another—more satisfactory approach in analysing the time-series properties of inflation, output and money. In this context, the empirical studies using the P-star model should also be mentioned. This model, suggested by Hallman, Porter and Small (1991), was further explored by Vega and Trecroci (2002) and Gerlach and Svensson (2004); see also Jansen (2004) for a recent exposition. The

P-star model may be regarded as a modern monetarist approach to modelling inflation. It starts by defining the price gap as the difference between the price level and the long-run equilibrium price level, which is implied by the long-run quantity relation. The model then specifies a direct effect from the lagged price gap and the current price level. Studies designed to test the QTM using data on one or a few countries (the second group) often overlap with the third type of studies very long-term historical analyses of the relation between money and prices, or investigations of this relation over a particular period in the past. One such long historical analysis was carried out by Smith (1988), who explores the relation between money and prices in the British colonies. (Grauwe, 2005)

Theoretical Background

It has become standard to use the cagan (1956) model in empirical analyses of high inflation. The model postulates that the demand for real balances is solely determined by the expected rate of inflation:

$$m_t - p_t = \alpha - \beta(E_t p_{t+1} - p_t) + u_t \quad \beta > 0 \quad (1)$$

Where m_t is the logarithm of nominal money, p_t is the logarithm of the general price level (in this working we assume producer price index PPI for price level index), $E_t p_{t+1}$ is the expected future price level and α , β are parameters (β is the semi elasticity of demand for real balances). u_t is a stochastic variable which represents shocks to money demand or velocity. In this paper u_t is usually assumed to follow a random walk: $u_t = u_{t-1} + \varepsilon_t$ is white noise.

The simplifying assumption to make is that of instantaneous clearing in the money

market, so that money demand is always equal to money supply. By making this assumption, equation (1) becomes a dynamic relation which determines the price level as a function of money supply and expected future prices:

$$p_t = (1-b)(m_t - \alpha) + bE_t p_{t+1} - (1-b)u_t, \quad b = \frac{\beta}{1+\beta} \quad (2)$$

What needs to be specified in order to close the model is how to expectations of the future price level are formed. If expectations are formed rationally, equation (2) can be solved recursively forward to give:

$$p_t = (1-b) \sum_{i=0}^{n-1} b^i E_t (m_{t+i} - u_{t+i} - \alpha) + b^n E_t p_{t+n} \quad (3)$$

The interesting point about equation (3) is that it, in general, involves multiple solutions. The *fundamental solution* F_t is obtained by assuming that:

$$\lim_{n \rightarrow \infty} b^n E_t p_{t+n} = 0 \quad (4)$$

Where by equation (3) becomes:

$$p_t = (1-b) \sum_{i=0}^{n-1} b^i E_t (m_{t+i} - u_{t+i} - \alpha) \equiv F_t \quad (5)$$

In this solution the price level is uniquely determined by the discounted value of expected future money supply and velocity shocks. If instead, the price level is expected to grow at a rate that exceeds the discount factor b , the transversality condition (equation 4) is violated, and the solution becomes:

$$p_t = F_t + B_t \quad (6)$$

Where B_t is found as the homogeneous solution to equation (2): $E_t B_{t+1} = b^{-1} B_t$.

B_t is the rational bubble component and reflects the situation where the price level is driven by self-fulfilling expectations, independently of market fundamentals.

The basic idea of this working paper

is to estimate the underlying model (cagan money demand function) using two different techniques; a limited-information technique, for example, the instrumental variable technique proposed by McCallum (1976), and a full-information technique. Since the limited-information estimator does not depend on any transversality condition (like equation (4) in the cagan model), it gives consistent estimates of the parameters even in the presence of bubbles. On the other hand, the full-information estimators rely on a transversality condition when using information on the process which generates the fundamentals variable and therefore, only gives consistent estimates in the absence of bubbles. With the cagan specification (equation 1) as the underlying model, cagan equation can be calculated by estimating the following three equations:

$$p_t - m_t = -\alpha(1-b) + b(p_{t+1} - m_t) - (1-b)u_t + e_{t+1} \quad (7a)$$

$$m_t = \varphi_0 + \varphi_1 t + \dots + \varphi_n t^n + \Theta_1 m_{t-1} + \dots + \Theta_q m_{t-q} + v_{1t} \quad (7b)$$

$$p_t = \mu_0 + \mu_1 t + \dots + \mu_{1n} t^n + \mu_{21} m_t + \dots + \mu_{2q} m_{t-q+1} + v_{2t} \quad (7c)$$

Equation 23a is obtained from equation 1 by setting b equal to $b = \frac{\beta}{1+\beta}$,

rearranging terms, and replacing $E_t p_{t+1}$ by p_{t+1} , where by an expectations error e_{t+1} is created which, under the assumption of rational expectations, has zero mean and is serially uncorrelated. Equation 7b is the stochastic process for the fundamental variable m_t (where deterministic trends are allowed for). This process can be thought of as a money supply rule and or a forecasting equation for the money supply. Equation 7c is a closed form relation for the price level as a function of market fundamentals.

This equation can be derived explicitly from the Cagan model (equation 5) when the

transversality condition (equation 4) is imposed. By substituting for the infinite sum in equation (5) from the forecasting equation (equation 7c), equation 7c is obtained, where the parameters $(\mu_1, \mu_2, \dots, \mu_{2q})$ become complicated functions of α, β and the parameters in equation 7b. Equation 7b can be estimated by OLS. Since p_{t+1} is correlated with the error term, an instrumental variable technique must be applied in estimating equation 7a. By choosing the variables on the right-hand side of equation 7b as instruments, a two-stage least-squares estimation of the parameters in equation 7a is obtained. Since contemporaneous error term in equation 7a will generally exhibit MA (1) – behavior, which has to be taken into account in calculating the standard errors of the estimates. In estimating equation 7c it is important to distinguish between the case where m_t is allowed to be endogenous, as noted by Casella (1989). If equation 7b is viewed as the true structural equation describing money supply, m_t is, in effect, exogenous with respect to the parameters in equation 7c, which can then be estimated by OLS. If instead there is a feedback from prices to money, equation 7b must be seen as a univariate approximation to the true money supply process, in this case v_t will be correlated with contemporaneous and lagged u_t because information on past and present prices can improve forecasts of future money supply. This in effect, makes v_{2t} serially correlated and also correlated with m_t in equation 7c; so, instrumental variable techniques have to be applied in estimating equation 7c. A natural choice of instruments is. As before, the right-hand-side variables in equation 7b. By estimating the three equations in the way described, two different estimates of the parameters α and β are obtained: the

limited-information estimates from equation 7a, and the full-information estimates from equations 7b and 7c.

Paper Content

The data which will be used in this study are monthly observation on price indexes¹ (PPI, CPI, WPI) and money supply index² (M1). According to CBI (1993-2009) Table 3 and graphs (1)-(4) show characteristic growth of these variables, for Iran economic in period of 1961-2008.

Stationary test for price and money

A preliminary time-series analysis on the data (logarithmic form) using unit root test was conducted. According to Augmented Dickey Fuller (ADF), The result shows that the growth rate of money m for Iran can be approximated as stationary around a linear deterministic trend. This probably also holds for the inflation rate. (table 4, 5).

Money supply process in Iranian economic

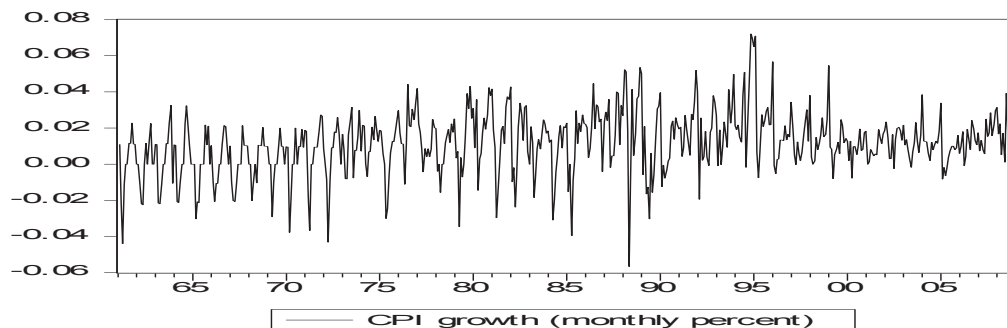
As a first step, univariate stochastic processes for the money supply were estimated. As described earlier, a preliminary time-series analysis showed that the growth rate of money is most likely to be regarded as stationary around a linear deterministic trend. Therefore, AR-processes for the first difference of m_t were estimated, where a constant term and a trend are including among the regressors. With this specification it turns out that a simple AR (1) for Δm_t is sufficient to capture the dynamics of the money supply in Iran economic: (table 6)

$$\Delta m_t = \varphi_0 + \varphi_1 t + \Theta \cdot \Delta m_{t-1} + v_{1t} \quad (8)$$

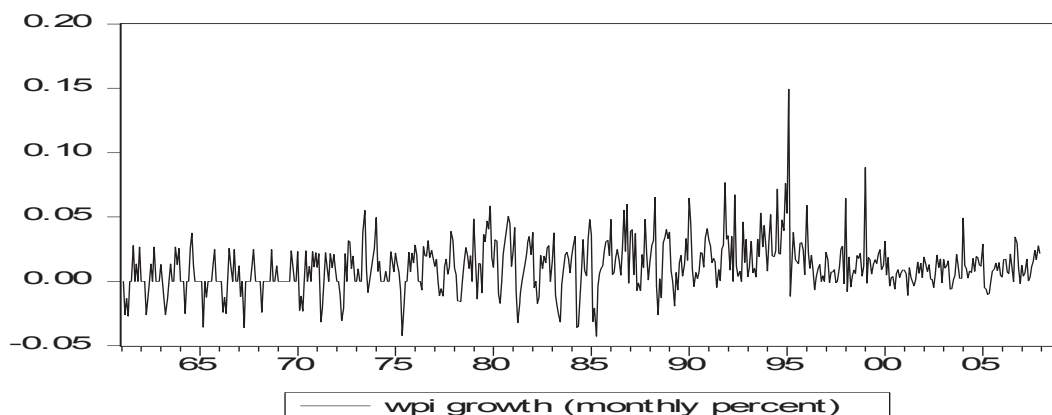
¹PPI: Producer Price Index, CPI: Consumer Price Index, WPI: Whole Price Index

²M1: M1=CU+DD (first explanation of money)

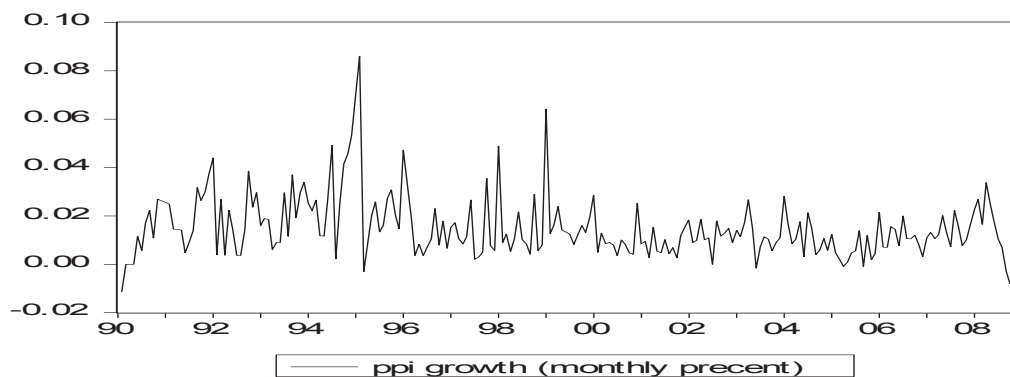
Graph1. monthly growth rate of CPI in Iran (1961-2008)



Graph2. monthly growth rate of WPI in Iran (1961-2008)



Graph3. monthly growth rate of PPI in Iran (1990-2008)



Graph4. monthly growth rate of Money (M1) in Iran (1961-2008)

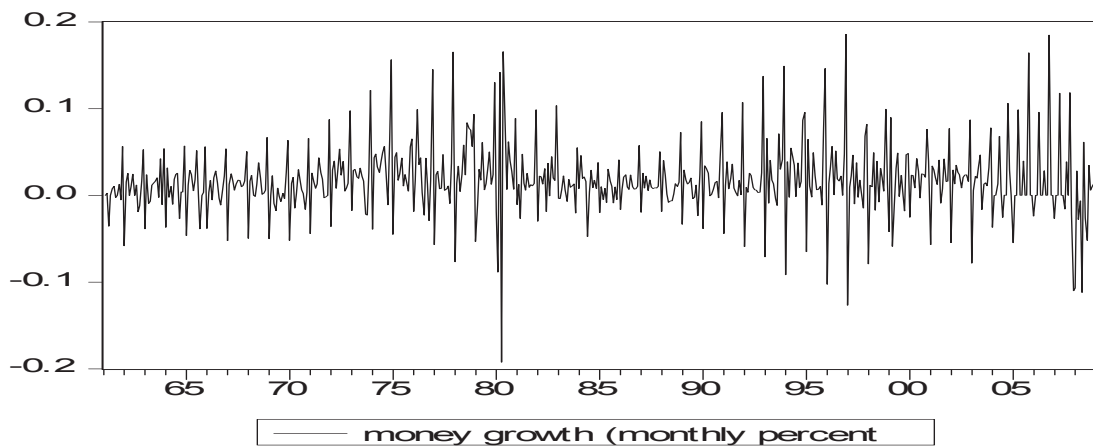


Table 3. money and price monthly growth in iran

Variable symb.	variable	Sample	Obs	max		min		mean	Jarque-Bera st	Prob of J-B
Gcpi (%)	Consumer price index growth	1961:02 2008:12	575	0.0720	11/94	-0.056	5/88	0.0112	56.244	0.0
Gwpi (%)	Whole price index growth	1961:02 2007:12	575	0.1493	2/95	-0.042	4/85	0.0112	720.608	0.0
Gppi (%)	Producer price index growth	1990:01 2007:12	216	0.0860	2/95	-0.007	10/208	0.1487	460.471	0.0
Gm (%)	Money supply (M1) growth	1961:02 2008:12	575	0.1856	12/96	-0.192	4/80	0.0168	437.521	0.0

Cagan model estimation for Iranian economic

The next step is to estimate the Cagan model using a limited-information procedure and a full-information procedure.

Because of the non-stationary of p_t and m_t and the assumption that the velocity

shock u_t follows a random walk, equation 7a is estimated an first- difference form:

$$\Delta(p_t - m_t) = b\Delta(p_{t+1} - m_t) + \delta_t \quad (9)$$

Where $\delta_t = -(1-b)\varepsilon_t + \Delta e_{t+1}$ is the composite disturbance term exhibiting MA (1)- behavior. The standard error of b is corrected for heteroscedasticity and first-order autocorrelation using the Newey and West

(1987) correction. Table 7 contains the results of estimating equation 9 for Iran economic. The Cagan model with rational expectations cannot be rejected by the data. In this case (IRAN) the parameter estimate of b lies between 0 and 1, which is necessary in order to get a negative elasticity of money demand with respect to expected inflation.

Unrestricted estimation of closed-form Cagan- model under rational expectations

Turning to the full-information estimation of the Cagan model under rational expectations, it is necessary to derive the parameter restriction formula in Hansen and Sargent (1980) for the auto regressive parameters, and West (1989) for the deterministic terms, one gets the following closed form expression for the price level when the Cagan model constitutes the underlying model, the transversality condition (equation 4) holds and equation (8) characterizes the money supply process:

$$p_t = \frac{b\left\{\varphi_0 + \left[\frac{\varphi_1}{1-b}\right]\right\}}{(1-b)(1-\Theta b)} - \alpha + \frac{b\varphi_1}{(1-b)(1-\Theta b)}t + m_t + \frac{\Theta b}{1-\Theta b}\Delta m_t + v_{3t} \quad (10)$$

Here v_{3t} is equal to u_t if money is exogenous, and equal to u_t plus some noise which is autocorrelated and correlated with m_t , if money is endogenous. Because of the non-stationary of p_t and m_t , equation (10) is estimated in first-difference form:

$$\Delta(p_t - m_t) = \mu_{11} + \mu_{21}\Delta m_t + v_{3t} \quad (11)$$

Where v_{3t} is equal to ε_t if money is exogenous, and equal to ε_t plus noise correlated with Δm_t if money is endogenous. μ_{11} and μ_{21} then obey the following restrictions:

$$\mu_{11} = \frac{b\varphi_1}{(1-b)(1-\Theta b)}, \quad \mu_{21} = \frac{\Theta b}{1-\Theta b} \quad (12)$$

In the former case OLS will give consistent parameters when equation (4) holds, but in the latter case Δm_t needs to be instrumented in order to obtain consistency. The instruments chosen are the right-hand-side variables in equation (8). Since v_{3t} is not necessarily white noise when money is endogenous.

Table4. ADF test non-stationary of variables money stock for Iranian economic

Variable	Sample	Lags	MC Kinnon critical point ()	Dickey-fuller statistic	Result
LOGM1*	1961:02 2008:12	3	-3.97	-1.86	Non-stationary
D(LOGM1)**	1961:02 2008:12	2	-3.97	-10.98	stationary
LOGM1	1990:02 2008:12	3	-3.46	-2.18	Non- stationary
D(LOGM1)	1990:02 2008:12	4	-3.46	-8.08	stationary

*(logarithm of M1)

** (first difference logarithm of M1)

Table5. ADF test non-stationary of price index variables for Iranian economic

variable	Sample	lags	MC Kinnon critical point ()	Dickey-fuller statistic	result
LOGPPI	1990:06 2008:12	4	-3.46	-3.25	Non-stationary
D(LOGPPI)	1990:06 2008:12	4	-3.46	-4.95	stationary
LOGCPI	1961:06 2008:12	4	-3.44	3.15	Non- stationary
D(LOGCPI)	1961:02 2008:12	4	-3.44	-10.98	stationary
LOGWPI	1961:05 2007:12	3	-3.44	2.49	Non- stationary
D(LOGWPI)	1961:06 2007:12	3	-3.44	-10.22	stationary

Table 6. Estimation of money supply processes

Estimation method: OLS											
Index	sample	Obs	φ_0	φ_0 t-stu- dent	φ_1	φ_0 t-student	Θ	Θ t-stu- dent	R ²	DW	F
M1	1961:01 2008:12	574	0.01	5.62	0.00000546	1.18	-0.25	-6.21	0.06	2.06	19.42
M1	1990:01 2008:12	226	0.02	4.73	-0.0000757	-1.68	-0.23	-3.56	0.05	2.07	7.29

Table7. Limited-information estimation of cagan model under rational expectations using McCallums instrumental variables technique.

Price Index	Money Index	Sample	Observation	Estimation method	Independent Var. coef. ()	T statis- tic ()	R ²	DW
PPI	M1	1990:02 2008:11	226	OLS	0.99	50.09	0.91	2.80
WPI	M1	1961:02 2007:11	562	OLS	0.91	42.96	0.76	2.80
CPI	M1	1961:02 2008:11	574	OLS	0.97	58.15	0.85	2.50

Table8. Causality test between money and price indexes in Iran(1961-2008)

Sample	Null hypothesis	F	Probability of null-hypothesis acceptance	result
1961:01 2008:12	$dLogWPI \xrightarrow{NO} dLogM$	2.59	0.12	Money is exogenous reward to WPI
	$dLogM \xrightarrow{NO} dLogWPI$	4.97	0.0	
1961:01 2008:12	$dLogM \xrightarrow{NO} dLogCPI$	8.55	0.0	Money is exogenous reward to CPI
	$dLogCPI \xrightarrow{NO} dLogM$	2	0.13	
1990:01 2008:12	$dLogM \xrightarrow{NO} dLogPPI$	3.87	0.02	Money is exogenous reward to PPI
	$dLogPPI \xrightarrow{NO} dLogM$	0.14	0.86	

Table 9 ; Unrestricted estimation of closed-form Cagan- model under rational expectations in Iranian economy.(1961-2008)

Price Index	Money Index	sample	Observation	Estimation Method	μ_{11}	T statistic μ_{11}	μ_{21}	T statistic μ_{21}	\bar{R}^2	DW	F
PPI	M1	1990:03 2008:12	226	OLS	- 0.001	-0.82	- 0.51	-17.25	0.56	1.47	297
WPI	M1	1961:03 2007:12	562	OLS	- 0.005	-4.69	- 0.52	-26.6	0.55	1.65	709
CPI	M1	1961:03 2008:12	574	OLS	- 0.004	-4.23	0.52	-28.39	0.58	1.41	806

Causality test between money and price

Since the question of whether money is exogenous or endogenous is rather crucial for the conclusions, a simple test for feedback from prices to money using Granger-causality tests was made. F tests for the hypothesis is that the inflation rate does not Granger-cause money growth. As can be seen, this hypothesis is not rejected for Iran at a standard 5% level of significance.(see table 8)

The results of estimating equation (11) are showed in table 8. according to this test,

Money is exogeneity of money reward to price in Iranian economic, Unrestricted estimation of closed-form Cagan-model under rational expectations for Iranian economic is showed in table9.

Conclusions

In this paper it has been examined whether prices in producers levels were partly driven by self-fulfilling rational expectations during (1990-2007) in Iran. According to this working paper the conclusions of this paper are:

a) Price and money logarithm variables

are follow a non-stationary process in 1961-2008 and the first difference of these variables are follow a stationary process.

- b) Elasticity of demand for real balances in money market toward inflation

for Iranian economy for Iranian economy are approximately 0.9

- c) Money is exogenous reward to WPI,CPI and PPI in Iranian economy.

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