Indian Management Research

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Against the original agreement of IMF that envisaged it as an institution providing temporary balance of payments assistance, countries have been found receiving financial support from the Fund over a protracted period of time, running into many years. This prolonged use of IMF resources has been a subject of considerable concern for a number of member countries. This article provides a detailed analysis of the phenomenon, assessing the extent to which it is a problem and drawing on available empirical evidence to isolate the causes of prolonged use. In defence of the prolonged Fund resource use, it is argued that balance of payments adjustment is a long-run process and that as a balance of payments institution, it is reasonably logical that the IMF supports the adjustment process. Those who consider this as a problem emphasize that the quasi-permanent nature of IMF’s involvement is actually inconsistent with the Articles of Agreement, besides being a failure in achieving the objective of instilling sustainability into the balance of payments. It is also stated to encourage dependency impeding domestic institution building. An evaluation of this phenomenon reveals a tendency for prolonged users to experience weak export growth, a higher incidence of terms of trade shocks, and a higher export share of primary products. Three sets of policies are suggested for strengthening the balance of payments, making the Fund’s contribution effective, and for improving the design and effectiveness of IMF programmes across the board. It is, however, realized that unless the Fund concentrates exclusively on emergency lending, or withdraws from lending altogether, the prolonged use of its resources is going to remain as a permanent feature of its operations.


Microfinance programmes are now a key element of poverty alleviation strategies. Repayment performance is a key factor for donors and international funding agencies on which MFIs depend for their access to funds. The main factors influencing repayment are either related to information asymmetries, to adverse shocks affecting the borrower, or to the low performance of institutions. This paper presents a comprehensive analysis of the repayment performance of microfinance institutions and its determinants with a special focus on the impact of group lending, non-financial services, and dynamic incentives on repayment performance. It tests the explanatory power of the theoretical models that attribute the performance of MFIs in terms of repayment to the use of such financial innovations. The author questions the adequacy of loan allocations based on the comparison of the determinants of the repayment performance to the determinants of the loan size. An objective repayment variable, i.e., a repayment variable based on the declaration of the borrower is used to study the endogeneity problem of the principal of the loan. The results suggest that the provision of non-financial services has a positive impact on repayment performance. Moreover, MFIs are found to allocate larger loans to borrowers as the age of their borrowing group increases. The age of the group is also found to have a negative impact on the repayment. This raises the need to develop new incentives for experienced borrowers to avoid decreasing repayment performance and negative domino effects as the clientele of the MFI becomes more mature, the author suggests.


This paper examines the impact of the structure and governance mechanisms of Japanese venture capital (JVC) firms on risk management approaches. An agency model of the relationship between the JVC firm and the managers is developed to understand what factors drive these managers to select from the two approaches—direct managerial monitoring or portfolio diversification—to manage their firms’ investment risks. Unlike the US venture capitalists that use direct monitoring to gain private information in order to maximize returns, JVCs have traditionally used portfolio diversification to manage investment risks. However, in recent years, JVCs have used a mix of different strategies, including direct managerial monitoring. From agency theory, it is hypothesized that corporate affiliation, compensation schemes for investment managers, and management equity ownership determined the choice of risk management approach. While contrary to the hypothesis, corporate affiliation was statistically not related to risk management approaches, other important managerial incentive-based hypotheses were supported. Thus, both performance-based pay and managerial ownership were positively related to direct managerial monitoring while managerial ownership is negatively related to portfolio diversification. Therefore, the venture capitalists should be as concerned about the structure of their incentive systems for their fund managers as they are for their investee-firm entrepreneurs. The agency approaches operating in the Japanese relational exchange context are particularly useful for modeling governance problems resulting from information asymmetry, unequal risk bearing, and uncertain cash flows, the authors conclude.


Theoretically, activity-based costing is considered ideal for managing a company’s limited resources. However, many companies abandoned it as they found it too expensive to build and maintain, besides being unable to capture the complexity of their operations, and taking too long to implement. This paper lays out a new approach that takes care of these difficulties traditionally associated with large-scale ABC implementation. The root of the problem with ABC lies in the way people traditionally construct ABC models. It involves surveying employees to estimate the percentage of time they spend on the three activities—processing orders, handling inquiries, and performing credit checks—and then assign the department’s resource expenses according to the average percentage obtained from the survey. In the revised version of the approach—time-driven ABC—managers directly estimate the resource demands imposed by each transaction, product, or customer rather than assign resource costs first to activities and then to products.
or customers. For each group of resources, estimates of only two parameters are required: the cost per time unit of supplying resource capacity and the unit times of consumption of resource capacity by products, services, and customers. The new approach also provides more accurate cost-driver rates by allowing unit times to be estimated even for complex, specialized transactions. It thus offers a transparent, scalable methodology that is easy to implement and update, providing managers with meaningful cost and profitability information, quickly and inexpensively, conclude the authors.


Companies in general believe that a large percentage of a product’s costs are locked in by design and that not much can be done to reduce the cost once the item enters the manufacturing stage. This belief has shaped many cost management programmes across diverse products’ life cycles. Because of it, firms often focus on cost reduction during the design phase and cost containment during manufacturing. To test this assumption, in-depth observations were conducted for a specific product, the new Stylus Zoom, a point-and-shoot compact camera at the consumer-products division of Olympus Optical Co Ltd. The product was being developed during a period of yen appreciation, which placed considerable pressure on the company to reduce costs even more aggressively than usual. Contrary to the assumption, the research found that Olympus is able to manage costs throughout a product’s life cycle. For the purpose, the company deploys five major techniques: target costing, product-specific kaizen costing, general kaizen costing, functional group management, and product costing. The company applies various cost management techniques in an integrated manner with the outputs of some techniques acting as inputs to others, thereby increasing the programme’s overall effectiveness. Although the exact nature of the programme, the techniques deployed, and the way they are applied and integrated would vary at different companies, the authors recommend Olympus’ programme as a model of general concepts for other organizations, particularly those competing aggressively on cost.


Hostile bids are unsolicited offers that challenge the strategic direction and leadership of the company. Although executives universally accept the goal of maximizing their company’s shareholder wealth, it becomes difficult for them to pursue this goal when a firm faces a hostile takeover. The critical challenge for executives, therefore, is to determine—in anticipation of attacks on their firm—which defense strategies will best fortify stockholder investments. To provide a basis for determining recommendations, this article reviews the motivations for hostile takeovers, discusses the effects of popular defenses, and showcases several high-profile takeover bids. All this would have to be designed to provide executives with well-reasoned and empirically supported evaluations of the major strategies they can use to maximize shareholder wealth. Takeover bids could be motivated by the intention of expanding horizontally or vertically, diversifying into related or unrelated product markets, pursuing undervalued resources, or manipulating financial indicators. Since they offer stockholders a premium for their shares, hostile defenses are sometimes viewed as barriers to increased shareholder wealth. This paper discusses two categories of anti-takeover strategies: preventive and reactive. The preventive defenses are proactive steps taken by the executives to make the firm less attractive and include measures like poison pills, both with flip-over rights and flip-in options, corporate charter amendments, and golden parachutes. Reactive steps, on the other hand, are enacted once a hostile attack has begun and include options like litigation, greenmail, standstill agreements, and capital structure changes. Since these defenses are largely free from the specter of self-serving executive motivation, they enhance the alignment between the company’s stockholders and their leaders, thereby adding to the prospects of success for the firm.

Marketing Management


Stealth marketing represents the latest in a long line of marketers’ attempts to present a new product or service by cleverly creating and spreading “buzz” in a surreptitious manner. The main objective is to get the right people talking about the product or service without appearing to be company-sponsored. It is softer and more personal than traditional advertising and is hence considered to be a viable alternative to conventional advertising. This article examines the reasons why stealth marketing is growing increasingly popular and discusses the different types of stealth marketing techniques, the strengths and weaknesses of stealth marketing and the role it will play in future. The factors contributing to the diminishing effectiveness of advertising include the growing criticism of the advertising industry in general, the difficulty in tracking down vast and fragmented potential customers, and the advent of personal television recorders or digital video recorders. The six main types of stealth marketing techniques are viral marketing, brand pushers, celebrity marketing, bait-and-tease marketing, marketing in video games, and marketing in pop and rap music. Overall, viral and real-life stealth marketing campaigns excel in generating awareness and creating interest while celebrity, bait-and-tease, and videogame marketing are also effective in the evaluation stage. While stealth marketing is perceived as an innovative way to get a brand to stand out in a crowded marketplace, some critics claim that they are pushing the commercial envelope. Yet, large advertisers are embracing the concept of stealth marketing, seeing a powerful role for it in the future.


Different tools have shaped the theory and practice of marketing from time to time. As we enter the marketing age of the ubiquitous network, the future of business is being shaped by the interplay of strategic thinking and network technology advances, affecting company, supplier, and customer
interactions in the production and consumption of value and creating an entirely new toolbox that will change marketing forever. The authors call this as “U-commerce” and the new arena of marketing, as the “U-space.” This paper discusses the nature of U-commerce, and includes the concept of U-space to introduce new actions and definitions of marketing for the new century, and finally discusses the implications of U-commerce for marketing managers. U-commerce is founded on doing business at the speed of light. Ubiquitous networks have the effect of making time and space variable for individuals by making them unique under some conditions and universal under others. The interaction between the different dimensions permit the attainment of one or more of four different marketing objectives: amplification, attenuation, context, and transcension. In fact, U-space delineates four types of commerce, or potential interactions between the organization and its customers: the hyper-real, the post-human, the matrix, and the node. The belief is that in the long-term, ubiquitous information technology will change marketing; in fact, U-commerce has the potential to change everything. It is perhaps the ultimate killer the authors conclude.


Firms normally follow three branding strategies: corporate, house of brands or mixed branding. While corporate branding entails strategies that solely use the corporate name on products, the house of brands describes strategies that use individual brand names. On the other hand, mixed branding occurs when a firm uses corporate names for some and of its products and individual names for others. This paper assesses the effectiveness of these branding strategies on the intangible value of a firm. To investigate this relationship, the authors use five-year data for a sample of 113 US firms, classify companies’ manifest branding strategies and combine the data with financial data. The study also examines if advertising expenditures interact with the relationship between the intangible value of a firm and the type of its manifest branding strategy. In addition to branding strategy, the intangible assets of the firm are affected by several firm-specific factors. Variables such as age of firm, operating margin, leverage, advertising expenditures, and focus reflect the firm’s previous operations. Similarly, R&D expenditures, acquisitions, industry characteristics, and competition affect future growth. The analysis controls for these variables and uses Tobin’s q ratio—the ratio of the market value of the firm to the replacement cost of the firm’s assets—to measure the intangible assets. The primary results suggest that corporate branding is more positively related to the intangible firm value than are house of brands and mixed branding. It is argued that a firm’s manifest branding strategy largely depends on various corporate decisions, such as mergers and acquisitions, global expansion, and the selection of which business fields to compete in.


A common strategy used by manufacturers and retailers for conveying price image is to offer a price-matching guarantee that promises to match competitors’ lower prices. Unlike typical price promotions, they do not advertise a price reduction. Instead, they promise to match or beat a competitor’s lower price and refund on providing evidence of lower price by the consumers. This paper examines how market level factors impact the effectiveness of price-matching guarantees as a signal of low store prices. Specifically, a price-matching guarantee is examined within the context of a signaling game characterized by information asymmetry between firms and consumers about overall store prices. Signaling theory is based on the premise that marketplace competition is driven by the interaction between sellers and buyers. The effectiveness of a price-matching guarantee as a signal of low store prices thus depends on market conditions. Assuming that both firms and consumers are rational and capable of interpreting each other’s moves, signaling theory is used to identify market conditions under which price-matching guarantee are and are not effective signals of low store prices. The hypotheses are tested empirically in a survey and two experiments. The results show that the effectiveness of price-matching guarantees depends on consumer beliefs about the extent to which disciplinary mechanisms operate in the marketplace. While characteristics of the buyer need to be considered in deciding whether or not to offer a price-matching guarantee, the retailers also need to consider the competitive environment before assuming that such guarantees will be effective signals of low price, the authors suggest.


Grocery retailers operate in a competitive environment that includes other retail formats, in particular mass merchandisers. The overlap in their product offerings poses a threat to the grocery retailers prompting consolidation and strategic changes among them. This paper reports an empirical study of household shopping and packaged goods spending across retail formats—grocery stores, mass merchandisers, and drug stores—to assess the competition between them and to explore how the retailers’ assortment, pricing, and promotional policies, as well as household demographics, affect shopping behaviour. An econometric model is estimated incorporating consumer decision about both “where to shop” and conditional on shopping, “how much to spend.” The former is modeled as a binary choice for each store chain, which is correlated across chains while the conditional spending decision at each store chain is modeled as a continuous variable and also correlated across chains. Consumer expenditures are found to respond more to varying levels of assortment (in particular at grocery stores) and promotion than price. The analysis does not show a direct substitution relationship, despite the overlap between the products sold at mass merchandisers and the traditional grocers. Households that prefer to spend more at grocery stores also prefer to spend more at mass merchandisers. Moreover, the negative preference correlations for patronage and conditional spending between grocery retailers suggest that substitution within the grocery format is much stronger than substitution between grocery and non-grocery formats.

Consumers often have difficulty in linking advertising messages to brand names, particularly in highly competitive advertising environments. This study is specifically concerned with the role of one executional factor in strengthening the association between the brand name and consumers’ reactions to advertising—the temporal placement of the brand name within television advertising. The empirical issue that is addressed in the study is whether it is more effective to introduce the advertised brand at the beginning of a television spot or to withhold it until the end of the spot. Theoretically, executional decisions regarding brand-name placement could be driven by the nature of the ad. The network model of memory and related theories of associative learning to advertising suggest that placing the brand name at the beginning of an advertising execution should increase its effectiveness, without specifically requiring an involvement or attentiveness on the part of the viewer. An experiment was conducted with 244 undergraduate business majors to test the validity of this proposition. The results support the proposition that inserting the brand name at the beginning of a television ad rather than waiting until its end can enhance the persuasive impact of the ad. It is, therefore, suggested that advertisers should seriously consider the option of revealing the brand name at the onset of the advertisement. The practice of withholding brand name has limitations and should not be followed unless there are sound strategic reasons for the same. Even if the ad is great, a wrong decision about when to identify the brand name could have important consequences on the subsequent effects, the authors believe.

Organizational Behaviour


The general perception across organizations worldwide is that women lack certain critical competencies, specifically a global mindset, needed by global leaders. And, this is cited as the reason for their under-representation in international assignments. In order to systematically investigate the women’s attitudes toward international assignments, this study draws 80 matched pairs of male and female expatriates from a larger sample of 514 US expatriates and inpatriates to the US from 50 US multinationals. When asked about the willingness to undertake international assignments, women were found more prone to decline, particularly those to the Middle East and in countries in which they would be accorded a lower social status, or where it was rare for females to participate in management. However, there was no difference between males and females in their willingness to serve in countries with harsh living conditions and in communities where the expatriate becomes a member of a racial or religious minority. The women did experience barriers to their successful performance abroad particularly in the UK for American female expatriates, and the US for female inpatriates to the US. Females were, however, found to possess certain competencies that render them particularly suitable for overcoming international barriers and better able to cope with conflict-mediating stress than males. Thus, contrary to popular opinion, in reality, women are in a position to acquire the requisite global orientation to succeed in international assignments while simultaneously benefiting their companies.


Managing people with diverse characteristics is a new challenge for employers, particularly in European companies given the increasingly diverse populations, homogeneous leaders, and aging workforce within the continent’s borders. This paper examines how leading companies promote diversity on their websites in the changing context of Europe, with its demographic shifts and increasing globalization. A desk-based study of top 241 companies was undertaken in eight European countries. Website pages were visited to find specific corporate diversity and equal opportunities statements, also using search engines for diversity and equality in the respective languages as well as in English. The objective was to identify from online statements the drivers of diversity management and the espoused philosophies that underpinned the management of difference in these companies. Results indicate large differences in espoused diversity strategies and drivers for change across Europe, with UK companies promoting diversity management most vigorously. Better performance, enhancing corporate reputation, and meeting stakeholder needs emerged as the main drivers for diversity management. The authors also identified six stages through which companies move from ignoring diversity altogether to promoting diversity for competitive advantage and multicultural organizational learning. Implications for strategic human resource management are discussed, and suggestions offered to those responsible for managing strategic change in the area of diversity management and its online promotion.


Cultural intelligence (CQ) is an outsider’s seemingly natural ability to interpret someone’s unfamiliar and ambiguous gestures the way that person’s compatriots would. It is related to emotional intelligence, but it picks up where emotional intelligence leaves off. One critical element that cultural intelligence and emotional intelligence share is the propensity to suspend judgment—to think before acting. Given the number of cross-functional assignments, job transfers, new employers, and distant postings most corporate managers are likely to experience in the course of a career, low CQ can turn out to be inherent disadvantage. A survey of 2,000 managers in 60 countries has shown that anyone reasonably alert, motivated, and poised can attain an acceptable level of cultural intelligence. This paper discusses the sources and profiles of cultural intelligence to see where the managers fit and suggests ways of cultivating cultural intelligence. CQ is believed to reside in the body, heart, and the head. These correspond to the three components of cultural intelligence: the cognitive, the physical, and the emotional/motivational. The authors offer a chart to test one’s true CQ strength and determine which profile fits him best: provincial, analyst, natural, ambassador, mimic, or chameleon. It is argued that unlike other aspects of personality, CQ can be developed in psychologically healthy and professionally competent people. A two-and-a-half day programme was developed to identify the participant’s strengths and weaknesses. The paper describes how the series of suggested steps were applied for enhancing the CQ of
German managers and helped them cope with new assignments within and outside the country.


Smaller firms are characterized by frequent informal communication between employees and customers. Cultural differences between large and smaller firms are stated to arise not just from size but from the impact that size has on the strength of culture, the strategic orientation of the firm, and the performance of managerial tasks. In terms of organizational culture, smaller firms can be characterized by values of procedural informality, practicality, and cooperation. This paper reviews the concept of organizational culture and shared values and appraises current understanding of culture in four smaller firms. It provides insight into the complex nature of the internal operating environment of these firms and into the isolation of the shared values that underpin employer and employee behaviour. Each firm is allocated a pseudonym in line with their strategic orientation. Thus the two smaller firms, the Caledonian and the European, sell to domestic and European markets, respectively; the two medium-sized firms, the Scottish and the World-wide, sell to domestic and international markets, respectively. The data reveal a complex array of values in each firm, with only one firm exhibiting a homogeneous culture where values are shared by all those working in the organization. In the remaining firms, five values—survival, independence, control, pragmatism, and financial prudence—appear to be shared by all employees. These shared values are collectively referred to here as the cultural paradigm of the smaller firm. The practical implications of this cultural paradigm are discussed for the organization, strategy, and management of the smaller firms.


Despite a consistent move towards delaying and flattening of organizational hierarchies in various countries, the number and ratio of managers appears to have grown. This paper examines different interpretations of this paradox of managerial downsizing and the dynamics of downsizing in relation to managers. It carries out a longitudinal study of the behaviour of large Australian firms in the 1990s to see if Gordon’s ‘myth of managerial downsizing’ is a valid description of trends outside the US. Of the four interpretations of the ‘myth of managerial downsizing,’ pseudo-downsizing implied that much of the announced cuts were meant to impress investors while ‘burn and churn’ hypothesis interpreted increasing risk to individuals because of the ‘hire, fire, and fire’ style of managers. The ‘soft sandwich’ hypothesis permitted delaying with the managers slotted into new specialist departments set up in the reconfigured organization while the managerial downsizing hypothesis removed the administrative layers from the organization. Downsizing samples for the analysis were generated from two types of longitudinal samples: three phase downsizers and firms that were continuously downsized over six years. The dynamics of the downsizing process was analysed tracking a total of 4,153 firms. The predominant picture for the Australian context was one of dramatic changes in managerial labour markets. The overall conclusion is that the ‘myth of managerial downsizing’ must be rejected.


Despite increased investments in succession planning and future leader development, companies in general are found to lack confidence in their leadership capacity. The realization of an impending shortfall of capable future leaders has led most of the major companies to move toward highly focused approaches to succession planning and future leader development. There is a general frustration on the part of the senior executives about the lack of tools to make the required crucial transition from identifying a top candidate’s potential and development needs to selecting specific, high-impact development actions. This article describes a practical tool kit currently employed by several leading-edge firms to drive leadership growth, primarily through targeted on-the-job experiences. The executive development cycle involves six basic steps for identifying and developing future leaders: (1) defining the potential, (2) crystallizing needed development, (3) selecting highest leverage development approaches, (4) clarifying learning and development objectives, (5) providing support and reinforcement, and (6) evaluating development progress and learning ability. It is argued that companies committed to succession planning and future leader development provide multiple opportunities for assessment and reassessment, often on an annual basis. This highly customized approach to executive development allows companies to manage future leadership talent like any other strategic investment, the author adds in conclusion.

### Human Resource Management


Telework programmes are being increasingly used by the largest corporations of the world and the number is expected to remarkably increase with the advance in encryption capacity of virtual private network technology, improved security of dataflows, and substantial broadband improvements. This paper builds upon the results of prior research to identify empirically how telework can affect various resource domains of the organizations involved. It adopts an integrative approach taking into account both top-down considerations and bottom-up demands. A number of firm-level characteristics are identified that help in distinguishing between adopters and non-adopters. Two surveys were conducted with HRM managers and employees of large firms based in Brussels to explore if employee views are consistent with the strategic, resource-related impacts on the organization. Five resource-based impacts of telework that were sorted out from prior research included effects on the strategic development and operational functioning of the human capital resource-base, the organization’s broader productive efficiency, the external linkages of the organization, and a number of externalities. The survey among employees suggests that adopters perceive the influence of telework on job satisfaction positively except for only one negative effect of reduction in professional
interaction whereas non-adopters expect negative effects thus confirming that telework cannot be used as a motivational instrument for all workers who share common commuting and job characteristics. To a large extent, employees’ views are driven by their perceptions of absence or presence of appropriate broader HRM practices concerning telework, the authors add. Therefore, what is important for the managers is to carefully investigate whether employees are confident in the organization’s broader HRM practices to provide an appropriate context for telework adoption.


Telework is one of the new work forms emerging in the digital/risk society. The promise of flexibility via at-home telework entails a renegotiation of the home-work boundary. This brings into play the gendered identities and roles attached to these different spheres of life. This paper constructs a novel research agenda for a study of female teleworkers: by contesting claims made for teleworking’s emancipatory potential for women and, by subsequently generating alternative foci such as subjectivity and agency. The reconstruction of the research agenda and the re-orientation of employee-centered priorities entails an examination of the implications of at-home teleworking on the negotiation of the home-work boundary. It has been observed that the suggested solution of at-home telework as an aid for women to manage their work and family duties in a modern society could promote other problems, such as solitary confinement in the home, diminished visibility increasing the potential to be ignored and weakening their prospects for collective action for ameliorating their conditions. All these would have repercussions for women’s (conflictual) sense of identity. Existing notions of identity formation posit that the establishment of individual character is achieved when a stable, immutable sense of self, whether rooted in social class, gender or race occurs. The new research agenda throws light on how new work forms such as teleworking at home impact on women’s understandings of themselves as ‘women’ and as ‘workers’ within the context of the so-called ‘risk society.’


The collapse of the “bubble economy” in 1991 caused sluggishness in the Japanese economy. Despite large-scale restructuring, the employment situation steadily deteriorated, making it difficult for the Japanese companies to maintain the characteristic management style featured by life-long employment and seniority-based HRM systems. This study examines the impact of external economic environmental changes on the workaholic trend in Japan, based on the workaholism data collected for the past decade. It also sees if the impact of these economic changes was uniform across all workers in the organization or was different depending on differences in job demands created by the turbulent economy. Typically, routine jobs are supposed to be busy or slow directly influenced by outside economic changes. However, certain key jobs such as that of the engineers, would become strategically important for the survival of the company business in the middle of an economic slump. On comparison of the workload levels of engineers and clerical and sales workers, the sample of engineers were found to maintain the high workload level across all age groups, reaching as high as the general workload level prevailed at the peak bubble economy and bubble burst thereafter. The different groups of workers showed a clear stratification involving differential job demands and workloads. The results thus indicate that an interaction effect between the economic change and job demands on the workaholic trend are operating among Japanese workers, in such a way that the engineer group who are strategically critical human resources for the company have been asked to take a heavy toll of workload even under a downturn of the economy. For others, workload fluctuated depending on changes in external economic changes. This revelation raised a concern over possible mental problem increases among engineers during difficult economic times.


The ‘convergence theorists’ view regarding the possibility of a decline and weakening of national systems of human resource management has gathered momentum in recent years. There is now a strong consensus for a common ‘Asian’ HRM model, given factors such as geographical and cultural closeness, openness to the same economic forces, globalization, and penetration of foreign direct investment. This paper explores the HRM developments in China, Japan, and Korea to see if a degree of convergence is taking place and if it is towards a identifiable ‘Asian’ model of HRM. It specifically tests three empirical propositions: (a) convergence in HRM is occurring between these three countries; (b) the convergence is leading to a distinctive Asian model of HRM and (c) the key drivers of the process involve geographic proximity, cultural closeness and openness to similar economic pressures. The focus of the study is on large, indigenous companies in the three economies, with a special emphasis on whether HRM is culture-specific or culture-free and whether it is institution-specific or institution-free. A more disaggregated and calibrated framework was developed to involve an analysis of HRM changes at different levels and by degrees within the one HRM system. The analysis reveals that although the context for HRM differs in each of these countries, there has been some convergence in HRM and some common environmental factors operating on these countries. Yet, the outcome cannot be stated to be necessarily towards some sui generis model of Asian HRM, the authors conclude.


A key component of corporate citizenship focusing on the social dimension is corporate community involvement (CCI)—or the structures and policies of the companies that go to the heart of the HRM function, such as employee motivation and morale, commitment and recruitment. Although there was an expectation that the HRM function within companies would
play a significant role in the decision making and implementation of CCI policies and practices, evidence in Australia does not support this contention. This paper reviews the main drivers and HRM benefits of corporate citizenship and examines the possible reasons for the apparent inconsistency in the relationship between CCI and the HRM role among companies in Australia. The reasons include: (a) the marginal role of ethics and stakeholder approaches to HRM, (b) the view among HR professionals that corporate citizenship is just another management fad, (c) the growing importance and role of the corporate and public affairs function in companies, and (d) the changing roles of the HRM function in companies and in particular the meaning of ‘strategic HRM.’ It is argued that the limited role of HRM in corporate citizenship has potentially adverse implications for the HR profession itself as corporate citizenship and CCI become areas of greater strategic importance for companies. Minimal HRM involvement in the decision making and implementation of CCI policies and practices would also diminish the overall outcome and effectiveness of CCI for all stakeholders, the author concludes.


This paper develops an account of employment relations in East Asia that is grounded in the specificities of that socio-cultural context and contrasts this with a Western perspective. It provides an analysis of the fundamental embeddedness of employment relations within the wider socio-cultural context and shows how this is differently constituted and enacted in different cultural contexts. The analysis centres on the norm of reciprocity which, though present in most societies, differ in terms of their constitution, location in the value system, mode of manifestation, and impact on relationships and behaviour. The authors consider alternate conceptualizations of reciprocity within Western and Chinese contexts, examine the implications of these conceptions for employment relations, and finally reflect on the shifts in the moral context for organizations and for employment relations. In the Western context, reciprocity is conceived as a desocialized, disembedded phenomena involving individual, rational economic calculus. It has not featured prominently in discussions of employment relations, which themselves have tended to be considered in terms of impersonal, formalistic, individualized, and instrumental contractual relations. In contrast, in the Chinese context, reciprocity remains deeply embedded in a complex and inter-related social ethic. Employment relations are sustained by a personalistic tacit moral order. The implications for managing employment relations in changing and multicultural situations are discussed.

Operations Management


A strong supply chain is known to be essential for business success. However, an in-depth examination of more than 60 leading companies reveal that companies having more efficient and cost-effective supply chains did not necessarily gain a sustainable advantage over their rivals. The author proposes three very different qualities for the top performing supply chains: agility, adaptability, and alignment. All three components are considered essential; without any one of them, supply chains break down. In most industries, both demand and supply fluctuate rapidly and widely. Agility responds to short-term changes in demand or supply quickly and handles external disruptions smoothly. It does this by promoting flow of information with suppliers and customers, developing collaborative relationships with suppliers, building inventory buffers, having a dependable logistics system and developing crisis management teams. In order to deal with the structural shifts in markets, companies need to adapt their supply networks. The best supply chains identify structural shifts, sometimes before they occur, by capturing the latest data, filtering out noise, and tracking key patterns. They then relocate facilities, change sources of supplies, and if possible, outsource manufacturing. Finally, great companies align the interests of the partners in their supply chains with their own by exchanging information and knowledge freely with vendors, laying down roles, tasks, and responsibilities clearly, and equitably sharing risks, costs, and gains of improvement initiatives. Most of the firms already have the infrastructure in place to create these triple-A supply chains. What they need is a fresh attitude and a new culture to get their supply chains to deliver triple-A performance, concludes the author.


Potential supply chain risks broadly include delays, disruptions, forecast inaccuracies, systems breakdowns, intellectual property breaches, procurement failures, inventory problems, and capacity issues. Each category of risk has its own drivers and mitigation strategies. How a company fares against such threats depends on the type of disruption and the organization’s level of preparedness. The authors suggest that by understanding the variety and interconnectedness of supply chain risks, managers can tailor balanced, effective risk-reduction strategies for their companies. They must first create a shared, organizational understanding of supply chain risk through stress testing. However, the biggest challenge companies face is mitigating supply chain risks without eroding profits. The managers working towards optimizing the cost of building a supply chain reserve against the level of risk protection are suggested to skillfully balance three key relationships. The first relationship shows the increasing cost of risk reduction, which means that using inventory to cover a high level of demand risk proportionately costs far more than doing so with a low level of demand risk. The second relationship shows that pooling forecast risk, receivable risk or other risk reduces the amount of reserve required for a given level of risk coverage. The third relationship illustrates how the benefit of pooling grows with the level of risk covered. Managers can balance these relationships to tailor their response to risk with a surer grasp of extent and cost of reserve. By continually stress testing their supply chains and tailoring reserves for all risk-mitigation strategies, companies can maximize rewards for the same level of risk, or lower risks for the same reward, the authors conclude.

This paper models two separate, decentralized production-inventory chains, each consisting of a warehouse that supplies a market and places replenishment orders with its production capacity. The demand processes in the two markets have different variabilities. The authors consider an agreement that proposes pooling the two production capacities and prescribe operating rules that will be used to schedule the production of orders from the two warehouses at the pooled capacity. The objective is to see when it would be beneficial for the operating managers of the two chains to join the agreement and what impact would the choice of an operating rule have on their decisions. Three production-inventory systems are described: split, pooled, and priority. The study examines the impact of the pooling of capacity on inventory costs under two operating rules: (a) the orders from the two warehouses are treated in a first-come-first served manner, and (b) the orders from the lower-variability warehouse are given non-preemptive priority. The authors prove conditions under which the first-come-first-served operating rule will fail to achieve a Pareto improvement over the separate systems because it would increase inventory cost at the lower-variability warehouse. The paper also discusses those cases under which the high-variability warehouse will see a reduction in inventory cost over the split system even if it accepts lower priority.


Buyers and suppliers are partners in the initial phases of supply chain, the primary transactions between them being buying, selling, and supplying for mutual advantage. In fact, supply chain partnership is an agreement between a buyer and a supplier involving a commitment over an extended time period, and includes the sharing of information along with sharing of risks and rewards of the relationship. With a focus on the buyer-supplier relationship, this paper examines the changing practices of manufacturing and service industries in the Indian business environment. It discusses the different types of buyer-supplier relationships adopted in the industry and identifies the factors which influence the suitable buyer-supplier relationship for the manufacturing and service industries respectively. A framework has also been developed for the prioritization of different buyer-supplier relationship with respect to the different factors by using multi criterion decision-making technique—Analytical Hierarchical Processing (AHP). The first level in the hierarchy is the goal, the second level includes cost, quality, service level, information sharing using advanced IT, and market sensitiveness while at the third level is placed the relative preferences of different buyer-supplier relationship, e.g., complete electronic relationship, arms-length relationship, electronic arms-length relationship, and partnership relationship. The results of the AHP analysis show that complete electronic relationship is on the top of the relative priority list while traditional arms-length relationship is the least preferred in most of the manufacturing and service industries in and around Delhi.


One important source of technology inflow in developing host countries is related to the externalities resulting from the linkages that local suppliers can forge with the foreign affiliates of the transnational corporations (TNCs). By using firm-level data from a study of Volvo Trucks in India, this paper analyses how TNCs contribute, through their foreign-located manufacturing affiliates, to technology transfer and economic development among their local suppliers in developing countries. Volvo Trucks established business relations with 64 local suppliers taking the local content to around 35 per cent of gross output value by the end of 2001 while 55 per cent of Volvo’s local purchases in India are accounted for by international follow-source suppliers. A detailed case study of technology transfer to 13 domestically-owned suppliers shows a relatively small number of international follow-source suppliers capturing a dominant part of Volvo’s local purchases of components, reducing the opportunities for the domestic suppliers to forge business linkages with this foreign TNC. At the same time, the domestic suppliers as well as the follow-source suppliers seem to improve their internal capabilities from the technological assistance given by Volvo as part of their business relationships. Even a simple assembly operation by a TNC seems to generate important linkages and technological upgrading among domestic suppliers, thus enhancing their domestic and international market positions, the authors observe.


This paper proposes a methodology to model the TQM environment with the objective of estimating its effectiveness and suitability for an organization and application. For the purpose, a technique using the diagraph and matrix approach has been suggested to quantify the presence of attributes conducive to the TQM environment. In the graph theoretic model, a directed graph or diagraph is used to represent abstract information of the system using directed edges, which is useful for visual analysis. The matrix model developed from the diagraph is useful for computer processing. The factors responsible for creating a TQM environment were identified and clustered under five broad areas: behavioural, non-behavioural, use of tools and techniques, human factors and functional areas. The effectiveness of the environment depends upon the degree of inheritance of these factors and the amount of interactions present between them, which conventional representations are unable to analyse. A permanent value of multinational developed from the matrix represents the environment uniquely by a single number/index, which is useful for comparison, ranking, and optimum selection. The method is found to be flexible to accommodate new factors and market dynamics in global business in a bid to go for continuous improvement and breakthrough improvement in the environment, product process, and intellectual property rights.
Despite the exponential advancement of IT over the past few decades, IS management is facing formidable challenges on account of IT costs, backlog of system requests, and standards of infrastructure. A major factor complicating the issue of IS development and its success is the globalization of companies. While bringing forth the challenge of coordinating their activities on a worldwide basis, mostly through IT, globalization also drastically increases the complexity of the development process by introducing many new and unknown variables. This study discusses the alternative global information systems (GIS) development strategies to help in identifying the option that maximizes the net present value of software acquisition. A guiding framework was developed representing the underlying factors that may affect the choice of a strategy. Four cases from a large transportation company are presented as real life examples to demonstrate the viability of these strategies and the accompanying factors. The strategies are development with a multinational design team, parallel development, central development, core versus local development, best-in-ﬁrm software adoption, outsourced custom development, modiﬁed and unmodiﬁed package software acquisition, and joint development with vendor. The factors that were identiﬁed as impacting the selection of a GIS development strategy include organizational characteristics, system characteristics, differences among subsidiaries and headquarters, and IS department characteristics. Different strategies would be suitable for different projects or different phases of the life cycle of the same project. What is important for the organizations is to continually reevaluate their resources and problems and dynamically readjust the development strategy, the authors conclude.

Management of data quality and the quality of associated data management processes is a critical issue for organizations. This paper develops a methodology to assess the quality of information products based on the quality of the source data and associated processes. The analysis considers metrics associated with two well-documented data quality attributes: accuracy and completeness. Assessing the accuracy and completeness of the data requires considering various levels of granularity, e.g., cells, tuples, attributes, and relations. The primary focus of this research is on quality assessments at the relation level—developing output quality metrics for the relational operators: selection, projection, and Cartesian product. The analysis considers different feasible scenarios for each of these operators. The methodology is general and can be used to determine how quality characteristics associated with diverse data sources affect the quality of the derived data. This analysis is believed to be relevant for evaluating accurately the return on investment (ROI) for direct mail campaigns. The selection operation would be useful in obtaining the prospective customer records. Further, the results can be implemented on top of a relational database engine that can assist end users to obtain quality profiles of the information they receive. The quality information would allow the users to account for the reliability of the information received thereby leading to decisions with better outcomes, the authors add.

The growth and decline in the Internet environment is part of the natural selection process that is found in an ecosystem as individuals struggle for survival. The overall ecological system will survive as long as the constituent members are meeting their goals. This paper applies organizational ecology models, specifically r and K population growth strategies to growth in Internet businesses, particularly eBay and Amazon. Both these companies survived the Internet crash and yet exhibited very different strategies to achieve their successful growth. Both depend on complex interdependencies among business ecosystems where customers, technology providers and alike play a major role in influencing the success and the long term survival of the business. The terms, r and K selection are directly related to density dependent issues that affect the carrying capacity of an organization’s environment. Both Amazon and eBay impacted by severe environmental turbulence, demonstrate two manners in which companies can react to an external shock by matching strategy to the ecosystem in which they operate. They represent two companies operating successfully using different growth strategies analogous to those found within biological systems. While Amazon focuses on growth of the firm through the internal integration involving the expansion of product lines, eBay’s strategies focus on growth through the integration and interactions between members of its customer community. Following the analogy of r and K selection, Amazon is suggested to continue to grow through international expansion and reach a point in which equilibrium around the availability of resources occurs while eBay, as an r strategist, would eventually need to focus on organic growth through an adaptation of its business model.

IT governance is the enterprise management system through which an organization’s portfolio of IT systems is directed and controlled. It is the key to realizing IT business value and has hence emerged as a fundamental business imperative. This article offers a holistic view of IT governance. It discusses the requisite integration capabilities for effective IT governance architectures and using the case of Johnson, illustrates the challenges, problems, and processes associated with IT governance design in complex contemporary organizations. Traditionally IT governance relied on hierarchical lines and standardization for coordination. But, with the profusion of electronically enabled, globally operating organizations, characterized by a multiplicity of value drivers in dynamic business networks, IT governance needs to focus on horizontal integration capabilities (HICs). HICs are classified according to three distinct IT governance capabilities: structural (connection), process (coordination), and relational (collaboration). Designing effective IT governance architectures
involves both the differentiation and integration of IT decision making across business and IT stakeholder communities. The emerging paradigm for IT governance is based on collaboration, not control. What is important is to recognize, develop, and share the complementary competencies adaptively across functional, organizational, cultural, and geographic boundaries. The horizontal integration of these capabilities would help in developing strategic flexibility that is required for realizing and sustaining business value from IT in a complex and dynamic environment.


Market intelligence systems are automated tools to assist in the entire process of retrieving appropriate documents, extracting useful information from within the documents, and analyzing the results. This paper presents a system for market intelligence management, the Market Intelligence Portal (MIP). It is based on a semantic web approach and provides the user a single access point for all relevant information about a specific MIP topic. A salient feature of MIP is that it supports customized document-processing flow. This is achieved by two subsystems on the server side: the collection and processing module and the content management module. Customized document-processing flow allows any system administrator to specify any data source he is interested in and ask the MIP system to crawl the documents from those sources according to a user-defined schedule. At the same time, the system administrator can also define the steps used in filtering the crawled documents by applying different kinds of ‘miners’ in a given sequence and configuration. Apart from the document-level operations, MIP combines entities and entity-relation-extraction technology with semantic web activities, and generates a semantic network structure to store knowledge. It has two novel features: personalized category service at the client side and customized workflow for document process at the server side. Based on this MIP design, the authors discuss a market intelligence system that was implemented for an Asian market research company.


Consortia are employed by many industries for standards-setting, but competitive pressures and anti-trust regulations often stand in the way of more comprehensive within-industry collaboration, culminating in actual solution delivery. This article discusses a consortium approach to the design of a common architecture for state-specific as well as cross-state performance-based data management analysis, and reporting practices. It describes an example from the public sector in which the outcomes include a decision support system to facilitate within-organization and cross-organization data analysis and reporting, as well as a Web-based knowledge management store for participants. In response to the gap created by the legislation, “no child left behind” (NCLB) Act and the existing capabilities, the state education agencies and their umbrella organization initiated a project with the objective of obtaining a solution set for bidirectional information sharing among students, parents, teachers, school principals, etc., via an integrated, web-accessible platform for all stakeholders in the educational process. Phase I of the project creates an actionable blueprint for each state, based on the state’s own educational priorities, complemented by a toolset of component design, specification, and procurement documents. No consortium member is obligated to participate beyond Phase I and therefore the focus of the consortium for the time being remains on Phase I data collection, analysis, and reporting. The governance model, processes, and key success factors from this project is believed to be useful for those embarking on multi-organizational projects in which highly autonomous units have incentives to participate.

General Management


Overseas Chinese entrepreneurs have created a number of successful firms in several traditional, slow growth industries. However, researchers and policy makers in East Asia have raised concerns over the region’s heavy reliance on slow growth industries particularly in light of the increased emphasis on knowledge-based firms in the global economy. It is even feared that certain characteristics of these firms that helped the slower growth industries could actually prove to be liabilities for firms seeking rapid growth. In order to find justification for such proposition, this paper reviews the factors seen as having promoted the success of overseas Chinese firms in East Asia, synthesizes the common firm characteristics, and analyses the views of entrepreneurs, venture capitalists, and government officials on firm operations, structure, growth, and financing in East Asia. Overseas Chinese firms are typically characterized by family ownership and control, a simple organizational structure with centralized decision making, internal financing, and little or no spending on R&D or advertising. The results suggest that overseas Chinese entrepreneurial firms follow many of the traditional business practices associated with overseas Chinese firms. Most venture capitalists and government officials in the sample expressed concern that these practices are hindering the building of firms that can be taken public and experience the high growth consistent with vibrant entrepreneurial firms. It was, therefore, suggested that certain traditional practices needed to be reformed such as excluding outsiders from management and the board, maintaining secrecy and tight control of information, and avoiding transparency.


Multinational corporations could earlier compete successfully by exploiting scale and scope economies or by taking advantage of imperfections in the world’s goods, labour and capital markets. Now with the increasing global competition, MNCs are required to seek new sources of competitive advantage. The new economies of scope are based on the ability of business units, subsidiaries and functional departments within the
company to collaborate successfully by sharing knowledge and jointly developing new products and services. Thus multinationals that can stimulate and support collaboration would be in a better position to leverage their dispersed resources and capabilities in subsidiaries and divisions around the globe. However, interunit collaboration is difficult to achieve. This paper develops a framework that links managerial action, barriers to interunit collaboration and value creation in MNCs to help managers understand how collaborative advantage can work. The framework conceptualizes collaboration as a set of management levers that reduce four specific barriers to collaboration, leading in turn to several types of value creation. The barriers include unwillingness to seek input and learn from others, inability to seek and find expertise, unwillingness to help, and inability to work together and transfer knowledge. The potential management levers that can reduce the barriers fall into three broad categories: leadership, values and goals; human resources procedures; and lateral cross-unit mechanism. To create a collaborative organization, these management levers need to counterbalance with performance management of each individual and business unit, the authors add.


From a strategic perspective, the trend toward globalization requires firms to operate beyond their national boundaries to remain competitive. On the other hand, the notion of globalization has recently been challenged on the ground that most multinational firms are regionally-oriented requiring the strategic management of the MNCs to be regionally-focused. This paper reviews the regionalization strategies of the world’s largest MNCs to examine (a) the relationship between regionalization and non-regional operations and performance and (b) the significant differences across MNCs that are regionalized in their operations relative to those that are not. By definition, regional markets are located at a more proximate distance and have lesser time zone differences, thereby allowing for relatively closer monitoring of changes within and outside the organization. It is argued that, initially, firms may seek to internationalize through regional markets and increase performance but, with the expansion of geographic scope, the benefits of internationalization decrease. Several hypotheses are proposed and tested using hierarchical/sequential regression models and cluster analysis on a sample of 130 firms derived from the Directory of Multinationals. Contrary to the hypothesis, the study findings indicate that an MNC’s global operations have higher profit margins than regional operations. It suggests that while MNC’s global scope of operations has a direct effect on performance, its regional scope of operations has interactive effects through product diversification with performance.


Foreignness is generally viewed as a liability for the multinational enterprise, the problems ranging from simple technology oversights to complex cultural misalignments. Previous studies have looked at the determinants of liability of foreignness, the transfer of knowledge in general, and transfers of technological and product innovations, as well as transfer of organizational practices. This study contributes to each of these by showing how language as an important dimension of the cultural context affects success in the transfer of products, processes, and practices. It uses semiotics—the study of how language systems convey meaning—and the Walt Disney Company’s experiences in internationalization to develop the notion of semantic fit as a necessary complement to strategic fit. It then formalizes a conceptual model of recontextualization—the process by which firm assets take on new meanings in distinct cultural environments. It is argued that whether it is knowledge in general products, practices or ideologies, recontextualization affects each of these. An analysis of the Walt Disney company’s two foreign theme parks show that shifts in semantic fit, resulting in recontextualizations of many of its core competencies, played significant roles in Disney’s attempts at internationalization. In Tokyo, the recontextualizations were predominantly positive while in France, they were predominantly negative, at least in the initial years. It is, therefore, considered to be in the best interest of the MNEs to anticipate recontextualizations, recognize them as they occur, and manage them to sustain competitive advantage (in the case of positive recontextualizations) or use them as opportunities for organizational learning and strategic alignment (in the case of negative recontextualizations).


Attribution theory involves the study of how people infer causal relationships between events. Although causality has been studied within a business context, there has been no effort to examine the factors causing or impeding success in entrepreneurial ventures. This paper tests for the presence of the effects of attribution bias on the part of business owners in identifying such factors that could contribute or impede their business success as well as for the presence of an actor-observer bias. Three samples are compared. Two are of business owners—one of owners of independent pharmacies and one broadly drawn sample of business owners from four US cities while the third is a small sample of experts. Factors categorized as internal include each entrepreneur’s personal characteristics such as work ethic, knowledge, and dedication, as well as management skills, marketing activities, and product attributes. On the other hand, external factors include financing, economic conditions, competition, government regulation, technology, and environmental factors. The sample of independent pharmacists identifies only internal factors as those contributing to success, the main contributing factors being marketing, individual characteristics, and human resource issues. The experts also identified internal factors as the largest contributor to success but to a somewhat lesser extent. Overall, the empirical analysis shows that both self-serving and actor-observer biases described by attribution theory can be observed among entrepreneurs and can be used in describing how entrepreneurs view factors that contribute to or impede their success.
Technology-sourcing relationships between firms involve one firm seeking access to another firm’s technology as embodied in its products, services, or capabilities. Managers routinely use such relationships in industries where the pace of innovation is rapid. However, quite a few studies have found such arrangements having high failure rates since the parties involved are strategically or organizationally incompatible, are unable to trust each other, and do not have the appropriate means to elevate and resolve conflicts. Apart from these implementation challenges, the authors link the failures also to the design-related problems such as the level of equity ownership of the partners. This paper synthesizes existing research into a framework to enable managers to take decisions regarding equity ownership levels in technology-sourcing relationships. It stresses on optimizing the trade off between the costs and benefits of equity ownership. The important strategic benefits enjoyed by a company by virtue of owning equity in its technology-providing partner firm include preferential access to critical resources, assets, or capabilities; better alignment of interests between the respective partners; and better coordination and control between partners. The costs include the process costs of implementation, costs due to a change in the organizational conditions of employees in partner firms, and finally, opportunity costs arising out of the commitment or lock-in that an equity stake represents. To determine how to weigh the relative benefits and costs, managers are suggested to choose the highest level of equity from the benefit criteria and the lower level of equity from the cost criteria. However, problem arises when the benefit and cost criteria point in opposite directions. Depending on the specific context, managers will have to take an appropriate decision regarding equity ownership in such partnerships, the authors conclude.

**Economics**


In a globalized era, countries can work with international financial institutions to promote their economic and political development and contribute to improved global governance. However, India’s relations with IMF and World Bank have been debated on the ground that they attempted to exert “leverage” over economic policies of India. This paper explores the dynamics of the inter-relationships between international financial institutions, developing countries, and the global economy in a historical framework. It examines two episodes in India’s relationship with the IMF and explains the development of the strategy of ‘homegrown conditionality’ by India. It also explores the institutional changes within the IMF and the global political economy that permitted this policy approach to be implemented with successful results. The ‘homegrown conditionality’ approach sought to counter the domestic opposition that would inevitably arise against a structural adjustment programme once the reform agreements became public. From the perspective of a democratic and developing political economy, this seemed to be the only path to generate sustainable economic reforms. For democratic developing economies faced with balance of payments crises, it is suggested that the international financial institutions like the IMF should be approached for precautionary arrangements, long before the actual onset of a financial crisis. A careful assessment of the US stance is of key importance in negotiating an IMF programme, add the authors. On the whole, India’s interaction with the IMF demonstrates that it is possible to stabilize a macroeconomic crisis and to maintain ownership of a reform package without compromising democratic institutions or foreign political autonomy.


Virtually all growth miracles in the developing world have taken place in the presence of low or declining barriers and there are not too many growth debacles that can be attributed to sustained import surges. Yet there is an ongoing debate in these countries as to which policy to opt for: outward-oriented trade policies or protectionism. This paper critically examines the arguments advanced by the free trade critics and evaluates them in the context of South Korea and India. The central theme of this paper is that sustained growth cannot be achieved without rapid growth in trade, which requires either low or declining barriers to trade. Rodrik questioned the openness in Korea’s growth experience during the 1960s and 1970s viewing it as merely a passive outcome of the increase in private return to capital engineered by the government. But a comparison of Korea and India reveals that by consciously moving away from import-substitution to an outward-oriented trade regime relatively early, Korea achieved ultra high growth rates during the 1960s and 1970s while India lagged much behind despite explicit investment planning because of progressive protectionism. Thus, the so-called criticisms offered by free trade skeptics fail to support their scepticism towards outward-oriented trade policies. In fact, when faced with a choice between freer trade and protection, they almost always choose free trade. Even Stiglitz argue against free trade and recommends protectionism but wind up concluding in favour of it.


The studies analyzing inter-firm differences in export intensities have so far assumed that the export performance of MNE affiliates and other firms are by and large similar. This paper suggests that the export behaviour of affiliates of MNEs is determined differently from that of other companies in high-technology industries in developing countries. It is argued that the critical differences in firms’ resources derive from their modes of foreign collaboration, resulting in strategic differences in their bases for competing. The authors empirically analyse firms in the information technology sector in India by considering the standard determinants—firm size, technology, and collaborations. Three groups of firms are considered.
separately: MNE affiliates with MNE equity participation, technology licensees that make lump sum or recurring license or royalty payments abroad but do not have foreign equity stakes, and domestic enterprises that neither have foreign direct investments nor make technology payments abroad. The results demonstrate that for the IT firms in India, the explanation of export performance depends in part on the firm’s foreign collaboration and on the amount and type of technology that it acquires from abroad. Thus, exports of MNE affiliates are greater when they have larger foreign equity stakes that bring more tacit knowledge transfer and complementary FDI advantages and when they import more explicit technology from the purchase of licenses. Standards export determinants such as firm size and capital intensity do not matter for the affiliates of MNE, but they do for licenses and domestic firms, the authors confirm.


E-commerce reduces transaction costs and entry barriers and is therefore considered to have a significant influence on the global trading relationships, particularly of the developing countries. In order to test this claim of the “optimists,” this paper carries out an empirical study with the leading export-oriented garment producers in South Africa that are exposed to international competition. The specific objectives are to see if e-commerce actually increases access to global markets, if these firms use e-commerce applications to prepare and complete transactions with overseas buyers, and if B2B e-commerce is a competitive necessity for the key garment exporters. The standard e-commerce model, heavily based on the transaction cost argument, proposes that e-commerce is a transformational technology that creates the platform for more efficient inter-firm commercial transactions, eliminates intermediation transaction layers between producer and customer, and facilitates international trade, providing developing country producers with lower market entry costs, and extends geographic reach to a larger market. The results of the study contradict these key propositions and suggest that B2B e-commerce is neither being used to a great extent by firms nor is effective in reducing transaction costs or in opening up new global market opportunities. Most of the firms are more concerned with building long-term relationships than greatly diversifying their current portfolio of customers and expanding into new markets. Moreover, trading relationships in the garment sector depend on non-contract-based activities and on complex information requirements and tend to be highly personalized. In conclusion, the authors state that B2B e-commerce is not a substitute for a full, coherent export strategy.

Agriculture, Natural Resources, and Rural Development


High tariffs, domestic support and export subsidies granted to farmers in high-income economies limit developing economy agricultural production and exports while benefiting net importers of agricultural products. However, studies indicate that the overall gain to developing economies from reforming agricultural policies greatly outweighs the potential cost to countries that are significant net importers of subsidized agricultural products. It is, therefore, important for the developing economies to determine which instruments of agricultural protection are most detrimental to their interests and therefore where to direct their negotiating efforts on agriculture in the Doha Round of WTO. This paper assesses the relative impact of tariffs, domestic support policies, and export subsidies on exports, imports, and welfare in 144 countries of which 120 are developing. It specifically examines the impact of a 50 per cent global reduction in agricultural tariffs and compares this to a 50 per cent cut in domestic support and export subsidies. A simple partial equilibrium model of global trade in commodities that benefit from domestic support or export subsidies is developed to estimate the relevant elasticities. Simulation results suggest that a 50 per cent reduction in border protection would have a much larger positive impact on developing economies’ exports and welfare than a 50 per cent reduction in agricultural subsidies. Although there is significant heterogeneity across developing economies, yet the overall findings suggest that the Doha Round should focus on reducing border protection in both OECD countries and developing economies. At the same time, decoupling domestic support from production and eliminating export subsidies are also considered important.


A growth-oriented reform strategy such as the one in India, is seen as an effective means of alleviating poverty. The general contention, however, is that though the reforms of the 1990s contributed to growth, they did not benefit the poor. The stagnation of rural poverty in the post-reform period is stated to be largely due to lack of growth in the rural sector. It is hypothesized that non-price and organizational factors, like human capital development and infrastructure development, would work towards reducing rural poverty by facilitating improvement in farmers’ comprehension of the farm-level application of the technology to fully realize the potential of the technology. The objective of this paper is to examine the validity of this statement. It presents a brief review of the agricultural growth experience of the states followed by a discussion on the possible linkages between reforms and agricultural growth. The study shows an overall declining trend in agricultural growth in most states. It is argued that the non-agricultural growth was not enough to offset the slower growth in agriculture. To formulate suitable policy measures for accelerating agricultural growth, sources of agricultural growth are identified. A decomposition of the total output growth in agriculture into technical efficiency change, technological progress, and input growth shows that the post-reform output growth came increasingly from input growth. Technological progress and technical efficiency improvements are stated to be the two key sources of long-term agricultural growth and poverty alleviation. It was thus suggested that more attention should be paid to these areas by investing in rural literacy and infrastructure. Further, removal of subsidies are suggested to be accompanied by an efficient agricultural credit system. Reforms in the agricultural sector are urgently required for rectifying
allocative distortions and improving productivity in the poor agriculture-based states to alleviate poverty both at state and national levels, concludes the author.


High subsidization of electric power for rural pumpset usage has resulted in huge wastage and cost for the states. A range of strategies have been proposed for independent regulation, metering of agricultural pumpsets, and raising prices. Since rise in prices could reduce the affordability of power for marginal farmers and thus lead to political problems, it is important to determine by how much the prices should be raised. This paper uses survey data from Andhra Pradesh to develop strategies for raising prices for rural power in India. Theoretically, prices could be raised for everyone to the level that the marginal user of power is willing to pay for the power he consumes—assuming that he is willing to pay more than he does currently. However, since power is rationed, this traditional measure of marginal willingness to pay does not have useful policy implications. The survey shows that subsidies are regressive with income. The authors, therefore, use willingness to pay (WTP) for higher income groups to propose a discriminatory pricing regime that could be implemented, for instance, by charging higher rates for greater usage of power. Two quality-improving approaches are also suggested: doing away with rostering (calibrated, discontinuous supply) and improving the supply parameters that cause motor burnout. This study shows that doing away with the practice of rostering would lead farmers to use 15.5 per cent less power, thus substantially reducing the states’ subsidy burden. Similarly, improving the quality of power so as to remove the causes of motor burnout, eliminating rostering and installing the proposed discriminatory pricing regime will reduce subsidies substantially, but remains too high to be resolved without political action, the authors add.


There are three key issues related to the water resource management in the context of India: improving the performance and financial viability of public irrigation systems, making groundwater use sustainable in economic and environmental terms, and making a systematic transition from the water resource development mode to an integrated water resource management mode. India experiences a lack of a firm strategy for dealing with these challenges. This paper draws on the literature review and field visits to six provinces in China to suggest some possible ways of resolving India’s water problems. It is observed that China is somewhat unorthodox in exploring unique solutions to its context which, in several respects, is more similar to South Asia’s than of the industrialized West. Instead of the communitarian model of irrigation organization, China followed the variants of the ‘bounded service provider’ model in which a private economic agent is incentivized to perform a role assigned to him within the boundary established and defended by the village committee. In the case of small scale systems, it is certainly promoting financial sustainability while in the large systems, it seems to be promoting efficient water use, besides improving fee collection. Moreover, Chinese provinces are found experimenting with pre-paid electricity cards for agricultural electricity supply. Indian states where subsidized flat electricity tariff is wrecking groundwater as well as power industries, China’s experience can provide useful guidance, the authors believe.

There is a tide in the affairs of men,
Which, taken at the flood, leads on to fortune;
Omitted, all the voyage of their life
Is bound in shallows and in miseries.
On such a full sea are we now afloat;
And we must take the current when it serves,
Or lose our ventures.

William Shakespeare – Julius Caesar