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Review

Profit creation, intra and inter-generational equity: Need for new company law

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The issue of profits in company management is as old as the joint stock company but remains ever topical and somewhat controversial. Accountants have one measure for profit and economists another measure, whilst some others want to do away with the idea of profits entirely to ensure social responsibility by companies. The theory of sustainability calls into question the existing theory of profits, apparently based on subsidization and negative externalities, as a result of its failure to factor into company accounts their true environmental costs. Not only does the principle of sustainability appear to validate stakeholders' rights in corporate profits but it also calls into question the current theories of profit creation and distributional equity based on shareholder theory, as well as existing company laws. This paper examines the relevant issues and argues that new legal rules on corporate accounting and profits reflecting generational equity, rather than reliance on voluntary compliance, are imperative for good corporate governance and sustainable development.

Key words: Corporate profits law, CSR/corporate sustainability, sustainability accounting, generational equity, IFRS environmental standards, intra/inter-generational shareholders equity.

INTRODUCTION

The issue of profit creation in company management is as old as the joint stock company but remains ever topical, as profit is the usual measure of value creation meant to satisfy the interest of shareholders to a return on their equity and of the effectiveness of company management. At the onset the term was not even defined in statute in England (Chan et al., 2010). Yet the concept of profit as a measure of value creation is somewhat controversial, as some would argue that task achievement is the true test of value creation (Fletcher, 2006), or that customer satisfaction or multi-stakeholder satisfaction (Gill, 2006) and wealth maximization of society (Wilson,

2003) is a truer test. Others point to maximization of shareholders' value (Friedman, 1970); others still, shareholders' optimization (Bainbridge, 2002). On the other hand, the entity maximization theory (Keay, 2008) has also been suggested, whereby the aim of directors should be to ensure the overall long run wealth of the company (People's Department Stores v Wise) in the interest of all who invest in it as an objective. Accountants have one measure for profit and economists another measure, whilst some others want to do away with the whole idea of the trading company and profits entirely in order to achieve sustainability (Mitchell, 1995; Fox, 1996).

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The major controversy has been on what amounts to and how to assure financial sustainability, although iterations of company law appear to be more concerned with solvency and the protection of creditors (Chan et al., 2010).

The distribution of value is not merely an issue in strategy; there is controversy as to whether shareholders are indeed entitled to profit, on the basis that it comprises rents, not wholly or even at all derivable from their investment (Greenwood, 2006). Therefore, it is argued that other stakeholders have a preeminent or equal claim to corporate profits (Greenwood, 2006). Keay (2008) prefers to treat profits as a business expense required to retain shareholders and not as a portion 'owned' by them as a dividend of ownership. As between the various classes of shareholders' inter se and intra se, the matter of equity in the exercise of power and distribution of benefits in the company is a cardinal rule of company's law (exemplified by section 125/127 of the English Companies Act, 1985, section 630/633 English Companies Act, 2006). The agency issue (Jensen, 1976; Fama and Jensen, 1983; Frug, 1984) of fiduciary duties of company executives relates essentially to the felt desire to allow the appropriation of value only in a manner that satisfies the tests of loyalty and avoids conflict of interest - the so-called fiduciary duty of directors. Yet, executive compensation has been on a stratospheric course of increase over time, such that the allure of bonuses and stock dividends is often proffered to be one of the principal causes of the global financial crisis. One suggested remedy is the strengthening of the shareholders' constituency (Heath, 2011; Squire, 2010; Ho, 2010; Stout, 2008; Fairfax, 2008; Velasco, 2007).

A different track of theory based on stakeholders' perspective argues that a company is a network of interests (Donaldson, 1995; Boatright, 2002) and that other parties have a valuable but differentiated stake in the company and its wealth and thus entitled to partake in its distribution. Or that companies are created by society essentially to fulfill social roles, satisfy the interests of other stakeholders and not just the maximization of shareholders' wealth (Freeman, 1994; Branco, 2007). The concept of sustainable development has led to the interesting notion of inter-generational equity (Puaschunder, 2012; Collins, 2007; Weiss, 2007). This has been added to the erstwhile concerns about intra-generational equity (Woods, 2011; Dobson, 1998), which stakeholders' theory reflects on. Sustainable development theory has given us the concept of multi dimensional sustainability: not just economic or financial sustainability, but also eco-system sustainability and social sustainability (human rights). The theory calls into question the existing theory of profit creation which is based on subsidization, as a result of failure to factor in the true

costs of earth resources, as well as creation of future value for forthcoming generations. Not only does this argument seem to give validation to stakeholders' rights in corporate profits or value creation but it also calls into question the extant theory of profit creation and distributional equity based on shareholders' theory, as well as the existing company's law. Some even argue that profit should be distributed to future generations (Jacobs, 1997; Phillips, 2000).

This paper seeks to review existing literature and answer the question: what alternative legal policy governing the measurement and distribution of corporate profits is desirable in light of the established but still evolving theory of multi-dimensional sustainability? It starts by examining the contesting traditional theories of profit and then examines the concept of sustainability. A discussion of sustainability accounting and management methodologies takes up the theme of sustainability, followed by a statement of the legal rules on corporate profits in several jurisdictions. The paper next examines issues of intra and inter-generational shareholders' equity, as well as shareholders' and intergenerational (stakeholder) equity. It concludes that the existing legal rules are outdated and fail to reflect, incentivize and drive the movement towards corporate sustainability and sustainable development. The principle of good corporate governance requires that companies must align with sustainability goals on an integrated and holistic basis mandated by law in view of the clear and present danger of irreparable injury to civilization by a 'business as usual' approach.

Value creation, accounting profit, economic profit and shareholder profit maximization

Accounting profit (Mauboussin, 2002; Merchant and Tatiana, 2009) represents a surplus of revenue over costs in gross terms but is usually an imprecise index of true prosperity or profitability of the firm (Fuller, 2011). It does not factor in all necessary production costs or the time value of money and is difficult to measure. Indeed companies' directors have to spend quality time trying to determine if the company made a profit.

Accounting profits can also be manipulated, depending on the accounting method used to record transactions (Fuller, 2011). It may well allow management to claim good performance and to earn a performance bonus. All too often this is nothing but a gimmick that cannot be sustained in the medium term or may simply result from deleterious actions that would damage the company and profit performance down the road, for example, because of under-investment in innovation, employee capacity building, etc. Management actions that maximize profit in

the short term, even when they are not gimmicks cannot, therefore, presumptively lead to a conclusion that the company has created value for the shareholders and society (Wallman, 1991).

Economic profit (Mauboussin, 2002; Merchant and Tatiana, 2009; Mankiw, 2012) is the net profit that emerges after factoring in the cost of capital into profit after tax (PAT). It occurs when the firm is able to create returns that are greater than the best alternative uses or opportunity cost of input resources. It incorporates the time value of money and inherently requires a longer term horizon in its computation. It allows equity providers to be sure that the business is creating rather than destroying value. It enables managers to discern the most profitable parts of the firm and equity providers to make the most efficient investment decisions. In other words it is a better and truer measure of value creation as it eliminates waste and inefficiency.

Generally, company statutes and accounting standards do not require the reporting of economic profit as a measure of value creation, however, at least explicitly. Yet, Kleiman (2012) argues; '... the right of shareholders to receive an economic return on their investment is as legitimate as a creditor's right to receive interest.' Some companies' laws by incorporating extant accounting standards require payment of dividends based on solvency measures since dividends can only be paid if there is a surplus of assets over liabilities. Ordinarily, that should assure payment of dividend from economic profit, however, according to Chan et al. (2010), some of the International Financial Reporting Standards (IFRS) apparently allow appreciation in the fair value of a company's assets to be treated as 'realized profits' which is distributable. Fair value accounting is itself not foolproof measure against self interested valuation and accounting measures. Besides, the theory of economic profit implicitly suggests that it is ephemeral and difficult to assure on a sustainable basis in a situation of truly competitive markets (Greenwood, 2006).

Therefore, at the accounting level, shareholders' profit maximization based on mere accounting profits and short term horizon may be a myth and more often than not a scam on shareholders, at least long term investors. However, economic profits only appear to encourage financial sustainability at best and do not necessarily engender other aspects of sustainability.

The expectation of society is that a company should create economic gain or value over its life span. The capital it utilises includes natural/environmental resources and social capital invested by society in capitalist production. Producing financial profits is therefore just one side of the equation. Moreover, in order to determine true economic gain, financial profit must be assessed from the point of view of return on investment of these

capitals. It is relevant to inquire in particular whether it has covered their cost and created a surplus. It is more correct to inquire whether it has made the best use of the capitals so as to provide optimal 'three-dimensional' profit. This point is further explored in the section after the next.

Generational equity and sustainability concept

The idea of generational equity derives essentially from the principle of sustainable development. This is generally defined as development that engenders optimal development of current generations without constraining the ability of future generations for optimal development (Brundtland Commission, 1987). It connotes the provision of an equal platform or opportunity for development by all members of the current generation, therefore sounding in social justice and good governance. It requires ecosystem sustainability, meaning that the utilisation of the ecosystem as a productive resource should not degrade its regenerative capacity to maintain equilibrium at all times, so as to sustain present and future living. It also requires productive use of the ecosystem as a basis for providing optimal living standards for current generations as well as innovations that will ensure that the quality of life of future generations is not worse than that of the current. That requires sustainable economic activity that produces growth. However, it should also do so in a manner to enhance human rights and cultural, spiritual and personal freedom. The three dimensions are to be reflected by corporate organisations (Yilmaz and Flouris, 2010; Sneirson, 2011) by balancing financial or economic goals with net neutral or positive impacts on the environment and society.

The more radical implication of the principle derives from two lines of theory. The first line, situated in environmental science, argues that profits and sustainability are antithetical concepts, as the lure for profits drives the use of ecosystems services in an unsustainable manner, whereas there is compelling need for the current generation to moderate its impacts on the environment so as to remedy its overuse or to avoid exceeding the carrying capacity of the earth (Meadows, 1972; Hawken, 1993; Gore, 2011). The second line of theory suggests that when environmental costs are adequately factored into company balance sheets the notion of profit will disappear unless companies radically reengineer their processes, operating models and society the ideology of the market or political capitalism and its penchant for rewarding rent seeking activities that incentivise waste and unsustainable exploitation of earth resources (C.f., Fox, 1996). Contrarian theory argues that management of environmental and social issues leads to better and increased profits

and that sustainability and profits can indeed benefit and conciliate one another to all round beneficial impacts on Environmental and Social Governance (ESG) goals (Elkington, 1994; Mitchell, 1995; Murphy, 2002; Porter, 2011).

Profit making, value creation and the sustainability principle

Elkington's Triple Bottom Line (TBL) concept (Elkington, 1994; Savitz, 2006), although primarily a concept and framework for measurement of impacts of companies on society generally and originally meant to encourage CSR, also connotes an accounting, auditing and reporting paradigm. The most common use of the concept is in the practice of environmental reporting, a largely voluntary based practice meant to incentivize companies to drive environmental and social goals through the reputational pressure that public reporting generates. Increasingly legislation and company's law mandate environmental reporting (Parker, 2005) in annual accounts in financial terms without requiring their incorporation into the balance sheet or profit and loss accounts. The European Commission Recommendation 2001/453/EC of 30 May 2001 on the recognition, measurement and disclosure of environmental issues in the annual accounts and annual reports of companies promoted the strategy of sustainability reporting. The European Accounts Modernization Directive, 2003¹ elaborates on the Recommendation of 2001. It provides, inter alia, that annual accounts:

'... where appropriate [sustainability reporting] should lead to an analysis of environmental and social aspects necessary for an understanding of the company's development, performance or position...' Section 417 of the Companies Act of United Kingdom offers an illustration of the implementation of the Directive. The section requires companies to include in their annual accounts a business review including information about environmental matters (including the impact of the company's business on the environment), employees, social and community issues and any policies of the company in relation to those matters and the effectiveness of those policies. The review must, to the extent necessary for an understanding of the development, performance or position of the company's business, include analysis using financial key performance indicators, and where appropriate, analysis using other key performance indicators, including information relating to environmental and employee matters.

Accounting innovation is also making triple bottom line accounting measure specific. This is one route that implicitly focuses on shareholder optimization. It is anchored on reasoning that this is the best position for reputational and competitive advantage that benefits shareholders and produces a win-win position for other stakeholders.

Another approach adopts shareholders' profit maximization as the basis for profit creation and distributional equity. Hence, Millon (2010) examined a 'third way' using the concept of Enlightened Shareholder Value (E.S.V.) wherein conditioned choice of a long-term view to profit-making and pressure to comply with social values would be applied by the force of market or social pressure by N.G.O's, community activists, the media, employees, institutional investors and consumers, etc. This appears to be the classical CSR model. It could be regarded as a manifestation of shareholders' optimization strategy (Bainbridge, 2002). However, he also examined the limitations of that approach. The public can only react if they have information about questionable behavior and companies may embark on merely symbolic gestures or outright stonewalling. A third approach is to eschew shareholders' profit maximization or optimization as a basis and to focus on value creation exclusively. Fletcher (2006) characterizes the 'third way' model as the 'purpose driven company' which she defines as one that defines a purpose first and then uses profit as a measure of success.

The sustainability paradigm is not inherently hostile to the idea of creation of value, and by implication also profits. It implicitly assumes use by the present generation of the resources of the earth, being based on conservation, rather than a preservation ethic. Indeed, it inherently requires a cost-benefit approach in order to apportion inter-generational equity and must incentivise activities that generate economic profit, return optimum value to economic agents so as to create surplus or wealth and reserves of value that can be enjoyed by future generations. At least it should not incentivise activities that destroy generational value. Activities that do so must be continued, whilst activities that destroy generational value must be discontinued (Sowell, 2000).

The sustainability principle fundamentally, therefore, requires value creation and sustainable profit (financial sustainability). 'Sustainable value creation has two dimensions—how much economic profit a company earns and how long it can earn excess returns' (Mauboussin, 2002). Since futurity or long term consideration is required to more accurately estimate value creation, sustainable value creation will require the same longer term horizon and considerations for firm profit strategy to avoid paying executive compensation and dividend out of unearned profits. In Anglo-American company law, *Dodge v Ford Motors* (Dodge v Ford Motors) epitomizes

¹ Directive 2003/51/EC of the European Parliament and of the Council of 18 June 2003.

the profit maximization, short term norm. To make a gratuitous pay-off to employees about to be laid off, or when the company was exiting trading or for some unrelated act of corporate philanthropy could not count as an investment, could not increase the net present value of the company (Grant, 2009) and was an unauthorized donation of corporate assets, or shareholders' capital essentially. That was a prescriptively narrow view, as it ignored the possible positive contribution to economic profit or shareholder value of reputational benefits that could accrue to companies from CSR activities.

However, this emphasis on economic profit leaves out the need for beneficial environmental and social impact as it is focused narrowly on shareholder interests. Sustainable value or what Haque (2009) terms 'thick value' must redound in meaningful, sustainable value to customers, businesses and society. This is contrasted with 'thin value'. Porter and Kramer (Porter, 2011) talk about the *'right kind of profits – profits that create societal benefits rather than diminish them.'* This appears to be the same thing as 'thick profit'.

There has been a copious scholarly debate about environmental accounting. The basis and methodologies of accounting for the environmental impacts of companies are available (Debnath, 2012), albeit imperfect and not unanimous. The theory of negative impact as cost is clear. But there is another theory that companies can also create value by their interaction with the environment (C.f., Porter, 2011). The problem has been how to ensure disclosure of these variables in the financial accounts at all, or in sufficient detail. There is no doubt that a historical negative environmental occurrence, as defined by extant legislation, incurs liability and must be captured as cost, expensed or provisioned if it is a 'probable' present obligation. Several cost management methodologies now exist for capturing environmental impacts, such as wastage accounting, material flow cost accounting and environmental performance indicators (Debnath, 2012). Other independent methodologies, such as life cycle assessments, life cycle costing, full cost accounting, materials flow accounting also exist, some of which apply the 'polluter pays principle' (Debnath, 2012). There is of course a separate framework for carbon accounting.

The difficulty lies in agreeing financial accounting methodology for capturing possible future liability from current environmental impact, or for environmental risks; in which case materiality is an accounting requirement, requiring reflection of the risk in the estimation of the future value of the company (Thistlewaite, 2011). The time dimension is one element – is the liability anticipated in the short term? If so, it ought to be captured as a provision or contingent liability. Or is it really a risk of 'possible obligation' from current activities likely in the long term (such as the next generation) and, therefore,

might be regarded as too long term to be deemed as material and worthy of disclosure or relevant for current investment decision? In that case, it appears that the current IAS guidance is that it should be provisioned if the probability of loss is 'other than remote' (Thistlewaite, 2011). Ordinarily, an accountant ought to err on the side of disclosure but the current guideline gives him discretion in the matter. The possibility then is that pressure to avoid disclosure and to maintain a healthy balance sheet will allow firms to understate their environmental impacts. As indicated earlier, even the 'fair value' concept allowing discretion as to what value to assign gives room for manipulation.

The accounting methods discussed so far are internal to and stop at the company gate. They do not necessarily relate or integrate the company's interaction with the environment from the point of view of the national environmental commonwealth, normally perceived as discrete and finite stock. National environmental regulatory standards may promulgate limits of impacts on the environment and, therefore, hopefully apportion not more than the acceptable aggregate in total to an industry or activity, therefore, proving a basis for monitoring each company and the industry within the boundary of the carrying limit of the environment (Rondinelli, 2000). However, that strategy of environmental management is fraught with several difficulties (Rondinelli, 2000). Is the benchmark data used in allocating 'pollution or use permits' accurate? Is the regulatory authority capable of adequately monitoring the industry, etc? What methods of regulation are optimal? Therefore, it is important to situate the company within the national environmental asset and liability account, after all companies income is a component of the national income account. A few examples of ideas and methodologies will suffice.

Full Cost Accounting is one of the methodologies that reflect environmental and social costs (Rondinelli, 2000). For example, Atkinson (2000) argues for environmental full cost accounting that appropriately values the impact and cost of a company's operations on the environment on the basis of national environmental accounts in correlation with the income it generates. If that cost exceeds the income then the company is prima facie unsustainable. The lesser the impact of the firm on the environment the more 'sustainable' it is. He also echoes the point that value creation must be holistic; 'socially dimensioned and useful' rather than solely company specific and cannot be measured on a financial dimension alone.

Sustainability management is aptly described as living off the income generated by the social and environmental capitals (flows) rather than degrading the capital itself (stock) (Bent, 2003). The role of a sustainability Balance Sheet will therefore be to capture the capitals, whilst the

Profit and Loss Account will reflect the in and out movement of the flows over time. Sustainability accounting methodologies are being developed and refined (C.f., Bent, 2003). These seek to factor sustainability related costs and benefits into the Profit and Loss Account and to extend the notion of assets in the Balance Sheet to cover human capital and aspects of social capital (such as reputation). Value added statements are a useful means of reporting sustainability performance over time and show returns to stakeholders (Bent, 2003).

Figge and Hahn (2004) propose that rather than use a linear measure such as benefit versus costs or ratio between value creation and resource utilization an efficiency measure based on opportunity costs is more helpful. This would require that companies create value above a particular benchmark based on the resources allocated to the company; thereby 'it measures whether a company creates extra value while ensuring that every environmental and social impact is in total constant.' This proposition should better ensure that 'apples are not compared with oranges' and is notionally superior. Operationalising and implementing it would probably be a greater developmental and a logistical challenge respectively. However, it underscores the necessity of truly measuring value creation as 'thick value'.

The notion of generational accounting (Diamond, 1997) is itself open to criticism on several fronts (Williamson, 2011). A few will suffice for illustrative purposes. The issue of the base line of the market is itself an ideological construct that is political and subject to political evolution and manipulation, the life cycle model is itself just that, a model, not a necessary reflection of reality (Buiter, 1997) and in event based on a parameter that is not static (Havema, 1994). Another criticism is that the framework over-emphasizes the costs incurred by the current generation and underestimates the savings or value bequeathed to the succeeding generations (Williamson, 2011).

Voluntary environmental management systems are a non-accounting option that has seen increasing innovations. International Guidelines like ISO 14001, 26001 have been available since 1996 and 2010 respectively. They enable companies to move beyond compliance and to internalize eco-efficiency and corporate social responsibility in their operations (Rondinelli, 2000).

However, the idea of assessing and regulating the impacts of current generations on the environment is unassailable and cannot be discarded, but should be improved. The important consideration is that social equity requires a basic measure of justice in allocating environmental assets or patrimony, or in participating in economic activity among all citizens, including corporate persons. Concomitantly, society has a duty to avoid wastage; therefore, in determining whether a citizen has

created or destroyed value it is important to be able to assess the value of the assets assigned to him as a productive asset. Measures to track that metric in the operations of companies are, therefore, required from a reporting and regulatory perspective. These can only be legislated and not voluntary measures in view of the weight of the legacy allocated and the serious impact that its use has, not only on current, but also succeeding generations. Company law is a relevant locus for such legislated metric in view of the nexus it bears to the issue of governance and accountability internally and externally to the company. The Porter hypothesis (Porter and Linde, 1995) also suggests that corporate innovation is the key to corporate sustainability and environmental regulation can be used to spur innovation by companies, and in many instances to pay for the cost of regulation (Ambec, 2011).

Corporate profits law

For reason of the need for practicality, brevity and the phenomenon of convergence to IFRS standards (Chan et al., 2010) only a brief survey of few regionally dimensioned global jurisdictions, with English law as benchmark, will now be undertaken.

The rule of maintenance of capital enshrined in section 121 of the English Companies Clauses Consolidation Act, 1845 implied that dividend could only be paid out of profits. However, no definition of profit was prescribed. Section 14 of the Joint Stock Companies Act, 1856 introduced the solvency rule by prescribing civil liability for the payment of dividend when the company was insolvent. Section 39 of the Companies Act, 1980 defined profit as: 'accumulated realized profit...less accumulated realized losses'. Public companies were required to maintain the solvency rule under section 40. The Companies Act, 1981 linked realized profits to the principles of approved accounting standards, which in the case of UK is IFRS. As indicated earlier, some IFRS standards allow appreciation in the fair value of a company's assets to be distributed as realized profit (C.f., Chan et al., 2010).

As the solvency rules and the link to generally accepted accounting standards were required by European Community Directives (the Second and Fourth Directives respectively), implicitly the same principles apply generally speaking within the EU. There is of course convergence to IFRS by many other countries, with United States expected to do so by 2014. The Delaware General Corporation Act implicitly recognizes the solvency rule (Articles 160, 170), as does section 510(b) of the New York Business Corporations Law. Section 501 of the California Corporations Code (as amended by Act No. 571 of 2012) is of similar effect.

The Australian Corporations Amendment (Corporations Reporting Reform) Act, 2010 stipulates a three part test before the payment of dividends. First, that there is a net surplus of assets sufficient to pay dividends immediately before its declaration (not based on the last audited accounts), secondly, that the payment of dividends is fair as between all classes of existing shareholders and thirdly that the company's ability to pay its creditors is not compromised. The law is apparently an improvement by referring to the balance sheet, where shareholders' equity and returns to capital employed are represented, yet issues of classification and determination of 'fair value' may still not allow for unanimity and accuracy on measurement of value (Chan et al., 2010). However, the law neither explicitly, nor implicitly requires companies to consider other stakeholders, apart from creditors, of course. The South African Companies Act, 2008 appears to go even further by requiring a fair valuation of a company's asset as a basis for determining profit distribution. Section 46 of the South African Companies Act, 2008 imposes a solvency and liquidity rule on the basis of a fair valuation of a company's asset and the ability to pay its debts as they fall due within twelve months according to section 4.

New Zealand follows the solvency rule under section 52 of the Companies Act, 1993. Section 380 of the Nigerian Companies and Allied Matters Act, 1990 mirrors section 39 of the UK law and imposes the solvency rule as well. Sections 365 and 169 of the Malaysian Companies Act, 1965 impose similar conditions. Section 205 of the Indian Companies Act, 1956 has provisions that require depreciation for assets in accordance with specified rules before the payment of dividends. An amendment Act of 1974 requires the transfer of a specified percentage to the reserves before the payment of dividend. The Companies Bill of 2009 would require the approval of directors, shareholders and current creditors before the payment of dividend, but appears to abrogate the previous two innovations described. Article 167 of the Chinese Companies Act, 2005 also essentially imposes the solvency rule. It goes further by requiring ten percent of profit to be allocated to the statutory surplus fund up to a maximum of fifty per cent of the registered capital. Past year losses must be provided for before any profit can be allocated to the discretionary surplus fund before any remaining after-tax profit can be distributed to members. Article 189 of the Brazilian Companies Act similarly requires the solvency rule. Article 193 mandates the transfer of five per cent of net profit to Legal Reserve up to a maximum of twenty per cent of registered capital. Article 187(2) provides that '...any increase in the value of assets registered as a Revaluation Reserve may only be computed as a profit after its realization.'

The brief survey of corporate profits laws suggests that

they do not distinguish between income and capital profits generally; but only emphasize 'realized profits.' The South African Law requires assets to be fairly valued before distributing profits and may possibly allow for distribution of unrealized profit. The inference is that they only really require accounting profits. The solvency rule and the treatment of capital reserves may, however, serve to lock in some of the economic profit, although the chief objective is the security of creditors (Greenwood, 2006). Secondly, there is no direct reference to environmental or sustainability accounting in many laws, except as recognized by IFRS, or for purposes of environmental reporting based on moral-suasion. As discussed earlier, the IFRS's environmental standards are still evolving and not at all comprehensive. Thirdly, the emphasis is on building and distributing shareholder value.

New developments, particularly in the U.K. (Williamson and Lynch-Fannon, 2008) and Europe require environmental reporting, but not for the purpose of incorporation in the P & L and Balance Sheet, as previously indicated. The principle of voluntary assumption of responsibility for sustainability management is, therefore, promoted by implication. At best, pressure to comply is left to the desire for reputational capital, compliance with public and regulatory laws or as strategy for gaining competitive advantage. The security of creditors continues to be protected with stringent measures and with so much gusto in corporate profits law. Apparently, it is accorded greater preference than the security of current and succeeding generations. That appears to be an outdated anomaly that should be now redressed on a holistic internal corporate governance and collaborative global basis. This is imperative for sustainability management at all levels, private and public and moves beyond mere fashionable posturing around the concept of CSR or 'green washing'.

Inter-generational shareholders equity

The case of *Fulham Football Club Ltd. v Cabra Estates* (Fulham Football Club Ltd. v Cabra Estates, 1992) underscored the principle that the company is to be managed to satisfy the interests of current and potential members. It would only be logical to expect directors to have regard to the company as a continuing institution in the performance of their duties (Parkinson, 1993) This would be perfectly consistent with a view that companies could defer short term profit under the business judgment rule (*Howard Smith Ltd. v Ampol Petroleum Ltd.*, 1974; *Shlensky v Wrigley*, 1968) so as to protect the rights of creditors 'both present and potential'. Why could they not do so in order to attend to corporate philanthropy or CSR activities that would incidentally benefit the business in

the long run? Is this good ground for deferring short term profits in favour of potential shareholders (Hu, 1990; Orts, 1993; Keay, 2008)?

It would be legally impossible to restrict declaration of dividend and distribution of dividend on the explicit basis that some potential shareholders in the short or long term should be apportioned part of the value created in the current term. (*Greenhalgh v Arderne Cinema, 1951; Peters v American Delicacy Co. Ltd. & Heath*). Directors would, therefore, find it hard to trump the interest of current shareholders to optimum returns on their investment on the basis of an explicit proposition of wanting to preserve profit for future generations. However, shareholders cannot insist on dividends unless declared by directors and as *Howard v. Seawell 1972*, analogically demonstrates directors may invoke the 'interests of the company' doctrine to benefit other constituencies if need be. They may indirectly benefit future shareholders by concentrating on a policy of preserving capital, even if they do not manifest an express indication as to their reasons for a decision not to prefer current shareholders. Section 172 of the Companies Act of United Kingdom, 2006 impliedly empowers directors to defer short term profit or to restrict dividend to current shareholders on the ground that it is in the best interests of the company so to do (Alcock, 2006). There are mixed views on the potential ecological value of the section; some regard its focus on the long term as positive, others believe that public policy and regulatory law is the better vehicle, whilst others feel the accent on maximization of profit is incompatible with sustainability (Collison, 2011). There is no evidence that the section has led to any change of behavior or had meaningful impact on company directors (Collison, 2011).

However, ultimately it is usually in the interest of shareholders to build up shareholder equity by growing value sustainably through a long term profit creation and distribution strategy. That appears to be one sure way of ensuring intra-generational equity in companies. As for ensuring inter-generational equity, the essential element then is not the indefinite existence of the company but of its viability over a long term by means of sustainable value creation and the facilitation of even longer term benefits to succeeding generations of stakeholders, if not directly by the company then indirectly by its contribution to a more sustainable domestic and global economy during its term of existence.

Inter-generational equity – dominant and minority shareholders and other stakeholders

Shareholders will have to forego excessive concentration on short term profit if companies must concentrate on sustainable value creation, as this would not only require

a longer term horizon but also reinvestment in the company for innovation and compliance with sustainability legal standards and ethical values. In the United Kingdom and the United States, particularly, where the phenomenon of managerial capitalism and atomization of shareholding is more pronounced, there is some evidence, of an emphasis on short-term returns (Palmer, 2011; Eldomiaty, 2006; La Porta et al., 2000, 1999; Cannon, 1992). Alternatively, in Japan, where stakeholders - employees, banks and society are in league, with mostly family or bank owned firms to promote the global dominance of Japan Inc., reinvestment in the company is at least 10% higher (Toonsi, 2011; Cannon, 1992). To a lesser extent in Europe, where family owned firms and institutional investors dominate and the stakeholder model is emphasized, a longer term focus is also discernible (Toonsi, 2011; Lane, 2003).

If the managers of companies are discouraged by the attitude or behavior of shareholders or capital markets from taking the long term view (Millon, 2002) required for optimum reinvestment in innovation and corporate sustainability then the conditions for promoting sustainable value creation would be lacking. It follows that shareholders must be recruited as vanguards of the corporate sustainability constituency. This may require shareholder education, but legal and regulatory standards also play an educative function. In other words, law and regulatory rules for promoting corporate sustainability are necessary, especially to allow for true value creation by requiring economic profit creation.

Secondly, they must be empowered to enable them exert the required standards of internal oversight and accountability on management. This requires more shareholders' control rather than less, particularly in the Anglo-American model where speculative and predatory takeover and investment practices and separation of ownership and control led to 'outlaw' management risk taking and compensation practices that almost brought down the global economy in 2008.

CONCLUSION AND LIMITATIONS

There is now need to extend statutory company law by imposing clear, detailed and comprehensive legal standards and rules for corporate profits and sustainability accounting, beyond a voluntary and 'values only' framework advocated by most proponents of CS or CSR. Sustainability accounting should be made mandatory in corporate law, on the basis of environmental full cost accounting. Corporate law should also innovatively prescribe necessary measures for sustainability management or corporate sustainability and a longer term focus on distribution of value meant to promote economic profit

making. If explicit creditor and investor protection rules and institutions are regarded as imperative for promoting economic growth, surely promoting sustainable development cannot be left to acts of voluntarism and ad hoc acts of charity, nor can the values of corporate sustainability be reserved for internalization through market competition and moral-suasion of proponents of CSR and activist civil society alone. Therefore, the duty of directors should now include an explicit rule to 'promote sustainable value creation on the basis of inter-generational equity'.

Explicit rules and sanctions of law and regulation are the quickest and most effective means of motivating and institutionalizing the internalization of the values of corporate sustainability in corporate governance in company managements and officers. Law, codes and regulation exist to protect investors and creditors, to promote financial and capital markets and to make directors accountable to shareholders and society, particularly in the realms of economic growth. Surely, the principles of sustainability now need to be explicitly assimilated into and suffice law, codes and regulation governing companies (Lynch-Fannon, 2007).

One limitation of the study is the apparent non-availability of case law interpreting the IFRS environmental standards and other sustainability accounting methodologies. Another is the limited scope of corporate laws reviewed.

Conflict of interest

The author has not declared any conflict of interest.

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Full Length Research Paper

The impact of motivation on aggregate resignation: Case study of public health sector in Oman

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This study examined the motivation effects of organizational commitment (OC) and organizational engagement (OE) on the relationship between human resource (HR) practices (motivation of staff, empowerment of staff, goal-setting motivations, safety motivations, environmental motivations) and resignation intention. The study covered almost 95% of Al Buraimi hospital's foreign staff (325 people) (not including Omani staff) in Sultanate of Oman. Each completed survey was treated in a fair and confidential manner without mentioning the name or position of the staff members. We made sure that every staff member participating knew about these procedures of collecting and gathering data. It was found that all the variables used to measure HR practices in terms of motivation factors have significant effects on OC and OE. However, multiple regression analyses indicated that career management and job control have a significant influence on resignation intention. OC and OE have major effects on the relationship between HR regarding motivation issue and resignation intention.

Key words: Sultanate of Oman, resignation, motivation, public health sector, human resources, hospital, organizational commitment.

INTRODUCTION

Managing people is an issue for any manager. This process has been discussed in a lot of theories across the history of management such as content theory, Abraham Maslow's hierarchy of needs theory, Herzberg's two-factor theory and Alderfer's ERG theory (Simons, 1987). Most theories are about motivation, which is the key for success not only in organizations but also in our day-to-day lives. Another approach of these theories such as Skinner's reinforcement theory focuses on external factors to understand people's motivation (Buchbinder and Shanks 2007). All these theories attempt to explain

and identify the sources of motivation influencing individuals' behaviours and how to motivate them to behave in desirable ways. The subject of motivation has a very important place in psychology owing to its role in explaining the behaviour of human beings.

This report discusses one of a common workplace problem which lies in the area of basic motivation. We support our report by discussing some motivation theories, which help us to analyse and explain the issue as well as using a survey to evaluate the situation and interpret data according to these inputs. Our motive for

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writing this issue is to help top management in dealing with this problem by providing recommendations about the source of motivation in order to improve the quality of service in our organization.

The labour force has particular structures especially in the health sector. These specific features of workforce can be motivated to face many of the persuasive challenges facing healthcare today (Ratanawongsa et al., 2006). The healthcare institutions are faced with internal and external pressures that should be met effectively with appropriate adjustments and development of the workforce. Development process is a crucial part of any health organization (Dubois and Singh, 2009).

Al Buraimi hospital in Oman is a very sensitive place in terms of providing a high quality of service because it deals with people's lives. So it is vital for any health care organization to have considered the factors necessary to be successful, and the main factor here is to have skilled manpower. The Ministry of Health in Oman re-established this hospital in 1994, with very new medical equipment and capacity of 150 beds. The importance of this hospital is due to it being the only one in the Al Buraimi governorate, which according to the 2003 census has a population of 76,838. Al Buraimi City is located in North-eastern Oman, about 435 km from Muscat, on the borderline of the United Arab Emirates. It is very close to the city of Al Ain in the UAE.

THEORETICAL BACKGROUND

Over the past years, a huge number of theories have been developed attempting to explain and identify sources of motivation, which move the energy and power inside us to exhibit particular behavior particular behaviours. All these theories suggest different groups of motivational sources; some of these groups are ranked as a hierarchy, others are proposed as developmental stages and most of the other theories have no fundamental process of transfer from one source to another.

In this report, we describe the different theories and apply them to our issue; we go through the famous theories created by researchers such as McGregor (1906–1964), Abraham Harold Maslow (1908–1970), Clayton Paul Alderfer (1972), J. Stacy Adams (1963–1965) and some other scientists dealing with motivation theories. The purpose of applying these motivation theories is to analyse how our issue can be solved by these theories.

Maslow's hierarchy of needs

This theory focuses on how to differentiate between drives and motives, and Maslow proposes a hierarchical theory of human needs. According to Maslow's theory, we have nine innate needs or motives: biological needs,

safety needs, affiliation needs, esteem needs, the need to know and to understand, aesthetic needs, the need for transcendence, the need for freedom of enquiry and expression, and self-actualization needs.

Maslow ordered a hierarchical theory of needs in such a way that he set up all the basic needs at the bottom and the highest needs of self-actualization and transcendence at the top. Maslow specialized in humanistic psychology and he strongly believed that "people are not controlled by mechanical forces (the stimuli and reinforcement forces of behaviorism) or unconscious instinctual impulses of psychoanalysis alone". When we apply this theory to our issue we can notice that medical professional staff have an anxiety about the educational future of their kids because there are no good private schools in Al Buraimi; according to Maslow's hierarchy, they will desire to look for more trusted private schools that ensure a professional education for their kids, which are available in the neighbouring city of Al Ain. When they have realized this they will desire to be in Al Ain city, near the private schools for their kids and so on. This desire will develop step by step, until they convince themselves to resign at the first chance of a job in Al Ain city.

Existence, relatedness and growth (ERG) theory

In his existence, relatedness and growth (ERG) theory, Clayton Alderfer emphasizes that it is more realistic to cut down Maslow's hierarchy of needs to three categories instead of five needs. The first category is existence needs, which are related to Maslow's biological and safety needs. For example, the medical staff need to have economic safety, which means here to have a good salaries which can effectively meet their increasing demands. Also, when they give high standard of education to their children, they will have peace and tranquility. The second category of relatedness refers to affiliation and esteem needs. Finally, growth needs are those that involve self-actualization and self-esteem needs. ERG theory says that those three categories can be activated at any one time. Also, Alderfer involves a "regression hypothesis" in contrast with the "progression hypothesis" of Maslow.

Acquired needs theory

The acquired needs theory, proposed by David McClelland, emphasizes that "an individual's specific needs are acquired over time and are shaped by one's life experiences". According to this theory, most wants and needs seem to be ordered by achievement, affiliation or power. A person's motivation and effectiveness in certain job functions are influenced by these three needs. McClelland's theory is sometimes referred to as the three-

need theory

If medical professional staff have a high need for achievement, they will strive to do better in terms of performance or to be more efficient in order to achieve self-set standards. Because the high-risk environment works for them, they need to know about the results of their work, and need feedback in order to measure and monitor the progress of their achievement.

According to the acquired needs theory, everybody naturally needs affiliation, and medical professional staff would rank this need as being very important because most of the time they work within a team; so they look for harmonious relationships with other parts of that team.

Medical professional staff are always dealing with people; everyday they meet many patients, so they need power to influence those patients or have an impact on them. Sometimes doctors treat their patients by directing them to specific behaviours rather than prescribing medicine.

Frederick Herzberg's theory (hygiene factors and motivators)

Motivation can also be considered as a social influence process (Huczynski and Buchanan, 2007). This is emphasised by Frederick Herzberg, regarded as a pioneer in motivation theory. He was the first to develop the concept of "job enrichment". His findings are based on interviewing group workers to identify and summarize what factors influence job satisfaction and dissatisfaction; according to these interviews he developed a two-factor theory of motivation. Herzberg calls them "motivation factors" and "hygiene factors". Motivation factors are "aspects of work which lead to high levels of satisfaction, motivation and performance, including achievement, recognition, responsibility, advancement, growth and the work itself". Hygiene factors are "aspects of work which remove dissatisfaction, but do not contribute to motivation and performance including organizational policy, supervision, interpersonal relations, working conditions, and salary". According to Herzberg's theory, the motivation factors are related to long-term positive effects on job performance while the hygiene factors essentially develop only short-term changes in job performance, which soon return back to its previous level.

In terms of the medical professional staff at Al Buraimi hospital, we can classify their problems as hygiene factors rather than motivation factors. According to the theory, if hygiene factors do not exist in the job environment, it can lead to job dissatisfaction, but their existence does not motivate or create satisfaction. In our case, the absence of hygiene factors is clear and this contributes to the resignations of medical professional staff. For example, if we look at the variance in the salaries of the Al Buraimi and Al Ain hospitals, we can notice a huge difference; Al Ain hospital salaries reach up to four times

those of Al Buraimi hospital. This creates job dissatisfaction for medical professional staff, but if this issue were solved it would not necessarily make staff satisfied; it would be a short-term solution.

Terms of reference: the issues

Since this hospital was established it has experienced a perennial shortage of medical professionals; this is not because the Ministry of Health in Oman does not provide the hospital with them but because a lot of them suddenly resign. During the last two years, the percentage of medical professionals resigning each year increased dramatically; according to the human resources (HR) department in the hospital, this percentage reached 20% of the manpower within the hospital. The administration of the hospital was suffering because of this problem. As mentioned above, this hospital provides health care services for about 76,838 people, so any lack of manpower creates serious problems, beginning with complaints from outpatients because they do not get the appropriate diagnoses (Outpatients Records in OPD, 2008). For instance, if there is a pregnancy case that is supposed to be checked in the obstetrics and gynaecology department, they may refer it to a general clinic because they do not have enough specialist doctors in gynaecology. Sometimes patients do not get any diagnosis or treatment at all because of the huge number of them and the limited doctors available.

This hospital is supposed to provide health care services not only for Al Buraimi city people but also for those who are in transit. Because of the location of Al Buraimi city on the border with the UAE, a lot of passengers use it as a transition area when crossing from inner Oman to the UAE and vice versa. These extra people overload the hospital.

The Ministry of Health, attempting to cover the shortage of medical professional, often recruit foreign doctors with short-term employment contracts because there are no more Omani doctors available for local contracts. However, according to civil service rules and procedures in Oman, this type of contract is only allowed to be used under exceptions from the Board Management of Ministries Council. Most of the time those doctors have visiting visas, which means they cannot be in Oman for more than six months but, because of the urgent need for them, the ministry has agreed to recruit visiting doctors with visas and negotiate with emigration authorities to extend their visiting period. Although this procedure helps somewhat, the problem is that most of these doctors are not specialists, so it is a very weak action and the main problem is not solved yet. Recruiting outside medical professionals takes time and entails a very long procedure—placing advertisements in foreign newspapers, waiting for candidates, and then interviewing them depending on their qualifications, and so on. This

procedure takes more than four months, which is very long period considering the urgent need for them. The Ministry of Health has added a new provision for contracts of employment for all medical professionals, especially for those who will be working in the Al Buraimi governorate; this new provision in the contracts adds that, in case of resignation, the employee has to give the ministry one month's notice and this action is obligatory.

METHODOLOGY

A survey and interview were used in this investigation and, since they vary in the response rates they generate and in their coverage and accuracy, we compare between the results from two methods. According to the Human Resource Department, the total number of foreign staff (not Omani nationality staff) is 206. 120 staff participated in the survey (the final number of respondents is 113). The interview was conducted for 56 participants, among whom 24 have resigned. The scope of the survey here is more expanded than the interview; the reason for this is that we faced difficulties in finding people who had resigned – sometimes their addresses had changed, their phones were switched off or they did not reply to emails, which limited our process.

FINDINGS (ONLINE INTERVIEW)

We tried to gather details from HR records about doctors who had recently resigned, such as their addresses, phone numbers and emails. We emailed them and asked them to give us information about the reasons for their resignations; some of them replied and others did not. The limitation of this process was that a lot of those staff had not given HR any details about where they would be. The main objectives of these interviews were to analyse and identify the reasons for their resignations, and go through motivational factors. The main findings of the online interviews are as follows:

1. As soon as the doctors reach Al Buraimi City they try to get approval to have a UAE visiting visa.
2. When visiting Al Ain city in the UAE, which is about 10 km away from Al Buraimi, they notice the different life there and how it is more developed than Al Buraimi, which motivates them to be there instead.
3. They ask for any opportunity to work there because the salary there is three times more than here.
4. They want private schools with high standards of education for their kids, which are available in Al Ain city; for example, there are Indian private schools, Pakistani private schools, multi-language schools, etc., while there is only one Arabic private school in Al Buraimi.
5. The standard of life in Al Ain is very high; the city has a lot of hypermarkets and supermarkets, while there is just a small market in Al Buraimi, which most of the time has no stock.
6. With regard to entertainment, in Al Ain there are parks, green spaces, hotels, cinemas, kids' play areas, nice restaurants, etc., while there is none of these in Al

Buraimi.

Those motivational factors were the main reasons for doctors resigning and moving directly to work in Al Ain instead if any opportunity came up. The easy and comfortable recruitment procedures of the health authority in the UAE and the environment of the job are also a very important factor.

Employee's motivations survey

The second part of the investigation was to conduct an "employee motivations survey" for the medical professionals still working in Al Buraimi hospital. Some of these employees have been in service for more than twelve years; others are very new; our target groups were the new employees and the old staff to know the reasons for their loyalty to Al Buraimi hospital. The main purpose of the survey was to discover the explanations and the root causes of this problem. The survey covered almost 95% of the hospital's foreign staff (not including Omani staff). Each completed survey was treated in a fair and confidential manner without mentioning the name or position of the staff member. We made sure that every staff member participating knew about these procedures of collecting and gathering data.

Summary of findings

The answers to the employee motivations survey were the keys to knowing the sources of the lack of motivation. We divided our employee motivations survey into five parts to help us gather and analyse the data:

1. What motivates the staff
2. The empowerment of staff
3. Goal-setting motivations
4. Safety motivations
5. Environmental motivations

We collect the data and analysed them using a computerized program to give us results as percentages. We can notice from the results (see appendix B) that, naturally, there is not a person in the world that could not use more money. So we can say here that money is a factor that can never be ignored and it is an incentive for people. In general, money is a good way to motivate employees.

The section on the empowerment of staff showed that this is good in the hospital; this empowerment is basically inherent within the nature of a medical professional's duty. So a lot of staff members were satisfied about this point. Obviously, there is no lack of motivation here and the issue seems to be elsewhere. In the third section, which is about goal-setting motivations, we applied the goal-setting theory proposed by Edwin Locke (1968–

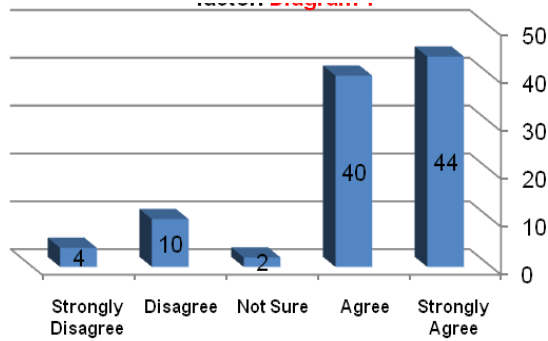


Figure 1. Salary as a very important motivation factor.

1975). This theory establishes four main propositions: challenging goals, specific goals, participation in goal-setting and knowledge of results of past performance.

In sections four and five we relied on content theories of motivation, which are focused on the goals to which we aspire; our research here applies the theory proposed by Abraham Harold Maslow (1908–1970).

Analysis

Based on the interviews we have done, we discovered some findings, which are mentioned above; these findings are the keys to getting more knowledge about the medical professional staff members’ motivational problems, which lead them to resign and look for another place to work in Al Ain city. After combining the result from the employee motivation survey, which is attached in appendix A, and the results we collected from the interviews, which are attached in appendix B, we transferred these data to percentages and converted them to a diagram format to be easy for us to analyse and to set up some recommendations, and also to make clear the meaning of these data to the readers.

What motivates staff?

Here we addressed some questions that indicate the variance in the salaries of Al Buraimi hospital and Al Ain hospital. The diagram shows that 84% of the medical professionals consider salary to be a very important reason to resign and move to Al Ain hospital (Figure 1) This percentage is very big and, according to Herzberg’s theory (hygiene factors and motivation factors), it comes under hygiene factors. Medical professional staff believe they are not compensated well, so they are unhappy to work in Al Buraimi hospital.

The empowerment of the staff

According to the results of the survey, 84% of staff

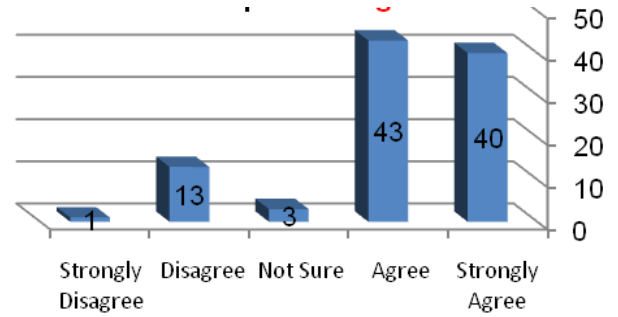


Figure 2. Autonomy in job descriptions.

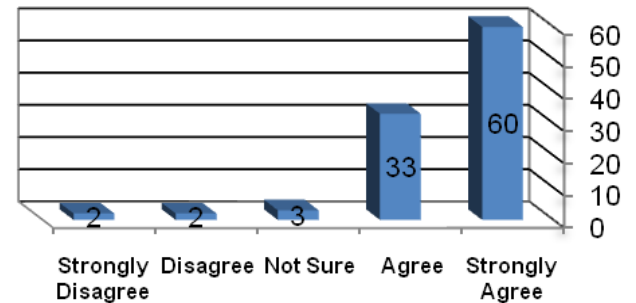


Figure 3. Lack of effect on the autonomy of making decision.

members believe that the administration of the hospital gives them some autonomy in their job descriptions (Figure 2); therefore, there seems to be no problem in terms of empowerment. On the other hand, 60% of medical professional staff feel that the administration of the hospital does not have an effect on their decision when finding appropriate solutions for any problems a professional may face (Figure 3). Also, the clarity of the tasks given by the administration are simple and understood; as we can notice from the diagram, 89% of medical professional staff have no problem with this point.

Goal-setting

Figure 4 shows that around 13% of medical professional staff strongly agree that they participate in goal-setting. This number is quite small and it indicates the existence of participation problems. This may lead to dissatisfaction about the goals of the organization, which may make the staff unhappy and can be considered a reason for their resignations. In addition, it may lead to low performance and affect the efficiency of the organization.

Feedback on performance

Figure 5 shows that 67% of medical professional staff

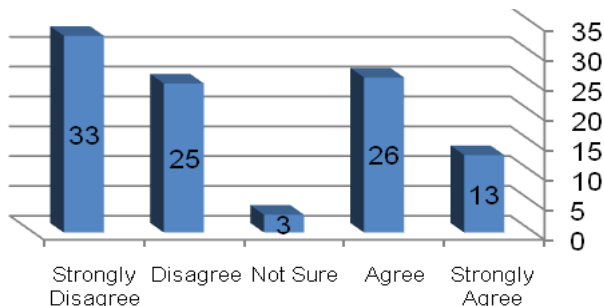


Figure 4. Chance to participate in goals setting plan.

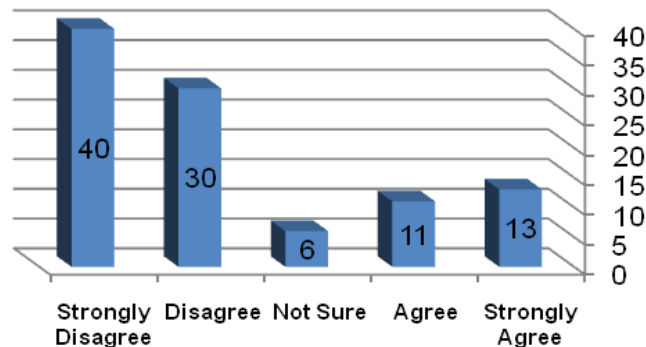


Figure 6. The priority for staff

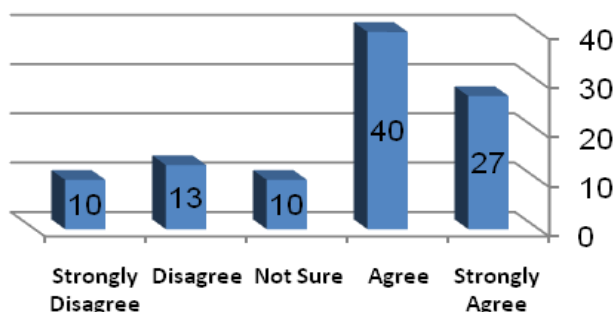


Figure 5. Receiving feedback regularly.

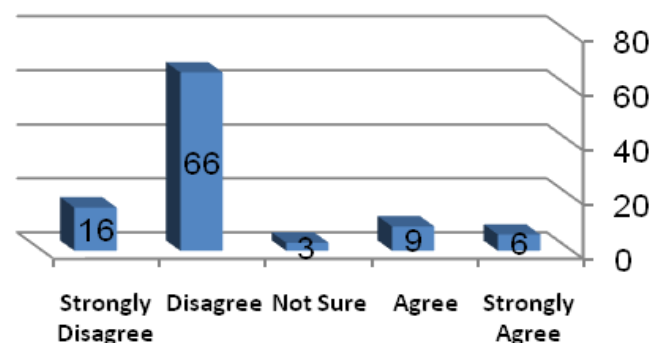


Figure 7. House allowance is appropriate.

agree or strongly agree that they get feedback about their performance. When we were going through the feedback procedures at the hospital, we found that they do not send regular feedback to their staff but send feedback on request only. This could cause frustration in the staff and in turn lead to low performance. The staff development department has taken note of this problem and has asked the administration to put it in their coming year strategy plan. We think this is very important; according to goal-setting theory, "feedback is necessary for effective goal achievement; it contains information and it is also motivational".

Safety environment

The following diagrams represent the lack of a safe environment in Al Buraimi hospital. According to Maslow's hierarchy of needs, safety needs are second from the bottom. This means these needs are very important and should be satisfied well in order to motivate medical professional staff. However, 70% of staff believe that the administration does not take care of them (Figure 6). For example, all foreign medical professional staff (excluding Omani staff) keep their passports in the personnel section of the hospital subject to civil rules, and they follow a very inflexible procedure if they want their passports back. The care they are looking for includes

good conditions of work, flexibility and speedy responses to their requests. This lack of care makes staff unhappy and dissatisfied with their work.

House allowance motivator

As Figure 7 shows, 82% of staff are not satisfied with the house allowance at Al Buraimi hospital. Despite the expensive rental flats, the administration of the hospital does not respond to staff requesting them to increase the amount of house allowance. This may be the main reason for them resigning, as sometimes the staff have to pay more to rent a nice flat from their basic salary. This serious problem affects the loyalty of staff and increases the likelihood of them resigning and moving to look for a good house allowance somewhere else.

Environment scanning

Naturally, any person wants to provide a good environment for his or her kids, and it is a big matter if you do not trust the place that you are in to provide enjoyment for your kids. According to the survey results, 82% of medical professional staff feel that their kids are not

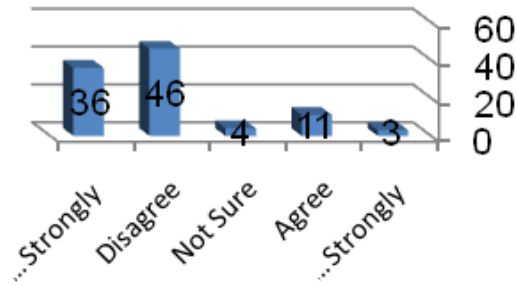


Figure 8. Staff kids are happy in Al Buraimi City.

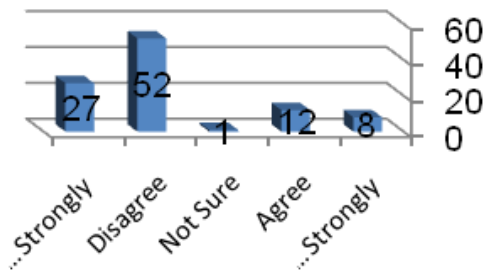


Figure 9. Education services based on high standard levels.

happy in Al Buraimi (Figure 8). The reason for this feeling is because there are not many gardens and green parks in Al Buraimi.

Also, 79% of medical professional staff are not satisfied about the education services in Al Buraimi city (Figure 9). They have to look for private schools in Al Ain city, which has high standards of education. This process of course costs them more money, and brings them back to the start, that is, the salary is not enough.

Because of this situation, staff will strive to get UAE visiting visas for them and their kids. As the diagram shows, 92% of staff consider the UAE visiting visa to be very important for them (Figure 10); and when they get it and notice the large differences between the services in Al Buraimi and Al Ain they start to look for any chance to work in Al Ain City, and 100% of them would prefer to work there. A very big number – around 66% – of medical professional staff spend most of their time in Al Ain city rather than Al Buraimi City because they find there what they need for them and for their kids. For example, there are no KFC restaurants, hotels, hypermarkets, green parks or cinemas in Al Buraimi, which are all available in Al Ain city. We think these are the main reasons leading the medical professional staff of Al Buraimi hospital to resign and go to work in Al Ain hospital (Figures 11 and 12).

In conclusion, motivational factors are very important for

any organization, and because of the intertwining nature of motivational processes it is difficult to measure the motivation. So we cannot measure motivation directly, instead we manipulate some stimulus condition and then measure some behaviour in the form of a response. Based on our findings from the online interviews and employee motivations survey, we found that there are many serious reasons for the resignations of the medical professional staff of Al Buraimi hospital. These findings can be summarized as lack of motivation, so we have supported our report with some motivational theories, which have helped us to analyse our findings and come up with effective recommendations for the administration of the hospital in order to fill these motivational gaps.

RECOMMENDATIONS

Based on our results and findings, we have compiled some recommendations, which are proposed according to the inputs of our issue – the lack of motivation factors – and the outputs of motivational theories. It is strongly believed that administrators have to pay attention to these recommendations to help overcome motivational problems at Al Buraimi hospital. They are as follows:

1. The salaries of medical professional staff should meet other Gulf nations standards. The Ministry of Health has to be aware of the variance in salaries from country to another. The problem of variance of salary may expand to other places in Oman. This issue is discussed within Herzberg's theory, and the Ministry of Health should apply this theory to overcome this problem.
2. Medical professional staff should participate in the organization's goal-setting plan. The administration of the hospital has to make its staff feel that they are part of the team in the hospital. According to Herzberg's theory, we can list this point under intrinsic rewards, which involve feelings of satisfaction; so when they participate in the goal-setting plan they will be satisfied somewhat.
3. Feedback on performance should be sent regularly. The staff development section of the hospital has to pay close attention to this point to avoid frustration and low performance in staff. Goal-setting theory is emphasized at this point as it is necessary for effective goal achievement and is considered one of its four main propositions.
4. The top management should provide a safe working environment. The need for a safe environment is very important for medical professional staff. Maslow's theory lists it as the second need in his hierarchy.
5. There should be some flexibility in dealing with the medical professional staff; the administration of the hospital should increase the number of personnel staff to ensure a speedy response in any process related to them.
6. The structure of the house allowance should be redeveloped, taking into consideration the high increase

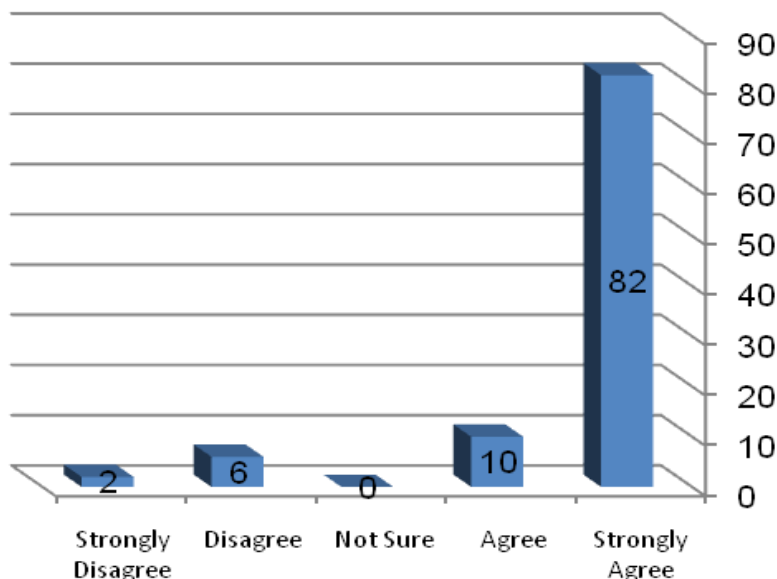


Figure 10. The importance of having UAE visiting visa.

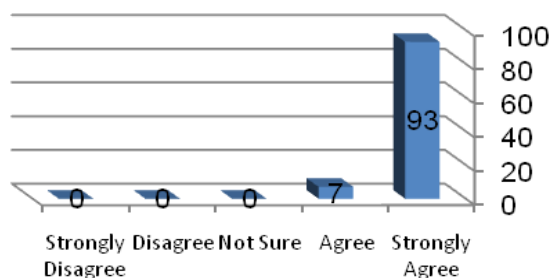


Figure 11. The favourite place to work is Al Ain.

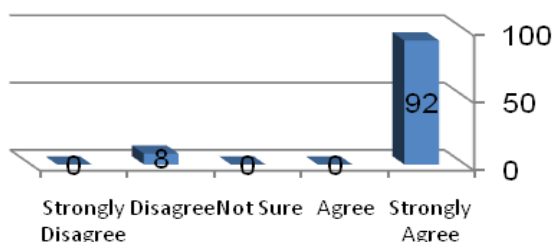


Figure 12. The favourite place to enjoy is Al Ain

in rental costs; alternatively, the hospital could provide internal accommodation for the staff as a short-term solution.

7. A clear job description and simple explanation of tasks and targets would help increase job satisfaction and the hospital administration should develop this policy.

8. The Ministry of Health should provide a good working environment for the staff, including personal fulfilment,

and develop the staff potential.

9. Affiliation needs are very important, according to Maslow's theory, because they are concerned with affection, relationships and love; medical professional staff should be supported in terms of their family stability through the provision of good conditions for their families. For example, the hospital could create some gardens with small play areas for kids inside the internal accommodation.

10. The major concern of medical professional staff is the low level of education services for their kids; this problem makes them work under tension, and most of the time they eventually give up and resign. The Ministry of Health, along with the Ministry of Education, should aim to gather information and find the best solution to this problem, by increasing the standard of the private schools.

11. Because there is a lack of civil services in Al Buraimi itself, such as restaurants and hypermarkets, the top management of the hospital should develop alternative procedures to decrease the effects of this problem until it is solved, for example, by increasing salaries or recognizing and rewarding high performers. Also facilitating the procedures for the staff to get UAE visiting visas could be an alternative solution to cover the gap in services in Al Buraimi city.

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Full Length Research Paper

Multi-country survey attitudes towards the treatment of HIV/AIDS in the workplace

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The Academy for Educational Development (AED) held a long-term, multi-country, multi-continent program funded by the United States Department of Labor (USDOL). It aimed to help both employees and employers deal with the impacts of the increase in the spread of human immunodeficiency virus infection/acquired immunodeficiency syndrome (HIV/AIDS) in the various parts of the world. The focus of this program was to work in the private sector to ameliorate the negative impacts of HIV/AIDS in the workplace. Measuring employees' and employers' attitudes towards people working with HIV/AIDS as part of early interventions was the key to the project success. AED has subsequently been acquired by Family Health International, to create FHI 360, which also does a significant amount of work with people living with HIV/AIDS. The following data were collected during the early stages of the USDOL-funded Strategically Managing HIV/AIDS in the workplace (SMARTWork) program which ran from 2003-2006. The survey results, while analyzed in 2006, continue to be relevant for practitioners planning to implement similar activities through corporate- and donor-funded health in the workplace initiatives.

Key words: HIV/AIDS, health in the workplace, absenteeism, labor turnover, workplace discrimination, workplace stigmatization, behavior change communication.

INTRODUCTION

With HIV/AIDS most often affecting adults in their productive and reproductive prime, the business community has recognized its ethical responsibility and economic interest in protecting its most valued asset –its workforce. Employers, especially those in countries where the disease has been most devastating, are acutely aware of the direct financial and indirect social costs of the epidemic; at a minimum the business community has recognized the common good of having a healthy workforce. AIDS-related illnesses and deaths result in increased absen-

teeism, labor turnover, discrimination, stigmatization, and costly iterations of recruitment and training. Moreover, with a reduction in the number of skilled workers, employers have seen expertise decline and workers' productivity reduced. Some early projects led in the effort to get the corporate sector involved in helping to change peoples' behaviors through workplace initiatives – and had success doing so. In particular, the international HIV/AIDS workplace program SMARTWork– Strategically Managing AIDS Responses Together in the Workplace –

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was a pioneer in this area and contributed to ushering in an era wherein policy makers and researchers began to view the workplace as a setting for HIV testing (Arimoto et al., 2012). The U.S. Department of Labor funded SMARTWork from 2001-2006 in the Dominican Republic, Haiti, Nigeria, Zimbabwe, Ukraine, and Vietnam and the United States Agency for International Development (USAID) provided additional funds through 2011 in Nigeria and Vietnam. The program was assessed from 2004-2006 to determine the degree to which it had brought about positive change in HIV-related knowledge, attitudes, beliefs and practices (KABP) among its main beneficiaries, that is, workplace employees. While this assessment was conducted in the program's early stages, it continues to be relevant for practitioners planning to implement similar activities through corporate- and donor-funded health in the workplace initiatives.

OVERVIEW OF THE SMARTWORK PROGRAM

The major objectives of the global SMARTWork program were to reduce employment related stigma and discrimination against people living with HIV/AIDS (PLHIV) and HIV/AIDS-related risk behaviors among employees. To accomplish these objectives, technical support was provided rather than direct funding to allow committees of workplace managers and workers to design, implement, and sustain their own HIV/AIDS workplace policies and programs. Program components included workplace policy development and dissemination; formal and informal HIV/AIDS prevention education; condom accessibility; services to address sexually transmitted diseases (STIs) and opportunistic infections; voluntary HIV counseling and testing; and HIV/AIDS counseling, care, support, and treatment services for PLHIV including employees and their partners and families. Health services administered through the program were on site or off site or through referral.

SMARTWork operated at multiple levels and with multiple sectors to build an environment to support HIV/AIDS policies and programs within individual enterprises. At the national and provincial levels, it took a tripartite approach fostering partnerships among government, labor, and business sectors to promote a national HIV/AIDS workplace policy and program framework. At the enterprise level, it took a bipartite approach fostering partnerships between business and labor to gain the commitment of employers and managers and to provide technical support to workplace HIV/AIDS committees in their design and implementation of workplace HIV/AIDS policies and programs for employees, their partners, and family members. The ultimate goal of the program was to impact employees of enterprises targeted by SMARTWork. More specifically, positive change among employees was expected in the following areas:

1. Increased knowledge of HIV transmission and

- prevention
2. Improved attitudes toward condom use
3. Improved attitudes toward persons living with HIV/AIDS (PLWHA)
4. Reduced beliefs about workplace discrimination against PLWHA
5. Increased knowledge of national and workplace HIV/AIDS policies
6. Decreased HIV/AIDS risk behaviors

Supporting surveys and studies

Businesses have joined more traditional sectors, that is, government and civil society, in the fight against HIV/AIDS with increasing numbers of employers by investing in the provision of prevention, care, and treatment of their workforce. In South Africa, the South African Business Coalition on HIV/AIDS (SABCOHA), a member-driven organization comprises 173 local businesses, aims to engage businesses in the national response to HIV/AIDS and coordinate a private sector response to the epidemic. Workplaces are indeed strategic venues for implementing HIV/AIDS programs and policies, as they provide structured environments conducive to sharing information, accessing training and education, and implementing diverse interventions through a variety of communication methods. With employers' support for such initiatives, there is potential for increased awareness and action to prevent the disease among employees and for this knowledge to be transferred to employees' families. The following short descriptions illustrate the point.

1. Numerous studies focus on the costs, benefits, and best practices of workplace interventions (Arimoto et al., 2012; Cohen, 2002; Corebett et al., 2006; Dickinson, 2005; Lisk, 2002; Nattrass et al., 2004; Rodgers, 2010; Rosen et al., 2004; Sequeira et al., 2002). There are a series of issues these articles bring to light, but some common themes include: the workplace as a gathering place where it is common for people to meet, information to be distributed, and services to be provided at low costs; measurement in the workplace can be easier than in other environments because participant populations tend to be relatively stable; and workplaces engender environments where both employees and employers have incentives to participate in services provision and directly change behaviors. Moreover, workplaces can serve as gathering places for additional populations – families, customers, and suppliers – that can be reached and influenced. The evidence is mixed on how much behaviors actually change in, for instance, not participating in extramarital sex. However, the evidence is consistent that in workplaces more information is disseminated and absorbed and that some key behavior changes, such as using a condom while having sex, are more positive in workplace settings.
2. The Investment Framework Study Group asserted that

HIV/AIDS workplace programs need to focus on behavior change via group communication delivered through civil society and faith-based organizations targeting the workplace (Schwartländer et al., 2011).

3. Bakuwa's research on private company-sponsored HIV/AIDS programs initiated in the workplace showed that bottom-up programs work better than top-down, and that programs with more staff involvement work better than those with less because peer group communications and pressure to conform are greater when large networks of people are involved. However, variations in responses by sector were noticeable. For example, companies in the service sector responded more often than those in trading (2010).

4. A 2009-2010 study examined how South African workers' relational value with colleagues affected their willingness to participate in workplace HIV testing and counseling (HCT) programs. It showed that in one large enterprise, workers with strong relational value with colleagues were less likely to test for HIV as compared to colleagues with weak relational connections in the workplace (Arimoto et al., 2012). While it would appear to be a surprising finding, the cause is probably due to workplace stigma where workers who have closer affiliations are more concerned about others' judgment when being tested than those other groups who have more tangential relational affiliation.

5. Studies of peer education programs in two different workplaces in South Africa and Botswana found there were conflicting results regarding the interventions' impact on employees' HIV/AIDS-related knowledge, attitudes, beliefs, and behaviors (KABP) (Hope, 2003; Sloan and Myers, 2005). Another study of a workplace-based HIV care program in South African demonstrated the effectiveness of an anti-retroviral therapy (ART) counseling intervention on patients' increased HIV/ART knowledge (Stenson et al., 2005).

6. Bärnighausen et al. (2012) use data from ART programs to show the economic value of HIV treatment as prevention (TasP) where the economic situation of patients improves as they get ART treatment and the economic situation of patients who receive preventative TasP therapy avoid drops in economic productivity. This finding has direct implications for employers to invest in HIV-infected workers' early treatment to maintain their workforce contributions.

7. Kortum et al. (2011), who explore the nature of psychosocial hazards in the workplace and work-related stress, find that HIV/AIDS-related absenteeism can increase and create stress for coworkers picking up the extra workload, which is beyond the predictable stress PLWHA would face.

METHODS

A structured KABP questionnaire was designed based on SMART-Work's strategic framework, a tool that outlined the project's

objectives and related performance indicators. Most of the performance indicators were taken from the standardized list of USAID HIV/AIDS indicators and measures (USAID, 2000). Once the questionnaire was finalized, it was distributed to SMARTWork staff in the related countries where it was reviewed for cultural appropriateness. Minor adjustments were made in the wording of some items to better fit the cultural contexts. This contributed to the instrument's in-country reliability. The questionnaire included items concerning respondents' socio-demographic characteristics, knowledge of HIV prevention and transmission, attitudes toward condom use, attitudes toward PLWHA, beliefs about workplace discrimination against PLWHA, knowledge of national and workplace policies, and HIV/AIDS risk behaviors.

After receiving written consent, the questionnaire was administered to most employees by trained interviewers in a private setting taking approximately 30 min per interview. The exception was in Ukraine where the questionnaire was administered through touch screen computers. Interviewers received good cooperation from the employees with an approximate 95% acceptance rate of those who were invited to participate in the study.

The cross-sectional study recruited independent samples of employees from the same enterprises at baseline and post-intervention in Haiti, the Dominican Republic, Nigeria, Ukraine, and Vietnam. The study was not completed in Zimbabwe due to reduced program funding. Although SMARTWork worked in approximately 10-20 enterprises per country, based on budget exercises, the study was implemented in 1-2 enterprises per country. A purposeful sampling approach was used to invite and recruit enterprise participation in the study. Recruited enterprises were representative of the larger group of enterprises, committed to SMARTWork, agreeable to study participation, and targeted for substantive technical assistance from SMARTWork. Working with employers, the study team obtained lists of employees by department and by whether the employee was non-management or a manager. Names of employees were then randomly selected across departments so that a stratified sample of approximately 100 employees, 75 non-management employees, and 25 managers could be obtained.

The baseline study was completed in the spring of 2004 with a sample of 686 employees from the five countries and the post study in the spring/summer of 2005 in the Dominican Republic and in 2006 in all other countries with a sample of 706. Table 1 summarizes the sample, including adjustments after weighting the data.

RESULTS

Participants' demographics

Table 2 summarizes the demographic characteristics of the participants in the study. Slightly fewer males than females participated in the study at baseline (47 vs. 53%) than at post (53 vs. 48%); they were on average the same age (32 years) at both times of the study and somewhat less educated at baseline than at post (43% with higher education vs. 50%). Regarding marital status, baseline participants were less often married than those at post (56% vs. 62%) and more likely to be unmarried but living with a sexual partner at baseline than at post (22% vs. 18%). There were significant differences regarding participants' marital status at baseline and post by country. In Vietnam, only 35% of all participants were married at baseline vs. 60% at post and in Haiti only 24% at baseline vs. 16% at post. With respect to the employees' position at work, at both baseline and post, most

Table 1. Study sample.

Country	Baseline		Post	
	Actual	Weighted	Actual	Weighted
Haiti	90	180	98	196
Dominican Republic	200	200	200	200
Nigeria	100	200	108	216
Ukraine	196	196	200	200
Vietnam	100	200	100	200
Total sample	686	976	706	1013

Table 2. Demographic characteristics.

Demographic characteristics	Baseline(N=686)	Post (N=706)
Sex		
Male	47.4%	52.5%
Female	52.6%	47.5%
Age		
< 25 years	27.4%	22.6%
25 -35 years	39.9%	45.7%
> 35 years	32.7%	31.8%
Education attained	8.8%	8.2%
Primary	47.9%	41.5%
Higher secondary	43.3%	50.3%
Marital status		
Currently married, living with spouse	53.9%	58.8%
Currently married, living with other sexual partner	1.9%	1.3%
Currently married, not living with spouse or sexual partner	.6%	2.0%
Not married, living with sexual partner	22.4%	17.8%
Not married, not living with sexual partner	21.3%	20.1%
Position at work		
Non-management/workers	83.2%	82.6%
Management	15.6%	16.1%
Other	1.3%	1.3%
Work tenure		
0-6 months	16.5%	10.4%
> 6 to 12 months	14.1%	14.9%
> 1 to 2 years	17.5%	20.8%
> 2 years	52.0%	53.9%

participants were non-management employees (83%) vs. management (17%). Participants at baseline generally had not been employed at their workplace as long as those at post (70% > one year vs. 75%).

Survey results

The results of the KABP survey are shown in Table 3 including baseline and post findings by survey item.

Table 3. Results at baseline and post by survey item.

Questionnaire Item	Baseline	Post
I. Source of HIV/AIDS information		
A manager or professional at the worksite*	46.7%	79.2%
A labor union representative*	39.2%	57.9%
A coworker similar to you*	67.7%	86.7%
II. Participation in HIV/AIDS program		
Formal HIV/AIDS education	41.3%	77.4%
Informal HIV/AIDS education from a co-worker*	41.2%	81.9%
Condoms*	32.0%	54.6%
Self, sexual partner or family members receipt of STD treatment*	2.7%	7.0%
Self, sexual partner or family members receipt of voluntary HIV counseling and testing*	17.0%	30.6%
Self, sexual partner or family members receipt of drug abuse treatment*	21.9%	7.6%
III. Knowledge of HIV prevention		
By having one faithful sexual partner who is not infected with HIV	74.3%	76.9%
By avoiding public toilets	28.0%	28.5%
By using condoms during penetrative sex	86.8%	88.5%
By not sharing food with a person who has AIDS	21.5%	13.8%
By abstaining from sex	60.3%	62.9%
For drug users, by not sharing injection equipment	79.6%	80.9%
IV. Attitudes toward/Perceptions about condom use		
It is good to use a condom if having penetrative sex with a person other than your spouse or live-in partner.	94.0%	95.9%
It is wise to use a condom if having penetrative sex with a person other than your spouse or live-in partner,	96.3%	93.1%
It is easy to use a condom if having penetrative sex with a person other than your spouse or live-in partner.	81.8%	86.8%
Friends and family strongly in favor of you using a condom if having penetrative sex with a person other than your spouse or live-in partner.	78.6%	81.8%
Very sure that you can use a condom if having penetrative sex with a person other than your spouse or live-in partner.*	74.7%	88.3%
V. Attitudes toward persons living with HIV/AIDS		
Comfortable eating lunch alongside an employee who has HIV/AIDS.*	69.3%	79.6%
Comfortable traveling to work with an employee who has HIV/AIDS.*	82.5%	91.8%
Comfortable working alongside an employee who has HIV/AIDS.*	67.3%	81.2%
Comfortable buying food from a shopkeeper or food seller who has HIV/AIDS.*	32.4%	44.3%
Comfortable visiting someone who has HIV/AIDS.*	74.3%	86.3%
VI. Beliefs about workplace discrimination against PLWHA		
People with HIV/AIDS who work here should worry about losing their job.*	64.0%	46.5%
People who work here should worry that their employer might find out that they got tested for HIV/AIDS.*	54.8%	32.0%
Your employer will keep people who have HIV/AIDS employed as long as they can perform their duties.*	50.2%	73.3%
VII. Knowledge of national and workplace HIV/AIDS policies		
Knowledge that a national HIV/AIDS policy exists.*	69.6%	84.9%
Knowledge of what rights are protected in national HIV/AIDS policies/laws.*	34.1%	63.8%
Knowledge of a workplace HIV/AIDS policy.*	42.7%	71.1%
Whether seen the workplace HIV/AIDS policy.	65.9%	57.2%
VIII. HIV/AIDS risk behavior		
Had penetrative sex with a person other than spouse or live-in partner, last 12 months.	23.4%	23.7%
(Of those who had penetrative sex with person other than spouse or live-in partner in last 12 months)	71.6%	74.0%
Used a condom the last time had sex with person other than spouse or live-in partner.		

*p_≤.001.

Significant findings were reported at the $p < .001$ level. A more detailed discussion of these results is provided below, including findings by country.

Source of information and participation in the HIV/AIDS program

Having access to HIV/AIDS information is critical to the advancement of employees' HIV/AIDS knowledge. Surveyed employees reported a significant increase from baseline to post in getting information from a manager or professional at the worksite (46.7 vs. 79.2%), a labor union representative (39.2 vs. 57.9%), and/or a co-worker (67.7 vs. 86.7%) – three major categories for HIV/AIDS dissemination in the workplace targeted by the SMART-Work program. These positive changes were most pronounced in the Dominican Republic, Vietnam, and Haiti.

Moreover, other findings showed that program implementation efforts had reached the target population, with a variation in implementation by country. Significantly more employees at post than at baseline had received: formal HIV/AIDS education (41.3% vs. 77.4%); informal HIV/AIDS education from a co-worker (41.2% vs. 81.9%, with the most limited change shown in the Ukraine enterprises); and free or low cost condoms (32% vs. 54.6%, with the strongest change shown in the Dominican Republic and Vietnam enterprises and no change shown in the Ukraine enterprise). In addition, significantly more workers, their partners, and family members at post vs. baseline had received STI treatment (2.7 vs. 7%, with most of this change being accounted for in the Haiti enterprise); and voluntary HIV counseling and testing (17% vs. 30.6%, with the strongest change seen in the Dominican Republic and Haiti enterprises and the most limited in the Nigeria, Vietnam, and Ukraine enterprises). Surprisingly, it was reported that the receipt of drug treatment by workers, their partners, and/or family members decreased from baseline to post (22% vs. 8%).

Knowledge of HIV transmission and prevention

While findings showed that the program had reached many of the employees in the study, results showed that the intervention's impact on knowledge related to correct routes of HIV transmission and its prevention was mixed. Significantly more employees at post than at baseline knew that a healthy looking person could be infected with the virus that causes AIDS (94 vs. 98%) and that you could not become infected by sharing food with a person who has AIDS (78.5 vs. 86.2%). However, there was no notable change in the portion of employees at baseline vs. post who knew that HIV transmission could be prevented by having one faithful sexual partner who is not infected with HIV (74.3 vs. 76.9%), by using condoms

during penetrative sex (86.8 vs. 88.5%), by abstaining from sex (60.3 vs. 62.9%), or, for drug users, by not sharing injection equipment (79.6 vs. 80.9%). Of notable concern was the fact that at post survey over a quarter of employees (28.5%) still believed that one could prevent infection by avoiding toilets, including 59% of the Nigerian employees.

Attitudes toward condom use

Results showed that the intervention generally had a minimal impact on employee's attitudes toward condom use. At both baseline and post, most had a favorable attitude toward usage (that is, it is 'good', 'wise', and/or 'easy' to use a condom if having penetrative sex with a person other than your spouse or live-in partner). The strongest impact of the intervention was shown in employees' intention to use a condom with significantly more at post than baseline 'very sure' that they could use a condom if having penetrative sex with a person other than their spouse or live-in partner (74.7 vs. 88.3%). Regarding country differences, the intervention had the strongest impact on employees' attitudes toward condom use in the Dominican Republic and Haiti enterprises.

Attitudes toward persons living with HIV/AIDS

The strongest consistent impact of the intervention across survey items in all countries was seen in employees' increased favorable attitudes toward PLWHA, that is, reduced stigma attitudes. Significantly more employees at post than baseline were comfortable concerning the following behaviours with a person/employee with HIV/AIDS: eating lunch alongside (69.3 vs. 79.6%); traveling to work with (82.5 vs. 91.8%); working alongside (67.3 vs. 81.2%); and visiting (74.3 vs. 86.3%). While significantly more employees at post than baseline felt comfortable buying food from a shopkeeper or food seller who has HIV/AIDS (32.4 vs. 44.3%), considerable stigma still remained related to this behavior. Regarding findings by country, the Ukrainian employees made the smallest gains in reducing HIV/AIDS stigma in the workforce.

Knowledge of HIV/AIDS policy and beliefs about workplace discrimination against PLWHA

As a result of the intervention, all enterprises that participated in the survey had an HIV/AIDS workplace policy in place at the time of the post survey. As a result, more employees at post than at baseline knew that their workplace had an HIV/AIDS policy (42.7 vs. 71.1%), although approximately two out of five (42.8%) at post reported that they had not actually seen the policy. Changes in employees' awareness of their workplace

policy were strongest in the Dominican Republic and in Vietnam.

Overall, results showed that the intervention had a positive impact on employees' beliefs about workplace discrimination against PLWHA. Significantly fewer employees at post than at baseline believed that people with HIV/AIDS who worked at the worksite should worry about losing their job (64 vs. 46.5%) or that people at the worksite should worry that their employer might find out that they got tested for HIV/AIDS (54.8 vs. 32%). And significantly more employees at post vs. baseline believed that their employer would keep people who have HIV/AIDS employed as long as they can perform their duties (50.2% vs. 73.3%). While these results demonstrate a positive change, they also demonstrate that a sizable portion of employees still believe that workplace discrimination against PLWHA is possible despite a new non-discriminatory policy. Across the enterprises in the study, this was especially evident in the Ukraine enterprise.

HIV/AIDS risk behaviors

Results showed that the intervention had a minimal impact on employees HIV/AIDS risk behaviors, but there was considerable variation by enterprise and country. At both baseline and post survey, approximately one in four employees reported to have had penetrative sex with a person other than their spouse or live-in partner (23.4 vs. 23.7%). Of these individuals, most reported at both baseline and post that they had used a condom the last time they had sex with a non-regular partner (71.6 vs. 74.0%). The impact was more pronounced in two of the seven enterprises. Among the Haiti enterprise employees, condom use at the last time of sexual intercourse with a non-regular partner increased significantly from 50% at baseline to 72% at post; and among the Ukrainian employees condom use increased from 47.2 to 73.3%. Results also showed significant differences by age with younger employees more likely to have had extra-marital sex with condoms than older employees.

DISCUSSION

There were a number of limitations to the present study. First, without the use of control or comparison sites it was difficult to attribute the observed impact on workplace beneficiaries directly to SMARTWork. Second, while SMARTWork staff provided technical assistance in surveyed enterprises to empower workplace champions to plan and implement the program model, their secondary oversight could not guarantee fidelity to the intervention model. In addition, variations in the level and timing of employer cooperation prohibited all baseline studies from being implemented before the SMARTWork

intervention commenced which impacted the study design and, potentially, the results. To evaluate the impact of this factor, analyses were conducted controlling for whether employees had taken part in formal and/or informal HIV/AIDS education at the workplace both at baseline and post assessment.

To interpret the study results, it is important to understand factors that affected SMARTWork implementation efforts in the targeted workplaces. Variation existed in the time and energy devoted to the workplace initiative by site implementers—union representatives, managers, and HIV/AIDS planning committees. This, in turn, impacted the scope and quality of the resulting HIV/AIDS program and policies in individual enterprises. At the low implementation level, some enterprises were implementing one or more of the following: formal education consisting of the delivery of a short intervention on World AIDS Day, minimal information dissemination or visible posters, inactive peer educators, a lack of dissemination of the HIV/AIDS policy, and weak provision of health services including limited condom accessibility and referrals for VCT or AIDS treatment and care. At the high implementation level, some enterprises were providing consistent prevention education messages throughout the year, highly visible prevention poster, a highly visible HIV/AIDS policy, active peer educators, accessible condoms, and delivery on site or through referral of VCT and HIV/AIDS care and treatment.

A major factor that affected implementation efforts was the extent to which employers identified the importance of the initiative and invested in it. More highly invested employers accomplished some or all of the following: established a comprehensive HIV/AIDS policy for their company; authorized the use of production time so employees could take part in educational forums and workshops; allowed peer educators to engage in prevention dialogue with employees on the shop floor; allocated HIV/AIDS planning committee members time to plan and implement the initiative; and instituted employee health plans that supported substantive health services related to HIV/AIDS prevention, care and treatment. Other employers were less convinced that the initiative was a wise investment, more concerned with 'the bottom line', and less willing to be cooperative in supporting robust implementation efforts.

Despite varied implementation efforts and employer support, preliminary results suggest that the SMARTWork program reached many employees, especially in the receipt of formal and informal HIV/AIDS education. Not surprisingly, the program appeared to have a stronger impact on those who took part in formal or informal HIV/AIDS education in the workplace vs. those who did not including: better HIV/AIDS-related knowledge of transmission and prevention; more positive attitudes toward condom use and strong intentions to use condoms with non-regular partners; less stigmatized attitudes toward PLWHA; more knowledge about their national and

workplace HIV/AIDS policy; less belief that employer discrimination toward PLWHA existed in their workplaces; and more self-reported use of condoms with non-regular partners.

Overall, SMARTWork seemed to have the strongest impact on employees' increased assuredness to use a condom if having penetrative sex with a non-regular partner, reduced stigmatizing attitudes toward PLWHA, reduced beliefs that discrimination against PLWHA existed in their workplaces, and increased knowledge of their national and workplace HIV/AIDS policy. Across the countries that participated in the study, the Dominican Republic and Haiti SMARTWork programs appeared to have shown the most positive impact on employees in the surveyed enterprises.

Study implications for international HIV/AIDS workplace programs

The study offered some preliminary empirical findings that can help inform other workplace HIV/AIDS programming efforts in the field. Findings showed that many employees were not receiving free or low cost condoms and VCT. And, while it was difficult to know employees' need for STD or drug treatment, there was little evidence that the participating enterprises were making provisions for these services. This implies that HIV/AIDS workplace programs should make concerted efforts to disseminate condoms, establish relationships with agencies and health facilities that can provide needed health services and utilize confidential referral processes for employee use of these services.

Results showed that more could be done to increase employees' knowledge of HIV prevention and transmission especially in the areas of understanding the effectiveness of abstinence and having one faithful partner who is not infected with HIV. Moreover, educational interventions should also address the myths of HIV transmission, such as acquiring HIV through the use of public toilets, a misperception that remains prevalent. Findings indicated that stigma still exists implying that workplace programs should broaden their teachings to help employees understand, for example, that buying food from a shopkeeper or food seller poses no risk.

While findings showed that most employees learned about their national and workplace HIV/AIDS policies, many had not actually seen their workplace policy. Moreover, despite the existence of a workplace policy, many employees felt that a PLWHA could not feel confident about job security or that other forms of discrimination may take place. These results imply that workplaces should more consistently make HIV/AIDS policies available to employees and utilize key opinion leaders such as union representatives and peer educators to reinforce companies' non-discrimination policies.

Disappointingly, the SMART Work intervention did not

appear to have a strong impact on the adoption of the protective behavior of condom use with non-regular partners, with the exception of the Haiti enterprise and one of the two Ukraine enterprises. Considering that the intervention had only operated between 1-2 years in the participating enterprises, this is not so surprising. General knowledge of HIV/AIDS risk behavior change indicates that behavior change can often take a long time to adapt and sustain. This implies that workplace programs need to be supported over time to bring about behavior change and require consistent risk reduction messages targeted to specific populations, the delivery of these messages by key opinion leaders and the availability of materials to reduce harm, such as condoms. This last requirement – availability of materials to reduce harm – is supported by empirical findings in the present study. The enterprise in Haiti demonstrated significant increased condom use at last sex with a non-regular partner and was also the enterprise with a significantly higher rate of condom dissemination at post-study (91.8%) compared to all other enterprises in the study (56.8%).

Conclusion

While the SMARTWork program demonstrated that it can impact employees in several positive ways, considerably more can be done by workplace programs. With employees harboring misconceptions about how HIV is transmitted, more concentrated educational efforts should be fostered in confronting these myths and providing more quality control over what prevention messages are being delivered by educators in the workplace. SMART-Work established a successful foundation of workplace policies and positively impacted many employee attitudes toward stigma. Real behavior change for risk behaviors takes time and will need more sustained support and inputs. It is recommended that workplace HIV/AIDS programs move away from relying on general informational and educational campaigns and towards more comprehensive behavior change programs with segmentation and clear communication channels transmitting targeted messages about needed behavior change. Comprehensive behaviour change programs should also consistently ensure employees' access to harm reduction materials, such as condoms, to facilitate reduction of risk behaviors.

Conflict of interest

The author has not declared any conflict of interest.

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Full Length Research Paper

Employees' satisfaction in travel agencies

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This paper concisely deals with the current issue in the tourism sector, which is the satisfaction of the staff. This paper will result in the synthesis of theory and research on the satisfaction of human resources at travel agencies in Novi Sad. The primary aim of this study is to determine the current state and extent of employee satisfaction in certain key segments of business success. The basic method in this study is random sampling, and the analysis of results was obtained from the collected data. SPSS program version 17.0. was used for data processing; 107 respondents were involved. The results obtained from this method, that is statistical methods and secondary publications confirmed the hypotheses presented in the paper.

Key words: Employee's satisfaction, tourist agencies, Novi Sad.

INTRODUCTION

In this paper, the problem of employee satisfaction has a special place and significance. Satisfied staff at tourist agencies as well as in other organizations are considered to be the primary development resources. The success of the tourist agency is not only measured by the achieved profit but also by meeting interests of internal and external groups; or to be more precise, that of the owner of the agency, employees, and of course customers. However, there is not a precisely defined formalized way to determine the satisfaction level of employees. As employee satisfaction is an important factor in the development of organization and human resources, many tourism organizations conduct surveys to determine the satisfaction of their employees because dissatisfaction may cause more frequent absenteeism from work due to illness, inefficiency, frequent injuries and staff turnover.

For the purposes of this paper a survey was conducted,

where the respondents evaluated the specific determinants of satisfaction, and overall data processing was done in the programming system Statistical Package for Social Sciences – SPSS, version 17.0. The specific sample included 23 travel agencies in Novi Sad. The statistical analysis determined the relationships between all variables in order to prove or refute specific hypotheses that will be mentioned, concerning the satisfaction of employees.

The study also highlighted the key aspects of disadvantages, that is, the segments representing the direct cause of employee dissatisfaction, which is then reflected in the business. This research can be a starting point for other more detailed research in this field with the aim to take corrective measures in business operations, and therefore to achieve higher profits and better competitive position in the tourism market. Employees are not only a

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positive activity from the human perspective but also a pure business activity and probably the most profitable investment which has long been not only the issue of individuals but a matter of people and the wider society (Gajić et al., 2011). It is known that many companies in one form or the other in educating the previously established human resources spend more than 10% of the total salaries of all employees only on their management team (Gajić et al., 2010). There are some studies in the world that indicate the degree of employee satisfaction: across America, 45% of workers say they are either satisfied or extremely satisfied with their job. Only 20% are very passionate about their jobs, 33% believe they have reached a dead end in their work, 21% are eager to change careers (Chen, 2008). Older workers are the most satisfied and the most engaged in their work. Younger workers are the most distressed and they feel the least amount of loyalty to their employers (Clark, 1998).

LITERATURE REVIEW

Employee satisfaction is a particular trend dealing with a number of scientific disciplines, from which derives the enormous importance of this component in the development of tourism and tourism agencies in an increasingly competitive market. Employee satisfaction represents a component of the success of each company (Kovach, 1995). It is very important to examine employee job satisfaction in a strategic human resource management. Researching with a model of job satisfaction in the Research and Development (R&D) industry should consist of work related factors such getting pay for overtime, giving employees more authority, getting promotion in the workplace, employees' participation in decision-making processes and sensitivity of management towards problems at work (Oraman et al., 2011; Lam and Chen, 2012). Employees who are not satisfied will not perform their job properly, and thus the company will face direct damage. Moreover, job satisfaction is considered as a strong predictor of overall well-being (Diaz-Serrano and Cabral Vieira, 2005; Agarwal and Ferrett, 2001), as well as a good predictor of intentions or decisions of employees to leave a job (Gaziouglu and Tansel, 2002). Organisations have significant effects on the people who work for them and some of those effects are reflected in how people feel about their work (Yee et al., 2010). More satisfied workers are less likely to leave their employer. Employee satisfaction directly or indirectly affects their behaviour (absenteeism, quit intentions, productivity), and can refer to the following factors: assistants, job content, superiors, working conditions, promotion, training, recognition, status, success, responsibility, security and the possibility of development (Yee et al., 2008; Judge and Church, 2000). Job satisfaction includes multidimensional psycho-logical responses to

one's job, and that such responses have cognitive (evaluative), affective (emotional), and behavioral components (Grehart, 2005). Social attitudes are generally weak predictors of specific behaviors, but job attitudes are generally reliably and moderately related to relevant job behaviors. When work interferes with family obligations, individuals with higher levels of promotion focus have lower job satisfaction; when family demands interfere with work tasks, employees with greater degrees of chronic prevention focus feel less satisfied with their jobs (Zhao and Namasivayam, 2011; Kim and Brymer, 2011). Employees facing less work-family conflicts tend to be positive towards to their daily life and job; therefore it is important to test the moderating effects of work-family conflict on the relationship between life and job satisfaction (Qu and Zhao, 2012).

One of the clearest definitions of job satisfaction was given by Locke (1976), who emphasized that satisfaction is a *pleasurable or positive emotional state resulting from appraisal of one's job or job experiences*. According to Locke's (1976) value-percept model, job satisfaction may be expressed by the formula:

$$S = (V - P) \times V_i \quad \text{Satisfaction} = (\text{want} - \text{have}) \times \text{importance}$$

S = satisfaction; V, = value content (amount wanted); P = perceived amount of the value provided by the job, V_i = the importance of the value to the individual.

This model predicts that discrepancies between what is desired and what is received are dissatisfying only if the job is important to the individual (Judge and Church, 2000). In general, employee satisfaction depends on employees' expectations and the extent to which they are achieved. Therefore, satisfaction is measured by the difference between the level of employees' aspiration and their achievements. The same assignment and salaries do not result in the same level of employee satisfaction, but employees' expectations are quite different (Kafetsios and Zampetakis, 2008). The reason why this is a burning issue in most research is the prevailing attitude that a satisfied employee is the same as a productive one. The more individuals get from their work, the more they will be satisfied (Gajić, 2009). Therefore, the size of the reward is not the only thing that matters, but also whether the employees have obtained the reward they appreciate for their contribution. More precisely, workers with low salaries may not always be unhappy if their salary is not the most important factor of satisfaction (Kaiser, 2002; Chi and Gursoy, 2009). Often, employees' expectations should be taken into consideration. The overall satisfaction is affected by satisfaction discrepancy or deviation in terms of certain aspects of the job, and not by the amount of satisfaction in these aspects (Brief and Weiss, 2002). As for the satisfaction of employees in the tourism industry, it is more overt and important than in

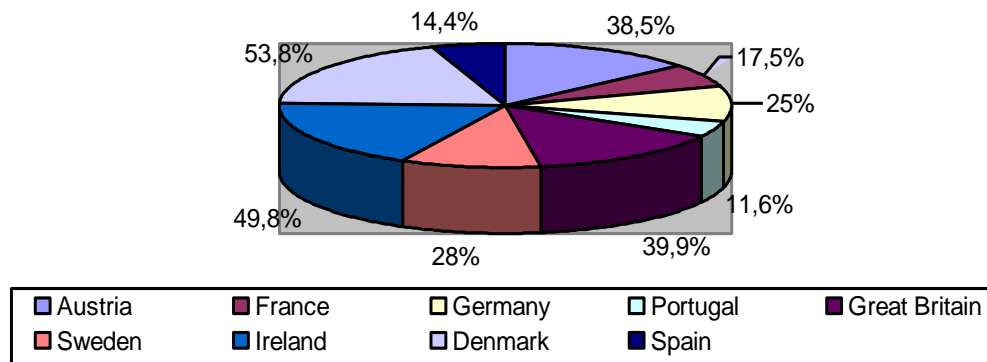


Figure 1. The percentage of very satisfied employees with their job in several European countries. (Source: EWCS, 1995 and 2000; European Foundation for the Improvement of Living and Working Conditions, 2007).

other activities because tourism belongs to the tertiary industry that is characterized by the simultaneity of production and consumption. This is by direct interaction between employees or service providers, and tourists or service recipients (Gaziglou and Tanseel, 2002). The surveys conducted in the 1980s in developed countries show that the satisfaction of employees is between 50 and 70% with a tendency to decline in the last decade of the century probably due to the efforts of employers to increase productivity through heavier workloads and shorter deadlines and due to employees' impression that they have less control over their work (Green and Tsitsianis, 2005).

Recent research from 2010 in the given European countries show the following results for specific determinants of employee satisfaction (Figure 1). Using the same 10-point scale, the average level of satisfaction concerning employment status stands at 7.3 points, while the average satisfaction level for both annual leave and working time reaches 6.9 points. Lower satisfaction levels have been reported for the following aspects: flexible hours (6.6 points), break during working hours (6.4 points), salary (6.2 points), collective agreement (5.8 points) and social benefits (4.2 points). Also of interest are comparative research data for 2005 and 2010, which was done in Spain. These are just some of the scores for the determinants of satisfaction and scale of 1 to 10 (2005/2010) is also used: comradeship (7.8/7.9); physical work (7.2/7.3); appraisal by superior (6.9/6.9); participation in decision making (6.7/6.6); stress at work (5.6/5.4); monotony (5.0/4.7). According to the survey results, Spanish workers generally show reasonable levels of satisfaction with their job (Ramon, 2011). Employees in the public sector in these European countries enjoy more social benefits than those working in the private sector (Alonso and Galdon, 2007).

In the public sector, workers receive benefits for education and training (42.4%), education for relatives (34.3%) and healthcare (30.9%). On the other hand, in the private sector, the most frequently granted benefits to

workers include those for transport (21.9%), food (19.8%) and education (19.7%). Concerning training and career development, workers assessed the level of usefulness of their academic education for their everyday work, on average, at 5.7 points on a scale ranging from 0 to 10. Almost five out of 10 workers (48.3%) believe that their academic education is useful or very useful for their work. Meanwhile, the average level of usefulness of training provided by the company is reported at 7.6 points, and 77.4% of employees consider that the training offered by their companies is useful or very useful for developing their work tasks. As was the case for the physical work factors, the results for the psychosocial work factors reveal both signs of worsening and improvement in the working environment between 2005 and 2010 (Figure 2). On the positive side, there was a significantly increase in social support from both colleagues and superiors. On the more negative side, there was a significant increase in workers experiencing bullying, violence or threats. There was also an increase in emotional demands similar to the development identified in the 2005 study. In addition, there was a significant decrease in people experiencing meaning in their job. In terms of minor changes, slightly fewer workers experienced reward, predictability and decision latitude, while no significant development occurred in skill discretion (Tables 1 and 2).

The most significant change in employees' opinions on issues such as trust in organizational hierarchy and the possibility of voicing their opinions to supervisors happened between 2005 and 2007. Between 2007 and 2010, the level of positive opinions on the former issue remained stable while there was a slight decrease in the latter. For these aspects, where only 2007 and 2010 data are accessible, employees became more critical. These aspects included the perceived fair treatment of employees by managerial staff or employees' access to information on management plans. Only the level of positive responses to the question of availability of information on the enterprise's condition increased by nearly 10% points.

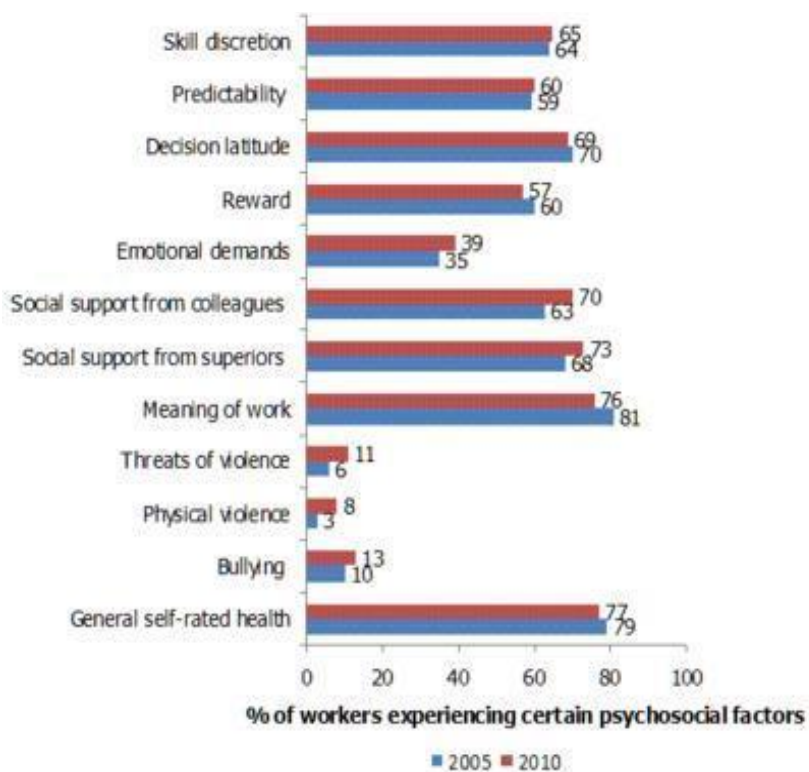


Figure 2. Self-reported psychosocial work environment, 2005–2010. (Source: downloaded from the EWCS, 2005-2010; European Foundation for the Improvement of Living and Working Conditions).

Table 1. Working conditions – social features (%).

Aspect	2005	2007	2010
There is trust between supervisors and employees	57.1	67.3	67.4
Supervisors listen to employees and take their ideas into consideration	44.8	68.5	65.2
Supervisors treat employees fairly and reward them accordingly	–	67.4	60.9
Employees are informed about the enterprise's condition	–	49.5	59.1
Employees are informed about the management's plans	–	49.5	47.0
Sample size	745	815	491

(Source: downloaded from the EWCS, 2005-2010; European Foundation for the Improvement of Living and Working Conditions).

Table 2. Job risk indicators.

	Total % of problem			Total % of acute problematic		
	2004	2007	2010	2004	2007	2010
Workload	31.0	30.6	30.9	12.8	12.5	12.3
Emotional load	20.5	20.7	20.4	4.0	4.3	4.1
Skill or task variety	23.8	23.5	22.8	11.5	10.5	10.5
Autonomy	20.8	20.2	19.5	7.3	7.5	6.5
Social support	15.1	16.0	14.8	6.1	6.2	5.4
Physical working conditions	12.1	13.7	13.0	4.5	5.3	4.4

(Source: downloaded from the EWCS, 2005-2010; European Foundation for the Improvement of Living and Working Conditions).

The extant operations management literature has extensively investigated the associations among quality, customer satisfaction, and firm profitability. However, the influence of employee attributes on these performance dimensions has rarely been examined (Yee et al., 2008). Little or no attention has been paid to the role of tourism industry employees particularly those in hotels and travel agencies, in the success of quality management programmes (Sharpley and Forster, 2003; Karatepe and Kilic, 2007); as well as the relationship between employee satisfaction and customer satisfaction, and the impact of both on a hospitality company's financial performance utilizing service-profit-chain framework as the theoretical base (Chi and Gursoy, 2009). Hotel career management contributes positively to career satisfaction. Career competency mediates the relationship between career management and career satisfaction (Kong et al., 2012). Hotels experience many positive implications from managers who behave ethically. Subordinate job satisfaction improves with ethical leadership (Brymer, 2011; Larsen et al., 2011). Emotional exhaustion and personal accomplishment are found to have direct relationships with job satisfaction; both affect the level of depersonalization (Ng et al., 2011). Many studies have found that it is very important to examine the relationship among polychronicity, job satisfaction, and turnover intention as well as the importance of job facets perceived by employees (Lam et al., 2001; Alarcon, 2011; Alexander et al., 2011; Jang and George, 2011; Namasivayam, 2011). Cultural distance perspective helps explain expatriate job satisfaction. Expatriates show lower job satisfaction under host-country supervisors (Froese and Peltokorpi, 2011), and this is very important for the employees in tourist industry. Based on previous research by domestic and foreign authors and the available literature, it can be concluded that employee satisfaction at travel agencies is not fully investigated despite the fact that the degree of employee satisfaction directly affects the customer satisfaction in tourism. A large number of foreign authors do research on tourist market and the degree of satisfaction of tourists; whereas a much smaller number of authors investigate the level of employee satisfaction in the tourist industry, especially in tourist agencies.

RESEARCH METHODOLOGY AND HYPOTHESES

Overall, job satisfaction is defined as an attitude towards the job in general, and scales for measuring job satisfaction often contain items that express love for work, a sense of fulfilment or enjoyment, as well as statements of creativity, challenge, scope of work, difficulty of work and the like. In addition to measuring the general attitude towards job, it is possible to measure the satisfaction with individual components, such as scope of work, management, rewarding, working conditions, and it is undertaken in the case where it is necessary to get a better insight into the factors causing satisfaction. Today, the survey is the most commonly used method because the questionnaire has certain advantages due to its formal aspects: provides anonymity, and data collection can be

standardized. Reliability of the questionnaire is a current issue in this type of research, and in theory there are several methods for estimating the reliability coefficient based on statistical analysis of data obtained in tests. The most common is the Cronbach's Alpha Coefficient, which can be classified in the methods of an internal consistency (measures the properties of all items of the questionnaire). It was used in this study. Cronbach's Alpha Coefficient was calculated and its reliability threshold is $\alpha > 0.70$. The values of alpha coefficient for the questionnaire in this study are acceptable, exceeding the threshold (Gajić, 2010). The survey was conducted in 23 tourist agencies in Novi Sad in May 2011. There were 250 questionnaires distributed in total, out of which only 107 were complete and then analysed. However, due to poor turnout of the questionnaires and the real difficulties in accessing the facilities, the obtained results were only indicative and they should serve as a good example and possible starting point for a representative survey. Nonetheless, many similar studies included even smaller sample. Theorists believe that about 50 respondents of the representative sample can achieve the desired results of the research.

The primary objectives of this survey were to:

1. determine the demographic structure of employees at Novi Sad tourist agencies on the basis of the questionnaire created for the purpose of this research;
2. identify the extent of employee satisfaction among staff at tourist agencies;
3. determine the parameters of employee motivation at travel agencies and enable the possible influence on bigger productivity and business competitiveness.

The questionnaire contains 45 precisely and clearly formulated questions; it was divided into three parts, with the responses given in the form of Likert scale (point 1 is complete disappointment and point 5 is full satisfaction). The first part dealt with the demographic structure of the sample. The second part of the questionnaire related to the basic parameters of employee satisfaction of staff in travel agencies in Novi Sad, whereas the third part of the questionnaire dealt with the parameters of motivation of employees in the workplace. All the collected data and analyses are processed in the SPSS package, version 17.0. Two main groups of statistical analysis were used: descriptive statistics (the method used to describe a group of respondents, i.e. survey sample, and the parameters such as frequency or median are obtained) and statistical conclusion method (a method of making certain conclusions and hypothesis testing). In statistical practice, there are two types of tests: parametric (data from interval scale which are normally distributed) and non-parametric tests (used for phenomena that cannot be measured quantitatively, but are presented by frequency and ranges). In this study, parametric test was applied because the data used in the analysis are from the interval scale and are normally distributed. In order to describe the phenomenon more thoroughly, the measures of variation or deviation from the central action are used. The most reliable measure of variability is the standard deviation (σ), which shows the average value of deviation from the mean (there is always a positive value or zero). It is obtained as the square root of the average sum of squared deviation. On the basis of previously set goals and objectives, the main hypothesis of this research is:

H- Generally observing staff employed in travel agencies Novi Sad are mainly pleased with all offered segment or determinants that affect their business.

Sub-hypotheses are as follows:

h1 – Communication between superiors and their subordinates is

Table 3. Demographic data of the respondents.

Item	F	%	Item	F	%
<i>Sex</i>			<i>Marital Status</i>		
Male	54	50.5	Married	49	45.8
Female	53	49.5	Single	33	30.8
Total	107	100.0	Divorced	25	23.4
			Total	107	100.0
<i>Age</i>			<i>Work experience</i>		
18-29	42	39.3	5 years	35	32.7
30-49	55	51.4	5 to 10 years	50	46.7
50 and more	10	9.3	10 to 20 years	20	18.7
Total	107	100.0	More than 20 years	2	1.9
			Total	107	100.0
<i>Level of Education</i>			<i>Monthly salaries</i>		
High school	23	21.5	Up to 300 e	54	50.5
	42	39.3	300 to 600 e	40	37.4
Higher school	38	35.5	600 and more	11	10.3
Faculty (PhD. MSc)	4	3.7	Total	105	98.1
Total	107	100.0			
			Missing System	2	1.9
			Total	107	100.0

Source: research by authors.

satisfactory

h2 – Working space and business conditions meet the needs of employees

h3 – organization at work meet the expected criteria of employees

h4 – employees at travel agencies are paid enough, although the position at the travel agency is not always the equivalent of knowledge and education of the employees

H5 – employment at the travel agency does not provide security

h6 – there are attitudes that employment at travel agencies is humiliating, without any signs of pride among employees.

The employees at tourist agencies are not respected by their superiors, and also further education and promotion are not guaranteed. Data processing goes three stages: review, coding and tabulation. Within the review stage, the questionnaire is checked and it is determined whether each question is answered and whether the answers are complete and uniform. In the coding, the questions are classified in order to obtain their basic structure. The groups of data are labelled with a sign representing the established code. In the process of tabulation, the distribution of frequencies, that is showing different values or properties of one variable in the first column with the corresponding frequencies in the second column, is determined by the distribution of frequencies. The periods of frequencies provide insight into the number of units within each value, characteristic or a group of characteristics. Then there is a content analysis beginning with the formation of the system of categories with which the content of the answers is classified. Simultaneously, the direction of attitudes is determined for every category. After the data processing, there is the data analysis where the following analytical and statistical techniques are used, such as chi-square, proportions, standard deviation, ratings, arithmetic mean, percentage and correlation. The reporting of

results is carried out numerically using the number series, average, rankings, tables and charts. Now, here is a report on the obtained results where each segment of the report contains its structure based on the appropriate segment of respondents. In each segment, there is the representation of the distribution of answers to each question and for all tested demographic characteristics of employees. Thus, the overall level of satisfaction for all employees is determined.

RESEARCH RESULTS

Out of the total 250 questionnaires, 107 contained full answers and therefore analysed. As can be seen in Table 3, most employees in the survey are men (50.5%), whereas there are 49.5% women. Out of 107 respondents who were included in the analysis, 51.4% are aged between 30 and 49, and most of them were married (45.8%). As far as education level is concerned, there are 39.5% who have high education and 35.5% graduated from university. Then 46.7% have work experience lasting between five and ten years, with the average salary of 300 euros (50.5%), and the least have the salary above 600 euros (10.3%).

DISCUSSION

The studies about employee satisfaction show that the

most important among all the opinions of employees is the attitude towards their work. This attitude is called job satisfaction, and we can define it as "cognitive, affective and evaluative reaction of individuals to their jobs. Job satisfaction is one of the most researched topics in the field of human behaviour in organizations. The reason for this is certainly the generally accepted belief that a satisfied worker is a productive employee and that the success of the organization cannot be achieved with dissatisfied employees.

The survey was so designed that the questions are grouped into three parts. The first group consists of the main segments of employee satisfaction (20 questions in total). The second part of questions was related to the determinants on which respondents could provide yes or no questions and included the subjective opinion of employees about their attitude to the job in terms of security for their future, and their opinion about a job as an equivalent to education, and finally the general opinion about whether they are proud of their job or not. The results of the survey analysis will be included in the next few paragraphs.

Logically, the better working conditions are the greater employee satisfaction is. It is higher not only because they feel comfortable, but also because better working conditions provide better opportunity for improved job performance and success at work. People are often dissatisfied with the poor working conditions, and the main reason for that is not the fact they personally find them unpleasant but because poor working conditions are an obstacle to achieving anticipated performance. Obviously, the available equipment is not a problem, since 38.3% of the respondents were satisfied and only 2.8% belongs to a group of the dissatisfied with this segment (σ 0.841). Work environment meets the average criteria, which is seen by the average data where 54.2% of employees are very satisfied, and then they are satisfied with physical working conditions (temperature, lighting), where 35.5% are satisfied, whereas only 2.8% are dissatisfied (σ 0.831). Another segment that is far from critical includes interpersonal relationships (the quality of relationships with associates) which are, excluding some individual cases, at a very high level of communication with 39.3% satisfied (σ 0.884). Likewise cooperation among employees is developed, because the percentage of those satisfied and those without complaints accounts for 50.5%, whereas there are only 5.6% dissatisfied (σ 0.742). The employees had the opportunity to express their attitude to the satisfaction with their superiors, with only 4.7% dissatisfied and 45.8% satisfied (σ 0.765). The subjective satisfaction with the employer is associated with job satisfaction, salary, relationship with colleagues at work, increased security for staying in the workplace and reduced desire to work more for a higher salary. There are 29.9% (σ 0.756) respondents who stated that they are predominantly satisfied with safety at work; in other words, they positively

commented on relationships and a sense of safety at work. The social atmosphere is an important factor for job satisfaction. The employees are more satisfied with their job if they work with colleagues with they have good personal relationships with and if there is a pleasant social atmosphere. Within this factor there is a relationship between employees and their direct superior. Some research suggests that this is absolutely true for all our companies. In any domestic company, the most important aspects of the job are those from which is expected the most, and they are actually related to the social environment: good relationship with colleagues, good relationship with the superior, the absence of conflict, socializing with colleagues after work and the like. Along with this segment there is the need for good organization at work, and the respondents had a positive attitude to this issue, which can be seen from the data in Tables 4 and 5, where 50.5% (σ 0.765) of them were satisfied. About 43% are satisfied with well-defined rules and business procedures, and 48.6% were satisfied with work ethic, culture and similar values (σ 0.885). For conducted activities employees have more available time, which is seen in the results of the survey, where 20.6% stated they are mostly satisfied, while 55.1% of them were satisfied with the fixed-time basis. However, less satisfaction was expressed in terms of flexibility of taking annual leave (16.8% were mostly satisfied, whereas 11.2% were very dissatisfied). Nearly 27% were very satisfied with the reputation of the organization, while the monthly salary is a more sensitive issue, where 39.3% declared they are satisfied, whereas 14% said that they are very dissatisfied with their salary (σ 1.180). In general the more employees earn the more satisfied with their work they are. However, it must be noted that the perceived fairness of the reward system is a more important factor than just salary. That was evident in all the surveys that were conducted in local companies. Workers were more satisfied if they perceive that the reward system is fair and provides equal treatment to all employees. More is expected from the fair reward system than from the salary itself. As far as their objective assessment of performance, 8.4% were very satisfied, whereas there were 25.2% (σ 0.779) satisfied with the purpose of work. The respondents at the travel agencies gave a positive opinion regarding autonomy in performing some tasks (49.5% satisfied, and only 12.1% dissatisfied) and the possibility to propose innovations to improve the efficiency of work, where 48.6% were satisfied and only 5.6% dissatisfied. Relatively positive answers are given for the choice of their own method to solve a problem – 43% satisfied (σ 0.929). Some research in the USA showed that employees are more satisfied if the organization is more decentralized and has given them greater participation in the decision-making process. This argument seems logical, but we have in mind the possibility of cultural limit. Namely, decentralization can be a source of satisfaction of employees only if they

Table 4. Research survey data for primary determinants of employee satisfaction (N=107).

Item	Very dissatisfied		Dissatisfied		Predominantly satisfied		Satisfied		Very satisfied		Total		Missing system		Standard deviation
	F	%	F	%	F	%	F	%	F	%	F	%	F	%	σ
The quality of relationships with associates	1	0.9	10	9.3	38	35.5	42	39.3	15	14.0	106	99.1	1	0.9	0.884
Respect for colleagues at work	2	1.9	8	7.5	40	37.4	42	39.3	15	14.0	-	-	-	-	0.892
Well-defined rules and business procedures	3	2.8	7	6.5	29	27.1	46	43	22	20.6	-	-	-	-	0.960
The fixed-time	2	1.9	11	10.3	20	18.7	59	55.1	14	13.1	106	99.1	1	0.9	0.900
Available working hours	-	-	-	-	22	20.6	62	57.9	22	20.6	106	99.1	1	0.9	0.647
Adequate equipment for work	-	-	3	2.8	28	26.2	41	38.3	35	32.7	-	-	-	-	0.841
Physical working conditions	-	-	3	2.8	27	25.2	38	35.5	38	35.5	106	99.1	1	0.9	0.855
Organization of work	1	0.9	1	0.9	36	33.6	54	50.5	14	13.1	106	99.1	1	0.9	0.765
Satisfaction with their superiors	-	-	5	4.7	35	32.7	49	45.8	14	13.1	103	96.3	4	3.7	0.765
Relationship between employees and their direct superior	1	0.9	6	5.6	39	36.4	54	50.5	7	6.5	-	-	-	-	0.742
Autonomy at work	1	0.9	13	12.1	25	23.4	53	49.5	13	12.1	105	98.1	2	1.9	0.893
Objective evaluation work performance	3	2.8	6	5.6	35	32.7	52	48.6	9	8.4	105	98.1	2	1.9	0.843
The possibility to propose innovations	1	0.9	6	5.6	32	29.9	52	48.6	15	14.0	106	99.1	1	0.9	0.818
Safety at work	1	0.9	2	1.9	32	29.9	55	51.4	16	15.0	106	99.1	1	0.9	0.756
Company Reputation	1	0.9	1	0.9	23	21.5	53	49.5	29	27.1	-	-	-	-	0.783
Appropriateness of work	-	-	2	1.9	27	25.2	47	43.9	27	25.2	103	96.3	4	3.7	0.779
Work ethic	2	1.9	5	4.7	24	22.4	52	48.6	23	21.5	106	99.1	1	0.9	0.885
Employees earn	15	14.0	14	13.1	27	25.2	42	39.3	8	7.5	106	99.1	1	0.9	1.180
Workspace	2	1.9	3	2.8	17	15.9	58	54.2	25	23.4	105	98.1	2	1.9	0.831
The flexible use of annual leave	12	11.2	12	11.2	18	16.8	49	45.8	16	15.0	-	-	-	-	1.206

assume and expect that power should be as evenly distributed as possible in their organization. It is, however, only the case in national cultures having a low so-called power distance. In cultures with high power distance, employees do not expect and does not favour their inclusion in the decision-making process, and decentralization will probably have no impact on their satisfaction.

The research in our companies showed that another characteristic of the organizational structure is a source of employee satisfaction –transparency and stability. The employees of our

companies are more satisfied if the organizational structure is clear, familiar and stable. This can be correlated with another characteristic of our national culture-avoiding uncertainty. Our workers do not like change, uncertainty, ambiguity so it is logical to expect from the structure to spare them these situations. The second part of the survey contained some questions to which employees could provide yes or no answers. Surprisingly, a large number of employees are proud of their job in the travel agency because the hypothesis of the research was that the position in tourism is often

underrated and thus the employees are insufficiently respected by end users (potential tourists). Likewise there are often many highly-educated people at travel agencies performing the operations for which the secondary-school education sufficient (a holiday package operator). 43.9% of them said that the salaries are equivalent to their skills and competences, and 75.7% of them were proud of their job. However, 54 respondents out of the total number said that their position provides them the safe future, whereas 53 of them declared that their future in this business is

Table 5. The results of the survey of employee satisfaction (motivation factors, N=107).

Item	Very dissatisfied		Dissatisfied		Predominantly satisfied		Satisfied		Very satisfied		Total		Missing system		Standard deviation
	F	%	F	%	F	%	F	%	F	%	F	%	F	%	σ
The possibility of advancement and progress	3	2.8	8	7.5	30	28.0	51	47.7	15	14.0	-	-	-	-	0.917
Supervisors recognize your goals	1	0.9	8	7.5	33	30.8	55	51.4	10	9.3	-	-	-	-	0.798
Support from superiors	1	0.9	5	4.7	36	33.6	56	52.3	9	8.4	-	-	-	-	0.746
Expressing ability	1	0.9	4	3.7	41	38.3	43	40.2	17	15.9	106	99.1	1	0.9	0.825
Interesting and variety of work	1	0.9	4	3.7	28	26.2	52	48.6	22	20.6	-	-	-	-	0.826
Supervisors appreciate your ideas	1	0.9	7	6.5	27	25.2	53	49.5	19	17.8	-	-	-	-	0.853
Own way of working	1	0.9	13	12.1	30	28.0	46	43.0	17	15.9	-	-	-	-	0.929
Work creativity	2	1.9	6	5.6	18	16.8	59	55.1	21	19.6	106	99.1	1	0.9	0.867
Stimulation of the organization	8	7.5	17	15.9	20	18.7	45	42.1	17	15.9	-	-	-	-	1.158

uncertain.

From the above, we may conclude that almost about half of the respondents, regardless of their satisfaction with salary, interpersonal relationship and the basic parameters of motivation; still feel insecure about their employment. The reason can be found in the relatively unstable political and economic situation in Serbia. This is further evidence supporting the fact of how external factors may affect employee satisfaction. When asked the question whether job satisfaction is connected with their satisfaction with private life, 69.2% replied affirmatively, whereas 29% provided a negative answer.

As far as the third part of the survey is concerned, the analysis included several segments, which are related to motivation at work. Satisfaction with opportunities for education and further education and promotion were assessed positively, with 47.7% satisfied and 7.5% dissatisfied (σ 0.917). The results of the survey can show the evidence how much support the superiors provide to the employees (52.3% satisfied). Here is also

the issue of how the superiors recognize their abilities – only 0.9% were very dissatisfied and 51.4% were satisfied (σ 0.798), while the number of the satisfied with regard to respecting their ideas stands at around 49.5% (σ 0.853). All these segments are interrelated, which can be seen through the data on what employees think how their job is interesting (48.6% satisfied), and how they can express their creativity at work, where 55.1% were satisfied (σ 0.867). The respondents also expressed a positive opinion regarding the possibility of showing their ability at work, where 43 of them said that they were satisfied.

According to the data, it is possible to learn to what extent employees are satisfied with regard to ways of stimulating the employees by the organization, where 45 out of 107 stated they are satisfied.

Conclusion

Empirical studies have shown that relationship

between employee satisfaction and productivity is not as clear as it might at first appear. In addition, the pleasure does not affect only productivity but also some other phenomena in the organization, such as absenteeism and fluctuation. Job satisfaction is, therefore, a complex attitude involving certain assumptions and beliefs about the job (cognitive component), feelings toward the job (affective component) and evaluation (evaluative component). The paper presents the data of the survey in a concise way conducted by the authors in 23 travel agencies in Novi Sad. Out of the 250 questionnaires that were distributed, 107 were analysed and on the basis of the data we obtained key answers to the questions about which factors the employees are most or least satisfied. The SPSS method was used in the data processing, and along with a combination of statistics and some secondary publications we got the confirmation of the hypotheses. What contributes to employee satisfaction with their job? The research has shown that all factors can be grouped into two categories: basic factors of job satisfaction and

motivation factors. In this paper the determinants of satisfaction are grouped into three sections of the questionnaire, where the respondents were allowed to make assessment using points from 1 to 5. The survey found that the respondents were quite satisfied with their job and therefore we confirmed the hypotheses given in the paper. The employee satisfaction is affected by a range of different factors listed in the tables of the survey research. The results of the survey indicate specific tasks and guidance as well as problems and obstacles that need to be addressed.

From the above, it is concluded that the employees at travel agencies in Novi Sad are relatively satisfied with their job (55.1% felt that their job is creative and 48.6% felt that their job is varied and interesting), interpersonal relationship (35.5% very satisfied with relations with their closest associates, and even 50.5 % satisfied with communication with their superiors) and the level of salary (39.3% of respondents said they were satisfied, and 8% said they were very satisfied); therefore, this study confirmed the initial hypothesis and sub-hypotheses. Surprisingly, some sub-hypotheses were rejected. It is widely known that the employees at travel agencies believe that their job is not equivalent to their education and knowledge, and that their job that does not provide them with a certain security and pride. The survey, however, led to completely different attitudes for all given segments. Namely, sub-hypotheses 4, 5 and 6 were completely rejected.

From Table 2 it can be seen that the highest values of standard deviations were seen in the issue relating to the flexible use of annual leave (1.206), satisfaction with salaries (1.180) as well as stimulation by the organization (1.158). As tourism is an activity characterized by a marked seasonality, it is not surprising that the highest standard deviation was with the question referring to the flexible use of annual leave, but it is a problem that is common for all the employees in the tourism industry, not only for employees at travel agencies. The answer to the question why the large discrepancies are in the questions relating to the satisfaction with salaries could be found in different responses of those holding managerial and non-managerial position (the equivalent is a salary), and in the length of employment and experience of the respondents. The high value of standard deviation in the analysis of responses to the question about satisfaction with stimulation by their organizations may be found in different methods and levels of incentives, which vary from agency to agency. The actual results of the survey findings are of strategic and tactical importance for the holders of tourism policy at the regional and local level and are formulated to be applicable in the modern tourist practice.

Conflict of Interests

The authors have not declared any conflict of interests.

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Full Length Research Paper

Assessment of psychological contract fulfillment and breach: A study of selected firms in South Africa

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This research investigates the key factors affecting retention of skilled employees using the psychological contract as a framework in an emerging economy context. The focus of the study was on employees' perspectives regarding elements of the employment relationship they consider valuable and how these inducements affect their commitment and loyalty to the organization. Data were collected from 98 made up of professional employees within private and public firms in Gauteng Province. The population was drawn from top employers in South Africa.. The main findings of the study show that retention practices focusing on the relational elements of the psychological contract such as job security and career development are more important to employees than those with a transactional inclination such as financial rewards. Trust also seems to play an intervening role in the employment relationship leading to less intense feelings of psychological contract violation amongst employees.

Key words: Psychological contract, employee retention, trust, South Africa.

INTRODUCTION

The dynamics of the labour market are changing with the balance of power within the employment relationship swinging towards employees (Puchala, 2008). In this dynamic environment, successful organizations recognize that employee retention and talent management (Hughes and Rog, 2008) are integral to sustaining leadership as well as continued growth in the market. Therefore, creating a retention-rich organization that attracts, engages and builds lasting loyalty among its most talented employees is a key success factor in the modern globalized economy (Devi, 2009).

The explosion of technology has contributed to serious shortages of skilled labour in many countries, South Africa included. Employers increasingly find themselves battling to retain their valuable employees due to this critical shortage of experienced candidates and aggressive recruitment tactics of rivals. A recent report revealed that South African employees are daily migrating abroad for better job opportunities. The country's best and brightest employees are constantly being poached by companies such as BMW, Nokia-Siemens, Unilever and many others (Gillingham, 2008).

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South Africa is still a relatively young democracy which got its independence after many years of apartheid rule. It however has a vibrant economic sector that has seen it maintaining the lead as Africa's biggest economy. It is also one of the 28 emerging markets in the world. Emerging markets are nations with social or business activity in the process of rapid growth and industrialization. They are countries that are restructuring their economies along market-oriented lines and offer a wealth of opportunities in trade, technology transfer and foreign direct investment.

South Africa's economic environment, like many other countries worldwide, has been affected by the recent global financial problems, leading to low but positive growth. This situation has also affected its labour environment and research shows that there are relatively high levels of unemployment. But technology has led to a flipside situation where demand for highly skilled labour is still rife and critical industries often report shortages of professionals. Such pressures have pushed up salaries and the value of other benefits to extraordinary heights, making it very difficult to retain skilled employees. Both local and international organizations are constantly competing for these professionals luring best brain power with hard to beat offers.

A study by Kaplan and associates found that a significant brain drain was underway with many professionals immigrating to other countries. The major cost of this trend to the country is the lost production and the export of human capital in the form of education, training and experience. Investment worth billions of rands in human capital is leaving the country at an alarming rate. Such trends lead to further costs to the country as they now have to increase compensation for skilled and professional labour to keep them in the country. This is particularly so for internationally mobile occupations where high rates of emigration are a significant factor in keeping labour markets tight and wages high. Turnover rates are very high and are costing the economy billions of rands per annum. This is a worrying state of affairs that should be adequately addressed.

The new workforce era has been described as the '*war for talent*' and this phrase depicts some of focus, and perhaps even aggression, with which organisations are pursuing new recruits and making efforts to retain them (Puchala, 2008). The keys to success are a long-term eye toward talent acquisition, development and retention (Duerksen, 2012). In this climate of extraordinary demand, emerging economies are proving to be a poacher's paradise as overseas and rival companies lure their best brain power with hard to beat offers. The war for talent is not only between companies but also between governments.

There is therefore an urgent need to combat this trend if the development pace of these economies is to be maintained and/or accelerated. However, unlike in the past where the job for life concept existed, with

employees being loyal to one company almost all their lives in exchange for job security, this paternalistic management approach in employment relationships is no more (Atkinson, 2002). This trend is replicated in many countries and there is an urgent need to combat it if the development pace of emerging economies is to be maintained and/or accelerated. This calls on human resource professionals to look into the effectiveness (or lack thereof) of traditional retention practices. Companies need to incorporate employee perspectives and the needs of the workforce when developing innovations in their human resource management practices in order to reap valuable benefits by way of superior performance for organizations.

The psychological contract, which refers to employees' subjective interpretations and evaluations of their employment deal (Rousseau, 1995) has over the years gained prominence as a construct of both scientific and practical importance for human resource managers concerned with the retention of their talented employees. Organizational studies argue that the employer and employee exchange not only impersonal resources such as money, but also socio-emotional resources such as trust, approval, respect, recognition and support (Eisenberger et al., 2001). When the expectations within the psychological contract are not met, the result is a feeling of psychological contract breach and violation leaving employees feeling frustrated and demotivated. Employees may be less committed to the organization and some may quit altogether reducing the organization's talent pool. The main purpose of this study is therefore to investigate the employees' perspectives regarding elements of the employment relationship they consider valuable and how these inducements affect their commitment, trust and loyalty to the organization. Based on the above rationale and its obvious implications to practice, the following research question was formulated:

What are the psychological contracts components that induce organizational commitment trust and increase the retention of talented employees within the firm?

Significance of the study

The significance of this study lies in the fact that it will contribute towards building knowledge on the existing employee-focused literature on effective psychological contract management. Greater insights can be offered for Human Resource Management practices in emerging markets; in particular, the understanding of employees' perspectives on retention factors they deem important in the development of a partnership relationship between them and the organization. This will help the organizations to develop better relationships with their employees, improve their business performance and achieve better employee and customer retention statistics.

LITERATURE REVIEW

Concept of the psychological contract

A psychological contract represents the mutual beliefs, perceptions and informal obligations between an employer and an employee (Levinson et al., 1962). These beliefs are based on the perception that employers' promises have been made about such matters as competitive wages, promotional obligations and the giving of their energy, time and skills (Rosseau, 1995). It sets the dynamics for the relationship and defines the detailed practicality of the work to be done. It is distinguishable from the formal written contract of employment, which for the most part only identifies mutual duties and responsibilities in a generalized form.

Rousseau (1995) argues that the reality of employment rights and duties emerge through the interpersonal relationships formed in the workplace. How employers, supervisors and managers behave on a day to day basis is not determined by some legal contract. Employers therefore slowly negotiate what they must do to satisfy their side of the bargain, and what they expect in return. This negotiation is sometimes explicit, example, in appraisal or performance review sessions, but it more often takes the form of behavioural action and reaction through which the parties explore and draw boundaries of mutual expectations. Hence the psychological contract determines what the parties will or will not do and how it will be done.

When the parties' expectations match each other, performance is likely to be good and the satisfaction and motivation levels will be high. So long as the values and loyalty persist, trust and commitment will be maintained in the employment relationship. Employees will however perceive a breach of the psychological contract when their organization does not perform according to their expectations (Morrison and Robinson, 1997) and this may have many serious consequences that differ from person to person depending largely on cultural profiles.

Relationship with HR practices and retention factors

One of the most potent organizational factors influencing the psychological contract of employees is human resource practices. The term human resource practices refers to all practices (example, annual performance appraisals), specific policies (example, equal opportunities), tools (example, employee surveys), or techniques (example, management by objectives) that contribute to managing human resources in organizations. Most, if not all human resource practices, may impact on employees' psychological contracts. For example, job interviews present an opportunity for the organization to communicate expectations about employee contributions, equal opportunity policies promise fair treatment, leadership training conveys expectations about leadership behaviors

or constitutes a fulfilment of obligations as to professional development. Performance-related compensation may deliver a promise of "fair play" and convey expected contributions by detailing performance standards. An in-house nursery or flexible hours can fulfil an obligation regarding support with family needs. A company car can deliver promises of recognition, while mentorship programmes can contribute an obligation regarding career development and so on.

However, the role that each practice plays for an individual employee depends on the content of that employee's psychological contract and priorities may differ widely between employees and organizations. Guest and Conway (2001) have shown a number of what they call "progressive" human resource practices to be related to the state of the psychological contract and outcomes such as cooperative behavior by employees, involvement in decision making, commitment, motivation, organizational citizenship behavior, innovation and performance. More specifically, application of more of these practices to a greater percentage of the workforce in organizations is related to more positive outcomes.

Human resource practices have been associated with lower turnover rates (Guthrie, 2001), higher employee earning (Bailey et al., 2001) and increased productivity and financial performance of organizations (Husselid, 1995). Strong human resource systems have also been associated with increased job satisfaction (Berg, 1999) and decreased employee fatigue (Godard, 2001). Guzzo and Noonan (1994) argue that employees rely on their evaluation of human resource practices to assess whether obligations the organization has incurred have been kept. Similarly, Gant (1996) demonstrated how employees use human resource practices to check whether management rhetoric matches with organizational reality. The study by Aggarwal and Bhargava (2009) also established that human resource policies influence organizational performance as well as employee attitudes and has a strong bearing on organizational effectiveness.

Considering the large costs associated with employee turnover, human resource managers need to work out policies that enable them to retain their talented employees (Aggarwal and Bhargava, 2009). These policies are often bundled under the term "retention management". Some of the widely discussed retention practices in literature include the provision of an attractive package of financial rewards and benefits, job enrichment initiatives, career perspective, training and development opportunities, a supportive work environment and initiatives to improve work/life balance (Cappelli, 2001). Human resource managers should take these factors into account when developing retention strategies.

Researchers in the field of human resource argue that for retention management to be effective, it is not only important to create an optimal portfolio of human resource practices, but also to manage employees' perceptions regarding what their organization has promised them in return for their loyalty and commitment. The psycho-

logical contract focuses on employees' subjective interpretations of promised inducements and the relationship with employee outcomes including intentions to stay (DeVos and Meganck, 2009). The implication of this is that retention practices will only be successful if they are consistent with what employees value.

Outcomes of psychological contract fulfilment

Organizations can respond to an employee's psychological contract to varying degrees, including going beyond the conditions of the contract, thereby honouring the intent rather than the letter of the contract; complying with the contract and fulfilling all the conditions and terms; and breaking or violating the agreement between the employee and the organization. When organizations uphold their side of the psychological contract with their employees, it is more likely that employees will attempt to fulfil their contractual obligations to the organization. The ability to deliver promises contained in the psychological contract is a key point in explaining individual responses at work. Some of the traditional outcomes related to psychological contract fulfilment are organizational commitment, organizational citizenship behavior and turnover intentions (Sutton and Griffin, 2004). Psychological contract fulfillment reflects the quality of the exchange process between employer and employee, such that individuals feel that they are more or less obliged towards their organization in return for the delivery of inducements by the employer (Coyle-Shapiro, 2002).

Research has suggested that fulfilling the psychological contract creates feelings of being valued, which leads to positive affective outcomes. Conway and Brinner (2002) showed that met expectations are related to positive affective states such as enthusiasm, self-worth and being cared for. How the organization manages the promises it makes to its employees and more importantly, how met/unmet promises are communicated and dealt with is a very important dimension of the employment relationship.

Fulfilment of the psychological contract may not lead to positive outcomes unless employees' attitudes are influenced above and beyond the cognitive evaluation of inducements, in that the latter may be truly effective only if they generate perceived organizational support in the employees. Otherwise, they will merely be "taken for granted" and not have any meaningful impact. Managers should therefore take into consideration the mediating role of perceived organizational support on psychological contract fulfilment when implementing their retention strategies.

Psychological contract breach and employee outcomes

The failure of an organization to fulfil employee perceived

promises and obligations has been defined as psychological contract breach (Morrison and Robinson, 1997). Morrison and Robinson clearly distinguished between breach and violation; perceived breach is the "cognition that one's organization has failed to meet one or more obligations within one's psychological contract in a manner commensurate with one's contribution". Violation on the other hand, is "the emotional and affective state that may under certain conditions follow from the belief that one's organization has failed to adequately maintain the "psychological contract". It corresponds to the feeling of anger, frustration and/or betrayal that may arise after the perception of a breach when the individual attributes the causes of the breach to the employer's responsibility.

Psychological contract breach has been found to be negatively related to a wide variety of employee workplace attitudes and behaviors. It has been found to be negatively related to job satisfaction (Robinson and Rousseau, 1994), organizational commitment (Coyle-Shapiro and Kessler, 2000), trust (Turnley and Feldman, 1999a) and organizational citizenship behavior (Robinson and Morrison, 1997). PCB has also been found to lead to increased cynicism (Johnson and O'Leary-Kelly, 2003), turnover (Bunderson et al., 2001) and intentions to quit (Rajan, 1997).

Role of trust as an intervening variable

Trust is the key integrative concept within the psychological contract. It is defined as "the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action to the trusted irrespective of the ability to monitor or control that other party" (Whitener, 1997). Within the employment relationship, the key influence on trust is whether each side has kept its promises to each other, that is "have they delivered the deal?" (Guest, 1998).

In the cause of their relationship, employees can develop trust in specific individuals such as a supervisor and also in generalized representatives such as the organization. It is suggested that employee expectations develop incrementally in the employment relationship and become embedded in a psychological contract reflecting their beliefs about the nature of the reciprocal exchange agreement between themselves and their employer (Tyler, 2003).

Trust has been found to be highly beneficial to the functioning of organizations, with it operating in two different ways. The predominant perspective from literature is that trust operates in a direct way and affects attitudes, cooperation and performance. On the other hand, trust can act in a much less direct way by influencing conditions under which the above outcomes are likely to occur.

Trust is related to the perception an individual has about a number of factors: How have they been treated

by the organization, management and other employees; whether they perceive that these parties have been fair, kept their promises and met their obligations; and whether the parties can be trusted to fulfil their promises and obligations in future (Fuchs, 2003). Studies have however found that only a small number of employees place a lot of trust in their employer to keep promises. .

Managerial usefulness of the psychological contract

The psychological contract is key to helping today's managers understand the nature and direction of their relationships with employees (Casser and Brinner, 2009). As the psychological contract is developed, both the employee and employer are able to understand the "promises" that are made and the obligations that each has on both a transactional and relational basis. By understanding the distinct relationship between employer and employee, organizational managers can therefore eliminate assumptions about job duties, extra-role behaviors and relational expectations especially during the socialization process. The "positive management" of the psychological contract can result in increases in job performance, lower staff turnover and higher job satisfaction for both employees and supervisors (Alatriza and Arrowsmith, 1996). Psychological contracts help employees predict the kind of rewards they will receive for investing time and effort in the organization (Sparrow, 1996). Predictability is important to motivation, that is, an employee needs to be able to predict that performance will result in desired outcomes. Predictability has also been suggested as a key factor in the development of trust (Morrison and Robinson, 1997).

Conceptual model of the study

An intervening variable is one that explains the relationship between the independent and dependent variables while a moderator variable is one that influences the strength of a relationship between two other variables (Figure 1). In this study, retention of talented employees is dependent on psychological contract which is the independent variable. Hypothesis is an empirical statement that seeks to test the relationship between at least two variables (Patel, 2009).

H1: Organisations with greater psychological contracts components can positively influence retention among its talented employees

H2: Trust among employees and employers might lead to greater psychological contract hence retention among talented employees

H3: Actual organisation practices might negatively reduce psychological contract hence negative retention of talented employees

RESEARCH METHODOLOGY

Procedures

Survey forms were distributed to professional staff of the private sector in South Africa which approved of the study. Participants were instructed that participation was entirely voluntary and all ethical considerations complied with. Completed questionnaires were then forwarded to respective human resource managers of the organizations and collected by the researcher. 98 employees responded, generating an overall response rate of 81.6% to the survey instrument.

Population and sample

The population for this study is made up of professional employees within private and public firms in Gauteng Province. The population was drawn from top employers in South Africa. The Top Employers certification is only awarded to the best employers around the world: organizations that demonstrate the highest standards of employee offerings. The companies studied have been independently certified by the Top Employers Institute as Top Employers South Africa. Both probability and non-probability sampling was used to collect data from the representative sample. This population was chosen in view of the practical implications, specifically the significant financial costs associated with hiring highly skilled staff and the desire to retain these staff in order to improve effectiveness, increase productivity and minimize the shortage of talent. A 'skilled worker' in the context of this study refers to someone with formal qualifications and who is probably working in the formal sector.

Sample characteristics

Table 1 shows the demographic profiles of the respondents. Majority of the respondents are in the younger age groups with over 80% below 40 years of age, indicating a younger employee population. Majority of the respondents were males (59%) and most of the employees (70%) were on permanent contracts.

Measures

Through extensive literature review, the variables for the study were measured based on established instruments which had been used by key past studies. All the variables were measured by subjects' responses based on 5-point Likert scales.

Psychological contract

To measure employees' perceptions of the three key elements of the psychological contract, fairness, trust and delivery of the deal, questionnaires in the Working in Britain 2000 Study funded by ESPC/CIPD were considered. For fairness, a sample item is "How anxious are you about being dismissed from your job without good reason?" For trust, one indicator question that concerns trust in the employer to keep promises was asked: "Overall how much do you trust your employer to keep their promises or commitment to employees?" The deal was analyzed using indications of commitment from the employer regarding features of the employment relationship such as training, reward, decent working environment, long term job security, promotion, challenging work, training in protean skills, pay rises, time off for family requirements and fairness in the application of rules.

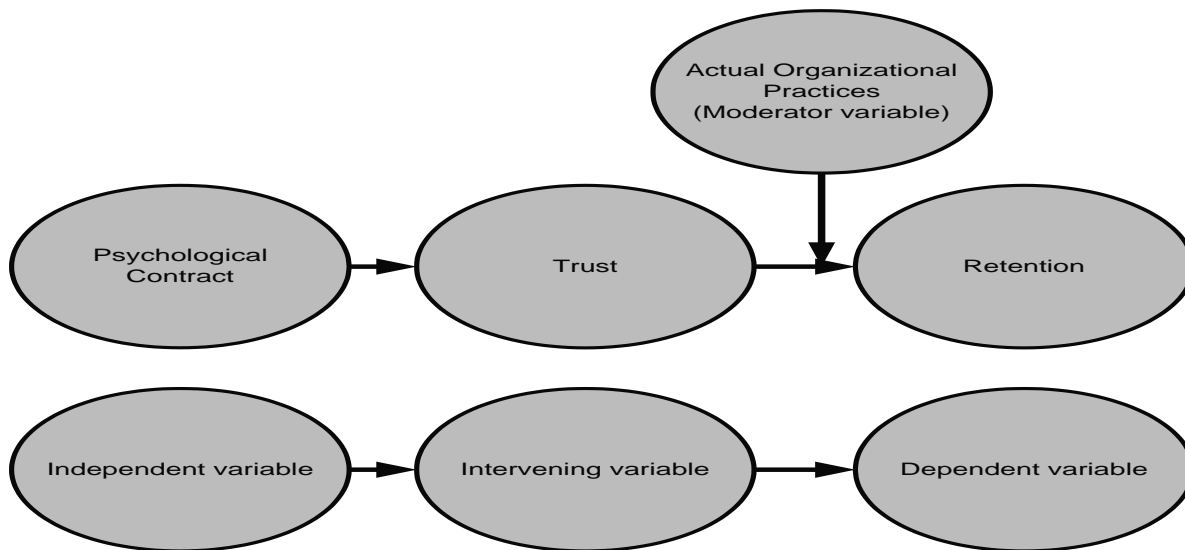


Figure 1. Conceptual model of the study.

Table 1. Sample characteristics

Description	Range	Frequency	Percentage
Age	18-30	42	42.86
	31-40	40	40.82
	41-50	14	14.28
	51-60	2	2.04
Gender	Male	58	59
	Female	40	41
Tenure(Years)	1-2	36	36.73
	2-3	26	26.53
	3-4	14	14.26
	4-5	4	14.08
	Over 5	18	18.37
Type of contract	Permanent	70	71.43
	Temporary	22	22.45
	Fixed term	6	6.12

Psychological contract violation

Psychological contract violation was measured with the four-item PCV measure developed by Robinson and Morrison (2000). A sample item is “I feel extremely frustrated by how I have been treated by my organization.” The Cronbach’s alpha value was 0.78

Psychological contract violation as a possible outcome of feelings of psychological contract breach was investigated using the following questions:

1. PCV1- I feel extremely frustrated by how I have been treated by my organization.
2. PCV2- I feel that my organization has violated the contract between us.

3. PCV3- I feel betrayed by my organization.
4. PCV4- I feel a great deal of anger toward my organization.

As the above results show, this study has found a more or less positive psychological contract amongst employees (Table 2). This is indicated by the more than two thirds of respondents disagreeing to all the four items that their contracts have been violated and the mean response rates falling between moderately disagree and slightly disagree. 66% disagree that they have been extremely frustrated by their organization with 20% of respondents agreeing to this item.

The common outcomes of PC violation, feelings of betrayal and anger are reported by 20 and 16% of respondents respectively while over two thirds of the employees disagreed that they felt this

Table 2. Descriptive statistics of the items of PCV scale. Source: Developed for this study.

	Mean	Standard Deviation
I feel frustrated by how I have been treated	2.76	1.290
I feel that the contract between us has been violated	2.66	0.836
I feel betrayed by my organization	2.64	0.628
I feel a great deal of anger towards my organization	2.7	1.113

Table 3. Perceptions of employees on organizational commitment.

Item	Disagree	Agree	Total
	%	%	%
Would spend rest of career here	40	36	76
Firm has personal meaning to me	30	54	84
No strong sense of belonging	60	22	82
Not emotionally attached	36	38	74
Don't feel like part of the family	46	40	86
Feel like firm problems are my own	34	44	78

**Figure 2.** Organizational commitment.

way. The numbers reporting feelings of betrayal and anger should however be a cause of concern to the organizations as cynicism is easily spread if not curbed in good time. It is a negative attitude and involves a belief amongst employees that their organization lacks integrity. The employees display negative emotions towards the organization and have a tendency to be critical of their organization. Feelings of anger and betrayal may also lead to reduced organizational commitment and job satisfaction.

Organizational commitment

Organizational commitment was measured with a six-item scale

developed by Meyer et al. (1993). A Likert-type scale, anchored by (1) Strongly disagree and (7) Strongly agree, was used to indicate agreement or disagreement with each item. A sample item is "I really feel as if this organization's problems are my own". The Cronbach's alpha value was 0.73 (Table 3; Figure 2).

In the data presented above, only 36% of respondents agree that they would like to spend the rest of their careers with their organizations with 40% indicating otherwise. 54% agree that the company has a great deal of personal meaning to them and 60% disagree that they do not feel a strong sense of belonging to their organizations.

38% of the respondents agree that they do not feel emotionally attached to the organization, 40% do not feel like part of the family

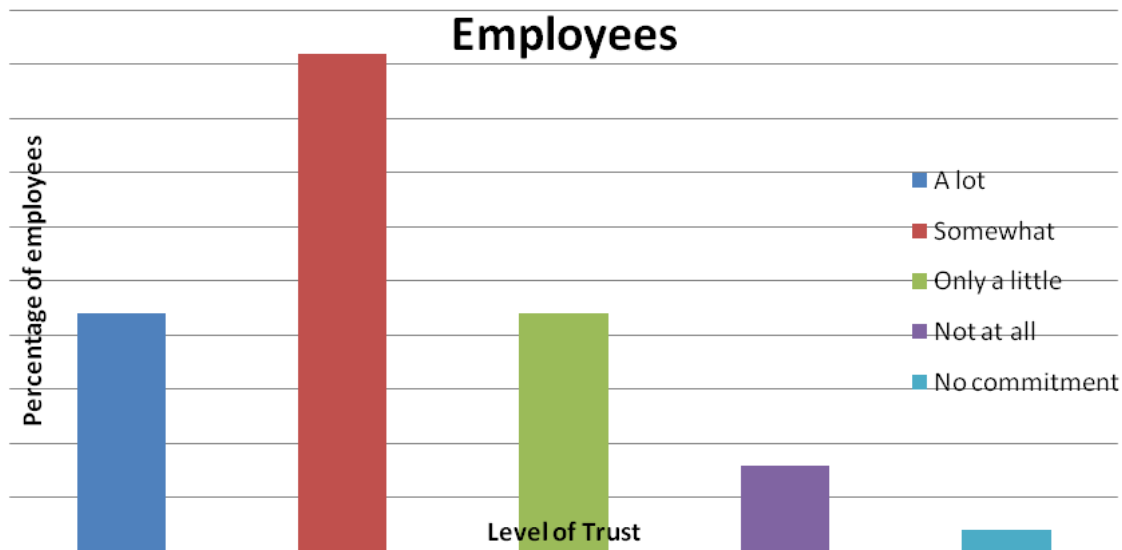


Figure 3. Graphical representation of perceptions on level of trust.

Table 4. Perceptions of levels of trust in employer to keep promises.

A lot	Somewhat	Only a little	Not at all	Employer makes no commitment	Total
%	%	%	%	%	%
22	46	22	8	2	100

and only 44% agree that they feel as if the organization's problems are their own. The average responses to the survey items indicate that a fair number of the employees are committed to their organizations. From the study, the younger employees as well as those with shorter organizational tenure seemed to display less commitment than the older employees and those with a longer tenure.

Trust

The pattern of responses for the element trust shows that less than a third (22%) of employees place a high level of trust in their employers to keep their promises (Figure 3; Table 4). 46% of the respondents said that they somewhat trust their employers but this indicates that they do not have a lot of confidence of promises made to them being fulfilled. 22% say they trust their employers only a little with 8% indicating that they do not trust their superiors at all. Some 2% of the respondents said their employers had not made any commitments to them. These responses show that most employees are rather pessimistic when it comes to trusting their employers to keep promises made.

FINDINGS AND CONCLUSION

This research investigates the key factors affecting retention of skilled employees using the psychological contract as a framework in an emerging economy context. The focus of the study was on employees' perspectives regarding elements of the employment relationship they

consider valuable and how these inducements affect their commitment and loyalty to the organization. The main findings of the study seem to support the argument that a reasonably positive psychological contract does exist among employees. Though a sizeable number of respondents (55%) have high levels of anxiety about unfair treatment within their organizations, almost 70% of the respondents have some or a lot of trust in their employers and a further 69% believe that their employers will honor their commitments reasonably well. The results of the study agree with a similar research by Atkinson and Cuthbert (2006) in the UK working population except on the issue of fairness where her study found that over 80% of all employees have low levels of anxiety about unfair treatment.

Issues relating to trust show that less than a third of employees place a lot of trust in their employers to keep promises made. This supports evidence from Guest and Conway's (2001) study and in terms of the outcomes of the psychological contract; it raises concern about the employment relationship. Trust is a key integrative element in the employment relationship and has a direct impact on organizational performance; therefore, this relatively low percentage of employees with full trust in superiors should be a cause of concern. Management should strive to engage employees in order to cultivate a more trusting relationship between the two parties if they

desire to see discretionary effort made to achieve organizational goals.

The study findings suggest that trust for superiors within the organizations is highest among the younger employees with the older age group of over 40 years reporting somewhat trusting their superiors but not placing a lot of trust in them. The shorter tenure groups also reported having more trust in their superiors than those who had stayed longer in the organizations. Employees seem to have great belief in the employer's intention to honor the "deal" more so in terms of the items relating to work/life balance, a good working environment, training, job security, providing challenging work, being fair in the application of rules and rewarding good job performance. However, less optimism was shown in relation to some of the items such as career development prospects, training employees in skills they can use if they leave and providing pay rises to maintain their standards of living.

This is a marked departure from the expectations in the new employment relationship where employees would wish for employers to provide clear policies on career development within the organizations and if this is clearly not possible, then at least they should train them in skills they may use in case they leave the organizations.

The findings of the study suggest that most employees are less likely to have relational contracts even though the opposite seems to be their desire. Their more often transactional contracts are likely to incorporate perceptions of lower levels of justice and even less trust. The respondents of the study seem to place more value on many of the relational ones such as job security, training and importance of using both one's initiative and ability in the job than on the transactional ones which include pay, reward and promotion prospects. The study is in agreement with the findings of Martin et al., (1998) which suggested that job security is still the most important aspect of employee desires.

One of the points in explaining individual responses at the workplace is the ability to deliver promises contained in the psychological contract. The research set out to find employee perception on some of the traditional outcomes related to psychological contract fulfillment or breach such as contract violation, organizational commitment and turnover intentions. A large number of employees, (70%) disagree that their contract has been violated. This is a departure from the findings of Robinson and Rousseau (1994) which suggested that violating the psychological contract was not the exception but the norm within organizations. Employees in this study had a more or less "positive attitude" towards their psychological contracts. A similar response rate (disagreeing) was elicited in relation to the feelings of frustration, betrayal and anger towards the company. Trust for superiors seems to be playing an intervening role in reducing negative feelings concerning the contract between the employees and the organization.

The variable organizational commitment indicated that not very many employees seem to be enthusiastic about spending the rest of their careers in their organizations. This means that at one point or another, they will resign from their jobs. This agrees with the findings of the demographic data on organizational tenure which indicated that about 67% of the respondents would resign from their jobs within 36 months or less. A good percentage of respondents (54%) did however agree that the organization has a personal meaning to them and they feel a strong sense of belonging to their organizations. For success in organizations, employees need to be more involved in issues that influence their work and in decision making processes. They also need to be reassured of their job security which this study found to be the most important aspect to most of them but is not being fulfilled by many of the organizations studied.

Intentions to leave did not show optimistic perceptions with almost 60% of the respondents agreeing that they would actively be looking for a new job the following year and another 38% agreeing that they often think about quitting. These numbers are in stark contrast to those who place trust in their employers to honor their side of the deal. The findings are supported by Guerrero and Herbach (2008) who suggest that it is not the cognitive assessment of the psychological contract as such that has consequences, but rather its potential behavioral and attitudinal outcomes. This shows that how the organization manages the promises it makes to its employees and more importantly how met/unmet promises are communicated and dealt with is a very important dimension of the employment relationship. Management should find out the factors leading to these negative perceptions that lead to reduced organizational commitment and intentions to leave in order to stem discontent and manage employees' psychological contracts in a more positive way.

Conflict of Interests

The author(s) have not declared any conflict of interests.

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Full Length Research Paper

Internationalization strategies adopted by Natura in Latin America and Europe: An exploratory study with an emerging market company

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This study seeks to identify the main strategies adopted by an emerging market company in its internationalization process in Latin America and Europe. The company studied was Natura Cosméticos. To this end, a survey was conducted on the theoretical framework that discusses the internationalization theory from the behavioral perspective, the motivations for organizations to go international and the internationalization strategies. An exploratory qualitative research was conducted based on the case study method. To collect the data, we conducted interviews with a company's executive and an intense documentary analysis, which allowed the identification of the main internationalization strategies adopted by Natura in Latin America and Europe.

Key words: Internationalization, strategy, Natura, emerging market company.

INTRODUCTION

The global market competition has intensified in all segments over the past decades. The evolution of the economy around the globe began to demand a differentiated positioning from the organizations (Oliveira et al., 2010), which started to develop international strategies to continue thriving. Most of the current literature shows the importance of globalization and internationalization as key factors of the competitiveness of organizations.

Within this context, the internationalization has become not only a path (Ansoff, 1990), but an attractive alternative for the organizations to compete. As a result of this environment, several organizations have expanded their scope of activity and began to operate across borders, offering services, products and setting up operations abroad.

The internationalization movement has also affected emerging markets companies. Understanding the natural need to operate in other markets in order to remain competitive, some Brazilian Companies started to go international. However, Brazil's international insertion is still very small (Cyrino et al., 2010).

The internationalization process is complex (Oliveira et al., 2010). There are two main schools of thought that interpret this phenomenon. According to the economic school, the internationalization occurs when an organization chooses to explore advantages through the production or establishment of a new market. While behavioral theories suggest that the internationalization of an organization occurs gradually, going through various stages and therefore, organizations choose to enter into a new market in different ways and

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that they gradually evolve the way they operate and commit to the new market (Cyrino et al., 2010).

This study seeks to analyze the internationalization process of Natura; therefore, it aims to answer the following research question: How did Natura conduct its internationalization process in Latin America and Europe? The primary objective is to verify the internationalization strategies used by the company to enter Latin America and Europe, both considering the entry strategy and the other strategies adopted over time. To this end, we decided to conduct an exploratory qualitative research, based on the method of the study.

The company started its internationalization process in 1982, exporting to Chile, then to Bolivia, Argentina and Peru, through local distributors. In 2005, the company started its operations in Mexico, in Venezuela in 2006, and in Colombia in 2007. In 2005, the company decided to cross the Atlantic Ocean and explore the European market, a continent known for its expertise in the cosmetic industry. To collect the data, we conducted interviews with an executive of Natura and analyzed the documents available on the company's website, including annual reports, institutional presentations and other academic studies. It is worth pointing out that the company went public in 2004, with stocks listed on the Novo Mercado and the highest corporate governance level of Bovespa.

This research is relevant because of the importance of the study on the internationalization process of emerging markets. Organizations, due to the fierce global competition and the intention of such organizations, explore new markets and improve their conditions and skills to compete across borders. In the academic sphere, the study illustrates the application of the theory to practice and proposes a new conceptual model that can be tested in future studies with significant sample of organizations from emerging markets. From the management standpoint, the study contributes by pointing out the main forms of internationalization adopted by Natura in the international expansion process, which can be used as guidelines for organizations experiencing this process or that intend to start it.

In addition to this introductory chapter, the study is divided into five chapters. In chapter 2, we present the conceptual basis of the research and propose a conceptual model. The third chapter explains the methodology of the study, followed by a chapter with the company's description and data analysis. The final part of the study makes a comparison between the literature review and the research findings and also presents the limitations of the study and recommendations for future research.

LITERATURE REVIEW

We collected secondary data about the motivations for internationalization, Internationalization theory from the behavioral perspective and internationalization strategies.

These data formed the basis of the field research.

Motivations for internationalization

The international strategy of a company occurs through the commercialization of its products or services outside the local market. Palácios and Sousa (2004) point out that the motivations for the internationalization of organizations fall into two categories: proactive motivations and reactive motivations. However, Czinkota and Ronkainen (2001) point out that in most business activities, the company is not internationalized in terms of only one stimulus, thus the mix of factors that indicate the company's need to follow a direction.

Hitt et al. (2009) indicate that there are four main benefits for companies with successful international strategies: greater market size; higher returns on capital investments; economies of scope, scale and learning; competitive advantage through the location (for example, access to low cost workforce, critical resources or customers).

A few theoretical models try to explain the internationalization process of companies under the strategic focus of the organization and also describe its level of internationalization. Two approaches that seek to explain the process have stood out: economic theories and behavioral theories. Stal (2010) summarizes the two internationalization approaches in a simple and easy way to understand. According to the author, the economic approach on the internationalization process relates the investment decisions overseas to the characteristics of the company's assets and product, while behavioral theories suggest that other factors, besides the economic factor, influence the decision of a company to operate in other markets. These factors are related: with the organization's external environment, with the internal characteristics, the proximity to culture, as well as the attitudes, perceptions and expectations of its executives. Therefore, Stal (2010) points out that the behavioral theories interpret the investment decisions in international markets gradually, following stages that range from regular export activities to the implementation of strategic activities, such as R&D abroad.

This study is based on the behavioral theory. To legitimize the gradual process of commitment to new markets, the organization should develop an internationalization strategy that involves entry strategy and other strategies used by the company over time in this new competitive environment. Therefore, the view of this research on internationalization strategies includes choosing the entry strategy and the strategies adopted over time to expand in the new market.

Internationalization theory from the behavioral perspective

This internationalization model was developed in the 70s

by researchers from Uppsala University. The purpose of the study was to understand the internationalization process of Swedish manufacturing companies. For that, a model was developed showing how these firms would choose the markets in which they wanted to operate and the ways to enter these markets (Hilal and Hermes, 2003).

The researchers found that the sequence to enter other markets starts discreetly, usually with direct export, a stage that allows the companies to learn more about the new market. As the company increases its knowledge about the new market and improves its information channels, its involvement in that market grows, thus enabling the company to establish subsidiaries in the foreign country (Hilal and Hermes, 2003).

According to Johanson and Wiedersheim-Paul (1975), the companies go through four steps during the process of entering an international market, which constitute what the authors call the "establishment chain":

- Stage 1 – No regular export activities;
- Stage 2 - Export via independent representatives;
- Stage 3 – Establishment of overseas sales subsidiary;
- Stage 4- Establishment of overseas production/ manufacturing unit.

For Cyrino et al. (2010), the behavioral theory argues that the firm consists of cumulative learning processes through a complex network of resources, relationships and skills. Hence, the authors point out that the stages of the internationalization process of the organization - mentioned above - are not based on deliberate and planned structures of the rational analysis, but represent stages of the successive learning and the incremental nature that occurs through the increasing commitment to foreign markets, which involve company's organic development.

Several authors discuss their conceptions of internationalization strategies. The next section will provide details on the strategies that can be used by the organization throughout the gradual process of international expansion proposed by five authors.

Internationalization strategies

Most companies start their international operations in regional markets, starting by those with which they have the highest affinity (Hitt et al., 2009). The implementation of the international expansion occurs through: the export of products, strategic alliances, participation in licensing agreements, acquisitions and the establishment of new subsidiaries in other countries (Hitt et al., 2009).

Several authors are focused on explaining the commitment to the new market according to the form of entry chosen by the organization. As important as the entry strategy are the operation mechanisms strategies

adopted by the company over time, which may change or remain unchanged. In this study, the internationalization strategies encompass all the strategies used by the organization during the internationalization process (entry and expansion), and these strategies are consolidated on the range of different authors in Table 1.

Cyrino et al. (2010) present a commitment scale in forms of entry developed based on the Uppsala Model and the theories on the strategies to enter international markets. The scale is from one to eight, whereas: (1) the least compromised entry strategy (8) the entry strategy in foreign markets where the company is more committed to the new competitive environment, the model is detailed in Table 1.

Interestingly, the only model that mentions research center in the internationalization process was the one proposed by Cyrino et al (2010), referring to what Porter and Stern (2002) reported the importance of innovate globally that for any organization that wishes to maintain its sustainable competitive advantages

Palácios and Sousa (2004) point out that some companies choose to start their internationalization process exporting to markets that are culturally and/or geographically closer, and later develop in more distant markets. Czinkota and Ronkainen (2001) state that the exploration of markets that are culturally and/or geographically closer gives rise to the concept of psychic distance. Thus, the companies need to be aware that the geographical proximity to other markets may not necessarily be translated into proximity to the foreign consumer.

Czinkota and Ronkainen (2001) point out that sometimes, the legal factors, social and cultural variables, among other factors, make a market that is geographically close seem psychologically distant. The authors believe that two aspects should be taken into account in this context: 1) the fact that it is advantageous for the organizations who are starting their internationalization process, to explore, at first, this activity by entering psychically close markets to gain experience before exploring distant markets; 2) the companies must make decisions based on reality, not perception.

Johansson (2006) points to the need to control the market in which the company operates and, therefore, suggests that a company chooses among three alternative ways to organize its work in the local market:

- 1) independent agents and distributors;
- 2) alliance with a partner in the local market; and
- 3) a wholly-owned subsidiary. For this author, the entry modes are directly related to the way the company operates in the foreign market.

The entry via exports involves independent agents and distributors, but if the company chooses to enter through strategic alliances, it should rely on local partners. Finally, when the company decides to invest in the foreign market (foreign direct investment), it means the creation of a wholly-owned subsidiary operating also for the company's

Table 1. Internationalization strategies.

Hitt et al. (2009)	Palácios and Sousa (2004)	Cyrino et al. (2010)	Keegan (1984)	Johansson (2006)
Export	Export;	Exports through third parties (scale 1)	Export	Indirect exports
Licensing	Establishment of overseas sales subsidiary;	Direct Export (scale 2)	Licensing	Direct Export
Strategic Alliances	Licensing	Licensing (level 3)	Joint ventures	Establishment of overseas sales subsidiary
Acquisition	Establishment of overseas manufacturing units	Association/ strategic alliances with foreign companies (scale 4)	Acquisition	Local Assembly
New wholly-owned subsidiary	Full establishment (commercial or industrial);	Franchising (scale 5)		Overseas production
	Development of joint operations	Establishment of a subsidiary/office aimed at sales (scale 6)		
		Establishment of subsidiary/product unit (scale 7)		
		Research Center (scale 8)		

Source: Authors.

expansion in the local market (Johansson, 2006).

In addition to the entry strategy in a new market, the company must give due attention to how products reach new consumers. Therefore, the company needs knowledge about the international distribution channels, in order to choose the most convenient channel for the company or product (Palácios and Sousa, 2004).

Czinkota and Ronkainen (2001) claim that psychographic and demographic characteristics of the target audience are responsible for designing the foundations of the distribution channel. These authors point out that the following determinants should be considered when a company decides to organize a structure of channels and relationships in new markets: consumer characteristics, culture, competition, the organization's objectives, characteristics, capital, cost, coverage, control, continuity and communication.

To join the global market the company should select the most appropriate strategy to its context, and this decision should result from several aspects analysis, such as: competitive conditions in the industry; the country's situation; the status of government policies and exclusive set of resources; key skills and capabilities that the company has (Hitt et al., 2009).

Conceptual model proposed

The conceptual review allowed the identification of a few gaps between the internationalization models. Some strategies of commitment to the new market, such as

exports, are mentioned by the authors in different ways. Note also that some authors detail some strategies more accurately, while others are more dedicated to others. The models presented are complementary and to understand the various strategies of internationalization, we propose a model which will be used in the research field of this study, but has to be validated in further studies with a significant sample of multinationals. The proposed model is shown in Table 2.

METHODOLOGY

This study was conducted in order to identify the strategies adopted by Natura in the internationalization process in Europe and Latin America, both considering the entry strategy and the other strategies adopted over time. To this end, we decided to conduct an exploratory qualitative research, based on the method of the study. According to Yin (2005), the case study is an empirical inquiry that investigates a contemporary phenomenon within its real-life context. For Eisenhardt (1989), the search tool in question provides the in-depth analysis of a particular situation and the identification of variables and their interrelationships that otherwise could be unnoticed. We chose the single case study, as this research strategy focuses on understanding a phenomenon - in this case, the entry modes of the internationalization process of a Brazilian company - and focuses on contemporary events - the market expansion across borders - pointed out by Yin (2005) as relevant situations to use this search

Table 2. Internationalization strategies.

Forms of Internationalization	Authors that mention these forms
Exports through third parties or indirect exports	Cyrino et al. (2010), Johansson (2006), Palácios and Sousa (2004), Keegan (1984), Hitt et al. (2009).
Direct Export	Cyrino et al. (2010), Johansson (2006), Palácios and Sousa (2004), Keegan (1984), Hitt et al. (2009).
Licensing	Hitt et al. (2009), Palácios and Sousa (2004), Cyrino et al. (2010), Johansson (2006), (1984).
Association/strategic alliances/partnerships with foreign companies	(Hitt et al, 2009), Palácios and Sousa (2004), Cyrino et al. (2010), Johansson (2006), Keegan (1984).
Franchising	Cyrino et al. (2010), Johansson (2006), Keegan (1984).
Acquisition	Hitt et al. (2009), Keegan (1984).
Establishment of sales subsidiaries	Cyrino et al. (2010), Johansson (2006).
Establishment of a wholly-owned subsidiary	Hitt et al. (2009), Palácios and Sousa (2004), Johansson (2006).
Establishment of production unit/subsidiary	Hitt et al. (2009), Cyrino et al. (2010); Johansson (2006), Palácios and Sousa (2004).
Research center	Cyrino et al. (2010)

Source: authors.

tool. The depth and detail of information that can be obtained through the case study are, according to Gil (1987), virtually impossible to be achieved using other research methods.

The data collected were obtained in primary and secondary sources, from March to June 2011, through interviews with the company's executive, the participation in talks with executives, literature review, data available on the company's website, analysis of reports and document analysis.

To conduct the interviews with the company's executive – one held in May and another in June 2011 – we developed a semi-structured guide based on the conceptual model proposed. The initial protocol of the study contained questions: on the company's internationalization trajectory since 1982; the entry strategies used in Latin America and Europe; the reasons why such internationalization strategies were chosen and the strategies currently used in the international expansion process. The process to obtain the information with the executive lasted one month and said executive forwarded the papers and presentations on the focus of the study and was

willing to cooperate by providing two appointments. On the first appointment, the executive sought to become familiar with the study and scheduled the second appointment so that, in the meantime, he could make sure to have all the information to contribute to the research. Thus in the second appointment the executive gave an interview, which lasted 1:30 minutes, and even offered to help with other documentation, which was sent later.

As proposed by Eisenhardt (1989), we used different data sources to ensure the principles of interaction and data triangulation. Hence, the information obtained was compared with the theoretical models of internationalization, company's reports, scientific research and secondary data available.

An intrinsic limitation of the study method used is the bias of the researcher and its preconceptions, which have been reduced through the use of various sources of data as explained above. Another limitation of the study is due to the qualitative approach; that is why these investigation data cannot be generalized; therefore the

suggestions from the study are limited to the research context.

The following section describes the trajectory of Natura and analyzes the internationalization process in Latin America and Europe.

Description of the company

Natura, the current national leader in the cosmetics industry, with an increasing global market share, was founded in 1969 by Luiz Seabra and Jean Pierre Berjeaut, working in a shop located at Rua Oscar Freire in São Paulo. In 1974, Natura had to choose between operating through franchises or using direct sales channel. The company preferred to choose to work through specialized saleswomen (direct sale), as it was not willing to lose control over the service quality with the customer. Beauty consultants were recruited among the customers, and would sell the products upon a commission.

In 1982, the international trajectory began in Chile, having its growth cycle interrupted by the

economic crisis of 1989 and the trade liberalization in the Brazilian economy in 1990, period in which the company was compelled to lay off 15% of its employees.

Despite the difficulties faced, such as the strong competition and the various purchase proposals rejected by Natura, the company managed to thrive (Ghoshal and Tanure, 2004) and started to invest heavily in technology and quality programs, which led to an average annual growth of 31%.

In 2000, the company started to invest in training and infrastructure, investing R\$ 200 million in the construction of a new plant, opened in 2001 (Garnica, 2011; Natura Cosméticos, 2010). The Espaço Natura, located in Cajamar, São Paulo – its own and integrated R&D center for cosmetics, production and logistics, taking over some functions that it had previously outsourced (Ghoshal and Tanure, 2004).

In 2001, the company launched a line of products that incorporated active ingredients from the Brazilian biodiversity obtained in a sustainable manner, the Ekos line. The company's initiatives have provided good results up until that moment, which can be observed by the historical result obtained in 2004, a year closed with a turnover of US\$ 1.2 billion, thus going public in May of that year. Natura obtained R\$ 768.12 million with the sale of 25% of its shares (Stal, 2010). Since then, its performance has strongly increased, and its market value has tripled in three years, rising from R\$ 3.6 billion in May 2004 to R\$ 11 billion, three years later.

Currently, the company is headquartered in Cajamar (SP) and owns three offices in five regions of Brazil and in other countries (Clayton, 2011; Natura Cosméticos, 2010). The products' distribution is carried out through seven distribution centers. The company strives for innovation, and over the past few years, it invested approximately 2.6% of its net revenue in innovation, allowing the company to reach the innovation rate of 65.7% in 2010, which means that more than 60% of the company's revenue was generated from products launched between 2009 and 2010.

Due to its trajectory, briefly analyzed, the impressive figures presented above, Natura has been recognized for its commitment to product innovation and the enhancement of the relationship practice through the so-called sale through relationship avoiding distributing thru point of sales. The company seeks to spread these policies into other markets, raising the interest for the study on the internationalization strategies adopted by Natura. An appendix (appendix A) was built for deepening Natura's journey in new markets.

Data analysis

The research on the internationalization strategies of Natura in the Latin American and European markets showed that the company started from different proposals

to develop its activities in each continent, thus aiming different strategic objectives. Therefore, before analyzing the internationalization strategies, it is necessary to reflect on the company's goals towards the expansion in each continent.

According to the Strategic Planning Manager for international operations, there are two ways for any company to consolidate in the global arena, which is through innovation and geographic expansion. Porter and Stern (2002) combine the two ways mentioned by the manager by reporting that any organization that wishes to keep its competitive advantages sustainable should innovate globally. For these authors, the organization must create and sell products and processes to expand their technological boundaries and be ahead of its competitors.

Through the field study, it was verified that the main reason that led Natura to expand its activities in Latin America was the geographical expansion, and thus, expand its market of operation (Hitt; et al, 2009) reaching countries that together account for 80% of the consumption of cosmetics and personal care products in this geographic location. For this expansion, the company considered the factor of cultural proximity with the countries in Latin America, a factor that goes against what Czinkota and Ronkainen (2001) reported that sometimes it is advantageous for organizations who are starting their internationalization process to explore psychically close markets to gain experience before exploring distant markets and also confirms the argument of Hitt et al (2009) that most companies start their international operations in regional markets, starting by those with which they have the highest affinity.

When Natura tried to enter Portugal, it also followed a strategy guided by the cultural proximity element, since Brazil was colonized by this country. However, this decision was made based on perceptions, which Czinkota and Ronkainen (2001) point as common in the business world. Natura learned from this experience and started to be aware that the geographical proximity to other markets may not necessarily be translated into proximity to the foreign consumer. Thus, the cultural proximity with Latin American countries was the most relevant aspect when the company decided to expand geographically.

Since the psychic distance and the strategic objectives arising from the expansion to Europe are different, the internationalization strategy in this continent had a different character. Among the main objectives of the operation in France are: proximity to the demanding consumer, being present in the center of the cosmetics world, being close to the market trends, strengthen and promote the brand and develop innovative products, confirming the argument of Czinkota and Ronkainen (2001) that most companies have internationalized due to a combination of factors that indicate the company's need to follow a direction. The objectives of this expansion are extremely important for the company's success.

Table 3. Internationalization strategies of Natura by market.

Forms of Internationalization	Latin America	Europe
Exports through third parties or indirect export	Chile, Peru, Argentina (initial stage); Honduras, Bolivia, El Salvador and Guatemala (early and current stage)	Portugal (operation disabled)
Direct Export	Chile, Peru, Argentina (2 nd stage)	
Licensing	Company does not use this tool	
Association/ strategic alliances/partnerships with foreign companies	Peru (unsuccessful partnership) Argentina, Mexico and Colombia – local manufacture through partnership (current)	
Franchising	Company does not use this tool	
Acquisition	Natura has not acquired other companies abroad	
Establishment of wholly-owned sales subsidiaries	Chile, Peru, Argentina, Mexico, Colombia (current) and Venezuela (operation disabled).	France (current)
Establishment of a distribution center	Argentina, Peru, Chile (current)	
Transferring personnel to work in the local market.	Argentina (current)	France (current)
Establishment of a wholly-owned sales subsidiary or a place for customer interaction	Argentina, Chile, Peru, Mexico and Colombia (current). (Maison Natura - a place for the interaction between the consumer and the organization, there is no commercialization in these countries through this channel).	France (current) Maison Natura - point of sales in Europe.
Establishment of production unit	There is no subsidiary for the production outside of Brazil yet	
Research center		France (current)

Source: Authors (2012).

According to Porter (1989), the contact with demanding consumers teaches the companies how to improve their products and service, forcing them to improve the level of their products/services, translating directly into higher value and prices for the consumers.

By understanding the main reasons of the market expansion process on each continent, we understand that they demanded different internationalization strategies. Natura's internationalization process in Latin America began in 1982 with the model of export through third parties, a strategy that is still used in Honduras, Bolivia, El Salvador and Guatemala. In other Latin American countries (Chile, Peru, Argentina), the strategy evolved to the direct export. Natura also adopted the local partnership strategy, which was unsuccessful in Peru, but that was adopted again years later in Argentina. After a few years, the company started to adopt a new strategy, sending professionals to markets in which it operated (Argentina) and managed to achieve better results, adopting also the strategy of establishing an office for the local operations (Chile, Peru, Argentina, Mexico and Colombia), a distribution center (Argentina, Peru, Chile) and a manufacturing unit through third parties (Argentina)-with the marketing and other activities developed only in Brazil (as explained in Chapter 4), following the statements pointed by Galina and Moura (2010) about internationalization, which is the process of increasing the involvement of a company and the operations between international markets.

When market size reached a higher volume Natura realized it needed a local marketing mix, and to do so, the company sent a team, which is based in a regional office in Buenos Aires to manage all international operations.

As a result, we conclude that the current strategy of Natura in Latin America includes exports through third parties, regional offices, commercial operations, distribution centers and manufacturing partnerships as detailed in Table 3.

While in Europe, the internationalization strategy was implemented in a different manner. The more than two decades of internationalization experience in Latin America have generated several insights for the company. Thus, before entering the European market, Natura conducted studies and supported by research, the company understood that the Latin American and European markets were very different culturally. The French appeared to be welcoming the product offered by the company, however, they were not used to buy from direct sales channel (sales consultants).

Based on the studies that show the reality and not the perception of the European market, respecting the suggestions of Czinkota and Ronkainen (2001), in 2005, Natura opted for the strategy to enter the French market by structuring a new distribution channel, a physical point of sales, a distribution channel that was never used before. The determinants considered to elaborate the new distribution structure in France were the consumer

characteristics, the culture and the organization objectives. These determinants are presented in the literature by Czinkota and Ronkainen (2001). The decision to build a new distribution structure in Europe confirms the suggestions of Palácios and Sousa (2004) that the company should know its international distribution channels in order to select the most convenient channel for its operations or for the product.

In 2006, Natura consolidated its internationalization strategy in Europe by opening a satellite research laboratory, whose aim was to capture more knowledge in that country and establish a business office.

Note that the company adopted a strategy to enter the French market through its wholly-owned sales subsidiary, a strategy that is still used in France by Natura. After the entry, the company added to its strategy the establishment of a research center and an office with a team of Brazilian professionals, a strategy that is quite different from that adopted in Latin America.

Table 3 summarizes the internationalization strategies adopted by Natura throughout its international expansion on each continent. This table was prepared based on the conceptual model proposed in this study with addition of two internationalization strategies adopted by Natura, which were identified in the interviews and analysis of secondary data and were not specified in the literature, which are: the establishment of distribution centers and the transfer of Brazilian professionals to the new market. Interestingly, in Europe the internationalization strategy started with a greater involvement, since the company chose the entry strategy in this market through the establishment of a point of sales. Through the study, it was observed that the higher degree of commitment occurred due to the experience in Latin America, a continent in which we observe a gradual internationalization process. This observation is mentioned in the literature by Cyrino et al (2010), when they explain that the behavioral theory suggests that the firm consists of cumulative learning processes through a complex network of resources, relationships and skills. For these authors, the stages of the internationalization process of the organization are not based on deliberate and planned structures of rational analysis, but they represent successive stages of learning and the incremental nature that occurs through the increasing commitment to foreign markets, which leads to the organic development of the company.

This understanding of Natura's internationalization process is confirmed in the literature by Palácios and Sousa (2004), when they argue that some companies choose to start their internationalization process by exporting to markets that are culturally and/or geographically closer and later develop in more distant markets.

The suggestions of Johansson (2006) on the need for the organization to control the market in which it operates were also confirmed. Natura seeks to control the market by using at least two of the three alternative ways to

organize its work in the local market: independent agents and distributors; 2) alliance with partner in the local market; and 3) a wholly-owned subsidiary.

It is worth pointing out that Natura has never adopted the strategies of mergers, acquisitions, licensing and franchising, showing its position by investing in projects assuming all risks, but also never established its own production subsidiary. The company has no intention to use any of the first three expansion strategies in the foreign market and will only consider the establishment of a production subsidiary when the volume of market demand justifies such decision.

Note that the company adopted the internationalization strategies that it understood as being the most appropriate to the context both in Latin America and in Europe, a decision that resulted from the analysis of several aspects, such as: the competitive conditions of the industry; the country's situation; the status of the government policies and the exclusive set of resources, key skills and capabilities that the company has (Hitt et al, 2009).

Final considerations

The aim of this study was to identify the internationalization strategies adopted by Natura Cosméticos S.A. 2010, in the Latin American and European. Throughout the literature review, a new conceptual model was proposed, which was improved throughout the study. This model introduces two academic contributions: 1) it groups the various internationalization strategies in the literature and 2) adds the two internationalization strategies identified during the field survey.

Natura started the internationalization process in 1982 in Latin America and, in 2005, the company decided to explore the European market, launching its activities in France. The company has adopted most of the internationalization strategies proposed in the conceptual model. By analyzing the internationalization process of the company, from behavioral theory's perspective, the type of market had a direct influence on the choice of the entry strategy in the Latin American countries and in Europe. Therefore, it is important to remember that in addition to the distinct economic and cultural aspects (psychic distance) between the Latin American and European markets, Natura understood that the strategy, in terms of entry and the mechanism of operation, in France, should be different from the strategies adopted in Latin American countries.

The study made it possible to identify that the internationalization strategies in the two continents are dissimilar, because the strategic objectives of internationalization for each continent are different. The internationalization in Latin America focuses on the geographical expansion, and currently, the internationalization strategies adopted are 1) export through third

parties; 2) strategic partnership; 3) establishment of wholly-owned sales subsidiaries; 4) establishment of a distribution center; 5) transfer of professionals to work in the local market and 6) the installation of a place for the interaction with the customers. While this process in Europe seeks: a proximity to the demanding consumer, presence in the center of the cosmetic world, proximity to the market trends, brand strengthening and awareness and the development of innovative products and, to this end, Natura has: 1) established its own point of sale, 2) established a wholly-owned sales subsidiary; 3) transferred professionals to work in the local market and 4) established a research center.

Hence, we understood that the internationalization in Latin America started with exports through third parties and gradually commit to its market, until reaching the establishment of interactive places with the end customer (Maison Natura), following the gradual commitment model proposed by Johanson and Wiedersheim-Paul (1975). So when the company decided to enter the European market, it had already accumulated some experiences due to the failure when it tried to enter the market in Portugal and the experience with the process already started in Latin America. The company understood that it would have to develop a new marketing strategy and established a point of sales. As opposed to the Junior et al. (2008)'s statements, entering the European market through a new sales channel (store) was not mainly intended to test this distribution channel, but an operation and entry strategy appropriate for the French market, since the essence of Natura's work lays in the relationship between the customers and the sales consultants.

Consequently, we conclude that the different objectives added to the experience accumulated in the internationalization process, influenced the company's decision to opt for different internationalization strategies on each continent. It was also inferred that the strategies adopted are different between continents and countries as well, which means that strategies may change over time. We suggest future studies that seek to understand the factors that lead the company to change its strategy in the internationalization process. We also recommend further studies to verify whether the Natura's new management model of the internationalization, based on Argentina, corroborates to the growth of the international operations, and how the organization should be structured to continue succeeding in its internationalization process. The study contributes to a better understanding of the internationalization strategies in international markets, helps to explain the internationalization process of a Brazilian company, confirming most of the theoretical assumptions presented in the conceptual basis chapter. The study also brings a contribution to the literature by proposing a conceptual model about internationalization strategies. Nevertheless the case method does not allow generalization of the conclusions; therefore, further research will be needed for that purpose.

Conflict of Interests

The authors have not declared any conflict of interests.

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APPENDIX A

Internationalization strategies adopted in Latin America

The expansion process of the operations in other markets still appears to be a major challenge for most Brazilian companies. Natura began the internationalization process in Latin America in 1982, in Chile, following what was pointed in the literature as the most common strategy of entering new markets, the indirect export, exporting to an agent who would resell the products. In 1983, the company had a brief experience in the U.S. market, in Miami, with the brand Numina (Contador and Stal, 2010). At first, the company had difficulties due to the lack of a business model that could be at the international level. As a result, Natura redefined its organizational processes, and five years later began to explore Bolivia through a partnership with the distributor (export through third parties) and later expanded its operations, also through third parties, to Argentina and Peru (Contador and Stal, 2010).

In 1994, the company started to change its strategy of entering and exploring new markets, establishing its own marketing operations, building distribution centers and training sales consultants in the three countries where it was already operating (Argentina, Chile and Peru) and started this work in Portugal, thus no longer exporting products to international partners (Stal, 2010). The entry strategy in Peru was conducted through a partnership with a local company, as a result of its market expertise. However, this partnership failed to evolve and was terminated (Ghoshal and Tanure, 2004).

Natura gave priority to expanding its activities in Latin America and Portugal due to the physical proximity and, above all, the cultural compatibility. However, it was not successful at this stage of its internationalization process and, in 1998 the company closed its operations in Portugal (Contador and Stal, 2010). In the other countries, the process was not successful either. The lack of coordination was identified as the main cause. Operations were performed independently, the products offered to the various markets were the same, but each country would develop the marketing, distribution and relationship roles with the resellers in their own way, without a central orientation.

During this period, according to Stal (2010), Natura defended its position against major international competitors, such as Revlon, Estée Lauder, P&G and Shiseido, however, the company failed to leverage in nearby markets, such as Argentina, Chile and Peru. While in Brazil, the company's growth over the same period reached 50%. With outstanding results in the national operation, Natura did not transfer qualified managers to other markets to deal with new market opportunities.

Only in 1999, the company started to send employees

from Brazil to international operations. This strategy proved to be efficient and productive to the extent that employees are sent on a mission to convey the business model and the institutional vision to these operations, integrating them into the local culture (Gomes, 2006).

In 2000, Natura strongly recovered the operations in Argentina, based on the strategy mentioned above. The company transferred the sales director to Buenos Aires to take care of the operation. Due to the end of the exchange rate parity between the Argentine peso and the US dollar, Natura began to adopt a policy of slow price increase not to restrain the relationship with the consumers and the distribution channel. Although the Argentine market suffered a sharp decline, Natura, by strengthening its commitment to the country, achieved market share due to the positive impact generated by its sales force (Stal, 2010).

In the second half of 2005, the expansion of the Brazilian cosmetics company led to the beginning of its activities in the Mexican market, extending to Venezuela in 2006 and to Colombia in 2007. According to Stal (2010), by operating in these countries, Natura seeks to enter the Latin American market, where the annual consumption of products - which include cosmetics, toiletries and personal care items - exceeded US\$ 13.4 billion in 2004.

The company's goal is to be present in countries that consume 80% of all cosmetics, toiletries and personal care items in Latin America. Currently, the company operates in five Latin American countries other than Brazil, with local offices, including: Argentina, Chile, Colombia, Mexico and Peru. To get closer to its customers, the company has installed Natura Houses in Argentina, Chile, Peru, Colombia and Mexico. Natura is also present in Honduras, Bolivia, El Salvador and Guatemala through local distributors. According to the annual report, in 2010 the company had already 189.9 thousand consultants in the region and took an important step towards internationalization in 2010, initiating the implementation of the international manufacturing strategy through partnerships. The company believes that the evolution of the export model for the local production model will increase the generation of social benefits, as well as reduce the environmental impact, a combination considered crucial by the company to build a sustainable development model.

Also in 2010, the international operations started being managed from an office settled in Buenos Aires, Argentina, since 2008. By the end of 2011, the company plans to start manufacturing in Mexico and Colombia, and by 2013, it aims at reaching a rate of 50% of revenues from international operations in Latin America with products manufactured outside of Brazil.

Internationalization strategies adopted in Europe

After the unsuccessful experience in Portugal, Natura

considered entering the European market again a decade later. The strategic decision to extend the operations to this market was taken based on the analysis of several studies on the European market, which results pointed to the appreciation of sustainable use of natural resources by some countries. It was verified that the consumers in these countries would identify with companies that had social and environmental commitments, and another significant aspect was the fascination with the Amazon Rainforest. Given this scenario, Natura believed that it could have a potential consumer market ready to be explored. However, other studies have shown that in some countries, depending on the cultural issue, the direct sales (on which the company's business strategy was based) did not please the consumers (Gomes, 2006).

Therefore, the company found itself in a dilemma, whether it should or not enter the European market. The executives knew that they could be very successful with their products in that continent. However, they would have to develop a new internationalization strategy, i.e. they would have to try a new business model (Gomes, 2006).

Thus, Natura opted for the strategy of establishing its own point of sale, and therefore, in 2005, it opened its first store in Paris, the Maison Natura. The French capital was chosen because it was the European city most likely to identify with the company's products. Natura knew the dimension of the challenge that lay ahead, as it was surrounded by large players in the region, but the company was aware that it would be an excellent opportunity to test its skills and that, from Paris, it could be able to conquer new European capitals.

According to Junior et al. (2008), the entry strategy in France through a physical point of sales was intended to test a new distribution channel. However, according to the strategic planning manager for international operations, the establishment of Natura store in France is justified by the presence in the center of the cosmetics world, allowing the company to: 1) build the Natura brand in France and subsequently in Europe; 2) learn from a more competitive market and demanding consumers; and 3) develop new technologies and products. The marketing strategy of Natura in Europe demanded the company's adaptation to the local environment and resulted in a new tool for marketing the products which the company does not use in any other country, the physical point of sale.

The Maison Natura in Paris is a place where the customers can find products, especially the Ekos line products, which are derived from raw materials of the Brazilian biodiversity. Above all, through the Maison, the consumer comes into contact with the Brazilian culture and customs. To develop this project, a team of 12 Brazilian professionals was transferred to France to adapt the products to the local laws, from the European

standard package size to the research and marketing planning (Gomes, 2006).

In 2006, the company started the direct sales test in France, and implemented the strategy of establishing a research center by opening an advanced research center whose main goal is, until today, to keep a close relationship with the development of new cosmetics technologies (Natura, 2006). The French operation also has a business office.

Full Length Research Paper

Food supply chain management in Indian Agriculture: Issues, opportunities and further research

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This paper is an attempt to explore the problems faced by Indian agriculture for food security in terms of inadequate infrastructure and highly inefficient supply chain in context of information technology. Due to lack of efficient infrastructure and food processing industry about 30-35 per cent of all foods produced in India are wasted. This paper examines the critical issues at each sub-system of agriculture supply chain, starting from the input to the consumer, with a view to integrating them in efficient and effective manner. Investments in cold chain infrastructure, applied research in post-harvest technologies, installation of food processing plants in various sectors and development of food retailing sector are mandatory for achieving gains in this sector. Paper broadly covers some of important aspects of agriculture supply chain in India- identification of issues at different levels in the supply chain; transformation in the agriculture due to various supply chain interventions; the role of ICTs in supply chain management; and this paper also covers the suggestion to improve efficiency at different levels in supply chain. There is wide research gap in this sector, having such potential and prospectus for overall growth there is not much research in this field. The paper concludes that efficient supply chain plays very important role for development and contemporary issue for agriculture therefore; government action must address the issue of infrastructure development to achieve the objective of food security for all.

Keywords: Agriculture, infrastructure, supply chain, food security, development, investment.

INTRODUCTION

Agriculture has been the backbone of Indian economy since independence and before that, right now with nearly 12 percent of the world's arable land, India is the world's third-largest producer of food grains, the second-largest producer of fruits and vegetables and the largest producer of milk; it also has the largest number of livestock. Add to that a range of agro- climatic regions

and agri-produce, extremely industrious farmers, a country that is fundamentally strong in science and technology and an economy which one of the largest in the world with one of the highest growth rate and you should have the makings of a very good harvest.

Yet the comprehensive outlook for Indian agriculture is far more complex than those statistics might suggest.

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The sector supports an estimated 70 percent of the Indian population, but is also the most sluggish, having just extricated itself from a period of negative growth of -0.1 percent in 2008-2009, to rise to an unspectacular 0.4 percent in 2009-2010 with upward revision in the production, 'agriculture, forestry and fishing' sector in 2010-11 has shown a growth rate of 6.6 per cent, as against the growth rate of 5.4 per cent in the Advance estimates. Adjusted for inflation, even this 6.6 percent growth looks unexciting when compared to the growth rates in services and manufacturing. Today, agriculture accounts for 13.8 percent of the country's gross domestic product, compared to 51 percent in the 1950s (Government of India, 2011). Worse, India is amongst the world's largest wasters of food and faces a potential challenge to provide food security to its growing population in light of increasing global food prices and the declining rate of response of crops to added fertilizers.

The reforms of 1991 have introduced Indian agriculture to the globalization which has very significant impact on agriculture and supply chain. And further analysis of secondary data says that first part of reforms brings out that there was a visible deceleration of growth in agriculture during the post reforms period. It also comes out that the growth of agriculture exports which picked up after 1991 slowed down after 1996-97 have stagnated since then and in fact it went down and fluctuating in nature as it picked up due to some policy reforms and good monsoon in 2010-11 and it raised to growth rate of 5.4 percent. The deceleration of agriculture growth was also accompanied by visible deceleration of growth in growth rate of employment. The growth rate on employment collapses to nearly zero during that period. The data on both barter and income terms of trade show that both of them had some improvement in mid-eighties up to 1996-97 but had stagnated since then. All these data and information point out that agriculture sector is a lagging sector in the Indian economy and farmers and other agricultural workers engaged in this sector have not been able to derive much benefit from the new economic policies initiated in 1991.

For strengthening agricultural production and productivity for farmers and economy, the governments had taken various initiatives, most of which were on the production side to ensure food security in the country. As a result, agricultural production in India had a remarkable growth after the mid-1960s, with adoption of the green revolution technologies. This growth certainly led the country to being food deficit country to food surplus country, but at the cost of excessive utilization of natural resources and further, raised issues of sustainability in agriculture. The other crucial problem that constraints the growth of the agricultural sector is that public investment in agriculture as a percentage of GDP has been declining gradually. A policy analysis of agricultural system shows that there is multiplicity and duplicity of rules and

regulations dealing with various components of supply chain in agriculture. Lack of coordination among these, again, leads to the poor alliance and collaboration supply chain, which in turn leads to inefficient product and information flow.

Thus, this paper broadly covers some important aspects of agriculture supply chain in India- identification of issues at different levels in the supply chain; transformation in the agriculture due to various supply chain interventions. It also tries to recommend activities to improve efficiency at different levels in supply chain. The paper explores the aspect of value supply chain as it very significant for development and contemporary issue for agriculture therefore; government must address the issue of infrastructure development to achieve the objective of food security for all.

Objectives of the study

There is basically two most important objective of the study:

1. To assess the importance of supply chain in Indian Agriculture.
2. To explore the issues, importance and scope of further research in Indian Agriculture.

Literature Review

Literature review is the base of understanding of subject. The literature review covers many areas related to the nature of the research questions put forward, and thus includes: agriculture, food management, supply chain approaches, information technology and supply chain interfaces. The references were traced by looking at the reference list and relevant papers found in journals have been tackled as well. The literature sources are mainly books, scientific journals, conference proceedings, dissertations, projects documentations, and management-oriented publications. These sources are of particular importance and engender all research process development, especially the early phase for initial exploration of the food supply chain management.

METHOD

The focal point of this paper has been supply chain mechanism in Indian agriculture. It has been assessed through primary and secondary data and information obtained through application of scientific research method by formulating research design. The research was conducted by utilization of diverse kind of methods to assess the objective which includes research methods such as case study, in-depth interview content analysis, triangulation method, observation method for primary data and information in Jharkhand (India), from June-July 2013 with farmers and officials of

Reliance Fresh. Secondary data are taken from reliable sources such as annual reports of ministry of agriculture, ministry of food processing, Food Corporation of India, research papers of authors with reputation, article and book review from reputed national and international journals, Economic survey etc.

Limitations of the study

The major limitations of the study are as follows:

1. The paper has been prepared based on the data collected from the published and unpublished secondary sources.
2. The study findings are based on the limited coverage of selected literature and data available.
3. Poor availability of secondary sources of data, especially on agricultural infrastructure.

An assessment of agricultural supply chain

The paper mainly focuses on supply chain management in Indian agriculture. One can say that it is an integral part of the organisation drive and direction. SCM represents the way to customer retention and growth, competitive advantage and profitability. But enough attention has not been given to possible ex-ante measures to reduce, mitigate or share risks, although in some circumstances assessments will be conducted during/after adverse 'shocks' and attention will certainly be needed on workable coping strategies. There is also lack of emphasis on both formal and informal risk management options available to the different parties, although in practice, most analytical attention will likely focus on the scope for improving or supplementing formal mechanisms, including institutional and financial arrangements, technological changes, adoption of improved management practices, and/or investments in infrastructure. If the overall assessment is focused on the position and welfare of poorer farmers, then greater attention would need to be given to alternative informal mechanisms and improving their efficacy. The study also suggests that no attention has been paid to areas categorized as 'high vulnerability', either for individual chain participants or the chain as a whole. This high vulnerability may already be evident from recent/past experience or be expected due to unfolding changes in market conditions, regulations, or other circumstances.

Assessment of food supply chain management has not been given its due attention and that should be undertaken on the needs/options for policy and regulatory reforms that affect farmer/agro-enterprise risk management as well as the possible revision/reform of governmental risk management instruments. Aspects like cold chain need to be given more consideration as it has contributed tremendously to trade in fruits, vegetables

and flowers in developed countries and it could be game changer in India. Besides, cold chain results in the reduction of losses and retention of the quality of horticultural produce. While the introduction of a cold chain facility nationwide due to some institutional, structural and financial constraints may not be immediately possible in India, attempts must be made to develop a cool chain. Food loss reduction is less costly than an equivalent increase in food production. If efforts are not made to modernize the harvest handling system for horticultural crops, then postharvest losses will continue to have a negative economic and environmental impact. There is no doubt that postharvest food loss reduction significantly increases food availability.

Collaboration between supply chain partners has been reducing and will reduce risk and greatly improve the efficiency of overall pipeline. Supply chain efficiency therefore relies heavily on the successful long-term relationships/partnerships where information sharing, joint problem solving and trust are key success factors. Supplier development and the evaluation of the supplier's performance is the first issue of managing the supplier relationship. If the supplier's performance is perceived as inadequate, it should be assisted to enhance its performance by means of training and continuous improvement teams and this area also requires more research work and assessment for overall development.

After exploring important issues such as post-harvest losses and its impact and ways to reduce it and to achieve that, one can understand that there is need of educating farmers in selecting the correct inputs and in postharvest handling, including cleaning, food safety, drying, sorting, and packaging at the farm gate. There has been gradual improvement in the accuracy of demand forecast by dynamic adjustments to reflect changes in demand, lead times, transit time, capacity, and transportation and distribution routes, as well as events outside the organization due to advancement in information and communication technology. It has done a good job as per reducing the post-harvest losses and it means that variance of lead-time can be reduced by removing non value-added steps and activities, improve the reliability and robustness of manufacturing, administrative and logistics processes. Standard for the handling and storage of all perishable items has been improving but still far away from where it can be and better the handling, storage and preservation of quality of fruits and vegetables, which would increase the price and consumption, which in turn, would provide a better return to the farmer. Supply chain management systems have the ability to track critical events and activities and when these events do not unfold as expected, they send out alerts and messages to notify appropriate managers to take corrective actions. Flexibility is still lacking supply chain system and it can be improved by enhancing responsiveness. Companies need flexible strategies that

match their operations, such as product design, sourcing, manufacturing and postponement. Establishment of pack house facilities having basic requirements such as washing tanks, sorting and grading devices and cold storage facilities at the premises of the Dedicated Economic Centres (DEC) (collecting centres) in major fruit and vegetable producing areas in the country, will overcome the problems of quality deterioration, contamination of fresh produce with harmful bacteria and other extraneous matter and will improve the safety of produce to a great extent.

Physical infrastructure variables are needed such as roads and electricity, which link villages to nearby assembly and wholesale markets and in turn with large wholesale and terminal markets and ports. There is huge lack of warehousing and cold storage facility and encouragement for the establishment of cold storage facilities. There is need of transportation facility such as refrigerated carriers to facilitate storage and transportation of perishable agricultural commodities. There is lack of encouragement for technological developments in the packaging of agricultural commodities and in promoting packaging facilities appropriate to specific commodities. Mega markets and food parks or terminal markets with a higher level of all facilities are to be established and most existing mega markets and food parks not accessible to common farmer needs to be addressed. To integrate whole supply chain there is requirement of collaboration and co-operation among supply chain partners. This will only happen if there is trust among the parties, upfront agreement on how to share the benefits, and a willingness to change existing mindsets. Once these elements are in place, supply chain partners can do joint decision making and problem solving, as well as share information about strategies, plans, and performance with each other.

The implication of current policies and institutions can be understood in the context of agricultural sector's large contributions to economic production, employment and the welfare of rural people, all of which have made it difficult for policy makers to take risk on agricultural policy reforms. Research work also suggests that stimulating private agri business investment, whether domestic or foreign- will require not only public investment in market infrastructure, but also supporting price and trade policies and comprehensive development of public market regulations and the institutions.

Information and Communication Technology and Agricultural Application

In order to disseminate information and provide different services in a cost effective manner, numerous ICT initiatives are being made in many countries. The developing world is looking towards ICT systems for solving their numerous information related problems. Literature argues

that use of ICT facilities free flow of information and makes available the services even to the most marginalised section of the society. Many public and private sector ICTs – enabled initiatives have been undertaken in India in the last decade especially to cater the needs of agricultural or overall rural sector development. But, one needs to understand to reach over 110 million farmers, spread over 500 districts and over 6000 blocks is an uphill task. Some of these initiatives include e- Choupals by ITC, DCM Shriram Consolidated Limited (DSCL), Hariyali Kissan Bazar, Drishti, AgMarknet, Gyaandoot, iKisan, Reliance Fresh, Parry Kiosks by EID parry etc.

Integrated Supply Chain Model: ITC e-Choupal (India)

ITC e-Choupal is a virtual market place where farmers can transact directly with a processor and can realize better price for their produce. Geographical distances do not restrict participation in the e-Choupal. The main disadvantage of conventional market is that information asymmetry is inherent in the market whereas e-Choupal provides for transparent transactions. This enables the participation of smaller as well as larger players. The main attractiveness of e-Choupal is that it can be used for connecting large producers/small producers and small users/large users, thereby eliminating the need for hierarchy of brokers. Internet is used as a low transaction cost backbone for communication.

Initially, e-Choupal came up as an experimental business model. But now e-Choupal presence is there in different states like Madhya Pradesh, Uttaranchal, Haryana, Andhra Pradesh, Karnataka, Uttar Pradesh, Rajasthan, Maharashtra and Kerala and in different commodities like soyabean, wheat, coffee, aquaculture etc. ITC firstly launches e-Choupal at the pilot stage in a state; this amounted to 50 to 100 e-Choupals. ITC e-Choupal' services today has got to more than 3.5 million farmers cultivating a range of crops - soyabean, coffee, rice, wheat, pulses, shrimp - in more than 38,000 villages through nearly 6500 kiosks across the states in India.

The e-Choupal model has been specifically designed to tackle the challenges posed by the unique features of Indian agriculture, characterized by fragmented farms, weak infrastructure and the involvement of numerous intermediaries, who block critical market information from passing to the farmers and use that information for getting a big margin for themselves. But e-Choupal sets things in order as it smoothens the flow of information to the farmers by disintermediating intermediaries from the chain of information flow and at the same time leveraging the physical transmission capabilities of them as they deliver critical value at every link for a very low cost in a weak infrastructure environment. The structure of e-Choupal network is shown in Figure 1.

The project e-Choupal is an ICT platform for carrying

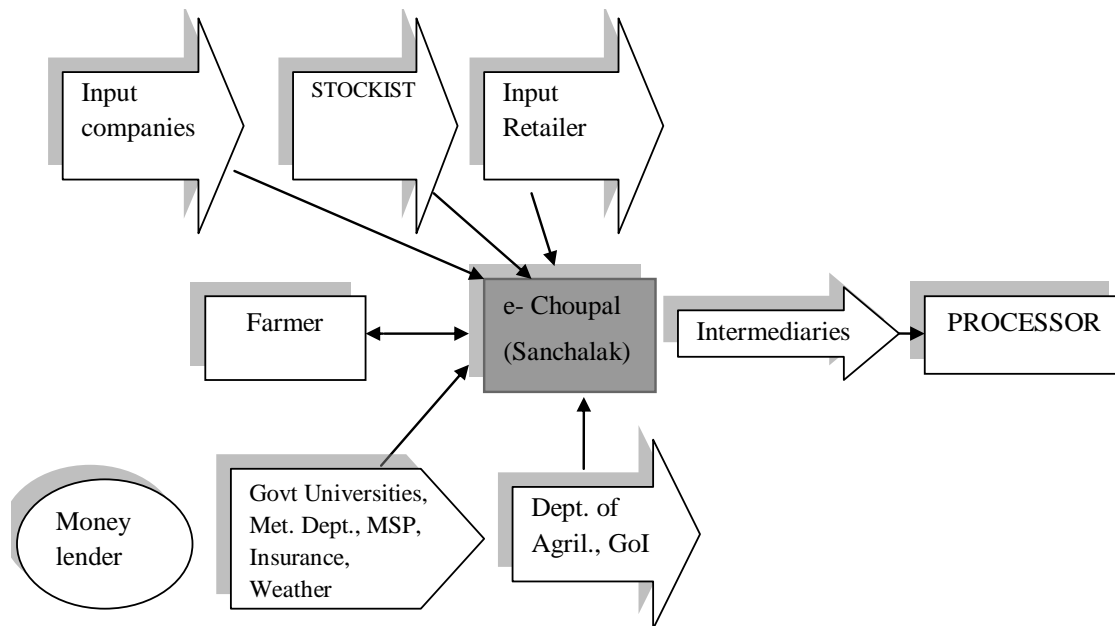


Figure 1. ITC e-Choupal supply chain model. Source: Conceptualised by Author.

out trade in a number of locations. In this, ITC sets up a back-up physical service support at the village level, called Choupal, through Sanchalak: a lead farmer, who acts as the interface between computer and the farmer. ITC accumulates information regarding weather, modern farming practices, and market prices from sources like Meteorological Department, Agri-universities, mandis (regional market) etc., and upload all information on to e-Choupal web site.

All information is customized according to local farmer's needs and provided into the local language through computer set up established by ITC in Sanchalak's house. As observed in Figure 1, that Sanchalak assesses this information facilitates its dissemination to farmers which is generated through the information gathered from Dept. of Agriculture (GoI), Universities, Indian Meteorological Department (IMD), input firms, stockist, retailers and many more. Information regarding weather and scientific farming helps farmers to select the right crop and improve the productivity of their farms. Availability of market information helps farmers to become market oriented. They know what price ITC is quoting and the price prevalent in the local market (Mandi), thereby helping better price realization for farmers.

ITC's example also shows the key role of information technology, in this case provided and maintained by a corporation, but used by local farmers in helping to bring about transparency, to increase access to information, and to catalyse rural transformation, while enabling efficiencies and low cost distribution that make the

system profitable and sustainable. ITC has been successful in making the farmer feel the sense of ownership and encourage them to generate additional revenue by eliminating middleman. Participating farmers have been able to enhance their income and eliminate the delay in getting the payment once the product is sold. It has helped in reducing debt burden of the farmers. The success of e-Choupal has given new lessons to the government agencies and corporate in the country. By embarking on this initiative, ITC has shown that ICT platforms can benefit even the farmers and rural India.

Supply Chain Framework of Reliance Fresh (India)

Reliance Fresh was the first foray into retailing by behemoth known as Reliance Industries Limited. Reliance Fresh is somehow different from business model of ITC e-Choupal mainly in terms of use of information technology and being a tool for increasing productivity by assisting farmers, which is major part of ITC e-Choupal model. But for the Reliance Fresh it is more about procuring the material, processing it and then distributing to various retail outlet for timely availability of the food produce in most efficient and effective form by utilisation of information technology in best possible way. Reliance Fresh was launched by opening retail stores in Hyderabad on November 2006; then, it 12 opened "Fresh" outlets in Chennai increasing the total store count to 40. Reliance tested its retail concept by controlled entry, beginning in the southern states.

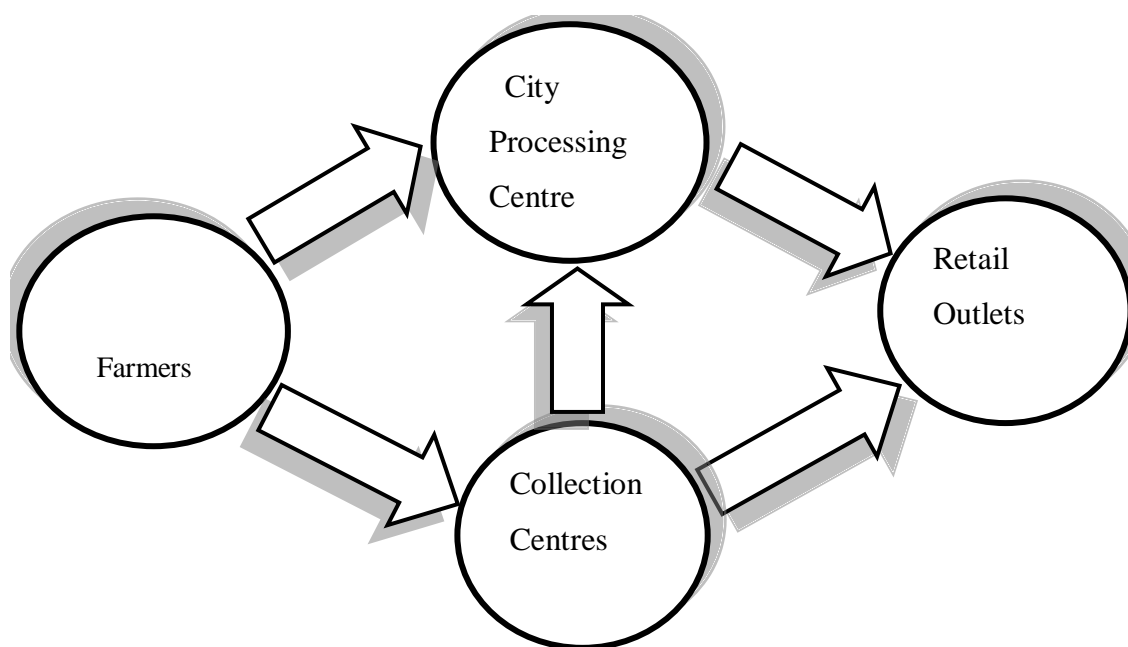


Figure 2. Reliance Fresh Supply Chain Framework. *Conceptualised by Author.*

There were three basic reasons for Reliance Industries Limited (RIL) choosing foods and vegetables for entering into retailing sector as Reliance Fresh (Figure 2). First, it wanted to go after the very core of the great Indian retail opportunity in terms of agricultural based business. Second, its aim was to build a high-profitability business and food was perhaps the best place to start. Third, the grossly inefficient food supply chain provided a well-resourced and well managed organization like RIL with an opportunity of amending the flaws which would also make business sense and to materialise that it has increased the number of stores in June 2013, around 1,500 from 1,150 in 2010.

As it (Figure 2) suggests, source has been the farmers and City processing centre and collection centres works as intermediary part of chain to avail the produce at retail outlet. Farmers also see advantage of quantity procurement by Reliance Fresh of vegetables they need from them and they can go there and get their consignment graded at their collection centre. The centre would get the price-band and quantity of vegetables it needed to collect that particular day. Reliance Fresh provides a good example of a successful case, depicting improvement in the economic conditions of the farmers through their network, rising income levels and more opportunities. Both ITC e-Choupal and Reliance Fresh model operates on a very small scale, and are able to meet the administrative and infrastructural constraints to turn out to be a successful model. If this supply chain model is expanded, then the viability of it largely depends on the integration of variables and development of agricultural infrastructural

facilities. By embarking on this initiative, ITC has shown that ICT platforms can benefit even the marginal farmers.

Since the rural economy in India or, for that matter, in any developing country has very strong linkage with agricultural economy, the major thrust of these initiatives has been the agriculture and allied sectors. But integration between these models is lacking due to lack of proper coordination among various sub-system in supply chain. The Government of India (GOI) has formulated an ambitious National e- governance plan (NeGP) which identifies 25 mission mode projects including agriculture to be implemented through different ministries at the centre well state level. All these supply chain initiatives share the common objective of empowering Indian agriculture to take the right decisions related enhancement of productivity, realisation of revenue and improvement in their overall performance.

Integrated Value Supply Chain for Indian Agriculture

Food supply chain management refers to the process whereby the movement of agro based product(s) from the initial supplier to the ultimate user occurs with all non-value adding expenses. Usually supply chain management is between partners such as a retailer and a preferred supplier, or a restaurateur and a preferred supplier of a particular ingredient. From a supplier's perspective, supply chain management can mean more than this. It means that with due care, one can actually provide the needed produce to penultimate user with a

lower cost. Successful supply chain management can be summed in one phrase; detail, detail and detail. In reality it means studying in detail the entire process from harvest to the penultimate user. In doing so, all steps and costs should be established. After that, it is a matter of establishing what economies can be exercised along the way to the benefit of all the stockholders. And one needs to apply that and adapt that in slightly different way for perishable agriculture produce.

Despite the changes in the global and domestic scenario, poverty and food insecurity continue to haunt millions of Indian citizens. With about 30 percent of the population being poor and about 20 percent of the population being under-nourished, the need for ensuring food security for all remains of paramount importance. Along with that is the continuing need to stabilize food price and supplies as a means to achieve household level food security. The changed circumstances of today provide opportunities to design new instruments for a more efficient and welfare improving food grain management system, in which consumers benefit from stable prices even as the interests of the farmers do not suffer.

The production of agricultural commodities has substantially increased in the country over the decades due to continuous efforts made by the government in terms of technological intervention at different level of production system, coupled with its price support policy. The production, supply and distribution of many agricultural commodities are mainly influenced by government regulations. In the process of economic liberalization, it has been felt that there is need to re-orient policies and regulations related to agricultural commodities. In response to this, the government has initiated agricultural policy reforms related to the production and marketing of agricultural commodities. Although, the pace of this reform process is very slow. Besides, there are numerous rules and regulations, and the infrastructural gaps, which are hindering the smooth flow of agricultural commodities from farm to fork. A lack of integration from various stakeholders in the supply chain leads to inefficiency in the agricultural system, causing high post-harvest losses, quality deterioration, high cost of commodity transfer, information symmetry and lack of transparency. Each participant of chain acts independently with little and no collaboration in physical and information flow (Mittal, 2007).

The consumption basket of Indian consumer is changing as a shift is noticed towards the high value commodities. Therefore India needs intensive and diversified farming to address new challenges for sustainable production and processing practices that promote the balanced approach to the problems of food quality, safety, and environmental management.

Due to high level of government regulations, the investment in the organized private agribusiness is low. The

new corporate entries are not just participating in the chain to source the required material, (mainly indirectly from the farming community) but they focus more on the primary source of agricultural produce particularly farming community through contract farming and tools by procuring agri produce from farmers. In the context, development of direct linkages with farmers will attain greater importance. It is important the corporate participants in agribusiness chain have an understanding of supply chain, right strategy and leadership. Indian agriculture also needs more public investment and policy support in several areas to overcome prevailing structural weaknesses such as low scale of operations, high post-harvest losses, poor state of rural infrastructure, lack of product diversification, inadequate research and development (R & D) spending, low productivity, absence of marketing infrastructure and inadequate financial support.

Modern agriculture is highly knowledge intensive and increasingly information driven, under which each participant in supply chain yearns for timely and accurate information for various decision. Therefore, knowledge and information are important factor for accelerating agricultural development by increasing agricultural production and improving marketing and distribution efficiencies. In addition to connecting small farmers and artisans to markets, ICTs also facilitate most agricultural decisions such as what to cultivate, how to cultivate and harvest, when and where to sell, and at what price to maximize the returns. Effective decision making related to all these aspects ultimately determines the efficiency of supply chain (Rao, 2007). Therefore, a proper and information flow among stakeholders of any business activity is the key for strengthening supply chain efficiency. The rapid and innovative developments in ICTs can provide immense opportunities to public as well as private sector agencies to integrate these technologies in their supply chain systems. ICTs are especially useful for dissemination of information, provision of services, and enabling various transactions and awareness creation among the rural masses far removed from the government. ICTs provide modern, effective and speedy modes of communication that convey new resources of knowledge and information to society.

Strengthening vertical relationships between various stages of production and processing in the agribusiness sector has always been an important area for empirical analysis by researchers and policy makers across the world. However, the pace of change in supply chain integration and responsiveness of production system towards a market driven approach is slower in India compared to elsewhere in the world (Haan et al., 2003). Farmers are still more comfortable growing traditional crops, particularly rice and wheat, as they have already discovered the market for their marketable surplus- be it a government procurement arrangement or private local traders. But the shift in market demand needs a balancing approach to

meet the supply of deficit commodities such as pulses, oilseeds and high value food items. This balancing in demand and supply can be ensured by strengthening buyer-supplier relationship efficiently, and by disseminating of accurate and timely information to all the participants of the business chain (Mittal, 2007).

Issues and opportunities in agricultural supply chain

Agriculture is inherently a fragmented and unorganized sector involving a diverse range of distinct stakeholders such as inputs supplier, farmers, traders, commission agents, processors and distributors. As compared to developed countries, the Indian agriculture supply chain is far more complex and difficult to manage because of its unorganized nature and a large number of intermediaries (Sachan et al., 2005). The enormous wastage of agri-produce annually is due to gaps in basic infrastructure, which leads to instability in prices and low realization of prices by the farming community. Another important reason for inefficient supply chain is the inadequacy of logistics infrastructure, that is, roads, railways, airport, seaports, information technology, telecommunications and energy production, which is poor as compared to other developed and developing countries (Sahay and Mohan, 2003).

The agriculture supply chain suffers from inefficiency at every stage. Lack of proper infrastructure for procuring agricultural produce from the farm gate to the consumer has led to huge losses in transit. The farmer hardly benefits by any price rise while the many layers of intermediaries enjoy high margins. Even when farmers are forced to sell their produce at throwaway prices in times of bumper crops, prices at retail level remain higher by many multiples. This has also led to large mark-ups in pricing due to extra layers of intermediaries. Cumulative wastage in agriculture supply chain is estimated to be around US\$ 11 billion, or 9.8 percent of the agricultural component of the GDP (Ahya, 2006). About 25-30 percent of agricultural production gets wasted due to improper handling and storage, pest infestation, poor logistics, inadequate storage and lack of transportation infrastructure (Sachan et al., 2005). Apart from this, only a small quantity of agricultural production is processed for value addition. Efficiency in food production is very low and this is mainly due to inefficient sourcing of raw material, which is the major part of processing costs (Ali and Kapoor, 2005). To assess the critical issues at each level of agricultural supply chain, the agricultural system can broadly be categorized into five sub-systems- agricultural input, agricultural production, food processing, distribution and marketing, and consumer demand.

A sustained increase in agricultural production and productivity is largely dependent on the continuous development and use of modern agricultural inputs such

as seeds of a better quality, fertilizers, pesticides, farm implements and machinery. Due to a fragmented input market, farmer faces numerous problems in acquiring quality inputs on time and a reasonable price. Policy reforms introduced during the late 1980s have attempted to encourage greater private sector participation in the agricultural input industry, which has stimulated a noticeable increase in investment in plant breeding research and seed production (Singh and Morris, 1997).

The price support system was introduced by government in 1965 by setting up Agricultural Prices Commission (APC) now renamed as Commission of Agricultural Costs and Prices (CACPC). This provided the opportunities to farmers to sell their produce on MSP if the market price dropped below the MSP for that commodity. The government is supposed to procure all agricultural commodities for which MSP has declared in such situation. The basic objective of food grain procurement by government agencies is to ensure remunerative prices to producer and reasonable prices to consumers, and to maintain price stability in market (Jha and Srinivasan, 1999).

Agriculture can realize its full potential by applying the principal of supply chain management by strengthening the collaboration between various stakeholders, non-exploitative vertical and horizontal integration, market reforms, precision farming, contract farming, demand-led diversification, and the extensive and intensive use of information technology for real time communication across the chain (Balakrishnan, 2006).

The nature of the integration model is an implementation issue that needs to be addressed with a view to consumer's needs and other variables such as industry and market characteristics. One theme that appears to hold constant throughout the literature in this area is the importance of taking a holistic view, and the systemic nature of interactions between the participants. The recognition of the interdependence of all partners in a supply network appears to be an important catalyst for effective integration. In this sense, organizations moving to implement integrated supply chain management systems could be seen to be formalizing strategies to better manage this inter-dependence, and to leverage it to mutual advantage. At the same time, it is also apparent that this requirement to take such an holistic and systemic view of the supply chain acts as an impediment to more extensive implementation. The strategic nature of adopting a supply chain-wide perspective, on the one hand provides significant potential benefit, and on the other requires trading partners to think and act strategically. The challenge for developing more effective and integrated networks is to encourage such a mind-set, and use it to promote adoption and implementation of enabling technologies and methods. In other words, this review of the literature serves to highlight the inter-dependence between integration (technologies, logistics,

and partnerships), a strategic view of supply chain systems, and implementation approach. All three need to inform and underpin each other in order for management of supply chains to be able to deliver on the promise of benefits for all trading partners.

Economic reforms and liberalization in the agriculture sector have emphasized the need for transforming Indian agriculture by designing agricultural supply chain model covering innovations at farming levels, which can help farmers regain profitability in a sustainable manner under changing conditions with proper assurance of market arrangements (Rao and Punwar, 2004). The reforms in agricultural marketing system to ensure participation for establishing direct linkage with farmers, capacity building and infrastructure development in regulated markets, extension of road network and transportation, storage and warehousing, market intelligence system, introduction of commodity by establishing commodity are some important areas of interventions, but the changes are taking place at a very slow pace.

For establishing an efficient and effective supply chain system in the Indian agriculture, there is an urgent need to improve the functioning of regulated markets and amend the APMC Act by the all state government as per the model act on agricultural marketing suggested by the central government to ensure private participation in supply chain system in an organized and legal manner. This will enable private agro processing units and business operators to link themselves with farming community directly, eliminating multiple intermediaries. For increasing efficiency in food processing segment, the process of raw material sourcing needs to be redesigned in an efficient organizational framework with proper backward linkages. The emergence of agribusiness activities and food retailing is providing both opportunities and challenges to policy makers. There is need to assess all the existing policies affecting the agricultural supply chain and modify them as per the requirements of market forces, with proper regulatory mechanisms to protect the interest of all the stockholders in the chain.

Further research opportunities

As our assessment indicates, there is a lack of empirical research on the significance and benefits of food supply chain management. Although a majority will agree to the importance and potential benefits of it, somehow food supply chain management does not seem to occur often enough in practice. Organizations appear to have significant difficulties in evolving from theory to the successful implementation and practice of supply chain management. This is a crucial yet challenging dilemma to solve. In many cases, food supply chain does not have seamless chains, optimized flows, or networks of integrated organizations. In reality, the frameworks and their

corresponding terminologies, once more elaborately illustrated, ultimately are dealing with companies trying to make dyadic relationships better. Therefore, Indian agriculture needs methodical approaches for the implementation of supply chain system and we need sound empirically based research to continue to develop the field and to explore the concepts related to supply chain. It will require significant efforts, applying both qualitative and quantitative research projects to further develop these concepts in order to advance both practical applications and academic theories.

As above points emphasise on need of greater problem oriented and issue based research which employs integrated approaches to solving postharvest issues, apart from missing links in our understanding and implementation of food supply chain, postharvest technology, proper linkages must be established in agriculture and processing sector. Innovations in postharvest technology and particularly in the development of infrastructure could help achieve this goal. The processing of fruits and vegetables for export and for domestic markets requires utmost attention in developing country like India. Waste generated by processing factories must be put to profitable usage, either through conventional technologies or through the adoption of biological processes (Verma and Joshi, 2000).

One additional aspect that requires discussion is the challenge in designing, developing and managing cross-organizational processes when organizations are still struggling with internal process management. Few, if any, examples exist of truly process-oriented organizations. Yet process management is, in many ways, mentioned as a prerequisite for supply chain management.

The need for further research to capture both the characteristics of successful implementation, and the factors determining the level of implementation is captured by Akkermans (1999) when he states:

. . . the Supply chain management literature has shown very little empirical evidence of successful strategic moves towards supply chain management [and later] . . . we do not yet have causal relationships between the various factors driving effective supply chain management and their interrelations with performance improvements in areas like inventory management, supply chain costs, and customer satisfaction.

There has been some research into a range of barriers to extensive adoption, particularly with regards to cost, ease of implementation and conflicting standards being identified as restricting wider use. An emergent theme in the literature is the discussion of implementation in terms of extent (that is, formal organizational links with suppliers and customers, application ICT tools to incoming goods, formal agreements with suppliers, etc.), focus (overall strategic plan), and expected benefit (source of

competitive advantage). There is an opportunity to pursue a range of questions. What is the true extent of implementation of techniques and methodologies used for the management of the supply chain? Do organizations that implement supply chain management techniques progress from a basic implementation to a more extensive one over time? Are there significant geographic and demographic factors that impact on the decision to implement such as company size or industry sector? Can companies be distinguished from one another on the basis of this extent of implementation model? How Food Corporation of India (FCI) has been coordinating among its different sister units and different scheme run by government of India. All the different aspect of PDS and contract farming is subject with desire of further more research work. Given the apparent contradiction in the literature between promised benefits and still limited evidence of extensive implementation, the examination of factors creating and reinforcing this apparent gap would appear beneficial.

Conclusion

While exploring the subject of food supply chain in Indian agriculture one can say upliftment and integration of agricultural system is utmost important. There is also lack of emphasis on both formal and informal risk management options available, although in practice, most analytical attention will likely focus on the scope for improving or supplementing formal mechanisms, including institutional and financial arrangements, technological changes, adoption of improved management practices, and/or investments in infrastructure. If the government is mainly focused on the position and welfare of poorer farmers, then greater attention would need to be given to alternative informal mechanisms and improving their efficacy. Study also suggests that there is lack of attention been paid to areas categorized as 'high vulnerability', either for individual chain participants or the chain as a whole. Research towards agricultural infra-structure and supply chain has not been given its due and that should be undertaken on the needs/options for policy and regulatory reforms that affect farmer/agro-enterprise risk management as well as the possible revision/reform of governmental risk management instruments. Aspects like cold chain needs to be given more consideration as it could results in the reduction of losses and retention of the quality of horticultural produce. While the introduction of a cold chain facility nationwide due to some institutional, structural and financial constraints may not be immediately possible in India, attempts must be made

to develop a cool chain. Usefulness of ICT is well established in improving productivity of Agricultural sector and this needs to be addressed by authorities. Food loss reduction is less costly than an equivalent increase in food production. If efforts are not made to modernize the harvest handling system for horticultural crops, then postharvest losses will continue to have a negative economic and environmental impact. There is no doubt that postharvest food loss reduction significantly increases food availability. An efficient collaboration between stakeholders will reduce risk, losses and greatly improve the efficiency to ensure food security and development.

Conflict of Interests

The author(s) have not declared any conflict of interests.

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