Turnaround Excellence
Six Studies of Corporate Renewal

Sunil Kumar Maheshwari


Organizations are mortal. They can fall sick and die or recover. They can starve to death. They can bleed to death. Even when they are healthy, they may die if the external environment turns hostile. They, however, have an option that other mortals do not – they can reinvent themselves and take another lease of life. They can get a new soul while retaining their old names. This fundamental process of corporate renewal is explored in Turnaround Excellence.

Sunil Kumar Maheshwari, the author, has been studying sick organizations for a few years now. He looks for symptoms of sickness, finds out why certain companies fall sick, what medicines are administered, what impact each intervention has, and how they recover or die. In Turnaround Excellence, he has brought together his considerable insights (Part 1) and his detailed diagnoses of six Indian companies that fell sick and were then turned around during the last few years (Part 2).

Organizational decline and turnaround is hardly a new topic; several scholars have been studying it from diverse angles. Maheshwari attempts to provide a comprehensive managerial framework to study it. He discusses the causes and early signals of organizational decline, the response of stakeholders to the problem, and the fundamentals of the turnaround process. He also proposes an action choice framework of organizational decline and turnaround: no action, dissolution, and turnaround.

The author wants to sensitize managers to early symptoms of decline so that they can figure out the disease and try to cure it before it becomes fatal. Managers had better be trained to do so because organizational inertia, according to Maheshwari, is the main villain behind the failure of many organizations to respond adequately to changes – some quick, some deceptively slow, some cataclysmic – in their business environment. They enter “the loop of inaction” or a state of paralysis. Some companies park themselves in a comfortable niche and invest heavily around it, often well after the technology adopted or the service being offered has become outdated. Instead of anticipating change and wriggling out of tight spots at the earliest opportunity, they may even escalate their commitment to the unviable enterprise and launch grandiose schemes that are bound to fail. Many of these organizations also have bureaucratic structures that create vested interests and block critical evaluation. In
these circumstances, it is not uncommon to find un-
checked concentration of power in one individual push-
ing the organization further down the hole.

Maheshwari captures well the wide range of res-
ponses that sick organizations attract from both internal
and external stakeholders. Some smart managers sense
trouble early and jump the sinking ship when they are
needed the most to plug the leaks. Some stay on and
innovate under trying conditions. Faced with the pros-
pect of their organization’s imminent death, many
employees do things they never thought they would or
should. Some get gripped by a sense of insecurity and
work harder than ever to make themselves appear
valuable in the eyes of the management and hopefully
escape retrenchment. Others lose all motivation to work
and become troublesome.

Most top managements of organizations in decline
blame everyone except themselves for the mess their
organizations are in. They may play down the extent of
the rot or even conceal it through creative accounting
and selective release of data. They may weaken what-
ever democratic processes there might have been and
get into centralized decision-making.

External stakeholders reassess their relationship with
organizations in decline. Major creditors and suppliers
have a high stake in the revival of the sick organization,
and may actively help in the turnaround process. Minor
creditors and suppliers may not care for anything other
than a quick retrieval of their investments. And, finally,
the customers: most of them readily abandon sick com-
panies.

What treatment would save a dying organization
obviously depends on what has caused the infection and
the extent of the infection. Maheshwari identifies the
following turnaround treatments as the most common
in the action choice framework he proposes: change in
leadership, reorientation of strategy, reduction of costs,
retrenchment of personnel, upgradation of technology,
financial restructuring, and the reallocation of the peo-
ple who have been retained.

Most turnaround interventions are painful. There-
fore it is not surprising that organizations balk at the
prospect of going in for them until they are left with no
choice. Occasionally, the treatment chosen may turn out
to be wrong and the organization may die because of
it. Even if the treatment adopted is the most appropriate
one, the external forces may be so hostile that the or-
ganization may still not survive.

Part 2 of *Turnaround Excellence* describes the decline
and rejuvenation of six companies: Tinplate Company
of India Limited, Scooters India Limited, Mangalore
Chemicals and Fertilizers Limited, Torrent Gujarat
Biotech Limited, Amal Products Limited, and British
Oxygen Company India Limited. Readers are given more
information than they could possibly wish for to under-
stand the internal and external causes of decline and the
kind of interventions that made the turnaround of each
of these companies possible.

Unlike some other studies of corporate renewal such
as Khandwalla (2001), which is built on a wide range
of cases from different countries, all the six companies
described here are Indian. The only apparent exception
is British Oxygen Company India Limited. It is British-
owned but Indian for all practical purposes: it has been
present in India for over sixty-five years, first as a wholly-
owned subsidiary of British Oxygen Company, and then
as Indian Oxygen Limited, and finally as British Oxygen
Company India Limited from 1995 onwards. These
companies have had parents or guardians with deep
pockets. This, along with the strong exit barriers erected
by India’s labour laws, made it possible for these sick
companies to be on life-support systems for long.

One of the most valuable aspects of the book is the
way the case studies are integrated with the theoretical
framework. Every time Maheshwari makes a point in
Part 1 about the causes or signals of decline, the response
of the stakeholders to decline, or the turnaround process,
he illustrates it with an apt reference to specific devel-
opments in one or more of the case studies in Part 2.
This ably supports the author’s theoretical framework
and enhances its value. The illustrations, however, are
restricted to the six companies Maheshwari himself has
studied. While this lends the discussion an air of authen-
ticity, one can’t help feeling that additional references
to other published case studies would have strength-
ened his thesis even further.

The title, “Turnaround Excellence,” is attractive but
somewhat puzzling. While the author concedes that not
all the six companies he has studied have “come out of
trouble” (page xiv) in spite of a successful turnaround,
the title seems to imply that he is illustrating turnaround
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that either grew in the greenhouse during the license *raj*
or were launched by companies that thrived during that
period. All six companies fell sick as liberalization that started around the mid '80s began to bite in their respective fields. The exception is Scooters India which had been severely disabled right from birth and kept artificially alive even in the '70s and the '80s by its owner, the Government of India. All these companies had parents or godfathers with deep pockets. Would what worked in these cases work with new economy companies or those without parental support? How about companies that are born and brought up in the globalized, post-liberalization era? Reference to a much larger number of cases of successful turnaround would probably have helped the author illustrate turnaround excellence rather than turnaround success.

While the book is easy to read and very well signposted, the flow is disturbed by too many acronyms strewn all over. When acronyms such as TCIL, TGBL, SIL, MCF, APL, and BOCL appear often and in different combinations, one loses track of the companies they stand for. That these acronyms are displayed along with their full forms in the Introduction is not a good enough excuse for using them the way it has been done. It is true that these companies have had to be referred to many times during the discussion and that repeating the full names would have been cumbersome and possibly unnecessary. A via media – adopting slightly more revealing short forms such as Tinplate Company, Scooters India, Mangalore Chemicals, Torrent Biotech, etc. – would have been easier for the reader.

Turnaround Excellence suffers from poor copy-editing that has let in many language and stylistic errors. Examples: “disposed off” (page XV) in place of “disposed of”; “in few instances” (page 10) in place of “in a few instances”; “Dr Irani envisaged a keen interest...” (page 48) in place of “Dr Irani evinced keen interest...”; “He prided himself for...” (page 81) in place of “He prided himself on...” Such purely linguistic errors do not block comprehension, but irritate the reader. Some sentences are awkward. When the author says, “The fear of after-sales service is especially high when ...” (page 23), he probably means the fear of not receiving after-sales service. The following sentence is so involved that the reader will have to read it a second time to figure out the meaning: “Sahay, for example, took bold initiatives by entering the factory premises and challenging the intent to close SIL in his public addresses as part of his efforts to restore credibility” (page 25).

In spite of some limitations like these, Turnaround Excellence is useful both for corporate leaders and researchers. CEOs exposed to this book should be able to confidently spot symptoms of decline in their organizations, deduce the causes, and deal sure-footedly with them. Researchers can use these highly detailed case studies with or without the theoretical framework and build their own hypotheses on the causes of organizational decline and its remedies.

Reference

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Storytelling in Organizations: Why Storytelling is Transforming 21st Century Organizations and Management

John Seeley Brown et al.

Jack Welch, commenting on what he considered to be his most important attribute, is known to have famously said: “What really counts is that I’m Irish and I know how to tell stories.” Storytelling then is not as marginal an activity as many management instructors think it to be in the managerial realm. The attempt to consign it to the margins in the curricula of business schools flies in the face of not only empirical studies that demonstrate the inordinate amounts of time managers spend communicating in both one-to-one and one-to-many meetings in organizations, but is symptomatic of a management instructor’s tendency to confine what can
be taught with what, in fact, needs to be taught in business schools. If the ability to tell a story is necessary (though by no means sufficient) to being Jack Welch, then business schools prefer to take the easy path of being merely finishing schools for engineering programmes from which they draw their students. But, as Brown et al., argue, organizations will find the going difficult in the years to come if they are unable to harness the possibilities of storytelling in a global economy that is increasingly being dominated by the possibilities of persuasion. The concept of a “persuasion economy,” I believe, is not reducible to soft-skills (as business schools are tempted to do), but needs to be understood more radically as the need to build-in a communications school within the core of a business school. Otherwise, a vast majority of business school graduates will be unable to maximize the potential of the persuasion economy whose size was estimated to be as much as one quarter of the US GDP by the American economist, Deidre McCloskey, in 1995; this amounts to nothing less than a staggering US $1.8 trillion in 1999 figures. The revised numbers for 2007 are, needless to say, likely to be much higher.

This book is organized, at least in part, as a reflection of the sense of urgency that can be derived from the McCloskey estimates given above and by the increasing recognition that is being accorded to organizational storytelling as the essential cognitive-cum-communication tool to navigate the demands and/or exploit the opportunities of the persuasion economy. Almost any area with a subjective and/or a quasi-subjective dimension involving human agency comes directly or indirectly under the persuasion economy. These include domains such as advertising, branding, cinema, law, politics, public relations, psychology, marketing, media, religion, etc. Insofar as the theory and practice of management have to engage increasingly with these domains in a globalizing world that is marked by change, complexity, and uncertainty, the role and prestige of storytelling are bound to increase irrespective of what management instructors think. The question for business schools then is to decide whether or not they want a share of the persuasion economy. And, let us remember, that even if management instructors do not want to engage robustly with the persuasion economy (given the engineering/technical bias in these programmes) their students will nevertheless want a share of the persuasion economy in order to not merely add value (as instructors in business schools fancifully imagine) through the dainty application of soft-skills, but to engage with the discursive construction of social reality in economies that will increasingly be dominated by services rather than agriculture and manufacturing. In other words, the resistance to storytelling in business schools is symptomatic of an unexamined preoccupation with the industrial model of schooling that emerged in the milieu of utilitarianism in England. This utilitarian legacy has outlived its usefulness and it is now time to unlock the communications school that is seeking to emerge from within the bureaucratic confines of the business school. Engaging with the contents of a book such as this one can be a useful way to begin such a project.

The origins of this splendid volume can be traced to a symposium that was organized in the year 2001 at The Smithsonian Associates in Washington DC. This has now become an annual ritual every April and the conversations that were engendered in the aftermath of the 2001 symposium have led to the mushrooming of storytelling groups throughout the United States. By the year 2004, storytelling had not only developed an international dimension, the annual Washington event had actually started to attract international delegates. Organizational storytelling then percolated into the most prestigious journals of management and even the undergraduate curriculum at Georgetown University. While this volume does not aim to be a comprehensive treatment of the topic; what it has, in fact, succeeded in doing is in putting organizational storytelling on the map in a very short period of time. There are six chapters in this volume. The first chapter is a collection of statements on how the four contributors got into storytelling. The last chapter has new thoughts by Denning on the future of storytelling. The four chapters in between are based on the original presentations made by the four contributors in 2001 along with their reflections on the earlier presentation three years later in 2004. One way of understanding the possibilities of organizational storytelling then is to differentiate between the approaches represented in this volume not only in terms of what aspects of storytelling the contributors are preoccupied with, but also with what use they hope to make of it. The contributors to this volume in addition to John Seeley Brown are other renowned experts on storytelling including Stephen Denning, Katalina Groh, and Laurence Prusak. Brown, who is currently an independent consultant, is a former Director of the Xerox Palo Alto Research Center in California and is interested in inno-
vations in the technology sector; he is an expert on the social life of information. Denning is also an independent consultant who moved full-time into the area of organizational storytelling after heading the knowledge management programme at the World Bank. Groh is an independent film-maker who is preoccupied with the use of storytelling in educational videos. Prusak, like the other two men listed above, is an independent consultant but has worked with IBM Global Services and is interested in the role of storytelling in knowledge management.

Prusak, whose presentation is the first in the series of four, is primarily obsessed with what sort of stories people tell each other in organizations and in asking how the process of storytelling can serve as a vehicle for knowledge management rather than facilitate a mere transfer of information. It is knowledge that is represented in terms of organizational competencies and the skills presupposed here are present in the minds of individual employees in organizations. Prusak writes that one of the most important insights that he had was that whenever an employee has something of consequence in his or her mind, he or she experiences a desire for conversation rather than an urge to merely seek more information. Laurence Prusak and Thomas Davenport (while employed in the Research Division of Ernst & Young) wanted to work out the modalities for harnessing this desire for conversation into the building blocks of knowledge management. What started as an innovation in organizational communication through the reconstruction of knowledge embedded in storytelling has now become an academic discipline with as many as seven graduate schools offering advanced degrees in knowledge management. Brown, Denning, and Prusak were all involved in the movement to develop knowledge management via storytelling as both an academic discipline and as an innovative possibility in order to build social capital and capture knowledge in organizations. Brown illustrates phenomena such as these using other examples as well including the development of Linux and the open-source software movement. Technology can be an enabler in this process for Brown (unlike Prusak who believes that interpersonal dynamics are more important) and he invokes the concept of “social software,” comprising communication technologies such as instant messaging, texting, blogs, wikis, friendsters, etc. These technologies enable the subject to aggregate the information inputs necessary to support the social fabric that will help to construct, what he terms, the “knowledge ecology.” This should hopefully help to break the tendency to work and/or innovate in silos in organizations. Using narrative as a link factor in the construction of such ecologies is bound to throw up resistance because of the threat to “the dominant organizational culture,” which is preoccupied with “process and structure.” Brown’s project of organizational storytelling then is unashamedly a “counter-cultural thrust.”

Denning’s presentation and reflections focus on “how to cope with the office on Monday morning” given the big gap between the theory and practice of management. In Denning’s haunting formulation, “change is irresistible, but the organization is immovable.” The resistance to change manifests itself in this gap. What are the non-adversarial ways, if any, to address this resistance? Can storytelling actually help to bring about change or serve as a tool of knowledge management? Denning’s answer is, ‘yes,’ and he illustrates his thesis with examples from his efforts to push the World Bank from being primarily a lending organization to a knowl-
edge sharing organization. Given the intensity of resistance to change that he encountered in the World Bank, Denning seems to believe that if change is possible there, it should be possible anywhere. Denning’s proposal that the World Bank reorient its identity from being a lender to a knowledge-sharer is also rooted in the reality of understanding that the private sector banks “were lending far more to the developing countries than the World Bank could ever lend” and with fewer conditionalities.

In other words, Denning should not be seen as someone naïve with a fetish for stories and storytelling; he is actually focused on using narrative as a tool for both change and knowledge management, but in a way that is informed by the harsh realities of the competitive dynamics to which the World Bank was subject to in the late ’90s. The Bank’s unutilized potential, he felt, lay in the expertise and competencies that it had acquired in the “field of development.” Denning’s foray at change management through rational arguments however did not work until he stumbled upon a story of a Zambian health worker who lived in a tiny hamlet several hundred kilometers away from the capital. This health worker, interestingly enough, had managed to access information on how to treat malaria by logging on to the website hosted by the Centers for Disease Control and Prevention in Atlanta in 1995. Denning’s rendition of this story seemed to jell well with the World Bank and lead to the initiation of a knowledge management programme. Denning has other persuasive examples as well (including those pertaining to innovation in taxation in Madagascar and the building of highways in Pakistan) as emblematic representations of the possibilities of storytelling. These, by the way, are not reducible to the fact of their being stories as opposed to being reports; but, pertain quite literally, to their “embodiment” as physical acts of storytelling. Again, like Prusak, Denning is not too comfortable with ‘virtual’ communication and feels that storytelling is much more likely to work in terms of interpersonal dynamics since he is not aware of “any instance where anyone has been able to effect significant change with a skeptical audience by sending an e-mail and asking people to visit a website.”

Groh’s presentation is based on the learnings generated from making a video about the orchestra conductor, Ben Zander, in a series titled Real People, Real Stories. While the learnings are obviously of importance in coming to terms with the modalities of using storytelling in educational videos, they carry a different flavour from those of the other three presentations. Groh is less concerned with storytelling in the context of change and knowledge management. She is focused instead on the role of the editorial function in managing the attention span of the audience and is rather keen on coming to terms with the relationship between the concept of attention span and the fantasy structure of the different stakeholders. Groh finds it traumatic that the motivational structure of attention spans is mediated more by self-interest than the aesthetic and that the attention span that she can take for granted in co-workers is not readily available with audiences. It is the editorial function that marks the material difference between the two in terms of the large amount of footage that will remain unused at the end of every documentary film. The editorial function then is always a response to the relentless question that bites into the heart of every shot: “So what?” Any scene that cannot answer this question has to be cut out. But while the notion of control in the editorial process is necessary to give the film a sense of structure, it is not sufficient. The film-maker must also remember when to let go; otherwise she cannot carry her audience with the flow of the film since “in the end it is not about being in control,” but about “making everyone else more powerful.” Therein resides, as film makers know, the magic of storytelling.

This is also the final learning that Denning offers the reader after summarizing the genealogy of storytelling along with a brief history of its possible future(s) in the last chapter. While the attributes and functions of storytelling have generated a vast academic literature, there are ingrained philosophical biases that have made it difficult to harness these possibilities in organizations. These biases can be found early on in the work of the ancient Greek philosophers, Plato and Aristotle. Plato’s suspicion of poetry and his argument in favour of expelling the poet from the ideal “Republic” is very much a part of the ethos of business schools today. Furthermore, Aristotle despite making important contributions to poetics (i.e., literary theory), pushed the cognitive agenda in the direction of classifying empirical phenomena, generating elaborate taxonomies of flora and fauna, etc. The focus, in other words, was on abstraction of the general rather than on a study of the particular (as is demanded in literature). Aristotle’s own dictum that every discipline must attend to its own specific methodological needs was overlooked by those who came in his wake. Furthermore, these ancient biases were com-
pounded by Cartesian rationalism during the Enlighten-
ment where the split between the mind and the body
became an important methodological stricture in theo-
retical inquiry.

While the Cartesian cut was a necessary condition
to kick-start “modern” science, it was not a sufficient
condition for completing the scientific project. In other
words, scientific projects, as we know in the post-quan-
tum world, can only remain incomplete by definition.
And, again, the Cartesian legacy does not address the
more important methodological question of whether what
was traditionally thought to be the scientific method
could, in fact, account for all empirical phenomena (in-
cluding the social and the psychological with the levels
of accuracy that are customary in classical mechanics).
Abstraction, not surprisingly, became synonymous with
the mind and the material manifestation of a phenom-
emon came to be identified with the body: that is why
we still refer to the so-called ‘body’ of the text. Literature
became associated more with the body rather than with
the mind—a realm incidentally that was later usurped
by logic, mathematics, and the sciences. Hence, the
language of morality enters into not only the history of
literature, but into how we describe the libidinal economy
of reading practices; this is especially the case with the
history of the English novel. It was widely considered
immoral to read fiction and suggestible young women
had to be guarded against the nefarious influence of the
novel and circulating libraries in England and the other
British colonies.

These ideas are still active in the cultural uncon-
scious in business schools today—haunted as they are
by Descartes’ Legacy. In Cartesian methodology, the
mind-body opposition has not only epistemological and
ontological dimensions, but an ethical substrate as well.
The methodologically impossible project of modeling
management on the sciences has however generated not
science, but mere epistemological naïveté (in the form
of ‘scientism’). It is scientism and the mechanistic world-
view that pose the primary threats to storytelling insofar
as storytelling is (to invoke a critical formulation from
the work of T S Eliot) the objective correlative of the
“persuasion economy.” But to harness the possibilities
of this economy in business schools, we will have to
change mindsets that are preoccupied as Denning puts
it with the “Promethean project of control” in a Sisyphean
attempt to “eliminate unpredictability.” The goal of
managers and management instructors is not to merely
control organizations, but in John Seeley Brown’s for-
mulation to “work with the world.” Understanding the
nature of acceptable transactional modalities (like the
so-called scientific method) can help an economic agent
or firm to get on to the value chain, but there are no
further guarantees. The agent or firm will therefore have
to rethink their presuppositions about the notion of
value when they reach inflection points. Analogously,
it is only when the human subject can come to terms with
his or her inherent vulnerability in the face of an enigmatic
Other which refuses to explain everything that growth
can have effects of being. The market, incidentally, is
an instantiation of this enigmatic ‘Other’ that no amount
of economic analysis can actually explain. Storytelling,
if we wished to extrapolate it in a psychoanalytic reg-
ister, is the process through which the human subject
takes ethical responsibility for this assumption of being
in an act of speech. Organizational storytelling then is
the process whereby ethical leaders can help employees
to align this enigmatic encounter with the ‘Other’ (of
their own desire) into a dynamic relationship with the
strategic goals and inflection points of the organization(s)
in which they find themselves.

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Management Research in Emerging Economies

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Financial Management
1. Exchange Rate Passsthrough Effects and Inflation Targeting in Emerging Economies
2. Why do Malysian Customers Patronise Islamic Banks?
3. Royalties vs Fees
4. The Problems of Minority Protection and their Solutions within the Legal Framework in Turkish Corporate Governance
5. Venture Capital in China
6. Exploring Korea’s Lower Investment Levels after the Crisis

Marketing Management
7. Young Consumers and Perception of Brands in Hong Kong
8. A Study of Factors Affecting the Success of Private Label Brands in Chinese e-Market
10. The Role of Moral Intensity and Personal Moral Philosophies in the Ethical Decision Making of Marketers
11. Exploratory and Exploitative Learning in New Product Development
12. Is Market Orientation Affected by the Product Life Cycle?

Organizational Behaviour
13. Evidence of the Practical Utility of Wong’s Emotional Intelligence Scale in Hong Kong and Mainland China
15. Emergent by Design
16. Individual Reactions to Leadership Succession in Workgroups
17. Delegation and Employee Work Outcomes
18. The Dynamic Relation between Organizational and Professional Commitment of Highly Educated Research and Development (R&D) Professionals

Human Resource Management
19. An Examination of Factors Affecting Repatriates’ Turnover Intentions
20. E-HR Adoption and the Role of HRM
21. Labour Relations at the Workplace
22. Downsizing the Danwei
23. Articulating Appraisal System Effectiveness Based on Managerial Cognitions
24. International and Cultural Variations in Employee Assistance Programmes

Operations Management
25. International and Cultural Variations in Employee Assistance Programmes
26. The Implementation of World Class Manufacturing Techniques in Egyptian Manufacturing Firms
27. Empowering Collaborative Commerce with Web Services Enabled Business Process Management Systems
28. Logistics Sophistication, Manufacturing Segments and the Choice of Logistics Providers
29. Postponement Strategy from a Supply Chain Perspective

Information Systems Management
30. Digital Piracy
31. The Gambler, the Carrots, and the Cook
32. Host Country Resource Availability and Information System Control Mechanisms in Multinational Corporations
33. DSS Development and Applications in China
34. Supply Chain Relationships and Information Capabilities

Strategic Management
35. Choice of Entry Modes in Sequential FDI in an Emerging Economy
36. Business Groups and Market Failures
37. Determinants of Firm Competitiveness in Latin American Emerging Economies: Evidence from Brazil’s Auto-parts Industry
38. Is Corporate Ethical Practice Changing? Evidence from Sri Lanka
39. Knowledge Management in Technology-focused Firms in Emerging Economies

Economics
40. An Analysis of Factors Influencing the Anti-dumping Behaviour in India
41. New Evidence on the Export-led Growth Nexus
42. A New Resource Curse? Impacts of China’s Boom on Comparative Advantage and Resource Dependence in Southeast Asia
43. Development through Conservation
44. Trade and Wages
45. Community Driven Development, Collective Action and Elite Capture in Indonesia

Agriculture
46. Evaluating Social Impacts of Watershed Development in India
47. Weather Derivatives
48. Adoption and Impact of Hybrid Wheat in India
49. Can Irrigation Water Use be Guided by Market Forces? Theory and Practice
50. Class and the Politics of Participatory Rural Transformation in West Bengal
The share of domestic currency depreciation, accumulated over a certain period of time, which translates into domestic inflation is referred to as the passthrough effect. Some of the recent studies have shown the passthrough effect to be decreasing over the past decade or so in the emerging economies, particularly observed in countries like Brazil, Chile, and Mexico. Although most of these economies abandoned the fixed exchange regime and adopted inflation targeting (IT), a direct relationship of the decline in passthrough effect and adoption of IT could not be established. This paper argues that the evidence offered for the lower passthrough misses the nature of the relationship between inflation and the nominal exchange rate under IT. It first shows that the decline of the passthrough effect is an expected result in the emerging countries that implement IT due to 'fear of floating' practices that are justified under this regime. Therefore it is not the case that the domestic currency depreciation effects on inflation are not an issue. This study shows that, keeping other relevant factors constant, declining passthrough effects can be the result of changes in monetary policy regimes, specifically a switch from a crawling peg regime to an IT regime. By establishing a clear relationship between the lower passthrough and the adoption of IT, this analysis offers an additional explanation for the declining passthrough effect of currency depreciation on domestic inflation.

Since 1983, Malaysia has had a dual banking system, whereby the Islamic banking system operates in parallel with the conventional system. In a rapidly evolving and challenging financial environment like Malaysia, the ability of the Islamic banking industry to capture a significant market share is dependent on the strategic positioning of the Islamic banking players to maintain their competitive edge and offer services and products that satisfy the needs of their customers. This study investigates Islamic banking patronage factors from the customers’ perspectives specifically examining the factors which customers consider important when selecting to bank with an Islamic bank and the ranking of criteria which influence the bank patronage decision of customers in a dual banking environment like the Malaysian. The analysis is based on a survey conducted among customers (both financing customers and depositors) of two leading full-fledged Islamic banks in Malaysia, namely Bank Islam Malaysia Berhad (BIMB) and Bank Muamalat Malaysia Berhad (BMMB). The study reveals that the main reason for selecting and patronizing Islamic banks is customer satisfaction due to the quality of services provided by these banks. The services include factors like treating customers with respect, staff ability to convey trust and confidence, efficiency and effectiveness in handling any transaction, and preparedness in providing solutions and answers concerning Islamic banks’ products and services. The Islamic bankers thus can no longer depend on a market strategy of attracting religious customers and should rather focus on enhancing their service quality, the authors add.

Licensing is increasingly becoming an important mode of technology transfer for many developing and industrialized country firms. It is a low risk method for firms to appropriate additional returns to their R&D expenditures. This paper examines how variations in licensing contracts are affected by the usual tradeoffs between control and diffusion of technology. It uses a data set of all foreign collaboration agreements by Indian firms between 1989 and 1993 to study the nature of licensing contracts between affiliated and unaffiliated firms. It specifically studies the factors which determine whether technology licensing contracts will extract payments through up-front fees, royalties or a combination of both. The study finds significant differences based on firm and industry characteristics not only between the forms of payments for technology but also how those factors vary for subsidiaries and unaffiliated firms. The use of royalties is associated with firms that are not foreign owned and in industries where the licensor may want to control the output levels and reputation. Thus licensing contracts are more likely to use royalties when sales are relatively high while increased volatility of sales and greater profitability favour fixed fee contracts. The study also finds support for risk sharing through royalty payments. In addition, factors such as firm’s profits, sales, and size also emerge as important determinants of the structure of technology licensing contracts.

Turkey’s geo-political position enables its capital market to be a part of the European Union’s integrated capital market. For establishing a well-developed capital market and for attracting both foreign and domestic investors, Turkey is experiencing an ongoing reform of its corporate governance system, amending its major statutes to meet EU law requirements and drafting the codes along the lines of those produced by private international organizations. This paper examines the International Institute of Finance (IIF) reports and considers whether the draft Turkish Commercial Code (TCC) implements relevant EU law provisions appropriately. It explains the legal and regulatory framework for corporate governance ensuring the minority shareholder and investor protection. It also identifies weaknesses in Turkey’s legal framework for corporate governance and suggests ways in which legal and regulatory provisions would be amended or new provisions would be adopted to respond to the weaknesses resulting in the lack of equity culture in Turkey. Turkey’s legal framework is found to suffer from a number of weaknesses resulting in a lack of equity culture. It is argued that the shareholder and investor participation in the capital market will reduce the cost of capital and encourage companies to use the equity capital rather than debt as a source of finance. This is likely to create a widespread shareholding structure, leading to a well-developed equity culture, the author adds.

The authors add.
Venture capital (VC) investments in China stands at third position in the world after the US and the UK. It is, however, difficult to enter the Chinese market due to the cross-country differences in venture capital markets and their internal structures. Against the Western focus on profit maximization, rights protection, and transparency, Chinese business culture emphasizes networking, harmony, and seniority. To help the Western investors in making appropriate and well-informed investment decisions, this study provides a detailed comparative account of the VC markets in China and the West. It discusses the historical developments and recent trends and some of the recent measures the Chinese government has taken to aid the development of the local venture capital industry and to implement laws and regulations that are at par with international standards. The study clearly brings out the disparities that set apart the Chinese VC market from the Western. For instance, unlike in the West, the Chinese venture capitalists have to remain in close contact with the insiders of the funded firm due to a lack of sufficient control mechanisms. The gradual changes in the recently implemented government policies provide a much stronger foundation on which the VC sector can grow, making the Chinese economy more diversified and ultimately turning China into a more stronger and stable power in the world.  


During the financial crisis of 1997-98, Korea experienced a sharp economic contraction, the major contributor being the gross fixed investment. Although there was a rebound effect in investment in the subsequent periods, investment levels measured as a ratio of output remain substantially below pre-crisis levels for almost a decade after the onset of the crisis. This paper examines the fundamental determinants of Korea’s aggregate investment focusing on the factors responsible for the persistence of lower investment levels after the crisis. It also sees whether Korea’s recent levels are too low relative to the equilibrium value, derived from the long-run relationship between investment and underlying fundamentals. An estimation of error correction model of real investment suggests that the recent investment levels are neither too high nor too low relative to the long-run equilibrium value, although there was substantial overinvestment prior to the crisis. The persistently low investment rates are stated to have resulted from a fall in the long-run equilibrium value of investment rates due primarily to the effects of adverse terms of trade on corporate profits and cash flows. Overall, the variation in terms of trade seems to have a pronounced effect on investment, reflecting the unique characteristics of the Korean industry: concentration of exports in a fairly small number of products and the high degree of import dependence for the supply of key production inputs.  

Marketing Management


With the enhanced purchasing power in the developing countries, materialism among younger generation has dramatically increased. While marketing professionals are keen to promote spending, parents and policy makers are concerned with protecting young consumers from perceived declining moral standards. This study examines young consumers’ perceptions about possessions of branded goods and their materialistic value orientation in the context of Hong Kong—an affluent city with abundant advertisements. It was specifically meant to see how they associate possessions of branded goods with happiness, friendship, and personality traits. Young consumers in Hong Kong are subjected to a value structure that embraces Confucian, capitalist, as well as feudalist values. A sample of 48 Chinese children aged 13 to 19 were asked to draw what comes to their minds for two statements depicting persons having/not having expensive branded goods. Results revealed that the respondents’ perceptions of personality traits of a person with or without possessions were very different. A person with many branded goods was associated with negative personality traits, such as arrogance, wastefulness, and self-centeredness. The positive personality traits associated with a person with branded goods were high-esteem and positive attitudes towards life. A person without a lot of branded goods was perceived as easygoing, friendly, and down-to-earth. Based on the findings, a model of consumer socialization was proposed for children.  


Private label brands (PLB), also called ‘store brands’ is increasingly becoming important in frequently purchased consumer goods marketing. Online purchasing, however, has not matched this growth presumably due to the perceived risk associated with this medium. This paper explores different types of factors affecting consumers’ perception in purchasing PLB and analyses firms’ optimal brand or pricing strategies on the internet. It uses confirmatory methodology to approach factors of the consumer-level variables including perceptions of the consequences of making a wrong brand choice, the degree of quality concern across brands, the search and experience nature of product features, and consumer price consciousness in that category. The analysis finds that Chinese consumers’ exposure to online products is relatively new leading to difficulty in differentiating between similar brands. Previous purchase experience and searching online is believed to help in reducing the consequences of purchase mistakes. The consumers, however, purchase PLB for reason of price consciousness. It is further found that demographic profile variables correlate significantly with intention to adopt an online purchase, e.g., consumers having higher income and higher education tends not to purchase PLB. Also internet use frequency correlates negatively with perceived risk. The implications of these findings are discussed for e-marketers’ management of website in China.  


Computer-based systems have made it easy and affordable for direct marketers to collect, store, use, and share information with others. Direct marketing (DM) has the ability to become more intrusive, raising issues of privacy invasion. However, concerned customers refuse to buy through risky channels or
provide information thus jeopardizing the aim of DM. Typical measures taken to protect consumers from privacy violations are of a regulative nature which is directly opposed to the profit-maximization goals of the company. This paper examines the usefulness of market-driven approaches in the portfolio of measures to address consumers’ privacy concerns. A segmentation-based approach is suggested in which consumers are grouped according to their privacy concerns thus enabling the companies to appropriately target each of those groups by taking their segment-specific privacy concerns into consideration. The potential of this approach is tested on two independent samples from South Africa and Australia. The use of distinct consumer privacy segmentation of consumers helps not only in targeting the right people with the right product, but also to target the right people with the right approach in terms of information privacy. This market-oriented approach fits in with the economic rationale of the companies by improving the effectiveness of their communication with consumers and is thus a useful addition to the toolbox of measures designed to prevent information privacy violations.


The results of many empirical studies have suggested that moral intensity influences ethical judgments and behavioural intentions in situations that involve ethical issues. These studies, however, differ regarding the structure of the components of moral intensity and their relative importance in predicting ethical judgments. This study examines the role of personal moral philosophy and perceived moral intensity in ethical decision making in a cross-cultural context. Using a two-step structural equations modeling approach, it analyses the measurement and structural models with cross-cultural samples from the US and China. The results partially replicate the findings from the previous studies and provide evidence that the measurement model is somewhat invariant across the two groups studied but the structural model is not. In addition, there is evidence that the relationship between personal moral philosophies and moral intensity varies across the two cultures. While relativism is a significant predictor of moral intensity for the Chinese sample, it is not for the US sample. However, idealism is a significant predictor of perceived moral intensity for both samples of marketing practitioners. Finally, perceived moral intensity is a significant, direct predictor of ethical judgments, and ethical judgments are a significant, direct predictor of behavioural intentions in both instances, the authors add.


For new technology ventures in emerging countries such as China, successful new product development (NPD) is of paramount importance. A key reason for the increasing number of foreign-owned and local new technology ventures in China is to develop new products not only for the domestic market but also for the international market. Recent advances in explaining new venture learning for NPD have been in terms of the social capital theory which intimates that top managers operate in a social context inside and outside their organizations and that these social interactions influence the organizational strategy and its outcomes particularly in new ventures. This study investigates the differential effects of the structural, relational, and cognitive dimensions of social capital, based on exploratory and exploitative learning in new venture NPD in China. The results indicate that three dimensions of internal and external social capital—structural, relational, and cognitive—have differential effects on the level of exploitative and exploratory learning. The results also support the argument that firms need a balance of exploratory and exploitative learning to enhance performance. The study confirms that investing in internal and external social capital, especially in a country such as China, ultimately enhances new product performance. The managerial implications of these findings are discussed.


The product life cycle (PLC) framework classifies the evolution of product markets into four stylized stages: introduction, growth, maturity, and decline. Although PLC is often flawed as a decision-making model, the authors consider it valuable as a descriptive framework for explaining market dynamics. This paper conceptualizes PLC stages in terms of variations in competitive intensity, market and technological turbulence. Markets are stated to be turbulent when customer preferences are evolving and new customers are continually entering the market. In PLC terms, these conditions prevail during the growth stage and are least relevant during the final decline stage. Similarly, technological turbulence is believed to be the greatest in the growth stage and weakest in the decline stage of the PLC. Further, the introductory stage of a new product category, competition is virtually non-existent, the greatest competitive pressure being experienced only after the market enters its mature stage. Data collected from 292 Hong Kong-Chinese manufacturers show that market orientation is indeed affected by the PLC. Market orientation tends to be higher for firms in the growth and maturity stages of the life cycle than for firms in new or declining markets. Also, it has the greatest impact on performance during the turbulent growth stage of the PLC and the least impact during the introductory stage. One of the implications of the findings is that radical new products are likely to be successful with less market orientation.

Organizational Behaviour


Emotional intelligence (EI) is generally considered as an individual’s ability to understand and deal with one’s own and others’ emotions and to make best use of them to facilitate performance in the workplace and their own personal lives. Although many self-report EI scales have been developed for
the measurement of EI, there have been questions about their validity and reliability. A 40-item forced choice EI scale was developed for the Chinese respondents by Wong et. al., called the Wong’s Emotional Intelligence Scale (WEIS). The scale consists of two parts. The first part contains 20 scenarios and respondents are asked to choose one option that best reflects their likely reaction in each scenario while the second part contains 20 ability pairs and respondents are asked to choose one out of two types of abilities that best represent their strengths. For each ability pair, one is EI-related while the other is related to other intelligence dimensions. This study tests whether WEIS is able to capture the differential EI-job outcome relationships for high versus low emotional labour jobs that have been identified by human resource practitioners. For the data collected in Hong Kong and China, the results of Study 1 indicate practical value for jobs with moderate to high levels of emotional labour. As per Study 2 and 3, although the respondents react differently during selection than in a research situation, WEIS is still useful in a selection context. Thus the authors conclude that while WEIS can be used in practical situations for Hong Kong and Chinese samples, its applicability in other Asian countries needs to be tested.


One of the most discussed issues in joint ventures with Chinese companies is the cultural differences and how conflict arising out of it is managed. Chinese tendency of avoiding conflict has been stated to be an impediment to Western-Chinese business relationships. This paper develops an expectancy model for Chinese-American differences in conflict-avoiding, and tests this model using a scenario study with respondents from Taiwan and the US. The model highlights three places of difference for motivation to avoid conflict: (a) expectancy effect—differences in belief that being direct will hurt the relationships; (b) instrumentality effect—differences in belief that maintaining good relations pays off in terms of material and political support; and (c) valence effect—differences in the degree to which they are inherently concerned for others so that maintaining good relations is inherently valued. The findings suggest that higher levels of conflict avoidance among the Chinese are a result of both expectancy and valence effects. However, support was found for the proposition that Chinese care more about relationships because those relationships, in turn, provide payoffs in terms of guanxi favours. The findings suggest that when Chinese avoid more than the Americans, it is likely to be made up of conforming tactics more than outflanking. Given higher levels of concern for others among the Chinese, conforming is likely to be more common among them than the Americans. Thus greater adaptation can be expected of the Chinese to the Western context than vice versa.


Organizations confront two primary demands in their quest for survival and growth. First, they have to perform seamlessly on a day-to-day basis to satisfy their customers, shareholders, partners, and other stakeholders. Simultaneously, they also have to transform themselves to navigate fundamental shifts in their environments—market, technological, or institutional. This paper explores how organizations may be designed to transform themselves even as they continue to perform seamlessly on a day-to-day basis. Organizational design involves paying attention to people, processes, technologies, and governance. Infosys Technologies was studied to explore how the company deployed these four elements in its organizational design and to examine the interactions among the design elements and how these evolved to influence day-to-day performance and transformation as the company navigated turbulent times in its industry. Infosys has seeded each element of its organizational design with generative properties, i.e., the routine application of these elements for day-to-day performance also yields new possibilities for the future. These design elements reinforce and balance one another, leading to the emergence of an organizational platform that supports both day-to-day performance and transformation, the authors observe.


Research on leadership suggests that different workgroup members have different relationships with the formal leader of the workgroup. Thus the changes in the formal leadership result not only in changes in workgroup processes and performance but also in the affect and work attitudes of members of the group who remain after the change. This paper proposes a stage-based model of individual reactions to leader succession that relates individuals’ affective reactions to the departure of the old leader to subsequent judgments about the new leader, as well as to judgments about their job and behaviours on the job. It integrates the theories of cognitive, appraisal, relational leadership, and trust to examine the process as it unfolds in each stage—discovery—exit—entry—role stabilization. The succession episode begins with the discovery by the group members that the leader is leaving. It is proposed that the quality of the relationship with the prior leader will influence an affective reaction to that leader’s departure. This affective reaction will influence the group member’s initial trust in the new leader, task communication with the new leader, organizational citizenship behaviours, and motivation to perform, job satisfaction, and turnover. The model would be useful in understanding outcomes of CEO succession in terms of the reactions of members of the top management team and would also shed light on the process of new relationship formation in leader-member dyads.


In the practitioner literature, delegation is promoted as a critical element in leadership effectiveness and is replete with prescriptive accounts of why and how to delegate. This study uses the cultural representation theory to develop a model of the processes linking delegation to work outcomes. The model proposes that individuals self-regulate behaviour by processing self-relevant information in terms of the extent to which it contributes to self-worth and well-being. In this process,
cultural values play an important role in determining the implications of managerial practices for self-concept. The authors argue that self-concept constitutes an underlying mechanism through which delegation is related to work outcomes. Self-concept has been defined by identity which reflects the meanings that comprise the self as an object. In the context of this identity is reflected by a person’s status as an organizational insider. As an indicator of the quality of an employment relationship, perceived insider status is expected to be related to the behavioural and attitudinal work outcomes. Regression analysis conducted on a data on subordinate-supervisor dyads from China suggest that the influence of delegation on employees work outcomes is indirect, operating through enhancing the self-concept constructs of organization-based self-esteem and perceived insider status. However, the influence of delegation on these self-concept constructs is contingent upon the individual cultural value orientation of traditionality.


In today’s globalized economy, with the success in R&D becoming a key source of competitive edge, motivating and retaining competent R&D professionals is considered critical for successful product development. This study examines the phenomenon of dual commitments of R&D professionals, proposing that organizational and professional commitments have a complimentary relation that may change with increasing tenure in an organization. It is believed that these commitments have substantial implications for workplace attitudes and behaviours such as job involvement, job satisfaction, work motivation, and turnover. This dynamic link was tested by using data collected from a sample of R&D professionals with Ph.Ds who were employees of two large Korean electronics companies. Given that professionals are often more strongly committed to their professions than to their employing organizations, professional commitment is a critical career attitude for them that may interact over time with their attitudes toward their organizations. The results indicate that organizational and professional commitments followed opposite patterns in their changes over the first 12 months of tenure. It confirmed the complementary dynamics between the two which was more pronounced during the first 14 months after organizational entry than during the later periods of organizational life, when levels of organizational and professional commitment appeared to stabilize and even move together.

**Human Resource Management**


Repatriation is the final link to the completion of international assignments and is generally considered a non-issue. However, research has indicated problems of readjustment to the corporate structure, personal finance problems, and re-acclimatization in the home country environment as significant factors for repatriates. This study examines the factors influencing the repatriation process by empirically testing if repatriation adjustment, job satisfaction, and organizational commitment affect the Taiwanese repatriates’ intent to leave the organization and whether these variables predict the Taiwanese repatriates’ intent to leave the organization. The results of multiple regression analysis indicated that repatriation adjustment was the second most important predictor in explaining the variance of intent to leave. Although job satisfaction was negatively related to intent to leave, it was not found to be significant on repatriates’ intent to leave the organization in regression analysis. Poor repatriation could result in a loss of valuable employees. Both expatriates and multinational organizations should therefore prepare for returning home, treating it as the beginning of a new career, the authors conclude.


A modern e-HR system allows employees to control their own personal information by updating records and making decisions and allows the managers to access information, conduct analyses, make decisions and communicate with others. This study examines the use of e-HR in Greece, thus proposing a framework of analysis of e-HR systems in smaller countries. More specifically, it examines the reasons for adoption of e-HR practices, identifies critical success factors in e-HR adoption, and discusses the manner in which e-HR shapes the role of HRM in the new economy, as well as the perceived effect of e-HR in the future of the HR profession. Both the quantitative and qualitative studies show that in general the Greek firms seem to lag behind in e-HR adoption. The main reason for e-HR adoption is facilitating of staffing procedure and communication. Organizational culture, collaboration between HR and IT, and employees' IT skills emerged as critical success factors for e-HR adoption. Although e-HR is not considered a substitute for personal contact and face-to-face communication, yet the majority in the sample perceived it as having potential for upgrading the HRM role from administrative to a more strategic one.


The South Africa Labour Relations Act, 1995 establishes a shopfloor worker institution called a workplace forum to promote the interests of all employees in the workplace regardless of whether or not they are trade union members. Labour relations at the workplace raise certain fundamental issues: (a) To what extent the labour relations system recognizes and promotes the existence and functioning of worker organizations other than trade unions; (b) the institutional relationship, if any, between national trade unions and shopfloor workers; (c) whether the labour relations system establishes and recognizes shopfloor collective bargaining; and (d) whether there are any dispute settlement mechanisms which are
specific to the shopfloor. This article discusses how labour relations system in South Africa deals with these issues. The focus was on shopfloor worker institutions and how they relate to other key issues such as relations with trade unions, collective bargaining, and dispute settlement. The Southern African countries fall into two main groups in this respect: countries having a comparable institution and those having no specific worker institutions at the shopfloor. The study suggests that although there has been no uniform system in South Africa, it is clear that the trade unions have been accorded a substantial role in shopfloor worker representation which in turn affects the extent to which collective bargaining is permitted at that level.


The segment of the economy that has been the most resilient in the Chinese reform process has been the state sector as represented by the danwei, or the state-owned enterprises (SOEs). While the SOEs are portrayed as declining, they still remain a central part of China’s industrial structure and a key to the reform process. This paper examines the progress made in the current round of state enterprises corporate reform, based on the Modern Enterprise and Group Systems—and extends this to discuss the major social consequences of such large scale enterprise restructuring. Surplus labour emerged as the most serious problem of reforms. Drawing on interview data from eight large SOEs in the steel industry, the paper assesses the extent to which the aims of reducing government interference in the running of SOEs, developing a sense of enterprise, and achieving cost reductions and productivity improvements through large-scale workforce reductions can be achieved in the present reform-induced climate of labour unrest and incipient political instability. The analysis has largely concerned the redundancy or redeployment of surplus production workers and managers in the state industry and how this is fraught with practical and political difficulties.


In the recent years, with the increased relevance of productivity and performance, appraisal systems have emerged as a value-added service for giving a company a competitive edge in achieving its strategic goals. Research on appraisal system effectiveness so far does not suggest much about how the organizational actors, party to the appraisal process, construe their appraisal experiences within the bigger framework of performance management system. This paper extends the present mainstream research on appraisal cognitions by examining (a) how the practicing managers see, interpret, and make sense of their performance management experiences and (b) in what way these managerial cognitions of appraisal system experience lead to deeper understanding of the ay forward in designing more effective performance management systems. Individual repertory grid interviews were administered on 100 practising managers. The interrelationships of the appraisal elements, the elicited constructs with the other constructs, and how the elements relate to the appraisal constructs in psychological space were expressed through a collective cognitive map. While certain groups of appraisal characteristics such as more need for objectivity, feedback, participation involvement, etc., remained constant, some new constructs of what constitutes an effective performance appraisal system were elicited. Concern for control ranked among the top five most cited constructs revealing a deep-seated cognition all the managers and ‘tailored to help individual develop and learn’ ranked within the top ten frequently occurring collective constructs of appraisal system effectiveness. The theoretical and practical implications of the findings are discussed.


An Employee Assistance Programme (EAP) is meant to be a systematic approach designed to manage the dysfunctional stressors originating from work or non-work sources. Sponsored by an organization, EAP offers a range of psychological service to cope with emotional, financial, and legal difficulties. While EAPs are more common in the Western countries, similar institutional mechanisms are beginning to evolve in the non-Western parts, particularly China, India, Southeast Asia, and Brazil. This paper examines the nature of cross-cultural variations in the evolution and existence of EAPs and provides a culture-specific framework for classifying the prevalence of EAPs around the globe. It also presents a cultural matrix that examines the relative importance and existence of EAPs compared with the individual styles of coping, social support mechanisms, and culture-specific rites and rituals of the various cultures. The four cells of the framework are vertical individualism, vertical collectivism, horizontal individualism, and horizontal collectivism. Each country provides its own culture-specific mechanism for coping and adaptation. The analysis suggests that cultural backgrounds of employees might provide helpful cues that are often useful in helping them cope with dysfunctional consequences of stress. However, such cues are not understood and interpreted with an individualistic perspective that exists in the countries where EAPs originate. Therefore, EAPs that are consistent with the cultural values of the society can be expected to be of considerable significance in enhancing the individual’s or the group’s ability to cope with stresses in this era of globalization, the authors conclude.

Operations Management


As per the media reports, the Tsunami of December 2004 struck 12 countries including Indonesia, Sri Lanka, India, and Maldives, resulting in colossal destruction in terms of death and injuries, land devastation, destruction of homes and livelihoods, and psychological damage due to all these factors. While the relief effort was able to provide basic assistance to the affected population, it was reported to be organizationally and logistically hindered. This paper develops and discusses a
model that relates the key findings on disaster-response requirements to natural disaster planning. The natural disaster response activity is placed within a locally-based, holistic, and broadly inclusive disaster planning continuum context. Given the recurring nature of natural disasters, the theme of disaster preparedness in vulnerable communities, which mainly focuses on developing the ability to respond quickly and appropriately, is a cornerstone of disaster relief activity. The other disaster response requirements include involvement of the local people, coordinated needs assessment, collaborative information sharing between parties, and logistical expertise and efficiency. The holistic planning approach presented metaphorically as a boat sailing on a planned course, incorporates a forward-thinking, strategic pre-disaster preparedness stage, the actual disaster response stage, and the aftermath stage involving the follow-up activities. The model is meant to guide the natural disaster planners in the search for natural disaster management solutions. 


In order to achieve significant socio-economic improvements, Egypt has made manufacturing management their prime agenda and has therefore initiated the world-class manufacturing (WCM) techniques. This study traces the progress made by the Egyptian manufacturers towards a world-class status, exploring the drivers that encourage them and the difficulties that may prevent them from embracing these WCM strategies. WCM is often characterized by three core strategies of customer focus, quality, and agility and six competencies—employee involvement, supply management, technology, product development, environmental responsibility, and employee safety and corporate citizenship. The findings of this study indicate that the Egyptian manufacturers are still in the 1970s and 1980s, when compared to the world-class manufacturers. They still continue to use the mass production philosophy and are not influenced by “mass customization.” The implementation of WCM techniques has been found to be influenced by factors such as cost reduction, improvement in business process and efficiency, and a desire for greater supplier involvement and customer service. Poor planning and lack of knowledge, training, and communication are the most significant barriers to WCM implementation in the Egyptian manufacturing sector. The authors offer guidelines for the successful implementation of WCM by Egyptian firms.


Collaborative commerce (C-commerce) is a set of technologies and business practices that allows companies to build stronger relationships with their trading partners through integrating complex and cross-enterprise processes governed by business logic and rules as well as workflows. This paper gives an in-depth analysis of Business process management (BPM) and web services in the context of C-commerce, focusing on the emerging use of Web services in conjunction with business process management (BPM) to support C-commerce. It proposes an architecture for web services enabled BPM in C-commerce and provide technical insights into why web services can enhance process integration and how to deploy web services for process management in support of C-commerce. The generic web services-enabled BPM architecture for C-commerce incorporates useful features of workflow management systems, EAI products, process modeling tools, and B2B servers. An implementation of a dynamic e-procurement application based on the proposed architecture is also presented. It involves an ERP system, a business rule engine, a workflow component, a service registry, and web services provided by suppliers handling price quotation and ordering. The design is meant to provide a high-level business process context for integrating applications both inside and outside enterprise boundaries in support of dynamic and agile business processes.


Logistics organizational sophistication implies a degree of maturity of the logistics function in terms of emphasis in the planning and performance monitoring, and continuing investment in information technologies; commitment to relationships upstream and downstream in the supply chain; and formalization and organizational integration of logistics functions. Although it is generally assumed that shippers with a high degree of sophistication in their logistics functions will more likely favour providers with higher and wider, more integrated, logistics capabilities, this relationship has not been established. This paper investigates the relationship between the choice of possible interactions between the choice of integrated or functional logistics providers by Brazilian shippers and their manufacturing process structures and the level of sophistication of their logistics function as well as the impact on that choice of possible interactions between these two characteristics of the shippers. The analysis tests the research questions on the individual and combined relationships of logistics sophistication, measured on a logistics sophistication index (LSI) and process type (V-A-T classification for materials flow analysis) with the choice of type of 3PL provider. The results find support for an association of sophisticated logistics functions and a preference for integrated 3PLs and also between the type of 3PL services a provider hired and the manufacturing process structure of the shipper in a V-A-T type analysis.


Postponement strategy is widely used by many industrial giants to intentionally delay the execution of a task, instead of starting it with incomplete or unreliable information input. This paper empirically examines the adoption of postponement strategy as a supply chain strategy by the Chinese manufacturers based on eight cases. It also classifies the varying typologies of postponement applications and derives some postulations for future testing. A grounded theory building approach was used with case studies as the principles of theory building. The within-case analyses shed light on the underlying supply
chain characteristics of each firm, and cover downstream structure, manufacturer-customer relationship, upstream structure, manufacturer-supplier relationship, production method, product characteristics, lead time, and inventory position. The postponement strategies used under the varying supply chain structures and operating conditions of the eight cases are discussed. The case analyses demonstrate that besides market environment and product and process characteristics, the supply chain structure and supplier-manufacturer-customer relationship do influence the postponement strategy as well. Two propositions are postulated: (a) When a supply chain has a balanced structure, it should use speculation or production postponement; (b) in the case of an unbalanced structure, it should use purchasing postponement or product development postponement.

**Information Systems Management**


The piracy of copyrighted protected digital goods is a growing problem in the music, computer software, videogame, and film industries. Digital piracy involves the purchase of counterfeit products at a discount to the price of the copyrighted product and illegal file sharing of copyright material over peer-to-peer computer networks. The rapid diffusion of broadband connections to the Internet and the rise of peer-to-peer networks make downloading of files much easier thus increasing the fear of higher piracy rates. This paper discusses the causes of piracy, with particular reference to the factors that lead consumers to engage in piracy en masse and explores the consequences of piracy for copyright holders. The discussion on the causes of digital piracy is framed on the basis of three theoretical perspectives: moral development, equity theory, and moral intensity. Work on moral development suggests that piracy in digital goods is high because the threat of detection and punishment are low, and social consensus and peer pressure are not strong. Further, the perceived value relative to price is influenced by feelings of inequality and the prevailing social ideology that software should be free. Additionally, a decision to pirate could be seen as having a negligible harmful effect on the copyright holder. In fact, in certain circumstances, limited piracy is believed to benefit the copyright holder by speeding up diffusion of a digital good.

The author explains the relationship between price, demand for pirated goods, and legal demand with the help of an economic model and throws light on the suitable strategic responses that the copyright holders can take to take advantage of the consequences.


This paper addresses the opportunities, problems, and possible strategic options in the Vietnamese software industry. The gambler, the carrots, and the cook has been metaphorically identified as the key dimensions—the gambler being the venture capitalist, the carrots the potential gains for partners in any enterprise, and the cook is the entrepreneurial magician who can take diverse ingredients and transform them. Using Soft Systems Methodology (SSM), a model was abstracted from published data showing the essential dynamics of the strategic position of the industry in Vietnam and evaluations of some of the key factors. This was then tested through interviews with a small but selected group of participants, and their response was used to identify key issues. The analysis is done at three levels: political and economic context, the potential of the industrial cluster, and a strategy framework at the level of the firm. Finegold’s ecosystem model is used to build a model of the industry. It is argued that further development of the Vietnamese software industry will depend on successful partnerships and networks, nationally, regionally, and globally and also on the Vietnamese government and its institutions. Venture capital, particularly foreign venture capital is also believed to have an important role in the future development of the software industry in Vietnam. Besides these factors, the authors find it essential to reevaluate the international business research agenda and to see that the business environment is transformed in such a way that research engages with practice.


The management of information systems (IS) function is a complex task, particularly in the case of multinational corporations (MNCs) where installations dispersed across distance, time, and cultures can lead to diverse and incompatible systems spreading among foreign subsidiaries. The need to globally control and coordinate the IS management function is often met with resistance from local IS managers, who may perceive corporate standards as intrusive. Resource dependence theory (RDT) argues that control is made easier when a subsidiary unit is dependent on corporate headquarters for critical resources. This study tests the validity of RDT in the context of global IS operations of an MNC. The IS management relationship and the use of various mechanisms of control (formal and informal) between 54 headquarters-subsidiary pairs spread across 19 countries of varying resource-richness. The results suggest that the use of both formal and informal mechanisms is significantly and positively associated with the level of IS dependence of a subsidiary on its parent organization. While there was no significant relationship between resource and formal, the association was positive with the use of informal mechanisms of control and coordination, but not in the expected direction. The results suggest that the higher the availability of IS resources in the host country, the greater the level of use of informal mechanisms of control and coordination.


While the management information systems (MIS) was developed for providing managerial support to the middle-level management for tactical decision making, decision support systems (DSS) was conceptualized for the decision support purposes of top management. There has been substantial progress in both DSS theory and practice. This paper presents an overview of the application and development of DSS in the context of China, throwing light
on the curriculum and research in DSS in major Chinese universities. It has broadly experienced three major trends. During 1978-1988, a major DSS for policy and decision making was developed at the provincial level. In the second phase, i.e., during 1988-1991, thousands of DSS were developed and implemented. Since 1991, greater effort has been put into improving the functions and performance of existing DSS while many new technologies have been integrated into DSS development. Such applications primarily concentrate on four issues: (a) DSS applications in macroeconomy regulation and public policy making; (b) DSS applications in industry and commerce administration; (c) DSS applications in natural resource management, ecosystem, and environmental protection and (d) DSS applications in enterprise operations management. Overall, DSS technology is well established in China, giving benefits to both public and private sectors and having tremendous impact on decision-making.


Theoretical underpinnings of supply chains suggest that success is tied to information exchange. In supply chain management, outsourcing activities puts the firm into a relationship with another organization where various kinds of information are exchanged. Information obtained from supply chain members can be quickly turned into knowledge enabling the firm to leverage information as a form of power in the marketplace. This paper introduces information as a distinct and hierarchical power base in supply chain management relationships. A framework is presented to depict the development of information power relationship between firms, and describe the effect of information power on long-term relationships. It is argued that technological improvement has moved information power to a point that it is not a subset of other powers, but rather a hierarchical power that facilitates other power sources in supply chain relationships. Subsequently, the exercising of this power influences a firm’s attitude toward information integration. In the authors’ conceptualization, information integration is a technology-based approach that assimilates relevant data from internal and external sources to develop a valuable application for the firm. The paper suggests that firms with greater information integration abilities will be more likely to amass stores of knowledge that they may use as power through either coercive or non-coercive power to obtain further information.

Strategic Management


The choice of entry mode is widely regarded as an important decision for multinational corporations in their international expansion. This study examines the entry mode choice of MNCs in an emerging market such as China from a dynamic investment perspective. It particularly studies the sequential FDI in emerging economies and in China which would have practical implications for foreign firms interested in entering China’s markets. The study investigates only three typical kinds of entry modes: joint venture, greenfield investment, and acquisition. As important foundations of sequential FDI theory, the authors analyse the knowledge-based theory of the firm and the organization learning theory. As two streams of research on sequential FDI, the internationalization process model and the capability-developing perspective understand successive investment from different logics. Although both the theories emphasize the effect of knowledge and experiential learning in sequential FDI, contractive propositions are brought forward based on different logical reasoning. Using macro-level data on entry modes in China from 1979 to 2005, the propositions are tested with paired samples t-tests. The results suggest that entry mode choices in sequential investment are not consistent with the capability-developing perspective but consistent with the internationalization process model. The MNCs adopt sequential investment in emerging economies in which they adopt joint ventures in earlier entries and then shift to greenfield investment in later entries. Knowledge about host markets, local partners’ skills, and cost and return of a specific entry mode are important considerations for sequential entry into emerging markets, the authors add.


Evidence suggests that different forms of market failures require unique strategic responses. This paper offers a conceptual framework of the association between market failures, and vertical and horizontal strategies and in the process provides ideographic evidence from business groups in India and Korea to highlight some key issues relating to the evolution of groups in such settings. Building on the classification of market failures that distinguishes between three broad sources of failures—namely, product market, labour market, and capital market—the framework explores the viability of using both horizontal and vertical strategies to address each of the three types. Under ideal conditions, a market entails the exchange of goods and/or services via demand and supply mechanisms without the interference of extra-market mechanisms. In the case of emerging economies, however, market failure is more the norm than the exception. Drawing on the evolution of two exemplar business groups in Asia—Reliance of India and SK of Korea—the paper argues that the important differences in the sources of market failure would call for differences in strategic posture. Thus horizontal strategies might not always be the best approach to addressing marketing failure. In fact, vertical strategies were identified as a crucial link in understanding business groups.


Firm competitiveness in Latin America has often been considered a result of factors of the ‘macro-sphere’ environment. However, with the Latin American economies entering new periods of economic and political stability are now required to enact several intra-firm and inter-firm managerial practices with important consequences for their competitiveness. This study integrates firm-, inter-firm, and institutional level theoretical perspectives to explain firm competitiveness in the emerging economies of Latin America. It is proposed that the
Evidence from Sri Lanka, Samantalha (2007), 38. Batten, Jonathan A; George, Ranjan M J and Hettihewa, operations within particular companies. Horizontal and by supplying information and other resources that enhanced production efficiencies. As expected, institutions exercised an indirect influence, by encouraging companies to work together and by supplying information and other resources that enhanced operations within particular companies. Horizontal relationships are important only when built up through inter-firm associations instead of direct ties among suppliers.

With the increased significance of corporate and social accountability, countries in both developed and developing economies are pressurized to meet international best governance practice as a proviso for receiving new funding. Evidence, however, suggests variation in practice both between countries and between different corporations within each country. This study undertakes a longitudinal analysis of the ethical management practices of Sri Lankan companies by comparing the results from a survey conducted in 2003 when regulatory developments aimed at improving the level of corporate governance were taken up. Two categories of variables were considered: (a) company-specific variables including industry, annual sales, and international involvement; and (b) management practice variables including written code of ethics, forum for discussing ethics, and environmental impact of the company's activities. The survey results suggest that ethical management practice is now more homogenous and standard across companies. It is argued that the variation that remains is the likely effect of specific regulatory developments that have focused on particular types of companies both in Sri Lanka and at an international level over the five-year period. While written code of ethics is now more widespread, forums to discuss ethics remain largely in internationally involved and tertiary companies.

Knowledge Management in Technology-focused Firms in Emerging Economies: Caveats on Capabilities, Networks, and Real Options, Asia Pacific Journal of Management, 24(2), 115-130.

The increasing focus on higher value added products and services has enhanced the importance of technology-focused industries in the emerging economies. The existing technology-focused firms, however, are in need of corporate renewal. It is believed that information flows, which are a key component of knowledge management and which, in turn, impacts corporate renewal, occur differently in emerging economies. Such differences lead to different strategies for firms in emergent markets than those for mature markets. In order to understand the significance of knowledge management in technology-focused firms in the emerging economies, this paper addresses some of the key theoretical perspectives that are relevant to the management of knowledge such as the resource-based view of the firm, social network theory, and real options analysis. It discusses how these theories have to be modified or radically changed in the context of the emerging markets. For instance, while it is acknowledged that knowledge is a critical, intangible resource leading to a competitive advantage, the competitive environment is particularly severe for most emerging economies and protecting a firm’s codified knowledge can be really challenging. Similarly, social connections, both internal and external, are vital facilitators of business activities in high-technology firms, but the time and effort spent in managing such networks in the emergent markets would be considerably greater than in mature markets. Finally, a key element of any renewal effort is high quality decision making. However, the connotation of lower risk taking and higher penalties for failure make the need for quick action in a renewal situation in emergent markets even more critical.

Economics

An important recent development in the international trade policy is the phenomenal rise in the use of anti-dumping measures and the inclusion of many developing countries including India in the club of anti-dumping users. This paper critically analyses the Indian experience with a focus on the factors influencing the anti-dumping behaviour. India has initiated a large number of anti-dumping cases against many of its trading partners, surpassing even the traditional users. The study initially examines the possible factors which may influence the decision of the stakeholders at various stages of the investigation, from the decision of domestic firms to file a petition for initiating the case, to the final decision of the authority to impose duty, the focus, of course, being on the factors that actually influenced the final decision of the authority—whether or not to impose anti-dumping duty. Although the discussion reveals a substantial pressure from increased imports as well as in the form of poor performance on the part of the domestic industry, the analysis shows neither imports nor the performance of the domestic industry as having any significant bearing on the final decision. Rather a less concentrated domestic industry is found to stand a higher chance of getting a favourable verdict. Since dumping is a firm-level activity and anti-dumping measures are meant to provide relief to injured domestic firms, firm-level characteristics could have an important impact on particular cases, the author adds.


The causal nexus between export growth and GDP growth has been the subject of debate both in the developed and the developing countries. This is a comprehensive study on the impact and sustainability of trade expansion for growth in the context of Malaysia. It considers two possible means by which the export-GDP growth nexus operates—total factor productivity (TFP) growth and imports, particularly intermediate inputs and embodied technology. Instead of the
The curse of natural resource wealth is said to be one of slow growth due to a failure to sustain efficient factor use. Southeast Asia being a resource-abundant region whose largest economies have recorded exceptionally high growth rates of per capita income, has never faced a resource curse. However, the continued economic success of poorer resource-abundant SE Asian economies faces a challenge from a combination of global and domestic conditions. Recent World Bank and IMF analyses have indicated that China’s increasing size and involvement in global and regional trade will cause SE Asia’s resource-abundant economies to become less specialized in labour-intensive manufacturing such as garments and more specialized in resource-based exports—both these trends reflecting implicit changes in comparative advantage. In the backdrop of China’s rising importance as a trading partner to SE Asian economies, this paper examines the impacts of China’s boom on comparative advantage and resource dependence in Southeast Asia, World Development, 35(7), 2007, 1099-1119.

The examination of GDP-led exports-growth link shows some evidence of the role of labour productivity growth but not of imports or TFP growth as potential channels. The right interplay and management of all the factors is highly crucial for the success of trade-led growth for the Malaysian economy and in fact for any other economy, the author concludes.


The study examines the dynamic interrelations between external institutions, internal institutions, and conservation and development in CBC in the context of Taiwan. Since the 1990s, external institutional environment in Taiwan has continued to change, motivating many communities to apply a different conservation-through-development approach. This study draws on three cases which represent three different but typical positions on the conservation-development strategic continuum. The author finds development-through-conservation approach to be more appropriate as it fosters continuous collective action thereby strengthening institutional foundations of sustainable development. Priority should be given to conservation rather than development efforts, especially when internal institutions are still weak, the author concludes.


In Latin America, the popular discontent with globalization is attributed to the general perception of a lack of real wage growth following liberalization. Considering that both trade and foreign investment increased significantly in Mexico after NAFTA which would have contributed to rising wages, the relative lack of real wage growth following trade liberalization is puzzling. Moreover, Mexico also experienced rising wage inequality almost immediately after joining the GATT. This paper explores the possible explanations for the puzzle of the Mexican experience: the rise and fall of wage inequality. It uses the fundamental shift in the Mexican economy following NAFTA to explain both these phenomena. Recent evidence on changes in absolute and relative wages suggests that trade, which has been increasing, has been positively associated with wages. In the Mexican case, however, migration plays an important role in national wage levels—rising US border enforcement may have worked to mitigate the otherwise positive effects of trade liberalization by pushing down Mexican wages. In terms of relative wages, Mexico presents another challenge to the rising consensus because inequality reversed its rise and has fallen steadily since NAFTA. From being substitutes, Mexican production workers changed to being complements with US production workers in the NAFTA era. The study presents some evidence for expansion of assembly activities within Mexico increasing the demand for less skilled workers.


Community-driven development is part of a broader paradigm shift from the top-down, modernist, and authoritarian approaches, dominating the development over the last fifty years. In Indonesia, after the economic crisis and civil unrest in the 1990s, the World Bank initiated the Urban Poverty Project (UPP) to help the urban poor. The project was introduced by the central government in consultation with local governments; but because of the desire for the project to be community-driven, the project was introduced to communities by an independent, project funded and trained facilitator, who usually came from the same region. This paper uses case studies of UPP communities as an empirical lens to see to what extent a community’s capacity for collective action can help
their effectiveness as alternative risk management tools and discusses the various weather derivative contracts and evaluates management in agriculture and power sector of India and the in varied degrees in different developed countries for managing weather risk. Weather derivatives are the recent tools that are being employed is stated to be wiped out every time there is a bad monsoon. In India, for instance, 20 per cent of the GDP risk in many businesses, and particularly in agriculture and power sectors. In India, for example, the loss of income due to bad monsoon can be significant. Agriculture and Rural Development


Watershed development has been a driver of rural development in India since the 1970s, the focus shifting from soil conservation to water conservation to now include a more participatory planning approach. However, estimation of the distribution or magnitude of social impacts from watershed development is often problematic. This paper illustrates a propensity score matching method to estimate social impacts based on the application of household data from microwatersheds in rural Madhya Pradesh and considers its wide replicability. Three outcome indicators are derived from the available data: gross returns to kharif agriculture, gross returns to rabi agriculture, and domestic water collection time in the dry season. The analysis estimates who benefits from watershed development, and by how much, by purposively comparing private returns from a land-based intervention alongside changes in public access to drinking water. The findings indicate that the majority of farmers planting kharif crops are no better off after the project in income terms with no significant variation amongst social, income or land stratified groups. The smaller group of rabi farmers fare even worse, on average, but significant variation is found across social groups and land ownership. Overall, the study suggests that matching methods are suitable for watershed evaluation. However, for careful estimation, construction of measurable impact indicators, and effective dissemination of results, evaluation should be an early and integral component of a programme, the author concludes.


Weather continues to be the most significant uncontrollable risk in many businesses, and particularly in agriculture and power sectors. In India, for instance, 20 per cent of the GDP is stated to be wiped out every time there is a bad monsoon. Weather derivatives are the recent tools that are being employed in varied degrees in different developed countries for managing the weather-related risks. This paper examines the state of risk management in agriculture and power sector of India and the prospects of weather derivatives to hedge the same. It also discusses the various weather derivative contracts and evaluates their effectiveness as alternative risk management tools and the basic framework required to implement them. Applications of traditional risk-hedging tools and techniques in Indian context have proved to be costly, inadequate, and a drag on the country’s fiscal system. Weather derivative contracts offer prospects of a low-cost, flexible, and sustainable approach to weather risk management. Weather derivatives, like any other risk-hedging instrument, operate strictly on the basic insurance principles of law of large numbers, estimability of probability and diversity in individual expectations. The conditions necessary for the success of weather derivative market may not be equally present in all countries. But as far as the Indian economy is concerned, it seems to be an appropriate case for its adoption, the authors comment.


To cope with the challenges created by the mounting population pressure, decreasing areas of cultivable land and stagnating yield growth, the area cultivated with hybrid seed technologies has increased substantially over the past decades. Notwithstanding the yield advantage, the suitability of hybrid seeds for smallholder farmers has been questioned. This paper examines the factors determining hybrid wheat adoption in India and analyses whether adopting farmers, particularly small holders, benefit from the cultivation of hybrid wheat in a semi-subsistence environment. A survey carried out in 2004 with 284 wheat farmers in Maharashtra were used for the analysis. For analyzing the determinants of adoption, information and adoption probit models are estimated. The underlying assumption in the adoption model is that farmers base decisions on utility, rather than profit maximization. The analysis reveals that hybrid wheat has a significant yield advantage over the open pollinated varieties and that its grain quality is well adapted to farmers’ tastes. Contrary to the widespread beliefs, hybrid wheat technology does not require higher input intensities, and the technology is not biased toward larger farms. In fact, despite relatively high seed prices and regular seed replacement requirements, smallholders are found to benefit to a greater extent from the cultivation of hybrid wheat than their large-scale counterparts. While the authors suggest more public sector involvement for overcoming institutional constraints, while stressing that there is the need for more research in the area.


In economic literature, water is often treated as an economic good, subject to allocation through competitive market pricing, though there is still another section that considers water as a basic human need and is thus in favour of exempting water from competitive market pricing. This paper examines to what extent irrigation water use can be guided by free market forces or require some extra management to serve social objectives and whether the complexity of market forces to address priority problems is worthwhile. The study uses real world experiences of five cases in Egypt, India, Indonesia, Morocco, and Ukraine to clarify the positions set out by proponents of each perspective. It first considers the theoretical basis for the use of economic instruments, such as volumetric water charges and tradable water rights and then considers their usefulness...
in the context of the different cases. In theory, market pricing and tradable water rights can lead to an efficient allocation, but neither instrument has been applied successfully in the case studies due to (a) preferences of society to allocate water according to politically defined priorities; (b) market failure; and (c) implementation problems. Since there is a big gap between the price and value of irrigation water, considerable increase in the price of water is required to balance supply and demand which would reduce farm economic welfare substantially. Drawing from the case studies, if the objective of managing scarcity is achieved through rationing, the potential role of market prices and tradable water rights is limited. 


The World Bank advocated neo-liberalism with social capital and civil society as sources of people’s participation. The author refutes this idea arguing that ‘people’ as a category includes different classes with conflicting interests. In West Bengal, with the rise of class-based political struggle, the exploitative system of ‘market interlinkage’ was replaced by participatory rural development in the 1970s. This paper throws light on the implications of this form of rural development while also discussing its possible limitations. It analyses the interrelation between the village-level class structure in a differentiated rural economy and the participation of different classes in the political process of decision-making. The primary data from rural West Bengal suggest that as with any market economic regime, the development of capitalistic relations in agriculture has brought about a process of differentiation of the peasantry in the agrarian economy. However, because of a strong pro-poor state intervention, the nationwide process of immiserization is not found in West Bengal. There was a transformation from class-in-itself into class-for-itself and the emergence of class consciousness and class struggle. The pro-poor agrarian reform was implemented through a reorganization of the panchayats, which included (a) an attempt to ensure effective rights for and improve the conditions of sharecroppers via Operation Barga; (b) an effective acquisition of surplus land and its distribution among the rural poor; and (c) implementation of a fair wage rate for landless labourers. It has, however, failed so far to initiate a second phase of institutional reform, encompassing education, gender justice, and cooperative movement, the author adds.

Giving frees us from the familiar territory of our own needs by opening our mind to the unexplained worlds occupied by the needs of others.

— Barbara Bush
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